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**NEWFOUNDLAND AND LABRADOR  
HOUSING CORPORATION**

**FINANCIAL STATEMENTS**

**MARCH 31, 2016**

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## Management's Report

### *Management's Responsibility for the Newfoundland and Labrador Housing Corporation Financial Statements*

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a quarterly basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Housing Corporation.

On behalf of the Newfoundland and Labrador Housing Corporation.



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Mr. John Ottenheimer, Q.C.  
Chairperson and Chief Executive Officer



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Mr. Thomas F. Lawrence, FCPA, FCMA  
Chief Financial Officer



## **INDEPENDENT AUDITOR'S REPORT**

To the Chairperson and Members of the Board of Directors  
Newfoundland and Labrador Housing Corporation  
St. John's, Newfoundland and Labrador

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Newfoundland and Labrador Housing Corporation which comprise the statement of financial position as at March 31, 2016, the statements of operations, 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.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

**Independent Auditor's Report (cont.)**

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Housing Corporation as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read 'T. Paddon', with a long horizontal line extending to the right.

**TERRY PADDON, CPA, CA**  
**Auditor General**

July 15, 2016  
St. John's, Newfoundland and Labrador

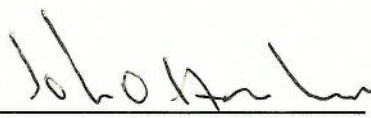
# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## STATEMENT OF FINANCIAL POSITION

As at March 31

	2016	2015
	(000's)	(000's)
<b>FINANCIAL ASSETS</b>		
Cash	\$ 36,801	\$ 58,944
Accounts receivable (Note 3)	1,450	1,395
Land held for sale (Note 4)	-	22
Due from government and other government organizations (Note 5)	1,179	2,957
Loans receivable (Note 6)	5,490	5,324
Receivables from municipalities - land transfers (Note 7)	832	851
	<b>45,752</b>	<b>69,493</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 8)	10,994	12,492
Employee future benefits (Note 9)	26,109	26,125
Due to government and other government organizations (Note 10)	1,505	1,993
Deferred revenue (Note 11)	9,865	10,769
Long-term debt (Note 12)	97,078	103,364
	<b>145,551</b>	<b>154,743</b>
<b>Net debt</b>	<b>(99,799)</b>	<b>(85,250)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 13)	121,398	125,687
Inventories held for use	392	368
Prepaid expenses (Note 14)	4,404	3,745
	<b>126,194</b>	<b>129,800</b>
<b>Accumulated surplus</b>	<b>\$ 26,395</b>	<b>\$ 44,550</b>
<b>Contingent liabilities (Note 15)</b>		
<b>Contractual obligations (Note 16)</b>		
<b>Trust under administration (Note 19)</b>		

Signed on behalf of the Corporation:

  
**Chairperson**

  
**Member**

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

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## STATEMENT OF OPERATIONS

For the Year Ended March 31

	2016 Budget	2016 Actual	2015 Actual
	(000's) (Note 23)	(000's)	(000's)
<b>REVENUES (Note 17)</b>			
Province of Newfoundland and Labrador operating grant	\$ 34,518	\$ 36,430	\$ 42,754
CMHC revenue	50,260	51,288	50,092
Other government sources	225	381	308
Rent	21,421	21,682	21,321
Interest	800	841	1,160
Land sales	7,022	7,512	1,075
Gain on sale of tangible capital assets	2,250	-	-
Profit from land sales by municipalities	200	124	193
Other	37	263	139
	<b>116,733</b>	<b>118,521</b>	<b>117,042</b>
<b>EXPENSES (Note 17)</b>			
Rental operations	52,527	65,599	64,543
Partner managed housing	9,135	10,519	9,995
Affordable housing investments	23,670	25,951	17,155
Rent supplement	10,105	11,456	9,409
Land development	22	52	28
Administration	23,077	23,099	25,182
	<b>118,536</b>	<b>136,676</b>	<b>126,312</b>
<b>Annual deficit</b>	<b>(1,803)</b>	<b>(18,155)</b>	<b>(9,270)</b>
<b>Accumulated surplus, beginning of year</b>	<b>44,550</b>	<b>44,550</b>	<b>53,820</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 42,747</b>	<b>\$ 26,395</b>	<b>\$ 44,550</b>

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

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**STATEMENT OF CHANGE IN NET DEBT**  
For the Year Ended March 31

