Consolidated Financial Statements of

Canadian Blood Services
Société canadienne du sang

Year ended March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Blood Services

We have audited the accompanying consolidated financial statements of Canadian Blood Services, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canadian Blood Services as at March 31, 2018 and its consolidated results of operations, consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

July 30, 2018

Canadian Blood Services
Société canadienne du sang

Consolidated Statement of Financial Position

As at March 31, 2018, with comparative information for 2017
(In thousands of dollars)

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 205,856	$ 127,389
Members' contributions receivable	33,681	62,608
Other amounts receivable	18,336	18,784
Inventory (note 4)	161,948	158,115
Forward currency contracts (note 15)	4,252	–
Prepaid expenses	8,138	9,908
	432,211	376,804
Investments, captive insurance operations (note 5)	461,754	441,419
Capital assets (note 6):		
Land, buildings, software and equipment	229,341	215,650
Right to the blood supply system	18,042	18,922
	247,383	234,572
	$ 1,141,348	$ 1,052,795
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Bank indebtedness (note 9)	$ 14,000	$ 24,000
Accounts payable and accrued liabilities (note 7)	95,058	76,116
Forward currency contracts (note 15)	–	1,608
Current portion of obligations under capital leases	397	389
	109,455	102,113
Provision for future claims (note 16)	250,000	250,000
Employee future benefit liabilities (note 8)	83,994	82,767
Obligations under capital leases	749	1,108
Deferred contributions (note 10):		
Expenses of future periods	216,743	181,728
Capital assets	223,849	210,686
	440,592	392,414
Net assets (note 11):		
Invested in capital assets	24,171	24,171
Restricted for captive insurance purposes	211,718	191,653
Restricted for fair value of forward currency contracts	4,252	(1,608)
Unrestricted net accumulated surplus	16,417	10,177
	256,558	224,393
Guarantees and contingencies (note 17)		
Commitments (note 18)		
	$ 1,141,348	$ 1,052,795

See accompanying notes to the consolidated financial statements.

On behalf of the Board

Mel Cappe, Director and Chair

Wayne Gladstone, Director

Canadian Blood Services
Société canadienne du sang

Consolidated Statement of Operations

Year ended March 31, 2018, with comparative information for 2017
(In thousands of dollars)

	2018	2017
Revenue:		
Members' contributions	$ 1,272,406	$ 1,220,818
Federal contributions	9,830	8,580
Less amounts deferred	(75,869)	(46,609)
	1,206,367	1,182,789
Amortization of previously deferred contributions:		
Relating to capital assets	18,379	18,184
Relating to operations	12,350	17,062
Total contributions recognized as revenue	1,237,096	1,218,035
Stem cells revenue	15,387	12,614
Net investment income (note 12)	15,097	12,760
Other income	1,888	1,671
Total revenue	**1,269,468**	**1,245,080**
Expenses:		
Cost of plasma protein products	728,086	678,368
Staff costs	306,161	321,088
General and administrative (note 19)	134,552	130,135
Medical supplies	63,086	65,375
Depreciation and amortization	18,232	17,933
Foreign exchange loss	6,146	20,529
Total expenses	**1,256,263**	**1,233,428**
Excess of revenue over expenses before the undernoted	**13,205**	**11,652**
Change in fair value of forward currency contracts	5,860	23,415
Change in fair value of investments measured at fair value	6,860	17,009
Excess of revenue over expenses	**$ 25,925**	**$ 52,076**

See accompanying notes to the consolidated financial statements.

Canadian Blood Services
Société canadienne du sang

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017
(In thousands of dollars)

March 31, 2018	Invested in capital assets	Restricted for fair value of forward currency contracts	Restricted for captive insurance	Unrestricted	Total
Balance, beginning of year (note 11)	$ 24,171	$ (1,608)	$ 191,653	$ 10,177	$ 224,393
Excess of revenue over expenses	–	–	20,065	5,860	25,925
Remeasurements and other items related to employee future benefits	–	–	–	6,240	6,240
Release of net asset restriction for realized loss	–	6,268	–	(6,268)	–
Change in fair value of forward currency contracts	–	(408)	–	408	–
Balance, end of year (note 11)	$ 24,171	$ 4,252	$ 211,718	$ 16,417	$ 256,558

March 31, 2017	Invested in capital assets	Restricted for fair value of forward currency contracts	Restricted for captive insurance	Unrestricted	Total
Balance, beginning of year (note 11)	$ 15,281	$ (25,023)	$ 162,992	$ (11,504)	$ 141,746
Excess of revenue over expenses	–	–	28,661	23,415	52,076
Remeasurements and other items related to employee future benefits	–	–	–	21,681	21,681
Change in investment in capital assets	8,890	–	–	–	8,890
Release of net asset restriction for realized loss	–	20,855	–	(20,855)	–
Change in fair value of forward currency contracts	–	2,560	–	(2,560)	–
Balance, end of year (note 11)	$ 24,171	$ (1,608)	$ 191,653	$ 10,177	$ 224,393

See accompanying notes to the consolidated financial statements.

