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Section 4:

CROWN ORGANIZATIONS (CONTINUED):

GOVERNMENT ENTERPRISES:

Management’s Responsibility for Financial Reporting

The accompanying consolidated financial statements are the responsibility of the management of the Special Operating Agencies Financing Authority and have been prepared in accordance with Canadian public sector accounting 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 to July 26, 2013.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the consolidated financial statements are derived accurately reflect all transactions in all material respects.

The responsibility of the Auditor General is to express an independent opinion on whether the consolidated financial statements of the Special Operating Agencies Financing Authority 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,
Special Operating Agencies Financing Authority

Lynn Cowley, Chairperson
July 26, 2013

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Members of the Special Operating Agencies Financing Authority

We have audited the accompanying consolidated financial statements of the Special Operating Agencies Financing Authority, which comprise the consolidated statements of financial position as at March 31, 2013 and the consolidated statements of operations and accumulated surplus, 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 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.

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 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 Special Operating Agencies Financing Authority as at March 31, 2013, and the results of its operations, its change in net debt 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
July 26, 2013

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
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Special Operating Agencies Financing Authority
Province of Manitoba
Consolidated Statement of Financial Position
As at March 31, 2013
(In Thousands)

	March 31, 2013	March 31, 2012
Financial Assets		
Cash and cash equivalents (Note 6)	$ 53,884	$ 47,753
Accounts receivable (Note 7)	19,784	20,355
Portfolio investments	9,431	8,332
Inventories for resale	7,811	7,682
	90,910	84,122
Liabilities		
Working capital advances (Note 8)	13,421	14,315
Accounts payable and accruals	19,063	20,310
Unearned revenue	7,253	5,348
Employee future benefits (Note 9)	9,447	9,246
Capital lease obligations (Note 10)	74	109
Borrowings from the Province of Manitoba (Note 11)	104,668	97,911
	153,926	147,239
Net Debt	(63,016)	(63,117)
Non-financial Assets		
Inventories held for use	200	220
Prepaid expenses	4,049	3,969
Tangible capital assets (Note 12)	157,477	149,779
	161,726	153,968
Accumulated Surplus (Note 13)	$ 98,710	$ 90,851

Designated assets (Note 14)
Commitments (Note 15)
Contingencies (Note 16)

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

Special Operating Agencies Financing Authority
Province of Manitoba
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended March 31, 2013
(In Thousands)

	2013 Budget	2013 Actual	2012 Actual
Revenue			
Grants:			
Province of Manitoba	$ 4,386	$ 4,294	$ 6,095
Federal Government	545	1,077	1,957
Other	2,345	2,591	2,667
Total grants	7,276	7,962	10,719
Revenue from Province of Manitoba entities	133,348	128,116	129,272
Fees and other revenue	86,123	89,999	84,740
Investment income	232	447	354
Total revenue	226,979	226,524	225,085
Expense			
Personnel services	66,423	61,140	57,738
Grants/Transfer payments	2,451	2,076	3,463
Transportation	3,876	3,446	3,406
Communication	6,570	6,102	6,309
Supplies and services	75,901	73,414	77,800
Debt servicing	5,018	4,588	4,454
Minor capital	80	281	296
Amortization	26,700	26,093	24,171
Other operating	17,038	15,345	14,870
Total expense	204,057	192,485	192,507
Net income before the transfer of funds to the Province of Manitoba	22,922	34,039	32,578
Transfer of funds to the Province of Manitoba (Note 17)	26,180	26,180	26,180
Net income	(3,258)	7,859	6,398
Accumulated surplus, beginning of year	88,032	90,851	84,453
Accumulated surplus, end of year	$ 84,774	$ 98,710	$ 90,851

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

Special Operating Agencies Financing Authority
Province of Manitoba
Consolidated Statement of Change in Net Debt
For the Year Ended March 31, 2013
(In Thousands)

	2013		2012
	Budget	Actual	Actual
Net income	$ (3,258)	$ 7,859	$ 6,398
Tangible capital assets			
Acquisition of tangible capital assets	(37,549)	(36,133)	(35,553)
Amortization of tangible capital assets	25,718	26,093	24,172
Gain on disposal of tangible capital assets	(462)	(673)	(472)
Disposal of tangible capital assets	3,011	3,015	2,398
Net change	(9,282)	(7,698)	(9,455)
Other non-financial assets			
(Increase) decrease in inventory held for use	-	20	(16)
(Increase) in prepaid expense	(501)	(80)	(73)
Net change	(501)	(60)	(89)
(Increase) decrease in net debt	(13,041)	101	(3,146)
Net debt, beginning of year	(72,592)	(63,117)	(59,971)
Net debt, end of year	$ (85,633)	$ (63,016)	$ (63,117)

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

Special Operating Agencies Financing Authority
Province of Manitoba
Consolidated Statement of Cash Flow
For the Year Ended March 31, 2013
(In Thousands)

	2013 Actual	2012 Actual
Cash provided by (applied to):		
Operating		
Net income	$ 7,859	$ 6,398
Amortization of tangible capital assets	26,093	24,172
Gain on disposal of tangible capital assets	(673)	(472)
	33,279	30,098
Change in:		
Accounts receivable	571	3,523
Inventories	(109)	(429)
Accounts payable and accruals	(1,247)	561
Unearned revenue	1,905	78
Employee future benefits	201	731
Prepaid expenses	(80)	(73)
Cash provided by operating activities	34,520	34,489
Capital		
Proceeds from disposal of tangible capital assets	3,015	2,398
Acquisition of tangible capital assets	(36,133)	(35,553)
Cash applied to capital activities	(33,118)	(33,155)
Investing		
Portfolio investments	(1,099)	157
Cash provided by (applied to) investing activities	(1,099)	157
Financing		
Working capital advances	(894)	1,405
Capital lease obligations	(35)	(45)
Borrowings from the Province of Manitoba	19,600	17,070
Debt repayments to the Province of Manitoba	(12,843)	(11,659)
Cash provided by financing activities	5,828	6,771
Increase in cash	6,131	8,262
Cash and cash equivalents at beginning of year	47,753	39,491
Cash and cash equivalents at end of year	$ 53,884	$ 47,753

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

1. Nature of Organization

The Special Operating Agencies Financing Authority (the "Financing Authority") is a body corporate established effective April 1, 1992 under ***The Special Operating Agencies Financing Authority Act.*** Under the direction of the Minister of Finance, the Financing Authority consists of the Chairperson as its sole member and receives staff support from the Department of Finance.

The Financing Authority provides a mechanism for funding Special Operating Agencies (SOAs) that operate outside the Consolidated Fund. It functions as a non-operating holding company, with the mandate to hold and acquire assets required for and resulting from SOA operations. It finances SOAs through contributed equity, repayable loans, and working capital advances. This financial framework enables SOAs to operate in a business-like manner within government policy expectations.

SOAs are designated by regulation under the Act and operate under a charter approved by the Lieutenant Governor in Council. A management agreement between the Financing Authority and the Minister responsible for each SOA assigns responsibility to the agency to manage and account for SOA-related assets and operations on behalf of the Financing Authority. SOAs remain accountable to their Minister for the results they achieve with the authority and resources granted.

SOAs in operation during the fiscal year ended March 31, 2013 were as follows:

1) Civil Legal Services, Department of Justice
2) Companies Office, Department of Healthy Living, Seniors and Consumer Affairs
3) Crown Lands and Property Agency, Department of Infrastructure and Transportation
4) Food Development Centre, Department of Agriculture, Food and Rural Initiatives
5) Green Manitoba Eco Solutions, Department of Conservation and Water Stewardship
6) Industrial Technology Centre, Department of Innovation, Energy and Mines
7) Manitoba Education, Research and Learning Information Networks (MERLIN), Department of Innovation, Energy and Mines
8) Manitoba Financial Services Agency (formerly Manitoba Securities Commission), Department of Finance
9) Manitoba Text Book Bureau, Department of Education
10) Materials Distribution Agency, Department of Infrastructure and Transportation
11) Office of the Fire Commissioner, Department of Family Services and Labour
12) Organization and Staff Development, Civil Service Commission
13) Pineland Forest Nursery, Department of Conservation and Water Stewardship
14) The Property Registry, Department of Healthy Living, Seniors and Consumer Affairs
15) The Public Trustee, Department of Justice
16) Vehicle and Equipment Management Agency, Department of Infrastructure and Transportation
17) Vital Statistics Agency, Department of Healthy Living, Seniors and Consumer Affairs

1. Nature of Organization (continued)

During the year, changes were made to the following SOAs:

a) 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, effective October 1, 2012. Since that date, this SOA has been operating as the Manitoba Financial Services 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.

b) The designation of Organization and Staff Development as a special operating agency under The Special Operating Agencies Financial Authority Act was revoked by a Manitoba Order in Council dated March 13, 2013 and its operating charter was cancelled effective March 31, 2013. As of March 31, 2013 the net assets were transferred out of the organization to Special Operating Agencies Financing Authority and the capital assets and inventory on hand were then transferred to the Province. On April 1, 2013 Special Operating Agencies Financing Authority then transferred the remaining net assets to the Province where Organization and Staff Development will continue to operate as a branch in the Civil Service Commission.

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2. Basis of Accounting

The consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board.

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3. Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is composed of all SOAs as listed in Note 1 to the consolidated financial statements. These SOAs are controlled by the Financing Authority. Control, as defined by the Public Sector Accounting Board, is the power to govern the financial and operating policies of the SOAs with expected benefits or the risk of loss to the Financing Authority from their activities.

All inter-entity accounts and transactions between these SOAs are eliminated upon consolidation.

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4. Significant Accounting Policies

a. Revenue

(i) Government transfers
Government transfers are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All government transfers are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

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 stipulations give 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 by the recipient.

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 or amortized cost.

(ii) 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 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.

4. Significant Accounting Policies (continued)

e. Non-financial Assets

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

(i) Inventories
Inventories held for use are classified as non-financial assets. Inventories held for resale are classified as non-financial assets if it is anticipated that the sale will not be completed within one year.

(ii) 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.

(iii) 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:

Vehicles	-	straight line over term of lease
Vehicles, fire engines	-	30%, declining balance
Equipment and furniture	-	6 2/3% - 20%, straight line 20% - 30%, declining balance
Rental equipment	-	2 - 5 years, straight line
Computer equipment and software	-	4 - 15 years, straight line 20% - 30%, declining balance
Buildings	-	15 years, straight line 5% - 10%, declining balance
Practical training site	-	10%, declining balance
Leasehold improvements	-	5 - 10 years, 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.

g. Administrative Expenses Paid by the Province of Manitoba

The Treasury Board Secretariat pays for salaries and certain operating expenses on behalf of the Financing Authority. These contributions totaling $112 (2012 - $116) are recorded as expenses and revenue of the Financing Authority.

5. 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 Financing Authority records its financial assets at cost or amortized cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Financing Authority also records its financial liabilities at cost or amortized cost, which include working capital advances, accounts payable 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 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 Financing Authority does not incur any remeasurement gains and losses during the year (2012 - $nil).

Financial risk management - overview

The Financing Authority has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk and 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 Financing Authority to credit risk consist principally of cash and cash equivalents, accounts receivable, and portfolio investments.

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

	2013	2012
Cash and cash equivalents	$53,884	$47,753
Accounts receivable	19,784	20,355
Portfolio investments	9,431	8,332
	$83,099	$76,440

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

Accounts receivable: The Financing Authority is not exposed to significant credit risk as the majority of its accounts receivable are with related entities. The balance is due from a large client base, and payment in full is typically collected when it is due. The Financing Authority manages this credit risk through close monitoring of credit applications and overdue accounts.

5. Financial Instruments and Financial Risk Management (continued)

The Financing Authority 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:

	2013	2012
Balance, beginning of the year	$ 713	$ 533
Provision for receivable impairment	18	269
Amounts written off	(40)	(89)
Balance, end of the year	$ 691	$ 713

Liquidity risk

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

The Financing Authority 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 Financing Authority'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 Financing Authority manages its interest rate risk on long-term debt through the exclusive use of fixed rate terms for its long-term debt. A one percent (100 basis points) movement in interest rates on the working capital advances for an entire year would increase/decrease debt servicing costs by $139 (2012 - $136).

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 Financing Authority is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

6. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

	2013	2012
Restricted	$ 2,186	$ 1,851
Unrestricted	51,698	45,902
Total cash and cash equivalents	$ 53,884	$ 47,753

The restricted balance represents primarily the amount of customer deposits held in a separate bank account. These deposits are unearned revenue until services are provided.

7. Accounts Receivable

	2013	2012
Trade	$17,815	$17,661
Insurance agency rebate	613	627
Other	1,356	2,067
	$19,784	$20,355

8. Working Capital Advances

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council, has arranged for working capital advances to be available to the Financing Authority. The aggregate of the outstanding advances is not to exceed $33,120 (2012 - $31,620) at any one time. As at March 31, 2013, $13,421 (2012 - $14,315) was advanced, leaving an unused balance of $19,699 (2012 - $17,305). These advances bear interest at prime less 1% and are not secured by specific assets.

9. Employee Future Benefits

	2013	2012
Pension benefits	$ -	$ -
Severance benefits	8,343	8,161
Sick pay benefits	1,104	1,085
	$ 9,447	$ 9,246

9. Employee Future Benefits (continued)

Pension benefits

Employees of SOAs 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 SOAs, through the Civil Service Superannuation Fund.

Pursuant to an agreement with the Province of Manitoba, the SOAs are required to pay to the Province an annual amount equal to the current pension contributions of their employees. The amount paid for 2013 is $3,391 (2012 - $2,907). Under this agreement, the pension liability is the responsibility of the Province, and these SOAs have 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, 2011. 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, 2013 is $8,343 (2012 - $8,161). The actuarial loss of $462 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, 2013 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%

9. Employee Future Benefits (continued)

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

	2013	2012
Accrued benefit liability	$8,616	$8,464
Less: unamortized actuarial losses	(273)	(303)
Severance benefit liability	$8,343	$8,161

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

	2013	2012
Interest on obligation	$550	$507
Current period benefit cost	270	254
Amortization of actuarial gain over EARSL	31	31
Total expense related to severance benefit	$851	$792

Sick pay benefits

The Financing Authority 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.

10. Capital Lease Obligations

	2013	2012
Polaris Leasing Ltd., capital lease due November 1, 2013, interest at 7.318% per year with annual principal and interest payments of $43 for the first 4 years and a final payment of $79 in 2014	$ 74	$ 109

Capital lease obligations are secured by equipment under lease. The future minimum lease payments for the next year are as follows:

2014	$ 74

11. Borrowings from the Province of Manitoba

Instalment Amount	Interest Rate	Maturity Date	2013	2012
Repayable in monthly instalments of principal plus interest:				
6	5.125%	Jul 31, 2023	$ 784	$ 859
3	4.875%	Jul 31, 2023	338	371
2	4.875%	Jul 31, 2023	221	243
1	3.875%	Jan 31, 2021	119	134
Repayable in quarterly instalments of principal plus interest:				
33	4.000%	Mar 1, 2021	1,064	1,197
49	3.000%	Mar 30, 2022	1,773	1,970
Repayable in semi-annual instalments of principal and interest:				
137	4.750%	Sep 30, 2012	-	133
142	5.000%	Sep 30, 2012	-	138
345	4.000%	Mar 31, 2013	-	670
140	4.050%	Sep 30, 2013	137	404
355	3.875%	Sep 30, 2013	348	1,025
376	2.625%	Sep 30, 2014	1,098	1,807
148	4.875%	Mar 31, 2015	556	814
215	2.625%	Mar 31, 2015	831	1,231
117	4.125%	Sep 30, 2015	550	755
482	2.500%	Sep 30, 2015	2,320	3,208
271	2.563%	Sep 30, 2016	1,805	2,292
581	2.050%	Sep 30, 2016	3,909	4,975
186	3.450%	Mar 31, 2017	1,378	1,695
213	2.375%	Mar 31, 2017	1,619	2,000
269	2.250%	Sep 30, 2017	2,287	2,765
530	2.125%	Sep 30, 2017	4,524	-
212	2.125%	Mar 31, 2018	2,000	-
232	2.200%	Sep 30, 2018	2,396	-
237	4.875%	Sep 30, 2023	3,858	4,133
102	3.400%	Sep 30, 2023	1,792	1,932
334	5.000%	Mar 31, 2024	5,607	5,982
192	4.875%	Mar 31, 2024	3,239	3,457
2,018	4.875%	Mar 31, 2024	34,046	36,338
162	4.500%	Sep 30, 2024	2,879	3,066
201	4.000%	Sep 30, 2025	3,923	4,161
162	4.550%	Mar 31, 2026	3,158	3,333
213	3.300%	Sep 30, 2027	4,870	-
127	3.250%	Sep 30, 2027	2,922	-
86	3.375%	Mar 31, 2028	2,000	-
80	5.000%	Mar 31, 2030	1,811	1,877

11. Borrowings from the Province of Manitoba (continued)

Instalment Amount	Interest Rate	Maturity Date	2013	2012
Repayable in annual instalments of principal plus interest:				
18	5.800%	Apr 30, 2017	89	106
175	5.625%	May 30, 2019	1,225	1,400
60	4.200%	Mar 31, 2026	780	840
113	3.400%	Mar 31, 2027	1,587	1,700
Repayment terms to be determined:				
-	Prime less 0.75%	-	825	900
			$104,668	$ 97,911

Interest cost is measured using the effective interest method. Principal repayments in each of the next five years are as follows:

2014	$13,108
2015	12,645
2016	11,338
2017	10,244
2018	8,123

Loan authority availability was approved for the following agencies (listed in the following table):

Under the Loan Act, 2012	
Vehicle and Equipment Management Agency	$29,600
The Property Registry	6,000
Industrial Technology Centre	910
Pineland Forest Nursery	441
Vital Statistics Agency	70
Total loan authority	$37,021

Of the $37,021 in available loan authority, $19,600 was drawn down at various times during the year, leaving $17,421 of the loan authority availability unutilized.

12. Tangible Capital Assets

	2013			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Vehicles (signed lease agreement)	219,403	31,017	17,811	232,609
Vehicles, fire engines	2,667	495	26	3,136
Equipment and furniture	21,173	1,144	184	22,133
Rental equipment	9,605	976	-	10,581
Computer equipment and software	15,065	1,970	152	16,883
Buildings	20,420	7,634	-	28,054
Practical training site	9,755	(7,125)	-	2,630
Leasehold improvements	2,769	22	-	2,791
Total cost	300,857	36,133	18,173	318,817
	Opening Balance	Amortization	Disposals	Closing Balance
Accumulated Amortization				
Vehicles (signed lease agreement)	104,791	21,150	15,560	110,381
Vehicles, fire engines	2,161	300	25	2,436
Equipment and furniture	13,843	1,173	97	14,919
Rental equipment	8,393	831	-	9,224
Computer equipment and software	8,640	1,140	149	9,631
Buildings	9,415	1,265	-	10,680
Practical training site	1,509	112	-	1,621
Leasehold improvements	2,326	122	-	2,448
Total Accumulated amortization	151,078	26,093	15,831	161,340
Net	149,779	10,040	2,342	157,477

12. Tangible Capital Assets (continued)

	2012			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Vehicles (signed lease agreement)	208,801	26,182	15,580	219,403
Vehicles, fire engines	2,555	148	36	2,667
Equipment and furniture	20,227	958	12	21,173
Rental equipment	8,930	675	-	9,605
Computer equipment and software	11,789	3,293	17	15,065
Buildings	20,319	101	-	20,420
Practical training site	5,655	4,100	-	9,755
Leasehold improvements	2,673	96	-	2,769
Total cost	280,949	35,553	15,645	300,857

	Opening Balance	Amortization	Disposals	Closing Balance
Accumulated Amortization				
Vehicles (signed lease agreement)	98,902	19,558	13,669	104,791
Vehicles, fire engines	1,982	211	32	2,161
Equipment and furniture	12,598	1,248	3	13,843
Rental equipment	7,508	885	-	8,393
Computer equipment and software	7,696	959	15	8,640
Buildings	8,330	1,085	-	9,415
Practical training site	1,411	98	-	1,509
Leasehold improvements	2,198	128	-	2,326
Total Accumulated amortization	140,625	24,172	13,719	151,078
Net	140,324	11,381	1,926	149,779

13. Accumulated Surplus

Reserve funds

The Financing Authority has allocated $750 of its accumulated surplus (2012 - $846) for reserve funds that are internally designated for the following purposes:

a) Food Development Centre

Based on approvals from Treasury Board, the Centre has allocated $nil (2012 - $96) of its accumulated surplus for reserve funds that are internally designated for the commercial and training expansion program.

b) Manitoba Financial Services Agency

The Manitoba Financial Services Agency has designated $750 of its portfolio investments (2012 - $750) as a reserve fund to provide for extraordinary regulatory expenses and changes in market activity affecting revenue.

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14. Designated Assets

Designated assets are distinct from restricted assets. Unlike restricted assets, the Financing Authority can readily change its by-law or resolution and use the designated assets for another purpose if the need arises. The Financing Authority has allocated $7,575 (2012 - $7,620) of its portfolio investments as designated assets for the following purposes:

a) The Manitoba Financial Services Agency maintains separate deposits of $750 (2012 - $750) to fund expenses which may arise with respect to its reserve fund (Note 13b).

b) The Financing Authority has received $6,825 ($2012 - $6,870) of cash from the Province of Manitoba primarily for the vacation entitlements earned by the employees of the SOAs prior to their designation as SOAs 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.

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15. Commitments

Commitments for SOAs with building lease agreements at March 31, 2013 amount to $13,862 (2012 - $9,189).

Other commitments entered into by SOAs are as follows:

Crown Lands And Property Agency	Vehicle and equipment leases	$ 76
Office of the Fire Commissioner	Vehicle leases	451
The Property Registry	Equipment lease agreements	120
		$ 647

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

2014	$2,231
2015	2,256
2016	2,240
2017	2,228
2018	2,207

16. Contingencies

A potential claim has been filed against Organization and Staff Development for breach of an agreement. In the opinion of management and legal counsel, the amount of the potential loss cannot be estimated, and the outcome of the claim is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

The Property Registry has been named in five lawsuits for which the likelihood of damages being awarded and the amount to be awarded is not reasonably estimable. Should any loss result from the resolution of these claims, such loss will be charged to the Assurance Fund of Manitoba in the year of resolution.

17. Transfer of Funds to the Province of Manitoba

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Order in Council, allocated $26,180 (2012 - $26,180) of the Financing Authority's surplus funds for transfer to the Consolidated Fund of the Province of Manitoba. Payments for this transfer were made by the following SOAs:

	2013	2012
Civil Legal Services	$ 250	$ 250
Companies Office	2,500	2,500
Manitoba Financial Services Agency	8,800	8,800
Office of the Fire Commissioner	750	750
The Property Registry	11,000	11,000
Vehicle and Equipment Management Agency	2,500	2,500
Vital Statistics Agency	380	380
	$26,180	$26,180

18. Estates and Trusts under Administration

The Public Trustee has statutory responsibility for administering clients' estates and trusts. The client assets under administration at March 31, 2013 total approximately $223,000 (2012 - $226,000). The trust activities of The Public Trustee are reported in separate audited financial statements for Estates and Trusts under Administration.

19. Related party transactions

The Financing Authority is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Financing Authority enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

20. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the management of the various Special Operating Agencies consolidated in these financial statements.

21. Subsequent events

a) On December 12, 2012, Teranet Holdings Limited Partnership and the Province of Manitoba entered into a term sheet setting out the fundamental terms and conditions of a transaction pursuant to which the Province of Manitoba will grant to a limited partnership, Teranet Manitoba LP, a 30-year exclusive concession to own and operate the business and operations of The Property Registry of Manitoba (the "TPR"), which includes the transfer of certain assets and a workforce of approximately 137 employees. Under the terms of the proposed agreement, Teranet Manitoba will provide services to the Province of Manitoba to facilitate the delivery by the Province of Manitoba of its statutory functions relating to the Land Titles Office and the Personal Property Registry.

The completion of the transaction will be subject to the satisfaction of certain conditions and the finalization of mutually agreed upon definitive agreements. The transaction is expected to close in the first half of the 2014 fiscal year.

Commencing on the closing date and for the duration of the term of the definitive agreements, Teranet Manitoba will be:

- entitled to receive and retain all statutory fees and certain other fees collected in connection with the operation of the TPR Business, including registration and search fees; and
- required to pay to the Province of Manitoba an annual royalty at rates that will vary based upon transaction volumes.

b) Effective April 1, 2013, Companies Office amalgamated with the following branches and functions of the Department of Entrepreneurship Training and Trade and continued as a special operating agency under the name Entrepreneurship Manitoba:

- Small Business Development Branch;
- Competitiveness Initiatives Branch;
- Business Settlement Office of the Business Immigration and Investment Branch; and
- Canada/Manitoba Business Service Centre.

22. Comparative figures

Comparative figures for the year ended March 31, 2013 have been restated, where appropriate, to conform to the presentation adopted for March 31, 2012.

Special Operating Agencies Financing Authority
Province of Manitoba
Schedule of Summarized Results by Special Operating Agency
For the Year Ended March 31, 2013
(In Thousands)

	2013				
	Revenue	**Expense**	**Net income (loss) before the transfer**	**Transfer of funds to the Province of Manitoba**	**Net income (loss)**
Civil Legal Services	$ 8,057	$ 7,638	$ 419	$ 250	$ 169
Companies Office	8,168	4,461	3,707	2,500	1,207
Crown Lands and Property Agency	4,648	4,611	37	-	37
Food Development Centre	3,887	4,574	(687)	-	(687)
Green Manitoba Eco Solutions	2,859	2,677	182	-	182
Industrial Technology Centre	2,936	2,851	85	-	85
Manitoba Education, Research and Learning Information Networks	4,532	4,504	28	-	28
Manitoba Financial Services Agency (formerly Manitoba Securities Commission)	16,191	4,496	11,695	8,800	2,895
Manitoba Text Book Bureau	8,032	8,046	(14)	-	(14)
Materials Distribution Agency	25,035	24,849	186	-	186
Office of the Fire Commissioner	16,696	13,643	3,053	750	2,303
Organization and Staff Development	1,524	1,945	(421)	-	(421)
Pineland Forest Nursery	2,511	3,110	(599)	-	(599)
The Property Registry	27,174	13,956	13,218	11,000	2,218
The Public Trustee	6,941	6,330	611	-	611
Vehicle and Equipment Management Agency	86,465	84,049	2,416	2,500	(84)
Vital Statistics Agency	3,505	3,572	(67)	380	(447)
Special Operating Agencies Financing Authority	401	211	190	-	190
Total before consolidation adjustments	229,562	195,523	34,039	26,180	7,859
Consolidation adjustments:					
- Elimination of transactions between SOAs	(3,038)	(3,038)	-	-	-
Net income	$ 226,524	$ 192,485	$ 34,039	$ 26,180	$ 7,859

Special Operating Agencies Financing Authority

Province of Manitoba

Schedule of Summarized Results by Special Operating Agency

For the Year Ended March 31, 2012

(In Thousands)

	2012				
	Revenue	**Expense**	**Net income (loss) before the transfer**	**Transfer of funds to the Province of Manitoba**	**Net income (loss)**
Civil Legal Services	$ 7,054	$ 6,676	$ 378	$ 250	$ 128
Companies Office	7,914	4,407	3,507	2,500	1,007
Crown Lands and Property Agency	4,608	4,961	(353)	-	(353)
Food Development Centre	5,116	4,222	894	-	894
Green Manitoba Eco Solutions	4,484	4,051	433	-	433
Industrial Technology Centre	3,001	2,975	26	-	26
Manitoba Education, Research and Learning Information Networks	4,809	4,794	15	-	15
Manitoba Financial Services Agency (formerly Manitoba Securities Commission)	15,059	4,060	10,999	8,800	2,199
Manitoba Text Book Bureau	7,678	7,678	-	-	-
Materials Distribution Agency	26,093	26,324	(231)	-	(231)
Office of the Fire Commissioner	15,247	12,902	2,345	750	1,595
Organization and Staff Development	1,627	1,648	(21)	-	(21)
Pineland Forest Nursery	2,496	3,015	(519)	-	(519)
The Property Registry	24,268	13,702	10,566	11,000	(434)
The Public Trustee	6,682	5,877	805	-	805
Vehicle and Equipment Management Agency	87,789	84,052	3,737	2,500	1,237
Vital Statistics Agency	3,540	3,548	(8)	380	(388)
Special Operating Agencies Financing Authority	130	125	5	-	5
Total before consolidation adjustments	227,595	195,017	32,578	26,180	6,398
Consolidation adjustments:					
- Elimination of transactions between SOAs	(2,510)	(2,510)	-	-	-
Net income	$ 225,085	$ 192,507	$ 32,578	$ 26,180	$ 6,398

Justice
Civil Legal Services SOA
Room 730 Woodsworth Building
405 Broadway
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In reply, please refer to:
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Civil Legal Services
An Agency of the Province of Manitoba
Special Operating Agencies Financing Authority

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of Civil Legal Services 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 7, 2013.

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 financial statements of Civil Legal Services 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 Civil Legal Services are fairly represented, in all material respects, in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion on the financial statements.

On behalf of Management of Civil Legal Services

C. Lynn Romeo
Director and Chief Operating Officer

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of
Civil Legal Services

Report on the Financial Statements

We have audited the accompanying financial statements of Civil Legal Services, an agency of the Special Operating Agencies Financing Authority, Province of Manitoba, which comprise the statements of financial position as at March 31, 2013 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 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, these financial statements present fairly, in all material respects, the financial position of Civil Legal Services as at March 31, 2013 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 7, 2013
Winnipeg, Canada

Magnus Chartered Accountants LLP

Statement of Financial Position

(in thousands)

As at March 31, 2013

	March 31 2013 Actual	March 31 2012 Actual
Financial assets		
Cash and cash equivalents	$ 1,519	$ 1,287
Accounts receivable (Note 4)	1,052	863
Portfolio investments	380	380
	2,951	2,530
Liabilities		
Accounts payable and accrued liabilities	158	138
Accrued vacation entitlements	691	576
Employee future benefits (Note 6)	1,179	1,068
	2,028	1,782
Net financial assets	923	748
Non-financial assets		
Tangible capital assets (Note 7)	33	39
	33	39
Accumulated surplus	$ 956	$ 787

Designated assets (Note 8)

Commitments (Note 9)

See accompanying notes to financial statements.

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

Statement of Operations

(in thousands)

Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Revenue:			
Recoveries	$ 7,648	$ 8,038	$ 7,035
Interest and other	13	19	19
	7,661	8,057	7,054
Expenses:			
Advertising and promotion	2	2	1
Amortization	28	25	28
Communications	60	62	50
Computer	60	68	53
Desktop management initiative	184	200	176
Government records centre	32	27	30
Law Society fees	65	79	64
Miscellaneous	13	8	15
Occupancy	219	219	218
Office	39	50	34
Postage and deliveries	16	16	16
Professional fees and services	59	50	66
Publications	45	50	48
Travel	42	18	20
Wages and benefits	6,552	6,764	5,857
	7,416	7,638	6,676
Net income before the transfer of funds to the Province of Manitoba	245	419	378
Transfer of funds to the Province of Manitoba (Note 10)	250	250	250
Net income for the year	(5)	169	128
Accumulated surplus, beginning of year	881	787	659
Accumulated surplus, end of year	$ 876	$ 956	$ 787

See accompanying notes to financial statements.

Statement of Change in Net Financial Assets
(in thousands)
Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Net income for the year	$ (5)	$ 169	$ 128
Tangible capital assets			
Acquisition of tangible capital assets	(30)	(19)	(7)
Amortization of tangible capital assets	28	25	28
Net acquisition of tangible capital assets	(2)	6	21
Increase (decrease) in net financial assets	(7)	175	149
Net financial assets, beginning of year	842	748	599
Net financial assets, end of year	$ 835	$ 923	$ 748

See accompanying notes to financial statements.

Statement of Cash Flow
(in thousands)
Year ended March 31, 2013

	2013 Actual	2012 Actual
Cash provided by (applied to):		
Operating activities:		
Net income for the year	$ 169	$ 128
Adjustment for:		
Amortization	25	28
	194	156
Changes in the following:		
Accounts receivable	(189)	(142)
Accounts payable and accrued liabilities	20	33
Accrued vacation entitlements	115	36
Employee future benefits	111	93
Net cash provided by operating activities	251	176
Capital activities:		
Acquisition of tangible capital assets	(19)	(7)
Cash applied to capital activities	(19)	(7)
Change in cash and cash equivalents	232	169
Cash and cash equivalents, beginning of year	1,287	1,118
Cash and cash equivalents, end of year	$ 1,519	$ 1,287

See accompanying notes to financial statements.

1. Nature of organization

The role of Civil Legal Services (the "Agency") flows from the constitutional and statutory responsibilities of the Minister of Justice as the Chief Legal Advisor to government and the guardian of the public interest. Acting pursuant to government policy, the Agency is responsible for providing a full range of high quality legal services, on a cost recovery basis, to its clients, namely the Province of Manitoba, the Province's agencies, boards and commissions and some Crown organizations.

Effective April 1, 1995, the Agency was designated 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.

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 provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating status, assists the Agency to sustain the provision of high quality legal services to its clients.

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

The Agency continues to be part of Manitoba Justice under the general direction of the Deputy Minister and Minister. The Agency 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. 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. Significant accounting policies

(a) Revenue

Recoveries
Revenue is recognized on an accrual basis as legal services are provided.

Other revenue
All other revenues are recognized on an accrual basis.

(b) Expenses

Accrual accounting
All expenses incurred for goods and services are recorded 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.

3. Significant accounting policies (continued)

(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 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:

Computer equipment and software	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)

(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.

(in thousands)

3. Significant accounting policies (continued)

(g) 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, 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. Accounts receivable

	2013	2012
Trade accounts receivable	$ 1,040	$ 855
Other receivables	12	8
	$ 1,052	$ 863

5. Working capital advances

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of $200 of which $nil was used at March 31, 2013 (2012 - $nil).

6. Employee future benefits

	2013	2012
Severance benefits	$ 1,030	$ 928
Sick pay benefits	149	140
	$ 1,179	$ 1,068

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.

Pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. The Agency is required to pay to the Province an amount equal to the current pension contributions of their employees. The amount paid for 2013 was $408 (2012 - $332). Under this agreement, the Agency has no further pension liability.

(in thousands)

6. 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 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.

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 Agency's actuarially determined net liability for accounting purposes as at March 31, 2013 is $1,030 (2012 - $928) with the actuarial losses of $124 (2012 - $124) 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, 2011 actuarial valuation, and in the determination of the March 31, 2013 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 as at March 31 includes the following components:

	2013	2012
Accrued benefit liability	$ 1,104	$ 1,010
Less: unamortized actuarial losses	(74)	(82)
Severance benefit liability	$ 1,030	$ 928

Total severance benefits paid during the year ended March 31, 2013 were $nil (2012 - $nil). The total expense related to severance benefits for the year ended March 31 includes the following components:

	2013	2012
Interest on obligation	$ 66	$ 60
Current period service cost	28	25
Amortization of actuarial losses over EARSL	8	8
Total expense related to severance benefits	$ 102	$ 93

(in thousands)

6. Employee future benefits (continued)

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 6.00% annual return and a 3.75% annual salary increase. The Agency's sick leave benefit liability as at March 31, 2013 based on the valuation model is $149 (2012 - $140). The increase in the sick leave benefit liability of $9 (2012 - $nil) represents the total sick leave benefit expense for the year.

7. Tangible capital assets

	2013			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment and software	$ 162	$ 9	$ -	$ 171
Furniture and fixtures	278	9	-	287
Leasehold improvements	80	1	-	81
	$ 520	$ 19	$ -	$ 539
Accumulated amortization				
Computer equipment and software	$ 148	$ 7	$ -	$ 155
Furniture and fixtures	265	13	-	278
Leasehold improvements	68	5	-	73
Total accumulated amortization	$ 481	$ 25	$ -	$ 506
Net book value	$ 39	$ (6)	$ -	$ 33

(in thousands)

7. Tangible capital assets (continued)

	2012			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment and software	$ 162	$ -	$ -	$ 162
Furniture and fixtures	274	4	-	278
Leasehold improvements	77	3	-	80
	$ 513	$ 7	$ -	$ 520
Accumulated amortization				
Computer equipment and software	$ 141	$ 7	$ -	$ 148
Furniture and fixtures	249	16	-	265
Leasehold improvements	63	5	-	68
Total accumulated amortization	$ 453	$ 28	$ -	$ 481
Net book value	$ 60	$ (21)	$ -	$ 39

8. Designated assets

The Agency has allocated $380 (2012 - $380) of its portfolio investments as designated assets for cash received from the Province of Manitoba for the 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 in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

9. Commitments

The Agency has not entered into a lease agreement with the Province of Manitoba for rental facilities at 405 Broadway. Occupancy charges for the year ending March 31, 2014 are estimated to be $227 (2013 actual - $219).

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 $250 of its surplus funds to the Province of Manitoba (2012 - $250). These amounts are recorded as an expense in the statement of operations.

(in thousands)

11. 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 (2012 - $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 year end is:

	2013	2012
Cash and cash equivalents	$ 1,519	$ 1,287
Accounts receivable	1,052	863
Portfolio investments	380	380
	$ 2,951	$ 2,530

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 primarily from other government departments and agencies 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. The allowance for doubtful accounts balance at March 31, 2013 is $nil (2012 - $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 maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet its obligations.

11. 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.

COMPANIES OFFICE
OFFICE DES COMPAGNIES

Healthy Living, Seniors and Consumer Affairs
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Toll Free in Manitoba 1-888-246-8353, E-Mail: companies@gov.mb.ca
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Adresse électronique : companies@gov.mb.ca
Site Web : http://www.companiesoffice.gov.mb.ca/index.fr.html

Manitoba

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of Companies Office 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 12, 2013.

Management maintains internal controls to properly safeguard the assets of Companies Office 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 Companies Office 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 Companies Office are fairly represented, in all material respects, in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion on the financial statements.

On behalf of Management of
Companies Office

Myron Pawlowsky	David Rudy
Chief Operating Officer	Controller

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of
Companies Office

Report on the Financial Statements

We have audited the accompanying financial statements of Companies Office, an agency of the Special Operating Agencies Financing Authority, Province of Manitoba, which comprise the statements of financial position as at March 31, 2013 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 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, these financial statements present fairly, in all material respects, the financial position of Companies Office as at March 31, 2013 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 12, 2013
Winnipeg, Canada

Magnus Chartered Accountants LLP

Statement of Financial Position

(in thousands)

March 31, 2013

	March 31 2013 Actual	March 31 2012 Actual
Financial assets		
Cash and cash equivalents	$ 5,080	$ 5,319
Trade accounts receivable	249	348
Portfolio investments	2,035	829
	7,364	6,496
Liabilities		
Accounts payable and accrued liabilities	874	271
Accrued vacation entitlements	241	227
Employee future benefits (Note 4)	322	327
Borrowings from the Province of Manitoba (Note 5)	2,837	3,167
	4,274	3,992
Net financial assets	3,090	2,504
Non-financial assets		
Tangible capital assets (Note 6)	3,302	2,687
Prepaid expenses	6	5
Inventories of supplies	35	30
	3,343	2,722
Accumulated surplus	$ 6,433	$ 5,226

Designated assets (Note 7)

Commitments (Note 8)

See accompanying notes to financial statements.

Statement of Operations

(in thousands)

Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Revenue:			
Fees and services	$ 7,200	$ 8,125	$ 7,876
Interest	10	43	38
	7,210	8,168	7,914
Expenses:			
Salaries and employee benefits	2,045	1,740	1,759
Operating expenses (Schedule)	3,308	2,709	2,633
Amortization of tangible capital assets	234	12	15
	5,587	4,461	4,407
Income before the transfer of funds to the Province of Manitoba	1,623	3,707	3,507
Transfer of funds to the Province of Manitoba (Note 9)	2,500	2,500	2,500
Net income for the year	(877)	1,207	1,007
Accumulated surplus, beginning of year	4,250	5,226	4,219
Accumulated surplus, end of year	$ 3,373	$ 6,433	$ 5,226

See accompanying notes to financial statements.

Statement of Change in Net Financial Assets
(in thousands)
Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Net income for the year	$ (877)	$ 1,207	$ 1,007
Tangible capital assets:			
Acquisition of tangible capital assets	(44)	(627)	(1,425)
Amortization of tangible capital assets	234	12	15
Net acquisition of tangible capital assets	190	(615)	(1,410)
Other non-financial assets:			
Change in prepaid expenses during the year	-	(1)	2
Change in inventories of supplies during the year	-	(5)	2
Net acquisition of other non-financial assets	-	(6)	4
Increase (decrease) in net financial assets	(687)	586	(399)
Net financial assets, beginning of year	973	2,504	2,903
Net financial assets, end of year	$ 286	$ 3,090	$ 2,504

See accompanying notes to financial statements.

Statement of Cash Flow
(in thousands)
Year ended March 31, 2013

	2013 Actual	2012 Actual
Cash provided by (applied to):		
Operating activities:		
Net income for the year	$ 1,207	$ 1,007
Adjustment for		
Amortization of tangible capital assets	12	15
	1,219	1,022
Changes in the following:		
Accounts receivable	99	(75)
Prepaid expenses	(1)	2
Inventories of supplies	(5)	2
Accounts payable and accrued liabilities	603	(209)
Accrued vacation entitlements	14	16
Employee future benefits	(5)	35
Cash provided by operating activities	1,924	793
Capital activities:		
Capital asset additions	(627)	(1,425)
Cash applied to capital activities	(627)	(1,425)
Financing activities:		
Debt repayments to the Province of Manitoba	(330)	(133)
New borrowings from the Province of Manitoba	-	1,970
Cash (applied to) provided by financing activities	(330)	1,837
Investing activities:		
Portfolio investments	(1,206)	(8)
Cash applied to investing activities	(1,206)	(8)
Change in cash and cash equivalents	(239)	1,197
Cash and cash equivalents, beginning of year	5,319	4,122
Cash and cash equivalents, end of year	$ 5,080	$ 5,319

See accompanying notes to financial statements.

1. Nature of organization

Effective April 1, 1996, the Lieutenant Governor in Council designated the Companies Office (the "Agency") as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. cS185) by Order in Council. Another 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. The management agreement assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA. SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

The Agency is in the Department of Healthy Living, Seniors and Consumer Affairs under the direction of the Minister, the Deputy Minister, and the Assistant Deputy Minister who is also Chairperson of the Companies Office 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

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. Significant accounting policies

(a) Revenue

Fees and services

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

Other revenue

All other revenues are recorded on an accrual basis.

(b) Expenses

Accrual 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.

3. 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 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 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

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 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.

(in thousands)

3. 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. 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 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 conformity 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 could differ from these estimates.

4. Employee future benefits

	2013	2012
Severance benefits	$ 281	$ 286
Sick pay benefits	41	41
	$ 322	$ 327

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 2013 was $105 (2012 - $95). Under this agreement, the Agency has no further pension liability.

(in thousands)

4. 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 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.

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. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2013 is $281 (2012 - $286), with the actuarial losses of $83 (2012 - $83) being amortized over the 15 year 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, 2013 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:

	2013	2012
Accrued benefit liability	$ 338	$ 349
Less: unamortized actuarial losses	(57)	(63)
Severance benefit liability	$ 281	$ 286

Total severance benefits paid during the year ended March 31, 2013 were $43 (2012 - $nil). The total expense related to severance benefits for the year ended March 31 includes the following components:

	2013	2012
Interest on obligation	$ 23	$ 21
Current period service cost	9	9
Amortization of actuarial losses over EARSL	5	5
Total expense related to severance benefits	$ 37	$ 35

(in thousands)

4. 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, 2013 based on the valuation model is $41 (2012 - $41). The total sick leave benefit expense for the year is $nil (2012 - $nil).

5. 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:

	2013	2012
4.0% repayable in quarterly instalments of $33 principal plus interest, maturing in 2021	$ 1,064	$ 1,197
3.0% repayable in quarterly instalments of $49 principal plus interest, maturing in 2022	1,773	1,970
	$ 2,837	$ 3,167

Interest is measured using the effective interest method. Principal repayments in each of the next five years are as follows:

2014	$ 330
2015	330
2016	330
2017	330
2018	330

(in thousands)

6. Tangible capital assets

	2013			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment and software	$ 111	$ 8	$ -	$ 119
Office equipment	16	-	-	16
Furniture and fixtures	136	-	-	136
Leasehold improvements	40	-	-	40
System development	2,661	619	-	3,280
	$ 2,964	$ 627	$ -	$ 3,591
Accumulated amortization				
Computer equipment and software	(94)	(7)	-	(101)
Office equipment	(16)	-	-	(16)
Furniture and fixtures	(127)	(5)	-	(132)
Leasehold improvements	(40)	-	-	(40)
Total accumulated amortization	$ (277)	$ (12)	$ -	$ (289)
Net book value	$ 2,687	$ 615	$ -	$ 3,302

During the year, system development costs were capitalized in the amount of $619 (2012 - $1,421). The total cost of tangible capital assets not subject to amortization as at March 31, 2013 is $3,280 (2012 - $2,661). Amortization will commence when construction is complete and the system is available for use.

(in thousands)

6. Tangible capital assets (continued)

	2012			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment and software	$ 107	$ 4	$ -	$ 111
Office equipment	16	-	-	16
Furniture and fixtures	136	-	-	136
Leasehold improvements	40	-	-	40
System development	1,240	1,421	-	2,661
	$ 1,539	$ 1,425	$ -	$ 2,964
Accumulated amortization				
Computer equipment and software	(85)	(9)	-	(94)
Office equipment	(16)	-	-	(16)
Furniture and fixtures	(121)	(6)	-	(127)
Leasehold improvements	(40)	-	-	(40)
Total accumulated amortization	$ (262)	$ (15)	$ -	$ (277)
Net book value	$ 1,277	$ 1,410	$ -	$ 2,687

7. Designated assets

The Agency has allocated $218 (2012 - $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 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.

8. Commitments

Lease commitment

The Agency has not entered into a lease agreement with the Province of Manitoba for rental facilities at 405 Broadway. Occupancy charges for the year ending March 31, 2014 are estimated to be $135 (2013 actual - $125).

(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 (2012 - $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 (2012 - $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:

	2013	2012
Cash and cash equivalents	$ 5,080	$ 5,319
Accounts receivable	249	348
Portfolio investments	2,035	829
	$ 7,364	$ 6,496

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, 2013 is $nil (2012 - $nil).

10. 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 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 21, 2012 have been reclassified to conform to the financial statement presentation adopted for the current year.

Schedule of Operating Expenses

(in thousands)

Year ended March 31, 2013

	2013	2013
Accounting	$ 13	$ 20
Audit	11	6
Bad debts	2	3
Bank charges	55	49
Communications	30	28
Computer	154	147
Department services	31	36
Desktop	104	103
Electronic storage	59	76
Equipment maintenance and rentals	3	3
Insurance	11	14
Interest on borrowings	103	51
Legal services	14	15
Manitoba Business Links	370	308
Miscellaneous	34	33
Name search application	164	173
New system costs	959	1,000
Notaries	137	131
Office rent	125	124
Payroll processing	20	20
Postal and courier	56	53
Programmers	181	164
Stationery	69	72
Transportation	4	4
	$ 2,709	$ 2,633

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 generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB). 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, 2013.

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 generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB). The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the Agency's management,

Mr. Normand Le Neal, Financial Officer

Ms Grace DeLong, Chief Operating Officer

Portage la Prairie, MB June 20, 2013

E X G
THE EXCHANGE
chartered accountants LLP

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, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, which comprise the statement of financial position as at March 31, 2013 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 generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, 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, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, as at March 31, 2013, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The Exchange

chartered accountants, LLP
Winnipeg, Manitoba
June 20, 2013

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CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Financial Position

March 31, 2013

(In thousands)

		2013		2012
FINANCIAL ASSETS				
Accounts receivable *(Notes 3, 5)*	**$**	**545**	$	646
Severance pay benefits, vacation pay and banked time cash in trust *(Note 7)*		**670**		670
Assets held in trust *(Notes 4, 8)*		**3**		3
		1,218		1,319
LIABILITIES				
Working capital advance, net of cash *(Note 9)*	**$**	**3,439**	$	3,766
Accounts payable and accrued liabilities *(Note 10)*		**768**		704
Client held funds		**823**		686
Trust fund liability *(Note 8)*		**3**		3
Severance pay liability *(Note 11)*		**369**		396
		5,402		5,555
NET DEBT		**(4,184)**		(4,236)
NON-FINANCIAL ASSETS				
Prepaid expenses *(Note 3)*		**41**		63
Tangible capital assets *(Note 3)*		**218**		212
		259		275
ACCUMULATED DEFICIT	**$**	**(3,925)**	$	(3,961)

LEASE COMMITMENTS *(Note 13)*

ON BEHALF OF CROWN LANDS AND PROPERTY AGENCY

______________________________ *Chief Operating Officer*

______________________________ *Finance Officer*

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Operations

Year Ended March 31, 2013

	Budget 2013	2013	2012
REVENUE	**$ 5,639**	**$ 4,648**	$ 4,608
EXPENSES			
Advertising	**14**	**7**	13
Amortization	**123**	**75**	67
Bad debt recovery	-	**-**	(26)
Computer maintenance costs	**449**	**305**	129
Contributed services	**105**	**31**	649
Desktop operating lease	**201**	**190**	192
Employee training	**62**	**40**	33
Insurance	**3**	**3**	3
Interest on working capital advance	**106**	**94**	81
Meals and accommodations	**7**	**4**	7
Miscellaneous	**1**	**-**	-
Office	**33**	**71**	44
Postage	**45**	**49**	56
Printing	**38**	**35**	36
Professional fees	**254**	**172**	235
Publications	**17**	**14**	17
Relocation expense	**2**	**2**	1
Rental	**262**	**258**	251
Repairs and maintenance	**8**	**5**	8
Salaries and benefits	**3,732**	**3,148**	3,089
Telephone	**40**	**40**	41
Travel	**42**	**68**	35
	5,544	**4,611**	4,961
ANNUAL SURPLUS (DEFICIT)	**95**	**37**	(353)
ACCUMULATED DEFICIT - BEGINNING OF YEAR	**(4,186)**	**(3,961)**	(3,608)
ACCUMULATED DEFICIT - END OF YEAR	**$ (4,091)**	**$ (3,924)**	$ (3,961)

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Change in Net Debt

Year Ended March 31, 2013

	Budget 2013	**2013**	2012
ANNUAL SURPLUS (DEFICIT)	$ 95	**$ 37**	$ (353)
Purchase of tangible capital assets	(92)	**(81)**	(132)
Amortization of tangible capital assets	-	**75**	67
Decrease in prepaid expenses	(375)	**21**	(16)
INCREASE IN NET DEBT	(372)	**52**	(434)
NET DEBT - BEGINNING OF YEAR	(4,607)	**(4,236)**	(3,802)
NET DEBT - END OF YEAR	$ (4,979)	**$ (4,184)**	$ (4,236)

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flow

Year Ended March 31, 2013

(In thousands)

	2013	2012
OPERATING ACTIVITIES		
Cash receipts from customers	**$ 4,748**	$ 4,506
Cash paid to suppliers and employees	**(4,357)**	(5,070)
Interest paid	**(94)**	(80)
Increase in client funds held	**137**	136
Increase (decrease) in severance pay liability	**(27)**	73
Cash flow from (used by) operating activities	**407**	(435)
INVESTING ACTIVITY		
Purchase of tangible capital assets	**(80)**	(132)
INCREASE (DECREASE) IN CASH	**327**	(567)
WORKING CAPITAL ADVANCE, NET OF CASH - BEGINNING OF YEAR	**(3,766)**	(3,199)
WORKING CAPITAL ADVANCE, NET OF CASH - END OF YEAR	**$ (3,439)**	$ (3,766)

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 generally accepted accounting principles 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 revenues 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 Initiatives (MAFRI) and Manitoba Conservation is continuing in order to pay the Agency the costs it incurs for providing services to the public (on behalf of MAFRI and Manitoba Conservation). The short-term chargeback model provides for the Agency to bill for its costs but not in excess of the approved budgets for MAFRI and Manitoba Conservation. As the Agency costs are expected to exceed MAFRI and Manitoba Conservation's appropriations for the Agency's services, the Agency may not fully recover its costs of delivering the services on behalf of MAFRI 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

(In thousands)

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 cash equivalents, accounts receivable 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.

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, 2013 (2012 - $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, 2013 is:

	2013	**2012**
Accounts receivable	**$ 545**	$ 646

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 from a large client base. An allowance for doubtful accounts of $239 was recorded as of March 31, 2013 (2012 - $239).

(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, 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. ACCOUNTS RECEIVABLE

	2013	2012
Accounts receivable	**$ 784**	$ 885
Allowance for doubtful accounts	**(239)**	(239)
	$ 545	$ 646

(In thousands)

6. TANGIBLE CAPITAL ASSETS

	2013			
	Opening balance	Additions	Disposals	**Closing balance**
Cost				
Equipment	$ 84	$ 54	$ -	**$ 138**
Computer equipment	258	1	-	**259**
Computer software	134	-	-	**134**
Furniture and fixtures	144	26	-	**170**
	$ 620	$ 81	$ -	**$ 701**
Accumulated amortization				
Equipment	$ 56	$ 12	$ -	**$ 68**
Computer equipment	190	24	-	**214**
Computer software	112	10	-	**122**
Furniture's and fixtures	50	29	-	**79**
	408	75	-	**483**
	$ 212	$ -	$ -	**$ 218**

	2012			
Cost				
Equipment	$ 57	$ 27	$ -	**$ 84**
Computer equipment	208	50	-	**258**
Computer software	127	7	-	**134**
Furniture's and fixtures	97	47	-	**144**
	$ 489	$ 131	$ -	**$ 620**
Accumulated amortization				
Equipment	$ 46	$ 10	$ -	**$ 56**
Computer equipment	170	20	-	**190**
Computer software	96	16	-	**112**
Furniture's and fixtures	28	22	-	**50**
	340	68	-	**408**
	$ 149	$ -	$ -	**$ 212**

(In thousands)

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, 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 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 $3,795 was used as at March 31, 2013 (2012 - $3,981). The advance is unsecured, and interest is charged at Prime less 1% on the daily balance.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
Trade accounts payable	**$ 370**	$ 241
Accrued wages, vacation pay and banked time	**341**	406
Sick pay leave obligation	**57**	57
	$ 768	$ 704

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.

(In thousands)

12. PUBLIC SECTOR COMPENSATION DISCLOSURE

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The following employees received compensation in excess of $50:

		2013	2012
Bannerman, Gillian	Administration Officer	**$ 52**	$ 50
Bernat, Leonard	Property Appraiser	**71**	59
Burley, Ronald	Property Appraiser	**-**	59
Charles, Jack	Administration Officer	**-**	52
Chevalier, Melanie	Property Appraiser	**58**	-
Delong, Grace	Administration Officer	**77**	54
Diachun, Dan	Property Appraiser	**73**	-
Dyck, Garry	Acquisition Officer	**101**	61
Dzogan, Ken	Acquisition Manager	**84**	71
Kent, Rodney	Administration Officer	**65**	62
Kirkwood, Lori-Ann	Administration Officer	**52**	-
Kopytko, Wanda	Administration Officer	**64**	61
Kubasiewicz, Michael	Senior Manager	**-**	99
Le Neal, Normand	Financial Officer	**81**	72
Little, Karen	Clerk	**51**	-
McMullan, Bernie	Property Appraiser	**-**	76
Millar, Scott	Property Appraiser	**-**	78
Moroz, Jared	Property Appraiser	**83**	-
Penner, Mary Ann	Appraisal and Acquisition Officer	**70**	59
Pieterse, Debra	Property Appraiser	**75**	67
Pishak, Calvin	Information Technologist	**71**	69
Wallcraft, Brian	Information Technologist	**66**	60

13. LEASE COMMITMENTS

The Agency's approved 2012/13 Business Plan calls for $258, to be paid in quarterly instalments during 2012/13, 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.

The Agency has entered into various leases for vehicles and office equipment. The expected payments for the remaining four years of the lease agreements are as follows:

2014	$ 25
2015	25
2016	24
2017	2

14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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.

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 20, 2013.

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 Auditors' 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

Lynda Lowry
Chief Operating Officer/General Manager

Mike Lalla
Manager of Support Services

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A Special Operating Agency of Manitoba Agriculture, Food & Rural Initiatives

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of
Food Development Centre

Report on the Financial Statements

We have audited the accompanying financial statements of Food Development Centre, a Centre of the Special Operating Agencies Financing Authority, Province of Manitoba, which comprise the statements of financial position as at March 31, 2013 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 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, these financial statements present fairly, in all material respects, the financial position of Food Development Centre as at March 31, 2013 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 20, 2013
Winnipeg, Canada

Magnus Chartered Accountants LLP

Statement of Financial Position

(in thousands)

March 31, 2013

	2013 Actual	2012 Actual
Financial assets		
Cash and cash equivalents (Note 4)	$ 993	$ 1,440
Accounts receivable (Note 5)	257	297
Portfolio investments	41	41
	1,291	1,778
Liabilities		
Accounts payable and accrued liabilities	296	615
Deferred revenue	35	41
Accrued vacation entitlements	165	140
Employee future benefits (Note 7)	251	219
Borrowings from the Province of Manitoba (Note 8)	2,139	2,406
	2,886	3,421
Net (debt) financial assets	(1,595)	(1,643)
Non-financial assets		
Tangible capital assets (Note 9)	14,624	15,371
Prepaid expenses	58	59
Inventories of supplies	20	7
	14,702	15,437
Accumulated surplus (Note 10)	$ 13,107	$ 13,794

Designated assets (Note 11)

See accompanying notes to financial statements.

FOOD DEVELOPMENT CENTRE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

Statement of Operations

(in thousands)

Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Revenue:			
Grants:			
Province of Manitoba	$ 2,245	$ 1,995	$ 2,245
Federal Government	-	-	1,060
Other	-	296	193
Total grants	2,245	2,291	3,498
Fee for service	685	618	645
Lease income	130	157	100
Investment income	10	28	22
Administration fees (Note 12)	841	793	851
	3,911	3,887	5,116
Expenses:			
Salaries and benefits	2,132	2,166	2,040
Lab supplies	96	100	108
Purchased services	225	144	200
Transportation	48	27	50
Marketing	67	27	37
Library	43	3	8
Amortization of tangible capital assets	870	1,074	822
Occupancy expenses	383	250	248
Other operating expenses (Schedule 1)	1,112	783	709
	4,976	4,574	4,222
Net (loss) income for the year	(1,065)	(687)	894
Accumulated surplus, beginning of year	13,511	13,794	12,900
Accumulated surplus, end of year	$ 12,446	$ 13,107	$ 13,794

See accompanying notes to financial statements.

Statement of Change in Net (Debt) Financial Assets

(in thousands)

Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Net (loss) income for the year	$ (1,065)	$ (687)	$ 894
Tangible capital assets:			
Acquisition of tangible capital assets	(325)	(327)	(4,181)
Disposals or write-downs of tangible capital assets	-	-	10
Amortization of tangible capital assets	870	1,074	822
Net acquisition of tangible capital assets	545	747	(3,349)
Other non-financial assets:			
Increase in prepaid expenses during the year	-	1	1
(Decrease) in inventories of supplies during the year	-	(13)	-
Net acquisition of other non-financial assets	-	(12)	1
Increase (decrease) in net (debt) financial assets	(520)	48	(2,454)
Net (debt) financial assets, beginning of year	(1,381)	(1,643)	811
Net (debt) financial assets, end of year	$ (1,901)	$ (1,595)	$ (1,643)

See accompanying notes to financial statements.

Statement of Cash Flow
(in thousands)
Year ended March 31, 2013

	2013 Actual	2012 Actual
Cash provided by (applied to):		
Operating activities:		
Net (loss) income for the year	$ (687)	$ 894
Adjustment for:		
Amortization of tangible capital assets	1,074	822
	387	1,716
Changes in the following:		
Accounts receivable	40	2,536
Accounts payable and accrued liabilities	(318)	(288)
Accrued vacation entitlements	25	4
Deferred revenue	(6)	254
Employee future benefits	32	26
Prepaid expenses	1	1
Inventories of supplies	(13)	-
Cash provided by operating activities	148	4,249
Capital activities:		
Acquisition of tangible capital assets	(327)	(4,181)
Proceeds on disposal of tangible capital assets	-	10
Cash applied to capital activities	(327)	(4,171)
Financing activities:		
Repayment of borrowings from the Province of Manitoba	(268)	(194)
Additional borrowings from the Province of Manitoba	-	900
Cash (applied to) provided by financing activites	(268)	706
Change in cash and cash equivalents	(447)	784
Cash and cash equivalents, beginning of year	1,440	656
Cash and cash equivalents, end of year	$ 993	$ 1,440

See accompanying notes to financial statements.

Notes to Financial Statements
(in thousands)
Year ended March 31, 2013

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. It finances the Centre through repayable loans and working capital advances. The 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 Initiatives 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. 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.

3. Significant accounting policies (continued)

Lease income

Lease income is recognized according to the terms of the underlying lease agreement(s).

Administration fees

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

Other revenue

All other revenues are recorded on an accrual basis.

(b) Expenses

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

(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.

Inventories of supplies

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

(in thousands)

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, less any residual value, are amortized over their estimated useful lives as follows:

Building improvements	15 years straight line
Equipment - commercial and product development	15 years straight line
Computer hardware and software	5 years stright line

(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 conformity 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 could differ from these estimates.

4. Cash and cash equivalents

Cash and cash equivalents at March 31 is comprised of the following:

	2013	2012
Restricted	$ 92	$ 161
Unrestricted	901	1,279
Total cash and cash equivalents	$ 993	$ 1,440

The restricted cash balance represents the amount on deposit to fund certain eligible expenditures related to a project the Centre is overseeing. The offsetting liability of $92 (2012 - $161) is included in accounts payable and accrued liabilities.

(in thousands)

5. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2013	2012
Trade accounts receivable	$ 139	$ 237
Other receivables	27	62
Due from Growing Forward Program (Note 12)	92	24
Allowance for doubtful accounts (Note 13)	(1)	(26)
	$ 257	$ 297

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 $187 was used at March 31, 2013 (2012 - $22).

7. Employee future benefits

	2013	2012
Severance benefits	$ 207	$ 178
Sick pay benefits	44	41
	$ 251	$ 219

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 2013 was $153 (2012 - $122). 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.

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. In accordance with the formula, the Centre's actuarially determined net liability for accounting purposes as at March 31, 2013 is $207 (2012 - $178), with the actuarial losses of $15 (2012 - $15) being amortized over the 15 year EARSL of the employee group.

(in thousands)

7. Employee future benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2011 valuation, and in the determination of the March 31, 2013 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:

	2013	2012
Accrued benefit liability	$ 224	$ 196
Less: unamortized actuarial losses	(17)	(18)
Severance benefit liability	$ 207	$ 178

Total severance benefits paid during the year ended March 31, 2013 were $nil (2012 - $nil). The total expense related to severance benefits for the year ended March 31 includes the following components:

	2013	2012
Interest on obligation	$ 13	$ 11
Current period service cost	15	14
Amortization of actuarial losses over EARSL	1	1
Total expense related to severance benefits	$ 29	$ 26

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 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% (2012 - 6.00%) annual return and a 3.00% (2012 - 3.75%) annual salary increase. The Centre's sick leave benefit liability at March 31, 2013 is $44 (2012 - $41). The increase in the sick leave benefit liability of $3 (2012 - $nil) represents the total sick leave benefit expense for the year.

(in thousands)

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 quarterly instalments of principal and interest as follows:

	2013	2012
5.625% repayable in annual instalments of $175 principal plus interest, maturing in 2019	$ 1,225	$ 1,400
5.800% repayable in annual instalments of $18 principal plus interest, maturing in 2017	89	106
Currently interest only at prime less .75%, with scheduled principal repayment terms and maturity date yet to be determined	825	900
	$ 2,139	$ 2,406

Interest is measured using the effective interest method. During the year ended March 31, 2013, the Centre made principal payments of $75,000 (2012 - $nil) on the loan with scheduled repayment terms and conditions yet to be determined. Principal repayments in each of the next five years, excluding amounts yet to be determined, are as follows:

Year	Amount
2014	$ 193
2015	193
2016	193
2017	193
2018	193

(in thousands)

9. Tangible capital assets

	2013			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Equipment - commercial and product development	$ 6,887	$ 241	$ -	$ 7,128
Computer hardware and software	96	-	-	96
Building improvements	6,608	7,453	-	14,061
Commercial and training expansion	7,367	(7,367)	-	-
	$ 20,958	$ 327	$ -	$ 21,285
Accumulated Amortization				
Equipment - commercial and product development	$ 2,429	$ 381	$ -	$ 2,810
Computer hardware and software	96	-	-	96
Building improvements	3,062	693	-	3,755
Total accumulated amortization	$ 5,587	$ 1,074	$ -	$ 6,661
Net book value	$ 15,371	$ (747)	$ -	$ 14,624

The commercial and training expansion project was completed during the year ended March 31, 2013 with total expansion costs capitalized in previous years of $7,367 being transferred to building improvements during the year and amortization of these total costs commencing during the year. The total cost of tangible capital assets not subject to amortization as at March 31, 2013 is $nil (2012 - $7,367).

	2012			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Equipment - commercial and product development	$ 6,812	$ 85	$ (10)	$ 6,887
Computer hardware and software	96	-	-	96
Building improvements	6,608	-	-	6,608
Commercial and training expansion	3,271	4,096	-	7,367
	$ 16,787	$ 4,181	$ (10)	$ 20,958
Accumulated Amortization				
Equipment - commercial and product development	$ 2,054	$ 375	$ -	$ 2,429
Computer hardware and software	94	2	-	96
Building improvements	2,617	445	-	3,062
Total accumulated amortization	$ 4,765	$ 822	$ -	$ 5,587
Net book value	$ 12,022	$ 3,359	$ (10)	$ 15,371

10. Accumulated surplus

As at March 31, 2013, the Centre has allocated $nil (2012 - $96) of its accumulated surplus for reserve funds that are internally designated for the commercial and training expansion project as this project was completed during the year.

11. Designated assets

The Centre has allocated $41 (2012 - $41) of its portfolio investments as designated assets for cash received from the Province of Manitoba for the 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 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.

12. Administration fees - 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 of approximately 6% of the federal government's funding. Total administration fees received or receivable under this agreement for the year ending March 31, 2013 were $793 (2012 - $851). The Centre's administration runs April 1, 2009 to March 31, 2013.

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-Foods. Therefore, the financial statements of the Growing Forward Program have not been consolidated into the Centre's financial statements.

Amounts due from the Growing Forward Program are non-interest bearing with no formal terms of repayment. The balance as at March 31, 2013 is $92 (2012 - $24).

13. 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 (2012 - $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 consist principally of cash and cash equivalents, accounts receivable and portfolio investments.

(in thousands)

13. Financial instruments and financial risk management (continued)

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

	2013	2012
Cash and cash equivalents	$ 993	$ 1,440
Accounts receivable	257	297
Portfolio Investments	41	41
	$ 1,291	$ 1,778

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 and payment in full is typically collected when it is due. The Centre manages this credit risk through close monitoring of 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, 2013 is $1 (2012 - $26) with changes to the allowance for doubtful accounts during the year ended March 31 as follows:

	2013	2012
Balance, beginning of the year	$ 26	$ 10
Provision for receivable impairment	10	20
Amounts written off during the year	(35)	(4)
Balance, end of the year	$ 1	$ 26

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 income or the fair values of its financial instruments.

<u>Interest rate risk</u>

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 porfolio 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.

13. Financial instruments and financial risk management (continued)

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, 2013

	2013 Budget	2013 Actual	2012 Actual
Accrediation and licensing fees	$ 7	$ 9	$ 7
Advisory committee fees	5	2	2
Bad debt expense	20	10	20
Bank charges	2	3	4
Computer expenses	120	108	121
Courier and telephone	45	37	36
Equipment rental	85	76	76
Insurance	100	76	78
Interest on borrowings	140	94	92
Memberships	10	7	11
Printing, stationary and postage	18	17	17
Professional fees	35	29	48
Property taxes	280	229	123
Repairs and maintenance	200	68	55
Research and development	20	6	9
Training	25	12	10
	$ 1,112	$ 783	$ 709

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 July 18, 2013.

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,

Christina McDonald
Chief Operating Officer

Winnipeg, Manitoba
July 18, 2013

Grant Thornton

Independent Auditors' Report

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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, 2013, 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, 2013 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.

Winnipeg, Manitoba

Grant Thornton LLP

July 18, 2013

Chartered Accountants

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Financial Position

(In Thousands)

March 31, 2013

		March 31, 2013		March 31, 2012
FINANCIAL ASSETS				
Cash	**$**	**2,213**	$	2,032
Accounts receivable *(Note 5)*		**1**		157
		2,214		2,189
LIABILITIES				
Accounts payable and accruals		**200**		369
Severance liability *(Note 6)*		**37**		25
		237		394
NET FINANCIAL ASSETS		**1,977**		1,795
NON-FINANCIAL ASSETS				
Tangible capital assets *(Note 7)*		**-**		-
		-		-
ACCUMULATED SURPLUS	**$**	**1,977**	$	1,795

See accompanying notes to financial statements.

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Operations

(In Thousands)

For the Year Ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
REVENUE			
Grants - Province of Manitoba	$ 715	**$ 564**	$ 1,863
Grants - Federal government	-	**-**	177
Non government funding	2,345	**2,295**	2,444
	3,060	**2,859**	4,484
EXPENSES			
Advertising and promotion	30	**20**	44
Amortization	-	**-**	1
Computer	68	**87**	62
Contracted services	50	**159**	6
Office	40	**28**	22
Professional fees	10	**21**	9
Program supplies and services	1,988	**1,585**	3,121
Rent	57	**57**	65
Salaries and benefits	770	**690**	684
Training	12	**12**	11
Travel	35	**18**	26
	3,060	**2,677**	4,051
ANNUAL SURPLUS	-	**182**	433
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,795	**1,795**	1,362
ACCUMULATED SURPLUS, END OF YEAR	$ 1,795	**$ 1,977**	$ 1,795

See accompanying notes to financial statements.

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Change in Net Financial Assets

(In Thousands)

For the Year Ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Annual Surplus	$ -	$ **182**	$ 433
Tangible capital assets			
Amortization of tangible capital assets	-	-	1
Net acquisition of tangible capital assets	-	-	1
INCREASE IN NET FINANCIAL ASSETS	-	**182**	434
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,795	**1,795**	1,361
NET FINANCIAL ASSETS, END OF YEAR	$ 1,795	$ **1,977**	$ 1,795

See accompanying notes to financial statements.

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flow

(In Thousands)

For the Year Ended March 31, 2013

	2013 Actual	2012 Actual
Cash provided by (applied to):		
Operating		
Annual Surplus	**$ 182**	$ 433
Amortization of tangible capital assets	**-**	1
	182	434
Change in:		
Accounts receivable	**156**	311
Accounts payable and accruals	**(169)**	25
Unearned revenue	**-**	(115)
Severance liability	**12**	12
Cash provided by operating activities	**181**	667
INCREASE IN CASH	**181**	667
CASH - BEGINNING OF YEAR	**2,032**	1,365
CASH - END OF YEAR	**$ 2,213**	$ 2,032

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 pursuant to the Special Operating Agencies Financing 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 customers to acquire information about provincial sustainability issues. The Special Operating Agency (SOA) delivers programs and services related to increasing energy efficiency, conserving water, reducing waste, reducing GHG emissions through climate change action, encouraging sustainable transportation practices and Education for Sustainability.

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 Innovation, Energy and Mines 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 Conservation and operates under policy direction of the Assistant Deputy Minister, Programs 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.

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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. Tangible capital assets

Tangible capital assets are recognized at cost less accumulated amortization. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over a period of 5 years.

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. 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.

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 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 (2012 - $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:

	2013	2012
Cash	$2,213	$2,032
Accounts receivable	1	157
	$2,214	$2,189

(continues)

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

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

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, 2013 was $0 (2012 - $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:

	2013	2012
Environmental Education	$ -	$ 2
Operating - Salaries and benefits	-	1
PRAC	-	148
Waste (E-Waste)	1	6
	$ 1	$ 157

6. 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, 2013. 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, 2013 was $37 (2012 - $25). The actuarial loss of $61 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, 2013 valuation, and in the determination of the March 31, 2013 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:

	2013	2012
Accrued benefit liability	$90	$82
Less: unamortized actuarial losses	(53)	(57)
Severance benefit liability	$37	$25

(continues)

6. SEVERANCE LIABILITY *(continued)*

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

	2013	2012
Interest on obligation	$5	$5
Current period benefit cost	3	3
Amortization of actuarial gain over EARSL	4	4
Total expense related to severance benefit	$12	$12

7. TANGIBLE CAPITAL ASSETS

	2013				2012
	Opening Balance	Additions	Disposals	Closing Balance	Total
Cost					
Computer equipment	$ 4	$ -	$ -	$ 4	$ 4
Furniture and fixtures	9	-	-	9	9
Total cost	13	-	-	13	13
Accumulated Amortization					
Computer equipment	4	-	-	4	4
Furniture and fixtures	9	-	-	9	9
Total accumulated amortization	13	-	-	13	13
Net	$ -	$ -	$ -	$ -	$ -

8. 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, 2013 (2012 - $0).

9. 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 $40 (2012 - $35).