	2016 Budget	2016 Actual	2015 Actual
	(000's) (Note 23)	(000's)	(000's)
<b>Annual deficit</b>	\$ (1,803)	\$ (18,155)	\$ (9,270)
<b>Changes in tangible capital assets (Note 13)</b>			
Acquisition of tangible capital assets	(1,123)	(1,545)	(2,470)
Net book value of tangible capital asset disposals and write-downs	-	76	352
Amortization of tangible capital assets	-	5,758	6,088
	(1,123)	4,289	3,970
<b>Changes in other non-financial assets</b>			
Net (acquisition) use of inventories held for use	-	(24)	9
Net acquisition of prepaid expenses	-	(659)	(142)
	-	(683)	(133)
<b>Increase in net debt</b>	(2,926)	(14,549)	(5,433)
<b>Net debt, beginning of year</b>	(85,250)	(85,250)	(79,817)
<b>Net debt, end of year</b>	\$ (88,176)	\$ (99,799)	\$ (85,250)

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

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## STATEMENT OF CASH FLOWS

For the Year Ended March 31

	2016	2015
	(000's)	(000's)
<b>Operating transactions</b>		
Annual deficit	\$ (18,155)	\$ (9,270)
Adjustment for non-cash items and change in non-cash operating items:		
Contribution of tangible capital assets	-	(138)
Decrease in provision for doubtful accounts, loans receivable	(25)	(184)
Amortization of tangible capital assets	5,758	6,088
Write-down of tangible capital assets	-	54
Losses on sale of tangible capital assets	70	144
Employee future benefits	(16)	(61)
Deferred revenue	(904)	1,252
Forgivable loans	3,190	(5,368)
Other (Note 20)	(946)	1,631
<b>Cash applied to operating transactions</b>	<b>(11,028)</b>	<b>(5,852)</b>
<b>Capital transactions</b>		
Proceeds, net of selling costs, on sale of tangible capital assets	6	154
Cash used to acquire tangible capital assets	(1,545)	(2,332)
<b>Cash applied to capital transactions</b>	<b>(1,539)</b>	<b>(2,178)</b>
<b>Investing transactions</b>		
Decrease in receivable from municipalities - land transfers	19	133
Decrease in land for sale	22	-
Repayment of loans and advances	1,670	1,980
Forgivable loans	(3,190)	5,368
Loans and advances	(1,811)	(1,355)
<b>Cash (applied to) provided by investing transactions</b>	<b>(3,290)</b>	<b>6,126</b>
<b>Financing transactions</b>		
Debt retirement	(6,286)	(6,466)
<b>Cash applied to financing transactions</b>	<b>(6,286)</b>	<b>(6,466)</b>
<b>Decrease in cash</b>	<b>(22,143)</b>	<b>(8,370)</b>
<b>Cash, beginning of year</b>	<b>58,944</b>	<b>67,314</b>
<b>Cash, end of year</b>	<b>\$ 36,801</b>	<b>\$ 58,944</b>

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



**1. Nature of operations**

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under the authority of the *Housing Corporation Act*. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province of Newfoundland and Labrador with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

**2. Summary of significant accounting policies**

**(a) Basis of accounting**

The Corporation is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities as established by the Canadian Public Sector Accounting Board (PSAB). The Corporation does not prepare a statement of remeasurement gains and losses as the Corporation does not enter into relevant transactions or circumstances that are being addressed by that statement. Outlined below are the significant accounting policies followed.

**(b) Financial instruments**

The Corporation's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, due from government and other government organizations, loans receivable, receivables from municipalities - land transfers, accounts payable and accrued liabilities, due to government and other government organizations and long-term debt.

The Corporation generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. The Corporation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash, due from government and other government organizations, and receivables from municipalities - land transfers. Accounts receivable and loans receivable are measured at amortized cost as disclosed in Note 3 and Note 6, respectively. All financial assets are assessed annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. Financial liabilities measured at cost include accounts payable and accrued liabilities and due to government and other government organizations. Long-term debt is measured at amortized cost as disclosed in Note 12.

Interest attributable to financial instruments is reported in the statement of operations.

**(c) Cash**

Cash includes cash in the bank.

**2. Summary of significant accounting policies (cont.)**

**(d) Land held for sale**

Land held for sale is recorded at the lower of cost and net realizable value.

**(e) Loans receivable**

Loans receivable are recorded at amortized cost. Valuation allowances are made when collection is in doubt and is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances.

**(f) Liability for contaminated sites**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability for a contaminated site is recognized based on management's best estimate of all costs directly attributable to remediation activities, including the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site, and is recorded net of any expected recoveries.

A liability for the remediation of a contaminated site is recognized when a site is generally not in productive use and all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Corporation:
  - is directly responsible, or
  - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

**(g) Employee future benefits**

The cost of retirement life insurance and health care benefits, severance pay, and accumulating, non-vesting sick leave benefits are actuarially determined using management's best estimate of the long-term inflation rate, compensation increases, discount rate and health care cost trends.

The employees of the Corporation are subject to the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Corporation and remitted to the Public Service Pension Plan Corporation from which pensions will be paid to employees when they retire. This plan is a multi-employer, defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of their best six years of earnings for service on or after January 1, 2015, and, for service before January 1, 2015, the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service.