Canadian Blood Services
Société canadienne du sang

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017
(In thousands of dollars)

	2018	2017
Cash and cash equivalents provided by (used for):		
Operating activities:		
Excess of revenue over expenses	$ 25,925	$ 52,076
Items not involving cash and cash equivalents:		
Depreciation and amortization of capital assets	18,232	17,933
Amortization of deferred contributions	(30,729)	(35,246)
Loss on sale of capital assets	5	119
Net realized gains on sales of investments, captive insurance operations	(1,497)	(3,381)
Change in fair value of equity investments, captive insurance operations	(6,860)	(17,009)
Interest amortization of bonds, captive insurance operations	(1,790)	1,677
Employee future benefit expenses in excess of cash payments	7,467	9,467
Change in fair value of forward currency contracts	(5,860)	(23,415)
	4,893	2,221
Change in non-cash operating working capital:		
Decrease in Members' contributions receivable	28,927	9,955
Decrease in other amounts receivable	448	287
Increase in inventory	(3,833)	(21,055)
Decrease (increase) in prepaid expenses	1,770	(785)
Increase (decrease) in accounts payable and accrued liabilities	14,958	(22,793)
Deferred contributions received for expenses of future periods	47,365	12,838
Total operating activities	94,528	(19,332)
Investing activities:		
Proceeds on sale of investments, captive insurance operations	165,244	142,786
Purchases of investments, captive insurance operations	(175,432)	(151,830)
Proceeds on sale of capital assets	142	132
Purchases of capital assets	(27,206)	(32,121)
Total investing activities	(37,252)	(41,033)
Financing activities:		
(Repayment) proceeds from bank indebtedness	(10,000)	24,000
Contribution received for the purchase of land	–	8,890
Deferred contributions received related to capital assets	31,542	25,316
Repayment of obligations under capital leases	(351)	(336)
Total financing activities	21,191	57,870
Increase (decrease) in cash and cash equivalents	78,467	(2,495)
Cash and cash equivalents, beginning of year	127,389	129,884
Cash and cash equivalents, end of year	$ 205,856	$ 127,389
Cash and cash equivalents are comprised of:		
Cash on deposit	$ 205,670	$ 127,173
Butterfield Asset Management Money Market Fund	–	32
HSBC Money Market Pooled Fund	186	184
	$ 205,856	$ 127,389

See accompanying notes to the consolidated financial statements.

1. Nature of the organization and operations:

Canadian Blood Services/Société canadienne du sang (Canadian Blood Services) owns and operates the national blood supply system for Canada, except Québec, and is responsible for the collection, testing, processing and distribution of blood and blood products, including red blood cells, platelets, cord blood, and plasma protein products, as well as the recruitment and management of blood donors. In addition the Corporation provides the following services: (i) developing and managing donor registries for stem cells, cord blood stem cells and organs, (ii) providing diagnostic services for patients and hospitals across Western Canada and some parts of Ontario, (iii) supporting policy and leading practice development, professional education and public awareness over transfusion practices and organ and tissue donation and transplantation, and (iv) conducting and supporting research in transfusion science, medicine, cellular therapies and organ and tissue transplantations.

The Corporation was incorporated on February 16, 1998, under Part II of the Canada Corporations Act. Effective May 7, 2014, the Corporation transitioned its incorporation to the Canada Not-for-Profit Corporations Act. It is a corporation without share capital and qualifies for tax-exempt status as a registered charity under the Income Tax Act (Canada). The Members of the Corporation are the Ministers of Health of the Provinces and Territories of Canada, except Québec. The Members, as well as the Federal and Quebec governments provide contributions to fund the operations of the Corporation. The Corporation operates in a regulated environment, pursuant to the requirements of Health Canada.

The Corporation has established two wholly-owned captive insurance corporations; CBS Insurance Company Limited (CBSI) and Canadian Blood Services Captive Insurance Company Limited/Compagnie d’assurance captive de la société canadienne du sang limitée (CBSE). CBSI was incorporated under the laws of Bermuda on September 15, 1998, and is licensed as a Class 3 reinsurer under the Insurance Act, 1978 of Bermuda and related regulations. CBSE was incorporated under the laws of British Columbia on May 4, 2006, and is registered under the Insurance (Captive Company) Act of British Columbia.

2. Basis of presentation and significant accounting policies:

Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

A summary of the significant accounting policies used in these consolidated financial statements are set out below. The accounting policies have been applied consistently to all periods presented.

(a) Consolidation:

The consolidated financial statements include the results of the operations of Canadian Blood Services and the accounts of its wholly-owned captive insurance subsidiaries (the Corporation).

(b) Use of estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses in the consolidated financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from these estimates. Significant estimates include assumptions used in measuring pension and other post-employment benefits and the provision for future insurance claims, which are described in more detail in notes 8 and 16, respectively.

(c) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions for not-for-profit organizations.

Members' and Federal contributions are recorded as revenue in the period to which they relate. Amounts approved but not received by the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in the subsequent period.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets other than land are initially deferred and then amortized to revenue on a straight-line basis, at a rate corresponding with the depreciation rate for the related capital asset. Contributions restricted for the purchase of land are recognized as direct increases in net assets invested in capital assets.