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

10. CONTRACTUAL OBLIGATIONS

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

	2013	2014
City of Brandon – Organics program enhancement	$ 120	$ 30
Department of Conservation – Million more trees	15	-
CleanFarms – Agricultural plastics collections project	5	-
Manitoba Association of Regional Recyclers	5	-
	$ 145	$ 30

11. PUBLIC SECTOR COMPENSATION DISCLOSURE

		2013	2012
Benyam, Addis	Planning program analyst 2	54	-
Ferguson, James	Planning program analyst 4	80	74
Irwin, Lindsay	Planning program analyst 3	61	57
Islam, Faisal	Planning program analyst 2	53	-
Jonasson, John	Planning consultant	74	81
McDonald, Christina	Senior manager 2	100	97
Prokipchuk, Rosemarie	Planning program analyst 2	56	-
Storey, Marie	Planning program analyst 2	63	56
Vogt, Annette	Financial officer	-	50
		$ 541	$ 415

It is a requirement of the Public Sector Compensation Disclosure Act that annual disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba

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 generally accepted accounting principles. 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 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 generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management
Industrial Technology Centre (ITC)

Trevor Cornell Chief Operating Officer	David Olafson Manager Corporate Service

June 13, 2013
Date

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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 Special Operating Agencies Financing Authority Province of Manitoba,** which comprise the statement of financial position as at March 31, 2013, and the statements of operations, change in net debt and cash flow for the year ended March 31, 2013, 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 **INDUSTRIAL TECHNOLOGY CENTRE An Agency of the Special Operating Agencies Financing Authority Province of Manitoba** as at March 31, 2013, and the results of its operations and its cash flows for the year ended March 31, 2013 in accordance with Public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 13, 2013

Industrial Technology Centre
An Agency of the Province of Manitoba
Statement of Financial Position
As at March 31, 2013
(In Thousands)

	March 31, 2013	March 31, 2012
Financial Assets		
Cash and cash equivalents	$ 666	$ 698
Accounts receivable	221	94
Portfolio investments	103	103
	990	895
Liabilities		
Accounts payable and accruals	522	413
Unearned revenue	161	196
Employee future benefits (Note 6)	291	265
Borrowings from the Province of Manitoba (Note 7)	-	-
	974	874
Net Debt	16	21
Non-financial Assets		
Prepaid expenses	40	39
Tangible capital assets (Note 8)	790	701
	830	740
Accumulated Surplus	$ 846	$ 761

Designated assets (Note 9)
Commitments (Note 10)

The accompanying notes are an integral part of these financial statements

Industrial Technology Centre
An Agency of the Province of Manitoba
Statement of Operations
For the Year Ended March 31, 2013
(In Thousands)

	2013 Budget	2013 Actual	2012 Actual
Revenue			
Province of Manitoba	$ 900	$ 900	$ 900
Fee for service	2,119	1,978	1,972
Other	132	58	129
Total revenue	3,151	2,936	3,001
Expense			
Advertising and promotion	80	71	83
Amortization	259	223	267
Audit and legal	10	9	11
Bad debts	2	-	-
Building maintenance	48	51	72
Computer	40	21	57
Equipment	66	79	82
Fees and memberships	38	37	41
Insurance	47	44	45
Interest and service charges	2	4	7
Library	16	10	11
Loss on disposal	-	-	-
Office	69	65	71
Professional development	30	28	42
Project supplies and subcontract	246	185	187
Purchased services	10	7	11
Rent and property tax	346	269	325
Salaries and benefits	1,727	1,647	1,569
Travel	50	27	41
Utilities	65	74	53
Total expense	3,151	2,851	2,975
Annual surplus income	-	85	26
Accumulated surplus, beginning of year	754	761	735
Accumulated surplus, end of year	$ 754	$ 846	$ 761

The accompanying notes are an integral part of these financial statements

Industrial Technology Centre
An Agency of the Province of Manitoba
Statement of Change in Net Debt
For the Year Ended March 31, 2013
(In Thousands)

	2013 Budget	2013 Actual	2012 Actual
Annual surplus	$ -	$ 85	$ 26
Tangible capital assets			
Acquisition of tangible capital assets	(300)	(312)	(276)
Amortization of tangible capital assets	259	223	267
Net acquisition of tangible capital assets	(41)	(89)	(9)
Other non-financial assets			
Increase in prepaid expense	-	(1)	17
Net acquisition of other non-financial assets	-	(1)	17
(Increase) decrease in net debt	(41)	(5)	34
Net debt, beginning of year	(67)	21	(13)
Net debt, end of year	$ (108)	$ 16	$ 21

The accompanying notes are an integral part of these financial statements

Industrial Technology Centre
An Agency of the Province of Manitoba
Statement of Cash Flow
For the Year Ended March 31, 2013
(In Thousands)

	2013 Actual	2012 Actual
Cash provided by (applied to):		
Operating		
Annual surplus	$ 85	$ 26
Amortization of tangible capital assets	223	267
	308	293
Change in:		
Accounts receivable	(127)	108
Accounts payable and accruals	109	76
Unearned revenue	(35)	48
Employee future benefits	26	18
Prepaid expenses	(1)	17
Cash provided by operating activities	280	560
Capital		
Acquisition of tangible capital assets	(312)	(276)
Cash applied to capital activities	(312)	(276)
Financing		
Debt repayments to the Province of Manitoba	-	(253)
Cash provided by (applied to) financing activities	-	(253)
Increase (decrease) in cash	(32)	31
Cash and cash equivalents at beginning of year	698	667
Cash and cash equivalents at end of year	$ 666	$ 698

The accompanying notes 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 Innovation, Energy and Mines 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 of Innovation, Energy and Mines 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 Innovation, Energy and Mines 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.

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 2012).

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)

4. Financial Instruments and Financial Risk Management (continued)

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

	2013	2012
Cash and cash equivalents	$ 666	$ 698
Accounts receivable	221	94
Portfolio investments	103	103
	$ 990	$ 895

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, 2013 was $20.

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.

(In Thousands)

4. Financial Instruments and Financial Risk Management (continued)

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, 2013 working capital advances were nil (Nil in 2012). The line bears interest at prime less 1% and is not secured by specific assets.

6. Employee Future Benefits

	2013	2012
Severance benefits	$ 266	$ 246
Sick pay benefits	25	19
	$ 291	$ 265

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 2013 is $84 (2012 - $74). 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 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, 2011. 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, 2013 is $266 ($246 in 2011), with an actuarial adjustment being amortized over the 15 year expected average remaining service life of the employee group.

(In Thousands)

6. Employee Future Benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2011 valuation, and in the determination of the March 31, 2013 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:

	2013	2012
Accrued benefit liability	$257	$235
Add: unamortized actuarial gains	9	11
Severance benefit liability	$266	$246

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

	2013	2012
Interest on obligation	$15	$14
Current period benefit cost	7	7
Amortization of actuarial gain over EARSL	(2)	(3)
Total expense related to severance benefit	$20	$18

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 of the $1,160 total loan authority, leaving $910 of loan authority availability unutilized as of March 31, 2013.

(In Thousands)

8. Tangible Capital Assets

				2013
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furniture and fixtures	$ 33	$ -	$ -	$ 33
Office and laboratory equipment	1,732	284	-	2,016
Computer equipment and software	348	21	-	369
Leasehold improvements	212	7	-	219
	2,325	312	-	2,637
Accumulated Amortization				
Furniture and fixtures	13	5	-	18
Office and laboratory equipment	1,201	180	-	1,381
Computer equipment and software	286	17	-	303
Leasehold improvements	124	21	-	145
	1,624	223	-	1,847
Net	$ 701	$ 89	$ -	$ 790

				2012
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furniture and fixtures	$ 17	$ 16	$ -	$ 33
Office and laboratory equipment	1,519	213	-	1,732
Computer equipment and software	313	35	-	348
Leasehold improvements	200	12	-	212
	2,049	276	-	2,325
Accumulated Amortization				
Furniture and fixtures	10	3	-	13
Office and laboratory equipment	974	227	-	1,201
Computer equipment and software	269	17	-	286
Leasehold improvements	104	20	-	124
	1,357	267	-	1,624
Net	$ 692	$ 9	$ -	$ 701

(In Thousands)

9. Designated Assets

The Agency has allocated $103 ($103 in 2012) 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 re-invested 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:

2014	$189
2015	189
2016	191
2017	194
2018	194

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 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 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

Greg Baylis, Chief Operating Officer

David Olafson, Controller

June 12, 2013
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 Special Operating Agencies Financing Authority - Province of Manitoba** which comprise the statement of financial position as at March 31, 2013, and the statements of operations, change in net debt, and cash flows for the year ended March 31, 2013, 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 **Manitoba Education Research and Learning Information Networks, An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba** as at March 31, 2013, and the results of its operations and its cash flows for the year ended March 31, 2013 in accordance with Public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 12, 2013

MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority

Province of Manitoba

Statement of Financial Position

(In Thousands)

March 31	2013	2012
Financial Assets		
Cash and cash equivalents (Note 6)	**$ 218**	$ 174
Accounts receivable	**897**	789
Portfolio investments	**47**	47
	1,162	1,010
Liabilities		
Accounts payable and accruals	**493**	686
Unearned revenue	**1,010**	611
Employee future benefits (Note 7)	**152**	139
	1,655	1,436
Net debt	**(493)**	(426)
Non-financial Assets		
Prepaid expenses	**399**	271
Tangible capital assets (Note 8)	**278**	311
	677	582
Accumulated surplus	**$ 184**	$ 156

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 Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Operations
(In Thousands)

For the year ended March 31	2013 Budget	2013 Actual	2012 Actual
Revenue			
Province of Manitoba - Innovation, Energy and Mines Funding	$ 396	$ 396	$ 396
Fee for goods and services	3,965	4,121	4,409
Other	17	15	4
	4,378	4,532	4,809
Expense			
Advertising and promotion	25	12	19
Amortization	168	164	203
Audit and legal fees	10	14	8
Communication and bandwidth	142	142	162
Conferences	-	14	-
Cost of purchases for resale	1,930	1,978	2,208
Equipment repair and maintenance	189	174	192
Manitoba Network connections	384	473	330
Occupancy	79	79	62
Office and miscellaneous	28	35	24
Professional development	25	1	17
Purchased services	60	153	274
Salaries and benefits	1,303	1,246	1,251
Travel	35	19	44
Total expense	4,378	4,504	4,794
Annual surplus	-	28	15
Accumulated surplus, beginning of year	154	156	141
Accumulated surplus, end of year	$ 154	$ 184	$ 156

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

MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Change in Net Debt
(In Thousands)

For the year ended March 31	**2013 Budget**	**2013 Actual**	2012 Actual
Annual surplus	**$ -**	**$ 28**	$ 15
Tangible Capital Assets			
Acquisition of tangible capital assets	**(150)**	**(131)**	(146)
Amortization of tangible capital assets	**168**	**164**	203
Net acquisition of tangible capital assets	**18**	**33**	57
Other Non-financial Assets			
Increase (decrease) in prepaid expenses	**(36)**	**(128)**	91
(Increase) Decrease in net debt	**(18)**	**(67)**	163
Net debt, beginning of year	**(422)**	**(426)**	(589)
Net debt, end of year	**$ (440)**	**$ (493)**	$ (426)

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

MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows
(In Thousands)

For the year ended March 31	2013	2012
Cash provided by (applied to)		
Operating		
Annual surplus	**$ 28**	$ 15
Amortization of tangible capital assets	**164**	203
	192	218
Changes in:		
Accounts receivable	**(108)**	(279)
Accounts payable and accruals	**(193)**	(30)
Unearned revenue	**399**	(285)
Employee future benefits	**13**	15
Prepaid expenses	**(128)**	91
Cash provided by (applied to) operating activities	**175**	(270)
Capital		
Acquisition of tangible capital assets	**(131)**	(146)
Increase (decrease) in cash and cash equivalents	**44**	(416)
Cash and cash equivalents, beginning of year	**174**	590
Cash and cash equivalents, end of year	**$ 218**	$ 174

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 September 25, 2002, MERLIN operates as part of Innovation, Energy and Mines 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 Innovation, Energy and Mines 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 period the gain or loss occurs.

The Agency did not incur any re-measurement gains and losses during the year (2012 - $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.

(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:

	2013	2012
Cash and cash equivalents	**$ 218**	$ 174
Accounts receivable	**897**	789
Portfolio investments	**47**	47
Maximum exposure to credit risk	**$ 1,162**	$ 1,010

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 reduced by $2 during the year and the balance at March 31, 2013 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, 2013 working capital advances were $NIL (2012 - $NIL). 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

		2013		2012
Severance benefits	**$**	**141**	$	126
Sick pay benefits		**11**		13
	$	**152**	$	139

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 2013 was $77 ($66 in 2012). 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, 2011. 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, 2013 was $141 ($126 in 2012), with the actuarial loss of $31 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, 2008 valuation, and in the determination of the March 31, 2012 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:

	2013	2012
Accrued benefit liability	**$ 165**	$ 151
Less: unamortized actuarial losses	**(24)**	(25)
Severance benefit liability	**$ 141**	$ 126

7. Employee Future Benefits (continued)

Severance Benefits (continued)

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

		2013		2012
Interest on obligation	**$**	**9**	$	9
Current period benefit cost		**4**		4
Amortization of actuarial gain over EARSL		**2**		2
Total expense related to severance benefit	**$**	**15**	$	15

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, 2013

8. Tangible Capital Assets

2013

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer hardware	$ 906	$ 123	$ 128	$ 901
Computer software	96	-	-	96
Equipment and furniture	38	8	-	46
Leaseholds	20	-	-	20
	1,060	131	128	1,063
Accumulated Amortization				
Computer hardware	612	152	128	636
Computer software	87	6	-	93
Equipment and furniture	33	4	-	37
Leaseholds	17	2	-	19
	749	164	128	785
Net	$ 311	$ (33)	$ -	$ 278

2012

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer hardware	$ 775	$ 146	$ 15	$ 906
Computer software	96	-	-	96
Equipment and furniture	38	-	-	38
Leaseholds	20	-	-	20
	929	146	15	1,060
Accumulated Amortization				
Computer hardware	452	175	15	612
Computer software	68	19	-	87
Equipment and furniture	27	6	-	33
Leaseholds	14	3	-	17
	561	203	15	749
Net	$ 368	$ (57)	$ -	$ 311

(In Thousands)

9. Designated Assets

MERLIN has allocated $47 ($47 in 2012) 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:

2014	$	48
2015		48
2016		48
2017		48
2018		48

THE MANITOBA
SECURITIES
COMMISSION

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 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 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

Donald G. Murray, Chair and CEO

R.B. Bouchard, CA, Director and CAO

Marlene Nemes, CMA, Controller

JUNE 6, 2013
Date

BDO

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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, 2013, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year ended March 31, 2013, 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 **MANITOBA FINANCIAL SERVICES AGENCY** as at March 31, 2013, and the results of its operations and its cash flows for the year ended March 31, 2013 in accordance with Public Sector Accounting Standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 6, 2013

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

March 31		2013		2012
		Actual		Actual
Financial Assets				
Cash and cash equivalents (Note 5)	**$**	**15,518**	$	12,626
Accounts receivable (Note 6)		**233**		28
Portfolio investments		**1,019**		1,019
		16,770		13,673
Liabilities				
Accounts payable and accrued liabilities		**46**		48
Accrued vacation entitlements		**301**		236
Accrued salaries and benefits		**65**		50
Employee future benefits (Note 7)		**403**		279
		815		613
Net Financial Assets		**15,955**		13,060
Non-financial Assets				
Tangible capital assets (Note 8)		**23**		28
Prepaid expenses		**52**		47
		75		75
Accumulated surplus	**$**	**16,030**	$	13,135

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	**2013**	**2013**	2012
	Budget	**Actual**	Actual
Revenue			
Fees	**$ 12,921**	**$ 16,058**	$ 14,956
Interest	**79**	**131**	101
Miscellaneous	**-**	**2**	2
	13,000	**16,191**	15,059
Expenses			
Amortization - capital assets	**10**	**9**	16
CSA initiatives*	**100**	**66**	104
Contract services	**325**	**308**	270
Education/Information initiatives	**197**	**88**	166
Miscellaneous	**27**	**17**	20
Office materials and supplies	**100**	**65**	80
Premises	**324**	**307**	278
Professional services	**190**	**290**	142
Research resources	**54**	**49**	38
Salaries and benefits	**3,570**	**3,120**	2,796
Staff development and professional dues	**34**	**29**	28
Telecommunications	**68**	**66**	59
Travel	**91**	**82**	63
	5,090	**4,496**	4,060
Annual operating surplus	**7,910**	**11,695**	10,999
Transfer to the Province of Manitoba (Note 11)	**8,800**	**8,800**	8,800
Annual surplus (deficit)	**(890)**	**2,895**	2,199
Accumulated surplus, beginning of year	**13,134**	**13,135**	10,936
Accumulated surplus, end of year	**$ 12,244**	**$ 16,030**	$ 13,135

* 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	2013 Budget	2013 Actual	2012 Actual
Annual surplus (deficit)	$ (890)	$ 2,895	$ 2,199
Tangible Capital Assets			
Acquisition of tangible capital assets	-	(4)	-
Amortization of tangible capital assets	10	9	16
Net change in tangible capital assets	10	5	16
Other Non-financial Assets			
Increase (decrease) in prepaid expense	-	(5)	(5)
Net acquisition of other non-financial assets	-	(5)	(5)
Increase (decrease) in net financial assets	(880)	2,895	2,210
Net financial assets, beginning of year	13,060	13,060	10,850
Net financial assets, end of year	$ 12,180	$ 15,955	$ 13,060

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	**2013**	2012
	Actual	Actual
Cash provided by (applied to):		
Cash Flows from Operating Activities		
Annual surplus	**$ 2,895**	$ 2,199
Amortization of tangible capital assets	**9**	16
	2,904	2,215
Changes in non-cash working capital balances		
Accounts receivable	**(205)**	12
Prepaid expenses	**(5)**	(5)
Accounts payable and accrued liabilities	**(2)**	16
Accrued vacation entitlements	**65**	(2)
Accrued salaries and benefits	**15**	7
Employee future benefits	**124**	1
	2,896	2,244
Cash Flows from Capital Activities		
Acquisition of capital assets	**(4)**	-
Increase in cash and cash equivalents	**2,892**	2,244
Cash and cash equivalents, beginning of year	**12,626**	10,382
Cash and cash equivalents, end of year	**$ 15,518**	$ 12,626

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

For the year ended March 31, 2013

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:

	2013	2012
Cash and cash equivalents	**$ 15,518**	$ 12,626
Accounts receivable	**233**	28
Portfolio investments	**1,019**	1,019
	$ 16,770	$ 13,673

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, 2013 (Nil in 2012).

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. 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)

For the year ended March 31, 2013

6. Accounts Receivable

		2013		2012
Accrued interest	$	**21**	$	16
FIRB severance and vacation liability receivable		**161**		-
Trade		**51**		12
	$	**233**	$	28

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 2013 was $172 ($125 in 2012). 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, 2011. 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, 2013 is $403 ($279 in 2012). The actuarial loss of $36 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, 2011 valuation, and in the determination of the March 31, 2013 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 liability at March 31 includes the following components:

	2013	2012
Accrued benefit liability	**$ 279**	$ 318
Add: FIRB accrued benefit liability	**160**	-
Less: unamortized actuarial losses	**(36)**	(39)
Severance benefit liability	**$ 403**	$ 279

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

	2013	2012
Interest on obligation	**$ 21**	$ 21
Current period benefit cost	**(2)**	(23)
Amortization of actuarial gain over EARSL	**2**	2
Total expense related to severance benefit	**$ 21**	$ -

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, 2013

8. Tangible Capital Assets

2013

		Opening Balance		Additions		Disposals		Closing Balance
Cost								
Office equipment	$	**40**	$	**2**	$	**-**	$	**42**
Furniture and fixtures		**153**		**-**		**-**		**153**
Leasehold improvements		**41**		-		**-**		**41**
Computer hardware		**140**		**2**		**-**		**142**
Computer software		**863**		**-**		**-**		**863**
		1,237		**4**		**-**		**1,241**
Accumulated Amortization								
Office equipment		**39**		**1**		**-**		**40**
Furniture and fixtures		**150**		**2**		**-**		**152**
Leasehold improvements		**19**		**4**		**-**		**23**
Computer hardware		**138**		**2**		**-**		**140**
Computer software		**863**		**-**		**-**		**863**
		1,209		**9**		**-**		**1,218**
Net book value	$	**28**	$	**(5)**	$	**-**	$	**23**

2012

		Opening Balance		Additions		Disposals		Closing Balance
Cost								
Office equipment	$	40	$	-	$	-	$	40
Furniture and fixtures		153		-		-		153
Leasehold improvements		41		-		-		41
Computer hardware		140		-		-		140
Computer software		863		-		-		863
		1,237		-		-		1,237
Accumulated Amortization								
Office equipment		36		3		-		39
Furniture and fixtures		147		3		-		150
Leasehold improvements		15		4		-		19
Computer hardware		135		3		-		138
Computer software		860		3		-		863
		1,193		16		-		1,209
Net book value	$	44	$	(16)	$	-	$	28

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 $1019 ($1,019 in 2012) of its portfolio investments as designated assets for the following purposes:

The Agency maintains separate deposits of $750 ($750 in 2012) 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 2012) 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. Any unused balance is re-invested annually.

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 and 405 Broadway. Occupancy charges for the year ended March 31, 2013 were $301. Minimum annual lease payments total $279 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 $8,800 ($8,800 in 2012).The Treasury Board has approved payments of $8,800 for the year ended March 31, 2013.

12. 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, 2013 (Nil in 2012).

The Agency incurred no interest charges during the year (Nil in 2012).

BDO

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BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
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Auditor's Comments on Supplementary Financial Information

To The Special Operating Agencies Financing Authority

We have audited the financial statements of March 31, 2013 which comprise the statement of financial position as at March 31, 2013 and 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, and have issued a report thereon dated June 6, 2013 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The following supplementary schedule is presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 6, 2013

MANITOBA FINANCIAL SERVICES AGENCY
Schedule of Public Sector Compensation Disclosure
(in thousands)

For the year ended March 31, 2013

Employee	Title	Compensation
Don Murray	Chairman and CEO	$ **148**
Doug Brown	Director and Secretary to the Commission	**137**
Steven Gingera	Assistant Legal Counsel	**134**
Chris Besko	Assistant Legal Counsel	**134**
Kim Laycock	Assistant Legal Counsel	**134**
James Scalena	Superintendent FIRB	**113**
Bob Bouchard	Director and CAO	**106**
Marlene Nemes	Controller	**96**
Kenneth Lofgren	Deputy Superintendent	**91**
Scott Moore	Deputy Superintendent	**91**
Paula White	Manager, Compliance and Oversight	**84**
Wayne Bridgeman	Senior Analyst	**82**
Carla L. Buchanan	Compliance Auditor	**77**
Terry Kirkham	Registrar	**76**
Jason Roy	Senior Investigator	**74**
Djemal Halilagic	Financial Services Officer	**73**
Isilda Tavares	Registration Officer	**73**
Ainsley Cunningham	Manager, Education and Communications	**72**
Andrew Moreau	Financial Services Officer	**71**
Patrick Weeks	Analyst	**67**
Leonard Terlinski	Investigator	**59**
Liz Klippenstein	Programmer Analyst	**58**
Keith Schinkel	Deputy Registrar - Registrations	**55**

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum.

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

For the year ended March 31	2013 Budget	2013 Actual	2012 Actual
Revenue			
Fees	**$ 12,144**	**$ 15,263**	$ 14,956
Interest	**79**	**131**	101
Miscellaneous	**-**	**2**	2
	12,223	**15,396**	15,059
Expenses			
Amortization - capital assets	**10**	**9**	16
CSA initiatives*	**100**	**66**	104
Contract services	**305**	**288**	270
Education/Information initiatives	**197**	**88**	166
Miscellaneous	**26**	**16**	20
Office materials and supplies	**93**	**59**	80
Premises	**292**	**273**	278
Professional services	**139**	**290**	142
Research resources	**50**	**47**	38
Salaries and benefits	**3,230**	**2,776**	2,796
Staff development and professional dues	**32**	**28**	28
Telecommunications	**65**	**61**	59
Travel	**90**	**81**	63
	4,629	**4,082**	4,060
Annual operating surplus	**$ 7,594**	**$ 11,314**	10,999

* Canadian Securities Administrators

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

For the six month period ended March 31		2013
	Budget	Actual
Revenue		
Fees	$ 777	$ 795
Expenses		
Contract services	20	20
Miscellaneous	1	1
Office materials and supplies	7	6
Premises	32	34
Professional services	51	-
Research resources	4	2
Salaries and benefits	340	344
Staff development and professional dues	2	1
Telecommunications	3	5
Travel	1	1
	461	414
Annual operating surplus	$ 316	$ 381

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A Special Operating Agency of Manitoba Education, Citizenship and Youth

Management Report

The accompanying financial statements are the responsibility of the management of the Manitoba Text Book Bureau 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 July 9, 2013.

Management maintains internal controls to properly safeguard the Bureau'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 Bureau 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,

Brenda McKinny
Chief Operating Officer

Rhonda Williams, CGA
Controller

Souris, Manitoba
July 9, 2013

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Manitoba Text Book Bureau
To the Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of the Manitoba Text Book Bureau which comprise the statement of financial position as at March 31, 2013, 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 Text Book Bureau as at March 31, 2013, 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
July 9, 2013
Winnipeg, Manitoba

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

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Financial Position

(in thousands)

March 31	2013	2012
Financial assets		
Cash	**$ 4**	$ 4
Accounts receivable	**708**	644
Portfolio investments	**64**	64
Inventories for resale	**2,719**	2,552
	3,495	3,264
Liabilities		
Working capital advance (Note 5)	**2,091**	1,820
Accounts payable and accruals	**351**	505
Customer deposit accounts	**288**	175
Accrued severance liability (Note 6)	**47**	57
	2,777	2,557
Net financial assets	**718**	707
Non-financial assets		
Prepaid expenses	**7**	7
Tangible capital assets (Note 7)	**49**	74
	56	81
Accumulated surplus	**$ 774**	$ 788

Designated assets (Note 8)

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Operations and Accumulated Surplus

(in thousands)

Year Ended March 31	2013 Budget	**2013 Actual**	2012 Actual
Sales	$ 7,729	**$ 8,032**	$ 7,678
Cost of goods sold			
Inventory, beginning of year	2,134	**2,552**	2,309
Purchases	6,528	**7,138**	6,825
Transportation in	33	**44**	39
Transportation out	110	**101**	106
	8,805	**9,835**	9,279
Inventory, end of year	2,096	**2,719**	2,552
Cost of goods sold	6,709	**7,116**	6,727
Gross profit	1,020	**916**	951
General and administrative expenses			
Amortization	29	**25**	29
Bad debts	-	**5**	4
Computer expense	88	**76**	72
Employee benefits	71	**64**	58
Interest	32	**36**	37
Marketing	18	**9**	5
Office	22	**20**	23
Office occupancy	37	**37**	37
Postage	3	**2**	2
Professional services	13	**15**	13
Salaries	390	**337**	361
Telephone	7	**7**	7
Training	3		3
Travel	15	**7**	10
Warehouse occupancy	89	**89**	89
Warehouse service	201	**201**	201
	1,018	**930**	951
Annual surplus	2	**(14)**	-
Accumulated surplus, beginning of year	775	**788**	788
Accumulated surplus, end of year	$ 777	**$ 774**	$ 788

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Change in Net Financial Assets

(in thousands)

Year Ended March 31	2013 Budget	**2013 Actual**	2012 Actual
Annual surplus	$ 2	**$ (14)**	$ -
Tangible capital assets			
Acquisition of tangible capital assets	(10)	**-**	(1)
Amortization of tangible capital assets	29	**25**	29
Net acquisition of tangible capital assets	19	**25**	28
Other non-financial assets			
Decrease in prepaid expense	-	**-**	1
Net acquisition of other non-financial assets	-	**-**	1
Increase in net financial assets	21	**11**	29
Net financial assets, beginning of year	684	**707**	678
Net financial assets, end of year	$ 705	**$ 718**	$ 707

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows

(in thousands)

Year Ended March 31		**2013**		2012
Increase (decrease) in cash				
Operating				
Annual surplus	**$**	**(14)**	$	-
Amortization of tangible capital assets		**25**		29
		11		29
Changes in				
Accounts receivable		**(64)**		(36)
Inventories for resale		**(167)**		(243)
Accounts payable and accruals		**(154)**		(156)
Customer deposit accounts		**113**		71
Accrued severance liability		**(10)**		2
Prepaid expenses		**-**		1
		(271)		(332)
Capital				
Acquisition of tangible capital assets		**-**		(1)
Financing				
Receipt of working capital advance		**271**		333
Increase (decrease) in cash		**-**		-
Cash, beginning of year		**4**		4
Cash, end of year	**$**	**4**	$	4

Supplemental cash flow information:

Interest received	**$**	**4**	$	6
Interest paid	**$**	**36**	$	36

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Notes to the Financial Statements

(in thousands)
For the year ended March 31, 2013

1. Nature of operations

In 1931, the Manitoba Text Book Bureau (MTBB) was created as a branch of the Department of Education. It was established to achieve economies of scale and reduce the cost of learning resources for schools in Manitoba.

Effective April 1, 1996, the MTBB 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 MTBB 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 MTBB through working capital advances. This financial framework enables the MTBB to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Special Operating Agencies Financing Authority and the Minister of Education, being the Minister responsible for the Agency at that time, assigns responsibility to the MTBB to manage and account for the MTBB related assets and operations on behalf of SOAFA.

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

The MTBB 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 generally accepted accounting principles for the public sector 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 MTBB. 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 MTBB records its financial assets at cost, which include cash, portfolio investments, accounts receivable and inventories for resale. The MTBB 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 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 MTBB did not incur any re-measurement gains and losses during the year (2012 - $nil).

Financial risk management - overview

The MTBB 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 MTBB to credit risk consist principally of cash, portfolio investments and accounts receivable.

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

	2013	2012
Cash	**$ 4**	$ 4
Accounts receivable	**708**	644
Portfolio investments	**64**	64
	$ 776	$ 712

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

Accounts receivable: The MTBB 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 MTBB manages this credit risk through close monitoring of overdue accounts.

The MTBB 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	$ 58
Provision for receivable impairment	5
Amounts written off	-
Balance, end of the year	$ 63

4. Financial instruments and financial risk management (continued)

Liquidity risk

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

The MTBB 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 MTBB'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 MTBB 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 MTBB has an authorized line of working capital advances of $3,500, of which $2,091 was used as of March 31, 2013 (2012 - $1,820).

6. Severance liability

Effective April 1, 1998, the MTBB 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 MTBB's actuarially determined net liability for accounting purposes as at March 31, 2013 was $47 (2012 - $57), with the actuarial gain of $30 (2012 - $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, 2011 valuation, and in the determination of the March 31, 2013 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:

	2013	2012
Accrued benefit liability	**$ 26**	$ 34
Unamortized actuarial gains (losses)	**21**	23
Severance benefit liability	**$ 47**	$ 57

(in thousands)

6. Severance liability (continued)

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

	2013	2012
Interest on obligation	**$ 2**	$ 2
Employer service cost	**2**	2
Severance payout	**(12)**	-
Amortization of actuarial (gain)/loss over EARSL	**(2)**	(2)
Total expense related to severance benefit	**$ (10)**	$ 2

7. Tangible capital assets

	2013				2012
	Opening Balance	Additions	Disposals	Closing Balance	Closing Balance
Cost					
Computer equipment	$ 262	$ -	$ -	**$ 262**	$ 262
Computer software	93	-	-	**93**	93
Office equipment & furniture	52	-	-	**52**	52
Video recording equipment	51	-	-	**51**	51
Total cost	458	-	-	**458**	458
Accumulated Amortization					
Computer equipment	258	4	-	**262**	258
Computer software	38	18	-	**56**	38
Office equipment & furniture	39	3	-	**42**	39
Video recording equipment	49	-	-	**49**	49
Total accumulated amortization	384	25	-	**409**	384
Net	$ 74	$ (25)	$ -	**$ 49**	$ 74

(in thousands)

8. Designated assets

The MTBB has allocated $64 (2012 - $64) of its portfolio investments as designated assets for cash received from the Province of Manitoba for the vacation entitlements earned by employees of the MTBB prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of the MTBB'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.

9. Related party transactions

The MTBB is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The MTBB 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 MTBB 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 MTBB, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the MTBB transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the MTBB is required to pay annually to the Province an amount equal to its employees' current pension contributions. The amount paid for 2013 was $20 (2012 - $20). Under this agreement, the MTBB has no further pension liability.

11. Public sector compensation

Pursuant to the disclosure required by The Public Sector Compensation Disclosure Act, no remuneration was paid to Advisory Board members. During the fiscal year ended March 31, 2013, the following employees received compensation in excess of $50.

Name	**Position**	**2013**	2012
Denis Labossiere	Controller	**$ -**	$ 63
Brenda McKinny	Chief Operating Officer	**$ 80**	$ 78
Rhonda Williams	Controller	**$ 76**	$ 27

12. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the management of the Manitoba Text Book Bureau.

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 June 12, 2013.

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 Auditors' 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

David Bishop Chief Operating Officer	Joel Hershfield Manager of Finance and Technology

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of
Materials Distribution Agency

Report on the Financial Statements

We have audited the accompanying financial statements of Materials Distribution Agency, an agency of the Special Operating Agencies Financing Authority, Province of Manitoba, which comprise the statements of financial position as at March 31, 2013 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 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, these financial statements present fairly, in all material respects, the financial position of Materials Distribution Agency as at March 31, 2013 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 12, 2013
Winnipeg, Canada

Magnus Chartered Accountants LLP

Statement of Financial Position

(in thousands)

March 31, 2013

	2013 Actual	2012 Actual
Financial assets		
Cash and cash equivalents	$ 1,301	$ 1,410
Accounts receivable (Note 4)	1,810	2,305
Portfolio investments	412	412
Inventories held for resale (Note 6)	1,353	1,467
	4,876	5,594
Liabilities		
Accounts payable and accrued liabilities	2,095	2,892
Employee future benefits (Note 7)	651	607
	2,746	3,499
Net financial assets	2,130	2,095
Non-financial assets		
Tangible capital assets (Note 8)	1,767	1,654
Prepaid expenses	264	226
	2,031	1,880
Accumulated surplus	$ 4,161	$ 3,975

Designated assets (Note 9)

Commitments (Note 10)

See accompanying notes to financial statements.

Statement of Operations
(in thousands)
Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Revenues:			
Warehouse sales (Schedule 1)	$ 12,750	$ 13,952	$ 15,426
Service revenue (Schedule 1)	11,871	11,083	10,667
	24,621	25,035	26,093
Expenses:			
Cost of sales	10,149	10,686	11,940
Salaries and benefits	4,934	4,967	4,478
Occupancy costs	1,104	1,083	1,172
Operating expenses (Schedule 2)	7,892	7,433	7,685
Administrative expenses (Schedule 2)	533	680	633
Province of Manitoba transfer	-	-	416
	24,612	24,849	26,324
Net income (loss) for the year	9	186	(231)
Accumulated surplus, beginning of year	3,964	3,975	4,206
Accumulated surplus, end of year	$ 3,973	$ 4,161	$ 3,975

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

Statement of Change in Net Financial Assets
(in thousands)
Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Net income (loss) for the year	$ 9	$ 186	$ (231)
Tangible capital assets			
Acquisition of tangible capital assets	(20)	(1,038)	(746)
Amortization of tangible capital assets	-	925	988
Net acquisition of tangible capital assets	(20)	(113)	242
Other non-financial assets			
(Decrease) increase in prepaid expenses during the year	-	(38)	11
Net acquisition of other non-financial assets	-	(38)	11
Increase in net financial assets	(11)	35	22
Net financial assets, beginning of year	1,914	2,095	2,073
Net financial assets, end of year	$ 1,903	$ 2,130	$ 2,095

See accompanying notes to financial statements.

Statement of Cash Flow
(in thousands)
Year ended March 31, 2013

	2013 Actual	2012 Actual
Cash provided by (applied to):		
Operating activities:		
Net income (loss) for the year	$ 186	$ (231)
Adjustment for:		
Amortization	925	988
	1,111	757
Changes in the following:		
Accounts receivable	495	585
Inventories held for resale	115	9
Prepaid expenses	(38)	11
Accounts payable and accrued liabilities	(798)	277
Employee future benefits	44	24
Cash provided by operating activities	929	1,663
Capital activities:		
Acquisition of tangible capital assets	(1,038)	(746)
Cash applied to capital activities	(1,038)	(746)
Change in cash and cash equivalents	(109)	917
Cash and cash equivalents, beginning of year	1,410	493
Cash and cash equivalents, end of year	$ 1,301	$ 1,410

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. It 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. It 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. Significant accounting policies

(a) Revenue

Warehouse sales

Revenue is recognized when the goods are shipped.

Service revenue

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

Other revenue

All other revenues are recognized on an accrual basis.

(b) Expenses

Accrual 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. 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	5 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 conformity 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 could differ from these estimates.

Notes to Financial Statements
(in thousands)
Year ended March 31, 2013

4. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2013	2012
Trade accounts receivable	$ 1,902	$ 2,397
Other receivables	1	1
Allowance for doubtful accounts	(93)	(93)
	$ 1,810	$ 2,305

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, 2013 (2012 - $nil).

6. Inventories held for resale

	2013	2012
Medical supplies	$ 598	$ 681
Health equipment	120	102
Stationary	425	479
Janitorial	203	196
Furniture	7	9
	$ 1,353	$ 1,467

7. Employee future benefits

	2013	2012
Severance benefits	$ 581	$ 524
Sick pay benefits	70	83
	$ 651	$ 607

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 2013 was $212 (2012 - $187). 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 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.

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. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2013 is $581 (2012 - $524), with the actuarial losses of $15 (2012 - $15) 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, 2011 valuation, and in the determination of the March 31, 2013 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 as at March 31 includes the following components:

	2013	2012
Accrued benefit liability	$ 588	$ 532
Less: unamortized actuarial losses	(7)	(8)
Severance benefit liability	$ 581	$ 524

Total severace benefits paid during the year ended March 31, 2013 were $nil (2012 - $30). The total expense related to severance benefits for the year ended March 31 includes the following components:

	2013	2012
Interest on obligation	$ 35	$ 33
Current period service cost	21	20
Amortization of actuarial losses over EARSL	1	1
Total expense related to severance benefits	$ 57	$ 54

(in thousands)

7. 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, 2013 based on the valutation model is $70 (2012 - $83). The decrease in the sick leave benefit liability of $13 (2012 - $nil) represents the total sick leave benefit recovery for the year.

8. Tangible capital assets

	2013			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	$ 582	$ 16	$ -	$ 598
Fixtures	163	1	-	164
Leasehold improvements	854	-	-	854
Office equipment	64	-	-	64
Production equipment	291	(3)	-	288
Rental equipment	9,605	976	-	10,581
Warehouse equipment	1,027	48	` -	1,075
	$ 12,586	$ 1,038	$ -	$ 13,624
Accumulated amortization				
Computer equipment	$ 560	$ 7	$ -	$ 567
Fixtures	133	10	-	143
Leasehold improvements	773	24	-	797
Office equipment	64	-	-	64
Production equipment	292	(4)	-	288
Rental equipment	8,393	831	-	9,224
Warehouse equipment	717	57	-	774
Total accumulated amortization	$ 10,932	$ 925	$ -	$ 11,857
Net book value	$ 1,654	$ 113	$ -	$ 1,767

Production equipment additions for the year ended March 31, 2013 include adjustments for discounts received during the year on production equipment purchases from the year ended March 31, 2012.

(in thousands)

8. Tangible capital assets (continued)

	2012			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	$ 567	$ 15	$ -	$ 582
Fixtures	161	2	-	163
Leasehold improvements	836	18	-	854
Office equipment	64	-	-	64
Production equipment	284	7	-	291
Rental equipment	8,930	675	-	9,605
Warehouse equipment	998	29	` -	1,027
	$ 11,840	$ 746	$ -	$ 12,586
Accumulated amortization				
Computer equipment	$ 557	$ 3	$ -	$ 560
Fixtures	123	10	-	133
Leasehold improvements	752	21	-	773
Office equipment	64	-	-	64
Production equipment	284	8	-	292
Rental equipment	7,508	885	-	8,393
Warehouse equipment	656	61	-	717
Total accumulated amortization	$ 9,944	$ 988	$ -	$ 10,932
Net book value	$ 1,896	$ (242)	$ -	$ 1,654

9. Designated assets

The Agency has allocated $412 (2012 - $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

Leased premises

On March 24, 2003, the Agency took partial possession of a rental property consisting of 76,067 square feet at 1715 St. James Street, Winnipeg, Manitoba. The lease is for a term of ten years commencing May 1, 2003 with an additional five year renewal option. The payments per the lease agreement are $521 per year.

On April 30, 2010, the Agency took possession of a rental property consisting of 45,000 square feet at 1455 Mountain Avenue, Winnipeg, Manitoba. The lease expires on June 30, 2013 and the lease payments are $18 per month.

(in thousands)

10. Commitments (continued)

Rental agreement

The Agency leases space from the Province of Manitoba on a monthly basis for the following locations: 450 Broadway, Winnipeg; 340 - 9th Street, Brandon; and 25 Tupper Street, Portage La Prairie. Occupancy charges for the year ended March 31, 2014 are estimated to be $10 (2013 actual - $10).

11. 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 Angency did not incur any remeasurement gains or losses during the year (2012 - $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:

	2013	2012
Cash and cash equivalents	$ 1,301	$ 1,410
Accounts receivable	1,810	2,305
Portfolio investments	412	412
	$ 3,523	$ 4,127

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.

There was no change in the allowance for doubtful accounts during the year and the balance in the allowance for doubtful accounts at March 31, 2013 is $93 (2012 - $93).

11. 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 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.

12. Comparative information

Certain amounts from the year ended March 31, 2012 have been reclassified to conform to the financial statement presentation adopted for the current year.

Schedule of Warehouse Sales and Service Revenue
(in thousands)
Year ended March 31, 2013 Schedule 1

	2013	2012
Warehouse sales:		
Medical supplies	$ 4,854	$ 4,919
Stationery	4,610	4,580
Furniture	1,046	2,537
Janitorial	2,138	2,174
Health equipment	591	574
Special projects	713	642
	$ 13,952	$ 15,426
Service revenue:		
Disposal	$ 15	$ 5
Manitoba Textbook Bureau	290	290
Freight	740	731
Moving	411	389
Storage	69	63
Vaccine program	517	-
Office equipment - copy centres	10	51
Mail services	5,543	5,870
Home care equipment rentals	3,316	3,062
Other income	172	206
	$ 11,083	$ 10,667

Schedule of Operating and Administrative Expenses

(in thousands)

Year ended March 31, 2013 — Schedule 2

	2013	2012
Operating expenses:		
Amortization	$ 925	$ 988
Copy centre	12	43
Equipment rentals	121	139
Freight	1,546	1,428
Mail services	4,259	4,550
Moving	287	313
Vehicle	108	92
Warehouse supplies	175	132
	$ 7,433	$ 7,685
Administrative expenses:		
Computer	$ 275	$ 237
Miscellaneous	14	12
Office	249	207
Professional fees	20	14
Promotion and marketing	37	75
SOAFA fees	2	2
Telephone	72	66
Training	11	20
	$ 680	$ 633

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 within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and all other data available as at June 24, 2013.

Management maintains internal controls to properly safeguard the assets of 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 Office of the Fire Commissioner 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 Office of the Fire Commissioner are fairly represented, in all material respects, in accordance with Canadian public sector accounting standards. The Independent Auditors' 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

David Schafer

Fire Commissioner
(Chief Operating Officer)

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of
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 Special Operating Agencies Financing Authority, Province of Manitoba, which comprise the statements of financial position as at March 31, 2013 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 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, these financial statements present fairly, in all material respects, the financial position of Office of the Fire Commissioner as at March 31, 2013 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 24, 2013
Winnipeg, Canada

Magnus Chartered Accountants LLP

Statement of Financial Position
(in thousands)
March 31, 2013

	2013 Actual	2012 Actual
Financial assets		
Cash and cash equivalents	$ 8,145	$ 7,259
Accounts receivable (Note 4)	5,268	4,216
Portfolio investments	787	787
	14,200	12,262
Liabilities		
Accounts payable	730	671
Accrued liabilities (Note 5)	2,579	2,716
Unearned revenue	482	423
Employee future benefits (Note 6)	876	823
Capital lease obligations (Note 7)	74	109
	4,741	4,742
Net financial assets	9,459	7,520
Non-financial assets		
Tangible capital assets (Note 8)	7,850	7,499
Prepaid expenses	93	80
	7,943	7,579
Accumulated surplus	$ 17,402	$ 15,099

Designated assets (Note 9)
Commitments (Note 10)

See accompanying notes to financial statements.

Statement of Operations
(in thousands)
Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Revenue:			
Government grants/transfers:			
Province of Manitoba	$ 130	$ 129	$ 706
Federal Government	545	1,077	784
Total Government grants	675	1,206	1,490
Fees and other revenue	15,338	15,432	13,789
Investment income	25	58	32
Total revenue (Schedule 1)	16,038	16,696	15,311
Expenses:			
Salaries and employee benefits	9,160	8,150	7,193
Mutual Aid expenses	260	200	172
Transportation (Schedule 2)	1,012	754	794
Communications (Schedule 3)	345	268	286
Supplies and services (Schedule 4)	1,511	1,551	1,852
Debt servicing - capital lease obligations	8	8	12
Minor capital expenses	80	281	296
Amortization of tangible capital assets	1,127	990	829
Other operating expenses (Schedule 5)	1,555	1,441	1,532
	15,058	13,643	12,966
Net income before the transfer of funds to the Province of Manitoba	980	3,053	2,345
Transfer of funds to the Province of Manitoba (Note 11)	750	750	750
Net income for the year	230	2,303	1,595
Accumulated surplus, beginning of year	14,621	15,099	13,504
Accumulated surplus, end of year	$ 14,851	$ 17,402	$ 15,099

See accompanying notes to financial statements.

Statement of Change in Net Financial Assets
(in thousands)
Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Net income for the year	$ 230	$ 2,303	$ 1,595
Tangible capital assets:			
Acquisitions of tangible capital assets	(1,902)	(1,342)	(423)
Disposals of tangible capital assets	-	1	4
Amortization of tangible capital assets	1,127	990	829
Net acquisition of tangible capital assets	(775)	(351)	410
Other non-financial assets:			
Increase in prepaid expenses during the year	-	(13)	(10)
Net acquisition of other non-financial assets	-	(13)	(10)
Increase (decrease) in net financial assets	(545)	1,939	1,995
Net financial assets, beginning of year	6,892	7,520	5,525
Net financial assets, end of year	$ 6,347	$ 9,459	$ 7,520

See accompanying notes to financial statements.

Statement of Cash Flow
(in thousands)
Year ended March 31, 2013

	2013 Actual	2012 Actual
Cash provided by (applied to):		
Operating activities:		
Net income for the year	$ 2,303	$ 1,595
Adjustment for:		
Amortization of tangible capital assets	990	829
Gain on disposal of tangible capital assets	(9)	(20)
	3,284	2,404
Changes in the following:		
Accounts receivable	(1,052)	(2,390)
Accounts payable	59	266
Accrued liabilities	(137)	1,015
Unearned revenue	59	248
Employee future benefits	53	234
Prepaid expenses	(13)	(10)
Cash provided by operating activities	2,253	1,767
Capital activities:		
Acquisitions of tangible capital assets	(1,342)	(423)
Proceeds on disposal of tangible capital assets	10	24
Cash applied to capital activities	(1,332)	(399)
Investing activities:		
Portfolio investments	-	(228)
Cash applied to investing activities	-	(228)
Financing activities:		
Capital lease obligations	(35)	(45)
Cash applied to financing activities	(35)	(45)
Change in cash and cash equivalents	886	1,095
Cash and cash equivalents, beginning of year	7,259	6,164
Cash and cash equivalents, end of year	$ 8,145	$ 7,259

See accompanying notes to financial statements.

Notes to Financial Statements
(in thousands)
Year ended March 31, 2013

1. Nature of organization

Effective April 1, 1996, the Office of the Fire Commissioner (the "Agency") 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.

Effective April 1, 1996, a Transfer Agreement executed between the Government of Manitoba (Labour) and the Financing Authority, a corporation under *The Special Operating Agencies Financing Authority (SOAFA) 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 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 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 Family Services and Labour and is ultimately under the policy direction of the Minister of Family Services and Labour. 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, 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. 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. Significant accounting policies (continued)

Fees and other revenue

Insurance Levy
The Fires Prevention and Emergency Response Act imposes a special assessment on licensed insurers equal to a set percentage of total property insurance premiums. The levy rate is currently set at 1.25% (2012 - 1.25%).

The Agency collects this levy based on the value of premiums and assessments in respect to property insurance in a calendar year. Levy revenue with respect to the 2012 calendar year is recognized as revenue in the fiscal year ending March 31, 2013 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.

Mechanical and engineering fees 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 an 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 an accrual basis.

Tuition fees and fire inspections, investigations and reports under *The Fires Prevention and Emergency Response Act* are recognized on an accrual basis.

Emergency services conference revenue and any other revenue are recognized on an accrual basis.

Investment income is recognized on an accrual basis.

(b) Expenses

Expenses incurred for goods and services are recorded 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.

3. Significant accounting policies (continued)

(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

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.

(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, accrued liabilities and capital lease obligations.

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.

(in thousands)

3. Significant accounting policies (continued)

(g) 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, 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. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2013	2012
Financial Institutions Branch of Department of Finance - Fire Prevention Levy	$ 3,646	$ 2,492
Public Safety Canada - Joint Emergency Preparedness Initiative	915	1,277
National Search and Rescue Secretariat - New Search and Rescue Initiative	115	18
Public Safety Canada - National Heavy Urban Search and Rescue Exercise	-	11
Trade accounts receivable	764	590
Allowance for doubtful accounts (Note 13)	(172)	(172)
	$ 5,268	$ 4,216

5. Accrued liabilities

Accrued liabilities at March 31 is comprised of the following:

	2013	2012
Natural Resources Canada - Green Building	$ 705	$ 856
Province of Manitoba	750	750
Vacation and overtime	724	693
City of Winnipeg - Public Emergency Responder Certification Program	55	141
Manitoba Finance - Provincial Sales Tax payable	25	30
Accrued salaries and employee benefits	159	137
Other accruals	161	109
	$ 2,579	$ 2,716

(in thousands)

6. Employee future benefits

	2013	2012
Severance benefits	$ 720	$ 686
Sick pay benefits	156	137
	$ 876	$ 823

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 2013 was $427 (2012 - $342). 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 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.

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. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2013 is $720 (2012 - $686), with the actuarial losses of $113 (2012 - $113) being amortized over the 15 year 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, 2013 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:

	2013	2012
Accrued benefit liability	$ 784	$ 758
Less: unamortized actuarial losses	(64)	(72)
Severance benefit liability	$ 720	$ 686

Total severance benefits paid during the year ended March 31, 2013 were $58 (2012 - $76). The total expense related to severance benefits for the year ended March 31 includes the following components:

	2013	2012
Interest on obligation	$ 49	$ 35
Current period service cost	36	31
Amortization of actuarial losses over EARSL	8	8
Total expense related to severance benefits	$ 93	$ 74

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% (2012 - 6.00%) annual return and a 3.00% (2012 - 3.75%) annual salary increase. The Agency's sick leave benefit liability as at March 31, 2013 based on the valuation model is $156 (2012 - $137). The increase in the sick leave benefit liability of $19 (2012 - $nil) represents the total sick leave benefit expense for the year.

7. Capital lease obligations

	2013	2012
Polaris Leasing Ltd., capital lease due November 1, 2013, interest at 7.318% per year with annual principal and interest payments of $43 for the first 4 years and a final payment of $79 in 2014.	$ 74	$ 109

Obligations under capital lease are secured by the equipment under lease. The future minimum lease payment until maturity is $79 during the year ending March 31, 2014.

(in thousands)

8. Tangible capital assets

	2013			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	$ 7,654	$ 128	$ -	$ 7,782
Practical training site	2,388	242	-	2,630
Equipment	3,166	168	-	3,334
Fire engines	1,400	307	-	1,707
Other vehicles	1,267	188	(26)	1,429
Air compressors	838	75	-	913
Furniture	96	45	-	141
Computer equipment and software	406	189	` -	595
	$ 17,215	$ 1,342	$ (26)	$ 18,531
Accumulated amortization				
Buildings	$ 2,526	$ 262	$ -	$ 2,788
Practical training site	1,509	112	-	1,621
Equipment	2,523	163	-	2,686
Fire engines	1,225	144	-	1,369
Other vehicles	936	156	(25)	1,067
Air compressors	552	72	-	624
Furniture	75	14	-	89
Computer equipment and software	370	67	-	437
Total accumulated amortization	$ 9,716	$ 990	$ (25)	$ 10,681
Net book value	$ 7,499	$ 352	$ (1)	$ 7,850

(in thousands)

8. Tangible capital assets (continued)

	2012			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	$ 7,654	$ -	$ -	$ 7,654
Practical training site	2,384	4	-	2,388
Equipment	2,999	167	-	3,166
Fire engines	1,400	-	-	1,400
Other vehicles	1,155	148	(36)	1,267
Air compressors	761	77	-	838
Furniture	80	16	-	96
Computer equipment and software	395	11	-	406
	$ 16,828	$ 423	$ (36)	$ 17,215
Accumulated amortization				
Buildings	2,256	270	-	2,526
Practical training site	1,411	98	-	1,509
Equipment	2,362	161	-	2,523
Fire engines	1,150	75	-	1,225
Other vehicles	832	136	(32)	936
Air compressors	481	71	-	552
Furniture	70	5	-	75
Computer equipment and software	357	13	-	370
Total accumulated amortization	$ 8,919	$ 829	$ (32)	$ 9,716
Net book value	$ 7,909	$ (406)	$ (4)	$ 7,499

9. Designated assets

The Agency has allocated $787 (2012 - $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, 2013, $559 is designated for the vacation entitlements and severance pay benefits accumulated to March 31, 1998 for certain of its employees and $228 is designated for the severance pay benefits accumulated to April 1, 2011 for employees transferred from the Mechanical and Engineering Branch. These amount 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)

10. 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 quarterly installments, plus all operating costs with respect to the subject land.

Computer and office equipment operating leases exist for 86 machines. The longest lease term expires on September 30, 2017.

The Agency has entered into leases on a fleet of 44 vehicles.

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

2014	$	187
2015		140
2016		92
2017		67
2018		15
	$	501

11. 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 (2012 - $750) of its surplus funds to the Province of Manitoba.

12. Professional services - Family Services and Labour

The Agency has a professional services agreement with the Department of Family Services and Labour to provide financial and administrative services, information and communications technology services, and research, legislation and policy services to the Agency. The amount paid for March 31, 2013 was $180 (2012 - $180).

13. 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 (2012 - $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)

13. Financial instruments and financial risk management (continued)

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

	2013	2012
Cash and cash equivalents	$ 8,145	$ 7,259
Accounts receivable	5,268	4,216
Portfolio investments	787	787
	$ 14,200	$ 12,262

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 majority of the receivables are due from other reliable organizations and payment in full is typically collected when payment 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.

The balance in the allowance for doubtful accounts as at March 31, 2013 is $172 (2012 - $172). The change in the allowance for doubtful accounts during the year is as follows:

	2013	2012
Balance, beginning of the year	$ 172	$ -
Transfer of Mechanical and Engineering Branch balance	-	34
Provision for receivable impairment	2	211
Amounts written off during the year	(2)	(73)
Balance, end of the year	$ 172	$ 172

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 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.

13. Financial instruments and financial risk management (continued)

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.

Schedule 1 - Revenue
(in thousands)
Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Revenue			
Government grants/transfers:			
Province of Manitoba:			
Manitoba Local Government - Mutual Aid	$ 130	$ 129	$ 130
Conservation - Disaster Financial Assistance	-	-	576
Total Province of Manitoba	130	129	706
Federal Government:			
Public Safety Canada - Joint Emergency Preparedness Initiative	470	741	682
National Search and Rescue Secretariat - New Search and Rescue Initiative	75	143	91
Public Safety Canada - National Heavy Urban Search and Rescue Exercise	-	49	11
National Resources Canada - Green Building - Recovery	-	144	-
Total Federal Government	545	1,077	784
Fees and other revenue:			
Insurance Levy	6,700	6,962	6,629
Mechanical and engineering fees	5,217	5,434	3,952
Codes and standards	1,832	1,815	1,996
Tuition fees	1,254	970	990
Fire inspections, investigations and reports	130	113	133
Emergency services conference	115	82	-
Other revenue	90	56	89
Total fees and other revenue	15,338	15,432	13,789
Investment income	25	58	32
Total revenue	$ 16,038	$ 16,696	$ 15,311

Schedule 2 - Transportation Expenses

(in thousands)

Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Transportation expenses:			
Vehicle leases	$ 701	$ 598	$ 612
Travel	222	134	135
Fuel - owned vehicles	85	19	41
Emergency response	-	1	4
Boards and committees	4	2	2
	$ 1,012	$ 754	$ 794

Schedule 3 - Communications Expenses
(in thousands)
Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Communications expenses:			
Communications	$ 225	$ 164	$ 185
Postal and courier	40	47	46
Marketing	40	43	22
Public education material	40	14	33
	$ 345	$ 268	$ 286

Schedule 4 - Supplies and Services Expenses
(in thousands)
Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Supplies and services expenses:			
Supplies	$ 365	$ 283	$ 290
Public Emergency Responder Certification Program	85	139	141
Repairs and maintenance	250	259	299
Rent	350	306	292
Mutual Aid - air compressor maintenance	50	49	74
Professional services - Family Services and Labour	180	180	180
Professional fees and contracted services	115	224	99
Fuel - training supplies	25	20	22
Utilities	85	71	69
Other	6	14	13
Emergency response - Crown lands	-	6	373
	$ 1,511	$ 1,551	$ 1,852

Schedule 5 - Other Operating Expenses

(in thousands)

Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Other operating expenses:			
Desktop management	$ 515	$ 471	$ 401
Travel	303	308	266
Bad debts	-	2	211
Property taxes	155	166	171
Insurance	139	143	111
Clothing	70	103	81
Publications	25	48	56
Professional development	45	15	28
Boards and committees	6	3	3
Seminar and conference registration	15	16	7
Memberships and subscriptions	6	8	18
Mutual Aid - meetings	5	3	5
Other	6	4	34
Emergency response - municipal lands	265	151	140
	$ 1,555	$ 1,441	$ 1,532

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of Organization and Staff Development 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 judgement 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 Auditor General is to express an independent opinion on whether the financial statements of Organization and Staff Development are fairly represented in accordance with Public sector accounting standards. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Organization and Staff Development

Ingrid Hanson, Acting Director

July 22, 2013

Date

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Organization and Staff Development Agency
To the Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of Organization and Staff Development which comprise the statement of financial position as at March 31, 2013, and the statement 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 Organization and Staff Development as at March 31, 2013, and the results of its operations, changes in its net financial assets and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matters
We draw attention to Note 1 to the financial statements, which indicates that the designation of the Organization and Staff Development as a special operating agency under The Special Operating Agencies Financing Authority Act was revoked by a Manitoba Order in Council dated March 13, 2013 and its operating charter was cancelled effective March 31, 2013. The organization will continue to operate as a branch in the Civil Service Commission as of April 1, 2013.

Office of the Auditor General

Office of the Auditor General
Winnipeg, Manitoba
July 22, 2013

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

ORGANIZATION AND STAFF DEVELOPMENT – AN AGENCY OF THE SPECIAL OPERATING AGENCY FINANCING AUTHORITY

Statement of Financial Position

(000's)

March 31	2013	2012
Financial Assets		
Cash and cash equivalents	$ -	$ 351
Accounts receivable	-	141
Portfolio investments	-	39
	-	531
Liabilities		
Accounts payable and accrued liabilities (Note 5)	-	124
Employee future benefits (Note 6)	-	94
	-	218
Net financial assets	-	313
Non-financial Assets		
Inventories held for use	-	21
Tangible capital assets (Note 7)	-	87
	-	108
Accumulated surplus	$ -	$ 421

Designated assets (Note 8)
Contingencies (Note 9)

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

ORGANIZATION AND STAFF DEVELOPMENT – AN AGENCY OF THE SPECIAL OPERATING AGENCY FINANCING AUTHORITY
Statement of Operations and Accumulated Surplus
(000's)

For the year ended March 31	2013 Budget	2013 Actual	2012 Actual
Revenue			
Fees	$ 1,550	$ 1,523	$ 1,625
Interest	-	1	2
	1,550	1,524	1,627
Expenses			
Salaries and benefits	761	782	668
Professional fees	445	458	564
Operitel Learning Systems	80	77	73
Food and beverages	35	72	62
Occupancy costs	55	60	33
Books and course materials	38	43	52
Accommodations	46	39	77
Desk top management	28	31	28
Office supplies	10	25	15
Communications	16	19	16
Travel	8	18	18
Amortization	7	16	8
Marketing	8	11	12
Rentals	5	10	10
Professional development	3	7	7
Other	5	3	5
	1,550	1,671	1,648
Annual deficit	-	(147)	(21)
Transfer to Special Operating Agencies Financing Authority (Note 1)	-	(274)	-
Accumulated surplus, beginning of year	421	421	442
Accumulated surplus, end of year	$ 421	$ -	$ 421

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

ORGANIZATION AND STAFF DEVELOPMENT – AN AGENCY OF THE SPECIAL OPERATING AGENCY FINANCING AUTHORITY
Statement of Change in Net Financial Assets
(000's)

For the year ended March 31	**2013 Budget**	**2013 Actual**	2012 Actual
Annual deficit	**$ -**	**$ (147)**	$ (21)
Transfer to Special Operating Agencies Financing Authority	**-**	**(274)**	-
	-	**(421)**	(21)
Tangible capital assets			
Acquisition of tangible capital assets	**-**	**-**	(69)
Amortization of tangible capital assets	**7**	**16**	8
Decrease in tangible capital assets	**-**	**71**	-
Net acquisition of tangible capital assets	**7**	**87**	(61)
Other non-financial assets			
Decrease in prepaid expenses	**-**	**-**	66
Decrease in inventories	**-**	**21**	4
Net acquisition of other non-financial assets	**-**	**21**	70
Increase (decrease) in net financial assets	**7**	**(313)**	(12)
Net financial assets, beginning of year	**313**	**313**	325
Net financial assets, end of year	**$ 320**	**$ -**	$ 313

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

ORGANIZATION AND STAFF DEVELOPMENT – AN AGENCY OF THE SPECIAL OPERATING AGENCY FINANCING AUTHORITY
Statement of Cash Flow
(000's)

For the year ended March 31	2013	2012
Cash Provided by (Applied to):		
Operating		
Annual deficit	$ (147)	$ (21)
Amortization of tangible capital assets	16	8
Transfer to Special Operating Agencies Financing Authority	(274)	-
	(405)	(13)
Change in:		
Accounts receivable	141	115
Inventories	21	4
Prepaid expenses	-	66
Accounts payable and accrued liabilities	(124)	(111)
Employee future benefits	(94)	13
	(56)	87
Cash provided by operating activities	(461)	74
Capital		
Acquisition of tangible capital assets	-	(69)
Tangible capital assets transferred to Special Operating Agencies Financing Authority	71	-
Cash applied to capital activities	71	(69)
Investing		
Portfolio investments transferred to Special Operating Agencies Financing Authority	39	-
Increase (decrease) in cash and cash equivalents	(351)	5
Cash and cash equivalents, beginning of year	351	346
Cash and cash equivalents, end of year	$ -	$ 351
Supplementary Information		
Interest received	$ 1	$ 2

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

For the year ended March 31, 2013

(000's)

1. Nature of Organization

Effective April 1, 1994, Organization and Staff Development of the Civil Service Commission was designated by regulation as a Special Operating Agency under The Special Operating Agencies Financing Authority Act and operates under a charter approved by the Lieutenant Governor in Council. Its mandate is to provide consulting and training services to support the implementation of the government's human resource policies and priorities.

The Agency is financed through the Special Operating Agencies Financing Authority. 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. 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 responsible for the Civil Service Commission assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

Organization and Staff Development continues to be part of the Civil Service Commission under the general direction of the Commissioner and ultimately the policy direction of the Minister responsible for The Civil Service Act.

Organization and Staff Development 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.

Organization and Staff Development is economically dependant on the Province of Manitoba. Currently, the Agency derives most of its revenue from the Province of Manitoba and all of its capital financing requirements through the Financing Authority.

The designation of Organization and Staff Development as a special operating agency under The Special Operating Agencies Financing Authority Act was revoked by a Manitoba Order in Council dated March 13, 2013 and its operating charter was cancelled effective March 31, 2013. As of March 31, 2013 the net assets were transferred out of the organization to Special Operating Agencies Financing Authority. On April 1, 2013 Special Operating Agencies Financing Authority then transferred the net assets to the Province where Organization and Staff Development will continue to operate as a branch in the Civil Services Commission.

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.

(000's)

3. Significant Accounting Policies

a. Revenue
Training and consulting revenue is recorded on an accrual basis by specific project.

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

c. Financial Assets
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 liabilities will result in the future transfer of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

e. Non-financial Assets

(i) Inventories
Inventories held for use are classified as non-financial assets.

(ii) 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.

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

Office equipment	20% declining balance
Furniture and fixtures	20% declining balance
Computer equipment	20% straight line

In the year of acquisition, amortization is calculated at one half of the rate indicated above.

f. 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, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(000's)

4. Financial Instruments and Financial Risk Management

Measurement

Financial assets and liabilities 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 accounts payable and accrued liabilities.

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, 2013 (2012 - $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, portfolio investments and accounts receivable.

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

	2013	2012
Cash and cash equivalents	**$ -**	$ 351
Accounts receivable	**-**	141
Portfolio investments	**-**	39
	$ -	$ 531

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 the majority of the receivables are due from other reliable organizations 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, 2013 (2012 - $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 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 risks the Agency is exposed to are interest rate risk and foreign currency 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 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.

For the year ended March 31, 2013

(000's)

5. Accounts Payable and Accrued Liabilities

		2013		2012
Trade accounts payable and accrued liabilities	**$**	**-**	$	48
Accrued salaries		**-**		13
Accrued vacation and overtime		**-**		63
	$	**-**	$	124

6. Employee Future Benefits

		2013		2012
Severance benefits	**$**	**-**	$	79
Sick pay benefits		**-**		15
	$	**-**	$	94

Pension benefits

Employees of Organization and Staff Development 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 Organization and Staff Development, 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 of Manitoba the pension liability for its employees. Commencing April 1, 2001, the Agency is required to pay annually to the Province of Manitoba an amount equal to its employees' current pension contributions. The amount paid for 2013 was $39 ($34 in 2012). 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 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.

(000's)

6. Employee Future Benefits (continued)

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 Agency's actuarially determined net liability for accounting purposes as at March 31, 2013 is $94 (2012 - $79). The actuarial loss of $33 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, 2013 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 liability of the Agency has been transferred to Special Operating Agencies Financing Authority on March 31, 2013 and will be transferred to the Civil Service Commission on April 1, 2013.

The severance liability at March 31, prior to the transfer, includes the following components:

	2013	2012
Accrued benefit liability	**$ 124**	$ 112
Less: unamortized actuarial gains (losses)	**(30)**	(33)
Severance benefit liability	**$ 94**	$ 79

For the year ended March 31, 2013

(000's)

6. Employee Future Benefits (continued)

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

	2013	2012
Interest on obligation	**$ 7**	$ 7
Employer service cost	**5**	4
Amortization of actuarial loss over the expected average remaining service life of the employee group	**3**	2
	$ 15	$ 13

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 5.00% annual return and a 3.00% annual salary increase.

7. Tangible Capital Assets

	2013			
	Opening Balance	**Additions**	**Disposals**	**Closing Balance**
Cost				
Office equipment	**$ 6**	**$ -**	**$ 6**	**$ -**
Furniture and fixtures	**121**	**-**	**121**	**-**
Computer equipment	**20**	**-**	**20**	**-**
	147	**-**	**147**	**-**
Accumulated Amortization				
Office equipment	**4**	**-**	**4**	**-**
Furniture and fixtures	**39**	**15**	**54**	**-**
Computer equipment	**17**	**1**	**18**	**-**
	60	**16**	**76**	**-**
Net book value	**$ 87**	**$ (16)**	**$ 71**	**$ -**

For the year ended March 31, 2013

(000's)

7. Tangible Capital Assets

	2012			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	$ 6	$ -	$ -	$ 6
Furniture and fixtures	52	69	-	121
Computer equipment	20	-	-	20
	78	69	-	147
Accumulated Amortization				
Office equipment	4	-	-	4
Furniture and fixtures	32	7	-	39
Computer equipment	16	1	-	17
	52	8	-	60
Net book value	$ 26	$ 61	$ -	$ 87

8. Designated Assets

The Agency has allocated $39 (2012 - $39) of its temporary investments as designated assets for cash received from the Province of Manitoba with regard to the severance pay benefits accumulated to March 31, 1998 for certain of the Agency' 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. The investment was transferred to Special Operating Agencies Financing Authority on March 31, 2013 and will be transferred to the Civil Service Commission on April 1, 2013.

9. Contingencies

A potential claim has been filed against the Agency for breach of an agreement. In the opinion of management and legal counsel, the amount of the potential loss cannot be estimated, and the outcome of the claim is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

(000's)

10. 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 and the transactions are measured at the exchange amount.

11. Budgeted Figures

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

Pineland
Forest Nursery

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of the management of Pineland Forest Nursery 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 judgement regarding all necessary estimates and all other data up to June 5, 2013.

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 Auditor is to express an independent opinion on whether the financial statements of Pineland Forest Nursery are fairly represented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Trevor Stanley
General Manager

June 5, 2013

Independent Auditors' Report

To the Special Operating Agencies Financial Authority:

We have audited the accompanying financial statements of Pineland Forest Nursery, which comprise the statement of financial position as at March 31, 2013 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, 2013 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 5, 2013

MNP LLP

Chartered Accountants

2500 - 201 Portage Ave., Winnipeg, Manitoba, R3B 3K6, Phone: (204) 775-4531, 1 (877) 500-0795

MNP

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Statement of Financial Position
As at March 31, 2013

	2013 (in thousands)	2012 (in thousands)
Financial assets		
Portfolio investments	**187**	187
Accounts receivable *(Note 5)*	**1,060**	998
	1,247	1,185
Liabilities		
Working capital advances (Note 6)	**2,431**	2,663
Accounts payable and accruals	**274**	262
Unearned revenue	**762**	63
Employee future benefits (Note 7)	**329**	338
Borrowings from the Province of Manitoba (Note 8)	**1,462**	1,607
	5,258	4,933
Net Debt	**(4,011)**	(3,748)
Non-financial assets		
Inventories held for use	**145**	162
Prepaid expenses	**22**	37
Tangible capital assets (Note 9)	**2,274**	2,578
	2,441	2,777
Accumulated Deficit	**(1,570)**	(971)

Designated assets (Note 10)

Approved on behalf of the Special Operating Agencies Financing Authority:

Director

Director

The accompanying notes are an integral part of these financial statements

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Statement of Operations and Accumulated Deficit

As at March 31, 2013

	2013 Budget (in thousands)	***2013 Actual (in thousands)***	*2012 Actual (in thousands)*
Revenues - Private Sector			
Overwinter	1,102	**943**	756
Current	213	**255**	181
Seed services	60	**34**	38
Other	5	**23**	40
	1,380	**1,255**	1,015
Revenues - Province of Manitoba			
Overwinter	741	**857**	1,031
Current	275	**261**	223
Seed services	40	**35**	36
Trees for tomorrow	0	**75**	183
Other	20	**28**	8
	1,076	**1,256**	1,481
Total revenues	2,456	**2,511**	2,496
Operating Expenses (Schedule 1)	765	**960**	939
General administrative expenses			
Amortization	449	**374**	453
Interest - operating and capital loan	175	**129**	130
Salaries, wages and benefits	1,631	**1,647**	1,493
	2,255	**2,150**	2,076
Total expenses	3,020	**3,110**	3,015
Net loss	(564)	**(599)**	(519)
Accumulated deficit, beginning of year	(971)	**(971)**	(452)
Accumulated deficit, end of year	(1,535)	**(1,570)**	(971)

The accompanying notes are an integral part of these financial statements

MNP

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Statement of Change in Net Debt
As at March 31, 2013

	2013 Budget (in thousands)	***2013 Actual (in thousands)***	*2012 Actual (in thousands)*
Net loss	(564)	**(599)**	(519)
Tangible capital assets			
Acquisition of tangible capital assets	-	**(69)**	(124)
Amortization of tangible capital assets	449	**374**	453
	449	**305**	329
Other non-financial assets			
Decrease (increase) in inventories held for use	-	**17**	(20)
Decrease (increase) in prepaid expense	-	**14**	(1)
	-	**31**	(21)
Increase in net debt	(115)	**(263)**	(211)
Net debt, beginning of year	(3,748)	**(3,748)**	(3,537)
Net debt, end of year	(3,863)	**(4,011)**	(3,748)

The accompanying notes are an integral part of these financial statements

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Statement of Cash Flows
As at March 31, 2013

	2013 Actual (in thousands)	*2012 Actual (in thousands)*
Cash provided by (applied to):		
Operating		
Net loss	(599)	(519)
Amortization of tangible assets	374	453
	(225)	(66)
Change in:		
Accounts receivable	(62)	(129)
Accounts payable and accruals	12	(28)
Unearned revenue	699	(34)
Employee future benefits	(9)	30
Inventories	17	(20)
Prepaid expenses	14	(1)
	446	(248)
Capital		
Acquisition of tangible capital assets	(69)	(124)
Financing		
Debt repayments to the Province of Manitoba	(145)	(145)
Increase (decrease) in cash resources	232	(517)
Working capital advances, beginning of year	(2,663)	(2,146)
Working capital advances, end of year	(2,431)	(2,663)

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 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. Change in Accounting Policy

On April 1, 2012, the Nursery prospectively adopted Public Sector Accounting Standards PS 3041 – Portfolio Investments. These standards provide guidance for the recognition, measurement and disclosure of portfolio investments.

Adoption of these standards did not result in any adjustment to previously reported assets or liabilities.

3. 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 financing 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.

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.

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.

3. Significant Accounting Policies *(Continued from previous page)*

Non-financial Assets

Non-financial assets do not normally provide resources to discharge liabilities of the Financing Authority. 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 - Greenhouses, coldframes, freezers, holding area, minor service buildings, major pump-house, major service buildings, propane conversion	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.

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.

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. 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.

3. Significant Accounting Policies *(Continued from previous page)*

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.

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 Nursery records its financial assets at cost and fair value, which include accounts receivable and portfolio investments. The accounts receivable are recorded at cost and portfolio investments at fair value. The Nursery records its financial liabilities at cost, which include accounts payable 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 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 Nursery did not incur any re-measurement gains and losses during the year (2012 - $nil).

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:

	2013	*2012*
Portfolio investments	**187**	187
Accounts receivable	**1,060**	998
	1,247	1,185

Portfolio investments: The Nursery is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The Nursery 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 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)

4. Financial Instruments and Financial Risk Management *(Continued from previous page)*

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

	2013	2012
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 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.

5. Accounts receivable

	2013	2012
Trade receivable:		
Province of Manitoba	**412**	298
Other	**320**	298
	732	596
Allowance for doubtful accounts	**(43)**	(43)
	689	553
Unbilled revenue	**362**	435
Goods and Services Tax receivable	**9**	10
	1,060	998

(In thousands)

6. Working capital advances

The Financing Authority has provided the Nursery with an authorized line of working capital of $5,000 (2012 - $3,000) of which $2,431 was advanced at March 31, 2013 (2012 - $2,663). The indebtedness bears interest at prime less 1% (2012 – prime less 1%).

7. Employee future benefits

	2013	*2012*
Severance benefits	**306**	312
Sick pay benefits	**23**	26
	329	338

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 2013 was $79 (2012 - $67).

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, 2013 was $306 (2012 - $312), 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, 2013 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)

7. 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.