**2. Summary of significant accounting policies (cont.)**

**(g) Employee future benefits (cont.)**

Employee future benefit expenses are included with salaries and benefits in the Corporation's financial statements.

**(h) Tangible capital assets**

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Rental properties	40 years
Office buildings	40 years
Furniture and office equipment	10 years
Maintenance tools and equipment	10 years
Computer hardware and software	4 years
Vehicles	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to meet its mandate, 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.

Contributed capital assets are recorded as revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

**(i) Inventories held for use**

Inventories held for use include rental property parts and supplies and are recorded at the lower of historical cost and replacement cost.

**(j) Prepaid expenses**

Prepaid expenses include property taxes, insurance, licenses and rent and are recorded as an expense over the periods expected to benefit from it.

**2. Summary of significant accounting policies (cont.)**

**(k) Revenues**

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues 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 transfers are recognized as revenues 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 an obligation that meets the definition of a liability for the Corporation. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulations related to the liabilities are settled. Government transfers consist of funding from the Province of Newfoundland and Labrador and Canada Mortgage and Housing Corporation (CMHC).

Interest income is accounted for using the effective interest method for all loans, other than the impaired portion of loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired.

**(l) Expenses**

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is recorded as an expense.

Government transfers are recognized as expenses in the period in which the transfer is authorized and all eligibility criteria have been met. Government transfers include grants and subsidies under the Corporation's social programs.

**(m) Measurement uncertainty**

The preparation of financial statements, in conformity with CPSAS, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, recoverable value of land held for sale, estimated employee future benefits, impairment of assets and liabilities for contaminated sites.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**3. Accounts receivable**

	2016 (000's)	2015 (000's)
Harmonized sales tax receivable	\$ 1,233	\$ 1,159
Rents	205	219
Other	161	148
	1,599	1,526
<u>Less: provision for doubtful accounts</u>	<u>(149)</u>	<u>(131)</u>
	<u>\$ 1,450</u>	<u>\$ 1,395</u>

**4. Land held for sale**

	2016 (000's)	2015 (000's)
Land held for sale, beginning of year	\$ 22	\$ 22
<u>Land development costs incurred during the year</u>	<u>7</u>	<u>-</u>
	29	22
<u>Less: cost of earned sales recognized during year</u>	<u>(29)</u>	<u>-</u>
<u>Land held for sale, end of year</u>	<u>\$ -</u>	<u>\$ 22</u>

In September 1998, the Province directed the Corporation to divest of the majority of its land holdings. Land held for sale is valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**5. Due from government and other government organizations**

	2016 (000's)	2015 (000's)
CMHC	\$ 296	\$ 2,373
Province of Newfoundland and Labrador	590	294
Municipalities	293	290
	<b>\$ 1,179</b>	<b>\$ 2,957</b>

**6. Loans receivable**

	2016 (000's)	2015 (000's)
Forgivable loans bearing no interest	\$ 75,594	\$ 72,404
Promissory notes bearing fixed interest rates ranging from 0% to 11.5%, repayable in blended monthly principal and interest payments with due dates ranging from April 2016 to April 2041. These notes are unsecured and can be retired prior to maturity.	5,310	5,463
Mortgages bearing fixed interest rates ranging from 0% to 8.75%, repayable in blended monthly principal and interest payments with due dates ranging from January 2017 to May 2036. These mortgages are secured and can be retired prior to maturity.	1,057	763
Less: provision for forgivable loans	(75,594)	(72,404)
Less: provision for doubtful accounts	(877)	(902)
	<b>\$ 5,490</b>	<b>\$ 5,324</b>

Forgivable loans bearing no interest are advanced to recipients subject to meeting certain eligibility criteria and are recorded through grants and subsidies expense when advanced. Forgiveness terms include an amortization period ranging between 1 and 25 years, during which time the unamortized portion of the loan is required to be repaid only upon sale of the property. As such, there is a low likelihood of required repayment.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**7. Receivable from municipalities - land transfers**

In September 1998, the Province of Newfoundland and Labrador directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreements. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending on the impact of any changes and management's best estimate of them.

For the year ended March 31, 2016, 21 agreements were in place for the transfer of land to municipalities at a carrying value of \$832,000 (2015 - \$851,000).