Unrestricted funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from fees and contracts is recognized when the services are provided or the goods are distributed.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

(c) Revenue recognition (continued):

Restricted donations are recognized as revenue in the year in which the related expenses are recognized. Unrestricted donations are recognized as revenue in the year received.

(d) Donated goods and services:

The Corporation does not pay donors for whole blood, plasma, platelets or cord donations. Additionally, a substantial number of volunteers contribute a significant amount of time each year in support of the activities of the Corporation. The value of such contributed goods and services is not quantified in the financial statements.

(e) Inventory:

Inventory of the Corporation consists of plasma protein products, fresh blood components, cord blood and supplies related to the collection, manufacturing and testing of fresh blood components.

Inventory is measured at the lower of cost and current replacement cost. Cost for plasma protein products and supplies inventories is measured at average cost. Cost for fresh blood components and cord blood inventory includes an appropriate portion of direct costs and overhead incurred in the collection, manufacturing, testing and distribution processes.

Plasma protein products, cord blood and fresh blood components inventory is charged to the statement of operations upon distribution to hospitals.

Management regularly performs reviews and when necessary, writes off slow moving or obsolete inventory.

(f) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are expensed. Betterments, which extend the estimated life of an asset, are capitalized. When capital assets no longer contribute to the Corporation’s ability to provide services, their carrying amount is written down to their residual value.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

(f) Capital assets (continued):

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Corporation. In this event, recoverability of assets held and used is measured by reviewing the estimated residual value of the asset. If the carrying amount of an asset exceeds its estimated residual value, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the residual value of the asset. When a capital asset is written down, the corresponding amount of any unamortized deferred contributions related to the capital asset would be recognized as revenue, provided that the Corporation in in compliance with all restrictions.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets at the rates indicated below:

Asset	Useful life
Buildings	40 to 65 years
Machinery and equipment	8 to 25 years
Furniture and office equipment	5 to 10 years
Motor vehicles	8 years
Computer equipment	3 years
Computer software	2 to 5 years

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term or their estimated useful lives. Assets under construction are not depreciated until they are available for use by the Corporation.

The right to the blood supply system represents the excess of the purchase price of the system over the fair value of the tangible net assets acquired in 1998, and is being amortized on a straight-line basis over 40 years.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

(g) Foreign currency transactions:

Foreign currency transactions of the Corporation are translated using the temporal method. Under this method, transactions are initially recorded at the rate of exchange prevailing at the date of the transaction. Thereafter, monetary assets and liabilities are adjusted to reflect the exchange rates in effect at the consolidated statement of financial position date. Gains and losses resulting from the adjustment are included in the consolidated statement of operations.

(h) Employee future benefits:

The Corporation sponsors two defined benefit plans, one for employees and the other for executives. In addition, the Corporation sponsors a defined contribution pension plan and provides other retirement and post-employment benefits to eligible employees. Benefits provided under the defined benefit pension plans are based on a member's term of service and average earnings over a member's five highest consecutive annualized earnings.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other retirement and post-employment benefits

The defined benefit obligations for pensions and other retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate assumptions including discount rate, inflation rate, salary escalation, retirement ages and expected health care costs. The measurement date of the plan assets and defined benefit obligation coincides with the Corporation's fiscal year. The most recent actuarial valuations for the two benefit pension plans for funding purposes were as of December 31, 2016 and January 1, 2017. The next required valuation for the employee benefit plan is in progress and will be dated as of December 31, 2017. The next required valuation for the executives will be dated as of January 1, 2020 respectively. The most recent actuarial valuation of the other retirement and post-employment benefits was as of April 1, 2015 and the next valuation will be as of April 1, 2018.

Plan assets are measured at fair value as at year end.

The defined benefit pension plan for employees is jointly sponsored by the employer and participating unions. To reflect the risk-sharing provisions of this plan, the Corporation recognizes the 50 percent of the defined benefit liability or asset that accrues to the employer.

The Corporation also has a defined contribution plan providing pension benefits. The cost of the defined contribution plan is recognized based on the contributions required to be made during each period.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

(i) Financial Instruments:

Upon initial recognition, financial instruments are measured at their fair value. Financial assets and financial liabilities are recognized initially on the trade date, which is the date that the Corporation becomes a party to the contractual provisions of the instrument.

Fixed income securities and short-term notes are measured on the consolidated statement of financial position at amortized cost. Interest income is recognized on the accrual basis and includes the amortization of premiums or discounts on fixed interest securities purchased at amounts different from their par value.

Mortgage funds and pooled funds are measured at fair value with changes in fair value recorded directly in the consolidated statement of operations. Dividends and distributions are recorded as income when declared.

Forward currency contracts not in a qualifying hedging relationship are measured at fair value with changes in fair value recorded directly in the consolidated statement of operations. A forward currency contract designated in a hedging relationship is not recognized until the earlier of the date it matures and the date of the anticipated transaction (the hedged item). The hedged item is recognized initially at the amount of consideration payable based on the prevailing foreign exchange rate on the date of goods or service receipts. At this time, any gain or loss on the forward currency contract is recognized as an adjustment of the carrying value amount of the hedged item when the anticipated transaction results in the recognition of an asset or a liability. When the hedged items are recognized directly in the consolidated statement of operations, the gain or loss on the forward currency contract is included in the same expense or revenue category.