8. Borrowings from the Province of Manitoba

	2013	*2012*
Capital purchase loan payable in monthly installments of \$6,317, plus interest at 5.125%, due July 2023.	**784**	859
Capital purchase loan payable in monthly installments of \$2,727, plus interest at 4.875%, due July 2023.	**338**	371
Capital purchase loan payable in monthly installments of \$1,786, plus interest at 4.875%, due July 2023.	**221**	243
Capital purchase loan payable in monthly installments of \$1,250, plus interest at 3.875%, due January 2021.	**119**	134
	1,462	1,607

Principal repayments in each of the next five years are estimated as follows:

2014	145
2015	145
2016	145
2017	145
2018	145

(In thousands)

9. Tangible Capital Assets

	2013			
	Opening Balance	**Additions**	**Disposals**	**Closing Balance**
Cost				
Buildings	**6,158**	**53**	**-**	**6,211**
Equipment	**2,044**	**16**	**-**	**2,061**
Total cost	**8,202**	**69**	**-**	**8,272**
Accumulated Amortization				
Buildings	**3,827**	**310**	**-**	**4,137**
Equipment	**1,797**	**64**	**-**	**1,861**
Total accumulated amortization	**5,624**	**374**	**-**	**5,998**
Net				
Buildings	**2,331**	**(257)**	**-**	**2,074**
Equipment	**247**	**(47)**	**-**	**200**
Total	**2,578**	**(304)**	**-**	**2,274**

	2012			
	Opening Balance	**Additions**	**Disposals**	**Closing Balance**
Cost				
Buildings	**6,057**	**101**	**-**	**6,158**
Equipment	**2,021**	**23**	**-**	**2,044**
Total cost	**8,078**	**124**	**-**	**8,202**
Accumulated Amortization				
Buildings	**3,457**	**370**	**-**	**3,827**
Equipment	**1,714**	**83**	**-**	**1,797**
Total accumulated amortization	**5,171**	**453**	**-**	**5,624**
Net				
Buildings	**2,600**	**(269)**	**-**	**2,331**
Equipment	**307**	**(60)**	**-**	**247**
Total	**2,907**	**(329)**	**-**	**2,578**

10. Designated Assets

The Nursery has allocated $187 (2012 - $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.

11. 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 Special Operating Agencies Financing Authority
Schedule 1 - Schedule of Operating Expenses
For the Year Ended March 31, 2013

	2013 Budget (In thousands)	***2013 Actual (In thousands)***	*2012 Actual (In thousands)*
Operating expenses			
Departmental services and professional fees	30	**47**	28
Freight	30	**35**	48
Marketing	5	**5**	5
Natural gas and hydro	185	**233**	244
Office	60	**65**	69
Property taxes and insurance	75	**79**	81
Repairs and maintenance	115	**165**	150
Supplies	260	**323**	305
Travel	5	**8**	9
	765	**960**	939

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of THE PROPERTY REGISTRY 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 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 PROPERTY REGISTRY are fairly represented 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
THE PROPERTY REGISTRY

Barry Effler, Registrar General and Chief Operating Officer

Grant Kernested, Acting Director of Finance

May 30, 2013

BDO

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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 PROPERTY REGISTRY**, which comprise the statement of financial position as at March 31, 2013 and the statements of operations, change in net financial assets and cash flow for the year ended March 31, 2013, 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 PROPERTY REGISTRY** as at March 31, 2013 and the results of its operations, net financial assets, and its cash flows for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 30, 2013

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Financial Position
(in thousands)

March 31		**2013**		2012
Financial Assets				
Cash and cash equivalents (Note 5)	**$**	**13,116**	$	11,388
Accounts receivable (Note 6)		**355**		722
Portfolio investments (Note 7)		**1,602**		1,602
		15,073		13,712
Liabilities				
Accounts payable and accruals		**1,627**		2,204
Unearned revenue		**2,094**		1,690
Employee future benefits (Note 8)		**1,635**		1,786
Land titles assurance fund (Note 9)		**27**		33
Borrowings from the Province of Manitoba (Note 10)		**2,367**		2,540
		7,750		8,253
Net financial assets		**7,323**		5,459
Non-financial Assets				
Prepaid expenses		**188**		201
Tangible capital assets (Note 11)		**2,390**		2,023
		2,578		2,224
Accumulated surplus (Note 12)	**$**	**9,901**	$	7,683

Designated assets (Note 13)
Commitments (Note 14)
Contingencies (Note 15)

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

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Operations
(in thousands)

For the year ended March 31	2013	2013	2012
	Budget	**Actual**	Actual
Revenue			
Fees and other revenues	$ **26,155**	$ **26,611**	$ 23,671
Revenue from entities within the Province of Manitoba	**520**	**487**	513
Investment income	**60**	**76**	84
	26,735	**27,174**	24,268
Expenses			
Salaries and employee benefits	**10,320**	**8,531**	8,689
Operating expenses (per schedule)	**5,211**	**4,534**	4,337
Amortization	**762**	**644**	426
Contributed services	**260**	**247**	250
Government system fee	**-**	**-**	-
	16,553	**13,956**	13,702
Net income before the transfer of funds to the Province of Manitoba	**10,182**	**13,218**	10,566
Transfer of funds to the Province of Manitoba (Note 16)	**11,000**	**11,000**	11,000
Net income (loss)	**(818)**	**2,218**	(434)
Accumulated surplus, beginning of year	**6,152**	**7,683**	8,117
Accumulated surplus, end of year	$ **5,334**	$ **9,901**	$ 7,683

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

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Change in Net Financial Assets
(in thousands)

For the year ended March 31	2013 Budget	2013 Actual	2012 Actual
Net income (loss)	$ (818)	$ 2,218	$ (434)
Tangible capital assets			
Acquisition of tangible capital assets	(2,184)	(1,011)	(1,487)
Amortization of tangible capital assets	762	644	426
Net acquisition of tangible capital assets	(1,422)	(367)	(1,061)
Other non-financial assets			
Increase in prepaid expense	(4)	13	(125)
Increase (decrease) in net financial assets	(2,244)	1,864	(1,620)
Net financial assets, beginning of year	3,750	5,459	7,079
Net financial assets, end of year	$ 1,506	$ 7,323	$ 5,459

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

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flow
(in thousands)

For the year ended March 31	2013 Actual	2012 Actual
Cash Provided by (applied to):		
Operating		
Net income (loss)	**$ 2,218**	$ (434)
Amortization of tangible capital assets	**644**	426
	2,862	(8)
Change in:		
Accounts receivable	**367**	(393)
Accounts payable and accruals	**(577)**	600
Unearned revenue	**404**	132
Employee future benefits	**(151)**	64
Land titles assurance fund	**(6)**	6
Prepaid expenses	**13**	(125)
Cash provided by (applied to) operating activities	**2,912**	276
Capital		
Acquisition of tangible capital assets	**(1,011)**	(1,487)
Financing		
Borrowings from the Province of Manitoba	**-**	1,700
Debt repayments to the Province of Manitoba	**(173)**	(60)
Cash provided by financing activities	**(173)**	1,640
Net increase in cash	**1,728**	429
Cash and cash equivalents, beginning of year	**11,388**	10,959
Cash and cash equivalents, end of year	**$ 13,116**	$ 11,388

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

1. Nature of Organization

Effective April 1, 1997, the Lieutenant Governor in Council designated The Property Registry as a Special Operating Agency under The Special Operating Agencies Financing Authority Act. The order also directed 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 Property Registry. The Property Registry was established to operate the Land Titles and Personal Property Registry 7 offices on a self-sustaining financial basis while providing a standard of service that will meet the needs of its clients.

The Property Registry is part of the Department of Healthy Living, Seniors, and Consumer Affairs under the general direction of the Assistant Deputy Minister for Healthy Living, Seniors, and Consumer Affairs, who is also Chairperson of The Property Registry's Advisory Board. The Property Registry remains bound by relevant legislation, regulation and administrative policy as specified in its operating charter.

The Property Registry's financial contribution to the Province of Manitoba is included in the Manitoba Estimates of Revenue and Expenditure – Special Operating Agencies.

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) Exchange transactions

Service revenue is recognized when the rendering of services is completed or substantially completed.

(ii) Other revenue

All other revenues are recorded on an accrual basis.

b. Expenses

Accrual accounting

All expenses incurred for goods and services are recorded 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.

3. Significant Accounting Policies (continued)

c. Financial Assets

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 period. 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

(i) Prepaid Expenses

Prepaid expenses are payments for goods and 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

Capital assets are recorded at cost. Cost includes the purchase price as well as other acquisition costs. Amortization is computed using the straight-line method based on remaining estimated useful lives, after allowance for salvage value, where applicable as follows:

Computer system	20%
Office equipment	20%
Leasehold improvements	10%
Equipment under capital lease	20%

In the year of acquisition, amortization is calculated at one-half the rate indicated for computer systems. All other capital asset categories have amortization calculated at the full rate during the year of acquisition.

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. 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 accruals and borrowings from the Province of Manitoba.

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 consolidated statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the consolidated statement 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, 2013 (2012 - $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.

The maximum exposure of the Agency to credit risk at March 31, 2013 is:

	2013	2012
Cash and cash equivalents	**$ 13,116**	$ 11,388
Accounts receivable	**355**	722
Portfolio investments	**1,602**	1,602
	$ 15,073	$ 13,712

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.

4. Financial Instruments and Financial Risk Management (continued)

Accounts receivable: The Agency is not exposed to significant credit risk as the majority of accounts receivable are with related entities. The balance is due from a large client base, 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, 2013 (2012 - $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 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 financial instruments denominated in foreign currency.

(in thousands)

5. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

	2013	2012
Restricted	**$ 2,094**	$ 1,690
Unrestricted	**11,022**	9,698
Total cash and cash equivalents	**$ 13,116**	$ 11,388

The restricted balance represents the amount of customer deposits held in a separate bank account. These deposits remain as unearned revenue until services are provided.

6. Accounts Receivable

	2013	2012
Trade receivables	**$ 298**	$ 611
Receivable from government and departments	**57**	111
	$ 355	$ 722

7. Portfolio Investments

Portfolio investments consist of a term deposit with an annual interest rate of 1.06% maturing on March 31, 2014.

8. Employee Future Benefits

	2013	2012
Severance benefits	**$ 1,453**	$ 1,604
Sick pay benefits	**182**	182
	$ 1,635	$ 1,786

(in thousands)

8. Employee Future Benefits (continued)

Pension benefits

Employees of The Property Registry 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 Property Registry, through the Civil Service Superannuation Fund (CSSF). Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Property Registry transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, The Property Registry was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2013 was $482 ($439 in 2012). 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 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 party 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 Agency's actuarially determined net liability for accounting purposes as at March 31, 2013 is $1,453 (2012 - $1,604). The actuarial loss of $38 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, 2013 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%

(in thousands)

8. Employee Future Benefits (continued)

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

	2013	2012
Accrued benefit liability	**$ 1,476**	$ 1,630
Less: unamortized actuarial losses	**(23)**	(26)
Severance benefit liability	**$ 1,453**	$ 1,604

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

	2013	2012
Interest on obligation	**$ 106**	$ 102
Current period benefit cost	**32**	32
Amortization of actuarial gain over EARSL	**3**	3
Total expense related to severance benefit	**$ 141**	$ 137

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.

9. Land Titles Assurance Fund

Claims for loss as provided for in *The Real Property Act* are paid from this fund. The Agency's Land Titles Branch is responsible for the collection of deposits and the defence against claims on this fund. Claims in excess of the fund balance are paid out of the Consolidated Revenue Fund of the Province of Manitoba.

(in thousands)

10. Borrowings from the Province of Manitoba

As part of the Agency's long-term business plans, there were additions to the computer systems. Pursuant to the Loan Act, the Agency was required to obtain financing from the Province of Manitoba.

Borrowing obtained through the use of available Loan Act Authority are repayable in annual instalments of principal plus interest, as follows:

Interest Rate	Annual Payment ($)	Maturity Date		**2013**		2012
4.2%	$60	March 31, 2026	**$**	**780**	$	840
3.4%	113	March 31, 2027		**1587**		1700
			$	**2367**	$	2540

Unused loan authority of $6,000 was available as of March 31, 2012. Of the $6,000 in available loan authority, $Nil was drawn down at during the year ended March 31, 2013.

Interest cost is measured using the effective interest method. Principal repayments in each of the next five years are as follows:

Year	Amount	
2013	$	173
2014		173
2015		173
2016		173
2017		173

(in thousands)

For the year ended March 31, 2013

11. Tangible Capital Assets

	Opening balance	Additions	Disposals	Closing balance
				2013
Cost				
Computer system	**$ 2,789**	**$ 976**	**$ -**	**$ 3,765**
Office equipment	**1,522**	**35**	**-**	**1,557**
Leasehold improvements	**589**	**-**	**-**	**589**
Equipment under capital lease	**70**	**-**	**-**	**70**
	4,970	**1,011**	**-**	**5,981**
Accumulated amortization				
Computer system	**1,001**	**540**	**-**	**1,541**
Office equipment	**1,380**	**64**	**-**	**1,444**
Leasehold improvements	**496**	**40**	**-**	**536**
Equipment under capital lease	**70**	**-**	**-**	**70**
	2,947	**644**	**-**	**3,591**
	$ 2,023	**$ 367**	**$ -**	**$ 2,390**

	Opening balance	Additions	Disposals	Closing balance
				2012
Cost				
Computer system	$ 1,390	$ 1,399	$ -	$ 2,789
Office equipment	1,434	88	-	1,522
Leasehold improvements	589	-	-	589
Equipment under capital lease	70	-	-	70
	3,483	1,487	-	4,970
Accumulated amortization				
Computer system	682	319	-	1,001
Office equipment	1,313	67	-	1,380
Leasehold improvements	456	40	-	496
Equipment under capital lease	70	-	-	70
	2,521	426	-	2,947
	$ 962	$ 1,061	$ -	$ 2,023

(in thousands)

12. Accumulated Surplus

The Agency has allocated $2,427 of its accumulated surplus for a revenue fluctuation reserve fund to provide the Agency the ability to carry costs through a period of economic downturn.

13. 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 designed assets for another purpose if the need arises. The Agency has allocated $1,602 (2012 - $1,602) of its temporary investments as designed assets for settling certain of its vacation and severance liabilities. 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.

14. Commitments

The Agency has entered into a Memorandum of Understanding with Manitoba Infrastructure and Transportation (MIT) to lease it premises. The accommodation charges are established annually by MIT, and are based on its approved budget.

The Agency has also entered into agreements to lease equipment. These agreements carry various terms and conditions.

The estimated minimum lease payments for the premises and equipment in aggregate for each of the next five years are as follows:

	Premises	Equipment	Total
2012	$ 1,000	$ 24	$ 1,024
2013	1,030	24	1,054
2014	1,061	24	1,085
2015	1,093	24	1,117
2016	1,126	24	1,150
Total minimum lease payments	$ 5,310	$ 120	$ 5,430

15. Contingencies

The Property Registry has been named in five lawsuits for which the likelihood of damages being awarded and the amount to be awarded is not reasonably estimable. Should any loss result from the resolution of these claims, such loss will be charged to the Assurance Fund of Manitoba in the year of resolution.

16. Transfer of Funds to the Province of Manitoba

During the year, with Lieutenant-Governor-in-Council approval by Order in Council, the Agency transferred $11,000 (2012 - $11,000) of its surplus funds to the Province of Manitoba.

17. Land Transfer Tax

Land transfer tax is administered and collected by the Property Registry. Tax collected less refunds issued is remitted to the Consolidated Revenue Fund of the Province of Manitoba. Adjustments and refunds of land transfer tax are paid out of the Department of Finance under the advice of the Registrar General. During the year, the amount of land transfer tax collected and remitted was $74,955 (2012 - $67,336). These amounts are not reflected in the Agency's financial statements.

18. Subsequent Event

On December 12, 2012, Teranet Holdings Limited Partnership and the Province of Manitoba entered into a term sheet setting out the fundamental terms and conditions of a transaction pursuant to which the Province of Manitoba will grant to a limited partnership, Teranet Manitoba LP, a 30-year exclusive concession to own and operate the business and operations of The Property Registry of Manitoba (the “TPR”), which includes the transfer of certain assets and a workforce of approximately 137 employees. Under the terms of the proposed agreement, Teranet Manitoba will provide services to the Province of Manitoba to facilitate the delivery by the Province of Manitoba of its statutory functions relating to the Land Titles Office and the Personal Property Registry.

The completion of the transaction will be subject to the satisfaction of certain conditions and the finalization of mutually agreed upon definitive agreements. The transaction is expected to close in the first half of the 2014 fiscal year at which point Teranet Manitoba will provide the Province of Manitoba with a one-time upfront payment of $75.0 million.

Commencing on the closing date and for the duration of the term of the definitive agreements, Teranet Manitoba will be:
-entitled to receive and retain all statutory fees and certain other fees collected in connection with the operation of the TPR Business, including registration and search fees; and
-required to pay to the Province of Manitoba an annual royalty at rates that will vary based on transaction volumes.

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Schedule of Operating Expenses
(in thousands)

For the year ended March 31	2013	2012
Better Systems Initiative	**$ 920**	$ 960
Computer processing	**489**	505
Department services	**68**	68
Desktop services	**618**	523
Equipment lease	**32**	55
Interest and bank charges	**153**	104
Occupancy cost	**859**	860
Office supplies	**161**	153
Postage and delivery	**118**	125
Professional fees	**237**	93
Publications and subscriptions	**26**	27
Records preservation project	**96**	388
Repairs and maintenance	**47**	63
Software licensing	**16**	14
Special surveys	**100**	58
Sundry	**10**	11
Survey remonumentation program	**403**	170
Telephone	**91**	90
Training and staff development	**66**	44
Travel	**24**	26
	$ 4,534	$ 4,337

Public 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 generally accepted 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 July 25, 2013. 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 Trustee 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 the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Public Trustee has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

Joanna K. Knowlton
Public Trustee

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba,
To the Public Trustee of Manitoba, and
To the Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of the Public Trustee of Manitoba which comprise the statement of financial position as at March 31, 2013, 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.

The Public Trustee's Responsibility for the Financial Statements
The Public 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 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 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 Trustee of Manitoba as at March 31, 2013, 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
Winnipeg, Manitoba
July 25, 2013

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

PUBLIC TRUSTEE OF MANITOBA
(An Agency of the Special Operating Agencies
Financing Authority - Province of Manitoba)
Statement of Financial Position
As at March 31, 2013
(In Thousands)

	March 31, 2013	March 31, 2012
Financial assets		
Cash and cash equivalents (Note 5)	$ 4,247	$ 3,456
Portfolio investments (Note 10)	515	515
Accounts receivable (Note 6)	932	915
	5,694	4,886
Liabilities		
Accounts payable and accruals (Note 7)	703	576
Employee future benefits (Note 8)	647	582
	1,350	1,158
Net financial assets	4,344	3,728
Non-financial assets		
Prepaid expenses	7	4
Tangible capital assets (Note 9)	39	47
	46	51
Accumulated surplus	$ 4,390	$ 3,779

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

PUBLIC TRUSTEE OF MANITOBA
(An Agency of the Special Operating Agencies
Financing Authority - Province of Manitoba)
Statement of Operations and Accumulated Surplus
For the Year Ended March 31, 2013
(In Thousands)

	2013 Budget (Note 18)	2013 Actual	2012 Actual
Revenue			
Fees and other revenue (Note 12)	$ 6,395	$ 6,874	$ 6,641
Investment income	21	67	41
Total revenue	6,416	6,941	6,682
Expenses			
Amortization of tangible capital assets	26	11	17
Accommodation costs (Note 11)	401	411	410
Other administration expenses (Note 13)	1,128	1,147	1,020
Salaries and benefits	4,581	4,507	4,207
Pension benefits (Note 14)	230	254	223
Total expenses	6,366	6,330	5,877
Annual surplus	50	611	805
Accumulated surplus, beginning of period	3,779	3,779	2,974
Accumulated surplus, end of period	$ 3,829	$ 4,390	$ 3,779

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

PUBLIC TRUSTEE OF MANITOBA
(An Agency of the Special Operating Agencies
Financing Authority - Province of Manitoba)
Statement of Cash Flow
For the Year Ended March 31, 2013
(In Thousands)

	2013 Actual	2012 Actual
Cash provided by (applied to)		
Operating		
Annual surplus	$ 611	$ 805
Amortization of tangible capital assets	11	17
	622	822
Change in:		
Accounts receivable	(17)	16
Accounts payable and accruals	127	7
Employee future benefits	65	-
Prepaid expenses	(3)	2
Cash provided by operating activities	794	847
Capital		
Acquisition of tangible capital assets	(3)	(7)
Cash applied to capital activities	(3)	(7)
Investing		
Proceeds from redemption of portfolio investments	0	500
Cash provided by investment activities	0	500
Increase in cash	791	1,340
Cash and cash equivalents		
Beginning of year	3,456	2,116
End of year	$ 4,247	$ 3,456
Supplemental cash flow information		
Interest received, net	$ 73	$ 35

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

PUBLIC TRUSTEE OF MANITOBA
(An Agency of the Special Operating Agencies
Financing Authority - Province of Manitoba)
Statement of Change in Net Financial Assets
For the Year Ended March 31, 2013
(In Thousands)

	2013 Budget (Note18)	2013 Actual	2012 Actual
Annual surplus	$ 50	$ 611	$ 805
Tangible capital assets			
Acquisition of tangible capital assets	(15)	(3)	(7)
Amortization of tangible capital assets	26	11	17
Net change in tangible capital assets	11	8	10
Other non-financial assets			
Decrease (increase) in prepaid expenses	-	(3)	2
Net change in other non-financial assets	-	(3)	2
Increase in net financial assets	61	616	817
Net financial assets, beginning of year	3,728	3,728	2,911
Net financial assets, end of year	$ 3,789	$ 4,344	$ 3,728

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

Public Trustee of Manitoba
(An Agency of the Special Operating Agencies
Financing Authority - Province of Manitoba)

Notes to Financial Statements
Year Ended March 31, 2013
(In Thousands)

1. Nature of organization

The Public Trustee (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 Public Trustee 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.

The Public Trustee 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 her 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 Public Trustee continues to be part of Manitoba Justice. The Agency is a corporation sole with perpetual succession. As a corporate entity, he 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 her.

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 her 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 provisions of *The Public Trustee Act*. Fees revenue recognized in a year consists of all fees charged.

ii. Other fees are recognized and charged to an account as services provided.

iii. Statutory fees 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 year of acquisition, software purchase 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 reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

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 approximate 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 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 receivables 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 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 and accumulated surplus. 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.

(In Thousands)

The Agency did not incur any re-measurement gains and losses during the year ended March 31, 2013 (2012 - $nil).

The Agency has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and 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 is as follows:

	2013	2012
Cash and cash equivalents	$4,247	$3,456
Portfolio investments	515	515
Accounts receivable	932	915
	$5,694	$4,886

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 allowance for doubtful accounts is calculated at 5% of accrued fees.

The aging of accounts receivable and allowance for doubtful accounts as at March 31, 2013 was:

	Net	Allowance
Current	$932	$ 39
30-60 days past billing date	-	-
61-90 days past the billing date	-	-
More than 90 days past the billing date	-	-
	$932	$ 39

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 current 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 risks 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 currency.

5. Cash and cash equivalents

	2013	2012
Cash	$ 1,722	$ 1,731
Demand deposits	2,525	1,725
	$ 4,247	$ 3,456

Notes to Financial Statements
Year Ended March 31, 2013
(In Thousands)

6. Accounts receivable

	2013	2012
Fees receivable	$ 942	$ 920
Allowance for doubtful accounts	(39)	(39)
	903	881
Interest receivable	15	20
Advances to client accounts	8	8
Cost recoveries	6	6
	$ 932	$ 915

7. Accounts payable and accrued liabilities

	2013	2012
Operating expenses payable	$ 186	$ 109
Salaries and benefits payable	97	88
Vacation entitlements earned	393	349
GST payable to Canada Revenue Agency	27	30
	$ 703	$ 576

8. Employee future benefits

	2013	2012
Severance benefits	$ 562	$ 497
Sick pay benefits	85	85
	$ 647	$ 582

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 Agency's actuarially determined net liability for accounting purposes as at March 31, 2013 was $646 (2012 - $590).

(In Thousands)

An actuarial loss of $84 (2012 - $93) will be amortized over the 15 year expected average remaining service life "EARSL" of the employee group.

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

	2013	2012
Accrued benefit liability	$ 646	$ 590
Unamortized actuarial losses	(84)	(93)
Severance benefit liability	$ 562	$ 497

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

	2013	2012
Interest on obligation	$ 38	$ 38
Employer service cost	18	17
Amortization of actuarial loss over EARSL	(9)	(2)
Total expense related to severance benefit	$ 47	$ 53

Significant long-term actuarial assumptions used in the March 31, 2011 valuation, and in the determination of the March 31, 2013 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)

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 6.00% annual return and a 3.75% annual salary increase.

9. Tangible capital assets

	2013			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furnishings and equipment	$ 319	$ -	$ -	$ 319
Computer hardware and software	118	3	-	121
Leasehold improvements	37	-	-	37
Total cost	$ 474	$ 3	$ -	$ 477
Accumulated Amortization				
Furnishings and equipment	$ 276	$ 9	$ -	$ 285
Computer hardware and Software	117	1	-	118
Leasehold improvements	34	1	-	35
Total accumulated amortization	$ 427	$ 11	$ -	$ 438
Net book value	$ 47	$ (8)	$ -	$ 39

	2012			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furnishings and equipment	$ 312	$ 7	$ -	$ 319
Computer hardware and software	118	-	-	118
Leasehold improvements	37	-	-	37
Total cost	$ 467	$ 7	$ -	$ 474
Accumulated Amortization				
Furnishings and equipment	$ 265	$ 11	$ -	$ 276
Computer hardware and Software	113	4	-	117
Leasehold improvements	32	2	-	34
Total accumulated amortization	$ 410	$ 17	$ -	$ 427
Net book value	$ 57	$ (10)	$ -	$ 47

Public Trustee of Manitoba

(An Agency of the Special Operating Agencies
Financing Authority - Province of Manitoba)

Notes to Financial Statements

Year Ended March 31, 2013
(In Thousands)

10. Designated assets

Portfolio investments consist of designated assets and non-redeemable investments and guaranteed investment certificates. The Agency has allocated $515 (2012- $515) of its portfolio investments as designated assets for cash received from the Province of Manitoba for the severance pay benefits accumulated to March 31, 1998 for certain of its employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balances is re-invested annually.

11. Commitments

The Public Trustee 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 $411 for the year ended March 31, 2014.

12. Fees and other revenue

	2013	2012
Administration	$ 5,978	$ 5,640
Legal	375	455
Income tax	291	321
Inspection	230	225
	$ 6,874	$ 6,641

Notes to Financial Statements
Year Ended March 31, 2013
(In Thousands)

13. Other administration expenses

	2013	2012
Computer expenses	$ 593	$ 591
Courier charges	15	7
Insurance, loss, damage	85	43
Office supplies	66	66
Other	1	8
Personnel expenses	11	28
Photocopy	6	6
Postage	66	64
Professional fees	128	36
Publications	3	7
Public communications	15	7
Records Centre charges	27	16
Rentals, equipment	1	7
Repairs and maintenance	9	4
SAP costs	7	7
Support services - Department of Justice	21	21
Telephone	51	53
Travel	42	49
	$ 1,147	$ 1,020

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 her employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to her employees' current pension contributions. The amount paid at March 31, 2013 was $254 (2012 - $223). Under this agreement, the Agency has no further pension liability.

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.

16. Escheats to the Crown

Escheats to the Crown, received by the Agency during the year and remitted to the Minister of Finance, amounted to \$164 (2012 - \$326). These amounts are not reflected in these financial statements.

17. Estates and trusts under administration

The client assets under administration at March 31, 2013 total approximately \$233,000 (2012 - \$226,000). The trust activities of the Agency are reported in a separate Estates and Trusts under Administration financial statements. The Estates and Trusts financial reports present client assets at approximately \$203,000 as the value of certain client assets is set at \$1 for reporting purposes.

18. Budgeted figures

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

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 flow, in compliance with legislation, and 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 through June 27, 2013.

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,

Al Franchuk
Chief Operating Officer

Kyle Giesbrecht
Manager, Finance and Administration

Winnipeg, Manitoba

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, 2013, 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.

Independent 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 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 purposes 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 Vehicle and Equipment Management Agency (an Agency of the Special Operating Agencies Financing Authority Province of Manitoba), as at March 31, 2013, and the results of its operations, changes in net debt, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter
The comparative figures as at March 31, 2012, and for the year then ended, were audited by another firm of Chartered Accountants who expressed an unqualified opinion in their report dated June 14, 2012.

Winnipeg, Manitoba
June 27, 2013

MNP LLP
Chartered Accountants

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Financial Position

(In Thousands)

March 31, 2013

	March 31 2013	March 31 2012
FINANCIAL ASSETS		
Cash and cash equivalents	**$ 116**	$ 191
Receivables *(Note 5)*	**6,071**	7,256
Portfolio investments *(Notes 6 and 10)*	**1,433**	1,433
Inventory for resale	**3,652**	3,554
	11,272	12,434
LIABILITIES		
Working capital advances *(Note 7)*	**4,791**	5,851
Accounts payable and accrued liabilities	**4,569**	4,939
Unearned revenue	**2,578**	2,230
Severance pay liability *(Note 6)*	**1,626**	1,717
Borrowings from the Province of Manitoba *(Note 8)*	**95,863**	88,191
	109,427	102,928
NET DEBT	**(98,155)**	(90,494)
NON-FINANCIAL ASSETS		
Prepaid expenses	**2,792**	2,865
Tangible capital assets *(Note 9)*		
Vehicles and equipment	**122,228**	114,612
Office and shop equipment	**369**	319
Computer hardware and software	**10**	17
Leasehold improvements	**126**	135
	122,733	115,083
	125,525	117,948
ACCUMULATED SURPLUS	**$ 27,370**	$ 27,454

Designated assets *(Note 10)*
Commitments *(Note 11)*

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Operations

(In Thousands)

Year Ended March 31, 2013

	2013 Projected	**2013 Actual**	2012 Actual
REVENUES			
Vehicle and equipment utilization	$ 53,734	**$ 50,068**	$ 49,877
Fuel billings	23,226	**22,771**	22,838
Insurance and other billings	5,304	**4,990**	5,173
Other revenue (Page 18)	9,749	**8,636**	9,901
	92,013	**86,465**	87,789
EXPENSES			
Salaries and wages	10,120	**9,116**	9,146
Vehicle and equipment operating expenses (Page 18)	68,064	**64,837**	64,650
Administrative expenses (Page 18)	6,679	**6,147**	6,327
Community service	33	**40**	38
Interest expense	4,078	**3,909**	3,891
	88,974	**84,049**	84,052
INCOME FROM OPERATIONS	3,039	**2,416**	3,737
Transfers during the year to the Province of Manitoba	2,500	**2,500**	2,500
NET INCOME (LOSS)	539	**(84)**	1,237
ACCUMULATED SURPLUS, BEGINNING OF YEAR	27,859	**27,454**	26,217
ACCUMULATED SURPLUS, END OF YEAR	$ 28,398	**$ 27,370**	$ 27,454

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Change in Net Debt

(In Thousands)

Year Ended March 31, 2013

	2013 Projected	**2013 Actual**	2012 Actual
Net income (loss)	$ 539	**$ (84)**	$ 1,237
Tangible capital assets			
Acquisition of tangible capital assets	(32,377)	**(31,163)**	(26,315)
Amortization of tangible capital assets	21,333	**21,243**	19,672
Gain on disposal of tangible capital assets, net	(462)	**(735)**	(452)
Proceeds from disposal of tangible capital assets	3,011	**3,005**	2,364
Net acquisition of tangible capital assets	(8,495)	**(7,650)**	(4,731)
Decrease (increase) in prepaid expenses during the year	(86)	**73**	(121)
INCREASE IN NET DEBT	(8,042)	**(7,661)**	(3,615)
NET DEBT, BEGINNING OF YEAR	(96,007)	**(90,494)**	(86,879)
NET DEBT, END OF YEAR	$ (104,049)	**$ (98,155)**	$ (90,494)

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flow

(In Thousands)

Year Ended March 31, 2013

Cash provided by (applied to):		**2013**		2012
OPERATING ACTIVITIES				
Net income (loss)	**$**	**(84)**	$	1,237
Amortization of tangible capital assets		**21,243**		19,672
Gain on disposal of tangible capital assets, net		**(735)**		(452)
Increase in severance pay liability		**131**		125
Payment of severance pay benefits		**(222)**		(67)
		20,333		20,515
Change in:				
Receivables		**1,185**		3,150
Inventory for resale		**(98)**		(207)
Accounts payable and accrued liabilities		**(370)**		(1,168)
Unearned revenue		**348**		98
Prepaid expenses		**73**		(121)
Cash provided by operating activities		**21,471**		22,267
CAPITAL ACTIVITIES				
Proceeds from disposal of tangible capital assets		**3,005**		2,364
Acquisition of vehicles and equipment		**(31,019)**		(26,182)
Acquisition of office and shop equipment		**(130)**		(58)
Acquisition of computer hardware and software		**-**		(13)
Acquisition of leasehold improvements		**(14)**		(62)
Cash applied to capital activities		**(28,158)**		(23,951)
FINANCING ACTIVITIES				
Borrowings from the Province of Manitoba		**19,600**		12,500
Debt repayments to the Province of Manitoba		**(11,928)**		(10,875)
Cash provided by financing activities		**7,672**		1,625
INCREASE (DECREASE) IN CASH		**985**		(59)
WORKING CAPITAL ADVANCES, NET OF CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**(5,660)**		(5,601)
WORKING CAPITAL ADVANCES, NET OF CASH AND CASH EQUIVALENTS, END OF YEAR	**$**	**(4,675)**	$	(5,660)

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.

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 between SOAFA and the Minister of Infrastructure and Transportation assigns responsibility to VEMA to manage and account for the Agency-related assets and operations on behalf of SOAFA.

VEMA continues to be part of the Department of Infrastructure and Transportation under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Associate Deputy Minister, the Deputy Minister, and the Minister, of Infrastructure and Transportation.

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.

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.

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.

(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.

(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. 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 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, 2013 (2012 - $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, receivables and portfolio investments.

The maximum exposure of the Agency to credit risk as of March 31, 2013, is:

	2013	2012
Cash and cash equivalents	**$ 116**	$ 191
Receivables	**6,071**	7,256
Portfolio investments	**1,433**	1,433
	$ 7,620	$ 8,880

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.

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

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, 2013 (2012 - $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 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 and 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.

(In Thousands)

5. RECEIVABLES

	2013	2012
Trade	**$ 1,822**	$ 2,844
Accrued trade	**3,636**	3,785
Insurance rebate receivable	**613**	627
	$ 6,071	$ 7,256

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.

An actuarial valuation 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. 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. The Agency's actuarially determined net liability for accounting purposes as of March 31, 2013, was $1,626 (2012 - $1,717).

Significant long-term actuarial assumptions used in the March 31, 2011, 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%

7. WORKING CAPITAL ADVANCES

The Agency has an authorized line of working capital advances of $10,000, $4,791 of which was used as of March 31, 2013 (2012 - $5,851). 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:

(In Thousands)

8. BORROWINGS FROM THE PROVINCE OF MANITOBA *(continued)*

Interest rate	Semi-annual payment ($)	Maturity date	2013	2012
4.75%	137	September 30, 2012	**$ -**	$ 133
5%	142	September 30, 2012	**-**	138
4%	345	March 31, 2013	**-**	670
4.05%	140	September 30, 2013	**137**	404
3.875%	355	September 30, 2013	**348**	1,025
2.625%	376	September 30, 2014	**1,098**	1,807
4.875%	148	March 31, 2015	**556**	814
2.625%	215	March 31, 2015	**831**	1,231
4.125%	117	September 30, 2015	**550**	755
2.5%	482	September 30, 2015	**2,320**	3,208
2.563%	271	September 30, 2016	**1,805**	2,292
2.05%	581	September 30, 2016	**3,909**	4,975
3.45%	186	March 31, 2017	**1,378**	1,695
2.375%	213	March 31, 2017	**1,619**	2,000
2.25%	269	September 30, 2017	**2,287**	2,765
2.125%	530	September 30, 2017	**4,524**	-
2.125%	212	March 31, 2018	**2,000**	-
2.2%	232	September 30, 2018	**2,396**	-
4.875%	237	September 30, 2023	**3,858**	4,133
3.4%	102	September 30, 2023	**1,792**	1,932
5%	334	March 31, 2024	**5,607**	5,982
4.875%	192	March 31, 2024	**3,239**	3,457
4.5%	162	September 30, 2024	**2,879**	3,066
4%	201	September 30, 2025	**3,923**	4,161
3.3%	213	September 30, 2027	**4,870**	-
3.25%	127	September 30, 2027	**2,922**	-
3.375%	86	March 31, 2028	**2,000**	-
4.55%	162	March 31, 2026	**3,158**	3,333
5%	80	March 31, 2030	**1,811**	1,877
			61,817	51,853

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	**34,046**	36,338
Amount of borrowings owing to the Province of Manitoba at year-end			**$ 95,863**	$ 88,191

(In Thousands)

8. BORROWINGS FROM THE PROVINCE OF MANITOBA *(continued)*

Unused loan authority of $10,600 was available as of March 31, 2012. An additional $19,000 of loan authority availability was approved during June 2012 in The Loan Act, 2012. Of the $29,600 in available loan authority, $19,600 was drawn down at various times during the year ended March 31, 2013. Unused loan authority available as of March 31, 2013, was $10,000.

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, 2013, principal repayments in each of the next five years on the combined outstanding balances owing to the Province of Manitoba are as follows:

2014	$ 12,267
2015	11,804
2016	10,497
2017	9,403
2018	7,282

9. TANGIBLE CAPITAL ASSETS

	2013			
Cost	Opening balance	Additions	Disposals	**Closing balance**
Vehicles and equipment	$ 219,403	$ 31,019	$ (17,813)	**$ 232,609**
Office and shop equipment	1,383	130	(57)	**1,456**
Computer hardware and software	419	-	(4)	**415**
Leasehold improvements	797	14	-	**811**
	222,002	31,163	(17,874)	**235,291**
Accumulated amortization				
Vehicles and equipment	104,791	21,136	(15,546)	**110,381**
Office and shop equipment	1,064	77	(54)	**1,087**
Computer hardware and software	402	7	(4)	**405**
Leasehold improvements	662	23	-	**685**
	106,919	21,243	(15,604)	**112,558**
Net book value	$ 115,083	$ 9,920	$ (2,270)	**$ 122,733**

(In Thousands)

9. TANGIBLE CAPITAL ASSETS *(continued)*

	2012			
Cost	Opening balance	Additions	Disposals	Closing balance
Vehicles and equipment	$ 208,801	$ 26,182	$ (15,580)	$ 219,403
Office and shop equipment	1,327	58	(2)	1,383
Computer hardware and software	408	13	(2)	419
Leasehold improvements	735	62	-	797
	211,271	26,315	(15,584)	222,002
Accumulated amortization				
Vehicles and equipment	98,902	19,558	(13,669)	104,791
Office and shop equipment	993	74	(3)	1,064
Computer hardware and software	392	10	-	402
Leasehold improvements	632	30	-	662
	100,919	19,672	(13,672)	106,919
Net book value	$ 110,352	$ 6,643	$ (1,912)	$ 115,083

10. DESIGNATED ASSETS

The Agency has allocated $1,433 (2012 - $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 2013/14 are established annually based on the approved budget for the Department of Infrastructure and Transportation. Occupancy charges for 2013/14 are estimated at $2,262 for the year, to be paid in quarterly instalments during 2013/14.

(b) VEMA's approved 2013/14 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 each.

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.

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 2013 was $575 (2012 - $523).

13. COMPARATIVE FINANCIAL STATEMENTS

Certain of the amounts in the financial statements for the year ended March 31, 2012, have been reclassified to conform to the presentation in the financial statements for the year ended March 31, 2013.

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Schedule of Other Revenue and Expenses

(In Thousands)

Year Ended March 31, 2013

	2013 Projected	2013 **Actual**	2012 Actual
OTHER REVENUE			
Autopac service	$ 605	**$ 535**	$ 613
Gain on disposal of tangible capital assets, net	462	**735**	452
Garage regular service	5,550	**4,265**	6,093
Insurance premium rebates	1,397	**1,270**	1,279
Interest income	14	**15**	14
Other service revenue	105	**139**	136
Radio Services	1,616	**1,677**	1,314
	$ 9,749	**$ 8,636**	$ 9,901
VEHICLE AND EQUIPMENT OPERATING EXPENSES			
Amortization of tangible capital assets	$ 21,121	**$ 21,136**	$ 19,558
Fuel	23,778	**23,353**	23,223
Insurance premiums	5,517	**5,068**	5,297
Licenses	160	**160**	159
Repairs and maintenance	17,488	**15,120**	16,413
	$ 68,064	**$ 64,837**	$ 64,650
ADMINISTRATIVE EXPENSES			
Amortization of tangible capital assets	$ 212	**$ 107**	$ 114
Fleet management information system	408	**426**	377
Human resource overhead	2,297	**2,075**	2,042
Occupancy costs	2,441	**2,424**	2,497
Other costs	760	**709**	717
Professional fees	32	**29**	29
SOAFA charges	6	**6**	6
Supplies and materials	348	**191**	378
Telephone and communication	175	**180**	167
	$ 6,679	**$ 6,147**	$ 6,327

MANAGEMENT'S RESPONSIBLITY

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 judgement regarding all necessary estimates and all other data available to June 4, 2013.

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

Susan Boulter, Chief Operating Officer
June 4, 2013

AUDITOR'S REPORT

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 Special Operating Agencies Financing Authority, Province of Manitoba which comprise the statement of financial position as at March 31, 2013 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, 2013, 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 4, 2013
Winnipeg, Manitoba

FINANCIAL POSITION

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF FINANCIAL POSITION
(in thousands)
AS AT MARCH 31, 2013

		2013		2012
FINANCIAL ASSETS				
Accounts receivable, note 7	$	155	$	114
Portfolio investments		94		94
Inventories for resale		87		109
		336		317
LIABILITIES				
Bank indebtedness, note 6	$	200	$	37
Accounts payable and accruals		105		103
Unearned revenue		131		94
Accrued unused vacation entitlements		175		173
Employee future benefits, note 8		257		258
		868		665
NET DEBT		(532)		(348)
NON-FINANCIAL ASSETS				
Prepaid expenses		80		65
Tangible capital assets, note 9		1,107		1,385
		1,187		1,450
ACCUMULATED SURPLUS	$	655	$	1,102

Designated assets, note 10
Commitments, note 11

The accompanying notes are an integral part of the financial statements

STATEMENT OF OPERATIONS

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF OPERATIONS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2013

	2013 Budget	2013 Actual	2012 Actual
REVENUE			
Net sales	$ 3,675	$ **3,244**	$ 3,208
Proceeds from government departments	350	**260**	331
Interest	1	**1**	1
	4,025	**3,505**	3,540
EXPENSES			
Salaries and employee benefits	2,288	**2,156**	2,069
Operating expenses, Schedule 1	1,033	**1,132**	1,149
Amortization	293	**284**	330
	3,614	**3,572**	3,548
Net income before the transfer of funds to the Province of Manitoba	411	**(67)**	(8)
Transfer of funds to the Province of Manitoba, note 12	380	**380**	380
NET INCOME (LOSS)	31	**(447)**	(388)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,102	**1,102**	1,490
ACCUMULATED SURPLUS, END OF YEAR	$ 1,133	$ **655**	$ 1,102

The accompanying notes are an integral part of the financial statements

CHANGE IN NET DEBT

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CHANGE IN NET DEBT
(In thousands)
FOR THE YEAR ENDED MARCH 31, 2013

	2013 Budget	2013 Actual	2012 Actual
NET INCOME (LOSS)	$ 31	$ **(447)**	$ (388)
TANGIBLE CAPITAL ASSETS			
Acquisition of tangible capital assets	(100)	**(6)**	(215)
Amortization of tangible capital assets	293	**284**	330
Net acquisition of tangible capital assets	193	**278**	115
OTHER NON-FINANCIAL ASSETS			
Decrease (increase) in prepaid expenses	-	**(15)**	14
DECREASE (INCREASE) IN NET DEBT	224	**(184)**	(259)
NET DEBT, BEGINNING OF YEAR	(348)	**(348)**	(89)
NET DEBT, END OF YEAR	$ (124)	$ **(532)**	$ (348)

The accompanying notes are an integral part of the financial statements

CASH FLOWS

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOWS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2013

	2013 Actual	2012 Actual
CASH PROVIDED BY (APPLIED TO):		
OPERATING		
Net income (loss)	$ (447)	$ (388)
Amortization of tangible capital assets	284	330
	(163)	(58)
Changes in the following:		
Accounts receivable	(41)	241
Inventories for resale	22	28
Accounts payable and accruals	2	(65)
Unearned revenue	37	(18)
Accrued unused vacation entitlements	2	7
Employee future benefits	(1)	32
Prepaid expenses	(15)	14
	(157)	181
CAPITAL		
Acquisition of tangible capital assets	(6)	(215)
DECREASE IN CASH AND CASH EQUIVALENTS	(163)	(34)
CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS), BEGINNING OF YEAR	(37)	(3)
CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS), END OF YEAR	$ (200)	$ (37)

The accompanying notes are an integral part of the financial statements

FINANCIAL STATEMENTS

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2013

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 disinterment's 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.

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2013

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 provided 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 futures periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2013

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 (2012 - $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.

NOTES TO FINANCIAL STATEMENTS
(In thousands)
MARCH 31, 2013

Financial Instruments and Financial Risk Management - continued

The maximum exposure of the Agency to credit risk at year end is:

	2013	2012
Cash on hand and balances in bank, note 6	$ 113	$ 8
Accounts receivable	155	114
Portfolio investments	94	94
	$ 362	$ 216

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

	2013	2012
Balance, beginning of the year	$ 4	$ 4
Provision for receivable impairment	1	-
Amounts recovered	(1)	-
Balance, end of the year	$ 4	$ 4

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 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.

Financial Instruments and Financial Risk Management - continued

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 Development Centre, health care facilities, the Chief Medical Examiner's Office (Manitoba Justice), the Manitoba Funeral Association and the Department of Anatomy of the University of Manitoba as they provide services in accordance with The Vital Statistics Act.

(b) Child and Family Services Regional Operations of Manitoba Family Services to act as issuers of Marriage Licences and handling related administrative duties.

(c) Vital Statistics Offices in other jurisdictions through agreements to exchange information between jurisdictions as it relates to one another's residency or birthplace.

(d) Statistics Canada for national tabulation and statistical information. Statistics Canada provides payment for the microdata and microfilm records from the Vital Statistics Agency and provides half of the cost of printing registration forms.

(e) Health and Welfare Canada (Indian and Northern Affairs).

Services provided under the above agreements are valued at $6 for the year ended March 31, 2013 (2012 - $6).

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 $7 for the year ended March 31, 2013 (2012 - $8).

NOTES TO FINANCIAL STATEMENTS
(In thousands)
MARCH 31, 2013

6. CASH AND CASH EQUIVALENTS, AND BANK INDEBTEDNESS

		2013		2012
Cash on hand and balances in bank	$	113	$	8
Working capital advances		(313)		(45)
	$	(200)	$	(37)

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 $500 limit for working capital advances for the Agency. At March 31, 2013 the Agency has accessed working capital advances of $313 (2012 - $45).

7. ACCOUNTS RECEIVABLE

		2013		2012
Trade	$	159	$	118
Less: Allowance for doubtful accounts		4		4
	$	155	$	114

8. EMPLOYEE FUTURE BENEFITS

		2013		2012
Severance benefits	$	220	$	221
Sick pay benefits		37		37
	$	257	$	258

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 2013 was $108 (2012 - $96). 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, 2013 was $220 (2011 - $221). 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, 2013 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:

	2013	2012
Accrued benefit liability	$ 278	$ 285
Less: unamortized actuarial losses	(58)	(64)
Severance benefit liability	$ 220	$ 221

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

	2013	2012
Interest on obligation	$ 19	$ 17
Current period benefit cost	10	9
Amortization of actuarial gain over EARSL	6	6
Total expense related to severance benefits	$ 35	$ 32

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.

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2013

9. TANGIBLE CAPITAL ASSETS

	2013			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Data conversion	$ 2,555	$ -	$ -	$ 2,555
Furniture and fixtures	123	-	-	123
Information system	1,620	-	1	1,619
Leasehold improvements	99	-	-	99
National Routing System	422	3	-	425
Office equipment	213	3	-	216
Security equipment	75	-	-	75
	5,107	6	1	5,112
Accumulated amortization				
Data conversion	1,775	157	1	1,931
Furniture and fixtures	120	1	-	121
Information system	1,211	82	-	1,293
Leasehold improvements	93	2	-	95
National Routing System	261	32	-	293
Office equipment	190	7	-	197
Security equipment	72	3	-	75
	3,722	284	1	4,005
Net book value	$ 1,385	$ (278)	$ -	$ 1,107

	2012			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Data conversion	$ 2,555	$ -	$ -	$ 2,555
Furniture and fixtures	121	2	-	123
Information system	1,434	186	-	1,620
Leasehold improvements	98	1	-	99
National Routing System	416	6	-	422
Office equipment	192	21	-	213
Security equipment	75	-	-	75
	4,891	216	-	5,107
Accumulated amortization				
Data conversion	1,580	195	-	1,775
Furniture and fixtures	118	2	-	120
Information system	1,133	78	-	1,211
Leasehold improvements	90	3	-	93
National Routing System	222	39	-	261
Office equipment	183	7	-	190
Security equipment	65	7	-	72
	3,391	331	-	3,722
Net book value	$ 1,500	$ (115)	$ -	$ 1,385

10. DESIGNATED ASSETS

The Agency has allocated $94 (2012 - $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, 2014 are estimated to be $197 (2013 - $197).

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 $380 (2012 - $380) of its surplus funds to the Province of Manitoba.

OPERATING EXPENSES

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

Schedule 1

SCHEDULE OF OPERATING EXPENSES
(In thousands)
FOR THE YEAR ENDED MARCH 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Accommodation	$ 197	$ 197	$ 202
Central government charges	65	57	65
Computer information system	255	250	248
Office equipment support	25	20	26
Office supplies	22	23	27
Other operating expenses	75	70	76
Printed material supplies	140	171	154
Professional fees	25	66	61
Supplies for mechanized systems	-	-	23
Telecommunications	54	55	59
Training	5	4	5
Transportation and freight	170	219	203
	$ 1,033	$ 1,132	$ 1,149

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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 les états de la situation financière au 31 mars 2013, au 31 mars 2012 et au 1er avril 2011 et les états des résultats, des gains de réévaluation, de l'évolution des soldes de fonds et des flux de trésorerie pour les exercices terminés le 31 mars 2013 et le 31 mars 2012, 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 nos audits. Nous avons effectué nos audits 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 nos audits 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 2013, au 31 mars 2012 et au 1er avril 2011, ainsi que de ses activités, de ses gains de réévaluation et de ses flux de trésorerie pour les exercices terminés le 31 mars 2013 et le 31 mars 2012, conformément aux Normes comptables canadiennes pour le secteur public.

Deloitte s.r.l.

Le 24 juin 2013
Winnipeg, Manitoba

UNIVERSITÉ DE SAINT-BONIFACE
États de la situation financière
au 31 mars 2013 et au 31 mars 2012

	Fonctionnement général	Fonds affectés	Fonds des immobilisations	Fonds de dotation	**31 mars 2013**	31 mars 2012	1[er] avril 2011
	$	$	$	$	$	$	$
Actif							
Actif à court terme							
Encaisse	**3 633 535**	-	-	-	**3 633 535**	7 173 296	6 332 889
Comptes à recevoir et autres actifs (note 6)	**792 030**	-	-	**194 519**	**986 549**	2 015 076	2 799 164
	4 425 565	-	-	**194 519**	**4 620 084**	9 188 372	9 132 053
Placements (note 7)	**16 916 204**	-	-	**12 247 772**	**29 163 976**	22 870 306	21 951 231
Immobilisations (note 8)	-	-	**25 665 130**	-	**25 665 130**	26 270 449	24 529 419
Interfonds	**(13 569 052)**	**13 384 106**	-	**184 946**	-	-	-
	7 772 717	**13 384 106**	**25 665 130**	**12 627 237**	**59 449 190**	58 329 127	55 612 703
Passif et soldes de fonds							
Passif à court terme							
Comptes à payer et frais courus	**3 639 935**	-	-	-	**3 639 935**	3 322 391	4 005 401
Revenus reportés	**403 150**	-	-	-	**403 150**	427 032	411 409
Contributions reportées (note 9)	**698 890**	-	-	-	**698 890**	2 284 813	1 044 002
Emprunt à court terme (note 10)	-	-	-	-	-	145 987	159 257
	4 741 975	-	-	-	**4 741 975**	6 180 223	5 620 069
Emprunt à long terme (note 10)	-	-	-	-	-	-	145 987
Engagements (note 12)							
Soldes de fonds							
Non grevés d'affectations	**2 096 127**	-	-	-	**2 096 127**	2 450 856	2 449 454
Grevés d'affectations (note 13)	-	**13 384 106**	-	-	**13 384 106**	12 000 599	12 206 166
Investis en immobilisations	-	-	**25 665 130**	-	**25 665 130**	26 270 449	24 529 419
En dotation (note 14)	-	-	-	**11 758 184**	**11 758 184**	11 427 000	10 661 608
	2 096 127	**13 384 106**	**25 665 130**	**11 758 184**	**52 903 547**	52 148 904	49 846 647
Gains de réévaluation cumulés	**934 615**	-	-	**869 053**	**1 803 668**	-	-
	7 772 717	**13 384 106**	**25 665 130**	**12 627 237**	**59 449 190**	58 329 127	55 612 703

Les notes complémentaires font partie intégrante de ces états financiers.

Approuvé par le Bureau des gouverneurs de l'Université de Saint-Boniface :

Président

Rectrice

UNIVERSITÉ DE SAINT-BONIFACE
États de l'évolution des soldes de fonds
au 31 mars 2013 et au 31 mars 2012

	Fonctionnement général	Fonds affectés (note 12)	Fonds des immobilisations	Fonds de dotation	2013
	$	$	$	$	$
Solde au début de l'exercice (note 2)	**2 450 856**	**12 000 599**	**26 270 449**	**11 427 000**	**52 148 904**
Changements à la suite de l'adoption des NCSP					
Reclassement des gains non réalisés sur les placements (note 3)	**(397 084)**	**-**	**-**	**(385 650)**	**(782 734)**
Solde au début de l'exercice après l'effet des changements à la suite de l'adoption des NCSP	**2 053 772**	**12 000 599**	**26 270 449**	**11 041 350**	**51 366 170**
Excédent (insuffisance) des revenus sur les dépenses pour l'exercice	**1 747 345**	**325 511**	**(1 252 313)**	**716 834**	**1 537 377**
Virements					
Intérêts	**(272 613)**	**272 613**	**-**	**-**	**-**
Allocations pour projets futurs	**(1 300 000)**	**1 300 000**	**-**	**-**	**-**
Financement de projets	**405 517**	**(502 517)**	**97 000**	**-**	**-**
Achats ou transferts d'immobilisations	**(537 894)**	**(12 100)**	**549 994**	**-**	**-**
	(1 704 990)	**1 057 996**	**646 994**	**-**	**-**
Changement net de l'exercice	**42 355**	**1 383 507**	**(605 319)**	**716 834**	**1 537 377**
Solde à la fin de l'exercice	**2 096 127**	**13 384 106**	**25 665 130**	**11 758 184**	**52 903 547**

Les notes complémentaires font partie intégrante de ces états financiers.

UNIVERSITÉ DE SAINT-BONIFACE

États de l'évolution des soldes de fonds (suite)

au 31 mars 2013 et au 31 mars 2012

	Fonctionnement général	Fonds affectés (note 12)	Fonds des immobilisations	Fonds de dotation	2012
	$	$	$	$	$
Solde au début de l'exercice (note 2)	2 449 454	12 206 166	24 529 419	10 661 608	49 846 647
Excédent des revenus sur les dépenses pour l'exercice	900 932	380 551	226 382	794 392	2 302 257
Virements					
Intérêts	(192 717)	192 717	-	-	-
Allocations pour projets futurs	(665 500)	665 500	-	-	-
Financement de projets	86 802	(86 802)	-	-	-
Reclassement de restrictions	-	29 000	-	(29 000)	-
Achats ou transferts d'immobilisations	(128 115)	(1 386 533)	1 514 648	-	-
	(899 530)	(586 118)	1 514 648	(29 000)	-
Changement net de l'exercice	1 402	(205 567)	1 741 030	765 392	2 302 257
Solde à la fin de l'exercice	2 450 856	12 000 599	26 270 449	11 427 000	52 148 904

Les notes complémentaires font partie intégrante de ces états financiers.

UNIVERSITÉ DE SAINT-BONIFACE
État des gains de réévaluation
de l'exercice terminé le 31 mars 2013

	Fonctionnement général	Fonds de dotation	2013
	$	$	$
Gains non réalisés cumulés au début de l'exercice	-	-	-
Ajustement à la suite de l'adoption des NCSP – Instruments financiers (note 3)	**397 084**	**385 650**	**782 734**
Gains non réalisés attribuables aux éléments suivants :			
Portefeuille de placements	**537 531**	**483 403**	**1 020 934**
Gains de réévaluation nets de l'exercice	**537 531**	**483 403**	**1 020 934**
Gains de réévaluation cumulés à la fin de l'exercice	**934 615**	**869 053**	**1 803 668**

Les notes complémentaires font partie intégrante de ces états financiers.

UNIVERSITÉ DE SAINT-BONIFACE
États des résultats
des exercices terminés le 31 mars 2013 et le 31 mars 2012

	Fonctionnement général	Fonds affectés	Fonds des immobilisations	Fonds de dotation	2013
	$	$	$	$	$
Revenus					
Subventions					
Provincial	**15 715 506**	**-**	**21 868**	**-**	**15 737 374**
Fédéral	**4 675 105**	**-**	**-**	**-**	**4 675 105**
Droits de scolarité	**4 351 479**	**-**	**-**	**-**	**4 351 479**
Autres revenus	**2 289 523**	**-**	**-**	**29 809**	**2 319 332**
Revenus de placements (note 7)	**635 700**	**-**	**-**	**401 423**	**1 037 123**
Dons	**-**	**335 511**	**-**	**641 879**	**977 390**
	27 667 313	**335 511**	**21 868**	**1 073 111**	**29 097 803**
Dépenses					
Salaires et avantages sociaux	**20 490 398**	**-**	**-**	**-**	**20 490 398**
Matériel et autres	**4 062 408**	**-**	**7 600**	**139 486**	**4 209 494**
Amortissement	**-**	**-**	**1 266 581**	**-**	**1 266 581**
Déplacements et conférences	**687 333**	**-**	**-**	**-**	**687 333**
Services publics	**529 735**	**-**	**-**	**-**	**529 735**
Bourses et prix	**150 094**	**10 000**	**-**	**216 791**	**376 885**
	25 919 968	**10 000**	**1 274 181**	**356 277**	**27 560 426**
Excédent (insuffisance) des revenus sur les dépenses de l'exercice	**1 747 345**	**325 511**	**(1 252 313)**	**716 834**	**1 537 377**

Les notes complémentaires font partie intégrante de ces états financiers.

UNIVERSITÉ DE SAINT-BONIFACE
États des résultats (suite)
des exercices terminés le 31 mars 2013 et le 31 mars 2012

	Fonctionnement général	Fonds affectés	Fonds des immobilisations	Fonds de dotation	2012
	$	$	$	$	$
Revenus					
Subventions					
Provincial	14 667 127	-	1 241 175	-	15 908 302
Fédéral	4 968 384	-	291 664	-	5 260 048
Droits de scolarité	3 803 738	-	-	-	3 803 738
Autres revenus	2 344 650	-	2 917	60 835	2 408 402
Dons	-	390 551	-	762 282	1 152 833
Produits financiers (note 7)	535 638	-	-	333 086	868 724
	26 319 537	390 551	1 535 756	1 156 203	29 402 047
Dépenses					
Salaires et avantages sociaux	19 775 539	-	-	-	19 775 539
Matériel et autres	4 388 914	-	-	149 935	4 538 849
Amortissement	-	-	1 309 374	-	1 309 374
Déplacements et conférences	643 369	-	-	-	643 369
Services publics	511 403	-	-	-	511 403
Bourses et prix	99 380	10 000	-	211 876	321 256
	25 418 605	10 000	1 309 374	361 811	27 099 790
Excédent des revenus sur les dépenses de l'exercice	900 932	380 551	226 382	794 392	2 302 257

Les notes complémentaires font partie intégrante de ces états financiers.

UNIVERSITÉ DE SAINT-BONIFACE
États des flux de trésorerie
des exercices terminés le 31 mars 2013 et le 31 mars 2012

	2013	2012
	$	$
Flux de trésorerie liés aux activités d'exploitation		
Excédent des revenus sur les dépenses de l'exercice	**1 537 377**	2 302 257
Éléments hors caisse		
Amortissement des immobilisations	**1 266 581**	1 309 374
Contributions reportées comptabilisées aux revenus	**(1 910 536)**	(1 192 186)
Perte (gain) à la vente d'immobilisations	**7 600**	(2 917)
	901 022	2 416 528
Variations d'éléments du fonds de roulement		
Comptes à recevoir et autres actifs	**1 028 527**	784 088
Comptes à payer et frais courus	**317 544**	(683 010)
Revenus reportés	**(23 882)**	15 623
	2 223 211	2 533 229
Flux de trésorerie liés aux activités de financement		
Diminution de l'emprunt	**(145 987)**	(159 257)
Contributions reportées – apports reçus	**324 613**	2 432 997
	178 626	2 273 740
Flux de trésorerie liés aux immobilisations		
Achats d'immobilisations	**(673 385)**	(3 055 094)
Ventes d'immobilisations	**4 523**	7 607
	(668 862)	(3 047 487)
Flux de trésorerie liés aux activités d'investissement		
Augmentation nette des placements	**(5 272 736)**	(919 075)
	(5 272 736)	(919 075)
(Diminution) augmentation nette de l'encaisse	**(3 539 761)**	840 407
Encaisse au début de l'exercice	**7 173 296**	6 332 889
Encaisse à la fin de l'exercice	**3 633 535**	7 173 296

Les notes complémentaires font partie intégrante de ces états financiers.

1. Sommaire des 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 il 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 d'origine interne et externe; 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 des collectivités francophones du Manitoba et du Canada 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.

Méthode de comptabilité

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 comptabilité par fonds, et a comptabilisé les apports selon la méthode de comptabilité par fonds affectés. Les apports affectés sont comptabilisés à titre de revenus pour l'exercice au cours duquel les dépenses relatives sont engagées. Les apports non affectés sont comptabilisés à titre de revenus pour l'exercice au cours duquel ils sont reçus.

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.

1. Sommaire des principales méthodes comptables (suite)

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
- Centre de recherche qui comprend le Centre d'études franco-canadiennes de l'Ouest et les apports affectés à la recherche
- Services internes qui comprennent, entre autres, les opérations administratives, financières et informatiques ainsi que les services aux étudiants

Fonds affectés

Les Fonds affectés sont composés du fonds grevé d'affectations d'origine interne et du fonds grevé d'affectations d'origine externe. 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.

Fonds des immobilisations

Le Fonds des immobilisations représente les actifs nets de l'Université qui ne sont pas disponibles pour d'autres buts 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. Tous les autres apports affectés sont comptabilisés à titre de revenus du Fonds des immobilisations, des Fonds affectés ou du Fonds de dotation, selon le cas.

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.

1. Sommaire des principales méthodes comptables (suite)

Constatation des revenus (suite)

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 gouvernement provincial par l'intermédiaire du Conseil de l'enseignement postsecondaire (CEP). Les subventions d'immobilisations, selon la méthode de comptabilité par fonds affectés, sont comptabilisées à titre de revenus dans l'état des résultats. Le financement futur reçu du CEP 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.

Les apports destinés à la dotation sont comptabilisés à titre de revenus du Fonds de dotation. Quant aux revenus de placement générés par les ressources du Fonds de dotation, peu importe que ceux-ci aient été affectés ou non, ils sont comptabilisés à titre de revenus du Fonds de dotation.

Tous les autres revenus de placements qui ne sont pas générés par les ressources du Fonds de dotation sont comptabilisés à titre de revenus du Fonds de fonctionnement général.

Instruments financiers

L'Université classe ses instruments financiers à la juste valeur ou au coût amorti.

Juste valeur

Cette catégorie comprend 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 ses placements à la juste valeur.

Ils sont initialement comptabilisés au coût à l'achat puis détenus à la juste valeur. Les gains et pertes non réalisés sur la juste valeur sont comptabilisés à l'état des gains et pertes de réévaluation, jusqu'à ce qu'ils soient réalisés. Lorsqu'ils sont réalisés, ils sont transférés et comptabilisés à l'état des résultats.

Les coûts des transactions 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 pertes de réévaluation cumulés et comptabilisé à l'état des résultats. Lorsque l'instrument financier est vendu, le montant accumulé dans les gains et pertes de réévaluation cumulés associés à cet instrument est retiré de l'actif net et constaté à l'état des résultats.

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.

1. Sommaire des principales méthodes comptables (suite)

Instruments financiers (suite)

Coût amorti

Cette catégorie comprend les comptes à recevoir, les comptes à payer et frais courus, ainsi que l'emprunt.

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.

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.

Immobilisations

Les immobilisations acquises par l'Université sont comptabilisées au coût moins l'amortissement cumulé, alors que celles qui sont reçues en dons sont comptabilisées à leur juste valeur marchande à la date du don. Les immobilisations font l'objet d'un amortissement linéaire en fonction de leur durée de vie utile estimative, laquelle est établie comme suit :

Immeubles et améliorations	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. Une évaluation de la valeur des collections n'est pas disponible.

1. Sommaire des principales méthodes comptables (suite)

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 2013 est de 138 100 $ (126 000 $ au 31 mars 2012).

Main-d'œuvre bénévole

Des bénévoles consacrent chaque année des centaines d'heures à collaborer aux programmes et aux activités de l'Université. Les états financiers n'en rendent pas compte, car malgré la valeur considérable de ce travail bénévole, il est très difficile d'en établir la juste valeur marchande.

Emploi des 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, pour la provision des coûts découlant des négociations d'ententes collectives, pour le passif relatif aux congés rémunérés, pour 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.

2. Adoption des Normes comptables canadiennes pour le secteur public

Le Conseil sur la comptabilité dans le secteur public a publié de nouvelles normes comptables pour les entités gouvernementales et les organismes sans but lucratif (OSBL) qui sont sous le contrôle du gouvernement. Pour les années d'exercice débutant le 1er janvier 2012 ou après, les OSBL qui sont sous le contrôle du gouvernement doivent choisir une des options suivantes :

1. les Normes comptables canadiennes pour le secteur public avec l'option des chapitres SP 4200-4270 pour les organismes sans but lucratif du secteur public; ou
2. les Normes comptables canadiennes pour le secteur public.

En date du 1er avril 2012, l'Université a fait le choix d'adopter les Normes comptables canadiennes pour le secteur public avec l'option des chapitres SP 4200-4270 pour les organismes sans but lucratif du Canada (NCSP pour les OSBL). Ceci représente les premiers états financiers de l'Université préparés conformément à ces normes. Les dispositions transitoires du chapitre SP 2125, *Première adoption par les organismes gouvernementaux*, ont été appliquées. Ce chapitre exige l'application rétroactive de ces normes comptables ainsi que le choix de certaines exemptions et l'application des exceptions obligatoires.

2. Adoption des Normes comptables canadiennes pour le secteur public (suite)

Les politiques comptables énoncées dans le sommaire des principales méthodes comptables ont été appliquées dans la préparation des états financiers pour les exercices terminés le 31 mars 2013 et le 31 mars 2012, des chiffres comparatifs présentés dans ces états financiers pour l'exercice terminé le 31 mars 2012 ainsi que des soldes d'ouverture pour l'état de la situation financière à la date de transition du 1er avril 2011, avec l'exception des chapitres SP 2601, *Conversion des devises*, et SP 3450, *Instruments financiers*, qui ont été appliqués seulement à partir du 1er avril 2012 (voir note 3 – Changement de méthode comptable).

L'Université a préparé les états financiers pour l'exercice terminé le 31 mars 2011 en utilisant les principes comptables généralement reconnus (PCGR) du Canada décrits dans la Partie V du *Manuel de l'Institut canadien des comptables agréés* – normes comptables en vigueur avant le basculement – jusqu'à la date de mise en œuvre officielle. L'adoption des NCSP pour les OSBL a entraîné des ajustements aux chiffres précédemment déclarés dans les actifs, passifs, soldes de fonds, excédent des revenus sur les dépenses et dans les flux de trésorerie de l'Université. Une explication de la façon dont la transition des PCGR du Canada avant le basculement vers les NCSP pour les OSBL a affecté la situation financière de l'Université, ses résultats, l'évolution des soldes de fonds et de ses flux de trésorerie est présentée dans les notes et les tableaux suivants.

Les exceptions obligatoires suivantes ont été utilisées à la date de transition aux NCSP pour les OSBL.

Emploi des estimations

Les estimations qui ont été faites dans le passé par l'Université conformément aux PCGR du Canada avant le basculement n'ont pas été révisées pour l'application des NCSP pour les OSBL, sauf si nécessaire, pour refléter des différences de méthodes comptables là où il y avait des preuves objectives que ces estimations étaient erronées. En conséquence, l'Université n'a pas révisé ses estimations.

Rapprochement des soldes de fonds et de l'excédent des revenus sur les dépenses

Dans la préparation de ces états financiers, la direction a modifié certaines méthodes comptables appliquées antérieurement dans les PCGR du Canada avant le basculement afin de se conformer aux NCSP pour les OSBL.

Les chiffres du 1er avril 2011 et du 31 mars 2012 ont été révisés pour tenir compte de ces ajustements. Le rapprochement et les notes explicatives suivantes fournissent une description de l'effet de la transition des PCGR du Canada avant le basculement aux NCSP pour les OSBL sur l'actif, le passif et les soldes de fonds. Il n'y a eu aucun effet à l'excédent des revenus sur les dépenses.

2. Adoption des Normes comptables canadiennes pour le secteur public (suite)

État de la situation financière au 1er avril 2011 – date de transition

	Solde au 1er avril 2011 (conformément aux PCGR du Canada)	Ajustements transitoires	Autres ajustements	Solde au 1er avril 2011 (conformément aux NCSP pour les OSBL)
	$	$	$	$
Actif				
Actif à court terme	9 132 053	-	-	9 132 053
Placements	21 951 231	-	-	21 951 231
Immobilisations (b)	25 031 767	-	(502 348)	24 529 419
Total de l'actif	56 115 051	-	(502 348)	55 612 703
Passif				
Comptes à payer et frais courus (a)	3 945 401	60 000	-	4 005 401
Revenus reportés	411 409	-	-	411 409
Contributions reportées	1 044 002	-	-	1 044 002
Emprunt à court terme	159 257	-	-	159 257
	5 560 069	60 000	-	5 620 069
Emprunt à long terme	145 987	-	-	145 987
Soldes de fonds				
Non grevés d'affectations	2 509 454	(60 000)	-	2 449 454
Grevés d'affectations	12 206 166	-	-	12 206 166
Investis en immobilisations	25 031 767	-	(502 348)	24 529 419
En dotation	10 661 608	-	-	10 661 608
	50 408 995	(60 000)	(502 348)	49 846 647
Total du passif et soldes de fonds	56 115 051	-	(502 348)	55 612 703

2. Adoption des Normes comptables canadiennes pour le secteur public (suite)

État de la situation financière au 31 mars 2012

	Solde au 31 mars 2012 (conformément aux PCGR du Canada)	Ajustements transitoires	Autres ajustements	Solde au 31 mars 2012 (conformément aux NCSP pour les OSBL)
	$	$	$	$
Actif				
Actif à court terme	9 188 372	-	-	9 188 372
Placements	22 870 306	-	-	22 870 306
Immobilisations (b)	26 772 797	-	(502 348)	26 270 449
Total de l'actif	58 831 475	-	(502 348)	58 329 127
Passif				
Comptes à payer et frais courus (a)	3 262 391	60 000	-	3 322 391
Revenus reportés	427 032	-	-	427 032
Contributions reportées	2 284 813	-	-	2 284 813
Emprunt à court terme	145 987	-	-	145 987
	6 120 223	60 000	-	6 180 223
Soldes de fonds				
Non grevés d'affectations	2 510 856	(60 000)	-	2 450 856
Grevés d'affectations	12 000 599	-	-	12 000 599
Investis en immobilisations	26 772 797	-	(502 348)	26 270 449
En dotation	11 427 000	-	-	11 427 000
	52 711 252	(60 000)	(502 348)	52 148 904
Total du passif et soldes de fonds	58 831 475	-	(502 348)	58 329 127

2. Adoption des Normes comptables canadiennes pour le secteur public (suite)

a) Congés rémunérés

Les NCSP pour les OSBL exigent la reconnaissance du passif relatif aux congés rémunérés tels que les jours de maladie accumulés mais non financièrement compensés au départ. Ceci n'était pas requis par les PCGR du Canada avant le basculement puisque ces dépenses étaient reconnues lorsqu'elles étaient engagées. Le chapitre SP 2125 exige l'application rétroactive de ces normes dans les soldes d'ouverture de l'état de la situation financière à la date de transition du 1er avril 2011. L'Université a estimé le passif relatif aux jours de maladie accumulés à 60 000 $.

Au 31 mars 2012, à la suite d'une révision de l'estimation, le passif relatif aux congés rémunérés demeure à 60 000 $. L'effet net sur l'état de la situation financière au 1er avril 2011 et au 31 mars 2012 est une augmentation des comptes à payer et frais courus et une diminution des soldes de fonds.

b) Immobilisations

Une révision des actifs en immobilisations aux registres comptables a permis de déterminer que certains actifs ayant une valeur résiduelle auraient dû être amortis complètement avant le 1er avril 2011. Un ajustement a donc été fait à la date de transition aux NCSP pour les OSBL sur les soldes comme indiqué auparavant, ayant pour effet de réduire la valeur des actifs en immobilisations de 502 348 $ (254 805 $ dans la catégorie d'équipement et ameublement et 247 543 $ en équipement informatique) pour refléter cette correction. Le solde des fonds investis en immobilisations a aussi été réduit par le même montant.

c) État des flux de trésorerie

La transition vers les NCSP a entraîné le reclassement des sommes reçues ou dépensées pour l'acquisition des immobilisations de la section des flux de trésorerie liés aux activités d'investissement vers les flux de trésorerie liés aux immobilisations. La section des flux liés aux immobilisations à l'état des flux de trésorerie n'existait pas avant la transition aux NCSP pour les OSBL.

3. Changement de méthode comptable

Le 1er avril 2012, l'Université a adopté les Normes comptables canadiennes pour le secteur public, chapitres SP 3450, *Instruments financiers*, et SP 2601, *Conversion des devises*. Ces normes ont été adoptées prospectivement à partir de la date d'adoption. Les nouvelles normes fournissent un ensemble d'exigences pour la comptabilisation, l'évaluation, la présentation et la divulgation des instruments financiers et des transactions en devises.

En vertu du chapitre SP 3450, tous les instruments financiers sont inscrits à l'état de la situation financière et doivent être comptabilisés à la juste valeur ou au coût amorti basé sur les caractéristiques de l'instrument et du choix de politiques comptables de l'Université (voir note 1 – Sommaire des principales méthodes comptables).