**8. Accounts payable and accrued liabilities**

	2016 (000's)	2015 (000's)
Trade accounts payable	\$ 6,211	\$ 8,344
Salaries and benefits payable	902	718
Accrued leave	2,109	2,003
Liability for contaminated sites (Note 8(a))	1,131	783
Other	641	644
	<b>\$ 10,994</b>	<b>\$ 12,492</b>

**(a) Liability for contaminated sites**

The Corporation recognized an estimated liability for contaminated sites of \$754,000 (2015 - \$783,000) for soil remediation at Chalker Place, St. John's. The nature of the liability is related to the removal of seven electrical transformers containing polychlorinated biphenyls (PCBs) and includes the remediation of soil contaminants resulting from all transformers. Historical costs of previous work of this nature were used as a basis of measurement. Expenditures of \$29,000 were incurred during the fiscal year ended March 31, 2016. Expenditures are expected to occur in the fiscal years ended March 31, 2017, 2018 and 2019. There are no estimated recoveries anticipated.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**8. Accounts payable and accrued liabilities (cont.)**

**(a) Liability for contaminated sites (cont.)**

The Corporation recognized an estimated environmental liability of \$377,000 (2015 - \$0) for soil remediation at Cashin Avenue and Pleasantville, St. John's. The nature of the liability is related to the removal of underground fuel storage tanks. Historical costs of previous work of this nature were used as a basis of measurement. Expenditures of \$65,000 were incurred during the fiscal year ended March 31, 2016. Expenditures are expected to occur in the fiscal year ended March 31, 2017. There are no estimated recoveries anticipated.

A liability has not been recognized in relation to the following contaminated site, since based on past experience, it is not expected that future economic benefits would be given up:

Name of the Contaminated Site	Nature of Contamination
Octagon Pond Area, Paradise	Hydrocarbons and various heavy metals in soil and ground water

A liability has not been recognized in relation to the following contaminated sites since a reasonable estimate of the amount could not be made, due to the unknown extent of contamination:

Name of the Contaminated Site	Nature of Contamination
Various Locations, St. John's	Underground fuel storage tanks
Stephenville Industrial Park	Abandoned fuel storage facilities
Gander Industrial Park	Soil contamination

**9. Employee future benefits**

Information about obligations for retirement benefits and other employee future benefits is as follows:

**(a) Pension Plan**

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991* (the *Act*). The plan is administered by the Public Service Pension Plan Corporation, including payment of pension benefits to employees to whom the *Act* applies.

The plan provides a pension to employees based on the member's age at retirement, their length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2015 - 11.85%). The Corporation contributes an amount equal to the employee contributions to the plan. The pension expense for the Corporation for the year ended March 31, 2016, was \$1,787,477 (2015 - \$1,433,690).



**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**9. Employee future benefits (cont.)**

**(b) Retirement and other employee future benefit liabilities**

	2016			2015	
	Retirement life insurance and health care benefits (000's)	Severance pay (000's)	Accumulating Non-vesting Sick leave benefits (000's)	Total Employee Benefits (000's)	Total Employee Benefits (000's)
Accrued employee future benefit obligations, end of year	\$ 19,061	\$ 1,685	\$ 1,216	\$ 21,962	\$ 21,638
Unamortized actuarial gain (loss), end of year	4,336	39	(228)	4,147	4,487
Employee future benefits liability, end of year	\$ 23,397	\$ 1,724	\$ 988	\$ 26,109	\$ 26,125

**(c) Change in employee future benefits liability**

	2016			2015	
	Retirement life insurance and health care benefits (000's)	Severance pay (000's)	Accumulating Non-vesting Sick leave benefits (000's)	Total Employee Benefits (000's)	Total Employee Benefits (000's)
Current period benefit cost	\$ -	\$ 30	\$ 105	\$ 135	\$ 711
Interest on accrued benefit obligation	916	87	60	1,063	1,382
Amortization of actuarial (gains) losses	(367)	(6)	33	(340)	468
Employee future benefits expense	549	111	198	858	2,561
Less: benefits payments	(349)	(318)	(207)	(874)	(2,622)
Change in employee future benefits liability	\$ 200	\$ (207)	\$ (9)	\$ (16)	\$ (61)

**9. Employee future benefits (cont.)**

**(d) Retirement and other employee future benefits**

**i. Retirement life insurance and health care benefits**

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for life insurance and health care benefits. The Corporation pays 100% of retirees' life insurance premiums after age 65. There are no fund assets associated with these group insurance plans.

**ii. Severance pay**

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with non-unionized employees after nine years of continuous service. Effective May 1, 2014, there is no further accumulation of severance pay service for unionized employees. During the year ended March 31, 2015, unionized employees that had accumulated severance pay prior to May 1, 2014, elected to receive all, or a portion, of severance pay accumulated or to defer payment of their accumulated severance to retirement without further accumulation.

Severance pay is payable when employees cease employment with the Corporation unless an employee transfers to another entity in the public service, in which case the liability is transferred with that employee to the other entity. The Corporation's severance liability also includes a provision for non-union employees with less than nine years of continuous service, based upon the Corporation's best estimate of the probability of having to pay severance to those employees.