All other financial instruments are subsequently measured at cost or amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing cost, which are amortized using the effective interest rate method.

Transaction costs are comprised primarily of legal, accounting, underwriters' fees and other costs directly attributable to the acquisition, issuance or disposal of a financial asset or financial liability.

(In thousands of dollars)

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

(i) Financial Instruments *(continued):*

Financial assets measured at cost or amortized cost are assessed for indicators of impairment on an annual basis at the end of the fiscal year. If there is an indicator of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the higher of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

3. Cash and cash equivalents:

Cash and cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty and units held in money market funds.

Cash and cash equivalents include $361 (2017 - $621) that is restricted for captive insurance operations. Cash and cash equivalents also includes Members' contributions received in advance for expenses of future periods (note 10(a)).

4. Inventory:

Inventory consists of raw materials, work in process and finished goods. Raw materials include supplies available for use in the collection, manufacturing and testing of fresh blood components. Work in process consists of plasma for fractionation. Finished goods include plasma protein products, red blood cells, platelets and plasma for transfusion and cord blood inventory that are available for distribution to hospitals. Work in process and finished goods inventories include direct costs and overhead incurred in the collection, manufacturing, testing and distribution process.

Inventory comprises:

	2018	2017
Raw materials	$ 6,122	$ 5,739
Work-in-process	20,352	24,266
Finished goods	135,474	128,110
	$ 161,948	$ 158,115

(In thousands of dollars)

5. Investments, captive insurance operations:

All investments are restricted for captive insurance operations. The amortized cost and fair value of investments are as follows:

	2018	2017
Measured at amortized cost:		
Short-term notes	$ 1,921	$ 2,648
Fixed income securities	263,548	251,858
Measured at fair value:		
Mortgage funds	28,602	26,114
Pooled funds	167,683	160,799
	$ 461,754	$ 441,419

6. Capital assets:

	Cost	Accumulated depreciation	2018 Net book value	2017 Net book value
Buildings	$ 182,200	$ 54,393	$ 127,807	$ 117,020
Machinery and equipment	100,663	76,488	24,175	24,396
Land	24,171	–	24,171	24,171
Furniture and office equipment	29,450	21,503	7,947	8,295
Leasehold improvements	26,387	18,640	7,747	6,260
Computer equipment	51,503	47,141	4,362	3,913
Motor vehicles	17,346	10,005	7,341	7,735
Computer software	36,005	34,194	1,811	1,331
Equipment under capital leases	5,092	3,792	1,300	1,605
Assets under construction	22,680	–	22,680	20,924
	495,497	266,156	229,341	215,650
Right to the blood supply system	35,203	17,161	18,042	18,922
	$ 530,700	$ 283,317	$ 247,383	$ 234,572

During the current year, capital assets of $Nil (2017 - $1,220) were acquired by means of capital leases. Cash payments of $27,206 (2017 - $32,121) were made to acquire capital assets.

(In thousands of dollars)

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $3,296 (2017 - $3,369) which include amounts payable for sales and payroll taxes.

8. Employee future benefits:

The Corporation sponsors two defined benefit pension plans, one for employees and the other for executives. In addition, the Corporation sponsors a defined contribution pension plan and provides other retirement and post-employment benefits to eligible employees.

(a) Defined benefit pension plans:

Information about the Corporation's defined benefit plans are combined and summarized as follows:

	2018	2017
Defined benefit obligation	$ 500,735	$ 470,901
Fair value of plan assets	417,056	381,761
Defined benefit liability before adjustment for risk sharing provisions	83,679	89,140
Adjustment for risk sharing provisions	40,170	43,123
Defined benefit liability	$ 43,509	$ 46,017

The defined pension benefit liability is included in the employee future benefit liability in the consolidated statement of financial position

The significant actuarial assumptions adopted in measuring the Corporation's defined benefit plans, defined benefit obligation and benefit cost are summarized as follows:

	2018	2017
Defined benefit obligation:		
Discount rate	3.60%	3.80%
Inflation rate	2.00%	2.00%
Rate of compensation increases	2.00% - 3.25%	2.00 - 3.50%
Mortality Table	CPM 2014-B, CPM 2014Publ-B	CPM 2014-B
Benefit cost:		
Discount rate	3.80%	3.90%
Rate of compensation increases	2.00% - 3.50%	3.50 - 3.75%

(In thousands of dollars)

8. Employee future benefits (continued):

(a) Defined benefit pension plans (continued):

Other information about the Corporation's defined benefit plans is combined and summarized as follows:

	2018	2017
Employer contributions	$ 13,091	$ 13,454
Employee contributions	8,341	8,928
Benefits paid	16,062	16,337
Net expense	17,986	20,389
Remeasurement gain	(7,403)	(21,258)

(b) Defined contribution plan:

The expense for the Corporation's defined contribution pension plan was $4,048 (2017 - $4,240).