Conformément aux dispositions des nouvelles normes, l'Université a apporté les changements suivants :

Au 1er avril 2012, une diminution de 397 084 $ au fonds de fonctionnement, une diminution de 385 650 $ au fonds de dotation et une augmentation de 782 734 $ aux gains de réévaluation cumulés en raison du reclassement de la juste valeur des placements de l'Université aux gains de réévaluation cumulés.

4. Instruments financiers

	2013		
	Juste valeur	Coût amorti	Total
	$	$	$
Comptes à recevoir	-	**860 176**	**860 176**
Placements	**29 163 976**	-	**29 163 976**
Comptes à payer et frais courus	-	**3 639 935**	**3 639 935**
	29 163 976	**4 500 111**	**33 664 087**

Le tableau suivant fournit une analyse des instruments financiers qui sont évalués après leur comptabilisation initiale à la juste valeur, et sont regroupés par niveaux 1 à 3 en fonction de la manière dont la juste valeur est observable :

Niveau 1 – Les prix (non rajustés) sont cotés sur des marchés actifs pour des actifs ou 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)

4. Instruments financiers (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.

Le tableau suivant présente les instruments financiers comptabilisés à la juste valeur dans l'état de la situation financière, classés selon la hiérarchie de la juste valeur décrite ci-dessus :

	2013			
	Niveau 1	Niveau 2	Niveau 3	Total
	$	$	$	$
Placements	**15 341 773**	**13 822 203**	**-**	**29 163 976**

	2012			
	Niveau 1	Niveau 2	Niveau 3	Total
	$	$	$	$
Placements	9 852 566	13 017 740	-	22 870 306

5. Marge de crédit

L'Université dispose d'une marge de crédit d'un montant autorisé de 3 000 000 $ portant des intérêts au taux préférentiel de l'institution financière (3,25 % au 31 mars 2013) plus 0,25 %. La marge de crédit est garantie par un contrat de sûreté général en 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 2013 ni au 31 mars 2012.

6. Comptes à recevoir et autres actifs

	31 mars		1er avril
	2013	2012	2011
	$	$	$
Gouvernement provincial	**-**	107 328	-
Gouvernement fédéral	**442 354**	1 139 573	1 670 449
Frais des étudiants	**96 726**	144 941	220 462
Divers	**373 649**	560 733	888 943
Provision pour créances douteuses	**(52 553)**	(83 803)	(94 452)
	860 176	1 868 772	2 685 402
Frais payés d'avance	**126 373**	146 304	113 762
	986 549	2 015 076	2 799 164

7. Placements

	31 mars 2013	31 mars 2012	1er avril 2011
	$	$	$
Encaisse et marché monétaire	**1 449 755**	1 555 973	1 718 522
Titres à revenus fixes	**13 822 203**	13 017 740	12 068 869
Actions canadiennes	**7 063 810**	4 738 536	5 131 871
Actions étrangères – américaines	**2 565 709**	1 593 861	1 769 659
Actions étrangères – autres	**4 262 499**	1 964 196	1 262 310
	29 163 976	22 870 306	21 951 231

Les titres à revenus fixes portent des intérêts variant de 2,20 % à 7,10 % (de 3,24 % à 7,10 % en 2012) et viennent à échéance entre novembre 2014 et juin 2108 (juin 2013 et juin 2108 en 2012).

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.

Les revenus de placements sont composés des intérêts, dividendes, gains réalisés (pertes non réalisées en 2012 seulement) tels que présentés ci-dessous :

	2013	2012
	$	$
Intérêts et dividendes	**899 828**	854 535
Gains réalisés	**137 295**	358 788
Pertes non réalisées	-	(344 599)
	1 037 123	868 724

8. Immobilisations

	Terrain	Immeubles et améliorations	Terrain de stationnement	Équipement et ameublement	Équipement informatique	Construction en cours	Total
	$	$	$	$	$	$	$
Coût							
Solde au 1er avril 2012	**10 000**	**30 523 593**	**952 389**	**6 619 499**	**7 726 120**	**-**	**45 831 601**
Ajouts : achats	113 035	180 345	-	334 899	45 106	-	673 385
Moins : vente ou cession	-	-	-	(137 966)	(5 556 145)	-	(5 694 111)
Solde au 31 mars 2013	**123 035**	**30 703 938**	**952 389**	**6 816 432**	**2 215 081**	**-**	**40 810 875**
Amortissement cumulé							
Solde au 1er avril 2012	-	**8 486 162**	**135 969**	**4 608 106**	**6 330 915**	-	**19 561 152**
Ajouts : amortissement	-	413 970	47 620	388 014	416 977	-	1 266 581
Moins : vente ou cession	-	-	-	(125 843)	(5 556 145)	-	(5 681 988)
Solde au 31 mars 2013	-	**8 900 132**	**183 589**	**4 870 277**	**1 191 747**	-	**15 145 745**
Valeur comptable nette au 31 mars 2013	**123 035**	**21 803 806**	**768 800**	**1 946 155**	**1 023 334**	**-**	**25 665 130**
Coût							
Solde au 1er avril 2011	10 000	19 232 078	952 389	5 529 244	7 296 703	9 779 540	42 799 954
Ajouts : achats	-	1 511 975	-	1 113 702	429 417	-	3 055 094
Moins : vente ou cession	-	-	-	(23 447)	-	-	(23 447)
Reclassement	-	9 779 540	-	-	-	(9 779 540)	-
Solde au 31 mars 2012	10 000	30 523 593	952 389	6 619 499	7 726 120	-	45 831 601
Amortissement cumulé							
Solde au 1er avril 2011	-	8 075 197	88 350	4 203 488	5 903 500	-	18 270 535
Ajouts : amortissement	-	410 965	47 619	423 375	427 415	-	1 309 374
Moins : vente ou cession	-	-	-	(18 757)	-	-	(18 757)
Solde au 31 mars 2012	-	8 486 162	135 969	4 608 106	6 330 915	-	19 561 152
Valeur comptable nette au 31 mars 2012	10 000	22 037 431	816 420	2 011 393	1 395 205	-	26 270 449
Valeur comptable nette au 1er avril 2011	10 000	11 156 881	864 039	1 325 756	1 393 203	9 779 540	24 529 419

Des équipements informatiques désuets d'une valeur de 5 556 145 $ ont été sortis des registres comptables. Le résultat est une baisse de ce montant sur le coût et l'amortissement cumulé avec aucun effet sur la valeur comptable nette au 31 mars 2013.

9. Contributions reportées

Les contributions reportées sont constituées des apports de subventions qui ont été reçus aux fins d'activités et de projets particuliers qui n'ont pas encore été dépensés. Le tableau ci-dessous présente sommairement l'évolution des contributions reportées :

	31 mars	
	2013	2012
	$	$
Solde au début de l'exercice	**2 284 813**	1 044 002
Apports reçus	**324 613**	2 432 997
Virements aux revenus	**(1 910 536)**	(1 192 186)
Changement net de l'exercice	**(1 585 923)**	1 240 811
Solde à la fin de l'exercice	**698 890**	2 284 813

10. Emprunt

L'Université avait contracté un prêt au montant de 478 000 $ dans le cadre du financement de son nouveau système informatique. Le prêt portait un taux d'intérêt de 0 % et était remboursable sur une période de 36 mois échue en février 2013. Au 31 mars 2013, le prêt était remboursé en totalité. Le solde du prêt était de 145 987 $ au 31 mars 2012 et de 305 244 $ au 1er avril 2011.

11. 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 et à l'assurance médicale et dentaire des employés et des employées. 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 en outre 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 spécifique 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 de 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.

11. Obligations relatives aux avantages sociaux, aux congés rémunérés et au régime de retraite des employés (suite)

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.

Régime de retraite

À partir du 1er septembre 2011, à la suite de modifications apportées à la *Loi sur les prestations de pension* de la province du Manitoba, l'Université a établi son propre régime de retraite à cotisations déterminées (le Régime). La participation des employés et employées a donc changé du *University of Manitoba Pension Plan (1970)* au nouveau *Régime de retraite de l'Université de Saint-Boniface*. À compter de cette date, les prestations accumulées au nom des participants dans le régime antérieur ont été transférées au présent régime. L'Université verse des cotisations patronales, ce qui constitue sa seule obligation, car elle n'encourt 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 de Saint-Boniface nomme au moins quatre représentants ayant droit de vote.

L'actif net disponible pour le service des prestations du Régime au 31 décembre 2012, sa fin d'année fiscale, a évolué comme suit :

	31 décembre	
	2012	2011
	$	$ (4 mois)
Actif net disponible pour le service de prestations, au début de l'exercice	21 934 335	21 190 583
Cotisations		
Promoteur	1 075 159	275 288
Participants	1 032 665	268 146
Revenus de placement nets	377 236	200 318
	2 485 060	743 752
Actif net disponible pour le service de prestations, à la fin de l'exercice	24 419 395	21 934 335

Les cotisations patronales pour l'exercice terminé le 31 mars 2013 se sont élevées à 964 000 $ (977 000 $ en 2012).

12. Engagements

Location d'équipement

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 loyers ainsi exigibles s'élèvent à moins de 136 000 $ 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 58 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.

13. Soldes des fonds affectés

	Affectations d'origine interne							
	Bourses et prix	Campagnes futures/ Appariement de dons	Projets stratégiques	Projets d'immobi-lisations	Financement de transition programmes et services	Affectations d'origine interne	Affectations d'origine externe	Total
	$	$	$	$	$	$	$	$
Solde au 1er avril 2011	2 316 732	961 506	1 236 088	3 833 949	2 563 032	10 911 307	1 294 859	12 206 166
Excédent des revenus sur les dépenses au 31 mars 2012	-	-	-	-	-	-	380 551	380 551
Virements								
Intérêts	39 384	15 462	23 351	70 948	43 572	192 717	-	192 717
Allocations pour projets futurs	-	-	137 500	528 000	-	665 500	-	665 500
Financement de projets	-	(52 000)	-	-	-	(52 000)	(34 802)	(86 802)
Reclassement de restrictions	-	-	-	-	-	-	29 000	29 000
Achats ou transferts d'immobilisations	-	-	-	(188 527)	-	(188 527)	(1 198 006)	(1 386 533)
	39 384	(36 538)	160 851	410 421	43 572	617 690	(1 203 808)	(586 118)
Changement net de l'exercice	39 384	(36 538)	160 851	410 421	43 572	617 690	(823 257)	(205 567)
Solde au 31 mars 2012	2 356 116	924 968	1 396 939	4 244 370	2 606 604	11 528 997	471 602	12 000 599
Excédent des revenus sur les dépenses pour l'exercice au 31 mars 2013	-	-	-	-	-	-	**325 511**	**325 511**
Virements								
Intérêts	**60 635**	**20 349**	**27 708**	**106 576**	**57 345**	**272 613**	-	**272 613**
Allocations pour projets futurs	**400 000**	-	-	**900 000**	-	**1 300 000**	-	**1 300 000**
Financement de projets	-	-	**(137 500)**	**(300 000)**	-	**(437 500)**	**(65 017)**	**(502 517)**
Achats ou transferts d'immobilisations	-	-	-	-	-	-	**(12 100)**	**(12 100)**
	460 635	**20 349**	**(109 792)**	**706 576**	**57 345**	**1 135 113**	**(77 117)**	**1 057 996**
Changement net de l'exercice	**460 635**	**20 349**	**(109 792)**	**706 576**	**57 345**	**1 135 113**	**248 394**	**1 383 507**
Solde au 31 mars 2013	**2 816 751**	**945 317**	**1 287 147**	**4 950 946**	**2 663 949**	**12 664 110**	**719 996**	**13 384 106**

13. Soldes des fonds affectés (suite)

Fonds grevé d'affectations d'origine interne

Le fonds grevé d'affectations d'origine interne comprend des soldes des 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 régit la procédure relative à l'établissement, à la majoration et à la suppression de telles provisions et aux retraits qui en sont faits. Selon la politique en vigueur, les fonds d'affectations d'origine interne portent l'intérêt au taux annuel de l'indice des prix à la consommation de 2,2 % (1,7 % en 2012). 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 des fonds d'affectations d'origine externe, du Fonds de dotation ainsi que des subventions et des dons annuels.

Campagnes futures de collecte de fonds/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 :

a) Recherche : les fonds destinés à suppléer au Fonds de fonctionnement général pour effectuer les projets de recherche entrepris par les professeurs et les professeures;

b) 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;

c) 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.

13. Soldes des fonds affectés (suite)

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.

14. 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.

15. Gestion des risques financiers

L'Université, dans le cours normal de ses activités, est exposée à différents risques, notamment les risques de crédit, du marché et des variations aux taux 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 les placements et les comptes à recevoir.

15. Gestion des risques financiers (suite)

L'exposition maximale de l'Université au risque de crédit, qui ne tient compte d'aucune garantie ni d'autres améliorations des termes de crédit, est la suivante :

	31 mars		1er avril
	2013	2012	2011
	$	$	$
Placements	**29 163 976**	22 870 306	21 951 231
Comptes à recevoir – subventions	**442 354**	1 246 901	1 670 449
Comptes à recevoir – droits de scolarité et autres	**470 374**	705 674	1 109 405
	30 076 704	24 822 881	24 731 085

Il y a concentration du risque en ce qui concerne les placements lorsqu'une portion importante du portefeuille est constituée de placements dans des valeurs présentant des caractéristiques semblables ou sensibles aux mêmes facteurs économiques, politiques ou autres. La politique et les procédures de placement de l'Université, qui sont revues chaque année, indiquent 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 placements.

L'Université n'est pas exposée au risque de crédit significatif pour les comptes à recevoir – subventions, parce qu'ils représentent principalement des sommes à recevoir du gouvernement.

L'Université n'est pas exposée au risque de crédit significatif pour les comptes à recevoir – droits de scolarité et autres, puisqu'ils 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.

15. Gestion des risques financiers (suite)

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 prix de cours, les taux d'intérêt, les taux de change et leur volatilité.

Les titres négociables détenus par l'Université sont soumis aux risques du marché. La valeur de ces instruments financiers fluctuera selon l'évolution des cours du marché ou des facteurs influant sur la valeur des placements qui les sous-tendent, tels que les taux d'intérêt, l'indice des prix à la consommation, l'incertitude économique, les modifications législatives, et la conjoncture politique à l'échelle nationale et internationale.

Les fluctuations de la valeur du dollar canadien par rapport aux devises se répercuteront sur la valeur, en dollars canadiens, de tout titre négociable détenu par l'Université. Ces fluctuations pourraient réduire, voire effacer, tout rendement obtenu sur des titres étrangers. La position de change pourrait accroître la volatilité des investissements étrangers par rapport aux investissements canadiens.

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 par le moyen de son processus de budgétisation, et au maintien de placements qui peuvent être convertis en espèces lorsqu'un flux de trésorerie inattendu survient.

Le tableau suivant présente l'échéance des obligations (non actualisées des flux de trésorerie liés aux passifs financiers) :

	2013			
	< 6 mois	**6 mois < 1 an**	**1an-5 ans**	**> 5 ans**
	$	**$**	**$**	**$**
Comptes à payer et frais courus	**3 639 935**	-	-	**3 639 935**

	2012			
	< 6 mois	6 mois < 1 an	1an-5 ans	> 5 ans
	$	$	$	$
Comptes à payer et frais courus	3 322 391	-	-	3 322 391
Emprunt à court terme	-	145 987	-	145 987
	3 322 391	145 987	-	3 468 378

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 Canadian Institute of Chartered Accountants.

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.

Dwight Botting
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, 2013, March 31, 2012, and April 1, 2011 and the statements of operations, changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 principles 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, 2013, March 31, 2012, and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting principles.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 of the financial statements which describes the basis of accounting. For the year ended March 31, 2013, University College of the North adopted Canadian public sector accounting standards. This resulted in significant changes to the presentation of the financial statements as compared to the prior year. These standards were applied retrospectively by management to the comparative information in these financial statements.

Office of the Auditor General

Office of the Auditor General
June 27, 2013
Winnipeg, Manitoba

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, 2013

	GENERAL FUND	CAPITAL CAMPAIGN FUND	STUDENT AWARD FUND	ENDOWMENT FUND	TOTAL
ASSETS					
CURRENT					
Cash and cash equivalents	$ 2,116,969	$ 591,752	$ 131,792	$	$ 2,840,513
Short-term investments				557,600	557,600
Accounts receivable *(Note 6)*	5,333,407	548	102,619	100,000	5,536,574
Due from Province of Manitoba *(Note 8)*	752,589				752,589
Inventory	207,880				207,880
Prepaid expenses	432,209				432,209
	8,843,054	592,300	234,411	657,600	10,327,365
LONG TERM					
Prepaid expenses	804,133				804,133
Capital assets *(Note 7)*	18,799,220				18,799,220
Due from Province of Manitoba *(Note 8)*	793,500				793,500
	20,396,853				20,396,853
	$ 29,239,907	$ 592,300	$ 234,411	$ 657,600	$ 30,724,218
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities *(Note 9)*	$ 3,116,334	$	$ 50,500	$	$ 3,166,834
Deferred revenue	930,513				930,513
Deferred contributions *(Note 10)*	2,147,667				2,147,667
Accrued vacation benefits	2,845,872				2,845,872
Current portion on long term debt *(Note 11)*	49,752				49,752
	9,090,138		50,500		9,140,638
LONG TERM					
Deferred revenue	804,133				804,133
Deferred contributions related to capital assets *(Note 12)*	9,254,536				9,254,536
Accrued severance benefits *(Note 13)*	2,272,229				2,272,229
Long term debt *(Note 11)*	1,302,325				1,302,325
	13,633,223				13,633,223
FUND BALANCES					
NET ASSETS INVESTED IN CAPITAL ASSETS	8,209,305				8,209,305
NET ASSETS RESTRICTED FOR FUND PURPOSES		592,300	183,911	657,600	1,433,811
NET ASSETS INTERNALLY RESTRICTED *(Note 16)*	1,576,810				1,576,810
UNRESTRICTED NET ASSETS	(3,269,569)				(3,269,569)
	6,516,546	592,300	183,911	657,600	7,950,357
	$ 29,239,907	$ 592,300	$ 234,411	$ 657,600	$ 30,724,218

Approved by the Governing Council

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 1 CONT'D

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2012

	GENERAL FUND	CAPITAL CAMPAIGN FUND	STUDENT AWARD FUND	ENDOWMENT FUND	TOTAL
ASSETS					
CURRENT					
Cash and cash equivalents	$ 5,171,371	$ 546,897	$ 151,889	$	$ 5,870,157
Short-term investments				552,600	552,600
Accounts receivable *(Note 6)*	5,152,371	1	2,052		5,154,424
Due from Province of Manitoba *(Note 8)*	752,589				752,589
Inventory	217,620				217,620
Prepaid expenses	399,554				399,554
	11,693,505	546,898	153,941	552,600	12,946,944
LONG TERM					
Prepaid expenses	876,578				876,578
Capital assets *(Note 7)*	15,942,037				15,942,037
Due from Province of Manitoba *(Note 8)*	793,500				793,500
	17,612,115				17,612,115
	$ 29,305,620	$ 546,898	$ 153,941	$ 552,600	$ 30,559,059
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities *(Note 9)*	$ 3,490,880	$	$ 500	$	$ 3,491,380
Deferred revenue	1,850,516				1,850,516
Deferred contributions *(Note 10)*	2,431,243				2,431,243
Accrued vacation benefits	2,514,837				2,514,837
Current portion on long term debt *(Note 11)*	47,923				47,923
	10,335,399		500		10,335,899
LONG TERM					
Deferred revenue	876,578				876,578
Deferred contributions related to capital assets *(Note 12)*	8,982,674				8,982,674
Accrued severance benefits *(Note 13)*	1,940,936				1,940,936
Long term debt *(Note 11)*	1,352,077				1,352,077
	13,152,265				13,152,265
FUND BALANCES					
NET ASSETS INVESTED IN CAPITAL ASSETS	5,562,625				5,562,625
NET ASSETS RESTRICTED FOR FUND PURPOSES		546,898	153,441	552,600	1,252,939
NET ASSETS INTERNALLY RESTRICTED *(Note 16)*	5,114,040				5,114,040
UNRESTRICTED NET ASSETS	(4,858,709)				(4,858,709)
	5,817,956	546,898	153,441	552,600	7,070,895
	$ 29,305,620	$ 546,898	$ 153,941	$ 552,600	$ 30,559,059

STATEMENT OF FINANCIAL POSITION

APRIL 1, 2011

	GENERAL FUND	CAPITAL CAMPAIGN FUND	STUDENT AWARD FUND	ENDOWMENT FUND	TOTAL
ASSETS					
CURRENT					
Cash and cash equivalents	$ 9,506,828	$ 486,859	$ 143,396	$	$ 10,137,083
Short-term investments				452,600	452,600
Accounts receivable	4,810,821	455	2,029		4,813,305
Due from Province of Manitoba	752,589				752,589
Inventory	218,700				218,700
Prepaid expenses	361,162				361,162
	15,650,100	487,314	145,425	452,600	16,735,439
LONG TERM					
Prepaid expenses	847,600				847,600
Capital assets	9,123,959				9,123,959
Due from Province of Manitoba	793,500				793,500
	10,765,059				10,765,059
	$ 26,415,159	$ 487,314	$ 145,425	$ 452,600	$ 27,500,498
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	$ 3,107,851	$	$ 500	$	$ 3,108,351
Deferred revenue	747,767				747,767
Deferred contributions	3,168,728				3,168,728
Accrued vacation benefits	2,349,061				2,349,061
	9,373,407		500		9,373,907
LONG TERM					
Deferred revenue	847,600				847,600
Deferred contributions related to capital assets	7,665,296				7,665,296
Accrued severance benefits	1,717,092				1,717,092
	10,229,988				10,229,988
FUND BALANCES					
NET ASSETS INVESTED IN CAPITAL ASSETS	1,458,665				1,458,665
NET ASSETS RESTRICTED FOR FUND PURPOSES		487,314	144,925	452,600	1,084,839
NET ASSETS INTERNALLY RESTRICTED	4,922,634				4,922,634
UNRESTRICTED NET ASSETS	430,465				430,465
	6,811,764	487,314	144,925	452,600	7,896,603
	$ 26,415,159	$ 487,314	$ 145,425	$ 452,600	$ 27,500,498

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 2

STATEMENT OF OPERATIONS

MARCH 31, 2013

	GENERAL FUND	CAPITAL CAMPAIGN FUND	STUDENT AWARD FUND	ENDOWMENT FUND	TOTAL
REVENUES					
Grants					
Council on Post-Secondary Education	$ 32,532,844	$	$	$	$ 32,532,844
Other Province of Manitoba	848,449				848,449
Government of Canada	454,505				454,505
Amortization of deferred contributions related to capital assets	811,976				811,976
Ancillary sales and services	1,952,698				1,952,698
Donations		39,195	101,918	105,000	246,113
Investment income	65,893	6,207	7,152		79,252
Contract training	898,059				898,059
Tuition and student fees	3,182,637				3,182,637
Other revenue	1,625,435				1,625,435
Gain on disposal of capital assets	11,635				11,635
	42,384,131	45,402	109,070	105,000	42,643,603
EXPENSES					
Advertising and public relations	604,898				604,898
Amortization of capital assets	903,459				903,459
Bad debt	54,500				54,500
Cost of goods sold	1,021,874				1,021,874
Facility costs	1,375,345				1,375,345
Furniture and minor equipment	603,071				603,071
Insurance	149,890				149,890
Interest on long term debt	51,682				51,682
Library acquisitions	182,400				182,400
Maintenance and repairs	89,031				89,031
Operational supplies and services	5,279,963				5,279,963
Property taxes	545,517				545,517
Rentals and leases	627,193				627,193
Salaries and employee benefits	27,733,883				27,733,883
Scholarships and bursaries			78,600		78,600
Telephone and communication	651,781				651,781
Travel	1,533,311				1,533,311
Utilities	277,743				277,743
	41,685,541		78,600		41,764,141
EXCESS REVENUES	$ 698,590	$ 45,402	$ 30,470	$ 105,000	$ 879,462

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 2 CONT'D

STATEMENT OF OPERATIONS

MARCH 31, 2012

	GENERAL FUND	CAPITAL CAMPAIGN FUND	STUDENT AWARD FUND	ENDOWMENT FUND	TOTAL
REVENUES					
Grants					
Council on Post-Secondary Education	$ 30,545,432	$	$	$	$ 30,545,432
Other Province of Manitoba	1,503,649				1,503,649
Government of Canada	334,725				334,725
Amortization of deferred contributions related to capital assets	602,901				602,901
Ancillary sales and services	1,788,910				1,788,910
Donations	270	53,903	158,299	100,000	312,472
Investment income	100,718	5,681	6,662		113,061
Contract training	1,114,013				1,114,013
Tuition and student fees	3,114,965				3,114,965
Other revenue	1,467,306				1,467,306
Gain on disposal of capital assets	1,254				1,254
	40,574,143	59,584	164,961	100,000	40,898,688
EXPENSES					
Advertising and public relations	673,119				673,119
Amortization of capital assets	689,917				689,917
Bad debt	5,000				5,000
Cost of goods sold	1,011,464				1,011,464
Facility costs	1,026,204				1,026,204
Furniture and minor equipment	1,630,335				1,630,335
Insurance	169,920				169,920
Interest on long term debt	42,609				42,609
Library acquisitions	219,773				219,773
Maintenance and repairs	234,164				234,164
Operational supplies and services	6,711,864				6,711,864
Property taxes	557,199				557,199
Rentals and leases	468,002				468,002
Salaries and employee benefits	25,716,843				25,716,843
Scholarships and bursaries			156,445		156,445
Telephone and communication	660,013				660,013
Travel	1,530,779				1,530,779
Utilities	220,746				220,746
	41,567,951		156,445		41,724,396
EXCESS REVENUE (EXPENSES)	$ (993,808)	$ 59,584	$ 8,516	$ 100,000	$ (825,708)

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 3

STATEMENT OF CHANGES IN FUND BALANCES

MARCH 31, 2013

	GENERAL FUND	CAPITAL CAMPAIGN FUND	STUDENT AWARD FUND	ENDOWMENT FUND	TOTAL
FUND SURPLUS, *beginning of year*	$ 5,817,956	$ 546,898	$ 153,441	$ 552,600	$ 7,070,895
EXCESS REVENUES	698,590	45,402	30,470	105,000	879,462
FUND SURPLUS, *end of year*	$ 6,516,546	$ 592,300	$ 183,911	$ 657,600	$ 7,950,357

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 3 CONT'D

STATEMENT OF CHANGES IN FUND BALANCES

MARCH 31, 2012

	GENERAL FUND	CAPITAL CAMPAIGN FUND	STUDENT AWARD FUND	ENDOWMENT FUND	TOTAL
FUND SURPLUS, *beginning of year*	$ 6,811,764	$ 487,314	$ 144,925	$ 452,600	$ 7,896,603
EXCESS REVENUE (EXPENSES)	(993,808)	59,584	8,516	100,000	(825,708)
FUND SURPLUS, *end of year*	$ 5,817,956	$ 546,898	$ 153,441	$ 552,600	$ 7,070,895

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 4

STATEMENT OF CASH FLOWS

	MARCH 31, 2013	MARCH 31, 2012
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Excess Revenues (Expenses)		
General Fund	$ 698,590	$ (993,808)
Capital Campaign Fund	45,402	59,584
Student Award Fund	30,470	8,516
Endowment Fund	105,000	100,000
	879,462	(825,708)
Add (deduct) items not affecting cash:		
Gain on disposal of capital assets	(11,635)	(1,254)
Amortization of capital assets	903,459	689,917
Amortization of deferred contributions related to capital assets	(811,976)	(602,901)
	959,310	(739,946)
Add (deduct) changes in non-cash working capital components related to operating activities:		
Accounts receivable	(382,150)	(341,119)
Inventory	9,740	1,080
Prepaid expenses	39,790	(67,370)
Accounts payable and accrued liabilities	(324,546)	383,029
Deferred revenue	(992,448)	1,131,727
Deferred contributions	(283,576)	(737,485)
Accrued vacation benefits	331,035	165,776
Accrued severance benefits	331,293	223,844
	(311,552)	19,536
FINANCING ACTIVITIES		
Deferred contributions related to capital assets	1,083,838	1,920,279
Advances of long term debt	-	1,400,000
Repayment of long term debt	(47,923)	-
	1,035,915	3,320,279
CAPITAL ACTIVITIES		
Purchase of capital assets	(3,762,443)	(7,510,001)
Proceeds from disposal of capital assets	13,436	3,260
	(3,749,007)	(7,506,741)
INVESTING ACTIVITY		
Increases in short-term investments	(5,000)	(100,000)
	(5,000)	(100,000)
NET DECREASE IN CASH FLOWS DURING THE YEAR	(3,029,644)	(4,266,926)
CASH AND CASH EQUIVALENTS, *beginning of year*	5,870,157	10,137,083
CASH AND CASH EQUIVALENTS, *end of year*	$ 2,840,513	$ 5,870,157
Supplemental Cash Flow Information:		
Interest Received	$ 83,162	$ 116,881
Interest Paid	$ 51,682	$ 42,609

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 transactions related to educational and ancillary activities of UCN and not included in the Restricted Fund

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:

<u>Fair Value</u>

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.

<u>Amortized Cost</u>

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 generally accepted accounting principles 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. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

The Public Sector Accounting Board issued new Public Sector Accounting Standards (PSAS) for GNFPO. For years beginning on or after January 1, 2012, GNFPO's have a choice of:

1. Public sector accounting standards including PS 4200-4270 for government not-for-profit organizations; or
2. Public sector accounting standards

Effective April 1, 2012 UCN adopted public sector accounting standards including PS 4200-4270 for government not-for-profit organizations. These are UCN's first financial statements prepared in accordance with this framework.

PS 2125, First-time Adoption by Government Organizations, requires retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information for the year ended March 31, 2012 and in the preparation of an opening Statement of Financial Position at April 1, 2011 (UCN's date of transition).

The following exception and exemptions were used at the date of transition to PSAS for GNFPOs:

<u>Mandatory Exception</u>

Estimates

UCN has not revised previous estimates made under Pre-changeover Accounting Standards for the application of PSAS for GNFPOs except where necessary to reflect differences in accounting policy or where there was objective evidence those estimates were in error. UCN has not used hindsight to revise estimates.

<u>Optional Exemption</u>

Retirement and Post-Employment Benefits - Discount Rate

PSAS for GNFPOs requires UCN to account for its accrued benefit obligations for defined benefit pension plans and post-employment benefits and compensated absences by applying a discount rate with reference to plan asset earnings or cost of borrowing. Retroactive application of this approach would require UCN to recalculate these amounts at the time of transition to PSAS. UCN has elected to delay application of this approach until the date of the next actuarial valuation or within three years of the transition date to PSAS, whichever is sooner.

3. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS *(continued)*

Reconciliation of Net Assets and Excess Revenues (Expenses)

UCN issued financial statements for the year ended March 31, 2012 and as at March 31, 2012 and April 1, 2011 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V – Pre-changeover Accounting Standards. The adoption of PSAS for GNFPOs resulted in adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of UCN and the comparative figures have been restated to reflect these adjustments. Details of these changes are provided in the following notes and tables.

Statement of Financial Position as at April 1, 2011 (Transition Date)

	Pre-changeover Canadian GAAP	Transitional Adjustment (i)	PSAS for Government NPOs
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 2,823,020	$ 285,331	$ 3,108,351
Deferred contributions	3,187,168	(18,440)	3,168,728
Fund balances			
Net assets internally restricted	4,931,506	(8,872)	4,922,634
Unrestricted net assets	$ 688,484	$ (258,019)	$ 430,465

Statement of Financial Position as at March 31, 2012

	Pre-changeover Canadian GAAP	Transitional Adjustment (i)	PSAS for Government NPOs
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 3,126,028	$ 365,352	$ 3,491,380
Deferred contributions	2,454,857	(23,614)	2,431,243
Fund Balances			
Net assets internally restricted	5,125,399	(11,359)	5,114,040
Unrestricted net assets	$ (4,528,330)	$ (330,379)	$ (4,858,709)

Statement of Operations for the year-ended March 31, 2012

	Pre-changeover Canadian GAAP	Transitional Adjustment	PSAS for Government NPOs
Revenues			
Council on Post-Secondary Education	30,540,258	5,174	30,545,432
Expenses			
Salaries and employee benefits	25,636,822	80,021	25,716,843
Excess Revenues (Expenses)	$ (750,861)	$ (74,847)	$ (825,708)

Statement of cash flow

The transition to PSAS for GNFPOs has no impact on the presentation of financing or investing activities in the statement of cash flows. Changes to income for year-end March 31, 2012 were offset by adjustments to operating activities.

3. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS *(continued)*

Explanation of Adjustments to PSAS for GNFPOs

(i) Non-vesting accumulated sick leave

Prior to conversion to PSAS for GNFPOs, the Organization was not required to record a liability for non-vesting sick leave. Under PSAS, a liability must be recorded for these amounts. For those amounts recorded related to community based services, deferred contributions were impacted as the amount of contributions that would be deferred would have been less in the prior year and upon transition.

As a result, accounts payable and accrued liabilities increased by $285,331 at April 1, 2011 and $365,352 at March 31, 2012 and salaries and employee benefits increased by $80,021 for the year ended March 31, 2012. Additionally, deferred contributions decreased by $18,440 at April 1, 2011 and $23,614 at March 31, 2012 and Council on Post-Secondary Education revenue increased by $5,174 for the year end March 31, 2012.

The change has resulted in a decrease in net assets internally restricted and unrestriced net assets as at April 1, 2011 of $8,872 and $258,019 respectively and as at March 31, 2012 of $11,359 and $330,379.

4. CHANGE IN ACCOUNTING POLICY

On April 1, 2012, UCN prospectively adopted Public Sector Accounting Standards PS 3450 – *Financial Instruments, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, and PS 1201 Financial Statement Presentation*. These standards provide guidance for the recognition, measurement and disclosure of financial instruments and foreign currency transactions.

Adoption of these standards did not result in any adjustment to previously reported assets, liabilities or fund balances.

5. FINANCIAL INSTRUMENT CLASSIFICATION

Financial instruments are classified as follows:

	2013		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 2,840,513	$	$ 2,840,513
Short-term investments	557,600		557,600
Accounts receivable		5,536,574	5,536,574
Due from Province of Manitoba		1,546,089	1,546,089
Accounts payable and accrued liabilities		3,166,834	3,166,834
Accrued vacation benefits		2,845,872	2,845,872
Long term debt		1,352,077	1,352,077
	$ 3,398,113	$ 14,447,446	$ 17,845,559

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, 2013 and 2012.

UNIVERSITY COLLEGE OF THE NORTH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31

6. ACCOUNTS RECEIVABLE

	2013	2012
UCN Fund		
Students	$ 1,132,469	$ 981,817
Contract Training	1,414,420	1,275,992
Due from Council on Post-Secondary Education (COPSE)	1,679,944	1,679,944
Other	1,493,794	1,544,511
	5,720,627	5,482,264
Less: Allowance for doubtful accounts	(524,707)	(490,561)
	$ 5,195,920	$ 4,991,703
Inter-Universities Services Fund		
Students	$ 138,539	$ 159,493
Other	2,645	7,211
	141,184	166,704
Less: Allowance for doubtful accounts	(3,697)	(6,036)
	$ 137,487	$ 160,668
General Fund	$ 5,333,407	$ 5,152,371
Capital Campaign Fund	548	1
Student Award Fund	102,619	2,052
Endowment Fund	100,000	
	$ 5,536,574	$ 5,154,424

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2013
UCN Fund			
Automotive equipment	$ 1,011,215	$ 711,755	$ **299,460**
Computer equipment	1,287,147	845,564	**441,583**
Other equipment	3,331,386	1,478,899	**1,852,487**
Buildings/improvements	13,570,896	688,558	**12,882,338**
Construction in progress	2,085,966		**2,085,966**
Land	446,067		**446,067**
Library holdings	714,161		**714,161**
	$ 22,446,838	$ 3,724,776	$ **18,722,062**
Inter-Universities Services Fund			
Automotive equipment	$ 84,131	$ 49,741	$ **34,390**
Computer equipment	60,174	60,174	
Other equipment	62,457	19,689	**42,768**
	$ 206,762	$ 129,604	$ **77,158**
TOTALS FOR 2013	$ 22,653,600	$ 3,854,380	$ **18,799,220**

	Cost	Accumulated Amortization	Net Book Value 2012
UCN Fund			
Automotive equipment	$ 883,714	$ 641,065	$ **242,649**
Computer equipment	1,352,093	808,980	**543,113**
Other equipment	3,153,484	1,212,944	**1,940,540**
Buildings/improvements	4,801,916	403,675	**4,398,241**
Construction in progress	7,588,833		**7,588,833**
Land	446,067		**446,067**
Library holdings	714,161		**714,161**
	$ 18,940,268	$ 3,066,664	$ **15,873,604**
Inter-Universities Services Fund			
Automotive Equipment	$ 120,558	$ 69,341	$ **51,217**
Computer Equipment	60,174	58,934	**1,240**
Miscellaneous	40,686	24,710	**15,976**
	$ 221,418	$ 152,985	$ **68,433**
TOTALS FOR 2012	$ 19,161,686	$ 3,219,649	$ **15,942,037**

8. 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.

	2013	2012
Accrued vacation benefits	$ 752,589	$ 752,589
Accrued severance benefits	$ 793,500	$ 793,500

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
UCN Fund		
Accrued liabilities	$ 1,192,939	$ 906,842
Wages and benefits payable	1,069,581	959,229
Trade accounts payable	735,169	1,542,409
Due to Student Associations	21,538	16,691
	$ 3,019,227	$ 3,425,171
Inter-Universities Services Fund		
Trade Accounts Payable	97,107	65,709
General Fund	$ 3,116,334	$ 3,490,880
Student Award Fund	50,500	500
	$ 3,166,834	$ 3,491,380

10. 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	$ 2,431,243	$ 665,996	$ 949,572	$ 2,147,667

11. LONG TERM DEBT

	2013	2012
Mortgage payable to the Province of Manitoba bearing interest at 3.75 %, due March 31, 2032, repayable in monthly blended installments of $8,300.	$ 1,352,077	$ 1,400,000
Less: Current portion	(49,752)	(47,923)
	$ 1,302,325	$ 1,352,077

Principal repayments in each of the next five years are estimated as follows:

2014	$ 49,752
2015	51,650
2016	53,620
2017	55,666
2018	57,790
	$ 268,478

12. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 8,914,239	$ 1,052,892	$ 789,755	$ 9,177,376
Inter-Universities Services Fund	68,435	30,946	22,221	77,160
	$ 8,982,674	$ 1,083,838	$ 811,976	$ 9,254,536

13. ACCRUED SEVERANCE BENEFITS

	2013	2012
UCN Fund		
Balance, beginning of period	$ 2,408,250	$ 1,636,568
Actuarial loss (gain)	(79,964)	560,808
Benefits accrued	201,951	171,574
Interest on accrued benefits	151,339	142,829
Severance paid	(96,045)	(103,529)
Balance, end of period	$ 2,585,531	$ 2,408,250
Net unamortized actuarial loss	(424,763)	(560,808)
Severance liability	$ 2,160,768	$ 1,847,442
Inter-Universities Services Fund		
Balance, beginning of period	$ 128,621	$ 80,524
Actuarial loss (gain)	(4,209)	35,127
Benefits accrued	6,367	5,453
Interest on accrued benefits	8,087	7,517
Balance, end of period	$ 138,866	$ 128,621
Net unamortized actuarial loss	(27,405)	(35,127)
Severance liability	$ 111,461	$ 93,494
	$ 2,272,229	$ 1,940,936

An actuarial valuation of the severance obligations as at December 31, 2011 was conducted by Ellement & Ellement Consulting Actuaries. The key actuarial assumptions were updated as at March 31, 2012 based on information provided by the actuary. The key actuarial assumptions were a rate of return of 6.5% (March 31, 2012 - 6.5%), 2.0% inflation (March 31, 2012 - 2.0%), salary rate increases of 2.75% (March 31, 2012 - 2.75%). The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2013 using the projection formula provided by the actuary. The expected effective date of the next actuarial valuation will be no later than March 31, 2014.

During the year UCN experienced an actuarial gain of $84,173 (2012 - actuarial loss of $595,935). The amortization on the actuarial loss in 2013 is $59,594 (UCN $56,081; IUS $3,513), (2012 - nil).

14. PENSION COSTS AND OBLIGATIONS

UCN's employees are contributing members of the provincially operated Civil Service Superannuation Plan or the Teacher's Retirement Annuity 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, 2013 was $1,357,338 (March 31, 2012 - $1,186,394). 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.

15. 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:

2014	$517,982
2015	270,102
2016	253,484
2017	168,752
2018	60,000

16. 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.

UCN Fund	Opening Balance	Increases	Decreases	Ending Balance
Fiscal Stabilization	$ 3,679,982	$ 30,000	$ 3,483,321	$ 226,661
Total	$ 3,679,982	$ 30,000	$ 3,483,321	$ 226,661
Inter-Universities Services Fund				
Innovations Fund	$ 1,284,058	$	$ 83,909	$ 1,200,149
Conferences	50,000			50,000
Science Lab	100,000			100,000
Total	$ 1,434,058	$	$ 83,909	$ 1,350,149
	$ 5,114,040	$ 30,000	$ 3,567,230	$ 1,576,810

17. 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 $1,375,345 (March 31, 2012 - $1,026,204) in facility costs was paid to Manitoba Infrastructure and Transportation for the rental of buildings. Funds available for short-term investments are invested with the Province of Manitoba. At March 31, 2013 $1.97 million (March 31, 2012 - $4.98 million), included in both cash and cash equivalents and short-term investments, was invested with the Province of Manitoba.

18. 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:

18. RISK MANAGEMENT *(continued)*

	Carrying Amount 2013	Carrying Amount 2012
Financial assets held for trade;		
Cash and cash equivalents	**$ 2,840,513**	$ 5,870,157
Short-term investments	**557,600**	552,600
Loans and receivables:		
Accounts receivable	**5,536,574**	5,154,424
Due from Province of Manitoba - vacation and severance benefits	**1,546,089**	1,546,089
Totals	**$ 10,480,776**	$ 13,123,270

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	$ 258,441	$ 537,947	$ 183,123	$ 1,714,750	$ 2,694,261
Government receivables	135,516	1,427,879		116,549	1,679,944
Other receivables	260,694	208,150	179,798	838,964	1,487,606
Gross receivables	654,651	2,173,976	362,921	2,670,263	5,861,811
Less: Allowance for doubtful accounts		(29,200)	(8,700)	(490,504)	(528,404)
Net receivables	$ 654,651	$ 2,144,776	$ 354,221	$ 2,179,759	$ 5,333,407

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.

18. RISK MANAGEMENT *(continued)*

The following table sets out the contractual maturities of financial liabilities;

	2013			
	Within 6 Months	6 months to 1 Year	1-5 Years	5 Years +
Accounts payable and accrued liabilities	$ 2,365,740	$ 750,594	$	$
Accrued vacation benefits	1,784,293	532,956	417,511	111,112
Long term debt	24,643	25,109	278,720	1,023,605
	$ 4,174,676	$ 1,308,659	$ 696,231	$ 1,134,717

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.

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.

19. 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 Council on Post Secondary Education.

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, 2013, 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.

20. INTER-FUND TRANSFERS

	Unrestricted		Internally Restricted		Student Award	Endowment
	UCN Fund	IUS Fund	UCN Fund	IUS Fund	Fund	Fund
Fiscal Stabilization	$ 3,453,321	$	$ (3,453,321)	$	$	$
Innovations		83,909		(83,909)		
March 31, 2013	$ 3,453,321	$ 83,909	$ (3,453,321)	$ (83,909)	$	$
March 31, 2012	$ (48,753)	$ (142,653)	$ 48,753	$ 142,653	$	$

21. 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 will be funded using capital grants. Regional Centres located on First Nations land will be managed, owned and operated by UCN during construction either directly or through contracts with the First Nation. Upon completion, ownership and facility management may transfer to local First Nations governments in accordance with KIP terms and conditions. UCN has deferred the funding and capitalized the expenditures to Construction in Progress until the assets are completed. At which time, the asset is classified as building and amortized accordingly. 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, 2013 $9.9 million (March 31, 2012 - $7.4 million) has been spent throughout the various Regional Centres.

22. 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, 2013.

23. LINE OF CREDIT

UCN has an approved borrowing limit of $1,500,000 at an interest rate of 2.7% and is secured by a guarantee from the Province of Manitoba with no fixed terms of repayment. At March 31, 2013 the balance was nil (March 31, 2012 - nil).

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 1A

STATEMENT OF FINANCIAL POSITION - GENERAL

MARCH 31, 2013

	UCN FUND	IUS FUND	TOTAL
ASSETS			
CURRENT			
Cash and cash equivalents	$ 533,678	$ 1,583,291	$ 2,116,969
Accounts receivable *(Note 6)*	5,195,920	137,487	5,333,407
Due to/from other funds	41,052	(41,052)	
Due from Province of Manitoba *(Note 8)*	752,589		752,589
Inventory	207,880		207,880
Prepaid expenses	431,386	823	432,209
	7,162,505	1,680,549	8,843,054
LONG TERM			
Prepaid expenses	804,133		804,133
Capital assets *(Note 7)*	18,722,062	77,158	18,799,220
Due from Province of Manitoba *(Note 8)*	788,490	5,010	793,500
	20,314,685	82,168	20,396,853
	$ 27,477,190	$ 1,762,717	$ 29,239,907
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities *(Note 9)*	$ 3,019,227	$ 97,107	$ 3,116,334
Deferred revenue	930,513		930,513
Deferred contributions *(Note 10)*	2,147,667		2,147,667
Accrued vacations benefits	2,719,032	126,840	2,845,872
Current portion long term debt *(Note 11)*	49,752		49,752
	8,866,191	223,947	9,090,138
LONG TERM			
Deferred revenue	804,133		804,133
Deferred contributions related to capital assets *(Note 12)*	9,177,376	77,160	9,254,536
Accrued severance benefits *(Note 13)*	2,160,768	111,461	2,272,229
Long term debt *(Note 11)*	1,302,325		1,302,325
	13,444,602	188,621	13,633,223
FUND BALANCES			
NET ASSETS INVESTED IN CAPITAL ASSETS	8,209,305		8,209,305
NET ASSETS INTERNALLY RESTRICTED *(Note 16)*	226,661	1,350,149	1,576,810
UNRESTRICTED NET ASSETS	(3,269,569)		(3,269,569)
	5,166,397	1,350,149	6,516,546
	$ 27,477,190	$ 1,762,717	$ 29,239,907

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 1A CONT'D

STATEMENT OF FINANCIAL POSITION - GENERAL

MARCH 31, 2012

	UCN FUND	IUS FUND	TOTAL
ASSETS			
CURRENT			
Cash and cash equivalents	$ 3,540,335	$ 1,631,036	$ 5,171,371
Accounts receivable *(Note 6)*	4,991,703	160,668	5,152,371
Due to/from other funds	110,058	(110,058)	
Due from Province of Manitoba *(Note 8)*	752,589		752,589
Inventory	217,620		217,620
Prepaid expenses	398,797	757	399,554
	10,011,102	1,682,403	11,693,505
LONG TERM			
Prepaid expenses	876,578		876,578
Capital assets *(Note 7)*	15,873,604	68,433	15,942,037
Due from Province of Manitoba *(Note 8)*	788,490	5,010	793,500
	17,538,672	73,443	17,612,115
	$ 27,549,774	$ 1,755,846	$ 29,305,620
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities *(Note 9)*	$ 3,425,171	$ 65,709	$ 3,490,880
Deferred revenue	1,850,516		1,850,516
Deferred contributions *(Note 10)*	2,431,243		2,431,243
Accrued vacations benefits	2,420,687	94,150	2,514,837
Current portion long term debt *(Note 11)*	47,923		47,923
	10,175,540	159,859	10,335,399
LONG TERM			
Deferred revenue	876,578		876,578
Deferred contributions related to capital assets *(Note 12)*	8,914,239	68,435	8,982,674
Accrued severance benefits *(Note 13)*	1,847,442	93,494	1,940,936
Long term debt *(Note 11)*	1,352,077		1,352,077
	12,990,336	161,929	13,152,265
FUND BALANCES			
NET ASSETS INVESTED IN CAPITAL ASSETS	5,562,625		5,562,625
NET ASSETS INTERNALLY RESTRICTED *(Note 16)*	3,679,982	1,434,058	5,114,040
UNRESTRICTED NET ASSETS	(4,858,709)		(4,858,709)
	4,383,898	1,434,058	5,817,956
	$ 27,549,774	$ 1,755,846	$ 29,305,620

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 1A CONT'D

STATEMENT OF FINANCIAL POSITION - GENERAL

APRIL 1, 2011

	UCN FUND	IUS FUND	TOTAL
ASSETS			
CURRENT			
Cash and cash equivalents	$ 8,061,224	$ 1,445,604	$ 9,506,828
Accounts receivable	4,676,778	134,043	4,810,821
Due to/from other funds	103,974	(103,974)	
Due from Province of Manitoba	752,589		752,589
Inventory	218,700		218,700
Prepaid expenses	361,162		361,162
	14,174,427	1,475,673	15,650,100
LONG TERM			
Prepaid expenses	847,600		847,600
Capital assets	9,061,962	61,997	9,123,959
Due from Province of Manitoba	788,490	5,010	793,500
	10,698,052	67,007	10,765,059
	$ 24,872,479	$ 1,542,680	$ 26,415,159
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	$ 3,070,580	$ 37,271	$ 3,107,851
Deferred revenue	747,767		747,767
Deferred contributions	3,168,728		3,168,728
Accrued vacations benefits	2,277,580	71,481	2,349,061
	9,264,655	108,752	9,373,407
LONG TERM			
Deferred revenue	847,600		847,600
Deferred contributions related to capital assets	7,603,297	61,999	7,665,296
Accrued severance benefits	1,636,568	80,524	1,717,092
	10,087,465	142,523	10,229,988
FUND BALANCES			
NET ASSETS INVESTED IN CAPITAL ASSETS	1,458,665		1,458,665
NET ASSETS INTERNALLY RESTRICTED	3,631,229	1,291,405	4,922,634
UNRESTRICTED NET ASSETS	430,465		430,465
	5,520,359	1,291,405	6,811,764
	$ 24,872,479	$ 1,542,680	$ 26,415,159

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 2A

STATEMENT OF OPERATIONS - GENERAL

MARCH 31, 2013

	UCN FUND	IUS FUND	TOTAL
REVENUES			
Grants			
Council on Post-Secondary Education	$ 31,612,590	$ 920,254	$ 32,532,844
Other Province of Manitoba	848,449		848,449
Government of Canada	454,505		454,505
Amortization of deferred contributions related to capital assets	789,755	22,221	811,976
Ancillary sales and services	1,952,698		1,952,698
Investment income	63,384	2,509	65,893
Contract training	898,059		898,059
Tuition and student fees	2,753,953	428,684	3,182,637
Other revenue	1,587,861	37,574	1,625,435
Gain on disposal of capital assets	1,456	10,179	11,635
	40,962,710	1,421,421	42,384,131
EXPENSES			
Advertising and public relations	595,458	9,440	604,898
Amortization of capital assets	881,238	22,221	903,459
Bad debt	49,500	5,000	54,500
Cost of goods sold	1,021,874		1,021,874
Facility costs	1,375,345		1,375,345
Furniture and minor equipment	596,715	6,356	603,071
Insurance	141,159	8,731	149,890
Interest on long term debt	51,682		51,682
Library acquisitions	182,400		182,400
Maintenance and repairs	78,963	10,068	89,031
Operational supplies and services	5,163,142	116,821	5,279,963
Property taxes	545,517		545,517
Rentals and leases	612,053	15,140	627,193
Salaries and employee benefits	26,567,848	1,166,035	27,733,883
Telephone and communication	645,841	5,940	651,781
Travel	1,403,912	129,399	1,533,311
Utilities	277,743		277,743
	40,190,390	1,495,151	41,685,541
EXCESS REVENUES (EXPENSES)	$ 772,320	$ (73,730)	$ 698,590

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 2A CONT'D

STATEMENT OF OPERATIONS - GENERAL

MARCH 31, 2012

	UCN FUND	IUS FUND	TOTAL
REVENUES			
Grants			
Council on Post-Secondary Education	$ 29,383,467	$ 1,161,965	$ 30,545,432
Other Province of Manitoba	1,503,649		1,503,649
Government of Canada	334,725		334,725
Amortization of deferred contributions related to capital assets	579,652	23,249	602,901
Ancillary sales and services	1,788,910		1,788,910
Donations	270		270
Investment income	97,250	3,468	100,718
Contract training	1,114,013		1,114,013
Tuition and student fees	2,652,723	462,242	3,114,965
Other revenue	1,420,566	46,740	1,467,306
Gain on disposal of capital assets	1,254		1,254
	38,876,479	1,697,664	40,574,143
EXPENSES			
Advertising and public relations	651,537	21,582	673,119
Amortization of capital assets	666,668	23,249	689,917
Bad debt		5,000	5,000
Cost of goods sold	1,011,464		1,011,464
Facility costs	1,026,204		1,026,204
Furniture and minor equipment	1,576,479	53,856	1,630,335
Insurance	168,813	1,107	169,920
Interest on long term debt	42,609		42,609
Library acquisitions	219,773		219,773
Maintenance and repairs	223,748	10,416	234,164
Operational supplies and services	6,534,251	177,613	6,711,864
Property taxes	557,199		557,199
Rentals and leases	453,842	14,160	468,002
Salaries and employee benefits	24,597,189	1,119,654	25,716,843
Telephone and communication	649,828	10,185	660,013
Travel	1,412,590	118,189	1,530,779
Utilities	220,746		220,746
	40,012,940	1,555,011	41,567,951
EXCESS REVENUE (EXPENSES)	$ (1,136,461)	$ 142,653	$ (993,808)

University College of the North

Statement of Changes in Fund Balances - General

Statement 3A

March 31, 2013

	Unrestricted			Internally Restricted			Net Assets Invested in Capital Assets	Total
	UCN Fund	IUS Fund	Total	UCN Fund	IUS Fund	Total		
FUND SURPLUS, *beginning of year*	$ (4,858,709)	$	$ (4,858,709)	$ 3,679,982	$ 1,434,058	$ 5,114,040	$ 5,562,625	$ 5,817,956
EXCESS REVENUES (EXPENSES)	772,320	(73,730)	698,590					698,590
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS								
Amortization of capital assets	881,238	22,221	903,459				(903,459)	
Amortization of deferred contributions related to capital assets	(789,755)	(22,221)	(811,976)				811,976	
Purchase of capital assets	(3,731,497)	(30,946)	(3,762,443)				3,762,443	
Deferred contributions related to capital assets	1,052,892	30,946	1,083,838				(1,083,838)	
Disposal of capital assets	(1,456)	(10,179)	(11,635)				11,635	
Long term debt on capital assets	(47,923)		(47,923)				47,923	
INTER-FUND TRANSFERS *(Note 20)*	3,453,321	83,909	3,537,230	(3,453,321)	(83,909)	(3,537,230)		
FUND SURPLUS, *end of year*	$ (3,269,569)	$	$ (3,269,569)	$ 226,661	$ 1,350,149	$ 1,576,810	$ 8,209,305	$ 6,516,546

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF CHANGES IN FUND BALANCES - GENERAL

STATEMENT 3A CONT'D

MARCH 31, 2012

	UNRESTRICTED			INTERNALLY RESTRICTED			NET ASSETS INVESTED IN CAPITAL ASSETS	TOTAL
	UCN FUND	IUS FUND	TOTAL	UCN FUND	IUS FUND	TOTAL		
FUND SURPLUS, *beginning of year*	$ 430,465	$	$ 430,465	$ 3,631,229	$ 1,291,405	$ 4,922,634	$ 1,458,665	$ 6,811,764
EXCESS REVENUE (EXPENSES)	(1,136,461)	142,653	(993,808)					(993,808)
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS								
Amortization of capital assets	666,668	23,249	689,917				(689,917)	
Amortization of deferred contributions related to capital assets	(579,652)	(23,249)	(602,901)				602,901	
Purchase of capital assets	(7,480,316)	(29,685)	(7,510,001)				7,510,001	
Deferred contributions related to capital assets	1,890,594	29,685	1,920,279				(1,920,279)	
Disposal of capital assets	(1,254)		(1,254)				1,254	
Long term debt on capital assets	1,400,000		1,400,000				(1,400,000)	
INTER-FUND TRANSFERS *(Note 20)*	(48,753)	(142,653)	(191,406)	48,753	142,653	191,406		
FUND SURPLUS, *end of year*	$ (4,858,709)	$	$ (4,858,709)	$ 3,679,982	$ 1,434,058	$ 5,114,040	$ 5,562,625	$ 5,817,956

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 1

SCHEDULE OF OTHER GRANT REVENUE
(UNAUDITED)

	MARCH 31, 2013	MARCH 31, 2012
Province of Manitoba		
Representative Work Force - Aboriginal and Northern Affairs	$	$ 20,000
Adult Learning Centre - Manitoba Advanced Education and Literacy	565,520	424,770
Brandon University - BUNTEP		704,300
Computer Based Learning System - Manitoba Competitive Training	39,653	104,607
Labour and Immigration	33,848	35,986
Manitoba Hydro	72,444	104,876
Public Library Services	60,655	60,639
Red River Community College	36,329	8,471
Summer Enrichment - Manitoba Education	40,000	40,000
	$ 848,449	$ 1,503,649

SCHEDULE 2

SCHEDULE OF ANCILLARY SALES AND SERVICES
(UNAUDITED)

	MARCH 31, 2013	MARCH 31, 2012
Bookstore	$ 1,135,991	$ 1,113,796
Cafeteria	323,602	282,968
Residence	493,105	392,146
	$ 1,952,698	$ 1,788,910

SCHEDULE 3

SCHEDULE OF TUITION AND STUDENT FEES
(UNAUDITED)

	MARCH 31, 2013	MARCH 31, 2012
Apprenticeship	$ 832,098	$ 883,834
Core-funded programs	1,900,116	1,701,683
Continuing Education	21,739	67,206
	$ 2,753,953	$ 2,652,723

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 4

STATEMENT OF UCN EXPENDITURES BY FUNCTION
(UNAUDITED)

	SALARIES AND BENEFITS	OTHER	TOTAL MARCH 31, 2013	TOTAL MARCH 31, 2012
Academic	$ 13,619,237	$ 3,105,948	**$ 16,725,185**	$ 17,248,105
Administration	4,107,508	3,573,031	**7,680,539**	7,173,565
Ancillary Sales and Services	843,645	1,242,232	**2,085,877**	2,081,787
Continuing Education	157,919	6,801	**164,720**	166,105
Library	745,813	474,106	**1,219,919**	1,299,030
Contract Training	797,405	488,346	**1,285,751**	1,332,607
Insurance Claims				35,713
Information Technology	921,784	873,685	**1,795,469**	1,862,161
Plant	843,212	2,874,612	**3,717,824**	3,349,270
Program Support	4,473,445	1,041,661	**5,515,106**	5,464,597
	$ 26,509,968	$ 13,680,422	**$ 40,190,390**	$ 40,012,940

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 the Canadian Institute of Chartered Accountants 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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations for the years ending March 31, 2013 and March 31, 2012.

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 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 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, Audit Services, and the Auditor General.

The financial statements for the years ended March 31, 2013 and March 31, 2012 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 her examination and provides her opinion on the fairness of presentation of the financial statements.

Original Document signed by
Paul Kochan
Vice-President (Administration)

Winnipeg, Manitoba
June 25, 2013

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, 2013, March 31, 2012 and April 1, 2011, and the statements of operations and changes in fund balances, remeasurement gains and losses, and cash flows for the years ended March 31, 2013 and March 31, 2012, 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.

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

INDEPENDENT AUDITOR'S REPORT

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, 2013, March 31, 2012 and April 1, 2011, and the results of its operations, its remeasurement gains and losses, and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Basis of Presentation

Without modifying our opinion, we draw attention to Note 2A. to the financial statements, which describes that the University of Manitoba adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retroactively by management in these financial statements except for the accounting standards for financial instruments which were applied prospectively on April 1, 2012.

Original Document signed by

Carol Bellringer, FCA, MBA
Auditor General

June 25, 2013
Winnipeg, Manitoba

UNIVERSITY OF MANITOBA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2013, MARCH 31, 2012 AND APRIL 1, 2011
(in thousands of dollars)

	March 31, 2013	March 31, 2012	*(Note 3)* April 1, 2011
Assets			
Current Assets			
Cash and Cash Equivalents	$ 117,603	$ 121,368	$ 109,444
Accounts Receivable *(Note 4)*	61,800	74,081	75,230
Inventories	3,421	3,348	3,411
Prepaid Expenses	1,329	1,097	551
	184,153	**199,894**	**188,636**
Long Term Assets			
Loan Receivable *(Note 5)*	170,538	130,878	24,286
Investments *(Note 6)*	636,874	553,309	537,587
Capital Assets, Net of Accumulated Amortization *(Note 8)*	960,754	917,277	843,385
	1,768,166	1,601,464	1,405,258
	$ 1,952,319	**$ 1,801,358**	**$ 1,593,894**
Liabilities			
Current Liabilities			
Accounts Payable	$ 53,660	$ 49,813	$ 55,119
Unearned Revenue	6,888	6,521	5,278
Vacation and Sick Leave Liability	13,356	12,501	11,709
Loan *(Note 20)*	5,000		
Current Portion of Capital Lease Obligations *(Note 9)*	124	234	347
Current Portion of Long Term Debt *(Note 10)*	17,285	19,471	12,451
	96,313	**88,540**	**84,904**
Long Term Liabilities			
Other Long Term Liabilities *(Note 11)*	5,964	5,856	2,714
Capital Lease Obligations *(Note 9)*	76	200	307
Long Term Debt *(Note 10)*	342,775	305,258	211,965
Employee Future Benefits *(Note 12)*	63,072	59,806	59,413
Pension Obligation *(Note 16)*	33,847	33,431	38,936
	445,734	**404,551**	**313,335**
Fund Balances			
Unrestricted	(75,421)	(74,482)	(66,641)
Restricted	334,958	323,159	304,128
Invested in Capital Assets	864,732	815,259	725,480
Endowed	286,003	244,331	232,688
	1,410,272	1,308,267	1,195,655
	$ 1,952,319	**$ 1,801,358**	**$ 1,593,894**

Contractual Obligations and Contingencies *(Note 20)*

Original Document signed by
Janice Lederman – Chair

Original Document signed by
Patricia Bovey – Vice-Chair

(The accompanying Notes form an integral part of the Financial Statements)

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

	General Funds (Note 2D)	Restricted Funds (Note 2E)	Endowment Fund (Note 2F)	2013 Total Funds	2012 Total Funds
Revenue:					
Tuition and Related Fees	$ 133,012	$	$	$ 133,012	$ 123,191
Contributions, Donations,					
Non-Government Grants	2,502	60,311	10,531	73,344	81,078
Investment Income *(Note 17)*	3,964	21,504		25,468	27,034
Miscellaneous Income	1,861	3,497		5,358	20,696
Government Grants:					
Council on Post-Secondary Education	319,955	7,345		327,300	310,964
Other Province of Manitoba	17,546	67,512		85,058	68,724
Government of Canada	10,563	64,753		75,316	93,611
Sales of Goods and Services	32,822	842		33,664	31,731
Ancillary Services	37,189			37,189	37,025
	559,414	225,764	10,531	795,709	794,054
Expense:					
Academic	307,404	99,717		407,121	396,804
Libraries	16,984	15		16,999	16,881
Student Affairs	18,782	10		18,792	16,816
Administration	40,057	2,363		42,420	37,642
Plant Maintenance	34,331			34,331	32,858
Other Academic Support	23,289	28		23,317	21,140
General	25,538	27,345		52,883	29,103
Student Awards	10,225	38,368		48,593	46,541
Interest		17,572		17,572	16,863
Amortization of Capital Assets		51,619		51,619	49,654
Ancillary Services	29,035			29,035	28,926
Actuarially Determined Employee Future Benefits	3,266			3,266	393
Change in Pension Obligation *(Note 16)*	416			416	(5,505)
Staff Benefits Contra	(6,414)			(6,414)	(6,674)
	502,913	237,037		739,950	681,442
Net Revenue (Expense) from Operating Activities	56,501	(11,273)	10,531	55,759	112,612
Inter-Fund Transfers (Note 14)	(57,752)	54,227	3,525		
Net Increase to Fund Balances from Operating Activities	(1,251)	42,954	14,056	55,759	112,612
Fund Balances from Operating Activities Beginning of the Year	8,488	1,055,448	244,331	1,308,267	1,195,655
Fund Balances from Operating Activities End of the Year	7,237	1,098,402	258,387	1,364,026	1,308,267
Accumulated Remeasurements Gains (Losses) End of Year	39	18,591	27,616	46,246	
Fund Balances End of Year	$ 7,276	$ 1,116,993	$ 286,003	$ 1,410,272	$ 1,308,267
Unrestricted Funds	$ (75,421)	$	$	$ (75,421)	$ (74,482)
Internally Restricted Funds	82,697	42,692		125,389	121,986
Externally Restricted Funds		209,569	286,003	495,572	445,504
Invested in Capital Assets		864,732		864,732	815,259
	$ 7,276	$ 1,116,993	$ 286,003	$ 1,410,272	$ 1,308,267
Supplemental Information:					
Net Increase (Decrease) from:					
Operating Activities	$ (1,251)	$ 42,954	$ 14,056	$ 55,759	$ 112,612
Accumulated Remeasurement Gains and (Losses)	39	18,591	27,616	46,246	
Total Increase (Decrease) in Fund Balances	**$ (1,212)**	**$ 61,545**	**$ 41,672**	**$ 102,005**	**$ 112,612**

(The accompanying Notes form an integral part of the Financial Statements)

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2012
(in thousands of dollars)

	General Funds *(Note 2D)*	Restricted Funds *(Note 2E)*	Endowment Fund *(Note 2F)*	2012 Total Funds
Revenue:				
Tuition and Related Fees	$ 123,191	$	$	$ 123,191
Contributions, Donations, Non-Government Grants	2,653	65,169	13,256	81,078
Investment Income *(Note 17)*	5,426	24,686	(3,078)	27,034
Miscellaneous Income	17,070	3,626		20,696
Government Grants:				
Council on Post-Secondary Education	304,147	6,817		310,964
Other Province of Manitoba	15,799	52,925		68,724
Government of Canada	10,760	82,851		93,611
Sales of Goods and Services	31,010	721		31,731
Ancillary Services	37,025			37,025
	547,081	236,795	10,178	794,054
Expense:				
Academic	291,347	105,457		396,804
Libraries	16,872	9		16,881
Student Affairs	16,786	30		16,816
Administration	35,051	2,591		37,642
Plant Maintenance	32,858			32,858
Other Academic Support	21,124	16		21,140
General	23,213	5,890		29,103
Student Awards	7,850	38,691		46,541
Interest		16,863		16,863
Amortization of Capital Assets		49,654		49,654
Ancillary Services	28,926			28,926
Actuarially Determined Employee Future Benefits	393			393
Change in Pension Obligation *(Note 16)*	(5,505)			(5,505)
Staff Benefits Contra	(6,674)			(6,674)
	462,241	219,201		681,442
Net Revenue (Expense)	84,840	17,594	10,178	112,612
Inter-Fund Transfers *(Note 14)*	(77,782)	76,317	1,465	
Net Increase to Fund Balances from Operating Activities	7,058	93,911	11,643	112,612
Fund Balances from Operating Activities Beginning of the Year	1,430	961,537	232,688	1,195,655
Fund Balances from Operating Activities End of the Year	$ 8,488	$1,055,448	$ 244,331	$ 1,308,267
Unrestricted Funds	$ (74,482)	$	$	$ (74,482)
Internally Restricted Funds	82,970	39,016		121,986
Externally Restricted Funds		201,173	244,331	445,504
Invested in Capital Assets		815,259		815,259
	$ 8,488	$1,055,448	$ 244,331	$ 1,308,267

(The accompanying Notes form an integral part of the Financial Statements)

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE GENERAL FUNDS
FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

	General Operating Fund *(Note 2D)*	Specific Provisions Fund *(Note 2D)*	Expenses Funded From Future Revenues *(Note 2D)*	2013 Total General Funds	2012 Total General Funds
Revenue:					
Tuition and Related Fees	$ 133,012	$	$	$ 133,012	$ 123,191
Contributions, Donations, Non-Government Grants	2,502			2,502	2,653
Investment Income *(Note 17)*	3,964			3,964	5,426
Miscellaneous Income	1,861			1,861	17,070
Government Grants:					
Council on Post-Secondary Education	319,955			319,955	304,147
Other Province of Manitoba	17,546			17,546	15,799
Government of Canada	10,563			10,563	10,760
Sales of Goods and Services	32,822			32,822	31,010
Ancillary Services	37,189			37,189	37,025
	559,414			559,414	547,081
Expense:					
Academic	307,404			307,404	291,347
Libraries	16,984			16,984	16,872
Student Affairs	18,782			18,782	16,786
Administration	40,057			40,057	35,051
Plant Maintenance	34,331			34,331	32,858
Other Academic Support	23,289			23,289	21,124
General	25,538			25,538	23,213
Student Awards	10,225			10,225	7,850
Ancillary Services	29,035			29,035	28,926
Actuarially Determined Employee Future Benefits	3,266			3,266	393
Change in Pension Obligation *(Note 16)*	416			416	(5,505)
Staff Benefits Contra	(6,414)			(6,414)	(6,674)
	502,913			502,913	462,241
Net Revenue from Operating Activities	56,501			56,501	84,840
Inter-Fund Transfers (Note 14)	(56,538)	(273)	(941)	(57,752)	(77,782)
Net Increase (Decrease) to Fund Balances from Operating Activities	(37)	(273)	(941)	(1,251)	7,058
Fund Balances from Operating Activities Beginning of the Year	2,303	82,970	(76,785)	8,488	1,430
Fund Balances from Operating Activities End of the Year	2,266	82,697	(77,726)	7,237	8,488
Accumulated Remeasurements Gains (Losses) End of Year	39			39	
Fund Balances End of the Year	$ 2,305	$ 82,697	$ (77,726)	$ 7,276	$ 8,488
Unrestricted Funds	$ 2,305	$	$ (77,726)	$ (75,421)	$ (74,482)
Internally Restricted Funds		82,697		82,697	82,970
	$ 2,305	$ 82,697	$ (77,726)	$ 7,276	$ 8,488
Supplemental Information:					
Net Increase (Decrease) from:					
Operating Activities	$ (37)	$ (273)	$ (941)	$ (1,251)	$ 7,058
Accumulated Remeasurement Gains and (Losses)	39			39	
Total Increase (Decrease) in Fund Balances	$ 2	$ (273)	$ (941)	$ (1,212)	$ 7,058

(The accompanying Notes form an integral part of the Financial Statements)

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE GENERAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2012

(in thousands of dollars)

	General Operating Fund *(Note 2D)*	Specific Provisions Fund *(Note 2D)*	Expenses Funded From Future Revenues *(Note 2D)*	2012 Total General Funds
Revenue:				
Tuition and Related Fees	$ 123,191	$	$	$ 123,191
Contributions, Donations, Non-Government Grants	2,653			2,653
Investment Income *(Note 17)*	5,426			5,426
Miscellaneous Income	17,070			17,070
Government Grants:				
Council on Post-Secondary Education	304,147			304,147
Other Province of Manitoba	15,799			15,799
Government of Canada	10,760			10,760
Sales of Goods and Services	31,010			31,010
Ancillary Services	37,025			37,025
	547,081			547,081
Expense:				
Academic	291,347			291,347
Libraries	16,872			16,872
Student Affairs	16,786			16,786
Administration	35,051			35,051
Plant Maintenance	32,858			32,858
Other Academic Support	21,124			21,124
General	23,213			23,213
Student Awards	7,850			7,850
Ancillary Services	28,926			28,926
Actuarially Determined Employee Future Benefits	393			393
Change in Pension Obligation *(Note 16)*	(5,505)			(5,505)
Staff Benefits Contra	(6,674)			(6,674)
	462,241			462,241
Net Revenue	84,840			84,840
Inter-Fund Transfers *(Note 14)*	(84,826)	1,971	5,073	(77,782)
Net Increase (Decrease) to Fund Balances from Operating Activities	14	1,971	5,073	7,058
Fund Balances from Operating Activities Beginning of the Year	2,289	80,999	(81,858)	1,430
Fund Balances from Operating Activities End of the Year	$ 2,303	$ 82,970	$ (76,785)	$ 8,488
Unrestricted Funds	$ 2,303	$	$ (76,785)	$ (74,482)
Internally Restricted Funds		82,970		82,970
	$ 2,303	$ 82,970	$ (76,785)	$ 8,488

(The accompanying Notes form an integral part of the Financial Statements)

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE RESTRICTED FUNDS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

	Capital Asset Fund *(Note 2E)*	Research and Special Fund *(Note 2E)*	Staff Benefits Fund *(Note 2E)*	Trust Fund *(Note 2E)*	2013 Total Restricted Funds	2012 Total Restricted Funds
Revenue:						
Contributions, Donations,						
Non-Government Grants	$ 14,359	$ 36,507	$ 3,458	$ 5,987	$ 60,311	$ 65,169
Investment Income *(Note 17)*	7,691		1,155	12,658	21,504	24,686
Miscellaneous Income	3,079	164	252	2	3,497	3,626
Government Grants:						
Council on Post-Secondary Education	7,345				7,345	6,817
Other Province of Manitoba	18,856	48,656			67,512	52,925
Government of Canada	4,248	60,505			64,753	82,851
Sales of Goods and Services		842			842	721
	55,578	146,674	4,865	18,647	225,764	236,795
Expense:						
Academic		99,717			99,717	105,457
Libraries		15			15	9
Student Affairs		10			10	30
Administration		2,363			2,363	2,591
Plant Maintenance						
Other Academic Support		28			28	16
General		20,730	3,935	2,680	27,345	5,890
Student Awards		23,597		14,771	38,368	38,691
Interest	17,572				17,572	16,863
Amortization of Capital Assets	51,619				51,619	49,654
	69,191	146,460	3,935	17,451	237,037	219,201
Net Revenue from Operating Activities	(13,613)	214	930	1,196	(11,273)	17,594
Inter-Fund Transfers (Note 14)	63,194	(4,297)	(1,983)	(2,687)	54,227	76,317
Net Increase (Decrease) to Fund Balances from Operating Activities	49,581	(4,083)	(1,053)	(1,491)	42,954	93,911
Fund Balances from Operating Activities Beginning of the Year	815,259	94,660	492	145,037	1,055,448	961,537
Fund Balances from Operating Activities End of the Year	864,840	90,577	(561)	143,546	1,098,402	1,055,448
Accumulated Remeasurements Gains (Losses) End of Year	(108)		1,352	17,347	18,591	
Fund Balances End of the Year	$864,732	$ 90,577	$ 791	$ 160,893	$1,116,993	$1,055,448
Internally Restricted Funds	$	$	$ 945	$ 41,747	$ 42,692	$ 39,016
Externally Restricted Funds		90,577	(154)	119,146	209,569	201,173
Invested in Capital Assets	864,732				864,732	815,259
	$864,732	$ 90,577	$ 791	$ 160,893	$1,116,993	$1,055,448
Supplemental Information:						
Net Increase (Decrease) from:						
Operating Activities	$ 49,581	$ (4,083)	$ (1,053)	$ (1,491)	$ 42,954	$ 93,911
Accumulated Remeasurement Gains and (Losses)	(108)		1,352	17,347	18,591	
Total Increase (Decrease) in Fund Balances	$ 49,473	$ (4,083)	$ 299	$ 15,856	$ 61,545	$ 93,911

(The accompanying Notes form an integral part of the Financial Statements)

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE RESTRICTED FUNDS
FOR THE YEAR ENDED MARCH 31, 2012
(in thousands of dollars)

	Capital Asset Fund *(Note 2E)*	**Research and Special Fund** *(Note 2E)*	**Staff Benefits Fund** *(Note 2E)*	**Trust Fund** *(Note 2E)*	**2012 Total Restricted Funds**
Revenue:					
Contributions, Donations, Non-Government Grants	$ 6,304	$ 48,923	$ 3,323	$ 6,619	$ 65,169
Investment Income *(Note 17)*	3,460		999	20,227	24,686
Miscellaneous Income	2,905	550	171		3,626
Government Grants:					
Council on Post-Secondary Education	6,817				6,817
Other Province of Manitoba	24,813	28,112			52,925
Government of Canada	21,675	61,176			82,851
Sales of Goods and Services		721			721
	65,974	139,482	4,493	26,846	236,795
Expense:					
Academic		105,457			105,457
Libraries		9			9
Student Affairs		30			30
Administration		2,591			2,591
Plant Maintenance					
Other Academic Support		16			16
General			3,485	2,405	5,890
Student Awards		24,089		14,602	38,691
Interest	16,863				16,863
Amortization of Capital Assets	49,654				49,654
	66,517	132,192	3,485	17,007	219,201
Net Revenue	(543)	7,290	1,008	9,839	17,594
Inter-Fund Transfers *(Note 14)*	90,322	(16,995)	1,525	1,465	76,317
Net Increase (Decrease) to Fund Balances from Operating Activities	89,779	(9,705)	2,533	11,304	93,911
Fund Balances from Operating Activities Beginning of the Year	725,480	104,365	(2,041)	133,733	961,537
Fund Balances from Operating Activities End of the Year	$815,259	$ 94,660	$ 492	$ 145,037	$1,055,448
Internally Restricted Funds	$	$	$ 762	$ 38,254	$ 39,016
Externally Restricted Funds		94,660	(270)	106,783	201,173
Invested in Capital Assets	815,259				815,259
	$815,259	$ 94,660	$ 492	$ 145,037	$1,055,448

(The accompanying Notes form an integral part of the Financial Statements)

STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2013
(in thousands of dollars)

	General Operating Fund	Capital Asset Fund	Staff Benefits Fund	Trust Fund	Endowment Fund	2013 Total Funds
Accumulated remeasurement gains (losses) beginning of year	$	$	$	$	$	$
Unrealized gains (losses) attributed to:						
Derivatives		(108)				(108)
Foreign Exchange	39					39
Portfolio Investments			1,352	17,347	27,616	46,315
Amounts reclassified to the statement of Operations						
Derivatives						
Foreign Exchange						
Portfolio Investments						
Net remeasurement gains (losses) for the year	39	(108)	1,352	17,347	27,616	46,246
Accumulated remeasurement gains (losses) end of year	$ 39	$ (108)	$ 1,352	$ 17,347	$ 27,616	$ 46,246

(The accompanying Notes form an integral part of the Financial Statements)

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2013 Total Funds	2012 Total Funds
Operating Activities:					
Net Revenue (Expense)	$ 56,501	$ (11,273)	$ 10,531	$ 55,759	$ 112,612
Amortization of Capital Assets		51,619		51,619	49,654
	56,501	40,346	10,531	107,378	162,266
Net Change in Non-Cash Working Capital Items	8,378	13,667		22,045	4,253
Net Change in Other Long Term Liabilities		108		108	3,142
Net Change in Pension Obligation	416			416	(5,505)
Net Change in Employee Future Benefits	(425)	3,691		3,266	393
Net Cash Generated through Operating Activities	64,870	57,812	10,531	133,213	164,549
Investing Activities:					
Increase in Loan Receivable		(39,660)		(39,660)	(106,592)
Increase in Accumulated Remeasurement Gains (Losses)	39	18,591	27,616	46,246	
Increase in Long Term Investments	1,149	(43,042)	(41,672)	(83,565)	(15,722)
Net Cash Generated through (used in) Investing Activities	1,188	(64,111)	(14,056)	(76,979)	(122,314)
Capital Activities:					
Purchase of Capital Assets		(95,096)		(95,096)	(123,546)
Net Cash (used in) Capital Activities		(95,096)		(95,096)	(123,546)
Financing Activities:					
Proceeds from Capital Lease Obligations					168
Proceeds from Long Term Debt		32,433		32,433	103,591
Contractual Interest Added to Loan Principal		7,227		7,227	3,002
Principal Repayment on Capital Lease Obligations		(234)		(234)	(388)
Refinancing of Long Term Debt					(7,075)
Principal Repayment on Long Term Debt		(4,329)		(4,329)	(6,063)
Net Cash Generated through Financing Activities		35,097		35,097	93,235
Net Increase (Decrease) in Cash	66,058	(66,298)	(3,525)	(3,765)	11,924
Inter-Fund Adjustments	(57,752)	54,227	3,525		
Cash Beginning of Year	26,896	94,472		121,368	109,444
Cash End of Year	$ 35,202	$ 82,401		$ 117,603	$ 121,368
Cash is defined as:					
Cash and Cash Equivalents	$ 35,202	$ 82,401	$	$ 117,603	$ 121,368
Supplemental cash flow information:					
Interest Received	$ 4,691	$ 10,408	$	$ 15,099	$ 10,632
Interest Paid	$	$ 10,345	$	$ 10,345	$ 10,617

(The accompanying Notes form an integral part of the Financial Statements)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2012
(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2012 Total Funds
Operating Activities:				
Net Revenue	$ 84,840	$ 17,594	$ 10,178	$ 112,612
Amortization of Capital Assets		49,654		49,654
	84,840	67,248	10,178	162,266
Net Change in Non-Cash Working Capital Items	53,626	(49,373)		4,253
Net Change in Other Long Term Liabilities	346	2,796		3,142
Net Change in Pension Obligation	(5,505)			(5,505)
Net Change in Employee Future Benefits	(277)	670		393
Net Cash Generated through Operating Activities	133,030	21,341	10,178	164,549
Investing Activities:				
Increase in Loan Receivable		(106,592)		(106,592)
Increase in Long Term Investments	(50,150)	46,071	(11,643)	(15,722)
Net Cash (used in) Investing Activities	(50,150)	(60,521)	(11,643)	(122,314)
Capital Activities:				
Purchase of Capital Assets		(123,546)		(123,546)
Net Cash (used in) Capital Activities		(123,546)		(123,546)
Financing Activities:				
Proceeds from Capital Lease Obligations		168		168
Proceeds from Long Term Debt		103,591		103,591
Contractual Interest Added to Loan Principal		3,002		3,002
Principal Repayment on Capital Lease Obligations		(388)		(388)
Refinancing of Long Term Debt		(7,075)		(7,075)
Principal Repayment on Long Term Debt		(6,063)		(6,063)
Net Cash Generated through Financing Activities		93,235		93,235
Net Increase (Decrease) in Cash	82,880	(69,491)	(1,465)	11,924
Inter-Fund Adjustments	(77,782)	76,317	1,465	
Cash Beginning of Year	21,798	87,646		109,444
Cash End of Year	$ 26,896	$ 94,472	$	$ 121,368
Cash is defined as:				
Cash and Cash Equivalents	$ 26,896	$ 94,472	$	$ 121,368
Supplemental cash flow information:				
Interest Received	$ 4,387	$ 6,245	$	$ 10,632
Interest Paid	$	$ 10,617	$	$ 10,617

(The accompanying Notes form an integral part of the Financial Statements)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(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 the Canadian Institute of Chartered Accountants, including the standards for government not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

Commencing with the 2012/13 fiscal year, the University of Manitoba has adopted Canadian public sector accounting standards. These financial statements are the first financial statements in which the University has applied Canadian public sector accounting standards.