**iii. Accumulating, non-vesting sick leave benefits**

All unionized employees hired before May 4, 2004 are credited with 2 days per month and all unionized employees hired thereafter are credited with 1 day per month for use as paid absences in the year due to illness. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities are included in the financial statements.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**9. Employee future benefits (cont.)**

**(d) Retirement and other employee future benefits (cont.)**

**iv. Actuarial valuation**

The accrued benefit obligations for employee future benefit plans as at March 31, 2016, have been extrapolated based on valuations performed as at March 31, 2015.

Assumptions about future events used in the calculation of the accrued employee future benefit obligations are as follows:

	2016	2015
Long-term inflation rate	2.0%	2.0%
Compensation increase	4.0%	4.0%
Discount rate	5.0%	5.0%
Health care cost trend	5.5%	5.5%

Other assumptions used in the valuation include termination rates, plan participation rates, utilization rates and mortality rates.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Corporation's best estimate of expectations over the long-term.

**v. Experience gains or losses**

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

**10. Due to government and other government organizations**

	2016 (000's)	2015 (000's)
CMHC - accrued interest payable	\$ 869	\$ 931
CMHC - other	-	7
Federal government business enterprise	1	5
Provincial Government	10	103
Provincial government business enterprise	25	31
Municipalities	600	916
	<b>\$ 1,505</b>	<b>\$ 1,993</b>

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**11. Deferred revenue**

	Balance, beginning of year	Billings/receipts during year	Transferred to revenue	Refundable to CMHC	Balance, end of year
	(000's)	(000's)	(000's)	(000's)	(000's)
CMHC Affordable Housing Program	\$ 10,764	\$ 6,810	\$ (7,714)	\$ -	\$ 9,860
CMHC Provincial Home Repair Program	5	-	-	-	5
	<b>\$ 10,769</b>	<b>\$ 6,810</b>	<b>\$ (7,714)</b>	<b>\$ -</b>	<b>\$ 9,865</b>

Deferred revenue from CMHC relates to the unearned balance of funds from CMHC for programs as outlined under various federal-provincial agreements. The deferred revenue will be recognized as revenue when the related expenses are incurred. If the funds are not spent for the programs specified under the agreements, they will have to be repaid to CMHC. As of March 31, 2016, CMHC funding in the amount of \$9,865,000 was received but not earned.

**12. Long-term debt**

Long-term debt reported on the statement of financial position is comprised of the following:

	2016 (000's)	2015 (000's)
Long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement of April 1997 payable to CMHC, bearing fixed interest rates ranging from 5.50% to 19.75%, repayable in blended quarterly principal and interest payments of \$2,972,083 with due dates ranging from January 2020 to January 2038. This debt is not secured and cannot be retired prior to maturity. The principal and interest payments required are funded entirely through the annual CMHC grant pursuant to the Canada - Newfoundland Social Housing Agreement of April 1997.	\$ 76,409	\$ 78,424
Long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement of April 1997 payable to CMHC, bearing fixed interest rates ranging from 6.25% to 14.25%, repayable in blended monthly principal and interest payments of \$195,962 with due dates ranging from April 2016 to June 2020. This debt is not secured and cannot be retired prior to maturity. The principal and interest payments required are funded entirely through the annual CMHC grant pursuant to the Canada - Newfoundland Social Housing Agreement of April 1997.	3,038	5,604

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**12. Long-term debt (cont.)**

	2016 (000's)	2015 (000's)
CMHC fixed rate term debentures, at variable interest rates of 1.01% to 2.04% repayable in blended monthly installments of \$180,460, with final due dates ranging from December 2021 to January 2030. This debt is not secured and can be retired prior to maturity.	17,619	19,312
Long-term debt obligations arising from the Canada-Newfoundland Global Agreement on Social Housing of February 1986, Canada-Newfoundland Operating Agreement of June 1986, and the Canada-Newfoundland Agreement on the Provincial Home Repair Program of January 1999 payable to CMHC, bearing fixed interest rates ranging from 2.00% to 11.00%, with final due dates ranging from June 2016 to August 2034. This debt can be retired prior to maturity.	12	24
	<b>\$ 97,078</b>	<b>\$ 103,364</b>

Anticipated annual principal repayments over the next five years and thereafter are as follows:

	(000's)
2017	\$ 5,535
2018	5,278
2019	5,115
2020	5,051
2021	5,070
2022 - 2038	<u>71,029</u>
	<u>\$ 97,078</u>

Interest expense for the year on outstanding debt totaled \$10,379,000 (2015 - \$11,212,000) and is included in interest and bank charges in the segmented information by object (Note 17).