(c) Other retirement and post-employment benefits:

Information about the Corporation's other retirement and post-employment benefits is as follows:

	2018	2017
Benefits paid	$ 1,471	$ 1,418
Net expense	4,043	3,950
Remeasurement loss (gain)	1,562	(423)
Past service cost (credit)	(399)	–
Defined benefit liability	40,485	36,750

The defined benefit liability is included in the employee future benefits liability in the consolidated statement of financial position.

(In thousands of dollars)

8. Employee future benefits (continued):

(c) Other retirement and post-employment benefits (continued):

The significant actuarial assumptions adopted in measuring the Corporation's other retirement and post-employment defined benefit obligation and benefit cost are as follows:

	2018	2017
Defined benefit obligation:		
Discount rate	3.30% - 3.70%	3.20 - 3.90%
Rate of compensation increases	2.00% - 3.25%	3.50%
Mortality Table	CPM 2014-B, CPM 2014Publ-B	CPM 2014-B
Benefit cost:		
Discount rate	3.20% - 3.90%	3.50 - 4.00%
Rate of compensation increases	3.50%	3.75%

Hospital costs - 4.50% per annum;

Drug costs - 6.87% per annum in 2018, grading down to 4.50% per annum in and after 2029;

Other health costs - 4.50% per annum.

Termination benefits have been recognized in accounts payable and accrued liabilities on the consolidated statement of financial position and in staff costs in the consolidated statement of operations. At March 31, 2018, $6,572 (2017 - $9,046) is accrued for termination benefits on the consolidated statement of financial position. During the year ended March 31, 2018, movements relating to the accrual included payments of $5,481 (2017 - $5,923), a reversal to opening accrual of $1,684 (2017 - $30) and the establishment of new termination benefits of $4,691 (2017 - $8,166).

9. Credit facilities:

(a) Demand operating credit:

This facility has been arranged as an operating line of credit in the amount of $100,000, and is secured by the plasma protein products inventory. At March 31, 2018, $14,000 (2017 - $24,000) was outstanding under the facility.

(b) Demand installment loan:

A demand installment loan in the amount of $25,000 (2017 - $25,000) was arranged to cover contingencies or events not anticipated in the annual budget. Through March 31, 2018, no amounts had been borrowed under this facility.

(In thousands of dollars)

9. Credit facilities (continued):

(c) Standby letter of credit:

Standby letters of credit in the amount of $2,000 (2017 - $2,000) were arranged to cover municipal requirements with regard to the redevelopment of the Corporation's facilities. At March 31, 2018, $82 (2017 - $82) had been issued under the facility.

Pursuant to the arrangements above, the Corporation has provided a general security agreement in favour of the bank over receivables, inventory, equipment and machinery, a floating charge debenture over all present and future assets and property. Amounts deferred for contingency purposes are excluded from the general security agreement and debenture.

(d) Operating loan:

The Corporation has entered into two credit facilities to finance a portion of the national facilities redevelopment program phase IIa (NFRP IIa) focused in Alberta and Saskatchewan. The first facility is an $85,000 term loan that converts to a second facility at the completion of the project. The second facility is a committed term loan to a maximum of $55,300. The credit facilities are secured by first ranking on the NFRP IIa assets and any member funding received under the NFRP IIa program. Through March 31, 2018, no amounts had been borrowed under these credit facilities.

10. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions represent externally restricted contributions to fund expenses of future periods.

	2018	2017
Balance, beginning of year	$ 181,728	$ 185,951
Increase in amounts received related to future periods	64,329	34,766
Less amounts recognized as revenue in the year	(12,350)	(17,062)
Less capital assets purchased from deferred contributions	(17,547)	(22,508)
Add income earned on resources restricted for contingency	302	223
Add income earned on other restricted resources	281	358
	$ 216,743	$ 181,728

(In thousands of dollars)

10. Deferred contributions (continued):

(a) Expenses of future periods (continued):

The capital assets purchased represent purchases from contributions that were deferred at March 31, 2017, as well as contributions received and deferred in the year ending March 31, 2018.

At March 31, deferred contributions comprise:

	2018	2017
Members' funding received in advance	$ 44,661	$ 32,858
Deferred contributions restricted for specific projects or programs:		
Fundraising:		
Campaign for all Canadians	204	617
Other	523	1,397
Programs - Members funding:		
National facilities redevelopment program	49,100	23,760
Diagnostic services - Manitoba	751	753
Inventory:		
Plasma protein products inventory working capital	47,653	47,653
Medical supplies	6,123	5,740
Fresh blood components inventory	22,666	23,242
Projects:		
Digitization	8,134	8,160
Laboratory Information System - Manitoba	1,345	1,483
Other:		
Prepaid rent	2,306	3,075
Research and development	12,570	12,585
Contingency	20,707	20,405
	$ 216,743	$ 181,728

(In thousands of dollars)

10. Deferred contributions (continued):

(b) Capital assets:

Funds received to acquire capital assets are recorded as deferred contributions - capital assets on the consolidated statement of financial position. They are amortized to revenue in the consolidated statement of operations at the same rate as capital assets are depreciated to expenses.