The impacts on the opening balances as at April 1, 2011 and the balances for the year ended March 31, 2012 as previously reported, as a result of the conversion to Canadian public sector accounting standards, are described in Note 3.

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 and 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.

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 obligations.

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 the Council on Post-Secondary Education (COPSE) 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 COPSE 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 governing contracts and agreements.

Staff Benefits Fund:
The Staff Benefits Fund is divided into Fund Accounts for Pension Reserve and Self Insured Plans, the revenues of which are restricted for the purposes noted.

(i) Pension Reserve:
This Fund Account is restricted for special payments towards any unfunded liability of the University of Manitoba Pension Plan (1993) and other pension obligations.

(ii) Self-Insured Plans:
This Fund Account records the assets and liabilities for two self-insured benefit plans, the Long Term Disability Income Plan and the Dental Plan. The Long Term Disability Income Plan is used for long term disability payments for eligible staff. The Plan contains two funds, one for the payment of Basic Benefits and another for the payment of Cost-of-Living Benefits. The Dental Plan is administered by a contracted third party. Surplus funds are held for the purpose of covering deficits which may occur in this self-insured 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 (losses), is recorded in the Statement of Operations and Changes in Fund Balances. Investment income earned on temporary surplus funds is recorded in the appropriate Fund depending on the restrictions imposed. Investment income on unrestricted surplus funds 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 fund raising 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. 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 research and special funds which are carried at modified equity. Fair value of investments is determined based on year end quoted market prices.

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. 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 provided on a straight-line basis over the assets' estimated useful lives 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.

M. 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.

N. 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 16.

O. 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. The University has designated all other investments except for those held in the general funds and research and special funds 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.

P. 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.

Q. FOREIGN CURRENCY TRANSLATION

Monetary assets and 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.

R. 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. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

These financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, including the standards for government not-for-profit organizations.

These new standards are required to be applied retroactively to the transition date of April 1, 2011; however the University of Manitoba is electing to adopt certain exemptions available under PS 2125 as follows:

- PS 3250.061 requires actuarial gains and losses for employee future benefit plans (including the 1993 Pension Plan) to be amortized over a reasonable future period. The University is electing to adopt PS 2125.10 and recognize all unamortized actuarial gains and losses as the date of transition directly in the fund balances.

The adoption of these standards resulted in changes to the University's financial position as at April 1, 2011 and Statements of Financial Position and Operations and Changes in Fund Balances previously reported for the year ended March 31, 2012. The impacts of these changes are as follows:

SCHEDULE OF TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS
STATEMENT OF FINANCIAL POSITION

	Previously Reported April 1, 2011	Adjustments	Restated April 1, 2011
Assets			
Current Assets			
Cash and Cash Equivalents	$ 109,444	$	$ 109,444
Accounts Receivable	75,230		75,230
Inventories	3,411		3,411
Prepaid Expenses	551		551
	188,636		188,636
Long Term Assets			
Loan Receivable	24,286		24,286
Investments	537,587		537,587
Capital Assets, Net of Accumulated Amortization	843,385		843,385
	1,405,258		1,405,258
	$ 1,593,894	$	$ 1,593,894
Liabilities			
Current Liabilities			
Accounts Payable	$ 55,119	$	$ 55,119
Unearned Revenue	5,278		5,278
Vacation and Sick Leave Liability	10,809	900	11,709
Current Portion of Capital Lease Obligations	347		347
Current Portion of Long Term Debt	12,451		12,451
	84,004	900	84,904
Long Term Liabilities			
Other Long Term Liabilities	2,714		2,714
Capital Lease Obligations	307		307
Long Term Debt	211,965		211,965
Employee Future Benefits *(Note 3a)*	65,552	(6,139)	59,413
Pension Obligation *(Note 3b)*	23,124	15,812	38,936
	303,662	9,673	313,335
Fund Balances			
Unrestricted	(65,741)	(900)	(66,641)
Restricted	313,801	(9,673)	304,128
Invested in Capital Assets	725,480		725,480
Endowed	232,688		232,688
	1,206,228	(10,573)	1,195,655
	$ 1,593,894	$	$ 1,593,894

SCHEDULE OF TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS
STATEMENT OF FINANCIAL POSITION

	Previously Reported March 31, 2012	Adjustments	Restated March 31, 2012
Assets			
Current Assets			
Cash and Cash Equivalents	$ 121,368	$	$ 121,368
Accounts Receivable	74,081		74,081
Inventories	3,348		3,348
Prepaid Expenses	1,097		1,097
	199,894		199,894
Long Term Assets			
Loan Receivable	130,878		130,878
Investments	553,309		553,309
Capital Assets, Net of Accumulated Amortization	917,277		917,277
	1,601,464		1,601,464
	$ 1,801,358	$	$ 1,801,358
Liabilities			
Current Liabilities			
Accounts Payable	$ 49,813	$	$ 49,813
Unearned revenue	6,521		6,521
Vacation and Sick Leave Liability	11,412	1,089	12,501
Current Portion of Capital Lease Obligations	234		234
Current Portion of Long Term Debt	19,471		19,471
	87,451	1,089	88,540
Long Term Liabilities			
Other Long Term Liabilities	5,856		5,856
Capital Lease Obligations	200		200
Long Term Debt	305,258		305,258
Employee Future Benefits *(Note 3a)*	67,924	(8,118)	59,806
Pension Obligation *(Note 3b)*	24,074	9,357	33,431
	403,312	1,239	404,551
Fund Balances			
Unrestricted	(67,264)	(7,218)	(74,482)
Restricted	318,269	4,890	323,159
Invested in Capital Assets	815,259		815,259
Endowed	244,331		244,331
	1,310,595	(2,328)	1,308,267
	$ 1,801,358	$	$ 1,801,358

SCHEDULE OF TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

	Previously Reported March 31, 2012 Total Funds	Adjustments	Restated March 31, 2012 Total Funds
Revenue:			
Tuition and Related Fees	$ 123,191	$	$ 123,191
Contributions, Donations, Non-Government Grants	81,078		81,078
Investment Income	27,034		27,034
Miscellaneous Income	20,696		20,696
Government Grants:			
Council on Post-Secondary Education	310,964		310,964
Other Province of Manitoba	68,724		68,724
Government of Canada	93,611		93,611
Sales of Goods and Services	31,731		31,731
Ancillary Services	37,025		37,025
	794,054		794,054
Expense:			
Academic	396,804		396,804
Libraries	16,881		16,881
Student Affairs	16,816		16,816
Administration	37,642		37,642
Plant Maintenance	32,858		32,858
Other Academic Support	21,140		21,140
General	28,914	189	29,103
Student Awards	46,541		46,541
Interest	16,863		16,863
Amortization of Capital Assets	49,654		49,654
Ancillary Services	28,926		28,926
Actuarially Determined Employee Future Benefits *(Note 3a)*	2,372	(1,979)	393
Change in Pension Obligation, *(Note 3b)*	950	(6,455)	(5,505)
Staff Benefits Contra	(6,674)		(6,674)
	689,687	(8,245)	681,442
Net Revenue	104,367	8,245	112,612
Fund Balances from Operating Activities Beginning of the Year	1,206,228	(10,573)	1,195,655
Fund Balances from Operating Activities End of the Year	$ 1,310,595	$ (2,328)	$ 1,308,267
Unrestricted Funds	$ (67,264)	$ (7,218)	$ (74,482)
Externally Restricted Funds	318,269	4,890	323,159
Invested in Capital Assets	815,259		815,259
Endowed	244,331		244,331
	$ 1,310,595	$ (2,328)	$ 1,308,267

A. RESTATEMENT OF THE EMPLOYEE FUTURE BENEFITS LIABILITY

The employee future benefits liability was restated as at the date of transition, April 1, 2011, to $59,413 from $65,552, a decrease of $6,139 to reflect the change in the discount rate from 5.0 % to 6.0%, based on the expected rate of return on plan assets.

The University adopted PS 3250.061 and actuarial gains and losses for employee future benefits are now amortized over future periods where previously they were recognized in the year the actuarial gains or losses occurred. The University also applied the exemption available under PS 2125.10 and did not restate unamortized actuarial gains or losses as at the date of transition, April 1, 2011.

The net effect of the change in discount rate and amortization of actuarial gains and losses is a decrease of $1,979 in the Actuarially Determined Employee Future Benefits expense for the year ended March 31, 2012.

The employee future benefits liability as at March 31, 2012 was also restated to $59,806 (including the restatement of $6,139 as at April 1, 2011) from $67,924, a decrease of $8,118, as a result of the above changes and also incorporates the change in the discount rate from 4.3 % to 6.0%.

B. RESTATEMENT OF THE PENSION LIABILITY

Pension obligations were restated as at December 31, 2010 (April 1, 2011) to $980,599 from $1,017,033, a decrease of $36,434 to reflect the change in the discount rate from 5.0% to 6.0% based on the expected rate of return on plan assets, and the impact of the plan amendment, effective December 31, 2010, to increase in future contribution rates. Using the exemption available under PS 2125.10, the previously reported unamortized actuarial losses as at December 31, 2010 of $52,246 were charged to the fund balances as at April 1, 2011 and no actuarial gains or losses resulting from the restatement due to the change in the discount rate as at December 31, 2010 (April, 1, 2011) were recorded. The net impact of the above increased the pension liability by $15,812 to $38,936 from $23,124 as at April 1, 2011.

Pension expense for the year ended March 31, 2012 decreased by $6,455 resulting from the elimination of the amortization of the actuarial losses of $4,122 and the reduction of current service and interest costs of $2,333. Pension obligations as at December 31, 2011 were restated to $966,917 from $1,013,513 (including the restatement of $36,434 as at April 1, 2011) and the 2011 (2012 fiscal year) increase in unamortized actuarial losses was restated to $44,536 from $48,243 based on the change in the discount rate from 4.3% to 6.0%. The pension liability, as at March 31, 2012, increased by $9,357 to $33,431 from $24,074.

C. IMPACTS OF THE TRANSITIONAL PROVISIONS OF PS 3450, FINANCIAL INSTRUMENTS

In accordance with the transitional provisions of PS 3450, Financial Instruments, these accounting standards are not applied retroactively. Under the transitional provisions, any unrealized gains and losses on financial instruments carried at fair value as at March 31, 2012 are deemed realized. As a result, there are no accumulated remeasurement gains or losses recorded as at April 1, 2012. The change in the fair value of investments which was reported in net investment income in the 2012 fiscal year is now reported in the Statement of Remeasurement Gains and Losses. The 2012 comparative figures are not reclassified under the transitional provisions.

The University has changed its accounting policy for its investments held in the General Funds from fair value to amortized cost. Under the transitional provisions, the fair value of these investments as at March 31, 2012 becomes their amortized cost as at April 1, 2012.

D. RESTATEMENT FOR THE RECOGNITION OF THE LIABILITY FOR SICK LEAVE OBLIGATIONS

The liability for sick leave obligations of $900 was recognized at the date of transition, April 1, 2011. The April 1, 2011 balances have been restated to reflect the increase to the liability for vacation and sick leave obligations offset by a corresponding decrease to fund balances. The change in the liability for sick leave obligations of $189 for the 2012 fiscal year is reflected as an increase to general expenses, a decrease to fund balances, and an increase in the liability for vacation and sick leave obligations.

4. ACCOUNTS RECEIVABLE

	2013	2012
Business, Industry and Foundations	$ 18,628	$ 20,490
Federal Government	10,928	20,345
Other	4,416	13,399
Provincial Government	23,142	15,123
Students	4,686	4,724
	$ 61,800	$ 74,081

5. LOAN RECEIVABLE

The University has a loan agreement with BBB Stadium Inc. (BBB) related to the construction of a stadium 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 BBB in the form of insurance proceeds, entitled to be retained by BBB 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:
BBB is required to make payments to the University equivalent to the aggregate of:

- Any amounts received by BBB in respect of the stadium development from the City of Winnipeg pursuant to The Community Revitalization Tax Increment Financing Act.
- Any amounts received by BBB 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 July 15, 2017 shall be added to the first phase of the loan. Any unpaid interest after July 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 BBB, on or before each of:

(i) July 15, 2013;

(ii) July 15, 2014;

(iii) July 15, 2015; and

(iv) July 15, 2016.

Annual payments of principal and interest over the remainder of the second phase loan term are to be paid on or before July 15 of each calendar year commencing on July 15, 2017 based on the amortization of the loan following the July 15, 2016 payment.

	2013	2012
First Phase interest and principal outstanding	$ 85,538	$ 78,311
Second Phase principal outstanding	85,000	52,567
	$ 170,538	$ 130,878

The University has an equal long term debt loan payable to the Province of Manitoba (Note 10).

6. INVESTMENTS

	2013	2012
General Funds at Amortized Cost (2013), at Fair Value (2012)		
Bonds and Other Fixed Income Securities:		
Corporate	$ 130,000	$ 130,727
Trust & Endowment at Fair Value		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	26,748	15,593
Bonds and Other Fixed Income Securities:		
Government of Canada	25,470	23,686
Province of Manitoba	3,214	3,227
Other Provincial	20,025	18,566
Corporate	896	1,004
Other	61	69
Municipal	4,771	4 ,599
	54,437	51,151
Equities:		
Canadian Equities	145,618	133,029
US Equities	81,596	69,677
International Equities	67,353	45,595
	294,567	248,301
Pooled Real Estate Fund	61,320	56,488
	437,072	371,533
Capital at Fair Value		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	34,812	20,129
Staff Benefits at Fair Value		
Money Market Funds and Cash	695	792
Bonds	11,669	10,446
Equities:		
Canadian Equities	8,398	7,391
US Equities	5,345	4,462
International Equities	5,032	4,419
	18,775	16,272
Mortgage Fund at Fair Value	3,348	2,988
	34,487	30,498
Research & Special at Modified Equity		
Other Investments	503	422
Total Investments	**$ 636,874**	**$ 553,309**

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.

7. 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, and foreign currency risk as well as 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 the 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 important 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, 2013	**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	7.1%	6.1%	67.9%	15.5%	3.4%	100%
Financial Derivatives		58.1%		41.9%		100%

Interest rate exposure As at March 31, 2012	**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	1.7%	28.7%	53.9%	11.1%	4.6%	100.0%
Financial Derivatives		40.2%	59.8%			100.0%

	March 31, 2013		**March 31, 2012**	
	Interest bearing instruments	**Non-interest bearing instruments**	**Interest bearing instruments**	**Non-interest bearing instruments**
Investments	$ 131,649	$ 374,662	$ 231,757	$ 321,061
Financial Derivatives	$ 5,619	$	$ 5,510	$

As at March 31, 2013, a 0.50% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of fixed income instruments of $3,875 (2012, $3,537) and the interest rate swaps of $1,434, (2012, $1,509).

FOREIGN CURRENCY RISK

The University has 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.

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, 2013**	**March 31, 2012**
R-1High	6.9%	14.3%
R-1Mid	3.7%	0.8%
R-1Low	2.2%	0.0%
AAA	15.2%	14.6%
AA	63.6%	63.8%
A	7.6%	5.5%
BBB	0.8%	1.0%
Total	100.0%	100.0%

The University manages credit risk related to fixed income investments by focusing on high credit quality. General Fund investments are held by counterparties with a minimum rating of R-1High (cash equivalents) and AA (bonds). Cash is held in Canadian Chartered banks. 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 and time horizon of the endowment fund.

8. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	$ 3,539	$ 3,406	$ 3,632	$ 3,191
Buildings and Major Renovations	959,119	220,184	886,708	200,550
Computer Hardware and Electronics	99,348	85,631	100,815	83,695
Construction in Progress	33,241		41,377	
Furniture and Equipment	239,762	160,169	227,344	147,313
Land	30,213		28,681	
Library Books	184,346	134,558	176,115	127,923
Parking Lots	8,667	3,034	8,481	2,605
Rare Books and Manuscripts	5,859		5,734	
Vehicles	8,036	6,988	7,745	6,618
Works of Art	2,594		2,540	
	1,574,724	613,970	1,489,172	571,895
Less Accumulated Amortization	613,970		571,895	
Net Book Value	$ 960,754		$ 917,277	

9. CAPITAL LEASE OBLIGATIONS

Minimum lease payments which include principal and interest under the capital lease obligations are as follows:

2014	$ 130
2015	72
2016	6
Total Minimum Lease Payments	208
Less: Interest at 2.22%	(8)
	200
Less: Current Portion	(124)
	$ 76

10. LONG TERM DEBT

	2013	2012
Province of Manitoba:		
Promissory Note, 5.23% due March 1, 2035	$ 64,734	$ 66,264
Promissory Note, 5.55% due April 1, 2036	66,795	68,184
Promissory Note, 5.35% due February 1, 2040	29,600	30,079
Loan, First Phase, 4.65% due June 1, 2038	85,538	78,311
Loan, Second Phase, 4.65% until June 1, 2053, due November 24, 2058	85,000	52,567
	331,667	295,405

Term loans (with floating interest rates based on Bankers' Acceptance rates plus stamping fees):		
Multi Tenant Facility, due November 30, 2012		8,514
Multi Tenant Facility, due November 30, 2012		7,056
Multi Tenant Facility, due November 30, 2022	8,321	
Multi Tenant Facility, due February 28, 2019	6,821	
Arthur V. Mauro Student Residence, due September 30, 2013	13,251	13,754
	28,393	29,324
	360,060	324,729
Less Current Portion:		
Province of Manitoba	(3,586)	(3,398)
Term Loans	(13,699)	(16,073)
	(17,285)	(19,471)
	$ 342,775	$ 305,258

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 11).

Interest expense on long term debt was $17,505 (2012, 16,771).

The University has entered into a loan agreement with the Province of Manitoba related to the construction of a new stadium 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 is due and payable in full on June 1, 2038. The second phase of the loan bears interest at 4.65% until June 1, 2053 and is due and payable in full on November 24, 2058.

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 second 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 BBB Stadium Inc. (BBB) to the University in respect of the BBB 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 BBB, unless the parties agree otherwise in writing.

Loan, Second Phase:
Interest will be calculated annually and unpaid interest until July 31, 2017 shall be added to the first phase of the loan. Any unpaid interest after July 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 BBB, on or before each of:

(i) July 31, 2013;

(ii) July 31, 2014;

(iii) July 31, 2015; and

(iv) July 31, 2016.

Annual payments of principal and interest over the remainder of the second phase loan term are to be paid on or before July 31 of each calendar year commencing on July 31, 2017 based on the amortization of the loan following the July 31, 2016 payment. Payments are applied firstly to accrued interest after July 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 BBB, unless the parties agree otherwise in writing.

Principal and interest outstanding at March 31 are:

	2013	2012
Loan, First Phase	$ 75,000	$ 75,000
Loan, First Phase Accrued Interest	6,942	2,869
Loan, Second Phase Accrued Interest	3,596	442
	85,538	78,311
Loan, Second Phase	85,000	52,567
	$ 170,358	$ 130,878

Principal repayments on long term debt payable over the next five years are as follows:

	Province of Manitoba	Term Loans	Total
2014	$ 3,586	$ 13,699	$ 17,285
2015	3,783	468	4,251
2016	3,992	491	4,483
2017	4,212	513	4,725
2018	4,444	538	4,982
Thereafter	311,650	12,684	324,334
	$ 331,667	$ 28,393	$ 360,060

11. OTHER LONG TERM LIABILITIES

Amounts included in other long term liabilities are as follows:

	2013	2012
Refundable deposit	$ 346	$ 346
Fair Value of Financial Derivatives	5,618	5,510
	$ 5,964	$ 5,856

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 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 $13,251 as at March 31, 2013 (2012, $13,754).

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, 2013 was $6,821 as at March 31, 2013 (2012, $7,056).

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 $8,321 as at March 31, 2013 (2012, $8,514).

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.

12. 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. The most recent actuarial valuations of the non pension benefit plans were as of March 31, 2013. The actuarial valuation of the post retirement pension adjustments was as of March 31, 2013. The actuarial gains and losses are amortized over 9 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
	2013	2012	2013	2012	2013	2012
Accrued Benefit Obligations	$ 62,226	$ 56,885	$ 3,223	$ 3,548	$ 65,449	$ 60,433
Unamortized Actuarial (Losses) Gains	(2,397)	(649)	20	22	(2,377)	(627)
Employee Future Benefits Liability	$ 59,829	$ 56,236	$ 3,243	$ 3,570	$ 63,072	$ 59,806
Benefit Cost	$ 5,419	$ 3,171	$ 117	$ 130	$ 5,536	$ 3,301
Plan Assets	31,120	27,372	1,248	1,418	32,368	28,790
Employer Contribution	5,574	5,509			5,574	5,509
Employees' Contributions	3,458	3,322			3,458	3,322
Benefits Paid	7,536	6,584	548	590	8,084	7,174

Plan assets consist of:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2013	2012	2013	2012
Equities	54%	54%	56%	55%
Fixed Income	34%	34%	34%	35%
Other	12%	12%	10%	10%
Total	100%	100%	100%	100%

Key Assumptions are:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2013	2012	2013	2012
Accrued benefit obligation at March 31:				
Discount rate	5.75%	6.00%	5.75%	6.00%
Benefit Cost for year ended March 31:				
Discount rate	6.00%	6.00%	6.00%	6.00%
Expected rate of return on assets	6.00%	6.00%	6.00%	6.00%
Health Care Cost Trend Rates at March 31:				
Initial rate	8.00%	8.00%		
Ultimate rate	6.00%	6.00%		
Year ultimate rate reached	2020	2020		
Dental Care Cost Trend Rates at March 31:	4.00%	4.00%		

13. INTER-FUND ADVANCES AND LOANS

Inter-Fund advances and loans at March 31 are as follows:

	2013	2012
General Operating Fund:		
Due to Capital	$ (63,354)	$ (57,853)
Due to Trust	(3,917)	(3,529)
	$ (67,271)	$ (61,382)
Capital Asset Fund:		
Due from Operating	$ 63,354	$ 57,853
Trust Fund:		
Due from Operating	$ 3,917	$ 3,529

14. INTER-FUND TRANSFERS

Inter-Fund transfers for the years ended March 31 are as follows:

2013	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Capital Asset	Research and Special	Staff Benefits	Trust Fund	Endowment Fund
Employee Future Benefits	$ 3,266	$	$ 424	$	$	$ (3,690)	$	$
Net Change in Vacation Pay & Pension Liability	1,365		(1,365)					
Benefit Premiums Net of Employer Contributions for Staff Benefits	(1,707)					1,707		
Appropriations for Specific Provisions:								
Capital Asset Replacements & Improvements	(4,006)	4,006						
Unit Carryovers, Special Projects & Initiatives	(63,148)	63,148						
Funding of Capital Asset Additions	(40,292)	(5,908)		50,486	(3,982)		(304)	
Long Term Debt Repayments	(5,786)			5,787	(1)			
Student Contributions to University Development Funds	(867)						185	682
Student Contributions for Technology	(3,838)			3,838				
Scholarships, Bursaries & Prizes	(8,877)	(100)			(170)		8,908	239
Other Net Transfers				(959)	(325)		(1,320)	2,604
Overhead Recoveries	2,954				(2,954)			
Funding of General Operating Expenses	72,120	(61,419)		(640)	(997)		(9,064)	
Unit Capital Development Assessment	(4,706)			4,706				
Funding of Research Projects	(3,016)			(24)	4,132		(1,092)	
March 31, 2013	$(56,538)	$ (273)	$ (941)	$63,194	$ (4,297)	$ (1,983)	$(2,687)	$ 3,525

2012	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Capital Asset	Research and Special	Staff Benefits	Trust Fund	Endowment Fund
Employee Future Benefits	$ 393	$	$ 277	$	$	$ (670)	$	$
Net Change in Vacation Pay & Pension Liability	(4,796)		4,796					
Benefit Premiums Net of Employer Contributions for Staff Benefits	(2,195)					2,195		
Appropriations for Specific Provisions:								
Capital Asset Replacements & Improvements	(5,310)	5,310						
Unit Carryovers, Special Projects & Initiatives	(68,508)	68,508						
Funding of Capital Asset Additions	(63,105)	(2,343)		76,652	(11,047)		(157)	
Long Term Debt Repayments	(5,486)			5,489	(3)			
Student Contributions to University Development Funds	(738)							738
Student Contributions for Technology	(3,703)			3,703				
Scholarships, Bursaries & Prizes	(7,620)	(100)			(3,091)		10,811	
Other Net Transfers					(21)		(706)	727
Overhead Recoveries	3,348				(3,348)			
Funding of General Operating Expenses	77,523	(69,404)			(502)		(7,617)	
Unit Capital Development Assessment	(4,478)			4,478				
Funding of Research Projects	(151)				1,017		(866)	
March 31, 2012	$(84,826)	$ 1,971	$ 5,073	$90,322	$ (16,995)	$ 1,525	$ 1,465	$ 1,465

15. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of $389 (2012, $822).

16. 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. In years prior to calendar 2010, the surplus from the Plan was adequate to fund any amounts required in excess of matching contributions of active members and the University.

The actuarial method used to value the liabilities is the projected unit credit method, prorated on services. An actuarial valuation for accounting purposed was prepared by a firm of consulting actuaries as at December 31, 2012.

The University uses a December 31 measurement date for reporting plan assets and obligations.

Accrued Benefit Obligations	**2012**	**2011**
Actuarial present value of accrued pension benefits, at the beginning of year	$ 966,917	$ 980,599
Interest accrued on defined benefits	24,022	22,513
Interest accrued (decreased) on member accounts	40,942	(15,561)
Benefits accrued	44,106	39,069
Benefits paid	(73,963)	(74,922)
Actuarial losses (gains)	(6,746)	15,219
Change in actuarial assumptions	50,211	
Actuarial present value of accrued pension benefits, at end of year	$ 1,045,489	$ 966,917

Plan Assets		
Fair value, at beginning of year	$ 884,419	$ 939,571
Actual return on plan assets	65,149	(24,506)
Employer contributions calendar year	27,281	26,268
Employee contributions	19,875	17,803
Transfer from other plans	202	205
Benefits paid	(73,963)	(74,922)
Fair value, at end of year	$ 922,963	$ 884,419
Reconciliation of Pension Liability		
Accrued benefit obligation	$ 1,045,489	$ 966,917
Plan assets	(922,963)	(884,419)
Plan deficit	122,526	82,498
Contributions during fiscal year in excess of calendar year	(10,494)	(4,531)
Adjusted plan deficit	112,032	77,967
Unamortized net actuarial losses	(78,185)	(44,536)
Pension liability	$ 33,847	$ 33,431
Net Benefit Plan Expense		
Current service cost, net of employee contributions	$ 24,029	$ 21,061
Interest costs at discount rate	56,950	57,596
Expected return on plan assets	(52,267)	(55,455)
Amortization of net actuarial (gains) losses	4,948	
Net benefit plan expense	$ 33,660	$ 23,202
Significant Long-term Actuarial Assumptions		
Discount rate	5.75%	6.0%
Expected rate of return on assets	5.75%	6.0%
Rate of general salary increase	3.5%	4.0%
Interest assumption for converting member accumulations to annuities	3.5%	4.75%
Mortality based on an adjustment to the Uninsured Pensioner 1994 Mortality table Projected to 2020.	the adjustment varies by age (average 67%)	the adjustment varies by age (average 67%)

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 2013 was $4.2 million (2012, $4.1 million).

The unamortized net actuarial losses shown above, which were determined on the basis of this valuation and the restatement of prior extrapolations 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 $12.4 million annually until the going concern deficit is eliminated based on the December 2012 funding valuation. This total payment for fiscal 2013 was $6.1 million (2012, $4.0 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 Act and the funding deficit payments are being paid by the University over the maximum of 15 years as indicated above.

This plan was amended effective December 31, 2010 to provide for increases in member and University required contribution rates of 0.5% of salary effective January 1, 2011, a further increase of 0.5% effective January 1, 2012 and further increases of 1.0% effective January 1, 2013. Changes to the Pensions Benefit Act in 2010 can result in higher retirement benefits for some members who retire after age 65.

1986 PLAN

For the 1986 Plans, which is a money purchase plan for active members, the University recorded contributions of $1,828 (2012, $2,001) 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 2012 in the 1970 Plan. As a result, the University made no contributions to the Plan during the year.

17. NET INVESTMENT INCOME (LOSS)

The change in the fair value of investments which was reported in net investment income in the 2012 fiscal year is now reported in the Statement of Remeasurement Gains and Losses. The 2012 comparative figures are not reclassified under the transitional provisions of PS3450. The effect of this change is net investment income is not comparable from 2012 to 2013. The table below illustrates the impact of this change.

2013	General Operating Fund	Staff Benefits Fund	Capital Fund	Trust Fund	Endowment Fund	Total Fund
Net Investment Income:						
Interest	$ 4,691	$ 568	$ 7,691	$ 2,149	$	$ 15,099
Dividends				7,468		7,468
Gains (losses) on sale of investments	(727)	587		3,041		2,901
	3,964	1,155	7,691	12,658		25,468
Change in fair value of investments as reported on the Statement of Remeasurement Gains and Losses		1,352		17,347	27,616	46,315
Total	$ 3,964	$ 2,507	$ 7,691	$ 30,005	$ 27,616	$ 71,783

2012	General Operating Fund	Staff Benefits Fund	Capital Fund	Trust Fund	Endowment Fund	Total Fund
Net Investment Income:						
Interest	$ 4,387	$ 546	$ 3,460	$ 2,239	$	$ 10,632
Dividends				7,134		7,134
Gains (losses) on sale of investments	(258)	648		12,209		12,599
	4,129	1,194	3,460	21,582		30,365
Change in fair value of investments	1,297	(195)		(1,355)	(3,078)	(3,331)
Total	$ 5,426	$ 999	$ 3,460	$ 20,227	$ (3,078)	$ 27,034

18. 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 Section 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 a 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.

19. OTHER RELATED PARTY TRANSACTIONS

The University has significant influence in BBB Stadium Inc. (BBB). BBB 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 sole members of BBB are the City of Winnipeg, the University of Manitoba and the Winnipeg Football Club. Activities of BBB 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 BBB related to the use of the stadium for university football games and events at nil charge.

The Province of Manitoba has committed up to $160 million as a loan to the University (Note 10), and the University has committed to loan an equal amount to BBB (Note 5). As at March 31, 2013 and for year then ended the related party transactions with BBB and the corresponding transactions with the Province of Manitoba are as follows:

Amounts borrowed from the Province of Manitoba and advanced to BBB under the loan agreements

	2013	2012
Loan Receivable, including accrued interest	$ 170,538	$ 130,878
Interest Income on loan	$ 7,227	$ 3,002
Loan Payable, including accrued interest	$ 170,538	$ 130,878
Interest Expense on loan	$ 7,227	$ 3,002

The Province of Manitoba has also provided $20.7 million to the University to provide capital funding to BBB. These amounts have been included in Research and Special Fund revenue and expenses.

All transactions with BBB and the Province of Manitoba are recorded at exchange amounts.

20. 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 $49,591 (2012, $26,495).

The University has entered into a $25,000 loan agreement with the Province of Manitoba related to the construction of the new Active Living Centre. The University has forward fixed the loan, with principal and interest repayments commencing September 30, 2014. The term of the loan is 25 years with a fixed rate of 3.75% for the full 25 year amortization period.

A $25,000 interim loan facility at a floating interest rate, has been made available from the Province in order to finance construction costs. This interim loan facility will become due September 30, 2014, and will be reclassified to long term when the forward fix loan commences. The University is committed to draw the full $25,000 available in the interim loan facility before the end of March 31, 2014. $5,000 of this interim loan facility has been advanced to March 31, 2013.

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, 2013.

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, 2012, is estimated at $3.1 million. The March 31, 2013 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.

21. 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, 2013

	Level 1	Level 2	Level 3	Total
Investments 2013	$ 227,214	$ 279,097	$	$ 506,311
Investments 2012	$ 202,706	$ 350,112	$	$ 552,818

Financial Liabilities at fair value as at March 31, 2013

	Level 1	Level 2	Level 3	Total
Financial Derivatives 2013	$	$	$ 5,618	$ 5,618
Financial Derivatives 2012	$	$	$ 5,510	$ 5,510

As of March 31, 2013 and March 31, 2012 there were no transfers of investments between levels 1, 2 or 3.

22. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2012 have been reclassified, where appropriate, to conform with the presentation adopted for the year ended March 31, 2013.

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 adoption of PSAS for GNFPOs resulted in adjustments to the previously reported liabilities and excess (deficiency) of revenue over expenses of the University.

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 Auditor General of Manitoba on matters relating to the financial reporting to its Audit Committee. The Auditor General of Manitoba has full access to the Audit 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, the Auditor General of Manitoba, is responsible for auditing these annual consolidated financial statements and for issuing a report thereon. The Auditor's Report outlines the scope of her examination and provides her opinion on the fairness of presentation.

On Behalf of Management

(Original signed by Bill Balan)

Bill Balan
Vice-President (Finance & Administration)

(Original signed by Michael Emslie)

Michael Emslie, CA
Associate Vice-President Finance & Operations

Winnipeg, Manitoba
June 25, 2013

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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 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, 2013, March 31, 2012, and April 1, 2011 and the consolidated statements of operations, change in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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.

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 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, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Basis of Presentation
Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements, which describes that the University of Winnipeg adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retroactively by management to the comparative information in these financial statements.

Original document signed by
Carol Bellringer

June 25, 2013
Winnipeg, Manitoba

Carol Bellringer, FCA, MBA
Auditor General

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THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Amounts in Thousands

Statement I

ASSETS

	As at March 31, 2013	As at March 31, 2012 (note 3)	As at April 1, 2011 (note 3)
Current Assets:			
Cash and Cash Equivalents (Notes 4, 11)	$16,094	$18,352	$30,051
Short Term Investments (Note 4)	190	295	900
Accounts Receivable (Note 17)	7,918	5,482	5,346
Current Portion of Long Term Receivables (Note 6)	33	38	37
Due from Related Parties (Note 23)	781	343	503
Prepaid Expenses and other assets	1,869	1,380	1,123
	26,885	25,890	37,960
Long Term Investments (Note 5)	2,239	2,019	1,953
Long Term Receivables (Note 6)	4,587	3,845	3,880
Capital Assets (Note 7)	175,657	173,481	165,864
Intangible Assets (Note 8)	827	946	877
	$210,195	$206,181	$210,534

LIABILITIES AND NET ASSETS

	As at March 31, 2013	As at March 31, 2012 (note 3)	As at April 1, 2011 (note 3)
Current Liabilities:			
Accounts Payable and Accrued Liabilities	$9,239	$8,110	$15,145
Deferred Revenue	4,989	5,632	6,262
Deferred Contributions (Note 9)	10,106	8,937	8,105
Accrued Vacation Pay	1,941	1,806	1,740
Current Portion of Obligations Under Capital Leases (Note 12)	200	242	294
Current Portion of Long Term Debt (Note 13)	1,741	1,729	1,458
Due to Related Parties (Note 23)	548	957	621
	28,764	27,413	33,625
Obligations under Capital Leases (Note 12)	236	436	628
Long Term Liabilities (Note 13)	48,272	46,536	43,856
Deferred Capital Contributions (Note 14)	119,241	116,897	115,581
Obligations for Compensated Absences(Note 10)	429	340	333
Pension Obligation (Note 18)	11,911	11,226	11,330
	208,853	202,848	205,353
Net Assets:			
Unrestricted Net Deficiency	(25,506)	(23,661)	(18,938)
Internally Restricted (Note 15)	1,638	1,655	1,761
Externally Restricted (Note 16)	3,359	3,172	2,628
Investment in Capital Assets	21,851	22,167	19,730
	1,342	3,333	5,181
	$210,195	$206,181	$210,534

Special Purpose and Trust Assets (Notes 4, 15)
Contractual Obligations (Notes 12, 19, 20, 21)
Contingencies (Note 22)

Approved by the Board of Regents

(Original signed by Brenda Keyser)
Chair, Board of Regents

(Original signed by Lloyd Axworthy)
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, 2013
Amounts in Thousands

	2013	2012 (note 3)
REVENUE		
Government Grants:		
Council on Post-Secondary Education	$60,704	$57,343
Province of Manitoba, other	3,522	3,463
Government of Canada	4,455	4,462
Student Academic Fees	37,097	35,922
Gifts, Grants and Bequests	4,141	4,637
Interest Income	600	671
Sales of Services and Products	1,570	1,290
Other Revenues	9,004	9,216
Amortization of Deferred Capital Contributions (Note 14)	3,830	3,509
	124,923	120,513
EXPENSES		
Salaries and Benefits	82,668	77,778
Supplies, Services and Other Expenses	19,062	19,719
Cost of Sales	311	331
Building, Utilities and Related Expenses	10,572	10,912
Interest	2,414	2,255
Provincial and Municipal Taxes	1,645	1,564
Scholarships and Awards	3,905	3,883
Gifts to Related Party (Note 23)	599	965
Amortization of Capital Assets	5,925	5,498
	127,101	122,905
Excess (Deficiency) of Revenue over Expenses from Operations	($2,178)	($2,392)

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, 2013
Amounts in Thousands

	2013				
	Unrestricted Net Deficiency	Internally Restricted (Note 15)	Externally Restricted (Note 16)	Investment in Capital Assets	Total
BALANCE, BEGINNING OF YEAR	($23,661)	$1,655	$3,172	$22,167	$3,333
Excess (Deficiency) of Revenue Over Expenses	(2,178)				(2,178)
Endowment Contributions			200		200
Endowment custodial/management fees			(13)		(13)
Transfers:					
Internally Funded:					
Capital Asset Additions	(1,582)			1,582	0
Amortization of Deferred Capital Contributions	(3,830)			3,830	0
Amortization of Capital Assets	5,925			(5,925)	0
Disposal of Capital Assets	17			(17)	0
Repayment of Long Term Debt	(214)			214	0
Internally Restricted Net Assets	(146)	146			0
Strategic Provisions -- Reductions (Note 15)	327	(327)			0
Strategic Provisions -- Additions (Note 15)	(164)	164			0
NET CHANGE FOR THE YEAR	(1,845)	(17)	187	(316)	(1,991)
BALANCE, END OF YEAR	($25,506)	$1,638	$3,359	$21,851	$1,342

	2012				
	Unrestricted Net Deficiency	Internally Restricted (Note 15)	Externally Restricted (Note 16)	Investment in Capital Assets	Total
BALANCE, BEGINNING OF YEAR	(18,938)	1,761	2,628	19,730	5,181
Excess (Deficiency) of Revenue Over Expenses	(2,392)				(2,392)
Endowment Contributions			570		570
Endowment custodial/management fees			(26)		(26)
Transfers:					
Internally Funded:					
Capital Asset Additions	(4,237)			4,237	0
Amortization of Deferred Capital Contributions	(3,509)			3,509	0
Amortization of Capital Assets	5,498			(5,498)	0
Disposal of Capital Assets	19			(19)	0
Repayment of Long Term Debt	(208)			208	0
Internally Restricted Net Assets	(208)	208			0
Strategic Provisions – Reductions (Note 15)	330	(330)			0
Strategic Provisions – Additions (Note 15)	(16)	16			0
NET CHANGE FOR THE YEAR	(4,723)	(106)	544	2,437	(1,848)
BALANCE, END OF YEAR	($23,661)	$1,655	$3,172	$22,167	$3,333

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, 2013
Amounts in Thousands

Statement IV

	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	$67,862	$64,368
Student Academic Fees	37,023	37,171
Gifts, Grants and Bequests	4,015	4,905
Interest Income	532	553
Sales of Services and Products	1,547	1,272
Other Revenues	8,959	9,438
Cash Paid for:		
Salaries and Benefits	(81,721)	(80,275)
Supplies, Services and Other Expenses	(17,193)	(21,318)
Cost of Sales	(311)	(317)
Building, Utilities and Related Expenses	(10,442)	(14,298)
Interest Paid	(2,397)	(2,255)
Provincial and Municipal Taxes	(1,638)	(1,565)
Scholarships and Awards	(3,905)	(3,883)
Gifts to Related Party	(1,021)	(586)
	1,310	(6,790)
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Cash used to acquire Tangible Capital Assets	(9,590)	(12,799)
	(9,590)	(12,799)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances from (to) 460 Portage Avenue Joint Venture	(947)	0
Purchase of Long Term Investments	(408)	(370)
Proceeds on Maturity of Long Term Investments	188	295
Collections of Long Term Receivables	205	35
	(962)	(40)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment and Retirement of Long Term Debt	(3,094)	(1,495)
Long Term Debt Proceeds	4,842	4,250
Deferred Capital Contributions	4,931	4,000
Contributions Received for Endowment	200	570
	6,879	7,325
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(2,363)	(12,304)
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	18,647	30,951
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$16,284	$18,647
Cash and Short Term Investments consists of:		
Cash and Cash Equivalents	16,094	18,352
Short Term Investments	190	295
	$16,284	$18,647

Excluded from Investing and Financing Activities are equipment acquired under Capital Leases and the related obligations under Capital Leases totalling $0 (2012 - $62).

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 and research in Arts, Sciences and Education. 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 24) a government partnership, which is accounted for using the proportional consolidation 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 financial results are included in the notes to the consolidated financial statements(Notes 20 and 21 respectively).

B) Revenue Recognition

The University follows the deferral method of accounting for contributions such that 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 received.

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 rate 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
Computer equipment	5 years
Vehicles	5 years
Equipment under capital lease	Term of lease

F) Intangible Assets

Intangible assets are recorded at cost and are amortized on a straight-line basis over their useful lives as follows:

Major system computer software	10 years

G) Accrued Vacation Pay

The University recognizes vacation pay as an expense on the accrual basis.

H) 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.

I) Financial Instruments

All financial instruments are held at cost or amortized cost. The effective interest rate method is used to recognize interest income or expense. Transaction expenses related to all financial instruments are expensed as incurred.

J) 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 member mortality. Consistent with PSAS Handbook section 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.

K) 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 indemnified the University for a share of the guarantee on the basis of their ownership (75%) in the Property.

L) Use of Judgement

The preparation of the University's financial statements in conformity with PSAS for GNFPOs requires management to make judgements, 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 judgements 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.

M) 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. First Time Adoption of Public Sector Accounting Standards

In previous years, the University's consolidated financial statements were presented in accordance with Canadian generally accepted accounting principles for not-for-profit entities. The Public Sector Accounting Board issued new standards for government public sector not-for-profit entities for years beginning on or after January 1, 2012. Effective April 1, 2012, the University adopted Canadian PSAS including the 4200 series of accounting standards applicable for GNFPOs. These are the University's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards and the preparation of an opening PSAS for GNFPO statement of financial position at the date of transition (April 1, 2011).

The adoption of PSAS for GNFPOs resulted in adjustments to the previously reported assets, liabilities, net assets, and excess of revenue over expenses of the University. An explanation of how the transition from pre-changeover Canadian GAAP to PSAS for GNFPOs has affected the amounts reported in prior periods is as follows:

Amounts in Thousands

a) Statement of Financial Position as at April 1, 2011 – Transition Date

	April 1, 2011 balance (previously reported)	PSAS Transitional adjustments	April 1, 2011 balance PSAS
Accounts receivable	$7,555	($2,209)	$5,346
Accounts payable & accrued liabilities	15,245	(100)	15,145
Deferred revenue	8,205	(1,943)	6,262
Obligation for compensated absences	0	333	333
Pension obligation	1,784	9,546	11,330
Deferred capital contributions	121,694	(6,113)	115,581
Unrestricted net deficiency	(8,893)	(10,045)	(18,938)
Investment in capital assets	13,617	6,113	19,730

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

PSAS standards require that compensated absences that do not vest or accumulate beyond twelve months after the current reporting period be accounted for as an accrued liability. The reported amount (2012 - $139, 2011 - $166) represents an accrual for maternity and paternity leaves and short-term employee benefits.

ACCOUNTS RECEIVABLE/DEFERRED REVENUE/ACCOUNTS PAYABLE

During transition to PSAS, the University determined that Accounts Receivable and Deferred Revenue included amounts identified as future due. These amounts relate to student activity for academic terms commencing after March 31. As these amounts are not actually due at March 31 and the revenue not actually earned at March 31, elimination of the amounts was deemed more appropriate. The amounts eliminated in Accounts Receivable (2012 - $2,462, 2011 - $2,209) are offset by an equal elimination in Deferred Revenue (2012 - $2,371, 2011 - $1,943) and in Accounts Payable (2012 - $91, 2011 - $266).

DEFERRED CAPITAL CONTRIBUTIONS

During transition to PSAS the University determined that Deferred Capital Contributions included restricted contributions for the purchase of two parcels of land with a combined value of $6,113. As land is a capital asset that will not be amortized, the contributions should have been recorded as a direct increase in net assets rather than being deferred. As a result, Deferred Capital Contributions were overstated by $6,113 and Net Assets (Investment in Capital Assets) was understated by the same amount.

OBLIGATIONS FOR COMPENSATED ABSENCES

Prior to PSAS transition the University recognized the expense for compensated absences as incurred. PSAS standards require that compensated absences that are accumulating or vesting are to be estimated and recorded as a liability. The University has actuarially determined the liability for health and pension benefits to employees receiving long term disability benefits (2012 - $340, 2011 - $333).

Amounts in Thousands

PENSION OBLIGATION

Prior to PSAS transition the University amortized the excess of the unamortized net gains or losses over 10% of the greater of the defined benefit obligation or defined benefit plan assets as at the beginning of the year, over the expected average remaining service life of active employees. This resulted in a liability of $1,784 at April 1, 2011.

The University has elected to make use of an optional exemption in PSAS Handbook section 2125 which allows the recognition of all cumulative actuarial gains and losses as at the date of transition to PSAS directly in unrestricted net assets. Actuaries determined that the accrued benefit liability at the date of transition was $11,330 resulting in an increase in the liability and unrestricted net deficiency of $9,546.

b) Statement of Financial Position for the year-ended March 31, 2012

	March 31, 2012 balance (previously reported)	PSAS Transitional adjustments	March 31, 2012 balance PSAS
Accounts receivable	$7,944	($2,462)	$5,482
Accounts payable & accrued liabilities	8,062	48	8,110
Deferred revenue	8,003	(2,371)	5,632
Obligation for compensated absences	0	340	340
Pension obligation	0	11,226	11,226
Deferred capital contributions	123,010	(6,113)	116,897
Unrestricted net deficiency	(11,956)	(11,705)	(23,661)
Investment in capital assets	16,054	6,113	22,167

The effect of the adjustment to deferred capital contributions and obligation for compensated absences is carried forward in the year ended March 31, 2012.

Using provisions of Section 2125, actuaries determined that the net effect of pension expenses and University contributions for the year ended March 31, 2012 resulted in a decrease in the pension obligation of $104. Using these same provisions, an additional pension expense of $1,680 was reported in the year ended March 31, 2012.

c) Statement of Operations for the year-ended March 31, 2012

	March 31, 2012 balance (previously reported)	PSAS Transitional adjustments	March 31, 2012 balance PSAS
Expenses			
Salaries and benefits	$76,118	$1,660	$77,778
Deficiency of revenue over expenses	($732)	($1,660)	($2,392)

The increase in the pension expense ($1,680), the increase in obligations for compensated absences ($7) and the reduction in the short-term employee benefits liability ($27) are components of Salaries & Benefits. The net effect of the above three items is an increase in the deficiency of revenue over expenses from $(732) to $(2,392).

d) Statement of Cash Flows for the year-ended March 31, 2012

The transition to PSAS for GNFPOs had no impact on cash from operating activities and financing activities on the statement of cash flows. The transition to PSAS for GNFPOs resulted in the reclassification of cash receipts and outflows relating to the acquisition of tangible capital assets from investing activities to capital activities. The capital section of the statement of cash flows did not exist prior to the transition to PSAS for GNFPOs.

Amounts in Thousands

4. Cash and Cash Equivalents

	2013	2012
Operating Funds	$3,845	$7,823
Sponsored Research and Designated Funds	4,970	4,164
	$8,815	$11,987
Trust Funds:		
Deferred Contributions	$4,317	$3,763
Endowments	932	859
Special Purpose:		
Internally Restricted Net Assets	1,060	913
Due to Operating	1,183	67
Due to (from) Related Party	(213)	763
	$7,279	$6,365
	$16,094	$18,352

Short term investments - $190 (2012 - $295) consist of fixed income investments.

5. Long Term Investments

	2013	2012
Fixed Income Instruments	$1,515	$1,295
Equity investment in properties	724	724
	$2,239	$2,019

6. Long Term Receivables

	2013	2012
Receivable from the 460 Portage Avenue Joint Venture		
Promissory Notes Secured by:		
460 Portage Ave. Interest Rate 5.6%, due December 31, 2050	$8,582	$8,646
460 Portage Ave Interest Rate 7.00%, due March 1, 2018	0	349
460 Portage Ave Interest Rate 3.8%, due October 31, 2052	2,829	0
	11,411	8,995
Less: University of Winnipeg component (Note 23)	(7,607)	(5,997)
	3,804	2,998
Receivable from Plug-In ICA		
460 Portage Ave. Interest Rate 4.65%, due December 31, 2020	816	885
	4,620	3,883
Less: Current Portion	(33)	(38)
	$4,587	$3,845

Annual principal payments receivable on the notes during the next five years and thereafter are: 2014 - $33, 2015 - $35, 2016 - $37, 2017 - $39, 2018 - $41, thereafter - $4,435.

These notes are carried at the amortized cost using the effective interest rate method.

Amounts in Thousands

7. Capital Assets

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$10,574	$0	$9,054	$0
Buildings, Additions and Improvements	174,358	28,960	174,951	26,701
Library Acquisitions	13,511	12,051	13,704	12,098
Furnishings and Equipment	38,151	27,146	36,677	25,021
Collections	1,527	0	1,517	0
Buildings Under Construction	5,260	0	725	0
Equipment Under Capital Leases	1,861	1,428	1,861	1,188
	245,242	$69,585	238,489	$65,008
Less Accumulated Amortization	69,585		65,008	
Net Book Value	$175,657		$173,481	

Furnishings and Equipment include Vehicles and Computer Equipment.

8. Intangible Assets

	2013	2012
Major System Computer Software	$3,204	$3,149
Less Accumulated Amortization	2,377	2,203
Net Book Value	$ 827	$ 946

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.

	2013	2012
Balance, Beginning of Year	$8,937	$8,105
Contributions Received	13,744	13,261
Contributions Expended	(11,976)	(11,464)
Transferred to Foundation (Note 23)	(599)	(965)
Balance, End of Year	$10,106	$8,937
Balance Consists of:		
Sponsored Research and Designated Funds	$5,500	$4,913
Special Purpose Trust	4,317	3,763
Operating Funds	289	261
	$10,106	$8,937

Amounts in Thousands

10. 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 benefit 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 5.85% (2012 – 5.85%)
- 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 3.00% 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 18). 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.

11. 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, 2013 or March 31, 2012.

12. Obligations under Capital Leases

The following is a schedule of future minimum lease payments for equipment under capital leases expiring between August 1, 2013 and March 31, 2016 together with the balances of the obligations under capital leases:

2013/14	$218
2014/15	169
2015/16	73
Total minimum lease payments	460
Less amount representing interest at approximately 3.5%	(24)
Balance of Obligations under Capital Leases	$ 436
Less: Current Portion of Obligations under Capital Leases	(200)
Obligations under Capital Leases	$ 236

Interest expense for the current year on the lease obligations amounted to $20 (2012 - $22).

Amounts in Thousands

13. Long Term Liabilities

	2013	2012
Promissory Notes	$49,548	$47,711
Mortgages Payable	0	38
Supplementary Pensions Payable	465	516
	50,013	48,265
Less: Current Portion of Long Term Liabilities	(1,741)	(1,729)
	$48,272	$46,536

	2013	2012
Province of Manitoba Promissory Notes Secured by:		
509 Ellice and 433 Young Street Interest rate 4.45%, due April 15, 2015	$204	$302
Duckworth Athletic Complex Expansion Interest rate 5.55%, due October 31, 2047	1,914	1,932
McFeetors Hall Interest rate 4.10%, due September 30, 2013	300	600
McFeetors Hall Interest rate 5.25%, due October 31, 2049	10,649	10,743
460 Portage Avenue Interest rate 4.65%, due December 31, 2020	2,238	2,472
460 Portage Avenue Interest rate 5.60%, due December 31, 2050	9,074	9,142
460 Portage Avenue Interest rate 2.625%, due October 31, 2016	1,584	2,000
460 Portage Avenue Interest rate 3.80%, due October 31, 2052	2,829	0
366 Spence Street & 336 Young Street Interest rate 4.95%, due March 31, 2051	688	694
Richardson College for the Environment & Science Complex – Parking Lot Interest rate 4.95%, due March 31, 2051	3,835	3,868
Richardson College for the Environment & Science Complex Interest rate 2.35%, due January 31, 2020	1,731	1,962
Richardson College for the Environment & Science Complex Variable interest rate per annum, equal to prime less 0.75% due, January 31, 2020	1,200	2,250
	36,246	35,965
Province of Manitoba Unsecured Notes:		
491 Portage Avenue – Annex Interest rate 5.40%, due July 31, 2050	2,743	2,765
Pension Settlement Interest rate 5.35%, due January 31, 2050	8,559	8,632
Pension Plan Special Payments Interest rate 4.15%, due May 31, 2053	2,000	0
	13,302	11,397
Other Promissory Notes:		
460 Portage Avenue – Deferred Land Lease Interest rate 7.00%, due March 1, 2018	0	349
	$49,548	$47,711

Amounts in Thousands

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 4.85% to 5.95%. The notes are repayable over a term of 40 years, due between February 2047 and November 2050. 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, 2013 is $53,940 (2012 - $53,784).

Annual principal payments on the notes during the next five years and thereafter are: 2014 - $1,689; 2015 - $1,438; 2016 - $1,399; 2017 - $1,250; 2018 - $1,025; thereafter - $42,747.

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 2013 is $51.

Interest expense during the year on long term liabilities totalled $2,354 (2012 - $2,303) of which nil (2012 - $48) was capitalized during the year.

14. Deferred Capital Contributions

	2013	2012
Balance, Beginning of Year	$116,897	$115,581
Contributions Received	4,315	3,602
Contributions from University of Winnipeg Foundation	1,859	1,223
Amortization of Deferred Capital Contributions	(3,830)	(3,509)
Balance, End of Year	$119,241	$116,897

Deferred capital contributions represent unamortized external contributions related to the purchase of capital assets in the amount of $118,952 (2012 - $116,240) and funds held for future capital project expenditures in the amount of $123 (2012 - $657). The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

15. Internally Restricted Net Assets

	March 31, 2012	Reductions	Additions	March 31, 2013
Unrestricted Trust Income	$913	$0	$146	$1,059
Strategic Provisions:				
Infrastructure				
Capital Reserve	$350			$ 350
Strategic Development				
Internal Research Grants	0			0
Project Development	392	(327)	164	229
	742	(327)	164	579
	$1,655	($ 327)	$ 310	$1,638

Amounts in Thousands

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 Plan. 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).

16. Externally Restricted Net Assets (Endowments)

	2013	2012
Cash & Short Term Investments	$1,120	$1,153
Long Term Investments	2,239	2,019
	$3,359	$3,172

Endowments of $2,309 (2012 - $2,322) are held in trust in accordance with the terms of a designated bequest. In 2013, the University has a 10% share in the income distribution from this trust (2012 – 10% share). The majority of the University's Endowment Fund was transferred to the University of Winnipeg Foundation in 2004 (Note 23).

17. 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.

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 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 underlining 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.

The aging of accounts receivable at March 31 is as follows:

	2013	2012
Accounts Receivable, gross		
Current	$5,112	$4,582
Past Due	3,119	1,206
	8,231	5,788
Less: Allowance for Doubtful Accounts	(313)	(306)
Accounts Receivable, net	$7,918	$5,482

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 rate 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.

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.

18. 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 of Winnipeg, 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 6.0% (6.2% effective January 1, 2013) of salary up to the Canada Pension Plan Year's Basic Exemption (YBE), 5.2% (6.2% effective January 1, 2013) between the YBE and the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) and 6.0% (6.2% effective January 1, 2013) in excess of the YMPE. Members contribute only on salary not in excess of $105,111 plus 30% of the YMPE. The University contributions match member contributions.

Amounts in Thousands

The activity in the defined contribution segment of the Plan in the period was:

	December 31 2012	December 31 2011
Balance, Beginning of Year	$27,310	$26,350
Contributions	4,066	3,297
Benefits and Refunds Paid	(633)	(1,948)
Net Investment Return	2,254	(389)
Balance, End of Year	$32,997	$27,310
Expense recognized for the period ending December 31	$2,034	$1,621

Defined Benefit Obligation

Pensions are provided on the basis of final average earnings and service. The maximum pension per year of service is $1,722.22. 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, 2011 valuation of the defined benefit segment of the Plan, there were 209 active members with an average age of 56.7. There were 52 former employees entitled to deferred pension benefits and 240 retirees and survivors receiving pension benefits.

Members contribute 7.0% (8.0% effective January 1, 2013) of salary up to the YBE, 5.2% (6.2% effective January 1, 2013) between the YBE and YMPE and 7.0% (8.0% effective January 1, 2013) 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, 2011, and the results were extrapolated to December 31, 2012. 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 (8.4 years).

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, 2012, the expected future inflation rate is 2.0%. Salaries are assumed to increase 3.0% per year, plus a promotion and merit increase for academic members only. Pensions are assumed to increase by 0.5% per year. The discount rate used to determine the accrued benefit obligation and current service cost is 5.85% (5.85% 2012).

Pension fund assets are valued at market values. The expected rate of return on plan assets net of investment expenses is 5.85%. The actual return on pension fund assets in 2012 was 7.77%.

Amounts in Thousands

Change in Accrued Benefit Obligation
Calendar Year Ending December 31

	2012	2011
Accrued Benefit Obligation, Beginning of Year	$139,591	$124,807
Current Service Cost	2,438	2,050
Interest Cost	7,999	7,276
Benefits and Refunds Paid	(8,133)	(9,142)
Plan Amendment	0	3,289
Actuarial gain (loss)	(1,281)	11,311
Accrued Benefit Obligation, End of Year	$140,614	$139,591

Change in Market Value of Plan Assets
Calendar Year Ending December 31

	2012	2011
Market Value of Plan Assets, Beginning of Year	$107,876	$113,072
University Contributions	5,161	4,501
Member Contributions	874	785
Benefit Payments	(8,133)	(9,142)
Actual Return on Plan Assets	8,294	(1,340)
Plan expenses	(250)	0
Market Value of Plan Assets, End of Year	113,822	107,876
Expected market value of assets at end of year	111,770	115,885
Gain (loss) on plan assets	$2,052	($8,009)

The plan assets for the Calendar Year Ending December 31, 2012 consist of:

	2012	2011
Domestic fixed income	$50,872	$52,882
Canadian equity	37,091	34,388
U.S. equity	8,843	8,723
International equity	10,261	9,378
Cash and cash equivalents	6,816	2,547
Net accruals	(61)	(42)
	$113,822	$107,876

Asset allocation is determined and monitored by the independent Board of Trustees.

Reconciliation of Unamortized Gains/(Losses)
Fiscal Year Ending Mar 31

	2013	2012
Expected average remaining service life	8.4	9.5
Net unamortized gain (loss) at beginning of year	($19,320)	$0
New net gain (loss) for current year	3,333	(19,320)
Amortization for current year	2,300	0
Net unamortized gain (loss) at end of year	($13,687)	($19,320)

Amounts in Thousands

Pension Expense
Fiscal Year Ending Mar 31

	2013	2012
University Service Cost	$1,564	$1,265
Interest Cost	7,999	7,276
Expected Return on Plan Assets	(6,242)	(6,669)
Amortization of net actuarial gains/(losses)	2,300	0
Cost of plan amendments incurred during the period	0	3,289
Plan expenses	250	0
Amortization of transitional asset/(liability)	0	0
Increase in Valuation Allowance	0	0
Net Pension Expense	$5,871	$5,161

Reconciliation of Surplus/(deficit) to Accrued Liability at End of Fiscal Year

	2013	2012
Surplus (deficit) at end of year	($26,792)	($31,715)
University contributions after the measurement date	1,194	1,169
Net unamortized amounts	13,687	19,320
Accrued Benefit Asset (Liability) at end of year	(11,911)	(11,226)
Valuation Allowance at end of year	0	0
Accrued Benefit Asset (Liability), net of Valuation Allowance at end of year	($11,911)	($11,226)

Significant actuarial assumptions used in the determination of the pension expense are:

Discount Rate		5.85%	6.00%
Post-retirement indexing		0.50%	0.25%
Rate of salary increase	2009	3.00%	2.50%
	Thereafter	4.00%	4.00%
Expected rate of return on plan assets		5.85%	6.00%

Significant actuarial assumptions used in the determination of the defined benefit obligation December 31 are:

Discount Rate	5.85%	5.85%
Post-retirement indexing	0.50%	0.50%
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, 2011 confirms that the defined benefit segment of the Plan has a solvency deficiency of $46,775 and a solvency ratio of 0.635 (2010 – 0.752).

Amounts in Thousands

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, 2011 was $30,419 and the annual deficiency funding payments are $3,259, which the University will continue to make until the deficiency is eliminated.

In addition, because of the going-concern deficiency at December 31, 2011, the University is also required to make an additional contributions in 2012 of $607 (2011 - $894) in order to fully fund the cost of accruing benefits and administration expenses.

The Board of Trustees amended the Plan in 2012 to increase Member and University contributions rates as outlined previously in this note. Prior to January 1, 2012 Member rates for both the defined benefit and defined contribution segments were 6.2% on salary up to the YBE, 4.2% between the YBE and the YMPE and 6.2% between the YMPE and the Year's Maximum Contributory Earnings (YMCE). University contributions to the defined benefit segment were 7.2% on salary up to the YBE, 5.2% between the YBE and the YMPE and 7.2% between the YMPE and the YMCE. University contributions to the defined contribution segment matched Member contributions.

19. 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 March 1, 2030. In addition, the University has entered into a number of contracts to complete capital additions and renovations on campus properties during the upcoming year. The above obligations require annual payments over the next five years and thereafter as follows:

	Lease	Contractual Obligations	Total
2013/14	$3,944	29,667	$33,611
2014/15	2,949		2,949
2015/16	2,190		2,190
2016/17	1,690		1,690
2017/18	1,119		1,119
Thereafter	12,934		12,934
	$24,826	$29,667	$54,493

20. 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 23.

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.

Amounts in Thousands

Financial Position:
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 is summarized as follows:

	March 31, 2013	March 31, 2012 Restated	April 1, 2011
Statement of Financial Position			
Assets	$46,158	$41,206	$40,010
Liabilities	1,562	316	541
Fund Balances:			
Operating Fund	333	397	209
Unrestricted Fund	0	8	2
Investment in Capital Assets	13	4	25
Building and Program Fund	573	598	674
Funds Held Pending Terms of Reference	78	195	79
Internally Restricted	250	0	0
Endowment Fund	41,259	39,688	38,480
Accumulated Remeasurement Gains	2,090	0	0
	44,596	40,890	39,469
	$46,158	$41,206	$40,010

	March 31, 2013	March 31, 2012 Restated
Statement of Operations		
Sources of Funds:		
Transfer from University of Winnipeg	$599	$283
Investment Income	1,765	1,277
Unrealized Gain (Loss) on Investments	0	(762)
University of Winnipeg Support Funding	473	651
Endowment Administration Fee	794	775
Loss on Disposal of Assets	0	(11)
Annual Donations	5,626	6,767
	9,257	8,980
Uses of Funds:		
Endowment - Gifts to the University	1,265	1,174
Gifts to Other Charities	333	0
Endowment - Administration Fee	794	775
Endowment - Administration Expenses	122	119
Operations	1,219	1,541
Donations Gifted to the University of Winnipeg	3,908	3,950
	7,641	7,559
Increase in Funds	$1,616	$1,421

Amounts in Thousands

Statement of Cash Flows

Operating Activities:		
Increase in funds	$1,616	$1,421
Items not involving a current outlay of cash	(736)	782
Change in non-cash working capital balances	395	(24)
Increase in funds from operations	1,275	2,179
Capital Activities	(12)	0
Investing Activities	(1,552)	(1,973)
Financing Activities	978	(581)
(Decrease) Increase in cash	689	(375)
Cash, beginning of year	905	1,280
Cash, end of year	$1,594	$ 905

21. 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. The corporation 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 23.

As UWCRC 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.

UWCRC holds a 25% investment in the land and building situated 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.

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, 2013 is $13,476 (2012 - $13,584). The mortgage and advance are secured by an $18,000 debenture registered against the title to the property, share pledge agreements, and 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.

Amounts in Thousands

The financial position of UWCRC at March 31 is summarized as follows:

	March 31, 2013	March 31, 2012 (Restated)	April 1, 2011
Statement of Financial Position:			
Assets			
Cash	$373	$214	$179
Accounts Receivable	313	265	154
Due from University of Winnipeg (Note 23)	6	0	12
Capital Assets	610	620	787
Investments, at Equity	4,918	4,790	4,788
	$6,220	$5,889	$5,920
Liabilities and Net Assets			
Accounts Payable and Accrued Liabilities	$72	$23	$73
Current Portion of Long Term Debt	27	26	29
Due to University of Winnipeg	0	96	0
Long Term Debt	141	167	248
Deferred Capital Contributions	308	315	411
Net Assets	5,672	5,262	5,159
	$6,220	$5,889	$5,920

Statement of Operations & Changes in Net Assets		
Revenue		
Share of Equity Income	$178	$102
Consulting	1,482	706
Other	68	264
	1,728	1,072
Expenses		
Salaries and Benefits	920	502
Consulting and Professional Fees	98	119
Supplies, Services and Other Expenses	300	348
	1,318	969
Excess of Revenue over Expenses	410	103
Net Assets -- Beginning of Year	5,262	5,159
Net Assets -- End of Year	$5,672	$5,262

Statement of Cash Flows		
Increase (decrease) in funds from operations	$289	($224)
Investing activities	(2)	345
Financing activities	(128)	(86)
Increase in cash	159	35
Cash, beginning of year	214	179
Cash, end of year	$ 373	$ 214

Amounts in Thousands

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, as of March 31, 2013.

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. 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 are also related parties. Diversity Food Services (Diversity) is an unincorporated joint venture. Diversity is related to the University by way of UWCRC (a controlled entity) owning 100% of the issued share capital of a numbered company which jointly controls Diversity.

The University charges benefit administration costs to the Trusteed Pension Plan. The charge for 2012-2013 was nil (2011-2012 - $53). These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ending March 31, the University incurred transactions as follows:

	2013	2012
From the University to the Foundation:		
i) Operating grant	$288	$468
ii) Gifts of residuals for endowment	$57	$283
iii) Gifts of matching funds for endowment	$542	$682
iv) Occupancy & Support Agreement	$185	$183
From the Foundation to the University:		
i) Transfer of annual donations	$3,908	$3,950
ii) Income allocation	$1,265	$1,174
iii) Occupancy & Support Agreement	$185	$183
From the University to UWCRC		
i) Consulting fees (excluding GST)	$1,276	$634
From UWCRC to the University		
i) Management fees	$214	$190
From the University to the Joint Venture		
i) Lease expense	$760	$691
ii) Capital contribution	$0	$127
From the Joint Venture to the University		
i) Service fees	$88	$88
From the University to Diversity		
i) Food Services	$871	$793
From Diversity to the University		
i) Rental revenue	$103	$129

Amounts in Thousands

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 have been eliminated upon consolidation of the Joint Venture.