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**13. Tangible capital assets**

**March 31, 2016**

	Land (000's)	Rental properties (000's)	Office buildings (000's)	Furniture and office equipment (000's)	Maintenance tools and equipment (000's)	Computer hardware (000's)	Computer software (000's)	Vehicles (000's)	Total (000's)
<b>Cost</b>									
Opening balance	\$ 56,192	\$ 236,766	\$ 9,058	\$ 228	\$ 86	\$ 1,152	\$ 2,393	\$ 2,175	\$ 308,050
Additions	-	1,143	-	18	-	60	98	226	1,545
Disposals	(26)	(147)	-	-	-	-	-	(141)	(314)
Write-downs	-	-	-	-	-	-	-	-	-
Closing balance	\$ 56,166	\$ 237,762	\$ 9,058	\$ 246	\$ 86	\$ 1,212	\$ 2,491	\$ 2,260	\$ 309,281
<b>Accumulated amortization</b>									
Opening balance	\$ -	\$ 172,698	\$ 4,286	\$ 128	\$ 48	\$ 983	\$ 2,276	\$ 1,944	\$ 182,363
Amortization	-	5,173	226	24	9	105	86	135	5,758
Disposals	-	(97)	-	-	-	-	-	(141)	(238)
Write-downs	-	-	-	-	-	-	-	-	-
Closing balance	\$ -	\$ 177,774	\$ 4,512	\$ 152	\$ 57	\$ 1,088	\$ 2,362	\$ 1,938	\$ 187,883
<b>Net book value</b>	<b>\$ 56,166</b>	<b>\$ 59,988</b>	<b>\$ 4,546</b>	<b>\$ 94</b>	<b>\$ 29</b>	<b>\$ 124</b>	<b>\$ 129</b>	<b>\$ 322</b>	<b>\$ 121,398</b>

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2016

**13. Tangible capital assets (cont.)**

**March 31, 2015**

	Land (000's)	Rental properties (000's)	Office buildings (000's)	Furniture and office equipment (000's)	Maintenance tools and equipment (000's)	Computer hardware (000's)	Computer software (000's)	Vehicles (000's)	Total (000's)
<b>Cost</b>									
Opening balance	\$ 56,275	\$ 235,025	\$ 9,058	\$ 228	\$ 86	\$ 1,152	\$ 2,382	\$ 2,158	\$ 306,364
Additions	21	2,371	-	-	-	-	11	67	2,470
Disposals	(104)	(539)	-	-	-	-	-	(50)	(693)
Write-downs	-	(91)	-	-	-	-	-	-	(91)
Closing balance	\$ 56,192	\$ 236,766	\$ 9,058	\$ 228	\$ 86	\$ 1,152	\$ 2,393	\$ 2,175	\$ 308,050
<b>Accumulated amortization</b>									
Opening balance	\$ -	\$ 167,656	\$ 4,060	\$ 106	\$ 40	\$ 872	\$ 2,166	\$ 1,807	\$ 176,707
Amortization	-	5,424	226	22	8	111	110	187	6,088
Disposals	-	(345)	-	-	-	-	-	(50)	(395)
Write-downs	-	(37)	-	-	-	-	-	-	(37)
Closing balance	\$ -	\$ 172,698	\$ 4,286	\$ 128	\$ 48	\$ 983	\$ 2,276	\$ 1,944	\$ 182,363
<b>Net book value</b>	<b>\$ 56,192</b>	<b>\$ 64,068</b>	<b>\$ 4,772</b>	<b>\$ 100</b>	<b>\$ 38</b>	<b>\$ 169</b>	<b>\$ 117</b>	<b>\$ 231</b>	<b>\$ 125,687</b>

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 2016

### 13. Tangible capital assets (cont.)

Cost of rental properties at March 31, 2016, includes work in progress of \$2,743,000 (2015 - \$1,782,000). Work in progress is not being amortized as it is not yet available for use. There were contributed tangible capital assets with a fair value of \$nil recorded during the year (2015 - \$138,000).

In accordance with current accounting standards, intangible assets and items inherited by right of the Crown, such as Crown lands are not recognized as tangible capital assets.

### 14. Prepaid expenses

Prepaid expenses consist of:

	2016 (000's)	2015 (000's)
Property taxes and other municipal fees	\$ 3,379	\$ 3,149
Insurance costs	390	176
Workers' compensation fees	280	311
Software licenses	327	102
Rent	10	5
Other	18	2
	<b>\$ 4,404</b>	<b>\$ 3,745</b>

### 15. Contingent liabilities

#### (a) Guaranteed debt

The Corporation has provided loan guarantees pursuant to the Canada-Newfoundland Social Housing Agreement in respect of certain CMHC debt of partner managed housing operators. For the year ended March 31, 2016, the amount of the principal outstanding under this guarantee, and limit of the guarantee, was \$56,873,000. There was no provision for losses during the year on the loan guarantees.