	2018	2017
Balance, beginning of year	$ 210,686	$ 203,555
Deferred contributions received	31,191	24,979
Capital funding received for leased assets	351	336
Less capital assets sold	(147)	(251)
Less amounts amortized to revenue	(18,232)	(17,933)
	$ 223,849	$ 210,686

11. Net assets:

Net assets restricted for captive insurance purposes are subject to externally imposed restrictions stipulating that they be used to provide insurance coverage with respect to risks associated with the operations of the Corporation.

Net assets restricted for forward contracts are subject to internally imposed restrictions on the unrealized fair value of the forward currency contracts not in a qualifying hedging relationship. This restriction will be released once the forward currency contracts mature.

12. Net investment income:

	2018	2017
Interest income on unrestricted funds	$ 1,672	$ 874
Net investment income earned on investments restricted for captive insurance	13,425	11,886
Interest income on restricted resources	330	510
	15,427	13,270
Less amounts deferred	(330)	(510)
	$ 15,097	$ 12,760

Included in net investment income earned on investments restricted for captive insurance is $12,714 (2017 - $9,259) of investment income, $1,496 (2017 - $3,381) of realized gains on sales of investments, and $785 (2017 - $754) of investment management fees.

Year ended March 31, 2018
(In thousands of dollars)

13. Canadian Blood Services revenue and expenditures detail:

	Fresh Blood Products and NFRP[1]		Plasma Protein Products		Diagnostic Services		Stem Cells		Organs and Tissues		Total Canadian Blood Services		Captive Insurance Operations		Intercompany Transactions		Total Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue:																		
Members' contributions	$ 465,431	$ 475,490	$ 767,744	$ 705,150	$ 17,448	$ 17,774	$ 18,203	$ 18,824	$ 3,580	$ 3,580	$1,272,406	$1,220,818	$ –	$ –	$ –	$ –	$1,272,406	$1,220,818
Federal contributions	6,250	5,000	–	–	–	–	–	–	3,580	3,580	9,830	8,580	–	–	–	–	9,830	8,580
Less amounts deferred	(70,818)	(41,894)	–	–	(293)	(165)	(1,131)	(970)	(3,627)	(3,580)	(75,869)	(46,609)	–	–	–	–	(75,869)	(46,609)
	400,863	438,596	767,744	705,150	17,155	17,609	17,072	17,854	3,533	3,580	1,206,367	1,182,789	–	–	–	–	1,206,367	1,182,789
Amortization of previously deferred contributions:																		
Relating to capital assets	18,379	18,184	–	–	–	–	–	–	–	–	18,379	18,184	–	–	–	–	18,379	18,184
Relating to operations	7,310	10,976	–	–	–	–	1,470	2,466	3,570	3,620	12,350	17,062	–	–	–	–	12,350	17,062
Total contributions recognized as revenue	426,552	467,756	767,744	705,150	17,155	17,609	18,542	20,320	7,103	7,200	1,237,096	1,218,035	–	–	–	–	1,237,096	1,218,035
Gross premiums written and earned	–	–	–	–	–	–	–	–	–	–	–	–	947	856	(947)	(856)	–	–
Stem cells revenue	–	–	–	–	–	–	15,387	12,614	–	–	15,387	12,614	–	–	–	–	15,387	12,614
Net investment income (note 12)	1,672	874	–	–	–	–	–	–	–	–	1,672	874	13,425	11,886	–	–	15,097	12,760
Other income (loss)	815	627	213	192	–	–	(5)	7	865	845	1,888	1,671	–	–	–	–	1,888	1,671
Total revenue	429,039	469,257	767,957	705,342	17,155	17,609	33,924	32,941	7,968	8,045	1,256,043	1,233,194	14,372	12,742	(947)	(856)	1,269,468	1,245,080
Expenses:																		
Cost of plasma protein products	–	–	728,086	678,368	–	–	–	–	–	–	728,086	678,368	–	–	–	–	728,086	678,368
Staff costs	273,704	288,722	1,999	1,787	13,509	13,910	11,404	11,753	5,545	4,916	306,161	321,088	–	–	–	–	306,161	321,088
General and administrative (note 19)	107,054	104,894	4,435	3,734	696	617	19,724	17,527	2,423	3,129	134,332	129,901	1,167	1,090	(947)	(856)	134,552	130,135
Transfer of recovered plasma costs	(26,400)	–	26,400	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Medical supplies	56,503	57,765	769	773	2,950	3,082	2,864	3,755	–	–	63,086	65,375	–	–	–	–	63,086	65,375
Depreciation and amortization	18,232	17,933	–	–	–	–	–	–	–	–	18,232	17,933	–	–	–	–	18,232	17,933
Foreign exchange loss (gain)	(54)	(57)	6,268	20,680	–	–	(68)	(94)	–	–	6,146	20,529	–	–	–	–	6,146	20,529
Total expenses	429,039	469,257	767,957	705,342	17,155	17,609	33,924	32,941	7,968	8,045	1,256,043	1,233,194	1,167	1,090	(947)	(856)	1,256,263	**1,233,428**
Excess of revenue over expenses before the undernoted	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,205**	**11,652**	**–**	**–**	**13,205**	**11,652**
Change in cumulative fair value of forward currency contracts	–	–	5,860	23,415	–	–	–	–	–	–	5,860	23,415	–	–	–	–	5,860	23,415
Change in fair value of investments measured at fair value	–	–	–	–	–	–	–	–	–	–	–	–	6,860	17,009	–	–	6,860	17,009
Excess of revenue over expenses	**$ –**	**$ –**	**$ 5,860**	**$ 23,415**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 5,860**	**$ 23,415**	**$ 20,065**	**$ 28,661**	**$ –**	**$ –**	**$ 25,925**	**$ 52,076**