At the end of the year, the amounts due to and from related parties is as follows:

	2013	2012
Due from Related Party		
Foundation	$759	$159
UWCRC	0	134
460 Portage Avenue Joint Venture	22	50
	781	343
Due from 460 Portage Avenue Joint Venture		
Notes Receivable (Note 6)	11,411	8,995
Due to Related Parties		
Foundation	542	919
UWCRC	6	38
	$ 548	$ 957

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.

24. 460 Portage Avenue Joint Venture

The University of Winnipeg entered into an unincorporated Joint Venture Agreement with the Plug-In Institute of Contemporary Art (Plug-In ICA) 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. Details of resulting amounts are shown in the Related Parties Note 23.

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 years ended March 31. There are no significant differences in accounting policies from those followed by the University.

Amounts in Thousands

	2013	2012
Statement of Financial Position		
Assets:		
Accounts Receivable and Prepaid Expenses	334	20
Capital Assets	8,159	6,910
Intangible Asset	1,258	1,291
	9,751	8,221
Liabilities and Venturers' Equity		
Accounts Payable and Accrued Liabilities	6	6
Due to the University of Winnipeg	7,651	6,097
Deferred Capital Contributions	416	399
Venturers' Equity	1,678	1,719
	9,751	8,221
Statement of Operations		
Revenues		
Rental Revenue	115	75
Amortization of Deferred Capital Contribution	7	5
Expense Recovery from Venturers	621	571
	743	651
Expenses		
Building Operating	271	271
Interest	361	342
Amortization	118	117
Amortization of Intangible Asset	33	33
	783	763
Net Loss	(40)	(112)
Statement of Cash Flows		
Cash Receipts from Tenants & Venturers	742	637
Cash Paid to Suppliers	(273)	(275)
Interest Paid	(361)	(342)
Cash Flows used by Operating Activities	108	20
Proceeds from Long Term Financing	1,894	0
Capital Contributions Received	24	85
Repayment of Long Term Debt	(602)	0
Other Financing Activities	(56)	(20)
Cash Flows from Financing Activities	1,260	65
Cash Flows used in Investing Activities – Purchase of Capital Assets	(1,368)	(85)
Net Change in Cash Position	0	0

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 was eliminated in the University's accounts on consolidation.

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; however the Joint Venture is negotiating with the design team for the building and expects to be able to recover some of these costs. The result of these negotiations is unknown, but may result in costs between $0 and $225 being recovered by the Joint Venture. The University's share of these costs would be two thirds or $0 to $150.

25. Reclassification of Comparative Figures

Certain 2011 and 2012 comparative numbers have been reclassified to conform with the financial statement presentation adopted for 2013.

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 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 Organization. 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 Organization'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.

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, 2013 and the statements of operations and accumulated deficit, 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, 2013 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

July 15, 2013

MNP LLP
Chartered Accountants

	2013	2012
Financial assets		
Cash	**218,119**	124,520
Accounts receivable	**4,193**	4,676
Inventory *(Note 3)*	**42,115**	36,278
	264,427	165,474
Liabilities		
Accounts payable and accruals	**78,068**	76,552
Customer deposits	**5,998**	4,189
Advances from the Province of Manitoba *(Note 5)*	**250,000**	250,000
Capital lease obligations *(Note 6)*	**152,005**	197,056
	486,071	527,797
Net debt	**(221,644)**	(362,323)
Non-financial assets		
Tangible capital assets *(Schedule 1)*	**752,079**	792,691
Prepaid expenses and deposits	**24,809**	37,780
	776,888	830,471
Accumulated surplus *(Note 7), (Note 8)*	**555,244**	468,148

Approved on behalf of the Board

Director **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, 2013

	Budget	*2013*	*2012*
Sales	**1,390,000**	**1,357,203**	1,307,785
Cost of sales	**1,018,027**	**934,271**	881,133
Gross margin	**371,973**	**422,932**	426,652
Operating expenses *(Schedule 2)*	**198,423**	**185,074**	175,085
Earnings from operations	**173,550**	**237,858**	251,567
Other income (expense)			
Amortization	**(185,986)**	**(171,762)**	(176,158)
Gain on disposal of assets	**-**	**21,000**	-
	(185,986)	**(150,762)**	(176,429)
Annual surplus (deficit)	**(12,436)**	**87,096**	75,409
Accumulated surplus, beginning of year		**468,148**	392,739
Accumulated surplus, end of year		**555,244**	468,148

The accompanying notes are an integral part of these financial statements

Venture Manitoba Tours Ltd.
Statement of Change in Financial Net Debt
For the year ended March 31, 2013

	Budget	2013	2012
Annual surplus (deficit)	**(12,436)**	**87,096**	75,409
Purchases of tangible capital assets	**-**	**(131,150)**	(280,496)
Amortization of tangible capital assets	**185,986**	**171,762**	176,158
	185,986	**40,612**	(104,338)
Use of prepaid expenses	**-**	**12,971**	7,522
Decrease (increase) in net debt	**173,550**	**140,679**	(21,407)
Net debt, beginning of year		**(362,323)**	(340,916)
Net debt, end of year		**(221,644)**	(362,323)

The accompanying notes are an integral part of these financial statements

	2013	*2012*
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	**1,359,144**	1,316,828
Cash paid to suppliers and employees	**(1,098,476)**	(1,048,928)
Interest received	**351**	288
Interest paid	**(12,219)**	(6,744)
	248,800	261,444
Financing activities		
Advances of capital lease obligations	**-**	254,326
Repayments of capital lease obligations	**(45,051)**	(57,270)
	(45,051)	197,056
Investing activities		
Purchases of tangible capital assets	**(131,150)**	(280,496)
Proceeds on disposal of tangible capital assets	**21,000**	-
	(110,150)	(280,496)
Increase in cash resources	**93,599**	178,004
Cash resources (deficiency), beginning of year	**124,520**	(53,484)
Cash resources, end of year	**218,119**	124,520

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:

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, less estimated costs of completion and selling costs.

Tangible capital assets

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 and clubhouse are recognized when services are provided and collection is reasonably assured.

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. Provisions are made for slow moving and obsolete inventory. 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 deficit in the periods in which they become known.

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 deficit for the year.

Financial instruments

Financial instruments include cash, accounts receivable, accounts payable and accruals, advances from the Province of Manitoba and capital lease obligations. Unless otherwise stated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from the financial instruments. Unless otherwise stated, the book value of the Company's financial assets and liabilities approximates their fair value due to the short-term maturities of the instruments.

3. Inventory

The cost of inventories recognized as an expense and included in cost of sales amount to $73,217 (2012 - $59,337).

4. Bank indebtedness

Bank indebtedness includes an operating line of credit with a limit of $250,000 (2012 - $250,000), bearing interest at Royal Bank of Canada's prime interest rate of 3% (2012 – 3%) and secured by the Province of Manitoba.

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 Venture Manitoba Tours Ltd.

6. Capital lease obligations

	2013	*2012*
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.	**152,005**	**197,056**

Minimum lease payments related to the obligations under capital lease are as follows:

2012	57,270
2015	57,270
2016	55,511
	170,051
Less: imputed interest	(18,046)
	152,005

7. Accumulated surplus

	2013	*2012*
Deficit	**(3,088,256)**	(3,175,352)
Share Capital (Note 8)	**3,643,500**	3,643,500
	555,244	468,148

8. Share capital

	2013	*2012*
Authorized		
Unlimited Common shares		
Issued		
Common shares		
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 (2012 - $114,700). This amount is included in cost of sales for the year. This commitment is with a related party as 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, 2013, the Company had the following balances with entities in the Government Reporting Entity:

	2013	*2012*
Payable to (receivable from):		
Manitoba Hydro	**412**	**644**
Manitoba Liquor Control Commission	**(983)**	**(300)**
	(571)	344

During the year, the Company had the following transactions with entities in the Government Reporting Entity:

	2013	*2012*
Expenses paid to:		
Department of Conservation	**114,700**	114,700
Manitoba Hydro	**15,574**	17,134
Manitoba Liquor Control Commission	**28,113**	25,049
Manitoba Public Insurance	**1,614**	1,632
	160,001	158,515

	Staff quarters	*Automotive*	*Computer equipment*	*Golf course improvements*	*Equipment under capital lease*	*2013*	*2012*
Cost							
Balance, beginning of year	**102,395**	**1,095,894**	**68,175**	**668,738**	**256,400**	**2,191,602**	1,911,106
Acquisition of tangible capital assets	**-**	**131,150**	**-**	**-**	**-**	**131,150**	280,496
Disposal of tangible capital assets	**-**	**(115,525)**	**-**	**-**	**-**	**(115,525)**	-
Balance, end of year	**102,395**	**1,111,519**	**68,175**	**668,738**	**256,400**	**2,207,227**	2,191,602
Accumulated amortization							
Balance, beginning of year	**61,417**	**1,020,927**	**68,175**	**197,112**	**51,280**	**1,398,911**	1,222,753
Annual amortization	**4,096**	**97,698**	**-**	**18,688**	**51,280**	**171,762**	176,158
Disposal	**-**	**(115,525)**	**-**	**-**	**-**	**(115,525)**	-
Balance, end of year	**65,513**	**1,003,100**	**68,175**	**215,800**	**102,560**	**1,455,148**	1,398,911
Net book value of tangible capital assets	**36,882**	**108,419**	**-**	**452,938**	**153,840**	**752,079**	792,691

	Budget	2013	2012
Computer software	**500**	**1,081**	916
Credit card discount	**19,000**	**22,194**	19,954
Directors' fees	**12,000**	**8,698**	9,300
Equipment rentals	**500**	**-**	471
Insurance and leases	**11,600**	**10,349**	10,350
Interest and bank charges	**1,000**	**1**	818
Membership fees	**300**	**360**	480
Miscellaneous	**2,150**	**2,663**	1,486
Office	**2,000**	**792**	708
Printing and stationary	**1,000**	**1,055**	1,404
Professional fees	**12,000**	**12,000**	12,000
Repairs and maintenance	**9,850**	**754**	1,268
Restaurant expenses	**18,350**	**19,081**	9,694
Salaries, wages and benefits	**74,223**	**76,992**	76,569
Sales office rent	**6,600**	**6,270**	6,138
Tee reservations	**2,400**	**2,321**	2,321
Telephone and postage	**4,400**	**4,589**	3,920
Training and education	**7,550**	**7,205**	7,139
Transportation	**8,000**	**5,664**	6,078
Utilities	**5,000**	**3,005**	4,071
	198,423	**185,074**	175,085

GOVERNMENT ENTERPRISES

MANAGEMENT'S RESPONSIBILITY

Management of the Deposit Guarantee Corporation of Manitoba ("DGCM") is responsible for the integrity and fair presentation of the consolidated financial statements included in the annual report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

In discharging its responsibility, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, proper records are maintained and assets safeguarded.

The Board of Directors of DGCM oversees management's responsibilities for the financial reporting procedures and internal control systems. The Board reviews the consolidated financial statements in detail prior to approving the statements for publication.

The Board's Finance and Audit Committee recommends the appointment of the external auditor and reviews the terms of the external audit engagement, annual fees, audit plans and scope, and management letter recommendations.

Vernon MacNeill, MBA
Chief Executive Officer

S. Joe Nowicky, CMA
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

Deloitte LLP
360 Main Street
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To the Board of Directors of
Deposit Guarantee Corporation of Manitoba

We have audited the accompanying consolidated financial statements of the Deposit Guarantee Corporation of Manitoba, which comprise the consolidated statements of financial position as at December 31, 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2012 and notes to the consolidated financial statements.

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.

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 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 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 Deposit Guarantee Corporation of Manitoba as at December 31, 2012 and its financial performance and its cash flows for the year ended December 31, 2012 in accordance with International Financial Reporting Standards.

Chartered Accountants

Deloitte LLP

February 22, 2013
Winnipeg, Manitoba

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(IN CANADIAN DOLLARS)

	DECEMBER 31, 2012	DECEMBER 31, 2011
ASSETS		
Cash (Note 6)	$ 1,880,930	$ 283,973
Marketable securities (Note 7)	201,834,794	187,368,115
Assessments receivable (Note 8)	5,196,701	3,827,753
Current tax receivable (Note 12)	-	54,350
Prepaid expenses and other assets (Note 9)	135,020	47,723
Other Investments (Note 10)	72,260	72,260
Property and equipment (Note 11)	458,615	266,874
Deferred tax assets (Note 12)	87,520	43,000
	$ 209,665,840	**$ 191,964,048**
LIABILITIES		
Accounts payable and accrued liabilities (Note 13)	$ 322,922	$ 258,365
Defined benefit obligation (Note 14)	298,220	293,450
Current tax liability (Note 12)	755,859	-
Deferred tax liability (Note 12)	-	1,150,664
Total liabilities	**1,377,001**	**1,702,479**
Contingent liabilities (Note 15)		
CORPORATION EQUITY		
Retained earnings	208,703,360	183,039,320
Accumulated other comprehensive (loss) income	(414,521)	7,222,249
Total corporation equity	208,288,839	190,261,569
	$ 209,665,840	**$ 191,964,048**

Approved by the Board – February 22, 2013

Director

Sheryl Feller

Director

Ron Pozernick

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IN CANADIAN DOLLARS)

YEAR ENDED DECEMBER 31	2012	2011
REVENUES		
Regular assessments (Note 16)	$ 18,516,114	$ 15,311,011
Financial assistance repayments (Note 16)	-	46,655
Investment revenue (Note 16)	11,937,936	5,361,594
	30,454,050	20,719,260
EXPENSES		
Operating expense (Note 17)	4,322,119	4,009,429
Credit union merger expense (Note 17)	3,117	3,719
	4,325,236	4,013,148
INCOME BEFORE INCOME TAXES	26,128,814	16,706,112
Income tax expense (Note 12)	464,774	418,978
NET INCOME FOR THE YEAR	25,664,040	16,287,134
OTHER COMPREHENSIVE INCOME (LOSS)		
Net change in fair value of available-for-sale financial assets	(558,394)	5,514,377
Income tax on other comprehensive income	67,007	(1,043,848)
Reclassification to net income, net of tax	(7,145,383)	(597,361)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF INCOME TAX	(7,636,770)	3,873,168
COMPREHENSIVE INCOME	**$ 18,027,270**	**$ 20,160,302**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IN CANADIAN DOLLARS)

	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME UNREALIZED GAINS/ LOSSES AVAILABLE-FOR-SALE FINANCIAL ASSETS	TOTAL
Balance at January 1, 2011	$ 158,731,999	$ 3,349,081	$ 162,081,080
Net Income	16,287,134	-	16,287,134
Other comprehensive income	-	3,873,168	3,873,168
Total comprehensive income	16,287,134	3,873,168	20,160,302
Net assets acquired on amalgamation with La Société d'assurance-dépôts des caisses populaires du Manitoba (Note 3)	8,020,187	-	8,020,187
Balance at December 31, 2011	$ 183,039,320	$ 7,222,249	$ 190,261,569
Balance at January 1, 2012	$ 183,039,320	$ 7,222,249	$ 190,261,569
Net income	25,664,040	-	25,664,040
Other comprehensive loss	-	(7,636,770)	(7,636,770)
Total comprehensive income (loss)	25,664,040	(7,636,770)	18,027,270
Balance at December 31, 2012	$ 208,703,360	$ (414,521)	$ 208,288,839

CONSOLIDATED STATEMENT OF CASH FLOWS

(IN CANADIAN DOLLARS)

YEAR ENDED DECEMBER 31	2012	2011
OPERATING ACTIVITIES		
Net income	$ 25,664,040	$ 16,287,134
Non-cash (recovery) expense – deferred income taxes	(44,520)	4,054
Non-cash expense – depreciation	114,123	135,932
Net increase in assessments receivable	(1,368,948)	(282,585)
Net (increase) decrease in prepaid expenses and other assets	(87,297)	441,768
Net increase (decrease) in taxes payable and receivable	810,209	(23,596)
Net increase (decrease) in accounts payable and accrued liabilities	64,557	(789,964)
Net increase (decrease) in retirement benefit obligation	4,770	(103,648)
Cash flows generated by operating activities	25,156,934	15,669,095
INVESTING ACTIVITIES		
Net assets acquired on amalgamation (Note 3)	-	649,682
Net increase in marketable securities, net of deferred tax liability	(23,254,113)	(16,266,052)
Purchase of property and equipment, net of disposal proceeds	(305,864)	(59,434)
Cash flows used in investing activities	(23,559,977)	(15,675,804)
INCREASE (DECREASE) IN CASH	1,596,957	(6,709)
CASH, BEGINNING OF YEAR	283,973	290,682
CASH, END OF YEAR	$ 1,880,930	$ 283,973
SUPPLEMENTARY CASH FLOW INFORMATION		
Income taxes paid	$ 145,320	$ 272,708

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN CANADIAN DOLLARS, UNLESS OTHERWISE NOTED)

1.0 Nature of Organization

The Deposit Guarantee Corporation of Manitoba ("DGCM") is a deposit guarantee corporation established under The Credit Unions and Caisses Populaires Act of Manitoba. All of the operational activities of DGCM are focused on achieving its legislated objectives:

- Guarantee deposits in Manitoba credit unions and caisses populaires (thereafter "credit unions");
- Promote credit union development of sound business practices to protect them from financial losses; and
- Ensure the credit unions operate under sound business practices.

Without limiting the generality of the foregoing, DGCM shall do such things as are necessary to enable a credit union assigned to it to satisfy the claims of the members of the credit union for withdrawals of deposits. The registered address of DGCM is 390-200 Graham Avenue, Winnipeg, Manitoba, Canada.

2.0 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issue by the Board of Directors on February 22, 2013.

3.0 Amalgamation

The operations of both the Credit Union Deposit Guarantee Corporation and La Société d'assurance-dépôts des caisses populaires du Manitoba prior to the amalgamation on January 1, 2011 were governed by the legislation in accordance with the Credit Union and Caisses Populaires Act. The Deposit Guarantee Corporation of Manitoba, which was subsequently formed by the amalgamation of the Credit Union Deposit Guarantee Corporation and La Société d'assurance-dépôts des caisses populaires du Manitoba, is also governed by that same legislation.

The amalgamation of the Credit Union Deposit Guarantee Corporation and La Société d'assurance-dépôts des caisses populaires du Manitoba was accounted for prospectively as a combination of entities under common control at carrying values on January 1, 2011. The consolidated statements of financial position, comprehensive income, changes in equity, and cash flows for the comparative period prior to January 1, 2011 have not been restated as the operations of La Société d'assurance-dépôts des caisses populaires du Manitoba were effectively integrated with the operations of the Credit Union Deposit Guarantee Corporation.

4.0 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements in accordance to IFRS.

4.1 Basis of consolidation

The consolidated financial statements include the accounts of T.S.F. Holdings Limited, a wholly-owned subsidiary, which was incorporated for the purpose of purchasing and collecting loans guaranteed by DGCM under merger and liquidation agreements.

4.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets, which are measured at fair value in the statement of financial position.

4.3 Cash

Cash consists of cash on hand, and chequing and demand balances with Credit Union Central of Manitoba and chartered banks.

4.4 Property and equipment

Property and equipment are stated in the statement of financial position at historical cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property and equipment have materially different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation and impairment are recognized in net income. Depreciation has been calculated on the following basis:

Automobiles	- 30% declining-balance
Furniture and equipment	- 20% declining-balance
Computer hardware	- 2½ years straight-line
Leasehold improvements	- Term of lease straight-line

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and are recognized net within depreciation of operating expenses.

4.5 Regular assessments, special assessments, and financial assistance repayments

Regular assessments, special assessments, and financial assistance repayments are measured at the fair value of the consideration received or receivable.

Credit union regular assessments, special assessments and financial assistance repayments are recognized as follows:

- Credit union regular assessments are recognized when earned. Regular assessments are determined quarterly, and accrued for monthly. Credit union payments are received quarterly.
- Special assessments are recognized when earned. Special assessments are only charged if, in the opinion of DGCM's Board, the guarantee fund is, or is about to be, impaired.
- Financial assistance repayments are recognized when received.

4.6 Financial assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss (FVTPL), which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at FVTPL', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

4.6.1 Classification

Cash	Loans and receivables
Marketable securities	Available-for-sale
Assessments receivable	Loans and receivables
Prepaid expenses and other assets	Loans and receivables
Other investments	Available-for-sale

4.6.2 Fair value through profit and loss (FVTPL)

FVTPL financial assets are those classified as held for trading or are designated as such upon initial recognition. Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in income. DGCM does not hold any financial assets classified as FVTPL.

4.6.3 Available-for-sale (AFS)

AFS financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Except as mentioned below, AFS financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to income.

AFS financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method and recorded in investment revenue.

4.6.4 Loans and receivables

Cash, prepaid expenses and other assets, and assessments with fixed or determinable payments are classified as 'loans and receivables'. Loans and receivables are accounted for at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

4.6.5 Impairment of financial assets

Financial assets, other than those designated as FVTPL, are regularly assessed on an individual basis for indicators of impairment at each balance sheet date. 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.

Objective evidence of impairment could include but is not limited to:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

When an AFS financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to net income in the period. 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 net income 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.

4.6.6 Derecognition of financial assets

DGCM 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 DGCM neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, DGCM recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If DGCM retains substantially all the risks and rewards of ownership of a transferred financial asset, DGCM continues to recognize the financial asset and also recognizes a collateralized borrowing for proceeds received.

4.7 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities.

4.7.1 Classification

Accounts payable and accrued liabilities	Other liabilities
Defined benefit obligation	Other liabilities

4.7.2 Liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. DGCM has not designated any non-derivative financial liabilities as held for trading or FVTPL.

Financial liabilities designated as held for trading are those non-derivative financial liabilities that DGCM elects to designate on initial recognition as instruments that it will measure at fair value, netted against interest on investments. Historically, these are short-term liabilities when the recognition of interest would be immaterial. These are accounted for in the same manner as held for trading assets.

4.7.3 Other liabilities

Accounts payable and accrued liabilities and defined benefit obligation are classified as 'other liabilities'. Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

4.8 Effective interest method

DGCM uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

4.9 Transaction Costs

Transaction costs are expensed as incurred for financial instruments classified as FVTPL. Transaction costs for financial assets classified as available-for-sale, loans and receivables, and other liabilities are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

4.10 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. DGCM does not have finance leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

4.11 Employee benefits

4.11.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income in the periods during which services are rendered by employees.

4.11.2 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. DGCM's net obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds. The calculation is performed annually by a qualified actuary using the projected unit credit method.

DGCM recognizes all actuarial gains and losses arising from the defined benefit plan immediately in net income, and reports them in retained earnings.

4.11.3 Termination benefits

Termination benefits are recognized as an expense when DGCM is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

4.11.4 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

4.12 Provision for financial assistance to credit unions

The provision for financial assistance to credit unions is based on potential losses that may arise due to merger, liquidation arrangements, or dissolution. The provision is established based on an individual credit union's probability of requirement for assistance and an assessment of the aggregate risk in the credit union systems.

4.13 Assets acquired from merger/dissolution of credit unions

Loans and real property acquired as a result of merger or dissolution proceedings are recorded at estimated net realizable value.

4.14 Taxation

Income tax expense represents the sum of the current tax and deferred tax. Tax is recognized as an expense or recovery in net income except to the extent that it relates to items that are recognized outside net income.

4.14.1 Current income tax

Current income tax is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. DGCM's current tax liabilities is measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates that have been enacted or substantively enacted at the balance sheet date.

4.14.2 Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in its subsidiary except where it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which DGCM expects, at each balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and DGCM intends to settle its current tax assets and liabilities on a net basis.

4.15 New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of DGCM, except for IFRS 9 *Financial Instruments*, which becomes mandatory for DGCM's 2015 consolidated financial statements and is expected to impact the classification and measurement of financial assets. The new standards applicable to DGCM are described below.

IFRS 9 – Financial Instruments

The IASB tentatively approved the adoption of the proposed new IFRS 9, *Financial Instruments* standard to be effective January 1, 2015.

The new standard requires all financial assets to be classified on initial recognition at amortized cost or fair value while eliminating the existing categories of available-for-sale, held to maturity, and loans and receivables.

The new standard also requires:

- embedded derivatives to be assessed for classification together with their financial asset host;
- a single expected loss impairment method be used for financial assets; and
- amendments to the criteria for hedge accounting and measuring effectiveness

The full impact of IFRS 9 on DGCM will be evaluated after the remaining stages of the IASB's project to replace IAS 39: Financial Instruments – impairment methodology, hedge accounting, and asset and liability offsetting – are finalized. DGCM continues to actively monitor developments in this area.

IFRS 13 – Fair Value

Effective January 1, 2013, DGCM will adopt the guidance in IFRS 13, Fair Value Measurement for the measurement and disclosure of assets and liabilities held at fair value. The standard refines the measurement and disclosure requirements and aims to achieve consistency with other standard setters to improve the visibility to financial statement users.

DGCM is currently evaluating the impact this standard will have on its financial statements when it becomes effective January 1, 2013.

IAS 1 – Presentation of Financial Statements

Effective on January 1, 2013, DGCM will adopt the guidance in the amended IAS 1, Presentation of Financial Statements. The amended standard includes requirements that other comprehensive income (OCI) be classified by nature and grouped between those items that will be reclassified subsequently to profit or loss (when specific conditions are met) and those that will not be reclassified. Other amendments include changes to discontinued operations and overall financial statement presentation.

DGCM is evaluating the impact this standard will have on the presentation of its financial statements.

IAS 17 – Leases

The IASB issued an exposure draft proposing a new accounting model for leases where both lessees and lessors would record the assets and liabilities on the balance sheet at the present value of the lease payments arising from all lease contracts. The new classification would be the right-of-use model, replacing the operating and finance lease accounting models that currently exist.

The full impact of adoption of the proposed changes will be determined once the final lease standard is issued, which is proposed to be in 2015.

5.0 Critical accounting judgments and key sources of estimation uncertainty

In the application of DGCM's accounting policies, which are described in Note 4, 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.

5.1 Critical judgments in applying accounting policies

There are no critical judgments, apart from those involving estimations, that management has made in the process of applying DGCM's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

5.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.2.1 Provision for financial assistance to credit unions

5.2.1.1 Individual provisions for credit union assistance

Individual provisions and contingencies for financial assistance are recognized in accordance with IFRS. The process defined below will be applied quarterly at minimum, and more frequently if required. Credit union analysis will consider:

- an individual credit union's risk rating as established by DGCM
- an individual credit union's financial strength, including capital strength to absorb potential losses and earning trends

- whether a credit union appears to have appropriately valued assets
- whether levels of collective and individual allowances appear reasonable
- provisions and contingencies related to assisted mergers and arrangements

DGCM has determined that there are no individual provisions for credit union assistance required.

5.2.1.2 Collective provision for credit union assistance

The collective accrual for financial assistance is based on five-year, ten-year, and twenty-year averages of loss experience and other components that consider capital shortfalls and insufficient capital levels. This will include management's judgment based on historical information and other factors.

In addition, a collective provision may be deemed necessary based on DGCM's best estimate of current aggregate risk to DGCM as determined by evaluating the following conditions:

- market and economic conditions
- credit union analysis
- historic loss experience

DGCM has determined that there is no collective provision for credit union assistance required.

5.2.2 Estimates of fair values

Financial instrument carrying value necessarily reflect the prevailing market and the liquidity premiums embedded within the market pricing methods DGCM relies upon.

Fair values of marketable securities and other investments classified as available-for-sale are determined with reference to quoted market bid price primarily provided by third party independent pricing sources. Where prices are not quoted in a normally active market, fair values are determined by valuation models. DGCM maximizes the use of observable input and minimizes the use of unobservable inputs when measuring fair value. DGCM obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure marketable securities and other investments at fair value.

6.0 Cash

Cash includes cash on hand, and in current accounts with Credit Union Central of Manitoba, RBC Investor Services and Scotiabank. Cash at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

As at	December 31, 2012	December 31, 2011
Cash on hand	250	250
Credit Union Central of Manitoba	1,780,491	276,637
Scotiabank	569	909
RBC Investor Services	99,620	6,177
	1,880,930	**283,973**

(IN CANADIAN DOLLARS, UNLESS OTHERWISE NOTED)

7.0 Marketable securities

Marketable securities include term deposits, treasury bills, government bonds, and corporate bonds. Marketable securities at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

As at	December 31, 2012	December 31, 2011
Term deposits	6,224,373	7,012,020
Treasury bills	474,299	3,868,885
Government bonds	148,442,872	161,466,753
Corporate Bonds	46,693,250	15,020,457
	201,834,794	**187,368,115**

7.1 Assets pledged as security

Term deposits with Credit Union Central of Manitoba with a carrying amount of $5,000,000 (2011 – $5,000,000) have been pledged to secure an operating line of credit for DGCM. The pledge agreement is renewed annually. DGCM is not permitted to pledge these assets as security for other borrowings or to sell them to another entity.

8.0 Assessments receivable

Assessments receivable are classified as 'loans and receivables' and therefore measured at amortized cost.

Assessments receivable refer to the outstanding balance, owed by credit unions, for the fourth quarter assessment, or any special assessment, charged by DGCM. Significantly all of the outstanding balance is collected within 31 days of year-end.

As at	December 31, 2012	December 31, 2011
Assessment receivable	**5,196,701**	**3,827,753**

9.0 Prepaid expenses and other assets

Prepaid expenses and other assets are classified as 'loans and receivables' and therefore measured at amortized cost.

As at	December 31, 2012	December 31, 2011
Prepaid office expenses	20,106	18,161
Prepaid occupancy expenses	27,306	22,171
Accounts receivable	87,009	4,863
Employee loans	599	2,528
	135,020	**47,723**

10.0 Other Investments

As at	December 31, 2012	December 31, 2011
Credit Union Central of Manitoba shares, at cost	68,000	68,000
Concentra Trust shares, at cost	4,260	4,260
	72,260	**72,260**

These shares are not readily marketable, and there are no contractual or guaranteed rates of return on these investments. The yields earned on these shares have approximated rates earned by DGCM on other investments, and in management's opinion, fair value of the shares will not differ significantly from the above stated net book values. The credit risk inherent in the shares is considered to be insignificant. There are no intentions to dispose of these shares in the foreseeable future.

11.0 Property and equipment

As at	December 31, 2012	December 31, 2011
Net carrying amounts of:		
Automobiles	8,465	9,638
Furniture and equipment	217,886	80,919
Computer hardware	135,207	61,369
Leasehold improvements	97,057	114,948
	458,615	**266,874**

	Automobiles	Furniture & equipment	Computer hardware	Leasehold improvements	Total
Cost					
Balance at December 31, 2011	30,378	180,040	350,788	383,147	944,353
Additions	2,370	162,454	141,040	-	305,864
Retirements/Disposals	-	-	-	-	-
Balance at December 31, 2012	32,748	342,494	491,828	383,147	1,250,217
Accumulated depreciation					
Balance at December 31, 2011	20,740	99,121	289,419	268,199	677,479
Retirements/Disposals	-	-	-	-	-
Depreciation expense	3,543	25,487	67,202	17,891	114,123
Balance at December 31, 2012	24,283	124,608	356,621	286,090	791,602
Net carrying amount	**8,465**	**217,886**	**135,207**	**97,057**	**458,615**

(IN CANADIAN DOLLARS, UNLESS OTHERWISE NOTED)

12.0 Income taxes

12.1 Income tax recognized in net income

Year ended December 31	2012	2011
Current tax		
Current tax expense in respect of the current year	935,131	249,122
Adjustments recognized in the current year in relation to the current tax of previous years	(318,983)	-
	616,148	249,122
Deferred tax		
Deferred tax (recovery) expense recognized in the current year	(151,374)	169,856
Adjustments to deferred tax attributable to changes in tax rates and laws	-	-
Write-downs (reversals of previous write-downs) of deferred tax assets	-	-
	(151,374)	169,856
Total tax expense relating to continuing operations	464,774	418,978

The expense for the year can be reconciled to the accounting income as follows:

Year ended December 31	2012	2011
Income from continuing operations	26,128,814	16,706,112
Income tax expense at statutory rate	3,135,458	2,004,733
Non-taxable credit union assessments	(2,221,934)	(1,842,920)
Benefit of losses realized on amalgamation	-	(13,569)
Non-deductible operating expenses	808	4,686
Change in income tax rates	-	(3,664)
Adjustments recognized in the current year in relation to the current tax of previous years	(318,983)	-
	595,349	149,266
Adjustments recognized in the current year in relation to the deferred tax of prior years	(130,575)	269,712
Income tax expense recognized in net income	464,774	418,978

The tax rate used for the 2012 and 2011 reconciliations above is the corporate rate of 12% and 12% respectively payable on taxable income under tax law in Manitoba.

12.2 Income tax recognized in other comprehensive income

Year ended December 31	2012	2011
Deferred tax		
Fair value re-measurement of available-for-sale financial assets	(67,007)	1,043,848
Total income tax recognized in other comprehensive income	(67,007)	1,043,848

12.3 Current tax assets and liabilities

As at	December 31, 2012	December 31, 2011
Current tax assets		
Tax refund receivable	-	54,350
Current tax liability		
Income tax payable	(755,859)	-
	(755,859)	54,350

12.4 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

As at	December 31, 2012	December 31, 2011
Deferred tax assets	87,520	43,000
Deferred tax liabilities	-	(1,150,664)
	87,520	(1,107,664)

2011	Opening balance	Recognized in net income	Recognized in OCI	Acquisitions/ disposals	Closing balance
Deferred tax assets/ (liabilities) in relation to:					
Property and equipment	3,373	4,334	-	-	7,707
Retirement allowance	43,681	(8,388)	-	-	35,293
AFS financial assets	(188,274)	(165,812)	(796,578)	-	(1,150,664)
Other	-	-	-	-	-
	(141,220)	(169,866)	(796,578)	-	(1,107,664)
Tax losses	-	-	-	-	-
Other	-	-	-	-	-
	(141,220)	(169,866)	(796,578)	-	(1,107,664)

2012	Opening balance	Recognized in net income	Recognized in OCI	Acquisitions/ disposals	Closing balance
Deferred tax assets/ (liabilities) in relation to:					
Property and equipment	7,707	(14,493)	-	-	(6,786)
Retirement allowance	35,293	493	-	-	35,786
AFS financial assets	(1,150,664)	1,142,177	67,007	-	58,520
Other	-	-	-	-	-
	(1,107,664)	1,128,177	67,007	-	87,520
Tax losses	-	-	-	-	-
Other	-	-	-	-	-
	(1,107,664)	1,128,177	67,007	-	87,520

(IN CANADIAN DOLLARS, UNLESS OTHERWISE NOTED)

13.0 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are classified as 'other liabilities' and therefore measured at amortized cost.

Accounts payable refers to trades payable and insured savings accounts. Trades payable are outstanding invoices to vendors, payable upon receipt. Insured savings accounts are deposits acquired through mergers of credit unions. Accrued liabilities refer to obligations to vendors where no invoice has been received.

As at	December 31, 2012	December 31, 2011
Accounts payable	84,033	18,140
Insured savings accounts	23,031	29,031
Accrued liabilities	215,858	211,194
	322,922	**258,365**

14.0 Post employment plans

14.1 Defined contribution plans

DGCM contributes to two defined contribution retirement benefit plans for all qualifying employees. The benefit plans are operated by the Co-operative Superannuation Society and Great-West Life Assurance Company. DGCM is required to match employee's contributions of a specified percentage of payroll costs to the benefit plans. The only obligation of DGCM with respect to the retirement benefit plan is to make specified contributions.

The total expense recognized in the income statement of $126,493 (2011: $121,513) represents contributions payable to these plans by DGCM at rates specified in the rules of the plans. As at December 31, 2012, all contributions due in respect of the 2012(2011) reporting period had been paid over to the plans.

14.2 Defined benefit plan

DGCM operates an unfunded defined benefit plan for qualifying employees. Under the plan, employees are entitled to retirement benefits varying between 17% and 50% of final salary on attainment of a retirement age of 55. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the defined benefit obligation was carried out at December 31, 2012 by Eckler Ltd. consultants and actuaries. The present value of the defined benefit obligation, and related current service cost and past service cost, were measured using the Projected Unit Credit Method.

DGCM does not hold plan assets to offset the obligation created through the actuarial valuation. The annual variance in the valuation is recorded as a salary expense within operating expenses, and is included in the consolidated statement of financial position.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Valuation at December 31	2012	2011
Discount rate(s)	3.6%	4.1%
Expected rate(s) of salary increase	4.5%	4.5%
Assumed retirement age	62	62

Amounts recognized in net income in respect to this defined benefit plan are as follows:

Year ended December 31	2012	2011
Current service cost	50,130	36,580
Actuarial losses recognized in the year	-	13,690
Past service costs	-	-
Interest costs	10,680	11,120
	60,810	**61,390**

The expense for the year is included in salaries and employee benefits in the schedule of consolidated operating expenses.

The amount included in the statement of financial position arising from DGCM's obligation in respect of its defined benefit plans is the present value of the unfunded defined benefit obligation.

Movements in the present value of the defined benefit obligation in the current period were as follows:

Year ended December 31	2012	2011
Opening defined benefit obligation	293,450	397,098
Current service cost	50,130	36,580
Actuarial losses recognized in the year	-	13,690
Past service costs	-	-
Interest costs	10,680	11,120
Benefits paid	(56,040)	(165,038)
Closing defined benefit obligation	**298,220**	**293,450**

15.0 Contingent liabilities

As at December 31, 2012, DGCM guaranteed $20.852 billion (2011: $18.778 billion) in credit union 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.

16.0 Revenue

Year ended December 31	2012	2011
Revenue		
Regular assessments	18,516,114	15,311,011
Financial assistance repayments	-	46,655
	18,516,114	15,357,666
Investment revenue		
Interest income – loans and receivables	37,009	29,231
Investment income – available-for-sale	4,200,313	4,731,059
Realized gains and losses on disposal of marketable securities	7,697,862	597,361
Dividends received	2,752	3,943
	11,937,936	5,361,594
	30,454,050	**20,719,260**

(IN CANADIAN DOLLARS, UNLESS OTHERWISE NOTED)

17.0 Expenses

17.1 Operating expense

An analysis of DGCM's operating expenses from continuing operations can be found on page 40 in the Schedule of Consolidated Operating Expenses.

17.2 Credit union merger expense

This expense represents operating costs for T.S.F. Holdings Limited. The following is an analysis of the expense from continuing operations.

Year ended December 31	2012	2011
Professional services	1,061	1,286
Insured savings premiums	2,056	2,433
	3,117	**3,719**

18.0 Financial instruments

18.1 Significant accounting policies

Details of the significant accounting policies and methods adopted (including criteria for recognition, the basis for measurement, and the basis for recognition of income and expenses), for each class of financial asset and financial liability are disclosed in Notes 4.6 and 4.7 of the consolidated financial statements, respectively.

18.2 Class disclosure

The following is the disclosure of financial assets by class.

As at	December 31, 2012	December 31, 2011
Loans and receivables		
Cash	1,880,930	283,973
Assessments receivable	5,196,701	3,827,753
Prepaid expenses and other assets	135,020	47,723
	7,212,651	4,159,449
Available-for-sale		
Marketable securities	201,834,794	187,368,115
Other investments	72,260	72,260
	201,907,054	187,440,375
	209,119,705	**191,599,824**

The following is the disclosure of financial liabilities by class.

As at	December 31, 2012	December 31, 2011
Other liabilities		
Accounts payable and accrued liabilities	322,922	258,365
Defined benefit obligation	298,220	293,450
	621,142	**551,815**

18.3 Capital risk management

DGCM manages its capital to maintain a capital structure that provides the flexibility to provide liquidity to support its obligation to guarantee deposits in credit unions.

The capital structure consists of Corporation equity. In order to maintain or adjust its capital structure, DGCM has a $5,000,000 line of credit agreement with Credit Union Central of Manitoba.

On January 1, 2012, DGCM's capital management objectives moved from a retained earnings target of 100 bps of deposits in credit unions by December 31, 2017, to a total equity (retained earnings and AOCI) range of 95 to 115 basis points of deposits in credit unions, effective immediately. This equity target has been approved by the Superintendent of the Financial Institutions of Manitoba. The Board of Directors reviews DGCM's equity position quarterly to ensure prudent positioning within the target range. Where the aggregate shortfall of credit union capital exceeds one-sixteenth of one percent of total deposits and accrued interest, DGCM shall net the shortfall against its equity for this calculation.

18.4 Financial risk management

DGCM is exposed to risks of varying degrees of significance which could affect its ability to support its obligation to guarantee deposits at credit unions. The main objectives of DGCM's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to these risks. The principal financial risks to which DGCM is exposed include interest rate risk, credit risk, and liquidity risk.

DGCM seeks to minimize the effects of these risks by utilizing a conservative investment policy. The investment policy contains written principles, addressing interest rate risk, credit risk, and liquidity risk. Compliance with policy is monitored by the external investment manager on a continuous basis.

The Finance department reports quarterly to the Board of Directors on policy compliance and risk exposures.

18.4.1 Interest rate risk management

DGCM is exposed to fluctuations in interest rates that could affect the cash flows from term deposits and marketable securities at the time of maturity and reinvestment of individual instruments. These fluctuations could affect the fair values of financial assets and liabilities, and DGCM's ability to support its obligation to guarantee deposits in credit unions.

To mitigate the interest rate risk, DGCM's investment policy restricts the duration of the portfolio to within plus or minus 1.5 years of the duration of the DEX Universe Bond Index. DGCM's mandate is to match the duration of the portfolio with the DEX Universe Bond Index.

DGCM may use derivative financial instruments to manage interest rate risk. No derivative financial instruments were used during the year.

18.4.1.1 Interest revenue on investments by classification

Year ended December 31	2012	2011
Financial assets		
Loans and receivables	37,009	29,231
Available-for-sale	4,200,313	4,731,059
	4,237,322	**4,760,290**

Financial liabilities

There are no interest costs on financial liabilities.

18.4.1.2 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

(IN CANADIAN DOLLARS, UNLESS OTHERWISE NOTED)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, DGCM's:

- net income for the year ended 31 December 2012 would increase/decrease by $21,562/$21,060 (2011 increase/decrease by $39,641/$39,605). This is mainly attributable to DGCM's exposure to interest rates on maturing investments; and
- other comprehensive income for the year would decrease/increase by $6,819,974 (2011: decrease/increase by $3,546,846) mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.

DGCM's sensitivity to interest rates has increased during the current period, mainly due to the increase in the size of the portfolio.

18.4.2 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to DGCM. DGCM's exposure to credit risk consists principally of:

- fixed income securities with federal, provincial, and municipal governments, and corporations;
- term deposits placed with Credit Union Central of Manitoba; and
- assessments receivable from credit unions.

Measures are taken to mitigate each exposure to credit risk.

- DGCM's investment policy only permits holding marketable securities of counterparties with an investment grade rating of at least A(low), or its equivalent. This information is supplied by independent rating agencies.
- DGCM's policy is to limit investments in Credit Union Central of Manitoba, to those, pledged as security for the line of credit agreement ($5,000,000 as at December 31, 2012).
- DGCM monitors the financial strength of individual credit unions on a monthly basis.

The table below shows the credit risk exposure, by credit rating, at the end of the reporting period using DBRS' credit rating symbols.

As at	December 31, 2012	December 31, 2011
Credit rating		
AAA	106,464,830	125,718,572
AA	44,204,224	45,608,421
A	46,093,454	10,930,235
	196,762,508	**182,257,228**
Unrated		
Credit Union Central of Manitoba	5,072,286	5,110,887
	201,834,794	**187,368,115**

Assessments receivable from credit unions are unrated. Significantly all of the outstanding balance is collected within 31 days of year-end. Historically, DGCM has not experienced any bad debts related to any of these counterparties.

The table below shows the credit risk exposure, by issuer, at the end of the reporting period.

As at	December 31, 2012	December 31, 2011
Government	148,917,171	165,335,637
Corporate	52,917,623	22,032,478
	201,834,794	**187,368,115**

18.4.3 Liquidity risk management

Liquidity risk is the risk of having insufficient financial resources to meet DGCM's cash and funding requirements in support of the guarantee of deposits at credit unions. DGCM's approach to manage its liquidity risk is to ensure, as far as possible, that it will have cash, demand and term deposits and marketable securities which meet its annual capital target.

- Management expects that DGCM's principal sources of funds will be cash generated from credit union regular assessments and interest earned on its investments to support its financial obligation to guarantee deposits at credit unions.
- A $5,000,000 line of credit is secured with Credit Union Central of Manitoba to meet any short-term shortfall in regular assessments and interest earned.
- In the event that the investment portfolio must be drawn upon, Corporate policy is that all investments are easily disposable in the secondary bond market.

The following table details DGCM's expected maturity for its financial assets and financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial assets and financial liabilities including interest that will be earned on those assets and liabilities.

As at	December 31, 2012	December 31, 2011
Financial Assets		
Less than three months	2,631,922	4,874,004
Three to six months	2,450,393	4,647,586
Six months to one year	456,115	5,157,063
One to five years	70,287,124	156,044,072
Over five years	127,890,170	16,929,363
Total interest sensitive assets	**203,715,724**	**187,652,088**

Financial Liabilities
There are no interest sensitive liabilities.

18.4.4 Fair value of financial instruments

18.4.4.1 Fair value of financial instruments carried at amortized cost

DGCM considers that the carrying amounts of financial assets and financial liabilities recognized at amortized cost in the financial statements approximate their fair values.

18.4.4.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

DGCM has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and liabilities measured at fair value on a recurring basis on the balance sheet are categorized as follows:

Level 1: Fair value is based on unadjusted quoted bid prices for identical assets or liabilities in an active market.

(IN CANADIAN DOLLARS, UNLESS OTHERWISE NOTED)

Level 2: Fair value is based on quoted bid prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally from or corroborated with observable market data through correlation or other means. The types of assets and liabilities classified as Level 2 generally include Government of Canada bonds, Province of Manitoba bonds, other provincial government bonds, municipal bonds, and Schedule I Chartered Bank Deposit Notes.

Level 3: Fair value is based on valuation techniques that require one or more of significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect DGCM's assumptions about the assumptions market participants would use in pricing the asset or liability.

The following table presents DGCM's assets and liabilities that are carried at fair value on a recurring basis. There were no changes to the level 3 securities in the current year; therefore a continuity schedule has not been provided.

As at December 31, 2012	Level 1	Level 2	Level 3	Total
Assets				
Cash	1,880,930	-	-	1,880,930
Marketable securities	-	201,834,794	-	201,834,794
Other investments	-	-	72,260	72,260
Total assets measured at fair value on a recurring basis	1,880,930	201,834,794	72,260	203,787,984

Liabilities
There are no liabilities carried at fair value on a recurring basis.

19.0 Related party transactions

Balances and transactions between DGCM and its subsidiary, T.S.F. Holdings Limited, which is a related party of DGCM, have been eliminated on consolidations and are not disclosed in this note.

19.1 Loans to related parties

Key management personnel are defined as the Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, and Chief Operations Officer.

DGCM provides interest free loans to employees for:

- medical equipment not covered under the insured benefits package and necessary for effective performance of their duties.
- computer equipment for the employee's own use and consistent with the technology utilized by DGCM.

The maximum loan size is $7,500, repayable by payroll deduction over a maximum period of three years.

No loans to key management personnel were outstanding at the end of 2012 (2011: nil).

19.2 Compensation of key management personnel

The remuneration of key management personnel is determined by the Board of directors. The remuneration of key management personnel during the year was as follows:

Year ended December 31	2012	2011
Salaries	636,670	603,970
Short-term benefits	32,865	10,359
Post-employment benefits	57,191	58,441
Other long-term benefits	-	-
	726,726	**672,770**

19.3 Board members' remuneration and expenses

The remuneration of the Board of Directors is determined by the Lieutenant Governor in Council. The remuneration of board members during the year was as follows:

Year ended December 31	2012	2011
Board member remuneration	137,148	120,655
Expenses	73,623	45,105
	210,771	**165,760**

20.0 Operating lease arrangements

20.1 Lease arrangements

DGCM is the lessee on an operating lease related to a six-year agreement for office space. This agreement expires on December 31, 2018. DGCM has the option to renew the lease for one additional term of five years at the expiration of the existing term.

DGCM is the lessee on operating leases related to four-year agreements for one corporate vehicle. The lease will expire March 5, 2015. DGCM has the option to purchase the leased vehicle.

20.2 Payments recognized as an expense.

DGCM recognized $134,833 (2011:$136,341) in lease payments for the year.

20.3 Non-cancellable operating lease commitments

	2012	2011
No later than one year	172,377	122,655
Later than one year and not later than five years	720,481	125,681
Later than five years	183,474	-
	1,076,332	**248,336**

No liabilities have been recognized in respect of non-cancellable operating lease commitments.

SCHEDULE OF CONSOLIDATED OPERATING EXPENSES

(IN CANADIAN DOLLARS)

YEAR ENDED DECEMBER 31	2012	2011
Salaries and employee benefits	2,603,427	2,430,823
Contract staff	45,755	18,393
Credit Union Central of Manitoba – program funding	237,279	241,281
Staff travel	184,849	170,828
Staff training	98,932	70,257
Occupancy	263,120	241,279
Office	180,642	163,942
Professional services	79,055	88,492
Investment management fees	194,532	207,544
Special projects	120,243	54,381
Board members' remuneration and expenses (Note 19)	210,771	165,760
Depreciation	114,123	135,932
	4,332,728	3,988,912
Bonding administration (recovery) expense	(10,609)	20,517
	4,322,119	**4,009,429**

MANAGEMENT REPORT

For the year ended March 31, 2013

The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. 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 up to June 26, 2013. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the Corporation are properly safeguarded and that the financial information is reliable, timely and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is comprised of five members, the majority of whom are members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The internal and external auditors have full and unrestricted access to the Audit Committee, with or without the presence of management. The Board reviews the Annual Report in advance of its release and approves its content and authorizes its publication.

On behalf of management:

Scott A. Thomson, CA
President and Chief Executive Officer

Darren B. Rainkie, CA, CBV
Vice-President, Finance and Regulatory

Winnipeg, Canada
June 26, 2013

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, 2013 and the consolidated statements of income, comprehensive income, accumulated other comprehensive income, retained earnings 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 Canadian generally accepted accounting principles, 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 Hydro-Electric Board** as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
June 26, 2013

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

		Notes	2013	2012
			millions of dollars	
Revenues				
Electric	Manitoba		1 380	1 219
	Extraprovincial	3	353	363
Gas	Commodity		182	197
	Distribution		147	132
			2 062	1 911
Cost of gas sold			182	197
			1 880	1 714
Expenses				
Operating and administrative			533	481
Finance expense		4	489	423
Depreciation and amortization			423	381
Water rentals and assessments		5	118	119
Fuel and power purchased			133	146
Capital and other taxes			105	103
			1 801	1 653
Net income before non-controlling interest			79	61
Net loss attributable to non-controlling interest		22	13	-
Net Income			92	61

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

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2013	2012
	millions of dollars	
Retained earnings, beginning of year	2 450	2 389
Net income	92	61
Retained earnings, end of year	2 542	2 450

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

CONSOLIDATED BALANCE SHEET

As at March 31

	Notes	2013	2012
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	6	15 793	13 631
Less accumulated depreciation	6	5 252	4 984
		10 541	8 647
Construction in progress	6	1 967	3 150
		12 508	11 797
Current Assets			
Cash and cash equivalents		32	50
Accounts receivable and accrued revenue		421	328
Interest receivable		4	4
Materials and supplies, at average cost	7	93	106
		550	488
Other Assets			
Sinking fund investments	8	352	372
Goodwill and intangible assets	9	276	268
Regulated assets	10	306	310
Other long-term assets	11	550	556
		1 484	1 506
		14 542	13 791

Approved on behalf of the Board:

William C. Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

	Notes	2013	2012
		millions of dollars	
Liabilities and Equity			
Long-Term Debt			
Long-term debt net of sinking fund investments		8 977	8 729
Sinking fund investments shown as assets	8	352	372
	12	9 329	9 101
Current Liabilities			
Accounts payable and accrued liabilities	13	421	361
Accrued interest		103	104
Current portion of long-term debt	12	656	281
		1 180	746
Other Liabilities			
Asset purchase obligation	14	207	207
Other long-term liabilities	15	550	542
		757	749
Contributions in Aid of Construction		340	318
Equity			
Retained earnings		2 542	2 450
Accumulated other comprehensive income		299	327
		2 841	2 777
Non-controlling interest	22	95	100
		2 936	2 877
		14 542	13 791

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

	2013	2012
	millions of dollars	
Operating Activities		
Cash receipts from customers	2 015	2 008
Cash paid to suppliers and employees	(981)	(1 058)
Interest paid	(489)	(418)
Interest received	44	35
Cash provided by operating activities	589	567
Financing Activities		
Proceeds from long-term debt	807	698
Sinking fund withdrawals	129	23
Retirement of long-term debt	(242)	(25)
Other	(59)	29
Cash provided by financing activities	635	725
Investing Activities		
Property, plant and equipment, net of contributions	(1 037)	(1 124)
Sinking fund payments and deposits	(107)	(98)
Other	(98)	(90)
Cash used for investing activities	(1 242)	(1 312)
Net decrease in cash and cash equivalents	(18)	(20)
Cash and cash equivalents, beginning of year	50	70
Cash and cash equivalents, end of year	32	50

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

	2013	2012
	millions of dollars	
Net Income	92	61
Other Comprehensive Loss		
Unrealized foreign exchange losses on debt in cash flow hedges	(31)	(54)
Realized foreign exchange losses on debt in cash flow hedges reclassified to income	2	-
Unrealized fair value gains on available-for-sale U.S. sinking fund investments	1	14
	(28)	(40)
Comprehensive Income	64	21

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

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

For the year ended March 31

	2013	2012
	millions of dollars	
Balance, beginning of year	327	367
Other comprehensive loss	(28)	(40)
Balance, end of year	299	327

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization - 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.

Basis of Presentation - These consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook - Pre-Changeover Accounting Standards and include the significant accounting policies described hereafter.

Consolidation - These consolidated financial statements include the accounts of Manitoba Hydro and its wholly-owned subsidiaries including Centra Gas Manitoba Inc. (Centra), Minell Pipelines Ltd., Manitoba Hydro International Ltd. (MHI), Manitoba Hydro Utility Services Ltd. (MHUS) and Teshmont LP Holdings Ltd. (which has a 40% ownership interest in the Teshmont Consultants Limited Partnership). These consolidated financial statements also include Manitoba Hydro's 67% ownership interest in the Wuskwatim Power Limited Partnership (WPLP) and its 75% ownership in the Keeyask Hydropower Limited Partnership. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Rate-Regulated Accounting - The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (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 gas service. As permitted under Canadian GAAP, the Corporation applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of Canadian GAAP. FASB Accounting Standards Codification Section 980 – Regulated Operations, represents the standard Manitoba Hydro applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise have been included in the determination of net income in the year that the cost or credit is incurred. Manitoba Hydro refers to such deferred costs or credits as regulated assets (Note 10) or regulated liabilities (Note 13) which are generally comprised of the following:

- Power Smart programs - The costs of the Corporation's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.

- Site restoration costs - Site restoration costs, other than those for which an asset retirement obligation has been established, are deferred and amortized on a straight-line basis over a period of 15 years.

- Deferred taxes - Taxes paid by Centra (July 1999) as a result of its change to non-taxable status on acquisition by Manitoba Hydro, have been deferred and are being amortized on a straight-line basis over a period of 30 years.

- Acquisition costs - Costs associated with the acquisition of Centra (July 1999) and Winnipeg Hydro (September 2002) have been deferred and are being amortized on a straight-line basis over a period of 30 years.

- Purchased gas variance accounts - 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. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/payable and recovered or refunded in future rates.

- Regulatory costs - Costs associated with regulatory hearings are deferred and amortized on a straight-line basis over periods up to 5 years.

Manitoba Hydro's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. 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.

b) **Depreciation**

Depreciation is provided on a straight-line remaining-life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	20 - 125 years
	- Thermal	5 - 65 years
Transmission lines		10 - 85 years
Substations		15 - 65 years
Distribution		10 - 75 years
Other		5 - 100 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the Corporation.

c) **Asset Retirement Obligations**
Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The present value of the estimated retirement cost is added to the carrying amount of the related asset. In subsequent periods, the estimated retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

d) **Materials and Supplies**
Materials and supplies are valued at the lower of average cost or net realizable value.

e) **Contributions in Aid of Construction**
Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

f) **Revenues**
Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

g) **Cost of Gas Sold**
Cost of natural gas sold is recorded at the same rates charged to customers.

h) **Employee Future Benefits**
Manitoba Hydro provides future benefits, including pension and other post-retirement benefits, to both existing and retired employees. Pension plans include the Civil Service Superannuation Board (CSSB) plan, the Enhanced Hydro Benefit Plan (EHBP), three Centra curtailed pension plans and the Winnipeg Civic Employee Benefits Program (WCEBP). MHUS is a matching employer under the Civil Service Superannuation Act and MHI sponsors a defined contribution group registered retirement plan.

The costs and obligations of pension and other post-retirement benefits are calculated by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives, inflation rates and expected rate of return on plan assets. Pension expense is comprised of the cost of pension benefits provided during the year, the amortization of past service benefits, experience gains and losses and expected returns on fund assets net of interest on the obligation. The amount of expected returns on fund assets is based on market related values using a five-year moving average. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the consolidated financial statements as assets or liabilities.

The Corporation utilizes the "corridor method" of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the WCEBP, which maintains the funds and obligations relating to these employees in its financial records.

Other employee benefits earned by employees include vacation, vested sick leave, severance and a retirement health spending plan. Where applicable, the future costs of these benefits are based on management's best estimates.

i) **Comprehensive Income**

Comprehensive income consists of net income and other comprehensive income (OCI). OCI includes unrealized gains and losses arising from changes in the fair value of available-for-sale assets and changes in the foreign exchange rate for U.S. denominated long-term debt and interest payments in effective cash flow hedging relationships. Such amounts are recorded in accumulated OCI (AOCI) until the criteria for recognition in net income are met.

j) **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. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale or other financial liabilities.

Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with revaluation gains and losses recorded in OCI until the instrument is derecognized or impaired. Translation gains and losses on available-for-sale financial assets in a hedging relationship with financial liabilities are credited or charged to finance expense. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

k) **Foreign Currency Translation**

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates.

Long-term monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet 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.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

l) **Derivatives**

The Corporation does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the consolidated balance sheet 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 net income.

m) **Hedges**

The Corporation has designated cash flow and fair value 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. A fair value hedge relationship has also been established between U.S. long-term debt balances and U.S. sinking fund investments. 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.

n) **Debt Discounts and Premiums**

Debt discounts and premiums are amortized to finance expense using the effective interest method.

o) **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 which are subject to an insignificant risk of changes in value.

p) **Goodwill and Intangible Assets**

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. An impairment would be recognized if it was determined that the carrying value of the Corporation's investments in Centra or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

Intangible assets include computer software, application development costs, land easements and transmission rights. Intangible assets are recorded at cost. The cost of computer software and application development includes software, direct labour, materials, contracted services, a proportionate share of overhead costs and interest during development applied at the average cost of debt. Intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis. The expected useful lives are as follows:

Computer software and application development	5 – 10 years
Land easements	75 years

The estimated service lives of intangible assets are based upon depreciation studies conducted periodically by the Corporation. The transmission rights are amortized over the contractual period plus a one-term renewal.

q) **Non-Controlling Interest**

Non-controlling interest represents the outstanding ownership interests attributable to third parties in the Corporation's limited partnerships. The portion of the property, plant and equipment not owned by the Corporation is reflected as non-controlling interest within the equity section of the consolidated balance sheet. The portion of the net income or net loss not attributed to the Corporation is recorded as a non-controlling interest in the consolidated statement of income.

r) **Use of Estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 2 ACCOUNTING CHANGES

Overhead Rate Estimate

Manitoba Hydro's policy is to include a proportionate share of overhead costs in property, plant and equipment based on overhead rate studies that are performed annually. In 2012, the Corporation revised its overhead rate estimate to remove information technology infrastructure and related support costs and common building depreciation and operating costs. This change in estimate was applied prospectively effective April 1, 2012 and resulted in a $32 million increase in operating and administrative expense in 2012-13.

Future Accounting Changes

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) announced that publicly accountable enterprises would be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that government business enterprises such as Manitoba Hydro would be required to follow IFRS for periods beginning January 1, 2011.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Manitoba Hydro include property, plant and equipment, regulatory assets and liabilities, employee benefits and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

In May 2010, the International Accounting Standards Board (IASB) issued the omnibus Improvements to IFRS, which includes an amendment to IFRS 1 for entities with rate-regulated activities. The amendment applies to first-time adopters by offering an optional exemption to use the carrying amount of property, plant and equipment and intangible assets as deemed cost of those assets on the transition date. This exemption eliminates the requirement to retrospectively adjust opening property, plant and equipment and/or intangible asset balances for costs that would otherwise not qualify for capitalization under IFRS. Manitoba Hydro intends to apply this exemption.

In September 2010, the AcSB implemented changes to Part I of the CICA Handbook – International Financial Reporting Standards, allowing qualifying entities with rate-regulated activities to be permitted, but not required, to defer their adoption of IFRS for one year. In March 2012, September 2012 and February 2013, the AcSB announced additional optional one-year deferrals of IFRS for qualifying entities with rate-regulated activities. Manitoba Hydro meets the AcSB criteria for deferral and intends to adopt IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

On April 25, 2013, the IASB issued the Exposure Draft - Regulatory Deferral Accounts. The Exposure Draft proposes an interim standard intended to allow entities that are first-time adopters of IFRS and that currently recognize regulatory deferral accounts (i.e. regulatory assets and liabilities) in accordance with their existing GAAP, to continue to do so upon transition. Under the proposed interim standard, entities will be able to avoid making major changes in accounting for regulatory assets and liabilities on transition to IFRS until the IASB can provide more guidance through its Rate-regulated Activities project. Comments on the Exposure Draft are due in September of 2013 and the IASB is not expected to make a decision on the proposed interim standard until December of 2013.

At this time, it is uncertain as to the final position the IASB will take as part of its Rate-regulated Activities project. In addition, the IASB has a number of on-going projects on its agenda which may result in modifications to existing IFRS prior to the commencement of Manitoba Hydro's 2015-16 fiscal year. Manitoba Hydro continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

NOTE 3 EXTRAPROVINCIAL REVENUES

	2013	2012
	millions of dollars	
United States	312	315
Canada	41	48
	353	363

U.S. extraprovincial revenues were translated into Canadian dollars at exchange rates in effect at the date of the transaction. The average effective exchange rate for the year was $1.00 U.S. = $1.00 Canadian (2012 - $1.00 U.S. = $0.98 Canadian).

NOTE 4 FINANCE EXPENSE

	2013	2012
	millions of dollars	
Interest on debt	636	603
Interest capitalized	(141)	(170)
Investment income	(11)	(13)
Realized foreign exchange losses on debt in cash flow hedges	2	-
Realized losses on revaluation of dual currency bonds	3	3
	489	423

Included in interest on debt is $93 million (2012 - $85 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2012 - 1.0%).

NOTE 5 WATER RENTALS AND ASSESSMENTS

	2013	2012
	millions of dollars	
Water rentals	111	111
Assessments	7	8
	118	119

Water rentals 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 (2012 - $3.34 per MWh).

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	In service	Accumulated depreciation	Construction in progress	In service	Accumulated depreciation	Construction in progress
			millions of dollars			
Generation						
Hydraulic	6 645	1 739	1 222	5 188	1 658	2 276
Thermal	480	277	11	475	260	11
Transmission lines	1 024	311	127	855	296	246
Substations	2 977	1 337	489	2 668	1 260	489
Distribution	3 471	1 242	95	3 268	1 193	105
Other	1 196	346	23	1 177	317	23
	15 793	5 252	1 967	13 631	4 984	3 150

During fiscal 2012-13 the 3 units of the Wuskwatim Generating Station and the associated transmission facilities were transferred from construction in progress and placed in-service. The in-service amounts are as follows: generating station - $1 356 million, transmission line - $153 million, substation and other - $174 million.

NOTE 7 MATERIALS AND SUPPLIES

	2013	2012
	millions of dollars	
Materials and supplies	72	65
Natural gas inventory	21	41
	93	106

NOTE 8 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 $107 million (2012 - $98 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2013	2012
	millions of dollars	
Canadian investments	58	129
U.S. investments	272	217
Premium on purchase of sinking fund investments	22	26
	352	372

Canadian investments have a weighted average term to maturity of 1 day (2012 - 1 day) and an effective yield to maturity of 1.1% (2012 - 1.0%). U.S. investments have a weighted average term to maturity of 4.0 years (2012 - 6.0 years) and an effective yield to maturity of 3.7% (2012 – 4.8%). U.S. investments are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date, $1.00 U.S. = $1.02 Canadian (2012 - $1.00 U.S. = $1.00 Canadian). The March 31, 2013 balance includes $29 million (2012 - $28 million) of unrealized fair value gains.

NOTE 9 GOODWILL AND INTANGIBLE ASSETS

	2013			2012		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
			millions of dollars			
Intangible Assets						
Computer software and application development	210	105	105	201	93	108
Land easements	72	13	59	64	12	52
Transmission rights	5	1	4	-	-	-
	287	119	168	265	105	160
Goodwill	108	-	108	108	-	108
	395	119	276	373	105	268

The additions to intangible assets for the year totaled $31 million (2012 - $27 million). In total, intangible assets of $23 million (2012 - $20 million) were amortized to operations during the period.

NOTE 10 REGULATED ASSETS

		2013	2012
		millions of dollars	
Power Smart programs	- electric	172	174
	- gas	47	44
Site restoration costs		35	36
Deferred taxes		29	31
Acquisition costs		20	21
Regulatory costs		3	4
		306	310

If the Corporation was not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and net income for 2013 would have been increased by $4 million (2012 – decreased by $1 million).

In total, regulated assets of $46 million (2012 - $43 million) were amortized to operations during the period.

NOTE 11 OTHER LONG-TERM ASSETS

	2013	2012
	millions of dollars	
Advances to St. Joseph Windfarm Inc. (excluding current portion)	227	235
Accrued benefit asset (Note 18)	122	127
Advances to Taskinigahp Power Corporation (Note 22)	105	100
Contract receivables	81	74
Affordable Energy Fund (Note 21)	15	20
	550	556

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 of $250 million, which will be repaid with interest over 20 years. In addition, Manitoba Hydro has provided access to a $10 million reserve loan facility. The Corporation signed a 27-year power purchase agreement with St. Joseph Windfarm Inc. in March 2010.

NOTE 12 LONG-TERM DEBT

	2013	2012
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	9 775	9 095
Manitoba HydroBonds	55	136
Manitoba Hydro-Electric Board Bonds	182	194
	10 012	9 425
Less: Current portion of long-term debt	656	281
	9 356	9 144
Adjustment to carrying value of dual currency bonds	(20)	(24)
Debt discounts and premiums	22	9
Transaction costs	(29)	(28)
	9 329	9 101

During the year, the Corporation arranged long-term financing of $807 million (2012 - $698 million). The current year financing was in the form of Provincial Advances with the majority at fixed interest rates.

Included in the current portion of long-term debt are $617 million (2012 - $177 million) of debt maturities and $39 million (2012 - $104 million) of floating-rate Manitoba HydroBonds with maturity dates in 2017. 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 $73 million (2012 - $74 million) issued for mitigation projects.

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:

					2013	2012
		millions of Canadian dollars				
Years of Maturity	Canadian	Cdn. Yields	U.S.	U.S. Yields	Total	Total
2014	312	3.3%	344	4.8%	656	812
2015	109	1.8%	101	2.9%	210	209
2016	313	4.6%	-	-	313	313
2017	308	3.6%	-	-	308	308
2018	331	6.9%	-	-	331	531
	1 373	5.0%	445	4.1%	1 818	2 173
2019-2023	1 737	4.6%	1 625	6.6%	3 362	2 540
2024-2028	450	6.2%	-	-	450	450
2029-2033	1 050	8.7%	-	-	1 050	1 049
2034-2038	1 025	5.0%	-	-	1 025	1 025
2039-2043	1 700	4.5%	-	-	1 700	1 400
2044-2063	607	4.3%	-	-	607	507
	7 942	5.2%	2 070	6.6%	10 012	9 144

Included in the above Canadian maturity amounts are two dual currency bonds with principal amounts repayable in Canadian currency and interest payments denominated in U.S. currency. The first dual currency bond matures in the 2013-14 fiscal year in the amount of $208 million Canadian while the second 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 balance sheet date, $1.00 U.S. = $1.02 Canadian (2012 - $1.00 U.S. = $1.00 Canadian).

NOTE 13 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
	millions of dollars	
Accounts payable and accrued liabilities	397	308
Regulated liabilities		
Purchased gas variance accounts	24	30
Rate reduction	-	23
	421	361

The Corporation passes all costs related to the purchase and transportation of natural gas on to its customers without markup. If the Corporation were not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. If actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have decreased by $6 million (2012 - increased by $17 million).

In Order 5/12 dated January 17, 2012, the PUB had directed that the 2.9% electricity rate increase previously approved on an interim basis effective April 1, 2010 be reduced to 1.9% and that the associated revenues were to be set aside as a regulatory deferral until further direction was provided by the PUB. The cumulative impact of the 1.0% rate reduction for the 2010-11 and 2011-12 fiscal years was recorded as a reduction to revenues of $23 million in 2011-12 and reflected as a regulatory deferral. In Order 43/13 dated April 26, 2013, the PUB approved the Corporation's application to reinstate the 1.0% rate deferral as revenue in the 2012-13 fiscal year and as a result the balance in the deferral account as at March 31, 2013 is nil.

NOTE 14 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the Corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The asset purchase obligation represents the net present value of payments to the City of Winnipeg of $16 million per annum in perpetuity.

NOTE 15 OTHER LONG-TERM LIABILITIES

	2013	2012
	millions of dollars	
Mitigation liability (Note 20)	235	251
Accrued benefit liability (Note 18)	174	156
Refundable advances from customers	96	87
Affordable Energy Fund (Note 21)	15	20
Transmission development fund	15	16
Asset retirement obligations	9	9
Other	6	3
	550	542

The Corporation recorded a liability for the transmission development fund for both the Wuskwatim transmission line and the Herblet Lake transmission line as outlined in the Wuskwatim Project Development Agreement. These funds will be used for community development purposes by eligible First Nations and small or remote northern communities in the vicinity of the transmission lines.

Asset retirement obligations continue to be recognized for the future decommissioning of the Brandon thermal generating station and for the partial decommissioning of the Pointe du Bois generating station spillway. The Corporation estimates the undiscounted cash flows required to settle the asset retirement obligations are approximately \$17 million (2012 - \$19 million), \$15 million (2012 - \$15 million) of which is expected to be incurred in 2024 to decommission the Brandon thermal generating station and \$2 million (2012 - \$4 million) is expected to be incurred by March 2015 for the partial decommissioning of the Pointe du Bois generating station spillway. No funds are being set aside to settle the asset retirement obligations.

NOTE 16 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Corporation's non-derivative financial instruments at March 31 were as follows:

	2013		2012	
Financial Instruments	Carrying value	Fair value	Carrying value	Fair value
		millions of dollars		
Held-for-trading				
Cash and cash equivalents	32	32	50	50
Loans and receivables				
Accounts receivable and accrued revenue	421	421	328	328
Interest receivable	4	4	4	4
Available-for-sale				
Sinking fund investments	352	352	372	372
Other financial liabilities				
Long-term debt (including current portion)	9 985	12 335	9 382	11 712
Accounts payable and accrued liabilities	421	421	361	361
Accrued interest	103	103	104	104
Asset purchase obligation	207	343	207	340

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.

Financial instrument measurements are Level 1 measurements with the exception of the long-term debt and the asset purchase obligation that are Level 2 measurements and certain derivative instruments of nominal value associated with wholesale power marketing activities that are Level 3 measurements. Fair value Level 2 measurements are derived from quoted market yields at the close of business on the consolidated balance sheet date for similar instruments available in the capital market. Level 3 measurements are based on internally developed valuation models which 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.

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, short-term 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. 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 value of the Corporation's aged accounts receivable and related bad debt provisions are presented in the following table:

	Manitoba	Extraprovincial	2013 Total	2012 Total
		millions of dollars		
Under 30 days	315	27	342	260
31 to 60 days	25	-	25	14
61 to 90 days	8	-	8	9
Over 90 days	26	-	26	28
	374	27	401	311
Provision at end of period	(9)	-	(9)	(8)
Total accounts receivable	365	27	392	303

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible.

To mitigate credit risk related to the use of natural gas derivative instruments, the Corporation adheres to well established credit exposure limits with institutions that possess a minimum credit rating of 'A' from recognized bond rating agencies or provide a parental guarantee from an 'A' rated parent company. The Corporation's maximum exposure to credit risk related to its derivative counterparties is equal to the positive fair value of its financial derivatives.

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 and derivative liabilities as at the balance sheet date:

	Carrying value	2014	2015	2016	2017	2018	2019 and thereafter
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	421	421	-	-	-	-	-
Asset purchase obligation	207	16	16	16	16	16	16*
Long-term debt**	10 088	1 293	822	932	916	908	14 719
		1 730	838	948	932	924	14 719
Derivative financial liabilities							
Commodity derivatives							
Fixed price swap contracts	-	-	-	-	-	-	-
		-	-	-	-	-	-
		1 730	838	948	932	924	14 719

*per year in perpetuity

**including 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 for 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 other comprehensive income until future hedged U.S. export revenues are realized, at which time the associated gains or losses in accumulated other comprehensive income are recognized in net income. For the year ended March 31, 2013, unrealized foreign exchange translation losses of $31 million (2012 - $54 million losses) were recognized in other comprehensive income and $2 million net losses (2012 - nil) were reclassified from other comprehensive income into net income.

Manitoba Hydro also has a fair value hedging relationship between U.S. long-term debt balances and U.S. sinking fund investments. Offsetting foreign exchange translation gains and losses on these items are recognized in 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, 2013, a change in the Canadian dollar of plus (minus) $0.10 relative to the U.S. dollar would decrease (increase) net income by $0.4 million (2012 - $0.2 million), while other comprehensive income would increase (decrease) by $177 million (2012 - $182 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 long-term debt and fixed rate long-term debt maturing within 12 months, less sinking fund withdrawals, offset by the change in interest capitalization. As at March 31, 2013, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $15 million (2012 - $10 million), with no impact to other comprehensive income.

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 restricted to contracts for differences and natural gas price swaps. Manitoba Hydro does not use derivative contracts for trading or speculative purposes.

The Corporation has entered into natural gas price swaps until July 2016 to purchase 231 510 gigajoules of natural gas at a weighted average fixed price of $5.12/GJ. The weighted average forward price of the swaps per AECO at March 31, 2013 was $3.67/GJ. These contracts are reported as derivatives and carried at fair value on the balance sheet.