#### (b) Legal liabilities

A number of small claims have been filed against the Corporation for alleged breach of contract, general damages and personal claims. These claims have not progressed far enough to enable the formation of a definite opinion as to their outcomes. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.



**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

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**16. Contractual obligations**

	<b>2016</b>	<b>2015</b>
	<b>(000's)</b>	<b>(000's)</b>
Uncompleted purchase and construction contracts	\$ 6,521	\$ 8,369
Commitments under lending programs	30,085	30,024
Commitments under grant programs	3,339	2,120
	<b>\$ 39,945</b>	<b>\$ 40,513</b>

Contractual obligations are those to outside organizations in respect of contracts entered into on or before March 31, 2016. These contractual obligations will become liabilities when the terms of the contracts are met.

**17. Segmented information by object**

The Corporation reports its revenue and expenses by program area as outlined in its approved budget.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
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**March 31, 2016**

**17. Segmented information by object (cont.)**

	Rental operations		Partner managed housing		Affordable housing investments		Rent supplement		Land development		Administration		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
<b>Revenues</b>														
Province of Newfoundland and Labrador operating grant	\$ 519	\$ 489	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,911	\$ 42,265	\$ 42,754
CMHC revenue	-	-	-	-	7,721	5,561	-	-	-	-	-	43,567	44,531	50,092
Other government sources	293	291	-	-	88	17	-	-	-	-	-	-	-	308
Rent	21,682	21,321	-	-	-	-	-	-	-	-	-	-	-	21,321
Interest	-	-	-	-	-	-	-	-	-	-	-	841	1,160	1,160
Land sales	-	-	-	-	-	-	-	-	7,512	1,075	-	-	-	7,512
Profit from land sales by municipalities	-	-	-	-	-	-	-	-	124	193	-	-	-	124
Other	-	138	-	-	-	-	-	-	-	-	263	-	1	263
	22,494	22,239	-	-	7,809	5,578	-	-	7,636	1,268	-	80,582	87,957	117,042
<b>Expenses</b>														
Rental property operating costs	34,246	31,772	-	-	-	-	-	-	-	-	-	-	-	31,772
Amortization	4,884	5,184	428	427	-	-	-	-	-	-	446	477	52	6,088
Grants and subsidies	8,298	8,696	9,850	8,933	25,809	17,043	11,456	9,409	-	-	-	-	152	44,233
Land costs	-	-	-	-	-	-	-	-	-	29	-	-	-	29
Other administration	-	-	-	288	-	-	-	-	23	28	-	3,939	5,012	5,328
Salaries and benefits	7,279	7,549	-	-	-	-	-	-	-	-	17,765	18,317	25,044	25,866
Interest and bank charges	10,537	11,028	241	347	23	40	-	-	-	-	949	1,224	11,750	12,639
Loss on sale of tangible capital assets	70	144	-	-	-	-	-	-	-	-	-	-	-	144
Valuation allowances	285	170	-	-	119	72	-	-	-	-	-	-	-	404
	65,599	64,543	10,519	9,995	25,951	17,155	11,456	9,409	52	28	23,999	25,182	136,676	126,312
<b>Annual (deficit) surplus</b>	<b>\$ (43,105)</b>	<b>\$ (42,304)</b>	<b>\$ (10,519)</b>	<b>\$ (9,995)</b>	<b>\$ (18,142)</b>	<b>\$ (11,577)</b>	<b>\$ (11,456)</b>	<b>\$ (9,409)</b>	<b>\$ 7,584</b>	<b>\$ 1,240</b>	<b>\$ 57,483</b>	<b>\$ 62,775</b>	<b>\$ (18,155)</b>	<b>\$ (9,270)</b>

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 2016

### 18. Related party transactions

#### (a) Transactions with related parties

	2016 (000's)	2015 (000's)
<b>REVENUES</b>		
<b>Province of Newfoundland and Labrador operating grant</b>		
Consolidated Revenue Fund	\$ 36,430	\$ 42,754
<b>Rent</b>		
Consolidated Revenue Fund	181	184
Western Regional Health Authority	25	32
Eastern Regional Health Authority	9	9
Labrador-Grenfell Regional Health Authority	-	2
<b>EXPENSES</b>		
<b>Rental operations</b>		
Consolidated Revenue Fund	146	148
Nalcor Energy	58	65
<b>Partner managed housing</b>		
Eastern Regional Health Authority	1,180	1,323
Western Regional Health Authority	486	605
Central Regional Health Authority	268	256
Labrador-Grenfell Regional Health Authority	94	83
<b>Affordable housing investments</b>		
Eastern Regional Health Authority	175	131
Consolidated Revenue Fund	-	1
<b>Administration</b>		
Consolidated Revenue Fund	418	400
Eastern Regional Health Authority	40	43
Memorial University of Newfoundland	18	20
Nalcor Energy	1	2