(1) National facilities redevelopment program

(In thousands of dollars)

14. Fresh blood products and national facilities redevelopment program details:

	Fresh Blood Products		National Facilities Redevelopment Program		Total	
	2018	2017	2018	2017	2018	2017
Revenue:						
Members' contributions	$ 418,407	$ 447,357	$ 47,024	$ 28,133	$ 465,431	$ 475,490
Federal contributions	6,250	5,000	–	–	6,250	5,000
Less amounts deferred	(23,794)	(13,761)	(47,024)	(28,133)	(70,818)	(41,894)
	400,863	438,596	–	–	400,863	438,596
Amortization of previously deferred contributions						
Relating to capital assets	18,379	18,184	–	–	18,379	18,184
Relating to operations	3,008	8,310	4,302	2,666	7,310	10,976
Total contributions recognized as revenue	422,250	465,090	4,302	2,666	426,552	467,756
Net investment income (note 12)	1,224	657	448	217	1,672	874
Other income	815	627	–	–	815	627
Total revenue	424,289	466,374	4,750	2,883	429,039	469,257
Expenses:						
Staff costs	271,365	287,161	2,339	1,561	273,704	288,722
General and administrative (note 19)	104,644	103,573	2,410	1,321	107,054	104,894
Transfer of recovered plasma costs	(26,400)	–	–	–	(26,400)	–
Medical supplies	56,502	57,764	1	1	56,503	57,765
Depreciation and amortization	18,232	17,933	–	–	18,232	17,933
Foreign exchange gain	(54)	(57)	–	–	(54)	(57)
Total expenses	424,289	466,374	4,750	2,883	429,039	469,257
Excess of revenue over expenses	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**

15. Financial instruments:

Risk management:

The Board of Directors has responsibility for the review and oversight of the Corporation's risk management framework and general corporate risk profile. Through its committees, the Board oversees analysis of various risks facing the organization that evolve in response to economic conditions and industry circumstances.

The Corporation's financial instruments consist of cash and cash equivalents, members' contributions receivable, other amounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities, and forward currency contracts.

The Corporation is exposed to risks as a result of holding financial instruments. The Corporation does not enter into transactions involving financial instruments, including derivative financial instruments such as forward currency contracts, for speculative purposes. The following is a description of those risks and how they are managed.

(In thousands of dollars)

15. Financial instruments (continued):

Risk management (continued):

(i) 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: interest rate risk, foreign exchange risk and other price risk. These risks are discussed below:

Interest rate risk:

Interest rate risk pertains to the effect of changes in market interest rates on the future cash flows related to the Corporation's existing financial assets and liabilities.

The Corporation is exposed to interest rate risk on its cash and cash equivalents and investments. At March 31, 2018, this exposure was minimal due to low prevailing rates of return and due to majority of fixed income investments having fixed rates.

Foreign exchange risk:

Foreign exchange risk is the risk that the value or future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The Corporation is exposed to foreign exchange risk on purchases that are denominated in currencies other than the functional currency of the Corporation. To mitigate this risk, the Corporation has a formal foreign currency policy in place. The objective of this policy is to monitor the marketplace and, when considered appropriate, fix exchange rates using forward contracts to reduce the risk exposures related to purchases made in foreign currencies. Generally, forward currency contracts are for periods not in excess of eighteen months.

At March 31, the Corporation had the following instruments denominated in U.S. dollar (USD):

	2018 CDN		2017 CDN	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash	$ 4,995	$ 4,995	$ 1,443	$ 1,443
Accounts receivable	53	53	53	53
Financial liabilities:				
Accounts payable and accrued liabilities	(13,815)	(13,815)	(6,645)	(6,645)
Forward currency contract assets (liabilities):				
Designated as hedges	–	10,084	–	(3,766)
Not designated as hedges	4,252	4,252	(1,608)	(1,608)

15. Financial instruments (continued):

Risk management (continued):

(i) Market risk (continued):

Foreign exchange risk (continued):

During the years ended March 31, 2018 and 2017, the Corporation entered into forward currency contracts to hedge its foreign exchange exposure on a substantial portion of its USD purchases of plasma protein products. The contracts are intended to match the timing of the anticipated future payments in foreign currencies.

The Corporation designated USD $228,912 of the 2018-2019 forward currency contracts as being in a hedging relationship with the equivalent amount of the 2018-2019 future forecasted plasma protein product payments. Hedge accounting has been applied in accordance with CPA Canada Handbook – Accounting, Section 3856, as these hedges are considered to be effective. The forward currency contracts designated as hedges mature monthly from April 2018 through to March 2019, at an average rate of 1.24. The USD purchased under the hedging forward currency contracts will be used to pay USD $19,076 per month of USD plasma protein product purchases, creating a net cost for these products that fixes the foreign exchange rate to 1.24.