The unrealized fair value gains (losses) of financial derivative contracts as at March 31 are as follows:

	2013	2012
	millions of dollars	
Fixed price swap contracts	-	(1)
Contracts for differences	-	1

Fair values of price swaps are calculated using the monthly forward AECO price as reported by the Natural Gas Exchange as at March 31, 2013.

Fair values of contracts for differences are calculated using the monthly forward electricity prices at pricing points specified in the contracts.

NOTE 17 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 current target is to maintain a minimum equity ratio of 25%.

The Corporation's equity ratio as at March 31 was as follows:

	2013	2012
	dollars are in millions	
Long-term debt, net of sinking fund investments	8 977	8 729
Current portion, long-term debt	656	281
Less: Cash and cash equivalents	(32)	(50)
Net debt	9 601	8 960
Retained earnings	2 542	2 450
Accumulated other comprehensive income	299	327
Contributions in aid of construction	340	318
Non-controlling interest	95	100
Total equity	3 276	3 195
Equity ratio	25%	26%

Manitoba Hydro issues debt for its capital requirements under the authority of *The Manitoba Hydro Act* and *The Loan 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 and the refinancing of any maturing long-term debt. The majority of Manitoba Hydro's long-term debt is obtained through advances by the Province of Manitoba.

NOTE 18 EMPLOYEE FUTURE BENEFITS

Manitoba Hydro employees are eligible for pension benefits under the CSSB defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years. The CSSB plan requires the Corporation to contribute approximately 50% of the pension disbursements made to retired employees. All current employees participating in the CSSB plan are eligible for enhanced pension benefits under the EHBP. The EHBP improves the pension formula used to calculate pension for active service accrued after June 1, 2006. In addition, the former employees of Centra are entitled to pension benefits earned under the Centra curtailed pension plans. The former Winnipeg Hydro employees continue to earn benefits under the WCEBP in which, upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The WCEBP is also a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years.

The CSSB manages the Corporation's pension funds (MH Pension Fund and EHBP) on behalf of the Corporation. The assets related to the Centra curtailed pension plans are held in trust by State Street Trust Co. of Canada. The assets and liabilities of the WCEBP are not reflected on Manitoba Hydro's consolidated balance sheet.

MHUS employees are eligible for pension benefits under the CSSB defined benefit plan. As a matching employer under the Civil Service Superannuation Act, MHUS is required to match employee contributions at a prescribed rate into the Civil Service Superannuation Fund pool of assets. MHUS' pension expense is recognized at the time contributions are made to the fund. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements related to the MHUS defined benefit 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 statements for the MHI defined contribution plan.

The following table presents information pertaining to the MH Pension Fund, the EHBP and the Centra curtailed pension plans:

	MH Pension Fund		Enhanced Hydro Benefit Plan		Centra curtailed pension plans		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
				millions of dollars				
Plan assets at fair value								
Balance at beginning of year	758	763	11	-	84	84	853	847
Actual return on plan assets	52	14	1	-	6	2	59	16
Employer contributions	26	23	2	11	12	2	40	36
Benefit payments and refunds	(44)	(42)	-	-	(5)	(4)	(49)	(46)
	792	758	14	11	97	84	903	853
Accrued benefit obligation								
Balance at beginning of year	1 012	837	11	-	98	86	1 121	923
Transfer in - other benefits	-	-	-	9	-	-	-	9
Interest on obligation	53	54	1	-	5	6	59	60
Current service cost	35	27	2	2	-	-	37	29
Benefit payments and refunds	(45)	(43)	-	-	(5)	(4)	(50)	(47)
Actuarial losses	177	137	6	-	15	10	198	147
	1 232	1 012	20	11	113	98	1 365	1 121
Deficit at end of year	(440)	(254)	(6)	-	(16)	(14)	(462)	(268)
Unamortized past service costs	-	-	-	-	1	2	1	2
Unamortized transitional balance	(1)	(2)	-	-	-	-	(1)	(2)
Unamortized net actuarial loss	521	353	6	-	57	42	584	395
Accrued benefit asset	80	97	-	-	42	30	122	127

Pension assets are valued at market rates and are invested as follows:

	MH Pension Fund Fair value		Centra curtailed pension plans Fair value	
	2013	2012	2013	2012
		millions of dollars		
Equities	492	495	63	57
Bonds and debentures	185	181	23	22
Real estate	89	79	8	4
Infrastructure	22	-	3	-
Short-term investments	4	3	-	1
	792	758	97	84

Manitoba Hydro has $14 million (2012 - $11 million) on deposit with the CSSB for the EHBP. Manitoba Hydro does not have a separate portfolio of assets for the EHBP. The investment income earned on the EHBP funds is based on the market value rate of return that is earned by the Civil Service Superannuation Fund (CSSF). For the year ended December 31, 2012, the CSSF earned a rate of return of 10.23% on fund assets.

The return on pension fund assets for the MH Pension Fund was 7.5% (2012 - 2.1%). The return for the Centra curtailed plan fund assets was 7.3% (2012 - 2.0%). The weighted average term to maturity on fixed income investments is 8.9 years (2012 - 9.5 years).

The most recent actuarial valuations for the Corporation's obligations under the CSSB and Centra curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2012. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuations for all plans, including the EHBP will occur in December 2013. The Centra curtailed pension plans are also subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2012.

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2013	2012
Discount rate - pensions	4.25%	5.25%
Discount rate - other benefits	4.25%	5.50%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of compensation increase, including merit and promotions	1.5 - 2.0%	1.5 - 2.0%
Expected average remaining service life of employees - MH Pensions	14 years	14 years
Expected average remaining service life of employees - Centra Pensions	10 years	10 years
Long-term inflation rate	2.0%	2.0%

The Corporation's pension expense related to each of the pension benefit plans is as follows:

	CSSB Plan		Enhanced Hydro Benefit Plan		Centra curtailed pension plans	
	2013	2012	2013	2012	2013	2012
			millions of dollars			
Current service cost	35	27	2	2	-	-
Administrative fees	2	2	-	-	-	-
Canada Pension Plan	15	14	-	-	-	-
Interest on obligation	53	54	1	-	5	6
Expected return on plan assets	(58)	(58)	(1)	-	(7)	(6)
Amortization of net experience loss	13	3	-	-	2	1
Amortization of transitional gain	(1)	(1)	-	-	-	-
	59	41	2	2	-	1

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the WCEBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the WCEBP during the year amounted to $1 million (2012 - $1 million) and reflect an employer contribution rate approximating 3.8% of pensionable earnings to January 2, 2013 and 4.3% of pensionable earnings thereafter. Pension expense for MHUS and MHI is equal to the employer contributions and is expensed during the period. The amounts are not material.

Manitoba Hydro also provides some non-pension employee future benefits including banked incidental and vacation days, long-term disability, retiree health spending, sick leave vesting and severance.

The following table presents information concerning other employee future benefits:

	2013	2012
	millions of dollars	
Accrued benefit liability		
Balance at beginning of year	173	166
Interest on obligation	9	7
Current service cost	23	21
Benefit payments	(17)	(18)
Transfers to EHBP	-	(9)
Actuarial loss	13	6
	201	173
Unamortized past service costs	(7)	(8)
Unamortized transitional obligation	(3)	(3)
Unamortized net actuarial loss	(17)	(6)
Accrued benefit liability	174	156

NOTE 19 COMMITMENTS AND CONTINGENCIES

Manitoba Hydro has energy purchase commitments of $1 592 million (2012 - $1 651 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 $1 592 million (2012 - $771 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 polychlorinated biphenyl contaminated 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. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material 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 at March 31, 2013 totaled $289 million (2012 - $305 million) and do not have specific maturity dates. Letters of credit in the amount of $6 million (2012 - $10 million) have been issued for energy related transactions with maturities until 2014.

NOTE 20 MITIGATION

Manitoba Hydro's mitigation program addresses past, present and ongoing adverse effects of hydro-electric development. The mitigation program, established in the late 1970s to address project impacts through alleviation of adverse effects, remedial works, offsetting programs and residual monetary 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 (Nelson House, Split Lake, York Landing, Norway House and Cross Lake). The mitigation program continues to address impacts arising from past hydro-electric developments, particularly for Aboriginal people residing or engaged in resource harvesting in the project area and it is essential for operating and future development purposes.

Expenditures recorded or settlements reached to mitigate the impacts of all projects amounted to $21 million during the year (2012 - $113 million). In recognition of future anticipated mitigation payments, the Corporation has recorded a liability of $235 million (2012 - $251 million). To March 31, 2013, $959 million (2012 - $938 million) has been recorded to mitigate and compensate for all project-related impacts. These expenditures are included in the costs of the related 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 payments or 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 fixed until March 31, 2001. The obligations outstanding at March 31, 2013 amounted to $11 million (2012 - $11 million).

NOTE 21 AFFORDABLE ENERGY FUND

In accordance with the provisions of the Winter Heating Cost Control Act, Manitoba Hydro established an Affordable Energy Fund (the Fund) in the initial amount of $35 million for the purpose of providing support for programs and services that:

(a) encourage energy efficiency and conservation;
(b) encourage the use of alternative energy sources, including earth energy; and
(c) facilitate research and development of alternative energy services and innovative energy technologies.

For accounting purposes, the Fund is classified as other long-term assets (Note 11) with an offsetting balance in other long-term liabilities (Note 15). Expenditures of $5 million (2012 - $7 million) during the year were charged to operations with the asset and liability accounts reduced accordingly. As at March 31, 2013, the balance remaining in the Fund amounted to $15 million (2012 - $20 million).

NOTE 22 NON-CONTROLLING INTEREST

Manitoba Hydro has entered into a partnership agreement 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 was placed into service during the 2012-13 year.

The 33% ownership interest of TPC in the WPLP of $95 million (2012 - $100 million) is represented as a non-controlling interest within the equity section of the consolidated balance sheet. TPC's portion of the net loss of the WPLP during 2012-13 is $13 million (2012 – nil) and is recorded as a non-controlling interest in the consolidated statement of income.

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC. As at March 31, 2013, Manitoba Hydro has provided advances to TPC of $91 million (2012 - $91 million). The advances plus interest are repayable by TPC through distributions from the WPLP.

NOTE 23 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments: electricity and gas. Each segment has its own particular economic characteristics and differs in nature, production processes and technology. The electricity segment encompasses the generation, transmission and distribution of electricity as well as subsidiaries providing related energy services. The gas segment represents natural gas supply and distribution activities through the operations of Centra. The Corporate segment represents the costs to acquire Centra and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electricity segments in accordance with the synergies and benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities, contributions in aid of construction and retained earnings by segment:

	Electricity		Gas		Corporate		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	millions of dollars							
Revenues*	1 733	1 582	147	132	-	-	1 880	1 714
Expenses								
Operating and administrative	469	419	64	62	-	-	533	481
Finance expense	452	385	18	19	19	19	489	423
Depreciation and amortization	394	353	27	26	2	2	423	381
Water rentals and assessments	118	119	-	-	-	-	118	119
Fuel and power purchased	133	146	-	-	-	-	133	146
Capital and other taxes	87	84	18	19	-	-	105	103
Corporate allocation	9	9	12	12	(21)	(21)	-	-
	1 662	1 515	139	138	-	-	1 801	1 653
Net income (loss) before non-controlling interest	71	67	8	(6)	-	-	79	61
Net loss attributable to non-controlling interest	13	-	-	-	-	-	13	-
Net income (loss)	84	67	8	(6)	-	-	92	61
Total assets	13 928	13 203	614	588	-	-	14 542	13 791
Total liabilities	10 848	10 196	418	400	-	-	11 266	10 596
Contributions in aid of construction	307	285	33	33	-	-	340	318
Retained earnings	2 500	2 416	42	34	-	-	2 542	2 450

*Revenues are stated net of cost of gas sold of $182 million (2012 - $197 million) and MHI project costs of $28 million (2012 - $19 million).

NOTE 24 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2012 have been reclassified in order to conform to the presentation adopted in 2013.

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 the 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 the 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 Audit and Risk Management Committee of 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, 2013.

(originally signed by)

Winston Hodgins
PRESIDENT & CEO

(originally signed by)

Tracy Graham
CHIEF FINANCIAL OFFICER

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Manitoba Lotteries Corporation

We have audited the accompanying consolidated financial statements of Manitoba Lotteries Corporation, which comprise the consolidated statement of financial position as at March 31, 2013, 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 Lotteries Corporation as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

(originally signed by)

Ernst & Young LLP

CHARTERED ACCOUNTANTS
WINNIPEG, CANADA,
JUNE 14, 2013.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	Notes	2013	2012
ASSETS			
Current Assets			
Cash		**$ 36,908**	$ 30,850
Trade and other receivables	5	**17,494**	15,929
Inventories	6	**1,471**	1,310
Prepayments	7	**3,104**	3,042
		58,977	51,131
Non-Current Assets			
Property and equipment, net	8	**291,386**	184,209
Intangible assets, net	9	**8,037**	4,122
		299,423	188,331
TOTAL ASSETS		**$ 358,400**	$ 239,462
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**$ 89,592**	$ 36,712
Payable to the Province of Manitoba		**21,042**	19,273
Current portion of long-term debt	11	**22,575**	13,614
		133,209	69,599
Non-Current Liabilities			
Long-term debt	11	**218,948**	163,583
Provision for employee pension benefits	12	**1,243**	1,280
		220,191	164,863
Commitments and contingencies	16		
Equity			
Retained Earnings		**5,000**	5,000
		5,000	5,000
TOTAL LIABILITIES AND EQUITY		**$ 358,400**	$ 239,462

(see accompanying notes to the consolidated financial statements)

On behalf of the Board,

(originally signed by)

Tannis Mindell

DIRECTOR & CHAIR OF THE BOARD OF DIRECTORS

(originally signed by)

Gerald Rosenby

DIRECTOR & CHAIR OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

CONSOLIDATED STATEMENT OF NET INCOME, COMPREHENSIVE INCOME AND EQUITY

FOR THE YEAR ENDED MARCH 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	Notes	2013	2012
Revenue		**$ 540,352**	$ 569,027
Direct Expenses			
VLT commissions		**31,667**	33,707
Gaming direct expenses	13	**6,048**	5,459
Non-gaming cost of sales	13	**7,721**	8,184
		494,916	521,677
Operating expenses	13	**137,438**	124,013
Depreciation and amortization		**31,665**	30,743
Goods and Services Tax		**3,700**	3,807
		172,803	158,563
Operating Income		**322,113**	363,114
Share of profit of Western Canada Lottery Corporation	14	**63,723**	67,675
Interest expense on long-term debt		**(6,553)**	(6,813)
Interest income		**274**	306
Income Before Allocations and Payments		**379,557**	424,282
Allocations and Payments			
Gaming Commission fees and Crown levy		**3,304**	3,142
First Nations allocation		**41,066**	43,775
Manitoba Jockey Club Inc. contribution		**5,671**	5,991
Tourism contribution		**23,632**	25,377
Responsible gaming funding		**4,391**	3,763
Casino bingo volunteer program		**3,951**	3,939
	15	**82,015**	85,987
NET INCOME AND COMPREHENSIVE INCOME		**297,542**	338,295
EQUITY, BEGINNING OF THE YEAR		**5,000**	9,578
Allocation to the Province of Manitoba		**(297,542)**	(338,295)
Allocation to the Province of Manitoba – Contributed Surplus		**–**	(4,578)
Total Allocation to the Province of Manitoba		**(297,542)**	(342,873)
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)

	2013	2012
Operating activities		
Net income and comprehensive income	**$ 297,542**	$ 338,295
Add (deduct) items not involving cash:		
Depreciation related to property and equipment	**30,330**	29,517
Depreciation on assets related to First Nations Casinos	**2,410**	2,682
Amortization related to intangible assets	**1,335**	1,226
Gain on disposal of property and equipment	**(240)**	(745)
Provision for (recovery of) employee pension benefits	**(37)**	496
	331,340	371,471
Net change in non-cash working capital items:		
Decrease (increase) in trade and other receivables	**(1,565)**	(3,892)
Decrease (increase) in inventories	**(161)**	291
Decrease (increase) in prepayments	**(62)**	(860)
Increase (decrease) in trade and other payables	**52,880**	(9,723)
Cash provided by operating activities	**382,432**	357,287
Investing activities		
Purchase of property and equipment	**(139,925)**	(40,635)
Purchase of intangible assets	**(5,250)**	(371)
Proceeds from disposal of property and equipment	**248**	882
Cash used in investing activities	**(144,927)**	(40,124)
Financing activities		
Cash distributions to the Province of Manitoba:		
Current year	**(291,500)**	(338,600)
Prior year	**(4,273)**	(4,401)
Proceeds from long-term debt	**78,122**	41,950
Repayment of long-term debt	**(13,796)**	(17,274)
Cash used in financing activities	**(231,447)**	(318,325)
Net increase (decrease) in cash during the year	**6,058**	(1,162)
Cash, beginning of the year	**30,850**	32,012
Cash, end of the year	**$ 36,908**	$ 30,850
Supplemental cash flow information		
Interest paid	**$ 7,870**	$ 7,108

(see accompanying notes to the consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013
(IN THOUSANDS OF CANADIAN DOLLARS)

1. BACKGROUND

The Manitoba Lotteries Foundation was established by the Manitoba Lotteries Foundation Act. On July 27, 1993, the Act was amended and continued under the Manitoba Lotteries Corporation Act. By consent of the Legislative Assembly of Manitoba, the organization continues its operations as a Crown corporation under the name of the Manitoba Lotteries Corporation (Manitoba Lotteries) or the Corporation. The registered office of the Corporation is located at 830 Empress Street, Winnipeg, Manitoba.

On April 17, 2012, the Province announced that The Liquor Control Commission (MLCC) and Manitoba Lotteries would be merged into a single entity and the regulatory oversight for liquor control, currently managed by the MLCC would be merged with the Manitoba Gaming Control Commission (MGCC). Each Crown corporation operates under a separate Act and will continue to function as a separate legal entity until they are combined under a common legislation.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements of the Corporation for the year ended March 31, 2013 were authorized for issue by the Board of Directors on June 14, 2013.

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 the Corporation, and all values are rounded to the nearest thousand dollars ($000) except where otherwise indicated.

(b) Statement of compliance

The consolidated financial statements of the Corporation 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

These consolidated financial statements combine the accounts of Manitoba Lotteries and MLC Holdings Inc.
This controlled entity was established to purchase capital assets, which are leased to Manitoba 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 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 Lotteries for the Province of Manitoba).

The Corporation 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 the Corporation's share of the profits calculated based on relative sales levels by jurisdiction is disclosed in note 14.

(e) First Nations Casinos

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 Lotteries to act as its agent in the Conduct and Management of the gaming regime. Through a selection process, the Government has provided certain First Nations the opportunity to operate casinos, with Manitoba Lotteries maintaining the Conduct and Management authority over these casinos. Effective December 1, 2005, the Corporation 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. The Corporation will continue to recover all direct and/or gaming related expenses.

(f) Foreign currency translation

Functional currency is the currency of the primary economic environment in which the Corporation operates and is normally the currency in which the Corporation 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 Corporation's functional currency and presentation currency is Canadian dollars (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.

(g) Financial instruments

Upon initial recognition the Corporation 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 Corporation's financial assets include cash and trade and other receivables. The Corporation's financial liabilities 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 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 the Corporation 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 the Corporation 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	3-8 years
Gaming equipment	5-8 years
Assets related to First Nations Casinos	5-7 years
Parking lots and roads	15 years
Major building components	10-50 years
Building structures	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 the Corporation 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.

Other leases are classified as operating leases and the leased assets are not recognized on the Corporation's 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.

(j) Intangible assets

Acquired intangible assets of the Corporation 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	5-10 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) Cash

For the purpose of the consolidated statement of cash flows, cash consists of cash on hand and bank balances. Cash at banks earn interest at floating rates based on daily bank deposit rates.

(l) Inventories

Inventories consist of bingo paper, breakopen tickets, and consumables. Inventories are valued at the lower of 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.

(m) Impairment

(i) Financial assets

The Corporation 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.

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

The Corporation assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the Corporation estimates the asset's recoverable amount. 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.

(n) Provisions

A provision is recognized if, as a result of a past event, the Corporation 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.

(o) Pension plans

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the Corporation 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. The Corporation is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the Corporation has no further pension liability. Based on limited information available from the Fund, the Corporation 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, the Corporation 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 in the statement of net income, comprehensive income and equity immediately.

The Corporation also makes contributions for employees and officers to a money purchase pension plan at prescribed rates, which are recorded as an operating expense.

(p) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as principal in all of its revenue arrangements.

Lottery revenue is recorded 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 is recorded at the time of play, net of prizes paid. Administration fees related to First Nations are recorded at the time services are rendered.

(q) Promotional allowances

Promotional allowances include the value of food, beverages and other items provided on a complimentary basis to patrons. The value of these complimentary items is included in gross revenue and then deducted as a promotional allowance to arrive at net revenue.

The Corporation 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 the Corporation fulfills its obligation to supply the awards.

(r) Goods and Services Tax

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, the Corporation 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.

An input tax credit is claimed for GST paid on non-gaming expenditures.

(s) Changes in accounting policies

During the year, the Corporation chose to adopt the following standards:

(i) IFRS 7 – *Financial Instruments: Disclosures* and IAS 32 – *Financial Instruments*: Presentation were amended in December 2011 to clarify the requirements for offsetting financial instruments and to incorporate new disclosure requirements on the effect of offsetting arrangements on an entity's financial statements. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively with earlier adoption permitted. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively with earlier adoption permitted. The adoption of the amendments to IFRS 7 and IAS 32 did not have any impact on the Corporation's financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

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 the Corporation are discussed below.

(a) Determination of useful lives for tangible and intangible assets

The Corporation has based the determination of the useful lives for their tangible and intangible assets on a detailed review of all empirical data for the different asset classes. The Corporation 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 the Corporation's environment which may indicate the requirement to reconsider these useful lives.

(b) Loyalty points program

The Corporation 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 $3,498 (2012 – $3,233) is included in trade and other payables and is based on an assessment of anticipated point redemptions and point value. The Corporation 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 the Corporation have been issued but were not yet effective at the date of issuance of the Corporation's consolidated financial statements.

(i) IAS 1 – *Presentation of Financial Statements* was amended in June 2011 to improve the consistency and clarity of the presentation of items of other comprehensive income by requiring items to be grouped on the basis of whether or not they may be subsequently reclassified to profit or loss. The amendments are effective for annual periods beginning on or after July 1, 2012 and their adoption is not expected to have an impact on the Corporation's consolidated financial statements.

(ii) IAS 1 – *Presentation of Financial Statements* was further amended in May 2012 to clarify the requirements for providing comparative information when an entity provides financial statements beyond the minimum comparative information requirements. The amendments are effective for annual periods beginning on or after January 1, 2013. The Corporation is currently assessing the impact of the amendments on its consolidated financial statements.

(iii) IFRS 9 – *Financial Instruments* reflects the first phase of the IASB's work on replacing the existing standard for financial instruments, IAS 39 – *Financial Instruments: Recognition and Measurement,* and applies to the classification and measurement of financial instruments as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Corporation's financial assets. The Corporation will quantify the effect in conjunction with the other phases when issued, to present a comprehensive picture.

(iv) IFRS 13 – *Fair Value Measurement* does not change the circumstances under which an entity is required to use fair value, but rather provides guidance on how to measure the fair value of financial or non-financial assets and liabilities when required or permitted by IFRS. While the underlying concepts in IFRS 13 are consistent with current practice, the application of certain principles and the disclosure requirements could have a significant impact on an entity's financial statements. The standard is effective for annual periods beginning on or after January 1, 2013 and the Corporation is currently evaluating the impact of adoption of the new standard.

(IN THOUSANDS OF CANADIAN DOLLARS)

5. TRADE AND OTHER RECEIVABLES

		2013		2012
Western Canada Lottery Corporation	**$**	**3,170**	$	7,259
Trade		**12,166**		8,454
Goods and Services Tax		**1,858**		3
Employee computer program		**300**		213
	$	**17,494**	$	15,929

The Corporation's exposure to credit risks related to trade and other receivables is disclosed in note 17 (c).

6. INVENTORIES

		2013		2012
Bingo paper	**$**	**391**	$	359
Breakopen tickets		**451**		372
Consumable supplies		**247**		227
Restaurant		**190**		157
Store merchandise		**192**		195
	$	**1,471**	$	1,310

7. PREPAYMENTS

		2013		2012
Maintenance contracts	**$**	**2,065**	$	1,996
Insurance		**450**		465
Entertainer and sponsorship deposits		**138**		124
Rent		**100**		127
Other		**351**		330
	$	**3,104**	$	3,042

(IN THOUSANDS OF CANADIAN DOLLARS)

8. PROPERTY AND EQUIPMENT

	Land	Buildings and parking lots	Gaming equipment	Furniture and equipment	Assets related to First Nations Casinos	Work in progress (WIP)	Total
COST							
April 1, 2011	$ 17,135	$ 176,727	$ 164,681	$ 93,767	$ 19,317	$ 12,241	$ 483,868
Additions	6,883	1,003	6,930	3,388	266	22,165	40,635
Transfers from WIP	–	2,068	578	4,736	116	(7,498)	–
Disposals	–	(171)	(4,873)	(236)	(2,731)	–	(8,011)
March 31, 2012	24,018	179,627	167,316	101,655	16,968	26,908	516,492
Additions	1,288	87	6,116	5,992	2,167	124,275	139,925
Transfers from WIP	–	2,113	740	3,139	–	(5,992)	–
Disposals	–	(8,785)	(3,030)	(597)	–	–	(12,412)
March 31, 2013	**$ 25,306**	**$ 173,042**	**$ 171,142**	**$ 110,189**	**$ 19,135**	**$ 145,191**	**$ 644,005**
DEPRECIATION							
April 1, 2011	$ –	$ 89,825	$ 127,600	$ 76,280	$ 14,253	$ –	$ 307,958
Depreciation	–	9,375	12,483	7,659	2,682	–	32,199
Disposals	–	(71)	(4,843)	(229)	(2,731)	–	(7,874)
March 31, 2012	–	99,129	135,240	83,710	14,204	–	332,283
Depreciation	–	1,143	21,548	7,639	2,410	–	32,740
Disposals	–	(8,785)	(3,023)	(596)	–	–	(12,404)
March 31, 2013	**$ –**	**$ 91,487**	**$ 153,765**	**$ 90,753**	**$ 16,614**	**$ –**	**$ 352,619**
NET BOOK VALUE							
March 31, 2013	**$ 25,306**	**$ 81,555**	**$ 17,377**	**$ 19,436**	**$ 2,521**	**$ 145,191**	**$ 291,386**
March 31, 2012	24,018	80,498	32,076	17,945	2,764	26,908	184,209
April 1, 2011	17,135	86,902	37,081	17,487	5,064	12,241	175,910

Capital assets related to First Nations Casinos under the Conduct and Management Agreement consist primarily of the cost of the gaming equipment and related computer equipment.

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 2013 fiscal year was $1,310 (2012 – $286). The rate used to determine the amount of borrowing costs eligible for capitalization was 2.250%, 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 2013 fiscal year is $4,191 (2012 – $4,469) and consists of land being used for parking facilities at the McPhillips Station Casino and the Video Lotto office building located in Morris, Manitoba.

(IN THOUSANDS OF CANADIAN DOLLARS)

9. INTANGIBLE ASSETS

		Computer software – acquired
COST		
April 1, 2011	$	13,235
Additions		371
March 31, 2012		13,606
Additions		5,250
March 31, 2013	**$**	**18,856**
AMORTIZATION		
April 1, 2011	$	8,258
Amortization		1,226
March 31, 2012		9,484
Amortization		1,335
March 31, 2013	**$**	**10,819**
NET BOOK VALUE		
March 31, 2013	**$**	**8,037**
March 31, 2012		4,122
April 1, 2011		4,977

10. TRADE AND OTHER PAYABLES

		2013		2012
Trade	**$**	**77,062**	$	24,780
Vacation		**9,652**		8,962
Interest		**10**		17
Jackpot liability		**2,551**		2,611
Province of Manitoba taxes		**317**		342
	$	**89,592**	$	36,712

(IN THOUSANDS OF CANADIAN DOLLARS)

11. LONG-TERM DEBT

	2013	2012
Province of Manitoba, bearing interest at 5.050%, repayable in monthly principal installments of $563 plus interest until August 31, 2030.	**$ 117,562**	$ 124,313
Province of Manitoba, bearing interest at the prevailing Bankers Acceptance Rate plus ¼ of 1%, repayable in quarterly principal installments of $679 plus interest until May 10, 2012.	**–**	679
Province of Manitoba, bearing interest at 4.050%, repayable in monthly principal installments of $84 plus interest until August 31, 2012.	**–**	421
Province of Manitoba, bearing interest at 4.150%, repayable in monthly principal installments of $96 plus interest until July 31, 2013.	**383**	1,530
Province of Manitoba, bearing interest at 2.500%, repayable in monthly principal installments of $12 plus interest until February 26, 2015.	**268**	408
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. The interest rate on the debt at March 31, 2013 was 2.120%.	**5,500**	7,700
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. The interest rate on the debt at March 31, 2013 was 2.250%.	**34,000**	30,800
Province of Manitoba, bearing interest at 2.375%, repayable in monthly principal installments of $70 plus interest until March 31, 2017.	**3,360**	4,200
Province of Manitoba, bearing interest at 2.375%, repayable in monthly principal installments of $108 plus interest until March 31, 2017.	**5,200**	6,500
Province of Manitoba, bearing interest at 2.375%, repayable in monthly principal installments of $8 plus interest until August 31, 2016.	**308**	398
Province of Manitoba, bearing interest at 2.625%, repayable in monthly principal installments of $685 plus interest until March 31, 2020.	**57,540**	–
Province of Manitoba, bearing interest at 2.350%, repayable in monthly principal installments of $182 plus interest until February 28, 2020.	**15,118**	–
Province of Manitoba, bearing interest at 2.125%, repayable in monthly principal installments of $35 plus interest until March 31, 2018.	**2,082**	–
Finance lease obligation to the Province of Manitoba, with a 7.630% implicit interest rate and annual minimum lease payments of $64 until July 13, 2017.	**202**	248
	241,523	177,197
Less current portion of long-term debt	**22,575**	13,614
	$ 218,948	$ 163,583

All long-term debt is unsecured and the fair market value at March 31, 2013 is $255,001. Subsequent to year-end, the Corporation has borrowed an additional $23,000 in long-term debt.

The Corporation's exposure to liquidity risks related to long-term debt is disclosed in note 17 (b).

(IN THOUSANDS OF CANADIAN DOLLARS)

12. PROVISION FOR EMPLOYEE PENSION BENEFITS

The Corporation has a defined contribution money purchase pension plan and is a member of the multi-employer Civil Service Superannuation Fund. These pension plans cover substantially all employees and both require contributions to be made to separately administered funds.

The pension expense related to the Corporation's contributions to the money purchase plan is $175 (2012 – $147) and is recorded in operating expenses.

The pension expense related to the Corporation's contributions to the multi-employer Civil Service Superannuation Fund is $4,141 (2012 – $4,073). Based on limited information available from the Fund, the Corporation 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, the Corporation's contribution to the Fund is recorded in operating expenses. The Corporation's share of the multi-employer plan accrued benefit obligation has been actuarially measured for accounting purposes as at March 31, 2013 using the accumulated benefit cost method prorated based on service, a discount rate of 4.20% (2012 – 4.50%) and management's best estimate of expected plan performance, salary escalation and retirement ages of employees.

A pension liability of $1,243 (2012 – $1,280) has been established for employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund. A gain of $37 was experienced in the current year based on the most recently available actuarial assessment of pension obligations as at March 31, 2013 and is included in the above pension expense.

13. EXPENSES BY NATURE

Gaming direct expenses consist primarily of costs associated with the operation and maintenance of the Corporation's electronic gaming equipment, table games equipment and online gaming site. Non-gaming cost of sales consist primarily of costs associated with the Corporation's entertainment, food & beverage and retail store operations.

The Corporation's operating expenses by their nature are as follows:

	2013	2012
Employee benefits	**$ 96,274**	$ 93,187
Community support	**1,965**	1,921
Consultant and professional fees	**3,354**	2,936
Maintenance	**13,592**	5,915
Marketing	**6,984**	6,105
Property taxes	**3,057**	3,140
Sundry	**2,370**	2,433
Supplies and equipment	**3,750**	3,197
Telecommunications	**1,967**	1,222
Transportation and vehicles	**1,756**	1,603
Utilities	**2,369**	2,354
	$ 137,438	$ 124,013

(IN THOUSANDS OF CANADIAN DOLLARS)

14. SHARE OF PROFIT OF WCLC

		2013		2012
Revenue	**$**	**225,576**	$	223,422
Prizes, commissions & other cost of sales		**155,799**		149,820
WCLC partner equalization		**3,808**		3,598
Payment to Government of Canada		**2,246**		2,329
Profit	**$**	**63,723**	$	67,675

The WCLC earned revenue in the 2013 fiscal year in the amount of $1,266,762 (2012 – $1,183,804), of which the Corporation's share calculated based on relative sales levels by jurisdiction is 18% (2012 – 19%). The WCLC's total profit for the 2013 fiscal year was $424,541 (2012 – $400,725) of which the Corporation's share is 15% (2012 – 17%).

The Province of Manitoba is a member in the WCLC. An agreement is in place with the Provinces of Alberta and Saskatchewan where Manitoba 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.

15. ALLOCATIONS AND PAYMENTS

		2013		2012
Gaming Commission fees and Crown levy	**$**	**3,304**	$	3,142
First Nations allocation		**41,066**		43,775
Manitoba Jockey Club Inc. contribution		**5,671**		5,991
Tourism contribution		**23,632**		25,377
Responsible gaming funding		**4,391**		3,763
Casino bingo volunteer program		**3,951**		3,939
	$	**82,015**	$	85,987

The Corporation provides funding to the MGCC through payment of annual registration fees for electronic gaming machines and employees. The Corporation 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.

(IN THOUSANDS OF CANADIAN DOLLARS)

The Corporation pays the Manitoba Jockey Club Inc. a portion of the revenue generated by the VLTs at Assiniboia Downs as a contribution to support horse racing in the province.

The Corporation provides contributions towards supporting tourism in Manitoba through the VLT program.

Responsible gaming funding includes amounts paid to the Addictions Foundation of Manitoba and other organizations for their responsible gaming research and programming.

The Corporation provides over four hundred charitable and community organizations the opportunity to raise funds for their organizations by assisting the Corporation in the bingo events held at its casinos and providing funding to various community groups throughout Manitoba.

16. COMMITMENTS AND CONTINGENCIES

(a) Lease obligations

The Corporation has entered into commercial leases on certain buildings and parking lots which have an average remaining term of 1 to 9 years with options for renewal after that date. In addition, the Corporation has entered into commercial leases on certain motor vehicles which have a remaining term ranging between 1 to 6 years with no renewal option included in the contracts. The future minimum rental payments relating to operating leases are as follows:

2014	$	981
2015		767
2016		425
2017		141
2018		132
Subsequent years		319
	$	2,765

(b) Legal claims

Incidental to the nature of its business, the Corporation 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 Corporation's financial position.

In addition to the legal actions and claims indicated above, the Corporation was named as a party to a lawsuit related to Scratch 'n Win lottery tickets in March 2009. No steps have been taken to proceed with the claim since it was filed and the possibility of a payout related to this action cannot be determined at this time; therefore no provision for any liability has been made in the consolidated financial statements. In addition, subsequent to year-end, the Corporation was named as a party to a lawsuit being brought forward by the Manitoba Jockey Club Inc. The details of this claim are disclosed in note 19.

(c) Purchase commitments

At the end of the 2013 fiscal year the Corporation had purchase commitments of $52,289 related to casino construction projects.

(IN THOUSANDS OF CANADIAN DOLLARS)

17. FINANCIAL INSTRUMENTS

The Corporation is exposed to interest rate, liquidity and credit risks arising from financial assets and liabilities. The Corporation's objectives in managing these risks are to protect from volatility and to minimize exposure from fluctuations in market rates.

Risk management policies have been established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Corporation's 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 the Corporation's income that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk, though risks associated with interest rate fluctuations are mitigated based on 84% (2012 – 78%) of long-term debt having a fixed interest rate. The impact on the Corporation's income associated with the variable interest rate long-term debt is not considered significant.

(b) Liquidity risk

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation mitigates this risk through cash and long-term debt management. Trade payables are due within one year and a significant portion of the long-term debt is repayable in either quarterly or monthly installments.

The table below summarizes the maturity profile of the Corporation's financial liabilities as at year-end based on contractual undiscounted payments.

2013	**On demand**	**Less than 1 year**	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**>5 years**
Trade and other payables	**$ 2,551**	**$ 87,041**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Payable to the Province of Manitoba	**–**	**21,042**	**–**	**–**	**–**	**–**	**–**	**–**
Long-term debt	**–**	**22,575**	**22,184**	**20,960**	**19,790**	**17,572**	**17,156**	**121,286**
	$ 2,551	**$ 130,658**	**$ 22,184**	**$ 20,960**	**$ 19,790**	**$ 17,572**	**$ 17,156**	**$ 121,286**

2012	**On demand**	**Less than 1 year**	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**>5 years**
Trade and other payables	$ 2,611	$ 34,101	$ –	$ –	$ –	$ –	$ –	$ –
Payable to the Province of Manitoba	–	19,273	–	–	–	–	–	–
Long-term debt	–	13,614	11,753	11,362	10,138	8,968	6,750	114,612
	$ 2,611	$ 66,988	$ 11,753	$ 11,362	$ 10,138	$ 8,968	$ 6,750	$ 114,612

(IN THOUSANDS OF CANADIAN DOLLARS)

(c) Credit risk

Credit risk is the risk to the Corporation that a counterparty will fail to perform its obligations or pay amounts due causing a financial loss. The Corporation 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. The requirement for impairment is analyzed at each reporting date for every customer on an individual basis. 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 the Corporation does not have significant concentration risk.

The aging of trade and other receivables at the end of the 2013 fiscal year is as follows:

Neither impaired nor past due	$ 17,470
Not impaired and past due as follows:	
Within 30 days	24
31 to 60 days	5
61 to 90 days	2
Over 90 days	1
Allowance for doubtful accounts	(8)
	$ 17,494

(d) Capital management

The Corporation's capital is comprised of long-term debt and equity. The Corporation's 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 have remained unchanged over the fiscal years presented.

The Corporation is subject to capital growth restrictions as the result of the requirement to allocate 100% of annual consolidated net income to the Province of Manitoba.

(e) Fair value

The fair value of the Corporation's 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.

(IN THOUSANDS OF CANADIAN DOLLARS)

The Corporation's 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 the Corporation's financial instruments approximates their carrying value.

Financial instruments recorded at fair values, classified using the fair value hierarchy, are as follows:

2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	**$ 36,908**	**$ –**	**$ –**	**$ 36,908**
	$ 36,908	**$ –**	**$ –**	**$ 36,908**

2012	Level 1	Level 2	Level 3	Total
Cash	$ 30,850	$ –	$ –	$ 30,850
	$ 30,850	$ –	$ –	$ 30,850

18. RELATED PARTY DISCLOSURES

The Corporation 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 the Corporation, which is recognized as an operating expense during the year, is as follows:

	2013	2012
Short-term employee benefits	**$ 1,811**	$ 1,613
Post-employment pension and medical benefits	**77**	67
	$ 1,888	$ 1,680

19. EVENTS AFTER THE REPORTING PERIOD

On May 23, 2013, a statement of claim was filed naming the Corporation as one of the parties in an action being brought forward by the Manitoba Jockey Club Inc. This matter is in its preliminary stages and the possibility of a payout related to this action cannot be determined at this time; therefore no provision for any liability has been made in the consolidated financial statements.

20. COMPARATIVE FIGURES

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 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 his fee arrangements to the Board of Directors. The 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 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 actuary's opinion.

KPMG LLP, the Corporation's appointed external auditors, have audited the financial statements. Their 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.

M. J. McLaren
President and Chief Executive Officer

H. D. Reichert, FCA
Vice-President, Finance and Chief Financial Officer

May 3, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of 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 28, 2013, the statements of operations, comprehensive income, changes in equity 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 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.

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 our 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, we 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 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.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Public Insurance Corporation as at February 28, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

May 3, 2013

Winnipeg, Canada

Financial Statements

Statement of Financial Position

As At February 28/29 (in thousands of Canadian dollars)	Notes	2013	2012
Assets			
Cash and investments	4	**1,551,879**	1,550,606
Equity investments	4	**562,229**	502,675
Investment property	4&5	**209,087**	190,990
Due from other insurance companies	6	**1,002**	2,545
Accounts receivable		**321,293**	304,155
Prepaid expenses		**1,034**	996
Deferred policy acquisition costs	7	**26,312**	40,547
Reinsurers' share of unearned premiums	17	**69**	3,340
Reinsurers' share of unpaid claims	17&18	**33,732**	31,291
Property and equipment	8	**126,883**	123,266
Deferred development costs	9	**47,613**	36,799
		2,881,133	2,787,210
Liabilities			
Due to other insurance companies	10	**1,788**	5,791
Accounts payable and accrued liabilities	11	**58,227**	57,849
Financing lease obligation	12	**4,482**	4,536
Unearned premiums and fees	14	**474,977**	479,592
Provision for employee current benefits	15	**21,501**	21,109
Provision for employee future benefits	16	**332,155**	301,261
Provision for unpaid claims	17&18	**1,558,024**	1,485,445
		2,451,154	2,355,583
Equity			
Retained Earnings			
Basic Insurance Retained Earnings			
Rate Stabilization Reserve		**141,470**	155,700
Retained Earnings		-	57,983
		141,470	213,683
Non-Basic Retained Earnings			
Retained Earnings		**177,231**	139,060
Extension Development Fund	21	**6,723**	20,769
		183,954	159,829
		325,424	373,512
Accumulated Other Comprehensive Income	22	**104,555**	58,115
Total Equity		**429,979**	431,627
		2,881,133	2,787,210

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

Approved by the Board of Directors:

Jake Janzen
Chairperson

Kerry Bittner
Vice-Chairperson

Statement of Operations

For the years ended February 28/29 (in thousands of Canadian dollars)	Notes	2013	2012
Earned Revenues			
Gross premiums written		**948,818**	967,565
Premiums ceded to reinsurers		**(12,547)**	(8,025)
Net premiums written		**936,271**	959,540
(Increase) decrease in gross unearned premiums		**7,910**	(17,735)
Increase (decrease) in reinsurers' share of unearned Premiums		**(3,271)**	(6,420)
Net premiums earned		**940,910**	935,385
Service fees & other revenue	23	**25,577**	25,046
The Drivers and Vehicles Act operations recovery	24	**27,900**	27,325
Total Earned Revenues		**994,387**	987,756
Claims Costs			
Direct claims incurred		**754,404**	710,002
Claims incurred ceded to reinsurers		**(7,922)**	(8,152)
Net claims incurred		**746,482**	701,850
Claims expense		**130,702**	132,325
Loss prevention/Road safety		**15,974**	15,828
Total Claims Costs		**893,158**	850,003
Expenses			
Operating		**127,869**	113,554
Commissions		**72,491**	77,437
Premium taxes		**28,702**	28,071
Regulatory/Appeal		**3,424**	3,457
Total Expenses		**232,486**	222,519
Underwriting income (loss)		**(131,257)**	(84,766)
Investment income	4	**83,169**	118,975
Gain on disposal of property		**-**	3,214
Net income (loss) from annual operations	25	**(48,088)**	37,423
Surplus distribution	26	**-**	(14,120)
Net income (loss) after surplus distribution	25	**(48,088)**	23,303

Statements of Comprehensive Income (Loss)

For the years ended February 28/29 (in thousands of Canadian dollars)	Notes	2013	2012
Net income (loss) after surplus distribution	25	**(48,088)**	23,303
Other Comprehensive Income (Loss)			
Unrealized gains (losses) on Available for Sale assets	22	**53,808**	(23,310)
Reclassification of net realized (gains) losses related to Available for Sale assets	22	**(7,368)**	(2,127)
Other Comprehensive Income (Loss) for the period		**46,440**	(25,437)
Total Comprehensive Income (Loss)		**(1,648)**	(2,134)

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

Statement of Changes in Equity

(in thousands of Canadian dollars)	Basic: Rate Stabilization Reserve (RSR)	Basic: Retained Earnings (B-RE)	Basic: IT Optimization Fund (ITOF)	Non-Basic: Retained Earnings (NB-RE)	Non-Basic: Extension Development Fund (EDF)	Corporate: Retained Earnings	Corporate: Accumulated Other Comprehensive Income	Corporate: Equity
Balance at March 1, 2011	140,525	-	65,000	101,457	43,227	350,209	83,552	433,761
Net income (loss) after surplus distribution for the year	-	8,158	-	15,145	-	23,303	-	23,303
Other comprehensive income (loss) for the year							(25,437)	(25,437)
Transfer between RSR, B-RE & ITOF	15,175	(15,175)	-	-	-	-	-	-
Transfer between B-RE & ITOF	-	65,000	(65,000)	-	-	-	-	-
Transfer between NB-RE & EDF	-	-	-	22,458	(22,458)	-	-	-
Balance at February 29, 2012	155,700	57,983	-	139,060	20,769	373,512	58,115	431,627
Net income (loss) after surplus distribution for the year	-	(72,213)	-	24,125	-	(48,088)	-	(48,088)
Other comprehensive income (loss) for the year						-	46,440	46,440
Transfer between RSR & B-RE	(14,230)	14,230	-	-	-			
Transfer between NB-RE & EDF	-	-	-	14,046	(14,046)	-	-	-
Balance at February 28, 2013	**141,470**	-	-	**177,231**	**6,723**	**325,424**	**104,555**	**429,979**

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

Statement of Cash Flows

For the years ended February 28/29 (in thousands of Canadian dollars)	Notes	2013	2012
Cash Flows from (to) Operating Activities:			
Net income (loss) after surplus distribution		**(48,088)**	23,303
Non-cash items:			
Depreciation of property and equipment		**6,742**	6,747
Amortization of deferred development costs		**8,847**	8,406
Amortization of bond discount and premium		**5,872**	4,911
(Gain) loss on sale of investments		**(24,422)**	(41,831)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		**9,075**	(26,122)
Unrealized (gain) loss on investment in real estate		**(18,915)**	(15,631)
Unrealized (gain) loss on investment in infrastructure		**(1,035)**	(645)
Write-down of investments		**3,957**	13,599
		(57,967)	(27,263)
Net change in non-cash balances:			
Due from other insurance companies		**1,542**	9,426
Accounts receivable and prepaid expenses		**(17,177)**	(12,167)
Deferred policy acquisition costs		**14,235**	6,403
Reinsurers' share of unearned premiums and unpaid claims		**829**	17,536
Due to other insurance companies		**(4,002)**	(7,596)
Accounts payable and accrued liabilities		**378**	(303,730)
Unearned premiums and fees		**(4,615)**	19,005
Provision for employee current benefits		**392**	1,935
Provision for employee future benefits		**30,893**	43,449
Provision for unpaid claims		**72,579**	44,300
		95,054	(181,439)
		37,087	(208,702)
Cash Flows from (to) Investing Activities:			
Purchase of investments		**(968,030)**	(1,093,650)
Proceeds from sale of investments		**996,010**	1,386,583
Acquisition of property and equipment net of proceeds from disposals		**(10,358)**	(6,876)
Financing lease obligation		**(54)**	(50)
Deferred development costs incurred		**(19,661)**	(6,973)
		(2,093)	279,034
Increase (decrease) in Cash and Short-Term Investments		**34,994**	70,332
Cash and short-term investments beginning of year		**135,888**	65,556
Cash and Short-Term Investments end of year	4	**170,882**	135,888
Supplemental cash flow information:			
Interest received		**40,917**	35,389
Dividends received		**11,058**	12,570

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

Notes to Financial Statements

February 28, 2013

1. Status of Corporation

The Manitoba Public Insurance Corporation (the "Corporation") was incorporated as a Crown Corporation under *The Automobile Insurance Act* in 1970. 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*, the Corporation is responsible for 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 3, 2013.

The external actuary is appointed by the Board of Directors of the Corporation. With respect to preparation of these financial statements, the external actuary is required to carry out a valuation of the policy liabilities and to report thereon to the Corporation's Board of Directors.

The external actuary also uses the work of the external auditors in his verification of the information prepared by the Corporation used in the valuation of the policy 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 external actuary and his report on the Corporation's policy 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.

These statements are presented in thousands of Canadian dollars 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. Measurement of the financial instruments is detailed in Note 4.

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 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.

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 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)
- cash and short-term investments, loans and receivables
- other financial liabilities

Corporate investments that are determined to be impaired are written down to their expected recoverable amount. Equity investments, classified as AFS, would be considered impaired if there is objective evidence of a significant or prolonged decline in the fair value of the investment below its cost.

The fair value of financial instruments are obtained from external pricing services and are based on bid prices for financial assets. Short-term investments comprise investments due to mature within 12 months from the date of purchase and are carried at fair value.

The Corporation accounts for the purchase and sale of securities using settlement date accounting.

i) AFS Financial Assets

AFS 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 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 value of FVTPL bonds including federal, provincial, certain municipal, certain hospitals, other provinces and corporations is 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 Short-Term Investments

Cash and short-term investments are comprised of cash, current operating accounts, provincial short term deposits 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 other comprehensive income are reclassified to profit or loss in the period.

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 other comprehensive income.

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. Short-term investments comprise investments due to mature within 12 months 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

Commissions and premium taxes are deferred and charged to expense over the term of the insurance contract to which such costs relate.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. 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:

- computer equipment 3 years
- vehicles 5 years
- furniture and equipment 10 years
- HVAC systems 20 years
- land improvements 25 years
- roofing systems 30 years
- elevators/escalators 30 years
- buildings 40 years

Buildings held under a long-term lease arrangement are depreciated on a straight-line basis over 40 years.

Leasehold improvements 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.

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

Depreciation of construction in progress will begin, in accordance with the above policy, when construction has been completed.

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 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 expenditure is recognized in profit or loss in the period in which it is 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)

At each Statement of Financial Position date, 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 to various food chains, stores, offices and individuals 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 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.

DIVIDEND INCOME

Dividend income from investments is recognized when the Corporation's rights to receive payments is established.

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.

The Corporation values its pension benefit plan at December 31, 2012. Roll-forward procedures are performed to ensure that the December 31, 2012 valuation is a reliable estimate of the valuation at February 28, 2013.

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.

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 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.

LIABILITY ADEQUACY TEST

At each end of the 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 liability.

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.

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 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 other comprehensive income, and included in accumulated other comprehensive income until recognized in the Statement of Operations.

Basic Insurance Rate Stabilization Reserve

The Basic Insurance Rate Stabilization Reserve relates to 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.

Information Technology Optimization Fund

In 2010/2011, the Corporation's Board of Directors authorized the appropriation of $75.0 million from Retained Earnings of the Corporation to fund costs for Information Technology (IT) optimization projects. In 2011/2012, the Corporation's Board of Directors approved the transfer of $65.0 million from the IT Optimization Fund back to Basic Retained Earnings and $10.0 million from the Extension Development Fund back to Extension Retained Earnings, eliminating the funds established for IT optimization projects. Management has been authorized to enter into an agreement to have Data Centre Optimization services provided by a third party. Given this agreement, the nature of the IT optimization costs has changed from being capital intensive to an annual management service fee. Consequently, the IT Optimization Fund is no longer required.

Extension Development Fund

The Extension Development Fund (EDF) is an appropriation from the non-Basic Lines Retained Earnings. The EDF was established to defray the costs of projects undertaken to maximize the opportunities presented by the 2004 merger of Manitoba Public Insurance and the Division of Driver and Vehicle Licensing.

Retained Earnings

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 consists of Extension and Special Risk Extension lines of business and *The Drivers and Vehicles Act* operations.

Comprehensive Income

Comprehensive income consists of net income (loss) after surplus distribution and other comprehensive income (loss). Changes in unrealized gains and losses on financial assets classified as AFS, and related changes in unrealized foreign exchange currency translation amounts are recorded in other comprehensive income, and included in accumulated other comprehensive income until recognized in the Statement of Operations. Accumulated other comprehensive income 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. At February 28, 2013 the allowance for doubtful accounts on accounts receivable is $6.6 million (Note 31).

DEFERRED DEVELOPMENT COSTS (INTANGIBLE ASSETS)

Deferred development costs represent $47.6 million of total assets on the Statement of Financial Position at February 28, 2013 (Note 9). A significant portion of ongoing expenditures relate 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

The Appointed 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 policy 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 and claims expenses. The policy 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.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY (NON-FINANCIAL INSTRUMENTS)

The Corporation estimates the useful life and residual value for all Property and Equipment and Investment Property which include all significant components.

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

Due to the nature of Level 3 investments, they are valued using an approved valuation technique which requires the use of significant assumptions such as discount rates and volatility of future cash flows. Management considers current market information when selecting a discount rate and estimating the future cash flows related to each internally valued financial asset. See Note 4 for further details of valuation methods and assumptions.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgments, apart from those involving estimations that management have made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Held to Maturity Investments

Management has classified certain municipal, hospital and school bonds as held to maturity. The assessment of the Corporation's intent and ability to hold these investments until maturity is a matter of judgment. To determine the Corporation's intent and ability to hold the investment until maturity, management considers internal investment policies, documented risk management policies, and the overall financial performance of the Corporation.

Leases

The Corporation enters into leasing arrangements for general business purposes. The assessment of when substantially all of the significant risks and rewards of ownership of leased assets are transferred is a matter of judgment. This judgment impacts the Corporation's classification of leases as operating relative to financing leases.

Future Changes in Accounting Policy and Disclosure

The International Accounting Standards Board (IASB) issued IFRS 9, *Financial Instruments* in November 2009. This standard is the completion of the first part of a three-part project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard is to reduce complexity compared to IAS 39. The Standard is effective for annual periods beginning on or after January 1, 2015. Restatement of comparative period financial statements is not required on initial application.

In May, 2011, the IASB issued IFRS 13, *Fair Value Measurement*. This standard sets out, in a single IFRS, a framework to measure fair value and requires disclosures about fair value measurement. The Standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The IASB issued amendments to IAS 19, *Employee Benefits* in June, 2011. The amendments will improve the recognition and disclosure requirements for defined benefit plans. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The IASB is undertaking Phase II of the Insurance Contracts project to develop a standard to replace the interim IFRS 4, *Insurance Contracts* that was developed in Phase I. The revised exposure draft of the new IFRS is planned to occur in the second quarter of 2013 with an effective date to be confirmed.

4. Investments

Cash consists of cash net of cheques issued in excess of amounts on deposit. There is no amount held in trust on behalf of other insurance companies included in cash and short-term investments (2012 – nil).

Short-term investments have a total principal amount of $176.3 million (2012 – $146.4 million) comprised of provincial short-term deposits with effective interest rates of 0.91% to 0.93% (2012 - 0.86% to 0.88%), 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. There were no drawdowns against this line of credit at February 28, 2013.

Cash and Investments

(in thousands of Canadian dollars)	Financial Instruments				
As at February 28, 2013	**Classified as Available for Sale**	**Classified as Held to Maturity**	**Classified as Fair Value Through Profit or Loss**	**Non-Financial Instruments**	**Total Carrying Value**
Cash and short-term investments	**170,882**	**-**	**-**	**-**	**170,882**
Bonds					
Federal	**-**	**-**	**61,460**	**-**	**61,460**
Manitoba:					
Provincial	**-**	**-**	**254,190**	**-**	**254,190**
Municipal	**-**	**15,140**	**29,860**	**-**	**45,000**
Hospitals	**-**	**-**	**12,107**	**-**	**12,107**
Schools	**-**	**536,434**	**-**	**-**	**536,434**
Other provinces:					
Provincial	**-**	**-**	**338,172**	**-**	**338,172**
Municipal	**-**	**-**	**63,023**	**-**	**63,023**
Corporations	**-**	**-**	**44,081**	**-**	**44,081**
	-	**551,574**	**802,893**	**-**	**1,354,467**
Other investments	**4,099**	**-**	**-**	**-**	**4,099**
Infrastructure	**-**	**-**	**22,431**	**-**	**22,431**
Cash and investments	**174,981**	**551,574**	**825,324**	**-**	**1,551,879**
Equity investments	**562,229**	**-**	**-**	**-**	**562,229**
Investment property	**-**	**-**	**173,002**	**36,085**	**209,087**
	737,210	**551,574**	**998,326**	**36,085**	**2,323,195**

(in thousands of Canadian dollars)	Financial Instruments				
As at February 29, 2012	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss	Non-Financial Instruments	Total Carrying Value
Cash and short-term investments	135,888	-	-	-	135,888
Bonds					
Federal	-	-	121,282	-	121,282
Manitoba:					
Provincial	-	-	289,926	-	289,926
Municipal	-	17,591	36,952	-	54,543
Hospitals	-	-	12,482	-	12,482
Schools	-	490,157	-	-	490,157
Other provinces:					
Provincial	-	-	319,976	-	319,976
Municipal	-	-	58,034	-	58,034
Corporations	-	-	49,957	-	49,957
	-	507,748	888,609	-	1,396,357
Other investments	6,771	-	-	-	6,771
Infrastructure	-	-	11,590	-	11,590
Cash and investments	142,659	507,748	900,199	-	1,550,606
Equity investments	502,675	-	-	-	502,675
Investment property	-	-	154,086	36,904	190,990
	645,334	507,748	1,054,285	36,904	2,244,271

The fair value of HTM bonds including schools, certain municipal and certain hospitals is based on their carrying value, which approximates market value.

The following table presents the financial instruments measured at fair value, classified by valuation method.

The three levels have been defined as follows:

Level 1 – Unadjusted quoted market prices of identical assets in active markets;

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset, either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The classification in the hierarchy of a financial instrument is based on the lowest level of input that is significant to the measurement of fair value.

As at February 28, 2013

(in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**86,920**	**699,688**	**16,285**
Infrastructure	**-**	**-**	**22,431**
Investment property	**-**	**173,002**	**-**
Total FVTPL financial assets	**86,920**	**872,690**	**38,716**
AFS financial assets			
Cash and short term investments	**170,882**	**-**	**-**
Other investments	**-**	**-**	**4,099**
Equity investments	**562,229**	**-**	**-**
Total AFS financial assets	**733,111**	**-**	**4,099**
Total assets measured at fair value	**820,031**	**872,690**	**42,815**

As at February 29, 2012 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	75,592	799,821	13,196
Infrastructure	-	-	11,590
Investment property	-	154,086	-
Total FVTPL financial assets	75,592	953,907	24,786
AFS financial assets			
Cash and short term investments	135,888	-	-
Other investments	-	-	6,771
Equity investments	502,675	-	
Total AFS financial assets	638,563	-	6,771
Total assets measured at fair value	714,155	953,907	31,557

Fair value measurement of instruments included in Level 3	FVTPL		AFS	
(in thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Balance at March 1	**24,786**	13,354	**6,771**	7,126
Total gains/(losses)				
Included in net income	**4,124**	(158)	**-**	(1,489)
Included in other comprehensive income	**-**	-	**1,017**	1,294
Purchases	**9,806**	11,590	**28**	120
Sales	**-**	-	**(3,717)**	(280)
Balance at February 28/29	**38,716**	24,786	**4,099**	6,771

Impairment

Impaired investments included in the Corporation's portfolio include the following:

As at February 28, 2013 (in thousands of Canadian dollars)	**Gross**	**Impaired**	**Net**
By investment type			
Available for sale	**10,086**	**(3,957)**	**6,129**
	10,086	**(3,957)**	**6,129**

As at February 29, 2012 (in thousands of Canadian dollars)	Gross	Impaired	Net
By investment type			
Available for sale	30,044	(13,599)	16,445
	30,044	(13,599)	16,445

Investment Income

(in thousands of Canadian dollars)	**2013**	2012
Interest income	**42,604**	37,914
Gain (loss) on sale of Fair Value Through Profit or Loss bonds	**17,054**	39,704
Unrealized gain (loss) on Fair Value Through Profit or Loss bonds	**(9,075)**	26,122
Unrealized gain (loss) on investment property	**18,915**	15,631
Gain (loss) on infrastructure investments	**690**	519
Unrealized gain (loss) on infrastructure investments	**1,035**	645
Dividend income	**11,058**	12,444
Gain (loss) on sale of equities	**7,374**	2,126
Gain (loss) on foreign exchange	**-**	(1)
Income from investment property	**1,751**	1,502
Write-down of investments	**(3,957)**	(13,599)
Investment management fees	**(4,280)**	(4,032)
Total	**83,169**	118,975

Income from investment property consists of gross rental income of $11.0 million (2012 - $11.0 million) and gross rental expenses of $9.2 million (2012 - $9.5 million).

Investment income is net of investment management fees paid to the Department of Finance in the amount of $4.3 million (2012 - $4.0 million). This includes $3.0 million (2012 - $2.7 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*	Adjacent Surface Parking Lots	Adjacent Parkade	Total
Cost				
Balance at March 1, 2011	23,822	4,578	10,822	39,222
Additions	-	-	-	-
Balance at February 29, 2012	23,822	4,578	10,822	39,222
Additions	-	-	-	-
Balance at February 28, 2013	**23,822**	**4,578**	**10,822**	**39,222**
Accumulated Depreciation				
Balance at March 1, 2011	1,091	-	409	1,500
Depreciation	595	-	223	818
Balance at February 29, 2012	1,686	-	632	2,318
Depreciation	596	-	223	819
Balance at February 28, 2013	**2,282**	-	**855**	**3,137**
Carrying Amounts				
At February 29, 2012	22,136	4,578	10,190	36,904
At February 28, 2013	**21,540**	**4,578**	**9,967**	**36,085**
Fair Value at February 28, 2013	**34,192**	**6,600**	**10,250**	**51,042**

* Includes the portion of the cityplace building not used for administrative purposes

6. Due from Other Insurance Companies

(in thousands of Canadian dollars)	**2013**	2012
Balance at March 1	**2,545**	11,971
Claims paid ceded to reinsurers	**15,979**	3,969
Less: recovery from reinsurers	**(17,522)**	(13,395)
Balance at February 28/29	**1,002**	2,545

7. Deferred Policy Acquisition Costs

(in thousands of Canadian dollars)	Premium Taxes		Commissions		Writedowns		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Balance at March 1	**13,302**	12,770	**34,321**	34,741	**(7,076)**	(561)	**40,547**	46,950
Deferred during the year	**28,465**	28,603	**73,180**	77,017	**-**	-	**101,645**	105,620
Expensed during the year	**(28,702)**	(28,071)	**(72,491)**	(77,437)	**-**	-	**(101,193)**	(105,508)
(Write-down) reverse write-down	**-**	-	**-**	-	**(14,687)**	(6,515)	**(14,687)**	(6,515)
Balance at February 28/29	**13,065**	13,302	**35,010**	34,321	**(21,763)**	(7,076)	**26,312**	40,547

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)	Property under Finance Lease (3)	Property under Construction (4)	Total
Cost					
Balance at March 1, 2011	115,045	69,952	13,415	6,439	204,851
Additions	2,344	3,791	25	1,889	8,049
Disposals	(2,944)	(1,010)	-	-	(3,954)
Transfer from (out of) Property under Construction	4,532	-	-	(4,532)	-
Balance at February 29, 2012	118,977	72,733	13,440	3,796	208,946
Additions	6	2,746	10	7,648	10,410
Disposals	-	(692)	-	-	(692)
Balance at February 28, 2013	**118,983**	**74,787**	**13,450**	**11,444**	**218,664**
Accumulated Depreciation					
Balance at March 1, 2011	20,630	60,777	307	-	81,714
Disposals	(2,073)	(708)	-	-	(2,781)
Depreciation	3,028	3,383	336	-	6,747
Balance at February 29, 2012	21,585	63,452	643	-	85,680
Disposals	-	(641)	-	-	(641)
Depreciation	2,962	3,444	336	-	6,742
Balance at February 28, 2013	**24,547**	**66,255**	**979**		**91,781**
Carrying Amounts					
At February 29, 2012	97,392	9,281	12,797	3,796	123,266
At February 28, 2013	**94,436**	**8,532**	**12,471**	**11,444**	**126,883**

(1) Includes land, land improvements, leasehold improvements 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 restoring the parkade in cityplace. Refer to Note 28 for commitments.

9. Deferred Development Costs

(in thousands of Canadian dollars)	Internally Developed Intangible Assets
Cost	
Balance at March 1, 2011	76,290
Additions	6,973
Balance at February 29, 2012	83,263
Additions	19,661
Balance at February 28, 2013	**102,924**
Accumulated Amortization	
Balance at March 1, 2011	38,058
Additions	8,406
Balance at February 29, 2012	46,464
Additions	8,847
Balance at February 28, 2013	**55,311**
Carrying Amounts	
At February 29, 2012	36,799
At February 28, 2013	**47,613**

10. Due to Other Insurance Companies

(in thousands of Canadian dollars)	**2013**	2012
Balance at March 1	**5,791**	13,386
Decrease in reinsurance ceded premiums written less installment payments	**(3,091)**	(6,271)
Decrease in amounts received as collateral for reinsurers' share of unpaid claims	**(912)**	(1,324)
Balance at February 28/29	**1,788**	5,791

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

(in thousands of Canadian dollars)	**2013**	2012
Due to the Province of Manitoba	**11,746**	8,959
Payroll	**2,120**	1,387
Broker commissions	**5,735**	10,488
Provision for fleet rebates	**13,893**	10,496
International Registration Program payable to other jurisdictions	**2,497**	2,502
Other payables and accrued liabilities	**22,236**	24,017
	58,227	57,849

12. Financing Lease Obligation

On March 29, 2010 a new Service Centre built on land in Winnipeg at 1284 Main Street became operational. The Service Centre and land 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:

	2013	2012
Interest rate	**6.70%**	6.70%
Interest expense for the year (in thousands of Canadian dollars)	**302**	307
Financing lease obligation at February 28/29 (in thousands of Canadian dollars)	**4,482**	4,536

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Not later than one year	**356**	356	**343**	343
Later than one year and not later than five years	**1,479**	1,460	**1,293**	1,275
Later than five years	**6,985**	7,360	**4,092**	4,189
Total	**8,820**	9,176	**5,728**	5,807

13. Operating Leases

AS A LESSEE:

The Corporation leases offices in Winnipeg, Brandon, Portage la Prairie, Steinbach and Winkler and vehicles temporarily assigned to certain Corporate employees. 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. Refer to Note 12 Financing Lease Obligation. 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)	**2013**	2012
Not later than one year	**779**	957
Later than one year and not later than five years	**1,716**	1,959
Later than five years	**2,291**	2,679
Total	**4,786**	5,595

During the year ended February 28, 2013, $919 thousand was recognized as an expense for operating leases (2012 - $1,040 thousand) in the Statement of Operations.

AS A LESSOR:

On May 1, 2009, the Corporation purchased the cityplace property located in downtown Winnipeg including the cityplace building, two 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%. 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)	**2013**	2012
Not later than one year	**2,184**	3,129
Later than one year and not later than five years	**8,241**	11,288
Later than five years	**8,840**	5,260
Total	**19,265**	19,677

During the year ended February 28, 2013, income from investment property includes gross rental income from operating leases of $11.0 million (2012 - $11.0 million) and gross rental expenses pertaining to operating leases of $9.2 million (2012 - $9.5 million). Included in rental income is income contingent on retail sales of $183 thousand (2012 - $160 thousand).

14. Unearned Premiums and Fees

	2013		2012	
(in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	Gross	Reinsurers' Share
Unearned premiums				
Balance at March 1	**443,387**	**3,340**	425,652	9,760
Premiums written	**948,818**	**12,547**	967,565	8,025
Premiums earned	**(956,727)**	**(15,818)**	(949,830)	(14,445)
Balance at February 28/29	**435,478**	**69**	443,387	3,340
Prepaid premiums	**35,139**	**-**	31,922	-
Unearned fees	**4,360**	**-**	4,283	-
Balance at February 28/29	**474,977**	**69**	479,592	3,340

(in thousands of Canadian dollars)	**2013**	2012
Unearned premiums - gross	**435,478**	443,387
Prepaid premiums	**35,139**	31,922
Unearned fees	**4,360**	4,283
	474,977	479,592

15. Provision for Employee Current Benefits

The provision for employee current benefits includes banked vacation, accrued vacation and sick leave liabilities.

(in thousands of Canadian dollars)	**2013**	2012
Balance at March 1	**21,109**	19,174
Provisions	**15,245**	16,434
Payments	**(14,853)**	(14,499)
Balance at February 28/29	**21,501**	21,109

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, 2012, with the next scheduled actuarial valuation being December 31, 2013.

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. Results from the most recent actuarial valuations, projected to February 28/29 and the corresponding economic assumptions are as follows:

	Pension Benefit Plan			Other Benefit Plans		
	2013	2012	2011	**2013**	2012	2011
Discount rate	**3.90%**	4.20%	4.85%	**3.90%**	4.20%	4.85%
Inflation rate	**2.00%**	2.00%	2.00%			
Expected salary increase	**0.00%**	2.90%	2.90%			
Expected health care cost increase (out of scope)				**5.90%**	6.00%	6.50%
Expected health care cost increase (in of scope)				**2.00%**		

	Pension Benefit Plan			Other Benefit Plans		
(in thousands of Canadian dollars)	**2013**	2012	2011	**2013**	2012	2011
Balance at March 1	**260,415**	218,872	189,113	**40,847**	38,940	37,721
Current service cost	**12,554**	10,773	9,318	**5,305**	3,819	4,824
Interest cost	**10,956**	10,631	9,990	**727**	738	764
Benefits paid	**(8,345)**	(6,591)	(5,980)	**(3,453)**	(2,668)	(3,537)
Actuarial (gains) losses	**9,780**	26,730	16,431	**3,369**	17	(832)
Balance at February 29/28	**285,360**	260,415	218,872	**46,795**	40,846	38,940
Employee contribution for the year	**7,375**	6,603	6,387	-	-	-

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.

	Pension Benefit Plan			Other Benefit Plans		
(in thousands of Canadian dollars)	**2013**	2012	2011	**2013**	2012	2011
Current service cost	**12,554**	10,773	9,318	**5,305**	3,820	4,824
Interest cost	**10,956**	10,631	9,990	**727**	738	764
Actuarial (gains) losses pertaining to interest	**6,161**	16,840	10,352			
Actuarial (gains) losses pertaining to expenses	**3,619**	9,890	6,079	**3,369**	17	(832)
	33,290	48,134	35,739	**9,401**	4,575	4,756

17. Insurance Contracts

The following is a summary of the insurance contract provisions and related reinsurance assets as at the end of February, 2013 and 2012.

(in thousands of Canadian dollars)	**2013**	2012
Gross Insurance Contract Provisions		
Outstanding case reserves	**1,046,236**	1,009,538
Provision for incurred but not reported claims	**286,815**	239,785
Provision for internal loss adjusting expenses	**154,455**	141,691
Effect of discounting	**(202,697)**	(194,697)
Provision for adverse deviation	**273,215**	289,128
Total Gross Provision for Unpaid Claims	**1,558,024**	1,485,445
Total Gross Provision for Unearned Premiums	**435,478**	443,387
Total Gross Insurance Contract Provisions	**1,993,502**	1,928,832
Reinsurance Ceded		
Outstanding case reserves	**29,288**	27,195
Provision for incurred but not reported claims	**1,714**	1,817
Effect of discounting	**(331)**	(493)
Provision for adverse deviation	**3,061**	2,772
Total Reinsurers' Share of Unpaid Claims	**33,732**	31,291
Total Reinsurers' Share of Unearned Premiums	**69**	3,340
Total Reinsurers' Share of Insurance Contract Provisions	**33,801**	34,631
Net Insurance Contract Provisions		
Outstanding case reserves	**1,016,948**	982,343
Provision for incurred but not reported claims	**285,101**	237,968
Provision for internal loss adjusting expenses	**154,455**	141,691
Effect of discounting	**(202,366)**	(194,204)
Provision for adverse deviation	**270,154**	286,356
Total Net Provision for Unpaid Claims	**1,524,292**	1,454,154
Total Net Provision for Unearned Premiums	**435,409**	440,047
Total Net Insurance Contract Provisions	**1,959,701**	1,894,201

The following is a summary of the insurance contract provisions and related reinsurance assets by line of business as at the end of February, 2013 and 2012.

(in thousands of Canadian dollars)		**2013**	
	Gross	**Reinsurance Ceded**	**Net**
Basic	**1,733,209**	**23,420**	**1,709,789**
Extension	**96,925**	**(595)**	**97,520**
Special Risk Extension	**92,850**	**8,246**	**84,604**
Total undiscounted	**1,922,984**	**31,071**	**1,891,913**
Discounting with Provision for Adverse Deviation	**70,518**	**2,730**	**67,788**
Total Insurance Contract Provisions	**1,993,502**	**33,801**	**1,959,701**

(in thousands of Canadian dollars)		2012	
	Gross	Reinsurance Ceded	Net
Basic	1,641,690	24,313	1,617,377
Extension	93,823	260	93,563
Special Risk Extension	98,888	7,779	91,109
Total undiscounted	1,834,401	32,352	1,802,049
Discounting with Provision for Adverse Deviation	94,431	2,279	92,152
Total Insurance Contract Provisions	1,928,832	34,631	1,894,201

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 were 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

Basic Accident Benefits Weekly Indemnity & Accident Benefits Other (Indexed) – Change in Selected Incurred But Not Reported

In the February 29, 2012 valuation, for both Basic Accident Benefits Weekly Indemnity and Accident Benefits Other (Indexed), the incurred but not reported (IBNR) for the three most recent years were selected as the higher of the indicated IBNR using the incurred Bornheutter-Ferguson method and the paid Bornheutter-Ferguson method. For the February 28, 2013 valuation, this "higher of" method was extended to include the five most recent years. This change was made to recognize the increasing volatility of paid and case reserve reporting patterns for less than 60 months.

The change in the selected IBNR increased the discounted net claim liabilities by $26.5 million and ILAE provision by $5.3 million

Basic Personal Injury Protection Plan (PIPP) Enhancement – Expected Utilization

The expected utilization for certain PIPP Enhancement coverages were reduced significantly to reflect the actual utilization. The reduction in the expected utilization decreased the discounted net claim liabilities by $16.5 million.

Change in Discount Rate

The selected discount rate, determined based on the average duration weighted yield for the Corporation's bond portfolio, decreased by 2 basis points between the February 29, 2012 valuation and the February 28, 2013 valuation. The decrease in the selected discount rate increased the discounted net claim liabilities by $3.0 million and ILAE provision by $0.3 million.