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**18. Related party transactions (cont.)**

**(b) Balances due from and to related parties**

	<b>2016</b>	<b>2015</b>
	<b>(000's)</b>	<b>(000's)</b>
<b>Due from government and other government organizations</b>		
Consolidated Revenue Fund	\$ 590	\$ 294
<b>Due to government and other government organizations</b>		
Consolidated Revenue Fund	7	36
Nalcor Energy	25	31
Memorial University of Newfoundland	2	5
Eastern Regional Health Authority	1	40
Western Regional Health Authority	-	22

**19. Trust under administration**

For the year ended March 31, 2016, the balance of funds held in trust was \$3,572,000 (2015 - \$3,572,000). The funds are held on behalf of various non-profit housing groups to provide for the future replacement or repair of capital items.

**20. Statement of cash flows - other**

	<b>2016</b>	<b>2015</b>
	<b>(000's)</b>	<b>(000's)</b>
Accounts receivable	\$ (73)	\$ 37
Accounts receivable - provision for doubtful accounts	18	(79)
Due from government and other government organizations	1,778	(707)
Accounts payable and accrued liabilities	(1,498)	2,229
Due to government and other government organizations	(488)	284
Inventories held for use	(24)	9
Prepaid expenses	(659)	(142)
	<b>\$ (946)</b>	<b>\$ 1,631</b>

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 2016

### 21. Financial Risk Management

The Corporation recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The risks that the Corporation is exposed to through its financial instruments are credit risk, market risk, and liquidity risk. There was no significant change in the Corporation's exposure to these risks or its processes for managing these risks from the prior year.

#### Credit risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. The Corporation is exposed to credit risk with respect to cash, accounts receivable, due from government and other government organizations, loans receivable, and receivables from municipalities – land transfers. The Corporation's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Corporation is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank. The Corporation is not exposed to significant credit risk with due from government and other government organizations and receivables from municipalities - land transfers because of their nature.

The Corporation has policies and procedures for the monitoring and collection of accounts receivable, due from government and other government organizations, loans receivables, and receivables from municipalities – land transfers so as to mitigate potential credit losses. Also, the Corporation has mitigated its exposure to credit risk on its mortgage loans receivable through claims on real estate properties should borrowers default on paying the loans. In the case of a foreclosure, the Corporation has the option of evicting the tenant and selling the real estate property, using the proceeds to clear the mortgage debt.

An estimated impairment of accounts receivable for \$149,000 has been provided for through an allowance for decline in value, as disclosed in Note 3. An estimated impairment of loans receivable for \$877,000 has been provided for through an allowance for decline in value, as disclosed in Note 6. The Corporation classifies its loans receivable as impaired in accordance with Note 2(e). The Corporation classifies its accounts receivable as impaired when collection is in doubt and is based on analysis of the balance.

At March 31, 2016, the aging of loans receivable that are past due but not impaired, are as follows:

	(000's)
30 days	\$ 39
60 days	154
90 days	46
Over 90 days	<u>67</u>
	<u>\$ 306</u>

Accounts receivable and loans receivable which are not impaired or past due are considered collectible by the Corporation. There are no provisions for doubtful accounts for the other financial instruments, as all amounts are considered collectible.

**21. Financial Risk Management (cont.)**

**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. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Corporation is not exposed to significant currency (foreign exchange) risk or other price 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, loans receivable and long-term debt. For the year ended March 31, 2016, the interest rate exposure on cash is such that a change of 25 basis points in interest rates would result in an increase/decrease in annual surplus of \$120,000. The interest rate risk on loans receivable is considered to be low because the interest rates are fixed to maturity. The Corporation is subject to the risks associated with long-term debt financing, including the risk that debt will not be refinanced on terms as favorable as those of the existing debts. There is no interest rate risk on long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement as interest rates are fixed to maturity. For the year ended March 31, 2016, the increase/decrease in annual surplus for each one percent change in interest rates on the CMHC fixed rate term debentures amounts to \$178,000.

**Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial liabilities and contractual obligations as they fall due. The liquidity risk, relating mainly to accounts payable and accrued liabilities, due to government and other government organizations, long-term debt, and contractual obligations, is considered to be low. The anticipated annual principal repayments on the Corporation's long-term debt is disclosed in Note 12. The Corporation maintains adequate cash to ensure all its financial liabilities and contractual obligations can be met when they fall due. The Corporation has an authorized credit facility totaling \$3,000,000, which is unused as at March 31, 2016.

**22. Self-insurance**

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental properties expenses.

**23. Budgeted figures**

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors and the Lieutenant-Governor in Council.

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 2016

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### **24. Non-financial assets**

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

### **25. Comparative figures**

Certain comparative figures have been restated to conform to the current year's presentation.