Interest Rate Margin for Adverse Deviation

In the February 29, 2012 valuation, the interest rate margin for adverse deviation was increased by 25 basis points. This was done to recognize the then higher than forecasted Manitoba inflation rate, coupled with a decreasing trend in the average duration weighted yield of the Corporation's bond portfolio. For fiscal year 2012, the inflation rate declined significantly, returning to a value closer to the forecasted inflation rate. In that same period, the average yield remained relatively unchanged. As such, the increase in the interest rate margin for adverse deviation was reversed, in other words, the interest rate margin for adverse deviation was decreased by 25 basis points. The decrease in the interest rate margin decreased the discounted net claim liabilities by $34.9 million and ILAE provision by $3.7 million.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

Balance at February 28, 2013 (in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Automobile Insurance Division			
Liability	**1,386,170**	**33,586**	**1,352,584**
Physical Damage	**168,051**	**146**	**167,905**
	1,554,221	**33,732**	**1,520,489**
Discontinued Operations - Personal/Commercial Lines	**3,803**	**-**	**3,803**
	1,558,024	**33,732**	**1,524,292**

Balance at February 29, 2012 (in thousands of Canadian dollars)	Gross	Reinsurers' Share	Net
Automobile Insurance Division			
Liability	1,341,719	27,640	1,314,079
Physical Damage	139,929	3,651	136,278
	1,481,648	31,291	1,450,357
Discontinued Operations - Personal/Commercial Lines	3,797	-	3,797
	1,485,445	31,291	1,454,154

CHANGES IN UNPAID CLAIMS AND ILAE PROVISION

Gross

(in thousands of Canadian dollars)	**2013**	2012
Discounted unpaid claims at March 1	**1,343,762**	1,315,858
Effect of discounting and Provision for Adverse Deviation	**(94,430)**	14,079
Undiscounted unpaid claims at March 1	**1,249,332**	1,329,937
Ultimate claims for current accident year	**662,672**	624,935
Payment on current accident year claims	**(394,777)**	(383,086)
Change in ultimate claims from prior accident years	**57,194**	(76,243)
Payments on prior accident years claims	**(241,370)**	(246,220)
Undiscounted unpaid claims at February 28/29	**1,333,051**	1,249,323
Effect of discounting and Provision for Adverse Deviation	**70,518**	94,431
Discounted unpaid claims at February 28/29	**1,403,569**	1,343,754
ILAE provision	**154,455**	141,691
Total unpaid claims provision	**1,558,024**	1,485,445

Reinsurance Ceded

(in thousands of Canadian dollars)	**2013**	2012
Discounted unpaid claims at March 1	**31,289**	42,410
Effect of discounting and Provision for Adverse Deviation	**(2,278)**	(3,222)
Undiscounted unpaid claims at March 1	**29,011**	39,188
Ultimate claims for current accident year	**477**	468
Payment on current accident year claims		
Change in ultimate claims from prior accident years	**6,995**	8,617
Payments on prior accident years claims	**(5,481)**	(19,261)
Undiscounted unpaid claims at February 28/29	**31,002**	29,012
Effect of discounting and Provision for Adverse Deviation	**2,730**	2,279
Discounted unpaid claims at February 28/29	**33,732**	31,291
ILAE provision		
Total unpaid claims provision	**33,732**	31,291

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	**2013**	2012
Discounted unpaid claims at March 1	**1,312,473**	1,273,448
Effect of discounting and Provision for Adverse Deviation	**(92,152)**	17,301
Undiscounted unpaid claims at March 1	**1,220,321**	1,290,749
Ultimate claims for current accident year	**662,195**	624,467
Payment on current accident year claims	**(394,777)**	(383,086)
Change in ultimate claims from prior accident years	**50,199**	(84,860)
Payments on prior accident years claims	**(235,889)**	(226,959)
Undiscounted unpaid claims at February 28/29	**1,302,049**	1,220,311
Effect of discounting and Provision for Adverse Deviation	**67,788**	92,152
Discounted unpaid claims at February 28/29	**1,369,837**	1,312,463
ILAE provision	**154,455**	141,691
Total unpaid claims provision	**1,524,292**	1,454,154

According to accepted actuarial practice, the discounted net claim liabilities include a provision for adverse deviation (PFAD) of $270.2 million (2012 – $286.4 million). This is comprised of a claims development PFAD of $146.8 million (2012 – $137.6 million), an interest rate PFAD of $121.9 million (2012 – $147.4 million), and a reinsurance PFAD of $1.5 million (2012 - $1.4 million).

Net claims incurred and adjustment expenses included no losses from catastrophes in the current fiscal year (2012 – 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.

There were no changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 28, 2013 (2012 – decrease of $0.4 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

Gross (In thousands of Canadian dollars)	Accident Year 2008	2009	2010	2011	2012	2013	6 Year Total
Estimate of ultimate claims costs							
At end of accident year	691,105	605,403	641,527	633,832	624,935	662,672	
One year later	672,846	591,749	611,578	627,341	628,331		
Two years later	669,780	576,028	608,583	635,392			
Three years later	638,322	556,758	610,837				
Four years later	636,848	576,287					
Five years later	642,221						
Current estimate of cumulative claims cost	642,221	576,287	610,837	635,392	628,331	662,672	3,755,740
Cumulative payments to date	566,445	500,858	520,196	545,221	521,561	394,777	3,049,058

Net of Reinsurance Ceded (in thousands of Canadian dollars)	Accident Year 2008	2009	2010	2011	2012	2013	6 Year Total
Estimate of ultimate claims costs							
At end of accident year	649,685	604,931	618,906	633,302	624,467	662,195	
One year later	632,233	591,300	590,027	626,998	628,030		
Two years later	629,452	575,766	586,459	635,164			
Three years later	598,087	556,563	590,448				
Four years later	595,360	576,148					
Five years later	601,993						
Current estimate of cumulative claims cost	601,993	576,148	590,448	635,164	628,030	662,195	3,693,978
Cumulative payments to date	526,386	500,858	500,070	545,220	521,561	394,776	2,988,871

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 $42.9 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 $86.3 million. We have assumed that the interest rate with margin will not be less than zero. 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 28, 2013, these reinsurance agreements limit the Corporation's exposure on a casualty basis to a maximum amount of $5.0 million (2012 – $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 $16.7 million (2012 – $16.7 million). These arrangements protect the Corporation against losses up to $266.7 million (2012 – $266.7 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. Information Technology Optimization Fund

Activity in the Information Technology Optimization Fund includes:

(in thousands of Canadian dollars)	**2013**	2012
Balance at March 1	-	65,000
Transfer from (to) Basic Insurance Retained Earnings	-	(65,000)
Balance at February 28/29	-	-

See Note 3 for full details of the IT Optimization Fund.

21. Extension Development Fund

Activity in the Extension Development Fund includes:

(in thousands of Canadian dollars)	**2013**	2012
Balance at March 1	**20,769**	43,227
Transfer to Non-Basic Retained Earnings for IT optimization projects	**(728)**	(10,000)
Transfer to Non-Basic Retained Earnings for program costs	**(13,318)**	(12,458)
Balance at February 28/29	**6,723**	20,769

See Note 3 for full details of the Extension Development Fund.

22. Accumulated Other Comprehensive Income (Loss)

Accumulated Other Comprehensive Income (Loss) (AOCI) reflects the net unrealized gain or loss on financial assets classified as AFS. 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, 2011	81,741	1,811	83,552
Unrealized gains (losses) on AFS assets	(24,604)	1,294	(23,310)
Reclassification of net realized (gains) losses related to AFS assets	(2,127)	-	(2,127)
Balance at February 29, 2012	55,010	3,105	58,115
Unrealized gains (losses) on AFS assets	52,791	1,017	53,808
Reclassification of net realized (gains) losses related to AFS assets	(5,337)	(2,031)	(7,368)
Balance at February 28, 2013	**102,464**	**2,091**	**104,555**

23. Service Fees and Other Revenue

(in thousands of Canadian dollars)	**2013**	2012
Transaction fees	**7,284**	7,701
Time payment fees	**2,642**	2,578
Time payment interest	**12,501**	12,236
Late payment fees	**1,130**	881
Dishonoured payment fees	**692**	771
Identity card/Enhanced identity card fees	**377**	439
Other miscellaneous revenue	**951**	440
	25,577	25,046

24. The *Drivers and Vehicles Act* Operations Recovery

Under *The Drivers and Vehicles Act* (DVA), the Corporation is responsible for operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

The Province of Manitoba provided funding to the Corporation in the amount of $21.0 million annually, from October, 2004 to March, 2011, to defray the cost borne by the Corporation for DVA operations. Beginning April 1, 2011 the Province of Manitoba increased its payments to the Corporation to $27.9 million per year.

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)	**2013**	2012
Vehicle registration fees	**160,503**	138,082
Driver licensing fees	**22,788**	22,681
	183,291	160,763

25. Net Income (Loss) From Annual Operations

The lines of business reported net income (loss) from annual operations as follows:

(in thousands of Canadian dollars)	**2013**	2012
Basic insurance	**(72,213)**	22,278
Extension insurance	**27,035**	21,836
Special risk extension insurance	**9,177**	(2,191)
The *Drivers and Vehicles Act* operations	**(12,087)**	(4,500)
	24,125	15,145
Net income (loss) from annual operations	**(48,088)**	37,423
Surplus distribution	**-**	(14,120)
Net income (loss) after surplus distribution	**(48,088)**	23,303

26. Surplus Distribution

As outlined in the Public Utilities Board ruling on December 2, 2011 on the Corporations 2012/13 Basic Insurance rate application, there was no surplus distribution.

On June 6, 2011, in response to customer feedback, the Corporation applied to the Public Utilities Board, requesting that the Board vary its Order 43/11, regarding the distributed rebate in 2010/11. The Corporation requested permission to issue an additional rebate of $16.0 million, estimated to be 5.0% of the original rebate. The rebate, was calculated on premiums paid in the 2010/2011 insurance year. The Corporation requested that all ratepayers receive the "greater of" calculation based on both premiums paid in fiscal year 2009/2010 and on the 2009/2010 insurance rating year. This would ensure affected customers receive a rebate based on the calculation that was most advantageous to them and eliminated any potential disadvantage based on their particular vehicle or Autopac insurance purchasing decisions.

On June 23, 2011, the additional proposed surplus distribution was approved by the Public Utilities Board in its Order 86/11. The additional surplus was actualized during the third quarter of 2011/2012 when $14.1 million was paid to Basic policyholders.

27. 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 income of $0.1 million (2012 - net loss of $0.2 million) which is reported as part of the Special Risk Extension line of business (Note 25). Included in the provision for unpaid claims is $3.8 million (2012 - $3.8 million) relating to discontinued operations.

28. Commitments

As of February 28, 2013, the Corporation has no material commitments.

29. Related-Party Transactions

Key management personnel are comprised of all members of the Board of Directors and the named Executive. The summary of compensation of key management personnel for the year is as follows:

(in thousands of Canadian dollars)	**2013**	2012
Short term benefits	**1,497**	1,602
Post-employment benefits	**154**	287
Other long-term benefits	**20**	20
Termination benefits	**150**	-
	1,821	1,909

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.

30. 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 Extension Development Fund, which was established to defray the costs of projects undertaken to maximize the opportunities presented by the 2004 merger of Manitoba Public Insurance and the Division of Driver and Vehicle Licensing. (Refer to Notes 3 and 21 for full details of the Extension Development Fund.)

Basic Retained Earnings are comprised of the Rate Stabilization Reserve (RSR) and Retained Earnings in excess of RSR. The Corporation's Board of Directors current target RSR level is $200.0 million based on the 2012 Basic Insurance Dynamic Capital Adequacy Test (DCAT) report. In his report, the Corporations' internal actuary concluded that a minimum RSR level of $200.0 million would be required for Basic to achieve a satisfactory future financial condition. An RSR level lower than $200.0 million would result in a "not satisfactory" opinion because there were plausible adverse scenarios identified where liabilities exceed assets.

In 2010, the Corporation began using the maximum of the Public Utilities Board RSR target in its Public Utilities Board rate application for ratemaking purposes. The Public Utilities Board has established the Basic RSR target for rate-setting purposes based on 10.0% to 20.0% of written premiums. Based on the Public Utilities Board methodology, as at February 28, 2013, this range is $74.6 million to $149.8 million (2012 - $77.9 million to $155.7 million). In Order No. 157/12, the Public Utilities Board ordered that a technical conference take place in early 2013 to discuss the adverse scenarios and methodology construct being utilized currently by the Corporation within the DCAT, with a view to refining the same.

The Corporation's Board of Directors' current target level for Extension Retained Earnings is $35.0 million based on the 2012 Extension DCAT report. Based on this target the Corporation's internal actuary has concluded that the future financial condition of this line of business is satisfactory.

The Corporation's Board of Directors' current target level of $37.0 million for SRE Retained Earnings is based on the 2012 SRE DCAT report. The Corporation's internal actuary has concluded that, based on this target, the future financial condition of this line of business is satisfactory.

31. Financial Risk Management

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 28, 2013, total U.S. dollar financial instruments had a carry value of $158.4 million U.S. ($162.0 million Cdn) which is approximately 6.0% 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 28, 2013 the fair value of the swap was $16.3 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 - %	
	2013	2012
Federal	**2.51**	2.17
Provincial	**2.70**	2.82
Municipal	**3.48**	3.38
Hospitals	**1.97**	2.5
Schools	**5.19**	5.47
Corporations	**2.86**	3.32

As at February 28, 2013, a 100 basis point change in interest rates would result in a change in the fair value of the Corporation's fixed income portfolio of approximately $64.0 million (2012 - $68.7 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 28, 2013, a 10.0% change in the fair value of the Corporation's equity portfolio would result in a $56.2 million (2012 - $50.2 million) change in other comprehensive income.

As all equities are classified as AFS, all changes in prices are recorded as other comprehensive income 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)

	2013	2012
Bonds	**1,354,467**	1,396,357
Due from other insurance companies	**1,002**	2,545
Accounts receivable	**321,293**	304,155
Reinsurance receivable	**31,935**	27,268
Maximum credit risk exposure on the Statement of Financial Position	**1,708,697**	1,730,325

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 28/29. 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.

	2013		2012	
	Carrying Value (in thousands of Canadian dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of Canadian dollars)	Percentage of Portfolio
Aaa	**127,756**	**9.4**	190,790	13.6
Aa	**1,185,854**	**87.6**	1,158,928	83.0
A	**39,646**	**2.9**	45,446	3.3
Not rated	**1,211**	**0.1**	1,193	0.1
	1,354,467	**100.0**	1,396,357	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. 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)	**2013**	2012
Policy and time payments	**286,215**	275,706
Accrued interest	**25,130**	23,202
Subrogation and other receivables	**16,497**	12,304
Allowance for doubtful accounts	**(6,549)**	(7,057)
Balance at February 28/29	**321,293**	304,155

Details of the allowance for doubtful accounts are as follows:

(in thousands of Canadian dollars)	**2013**	2012
Balance at March 1	**7,057**	8,487
Accounts written off	**(675)**	(1,227)
Current period provision	**167**	(203)
Balance at February 28/29	**6,549**	7,057

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 $1.8 million (2012 - $3.0 million). 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 2012/2013 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 2012/2013 fiscal year, 16 reinsurers share the Corporation's catastrophe reinsurance coverage, none holding more than 34.5% of the reinsurance exposure on any one layer. The 2012/2013 catastrophe reinsurance program is placed on a rolling one-third, three-year term to further mitigate the Corporation's exposure to reinsurer insolvency.

No amount due from reinsurers was considered uncollectible during 2012/2013 and no allowance for doubtful accounts has been established as at February 28, 2013.

STRUCTURED SETTLEMENTS CREDIT RISK

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As of the Statement of Financial Position date, the present value of expected payments totals $155.5 million (2012 - $157.0 million) based on various dates of purchase. The Corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

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

	2013			
(in thousands of Canadian dollars)	**Within One Year**	**One Year To Five Years**	**After Five Years**	**Total Carrying Value**
Federal	**302**	**-**	**61,159**	**61,461**
Manitoba				
Provincial	**2,739**	**21,366**	**230,085**	**254,190**
Municipal	**14,267**	**10,141**	**20,592**	**45,000**
Hospitals	**-**	**12,107**	**-**	**12,107**
Schools	**1,805**	**3,216**	**531,412**	**536,433**
Other Provinces				
Provincial	**62,340**	**41,884**	**233,948**	**338,172**
Municipal	**-**	**5,290**	**57,733**	**63,023**
Corporations	**-**	**18,024**	**26,057**	**44,081**
	81,453	**112,028**	**1,160,986**	**1,354,467**

	2012			
(in thousands of Canadian dollars)	Within One Year	One Year To Five Years	After Five Years	Total Carrying Value
Federal	13,392	50,468	57,422	121,282
Manitoba				
Provincial	27,719	29,632	232,575	289,926
Municipal	17,013	21,680	15,850	54,543
Hospitals	-	12,482	-	12,482
Schools	3,030	7,792	479,335	490,157
Other Provinces				
Provincial	41,487	41,071	237,418	319,976
Municipal	-	5,383	52,651	58,034
Corporations	-	23,574	26,383	49,957
	102,641	192,082	1,101,634	1,396,357

32. 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 28, 2013 and February 29, 2012.

(in thousands of Canadian dollars)	**2013**	2012
Assets:		
Bonds	**1,273,014**	1,293,716
Equity investments	**562,228**	502,675
Investment property	**173,002**	154,086
Infrastructure and other investments	**26,530**	18,361
Reinsurers' share of unpaid claims	**32,627**	28,427
Total assets	**2,067,401**	1,997,265
Liabilities:		
Financing lease obligation	**4,126**	4,180
Provision for paid claims	**1,271,311**	1,228,332
Total liabilities	**1,275,437**	1,232,512
Net assets due after one year	**791,964**	764,753

33. 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.

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.

34. Subsequent Events

No subsequent events have occurred after February 28, 2013.

35. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year financial statement presentation.

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. Management has prepared the financial statements in accordance with International Financial Reporting 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. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements unless otherwise stated.

Management is responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the MLCC. 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 assets are properly safeguarded. As part of the financial statement audit performed by Ernst & Young LLP, they reviewed the MLCC's internal controls to the extent that they considered necessary and reported their findings to management and the Board of Commissioners.

The responsibility of Ernst & Young LLP is to express an independent opinion on whether the 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 Audit and Risk Management Committee of 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 financial statements before approving them. The Board has reviewed and approved the financial statements for the fiscal year ended March 31, 2013.

Winston Hodgins
President & CEO

Tracy Graham
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
The Liquor Control Commission

We have audited the accompanying financial statements of **The Liquor Control Commission,** which comprise the statement of financial position as at March 31, 2013, and the statements of net profit and comprehensive income, profit payable to the Province of Manitoba 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 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.

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 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 management, as well as evaluating the overall presentation of the financial statements.

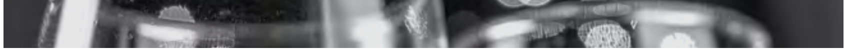
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Liquor Control Commission** as at March 31, 2013, and the results of its operations, profit payable to the Province of Manitoba and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Winnipeg, Canada,
June 14, 2013.



STATEMENT OF FINANCIAL POSITION

(in thousands of Canadian dollars)

As at March 31	Notes	2013 $	2012 $
ASSETS			
Current			
Cash and cash equivalents		**14,906**	9,904
Trade and other receivables		**22,134**	22,121
Inventory	7	**41,725**	41,183
Prepaid expenses		**1,514**	1,442
Total current assets		**80,279**	74,650
Property and equipment, net	8	**37,327**	31,050
Intangible assets, net	9	**7,142**	7,378
		124,748	113,078
LIABILITIES			
Current			
Trade and other payables		**46,264**	44,323
Goods and Services Tax payable		**2,041**	1,955
Manitoba Retail Sales Tax payable		**1,870**	1,707
Profit payable to the Province of Manitoba		**42,109**	39,048
Environmental Protection Tax payable		**157**	147
Deferred licence fees		**831**	862
Total current liabilities		**93,272**	88,042
Provision for employee pension benefits	10	**24,308**	20,804
Provision for retirement allowances	11	**7,168**	4,232
		124,748	113,078

See accompanying notes

On behalf of the Commission:

Chair of the Board

Chair of the Audit and Risk Management Committee

STATEMENT OF NET PROFIT AND COMPREHENSIVE INCOME

(in thousands of Canadian dollars)

Year ended March 31

	Notes & Schedules	**2013** **$**	2012 $
Sales	Schedule	**676,310**	652,622
Cost of sales	Schedule	**334,299**	325,236
Gross profit	Schedule	**342,011**	327,386
Other income	12	**4,019**	3,748
		346,030	331,134
General and administrative expenses	13	**85,421**	76,864
Net profit and comprehensive income for the year		**260,609**	254,270

See accompanying notes

STATEMENT OF PROFIT PAYABLE TO THE PROVINCE OF MANITOBA

(in thousands of Canadian dollars)

	$
Balance, March 31, 2011	39,529
Net profit and comprehensive income for the year	254,270
Transfers to Province of Manitoba - current year's profit	(203,200)
Transfers to Province of Manitoba - prior year's profit	(51,551)
Balance, March 31, 2012	39,048
Net profit and comprehensive income for the year	260,609
Transfers to Province of Manitoba - current year's profit	(218,500)
Transfers to Province of Manitoba - prior year's profit	(39,048)
Balance, March 31, 2013	**42,109**

See accompanying notes

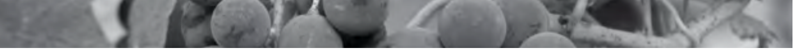
STATEMENT OF CASH FLOWS

(in thousands of Canadian dollars)

Year ended March 31

	2013	2012
	$	$
OPERATING ACTIVITIES		
Cash receipts		
Sales - spirits, wine, refreshment beverages, and beer	**677,006**	650,673
Annual licence fees and other	**3,325**	5,994
Goods and Services Tax	**34,407**	33,206
Manitoba Retail Sales Tax	**23,804**	22,581
Environmental Protection Tax	**2,193**	2,088
	740,735	714,542
Cash disbursements		
Purchases - merchandise, federal duty, excise and sales taxes, and other costs	**342,519**	326,180
General and administrative expenses	**65,056**	68,585
Goods and Services Tax	**34,321**	31,960
Manitoba Retail Sales Tax	**23,641**	22,396
Environmental Protection Tax	**2,183**	2,081
	467,720	451,202
Cash provided by operating activities	**273,015**	263,340
INVESTING ACTIVITIES		
Acquisition of property and equipment, and intangible assets	**(10,465)**	(7,084)
Cash used in investing activities	**(10,465)**	(7,084)
FINANCING ACTIVITIES		
Transfers to Province of Manitoba - current year's profit	**(218,500)**	(203,200)
Transfers to Province of Manitoba - prior year's profit	**(39,048)**	(51,551)
Cash used in financing activities	**(257,548)**	(254,751)
Net increase in cash during the year	**5,002**	1,505
Cash and cash equivalents, beginning of year	**9,904**	8,399
Cash and cash equivalents, end of year	**14,906**	9,904

See accompanying notes



SCHEDULE OF SALES, COST OF SALES AND GROSS PROFIT

(in thousands of Canadian dollars)

Year ended March 31	Spirits $	Wine $	Refreshment Beverages $	Beer $	Total $
SALES					
Stores	**162,980**	**106,570**	**14,710**	**55,015**	**339,275**
Liquor vendors	**35,676**	**9,864**	**3,554**	**8,239**	**57,333**
Licensees	**19,856**	**5,032**	**4,472**	**234,641**	**264,001**
Specialty wine stores	**43**	**15,560**	**98**	**—**	**15,701**
Total sales for 2013	**218,555**	**137,026**	**22,834**	**297,895**	**676,310**
Total sales for 2012	211,691	128,002	20,404	292,525	652,622
COST OF SALES					
Total cost of sales for 2013	**85,277**	**63,536**	**10,599**	**174,887**	**334,299**
Total cost of sales for 2012	83,676	59,327	9,303	172,930	325,236
Gross profit for 2013	**133,278**	**73,490**	**12,235**	**123,008**	**342,011**
Gross profit for 2012	128,015	68,675	11,101	119,595	327,386

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

For the year ended March 31, 2013

1. NATURE OF ORGANIZATION

The financial statements of The Liquor Control Commission [the "MLCC"] for the year ended March 31, 2013 were authorized for issue in accordance with a resolution of the Board of Commissioners on June 14, 2013. The MLCC was formed in 1923 as an agency of the Government of Manitoba under *The Liquor Control Act*. The registered office is located at 1555 Buffalo Place, Winnipeg, Manitoba. The MLCC's mandate is to purchase, sell and regulate alcoholic beverages; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province of Manitoba from the activities of the MLCC; and to do all such things necessary to effect the provisions of *The Liquor Control Act*. All net profit earned from the sale of liquor, or from licence and permit fees, or otherwise arising in the administration of *The Liquor Control Act*, shall be paid to the Province of Manitoba.

On April 17, 2012, the Province announced that the MLCC and Manitoba Lotteries Corporation would be merged into a single entity and the regulatory oversight for liquor control, currently managed by the MLCC would be merged with the Manitoba Gaming Control Commission. Each Crown corporation operates under a separate Act and will continue to function as a separate legal entity until they are combined under common legislation.

2. BASIS OF PRESENTATION

The financial statements of the MLCC have been prepared on a going concern basis, using historical cost except for certain financial instruments which are reported at fair value. The financial statements are presented in Canadian dollars, which is the functional currency of the MLCC, and all values are rounded to the nearest thousand dollars [$000] except when otherwise indicated.

The financial statements of the MLCC have been prepared in accordance with International Financial Reporting Standards ["IFRS"] and related interpretations as issued by the International Accounting Standards Board ["IASB"].

3. SIGNIFICANT ACCOUNTING POLICIES

[a] Cash and cash equivalents in the statement of financial position includes cash on hand, current balances with banks and outstanding electronic fund transactions forwarded to banks.

[b] Trade and other receivables include electronic fund transactions to be forwarded to banks after March 31.

[c] Inventories of goods for resale are valued at the lower of average cost and net realizable value. Cost comprises 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.

[d] Revenue is recognized to the extent that it is probable that the economic benefits will flow to the MLCC and the revenue can be reliably measured. For the sale of products, revenue is recognized when the significant rewards of ownership of the products have passed to the buyer, usually on delivery of the products. Other operating income from licence and permit fees, merchandising program fees and administration and other fees is recognized when the MLCC's right to receive the payment is established and the MLCC has no further obligation to provide goods or services or on a straight-line basis over the licence term. Revenue is measured at the fair value of the consideration received, excluding sales taxes.

The MLCC assesses its revenue arrangements in order to determine if it is acting as principal or agent. The MLCC has concluded that it is acting as a principal in all of its revenue arrangements, except for the third-party AIR MILES® program in which the MLCC participates. The AIR MILES® program allows customers to earn AIR MILES® points when they purchase products in the MLCC's retail stores. The redemption of points by customers is the responsibility of the third-party AIR MILES® program. Consideration received and the related expense is recorded net in other income as the MLCC is acting as an agent for the AIR MILES® program.

[e] Revenues, expenses and assets are recognized net of the amount of sales and goods and services tax, and environmental protection tax, except:

[i] Where the sales and goods and services tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and goods and services tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and,

[ii] Receivables and payables that are stated with the amount of sales and goods and services tax included.

NOTES TO FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

For the year ended March 31, 2013

The net amount of sales and goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

[f] Transactions in foreign currencies are initially recorded by the MLCC at the MLCC's Canadian dollar functional currency exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the statement of net profit and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate 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] Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Costs include directly attributable costs. Repair and maintenance costs are recognized in the statement of net profit and comprehensive income as incurred. Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings	15 to 40 years
Leasehold improvements	Straight-line basis over the remaining term of the lease
Paving	25 years
Furniture and equipment	5 to 40 years
Vehicles	5 years

An item of property and equipment and any significant part initially recognized 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 statement of net profit and comprehensive income when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each fiscal year-end, and adjusted prospectively, if appropriate.

[h] Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as an expense in the statement of net profit and comprehensive income on a straight-line basis over the lease term. Leases that contain pre-determined, fixed rental increases are recognized over the life of the lease. 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.

[i] Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in the statement of net profit and comprehensive income in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized on a straight-line basis over the useful economic life of the asset. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at each fiscal year-end and are treated as changes in estimates. The amortization expense is recognized in the statement of net profit and comprehensive income in the expense category consistent with the function of the intangible assets.

Gains and 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 statement of net profit and comprehensive income when the asset is derecognized.

A summary of the amortization policies applied to the MLCC's intangible assets is as follows:

Computer software	3 - 15 years

[j] The MLCC assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, a test is performed on the affected asset to assess its recoverable amount against carrying value. An impaired asset is written down to its recoverable amount, which is the higher of its value in use or its fair value less costs to sell. If there is an indication of an increase in fair value of an asset that had previously been impaired, then it is recognized by reversing the impairment, but only to the extent that the recoverable amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset.

NOTES TO FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

For the year ended March 31, 2013

[k] Financial instruments are recognized in the statement of financial position when the MLCC becomes a party to the contractual terms of the instrument, which represents the trade date. Financial assets are removed from the statement of financial position when the contractual rights to the cash flows from the asset cease. Financial liabilities are removed from the statement of financial position when the obligation is met, cancelled or ends.

The classification of the MLCC's financial assets and financial liabilities is performed at initial recognition and are measured as follows:

[i] Cash and cash equivalents are classified as fair value through profit and loss and measured at fair value. Any gains or losses arising on the revaluation to fair value are recorded in the statement of net profit and comprehensive income.

[ii] Trade and other receivables are classified as loans and receivables and recorded at cost, which upon initial recognition is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method, less impairment. Any gains or losses and any losses arising from impairment are recognized in the statement of net profit and comprehensive income.

[iii] Trade and other payables, Goods and Services Tax payable, Manitoba Retail Sales Tax payable, profit payable to the Province of Manitoba and Environmental Protection Tax payable are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method. Any gains or losses are recognized in the statement of net profit and comprehensive income.

The MLCC assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The carrying amount of financial assets carried at amortized cost is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of net profit and comprehensive income.

The fair value of financial instruments traded in an active market is determined by quoted market prices. Financial instruments not traded in an active market are valued using an appropriate valuation technique. An analysis of fair values of financial instruments and further details as to how they are measured is provided in note 14.

[l] Provisions are recognized when the MLCC has a present obligation [legal or constructive] as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

[m] The MLCC maintains a defined benefit pension plan in accordance with the provision of *The Civil Service Superannuation Act* administered by the Civil Service Superannuation Board ["CSSB"]. Substantially all of the employees of the MLCC are eligible for pension benefits based on length of service and average annualized earnings calculated on the best five years prior to retirement, termination, or death that provided the highest earnings. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. The liability is determined actuarially every year and actuarial gains and losses are recognized in income immediately.

The defined benefit asset or liability comprises 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 the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the MLCC nor can they be paid directly to the MLCC. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price.

The MLCC has also agreed to provide certain additional post-retirement healthcare benefits, which are unfunded.

[n] Effective April 1, 1998, the MLCC commenced recording accumulated retirement allowances for its employees. Eligible employees are entitled to receive a retirement allowance equal to one week's pay, to a maximum of 25 weeks, for each year of continuous employment based on the current salary at date of retirement. The provision for retirement allowances is actuarially determined using the accumulated benefit cost method and actuarial gains and losses are recognized in income immediately.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the MLCC's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, at the date of the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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 of assets and liabilities within the next fiscal year, are discussed below.

The cost of defined pension plan and other post employment healthcare benefits, the present value of the pension obligation and the

NOTES TO FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

For the year ended March 31, 2013

provision for retirement allowances are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, retirement rates and future pension increases. Due to the complexity of the valuations, the underlying assumptions and its long-term nature, a defined benefit obligation and provision for retirement allowances are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rate of corporate bonds in the respective currency with at least an AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the populations of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for Canada. Future salary increases and pension increases are based on expected future inflation rates for Manitoba.

Further details about the assumptions are outlined in notes 10 and 11.

5. CHANGES IN ACCOUNTING POLICIES

During the year, the MLCC chose to adopt the following standards:

[a] IFRS 7 – *Financial Instruments: Disclosures* and IAS 32 – *Financial Instruments: Presentation* were amended in December 2011 to clarify the requirements for offsetting financial instruments and to incorporate new disclosure requirements on the effect of offsetting arrangements on an entity's financial statements. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively with earlier adoption permitted. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively with earlier adoption permitted. The adoption of the amendments to IFRS 7 and IAS 32 did not have any impact on the MLCC's financial statements.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the MLCC's financial statements are listed below. The listing only includes standards and interpretations issued which the MLCC reasonably expects to be applicable at a future date. The MLCC intends to adopt these standards when they become effective.

[a] IAS 1 – *Presentation of Financial Statements* was amended on June 16, 2011. The amendments enhance the presentation of other comprehensive income ["OCI"] in the financial statements, primarily by requiring the components of OCI for items that may be reclassified to the statement of net profit and comprehensive income to be presented separately from those that remain in equity. The amendments are effective for annual periods beginning on or after July 1, 2012. The MLCC is currently assessing the impact of the amendments on its financial statements.

[b] IAS 1 – *Presentation of Financial Statements* was further amended in May 2012 to clarify the requirements for providing comparative information when an entity provides financial statements beyond the minimum comparative information requirements. The amendments are effective for annual periods beginning on or after January 1, 2013. The MLCC is currently assessing the impact of the amendments on its financial statements.

[c] IFRS 9 – *Financial Instruments* reflects the first phase of the IASB's work on replacing the existing standard for financial instruments, IAS 39 – *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial instruments as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the MLCC's financial assets. The MLCC will quantify the effect in conjunction with the other phases when issued, to present a comprehensive picture.

[d] IFRS 13 – *Fair Value Measurement* does not change the circumstances under which an entity is required to use fair value, but rather provides guidance on how to measure the fair value of financial or non-financial assets and liabilities when required or permitted by IFRS. While the underlying concepts in IFRS 13 are consistent with current practice, the application of certain principles and the disclosure requirements could have a significant impact on an entity's financial statements. The standard is effective for annual periods beginning on or after January 1, 2013, and the MLCC is currently evaluating the impact of adoption of the new standard.

[e] IAS 19 [revised] – *Employee Benefits* was amended in June 2011. The amendments include eliminating the option to defer the recognition of gains and losses, streamlining the presentation of changes to assets and liabilities with all changes from re-measurement to be recognized in other comprehensive income and enhancing the disclosure of the characteristics of defined benefit plans and the risks that companies are exposed to through participation in these plans. The amended version of IAS 19 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The MLCC is currently evaluating the impact of these revised standards.

NOTES TO FINANCIAL STATEMENTS
(in thousands of Canadian dollars)

For the year ended March 31, 2013

7. INVENTORY

Inventory consists of the following:

	2013	2012
	$	$
Warehouse	**28,330**	28,386
Stores	**13,395**	12,797
	41,725	41,183

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $4,452 at the end of the 2013 fiscal year [2012 - $4,361].

8. PROPERTY AND EQUIPMENT

	Land	**Buildings**	**Leasehold improvements**	**Paving**	**Furniture and equipment**	**Vehicles**	**Total**
	$	$	$	$	$	$	$
COST							
March 31, 2011	120	18,397	13,439	520	13,949	656	47,081
Additions	—	542	3,159	—	2,196	118	6,015
Disposals	—	—	—	—	(66)	(73)	(139)
March 31, 2012	120	18,939	16,598	520	16,079	701	52,957
Additions	—	3,839	4,203	—	1,867	135	10,044
Disposals	—	—	—	—	(1,765)	(60)	(1,825)
March 31, 2013	**120**	**22,778**	**20,801**	**520**	**16,181**	**776**	**61,176**
DEPRECIATION							
March 31, 2011	—	5,413	6,318	149	6,134	294	18,308
Depreciation	—	547	1,010	20	2,027	116	3,720
Disposals	—	—	—	—	(55)	(66)	(121)
March 31, 2012	—	5,960	7,328	169	8,106	344	21,907
Depreciation	—	555	1,154	20	1,872	124	3,725
Disposals	—	—	—	—	(1,751)	(32)	(1,783)
March 31, 2013	**—**	**6,515**	**8,482**	**189**	**8,227**	**436**	**23,849**
NET BOOK VALUE							
March 31, 2011	120	12,984	7,121	371	7,815	362	28,773
March 31, 2012	120	12,979	9,270	351	7,973	357	31,050
March 31, 2013	**120**	**16,263**	**12,319**	**331**	**7,954**	**340**	**37,327**

NOTES TO FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

For the year ended March 31, 2013

9. INTANGIBLE ASSETS

	Computer software – acquired $
COST	
March 31, 2011	11,102
Additions	1,291
March 31, 2012	12,393
Additions	519
March 31, 2013	**12,912**
AMORTIZATION	
March 31, 2011	4,678
Amortization	337
March 31, 2012	5,015
Amortization	755
March 31, 2013	**5,770**
NET BOOK VALUE	
March 31, 2011	6,424
March 31, 2012	7,378
March 31, 2013	**7,142**

10. PROVISION FOR EMPLOYEE PENSION BENEFITS

The MLCC maintains a defined benefit pension plan in accordance with the provision of *The Civil Service Superannuation Act* administered by the CSSB.

Net benefit expense included in general and administrative expenses is comprised of:

	2013 $	2012 $
Current service cost	**2,624**	2,011
Interest cost	**3,431**	3,574
Actuarial loss recognized in the year	**5,765**	2,222
Administration and management fees	**175**	187
Return on plan assets	**(4,295)**	(801)
	7,700	7,193

Accrued benefit liability is comprised of:

	2013 $	2012 $
Defined benefit obligation	**84,904**	76,243
Fair value of plan assets	**60,596**	55,439
	24,308	20,804

NOTES TO FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

For the year ended March 31, 2013

Changes in the present value of the defined benefit obligation are as follows:

	2013	2012	2011
	$	$	$
Defined benefit obligation, beginning of year	**76,243**	71,489	64,964
Actuarial loss on obligation	**5,765**	2,222	4,068
Current service cost	**2,624**	2,011	1,804
Interest cost	**3,431**	3,574	3,573
Benefits paid	**(3,159)**	(3,053)	(2,920)
Defined benefit obligation, end of year	**84,904**	76,243	71,489

Changes in the fair value of the plan assets are as follows:

	2013	2012	2011
	$	$	$
Fair value of plan assets, beginning of year	**55,439**	53,938	—
Transfer of restricted cash	**—**	—	46,360
Return on plan assets	**4,295**	801	5,762
Contributions by employer	**862**	700	561
Manitoba Finance matching pension contributions	**—**	—	1,255
Fair value of plan assets, end of year	**60,596**	55,439	53,938

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2013	2012
	%	%
Cash and cash equivalents	**1.7**	2.3
Bonds and debentures	**23.1**	26.2
Canadian equities	**34.2**	25.8
United States equities	**17.7**	20.0
International equities	**23.3**	25.7

The key actuarial assumptions used in determining the MLCC's provision for employee pension benefits were at the following weighted average rates:

	2013	2012
	%	%
Discount rate	**4.20**	4.50
Inflation	**2.00**	2.00
Rate of future compensation increases	**3.75**	3.75
Post retirement indexing	**1.33**	1.67

Expected contributions to the defined benefit pension plan for the year ending March 31, 2014 are as follows:

	$
Employee contributions	2,182
The MLCC contributions	891

NOTES TO FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

For the year ended March 31, 2013

11. PROVISION FOR RETIREMENT ALLOWANCES

The provision for retirement allowances net benefit expense included in general and administrative expenses is comprised of:

	2013	2012
	$	$
Current service cost	**257**	137
Interest cost	**184**	253
Actuarial loss recognized in the year	**3,033**	522
Benefits paid	**168**	108
	3,642	1,020

Changes in the present value of the provision are as follows:

	2013	2012
	$	$
Provision for retirement allowances, beginning of year	**4,232**	3,611
Actuarial loss on provision	**3,033**	522
Current service cost	**257**	137
Interest cost	**184**	253
Retirement allowance paid	**(538)**	(291)
Provision for retirement allowances, end of year	**7,168**	4,232

The key actuarial assumptions used in determining the MLCC's provision for retirement allowances were at the following weighted average rates:

	2013	2012
	%	%
Discount rate	**4.20**	4.00
Inflation	**2.00**	2.00
Rate of future compensation increases	**3.75**	3.75

NOTES TO FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

For the year ended March 31, 2013

12. OTHER INCOME

Other income consists of the following:

	2013	2012
	$	$
Licence and permit fees		
Annual licence fees and licence application fees	**1,108**	1,073
Occasional permit fees	**573**	602
Monetary penalty	**51**	21
	1,732	1,696
Merchandising program fees		
Impact fees	**745**	708
AIR MILES®	**102**	205
Advertising revenue - other	**246**	276
	1,093	1,189
Administration and other		
Service charges and mark-up on non sale items	**449**	441
Border point fees	**271**	177
Specialty wine store fees	**29**	28
Foreign exchange	**144**	—
Miscellaneous	**301**	217
	1,194	863
	4,019	3,748

13. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

	2013	2012
	$	$
Salaries and short-term benefits	**42,258**	39,252
Pension [net of return on assets of $4,295, 2012 - $801]	**7,700**	7,193
Retirement allowance	**3,642**	1,020
Leased premises - rentals	**8,360**	7,662
Depreciation and amortization	**4,480**	4,058
Maintenance and repairs	**4,228**	3,332
Bank charges	**2,753**	2,547
Delivery charges	**2,174**	2,010
Utilities	**1,344**	1,417
Protective services	**1,067**	948
Printing, postage and supplies	**871**	814
Health and Post Secondary Education Tax levy	**817**	767
Community support	**737**	769
Grants in lieu of taxes	**708**	691

NOTES TO FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

For the year ended March 31, 2013

	2013 $	2012 $
Advertising and promotions	**656**	637
Professional fees	**569**	524
Staff training	**540**	575
Alcohol education	**513**	758
Miscellaneous	**410**	342
Travel	**312**	377
Crown Corporations Council levy	**253**	117
Vehicle	**236**	259
Communications	**234**	269
Insurance	**130**	66
Corporation capital tax	**124**	141
Association membership	**121**	132
Product analysis	**71**	69
Equipment rentals	**62**	112
Bad debt	**51**	6
	85,421	76,864

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

[a] Fair value

The MLCC applies the market approach for recurring fair value measurements. Three levels of inputs may be used to measure fair value.

Level 1 - Unadjusted, quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs other than level 1 prices, 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 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying values of the MLCC's financial assets and liabilities including trade and other receivables, trade and other payables, Goods and Services Tax payable, Manitoba Retail Sales Tax payable, profit payable to the Province of Manitoba and Environmental Protection Tax payable approximate their value at the reporting date. These short-term financial instruments approximate the fair value due to the relatively short period to maturity.

Financial instruments recorded at fair values, classified using the fair value hierarchy, are as follows:

2013	**Level 1** $	**Level 2** $	**Level 3** $	**Total** $
Cash and cash equivalents	**14,906**	**—**	**—**	**14,906**
	14,906	**—**	**—**	**14,906**

2012	Level 1 $	Level 2 $	Level 3 $	Total $
Cash and cash equivalents	9,904	—	—	9,904
	9,904	—	—	9,904

NOTES TO FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

For the year ended March 31, 2013

[b] Risk management policies

The MLCC manages risk and risk exposure through a combination of a system of internal and disclosure controls, effective cash management strategies and sound business practices. The MLCC is exposed to credit, currency and liquidity risks. The MLCC's management oversees the management of these risks in accordance with policies approved by the Board of Commissioners. The Board of Commissioners reviews and agrees on policies for managing each of these risks.

[c] Credit risk

Credit risk is the risk that a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. The MLCC's maximum exposure to credit risk is the carrying value of trade and other receivables. Other receivables are all due within 30 days at year-end and were fully collected subsequent to year-end. Therefore no allowance for uncollectible accounts was accrued by management. Trade receivables are non-interest bearing and generally have 30-day terms. Trade and other receivables are written off when management determines that they cannot be collected.

The aging of trade and other receivables at the end of the 2013 fiscal year is as follows:

	$
Neither impaired nor past due	21,010
Not impaired and past due as follows:	
Within 30 days	683
31 to 60 days	82
61 to 90 days	63
Over 90 days	296
Allowance for doubtful accounts	—
	22,134

[d] Currency risk

The MLCC is exposed to currency risk through 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 the profit margin approved by the Board of Commissioners. Purchases denominated in foreign currencies during the 2013 fiscal year were $8,148 [2012 - $8,134]. Accordingly, a 10% increase or decrease in the exchange rate between Canadian and U.S. dollars would result in a total increase or decrease of $451 [2012 - $474] assuming the inventory purchased had been sold by the end of the year.

[e] Liquidity risk

Liquidity risk is the risk that the MLCC will encounter difficulties in meeting its financial liability obligations. The MLCC manages its liquidity risk through effective cash management. Liquidity risk is 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. Trade and other payables are non-interest bearing and generally have 30-day terms.

[f] Capital disclosures

As an agency of the Government of Manitoba, the MLCC does not maintain capital balances. Rather, in managing capital, the MLCC focuses on cash available for operations. The MLCC's objectives are to have sufficient cash available for operations, to provide flexibility to take advantage of opportunities that will advance its purposes and to meet its obligation to transfer its net profit to the Province of Manitoba annually. The need for liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. The MLCC has met its objective of having sufficient liquid resources to meet its current obligations.

NOTES TO FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

For the year ended March 31, 2013

15. COMMITMENTS AND CONTINGENCIES

The MLCC leases 51 buildings. Leases have expiry dates ranging from 2014 to 2034.

The future minimum annual lease payments are as follows:

	$
2014	6,210
2015	5,967
2016	5,550
2017	5,015
2018	4,720
Subsequent years	30,606
	58,068

16. RELATED PARTY DISCLOSURES

The MLCC 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. Under *The Liquor Control Act*, the MLCC is required to transfer the net profit for the year annually to the Province. The net profit payable to the Province of Manitoba on the statement of financial position represents the balance of unpaid profits as of the year-end reporting date.

Compensation of key management personnel of the MLCC, which is recognized as an operating expense during the year, is as follows:

	2013	2012
	$	$
Short-term employee benefits	**561**	806
Post-employment pension and medical benefits	**83**	115
Termination benefits	**394**	8
	1,038	929

Management's Responsibility for Financial Information

The consolidated financial statements of the WCB were prepared by management, which is 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 March 15, 2013.

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 the other contents 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 31. Eckler Ltd.'s actuarial review is provided on page 32.

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 Auditors' Report, on page 33, outlines the scope of this independent audit and includes their opinion expressed on the 2012 consolidated financial statements.

Winston Maharaj
President and CEO

Lorena B. Trann, CMA, FCMA
Chief Financial Officer

March 15, 2013

Independent Auditors' Report

To the Workers Compensation Board of Manitoba

We have audited the accompanying consolidated financial statements of the Workers Compensation Board of Manitoba, which comprise the consolidated statements of financial position as at December 31, 2012, and the consolidated statements of operations and comprehensive income, consolidated statements of changes in funded position and consolidated statements 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 audits. We conducted our audits 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 audits 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 The Workers Compensation Board of Manitoba as at December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Grant Thornton LLP
Chartered Accountants
Winnipeg, Canada

March 15, 2013

Consolidated Statement of Financial Position

December 31
(in thousands of dollars)

	Note	2012	2011
Assets			
Cash	3	$ 8,784	$ 11,937
Receivables and other	4	37,535	33,508
Investment portfolio	5	1,193,148	1,074,151
Deferred assessments	7	77,379	73,756
Property, plant and equipment	8	23,491	16,732
Intangible assets	9	3,299	3,680
		$ 1,343,636	$ 1,213,764
Liabilities and funded position			
Payables and accruals	10	12,204	10,643
Workers' retirement annuity fund	11	21,000	18,367
Employee benefits	12	65,917	41,027
Benefit liabilities	13	962,511	930,182
Total liabilities		1,061,632	1,000,219
Accident fund reserve		338,347	247,004
Accumulated other comprehensive loss		(56,343)	(33,459)
Funded position		282,004	213,545
		$ 1,343,636	$ 1,213,764

Authorized for issue on March 15, 2013 on behalf of the Board of Directors,

Michael D. Werier
Chairperson, Board of Directors

Wendy Sol
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	2012	2011
Revenue			
Premium revenue	15	$ 277,458	$ 267,043
Investment income	5	99,674	14,518
Total revenue		377,132	281,561
Expenses			
Claim costs incurred	13	216,021	195,235
Operating expenses	16	69,768	66,049
Total expenses		285,789	261,284
Operating surplus		91,343	20,277
Other comprehensive loss			
Defined benefit plan remeasurements	12	(22,884)	(14,920)
Total comprehensive income		$ 68,459	$ 5,357

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	2012	2011
Funded position			
Accident fund reserve			
Balance at beginning of year		$ 247,004	$ 226,727
Operating surplus		91,343	20,277
		338,347	247,004
Accumulated other comprehensive income			
Balance at beginning of year		$ (33,459)	$ (18,539)
Other comprehensive loss		(22,884)	(14,920)
		(56,343)	(33,459)
Funded position, end of year		$ 282,004	$ 213,545

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	2012	2011
Operating cash flows			
Premiums from employers		$ 269,807	$ 255,227
Investment income		35,520	33,542
Claim payments	13	(183,692)	(174,584)
Purchases of goods and services		(65,988)	(70,787)
Net operating cash flows		55,647	43,398
Investing cash flows			
Purchases of investments, net of sales	5	(50,234)	(33,187)
Asset acquisitions		(8,566)	(6,765)
Net investing cash flows		(58,800)	(39,952)
Net (decrease) increase in cash		(3,153)	3,446
Cash at beginning of year		11,937	8,491
Cash at end of year		$ 8,784	$ 11,937

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2012
($ 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 occupational diseases in conjunction with the Manitoba Government's Workplace Safety and Health Division,
- 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.

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 *SAFE Work – A Way of Life.* The organization's mission is to promote safe and healthy workplaces, promote recovery and return to work, provide compassionate and supportive compensation services for workers and employers, and ensure responsible financial stewardship. The WCB compensates for lost wages, provides support and arranges for rehabilitative help, and has a responsibility to injured workers, their families and their employers to help injured workers return to health and meaningful work in a timely and safe manner.

The WCB has its corporate head office in Winnipeg, Manitoba.

Funding Policy

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 based on a formula modified from the Minimum Contributing Capital and Surplus Requirements rules set out by the Office of the Superintendent of Financial Institutions, Canada. 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 also includes a provision for the potential of new occupational diseases in the future. The target balance for the reserves was $327.3 million at the end of 2012 ($314.0 million in 2011).

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 diseases.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the WCB are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) in effect as at December 31, 2012, 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. Intercompany balances and transactions are eliminated on consolidation.

Use of Estimates and Measurement Uncertainty

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. Employee benefits (note 12) and benefit liabilities (note 13) are the most significant items based on accounting estimates.

Changes in Accounting Policies

Future Accounting and Reporting Changes

The 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 IFRS 10, *Consolidated Financial Statements* to provide a principles-based definition of control that is applied to all types of investees to determine which are consolidated. The standard is applicable for years beginning on or after January 1, 2013. The WCB will continue to consolidate the accounts of its wholly owned real estate investment subsidiary.

The IASB published IFRS 13, *Fair Value Measurement,* applicable for years beginning on or after January 1, 2013. This standard provides a single source of guidance for fair value measurement and enhanced disclosure requirements. IFRS 13 is not expected to have a material impact on the WCB's financial statements.

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

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 IAS 40 *Investment Properties.*

Portfolio Investments

Classification

The WCB's investments have been designated at fair value through profit or loss (FVTPL). As such, all investments are reported at fair value. 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.

Recognition and measurement

Investments are stated 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 through its wholly owned real estate investment subsidiary. 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.

The fair value of real estate investments is determined annually by management based on a combination of the most recent independent appraisals of the rental properties and market data available at year end, net of any liabilities against the properties. 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. Income received from property managers as an income distribution is recorded as investment income, as it is presumed to be the residual of rental income net of operating expenses. It is recorded in the period received, or accrued in the period in which it is expected to be received.

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 accrued liabilities

Payables and accrued liabilities 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 accrued liabilities 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 multifaceted 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.

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.

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 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, accounts receivable and accounts payable. The carrying value of these items approximates their fair value, consistent with the short term nature of these items.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income (AOCI) 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.

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 a deferred receivable.

The Government of Canada and its agencies are self-insured based on the *Government Employees Compensations 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.

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:

		2012		2011
Cash in transit and in banks	$	12,373	$	15,442
Cheques issued and outstanding		(3,589)		(3,505)
Net operating cash flows	$	8,784	$	11,937

In addition, the WCB has established an operating line of credit with its principal banker in the amount of $3.0 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 $40.0 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 2012 ($0.3 million in 2011).

4. RECEIVABLES AND OTHER

Receivables and other reported in the consolidated statement of financial position is comprised of:

		2012		2011
Premiums – Class E employers	$	29,402	$	29,644
Provision for doubtful accounts		(1,414)		(1,141)
		27,988		28,503
Current assessment – Self-insured employers		7,379		3,231
Sundry		2,168		1,774
	$	37,535	$	33,508

5. INVESTMENT PORTFOLIO

The investment portfolio reported in the comprehensive statement of financial position is comprised of:

	2012	2011
Portfolio investments	$ 1,087,816	$ 992,009
Investment properties	105,332	82,142
	$ 1,193,148	$ 1,074,151

Fair Value of the Investment Portfolio

	2012	2011
Equities		
Canadian	$ 168,815	$ 153,028
Private placements	9,325	10,522
U.S.	181,363	159,472
Eurpoe, Australasia & Far East	91,816	77,222
Emerging markets	32,686	26,805
	484,005	427,049
Real estate (see table below)		
Portfolio investments	62,872	57,282
Investment properties	105,332	82,142
	168,204	139,424
Cash and short term investments	49,813	32,829
Fixed income	491,126	474,849
Total	$ 1,193,148	$ 1,074,151

Real Estate Portfolio

The real estate portfolio can be further broken down as follows:

	2012	2011
Rental properties and other net assets	$ 215,205	$ 176,297
Mortgages payable on investment properties	(47,001)	(36,873)
Real estate investments	$ 168,204	$ 139,424

The following table represents key facts related to mortgages payable on rental properties:

Interest rates	From 3.5% to 5.71%
Interest terms	Variable and fixed
Maturity dates	From 2013 to 2033

For 2012, scheduled principal and interest payments on these mortgages total $3.8 million. The scheduled amounts of principal repayments in each of the next five years are as follows:

2013	2014	2015	2016	2017	Thereafter	Total
$ 1,634	$ 16,562	$ 5,290	$ 916	$ 824	$ 21,775	$ 47,001

Investment Income

Investment income was derived from the following sources:

	2012	2011
Canadian equities	$ 5,016	$ 3,844
Foreign equities	6,536	5,327
Cash and short term investments	355	240
Fixed income	19,552	21,764
Real estate (see table below)	19,867	6,227
Market gains (losses):		
Realized	5,924	12,431
Unrealized	47,033	(30,739)
Investment income	104,283	19,094
Less:		
Management expenses	4,609	4,576
Portfolio expenses	4,609	4,576
Net investment income	$ 99,674	$ 14,518

Real Estate Income

The real estate income can be further broken down as follows:

	2012	2011
Rental income, net of expenses	$ 6,484	$ 6,052
Appraisal gains	13,383	175
	$ 19,867	$ 6,227

Purchases of Investments, Net of Sales

Purchases of investments, net of sales can be further broken down as follows:

	2012	2011
Purchases of investments	$ 578,386	$ 717,645
Proceeds on disposal of investments	(528,152)	(684,458)
Net purchases of investments	$ 50,234	$ 33,187

Purchases and sales activities occur primarily within the fixed income portfolio and short term investments.

Fair Value of Investments

For financial instruments measured at fair value in the statement of operations and accident fund reserve, disclosure on the fair value hierarchy is required.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted prices quoted in active markets for identical assets

Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly

Level 3 – Inputs that are not based on observable market data.

The following table illustrates the classification of the WCB's financial assets within the fair value hierarchy as at December 31:

2012	Level 1	Level 2	Level 3	Total
Equities				
Canadian	$ 168,815	$ -	$ -	$ 168,815
Private placements	914	-	8,411	9,325
U.S.	181,363	-	-	181,363
Europe, Australasia & Far East	91,816	-	-	91,816
Emerging markets	32,686	-	-	32,686
	475,594	-	8,411	484,005
Cash and short term investments	49,813	-	-	49,813
Fixed income	382,563	108,563	-	491,126
Real estate	-	168,204	-	168,204
	$ 907,970	$ 276,767	$ 8,411	$ 1,193,148

2011	Level 1	Level 2	Level 3	Total
Equities				
Canadian	$ 153,028	$ -	$ -	$ 153,028
Private placements	620	-	9,902	10,522
U.S.	159,472	-	-	159,472
Europe, Australasia & Far East	77,222	-	-	77,222
Emerging markets	26,805	-	-	26,805
	417,147	-	9,902	427,049
Cash and short term investments	32,829	-	-	32,829
Fixed income	368,198	106,651	-	474,849
Real estate	-	139,424	-	139,424
	$ 818,174	$ 246,075	$ 9,902	$ 1,074,151

The following table reconciles the changes in the WCB's level three fair value measurements to December 31:

	2012	2011
Balance at January 1	$ 9,902	$ 23,456
Market gains (losses:)		
Realized	-	(64)
Unrealized	1,690	(11,898)
Purchases	238	215
Sales	(3,419)	(1,807)
Transfers in (out)	-	-
Balance at December 31	$ 8,411	$ 9,902

Commitments

The WCB has contractual agreements to contribute further funding to a maximum of $8.6 million ($4.3 million in 2011) 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:

	2012		2011	
	5 year annualized		5 year annualized	
Equities	+/- 1 standard deviation	+/- 2 standard deviation	+/- 1 standard deviation	+/- 2 standard deviation
% change in benchmark	20.1%	40.2%	19.8%	39.6%
Canadian	$33.5 million	$67.0 million	$30.3 million	$60.6 million
% change in benchmark	12.5%	25.0%	11.9%	23.8%
U.S.	$22.9 million	$45.7 million	$19.0 million	$38.0 million
% change in benchmark	17.3%	34.6%	16.2%	32.4%
Europe, Australasia and Far East	$15.9 million	$31.8 million	$12.5 million	$25.0 million
% change in benchmark	22.2%	44.4%	21.4%	42.8%
Emerging markets	$7.3 million	$14.5 million	$5.7 million	$11.5 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.

Of the fixed income assets in the investment portfolio, 90 per cent (90 per cent in 2011) 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, 2012, these loans amounted to $97.3 million ($96.0 million in 2011). As at December 31, 2012, total collateral pledged to the WCB amounted to $102.2 million ($100.9 million in 2011).

Foreign Exchange Risk Management
The WCB has certain investments denominated in foreign currencies, which exposes the WCB to foreign currency risk. During 2012, 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.

WCB has exposure to the U.S. dollar, with USD-denominated holdings of $315.8 million CAD ($274.3 million CAD in 2011) or 26.5 per cent of the portfolio (25.5 per cent in 2011).

The table below presents the effects of a material change in the Canadian/U.S. dollar exchange rates:

	CAD/USD 2012	CAD/USD 2011
10% appreciation in the Canadian dollar	$ (25.8 million)	$ (24.9 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, 2012, the duration of the WCB's bond portfolio was 8.4 years (8.2 years in 2011).

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:

	2012		2011	
+/- basis point change	50 basis points	100 basis points	50 basis points	100 basis points
Bonds	$16.3 million	$32.6 million	$15.3 million	$30.6 million

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:

	2012	2011
Balance at beginning of year	$ 73,756	$ 60,988
Increase in future cost liability	6,947	13,603
Decrease in pension related transactions	(1,420)	(564)
Interest allocation	(1,904)	(271)
Net change in deferred assessments	3,623	12,768
Balance at end of year	$ 77,379	$ 73,756

8. PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment were as follows:

	Building and land	Building renovations and leaseholds	Computer equipment	Furnature, fixtures and equipment	Total
Cost					
As at December 31, 2011	$ 15,062	$ 4,689	$ 5,131	$ 2,430	$ 27,312
Additions	7,002	241	267	152	7,662
Disposals	-	-	(82)	-	(82)
As at December 31, 2012	22,064	4,930	5,316	2,582	34,892
Amortization					
As at December 31, 2011	(771)	(3,495)	(4,082)	(2,232)	(10,580)
Amortization charge	(72)	(210)	(523)	(98)	(903)
Disposals	-	-	82	-	82
As at December 31, 2012	(843)	(3,705)	(4,523)	(2,330)	(11,401)
Net carrying value, As at December 31, 2012	$ 21,221	$ 1,225	$ 793	$ 252	$ 23,491

	Building and land	Building renovations and leaseholds	Computer equipment	Furnature, fixtures and equipment	Total
Cost					
As at December 31, 2010	$ 9,739	$ 4,658	$ 6,937	$ 2,347	$ 23,681
Additions	5,323	31	605	83	6,042
Disposals	-	-	(2,411)	-	(2,411)
As at December 31, 2011	15,062	4,689	5,131	2,430	27,312
Amortization					
As at December 31, 2010	(699)	(3,305)	(5,871)	(2,141)	(12,016)
Amortization charge	(72)	(190)	(622)	(91)	(975)
Disposals	-	-	2,411	-	2,411
As at December 31, 2011	(771)	(3,495)	(4,082)	(2,232)	(10,580)
Net carrying value, As at December 31, 2011	$ 14,291	$ 1,194	$ 1,049	$ 198	$ 16,732

9. INTANGIBLE ASSETS

The changes in intangible assets were as follows:

	Computer software	Internally developed systems and software	Total
Cost			
As at December 31, 2011	$ 3,414	$ 13,539	$ 16,953
Additions	122	782	904
Disposals	-	-	-
As at December 31, 2012	3,536	14,321	17,857
Amortization			
As at December 31, 2011	(3,201)	(10,072)	(13,273)
Amortization charge	(168)	(1,117)	(1,285)
Disposals	-	-	-
As at December 31, 2012	(3,369)	(11,189)	(14,558)
Net carrying value, As at December 31, 2012	$ 167	$ 3,132	$ 3,299

	Computer software	Internally developed systems and software	Total
Cost			
As at December 31, 2010	$ 3,765	$ 13,162	$ 16,927
Additions	98	624	722
Disposals	(449)	(247)	(696)
As at December 31, 2011	3,414	13,539	16,953
Amortization			
As at December 31, 2010	(3,375)	(9,283)	(12,658)
Amortization charge	(275)	(1,036)	(1,311)
Disposals	449	247	696
As at December 31, 2011	(3,201)	(10,072)	(13,273)
Net carrying value, As at December 31, 2011	$ 213	$ 3,467	$ 3,680

10. PAYABLES AND ACCRUALS

Payables and accruals are comprised of:

	2012	2011
Accounts payable and accrued liabilities	$ 3,075	$ 2,376
Research and Workplace Innovation Program	2,374	2,463
Deposits from self-insured employers	5,765	4,834
Other payables	990	970
Balance at end of year	$ 12,204	$ 10,643

11. WORKERS' RETIREMENT ANNUITY FUND

The changes in the workers retirement annuity fund were as follows:

	2012	2011
Balance, as at January 1	$ 18,367	$ 17,346
Investment income	1,738	241
WCB contributions	1,441	1,549
Workers' contributions	423	405
Benefits paid	(969)	(1,174)
Balance at end of year	$ 21,000	$ 18,367

12. EMPLOYEE BENEFITS

Components of the employee benefits liability are:

		2012		2011
Employee pension plan	$	52,059	$	30,672
Sick leave plan		10,006		6,735
Employee vacation entitlements		3,575		3,414
Other		277		206
As at December 31	$	65,917	$	41,027

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, which was filed with the pension regulators, was as at December 31, 2011. This funding valuation showed a funding deficit of $11.4 million (2010 valuation, deficit of $6.7 million), which the WCB is funding over fifteen years in accordance with pension regulations. The solvency deficit as at December 31, 2011 was $34.2 million (2010 valuation, deficit of $12.8 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 2012, consisting of cash contributed by the WCB to the funded pension plan and cash payments directly to beneficiaries for unfunded plans, were $4.8 million ($4.0 million in 2011). Based on historical experience and expected salary expense, the WCB expects to fund $5.0 million in 2013.

The key actuarial assumptions used to value the employee benefit liabilities for accounting purposes are as follows:

	Pension Plan		Sick Leave Plan	
	2012	2011	2012	2011
Discount rate	4.50%	5.25%	4.50%	5.25%
Rate of compensation increase	3.75%	3.75%	3.75%	3.75%

The rates shown in the 2012 column were effective as of December 31, 2012. The rates were applied in determining the benefit plan balances at December 31, 2012. The rates shown in the 2011 column were effective at December 31, 2011 and were applied in determining the 2012 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 1 per cent change in the discount rate:

	2012				2011			
		+1.0%		**-1.0%**		**+1.0%**		**-1.0%**
Pension plan	$	(33,753)	$	33,753	$	(24,534)	$	24,534
Sick leave plan		(903)		1,051		(590)		699

The WCB's defined benefit plan expenses are as follows:

	Pension Plan 2012	Pension Plan 2011	Sick Leave Plan 2012	Sick Leave Plan 2011
Current service cost	$ 4,484	$ 3,486	$ 348	$ 306
Net interest expense	1,430	726	346	342
Remeasurements	20,008	14,606	2,876	314
Total benefit plan expenses	$ 25,922	$ 18,818	$ 3,570	$ 962

As at December 31, the funding status of the defined benefit plans is as follows:

	Pension Plan 2012	Pension Plan 2011	Sick Leave Plan 2012	Sick Leave Plan 2011
Fair value of plan assets	$ 121,018	$ 108,200	$ -	$ -
Defined benefit obligation	(173,077)	(138,872)	(10,006)	(6,735)
Net defined benefit liability	$ (52,059)	$ (30,672)	$ (10,006)	$ (6,735)

Details of the WCB's net defined benefit liability are as follows:

	Pension Plan 2012	Pension Plan 2011	Sick Leave Plan 2012	Sick Leave Plan 2011
Balance at January 1	$ (30,672)	$ (15,628)	$ (6,735)	$ (6,089)
Benefit cost recognized in income	(5,914)	(4,212)	(694)	(648)
Remeasurements reorganized in other comprehensive income	(20,008)	(14,606)	(2,876)	(314)
Employer contributions	4,535	3,774	299	316
Net change in net defined benefit liability	(21,387)	(15,044)	(3,271)	(646)
Net defined benefit liability at December 31	$ (52,059)	$ (30,672)	$ (10,006)	$ (6,735)

Details of the WCB's defined benefit obligations are as follows:

	Pension Plan 2012	Pension Plan 2011	Sick Leave Plan 2012	Sick Leave Plan 2011
Balance at January 1	$ (138,872)	$ (118,089)	$ (6,735)	$ (6,089)
Current service cost	(6,801)	(5,705)	(348)	(306)
Interest expense	(7,213)	(6,705)	(346)	(342)
Transfers to the plan	(737)	(88)	-	-
Remeasurements consisting of:				
Actuarial losses	(23,141)	(11,340)	(2,876)	(314)
Benefits paid	3,687	3,055	299	316
Net change in net defined benefit obligation	(34,205)	(20,783)	(3,271)	(646)
Defined benefit obligation at December 31	$ (173,077)	$ (138,872)	$ (10,006)	$ (6,735)

Details of the WCB's defined benefit plan assets are as follows:

	Pension Plan 2012	Pension Plan 2011
Balance at January 1	$ 108,200	$ 102,461
Interest income	5,783	5,979
Employer contributions	4,535	3,774
Employee contributions	2,317	2,219
Transfers to the plan	737	88
Remeasurements consisting of:		
Actuarial gains (losses)	3,133	(3,266)
Benefits paid	(3,687)	(3,055)
Net change in plan assets	12,818	5,739
Plan assets at December 31	$ 121,018	$ 108,200

The fair value of the pension plan assets as at December 31 is:

	Pension Plan 2012	2011
Equity		
Canadian	$ 36,775	$ 31,270
Foreign (including U.S.)	36,140	27,375
	72,915	58,645
Fixed income	44,081	42,414
Cash and short term	4,022	7,141
Plan assets at December 31	$ 121,018	$ 108,200

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:

	2012	2011
Transactions:		
Contributions from employees	$ 2,317	$ 2,219
Contributions from employer	4,535	3,774

There were no amounts outstanding as at December 31, 2012 or December 31, 2011.

13. BENEFIT LIABILITIES

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. 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:

	2012	2011
Discount rate for non-indexed benefits	6.0%	6.0%
Discount rate for CPI-indexed benefits	3.0%	3.0%
Discount rate for wage-indexed benefits	2.0%	2.0%
Discount rate for healthcare benefits	(0.5%)	(0.5%)

An analysis of the components of and changes in benefit liabilities is as follows:

	2012						2011
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
As at beginning of year	$ 126,060	$ 386,076	$ 139,106	$ 256,040	$ 22,900	$ 930,182	$ 909,531
Add: Claim costs incurred							
Current year	99,095	13,631	2,986	54,838	5,247	175,797	167,644
Prior years	(32,895)	56,867	8,854	11,201	(3,803)	40,224	27,591
	66,200	70,498	11,840	66,039	1,444	216,021	195,235
Less: Claim payments made							
Current year	27,660	443	484	19,528	10	48,125	44,503
Prior years	30,882	52,491	14,705	35,654	1,835	135,567	130,081
	58,542	52,934	15,189	55,182	1,845	183,692	174,584
Balance at end of year	$ 133,718	$ 403,640	$ 135,757	$ 266,897	$ 22,499	$ 962,511	$ 930,182

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 $48.5 million ($44.4 million in 2011) 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. In 2011, the *Act* was amended to add four cancers to the list and to extend the presumptions to certain personnel of the fire commissioner's office. Consistent with actuarial standards, a liability has not been recorded with respect to the new cancers, except in the case of claims that were submitted to the WCB during 2011and 2012. In 2014, actuarial standards will require that this liability be recorded. Based on 2012 information, this liability could be as high as $8 million (2011 estimate, $10 million). While long latent liabilities are in general difficult to estimate, at this point, the WCB does not have sufficient experience to reliably estimate the liability for these additional cancers.

Also included in the benefit liability is $74.0 million ($71.3 million in 2011) 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

	2012		2011	
+/- % change on assumed rates	**+1%**	**-1%**	**+1%**	**-1%**
Discount rate	$ (58)	$ 69	$ (61)	$ 72
Wage inflation rate	16	(15)	21	(18)
General inflation rate	18	(15)	16	(14)
Healthcare inflation rate	31	(26)	29	(24)

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.

	Injury Year						
Estimate of ultimate claims	**2006 & Prior**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
End of injury year	$ 1,458,654	$ 182,168	$ 203,916	$ 184,494	$ 181,728	$ 196,690	$ 202,359
1 year later	1,516,628	191,645	187,514	165,260	171,672	182,934	-
2 years later	1,531,656	189,544	175,901	172,820	170,445	-	-
3 years later	1,540,794	187,199	185,187	173,058	-	-	-
4 years later	1,591,397	190,159	184,284	-	-	-	-
5 years later	1,672,185	190,595	-	-	-	-	-
6 years later	1,692,401	-	-	-	-	-	-

	Injury Year						
Cumulative claims paid	**2006 & Prior**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
End of injury year	$ 158,624	$ 46,859	$ 50,599	$ 48,096	$ 46,249	$ 47,401	$ 47,263
1 year later	285,510	82,221	84,294	77,860	74,123	76,708	-
2 years later	383,157	96,974	96,378	87,285	84,207	-	-
3 years later	467,653	106,870	104,554	94,078	-	-	-
4 years later	547,097	113,748	110,788	-	-	-	-
5 years later	620,003	119,384	-	-	-	-	-
6 years later	688,743	-	-	-	-	-	-

	Injury Year							
	2006 & Prior	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
Cumulative estimate of ultimate claims	$ 1,692,401	$ 190,595	$ 184,284	$ 173,058	$ 170,445	$ 182,934	$ 202,359	$ 2,796,076
Less: Cumulative claims paid	688,743	119,384	110,788	94,078	84,207	76,708	47,263	1,221,171
Current year unpaid and unreported claims	1,003,658	71,211	73,496	78,980	86,238	106,226	155,096	1,574,905
Effect of discounting								(720,961)
Administration cost within benefit liability								74,046
Future dated long latency liability								34,521
Benefit liabilities								$ 962,511

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:

	2012						2011
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
As at beginning of year	$ 14,512	$ 45,343	$ 24,890	$ 41,908	$ 1,944	$ 128,597	$ 118,246
Add: Claim costs incurred							
Current year	13,510	2,621	874	7,354	603	24,962	21,799
Prior years	(2,353)	10,002	2,192	2,107	(468)	11,480	13,027
	11,157	12,623	3,066	9,461	135	36,442	34,826
Less: Claim payments made							
Current year	3,989	117	249	2,481	1	6,837	6,440
Prior years	4,932	4,659	3,822	6,145	120	19,678	18,035
	8,921	4,776	4,071	8,626	121	26,515	24,475
Balance at end of year	$ 16,748	$ 53,190	$ 23,885	$ 42,743	$ 1,958	$ 138,524	$ 128,597

Included in premiums and claim costs for self-insured employers are payments in the amount of $4.2 million ($4.0 million in 2011) 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 $16.2 million ($14.2 million in 2011) for self-insured employers' share of the long latent occupational disease liability and $9.8 million ($9.3 million in 2011) for the future cost of administering existing claims.

15. PREMIUM REVENUE

	2012	2011
Premiums – Class E employers	$ 240,175	$ 227,494
Assessments – Self-insured employers	33,660	26,781
Increase in deferred assessments (Note 7)	3,623	12,768
Total premium revenue	$ 277,458	$ 267,043

16. OPERATING EXPENSES

	2012	2011
Salaries, employee benefits and training	$ 48,738	$ 44,347
Information technology service fees	1,682	1,630
Occupancy costs	2,093	2,093
Office supplies, services and projects	243	934
Communications	1,226	1,250
Professional fees	1,567	1,161
Donations	95	98
Amortization of capital assets	2,188	2,287
	57,832	53,800
Appeal Commission	1,259	1,222
Research and Workplace Innovation Program grants	870	1,279
Recoveries from the Government of Canada	(1,405)	(1,319)
Prevention and Workplace Safety and Health funding (Note 17)	11,212	11,067
Total operating expenses	$ 69,768	$ 66,049

Of the total operating expenses, $5.8 million ($5.5 million in 2011) 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 2012, the amount charged to operations under this provision was $8.8 million ($8.7 million in 2011).

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 2012, the amount charged to operations under this provision was $0.7 million ($0.7 million in 2011).

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. Account balances resulting from these transactions are included in these financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio as at December 31, 2012 are guaranteed debentures issued by the Province of Manitoba in the amount of $3.2 million ($1.1 million in 2011).

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:

	2012	2011
Short-term employee benefits	$ 1,301	$ 1,277
Post-employee benefits	598	194
	$ 1,899	$ 1,471

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:

	2012	2011
Fees	$ 135	$ 113
Benefits	1	1
	$ 136	$ 114

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 December 31, 2021. The minimum lease obligations over the next five years are:

2013	2014	2015	2016	2017	Thereafter	Total
$ 681	$ 426	$ 317	$ 68	$ 73	$ 293	$ 1,858

The WCB began a capital project to repair the exterior cladding on its office building located at 333 Broadway in 2010. The project is scheduled to be completed in early 2013. The estimated cost of the project is $14.3 million, with $12.5 million of capital cost incurred as at December 31, 2012.

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, 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 2012 or 2011.