The remaining forward currency contracts were not designated as hedges of anticipated transactions and, accordingly, hedge accounting was not applied.

The forward currency contracts included on the consolidated statement of financial position represent forward currency contracts that have not been designated in a hedging relationship. These forward currency contracts are recorded at fair value. The fair value of the forward currency contracts is determined using a quote from its forward exchange dealers. At March 31, 2018, the contracts fix the currency rate at 1.24 (2017 - 1.34) on USD $98,100 (2017 - USD $116,100) notional amount and one twelfth of the forward currency contracts mature monthly from April 2018 through March 2019.

In addition to operational foreign exchange risk, investments held by CBS Insurance Company Limited denominated in currencies other than the Canadian dollar expose the Corporation to fluctuations in foreign exchange rates. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a significant impact on the fair value of investments. The Corporation’s exposure to foreign currency arises from its investment of $111,063 in pooled funds which hold international equities and global fixed income of which $105,978 is denominated in foreign currencies.

15. Financial instruments (continued):

Risk management (continued):

(i) Market risk (continued):

Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issues, or factors affecting similar financial instruments traded in the market.

The Corporation is exposed to other price risk on its mortgage funds and pooled funds due to changes in general economic or stock market conditions, and specific price risk which refers to equity price volatility that is determined by entity specific characteristics. These risks affect the carrying value of these securities and the level and timing of recognition of gains and losses on securities held, causing changes in realized and unrealized gains and losses. The Corporation mitigates price risk by holding a diversified portfolio. The portfolio is managed through the use of third party investment managers and their performance is monitored by management and the Board of Directors of the captive insurance operations.

(ii) Credit risk:

The Corporation is exposed to the risk of financial loss resulting from the potential inability of a counterparty to a financial instrument to meet its contractual obligations. The carrying amount of cash and cash equivalents, Members' contributions receivable and other amounts receivable, and investments, captive insurance operations represent the maximum exposure of the Corporation to credit risk.

Cash and cash equivalents are held with a Canadian financial institution rated by Standard & Poor's credit rating as A+ with a negative outlook. All foreign exchange contracts must be transacted with Schedule I or Schedule II financial institutions as per the Corporation's foreign currency policy.

The Corporation is also exposed to credit risk on fixed income securities investments. The investment policy requires an average credit rating of 'A' on the credit quality of its fixed income portfolio, related to captive insurance operations.

Members' contributions receivable are current in nature and management considers there to be minimal exposure to credit risk from Members due to funding agreements in place and third party Member credit ratings. Standard & Poor's available credit ratings for Members range from A credit watch stable to AAA credit watch stable.

15. Financial instruments (continued):

Risk management (continued):

(ii) Credit risk (continued):

Credit risk associated with other amounts receivable is considered to be minimal, based on past experience with bad debts, as these accounts represent a small portion of the total amounts receivable by the Corporation. The carrying amount of amounts receivable for these parties represents the Corporation's maximum exposure to credit risk.

(iii) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents. In addition, the Corporation has credit facilities described in note 9 that it can draw on as required.

At March 31, 2018, the Corporation's accounts payable and accrued liabilities and forward currency contracts are all due within one year.

The provision for future claims has no contractual maturity and the timing of settlement will depend on actual claims experience in the future.

The liabilities for employee future benefits are generally long-term in nature and fall due as eligible employees in the Corporation's defined benefit pension plans retire or terminate employment with the Corporation.

16. Captive insurance operations:

The Corporation has established two wholly-owned captive insurance subsidiaries, CBS Insurance Company Limited (CBSI) and Canadian Blood Services Captive Insurance Company Limited/ Compagnie d'assurance captive de la société canadienne du sang limitée (CBSE). CBSI provides insurance coverage up to $250,000 with respect to risks associated with the operation of the blood system. CBSE has entered into an arrangement whereby the Members have agreed to indemnify CBSE for all amounts payable by CBSE under the terms of the excess policy up to $750,000, which is in excess of the $250,000 provided by CBSI. No payment shall be made under CBSE until the limit of the liability under the primary policy in CBSI, in the amount of $250,000, has been exhausted. As a result, Canadian Blood Services has $1,000,000 total in coverage.

The provision for future claims is an actuarially based estimate of the cost to the Corporation of settling claims relating to insured events (both reported and unreported) that have occurred to March 31, 2018.

16. Captive insurance operations (continued):

A significant proportion of both the future claims expense for the period and the related cumulative estimated liability of the Corporation for these future claims at March 31, 2018, of $250,000 (2017 - $250,000) covers the manifestation of blood diseases, which is inherently difficult to assess and quantify. There is a variance between these recorded amounts and other reasonably possible estimates.

17. Guarantees and contingencies:

(a) Guarantees:

In the normal course of business, the Corporation enters into lease agreements for facilities and assets acquired under capital leases. In the Corporation's standard commercial lease for facilities the Corporation, as the lessee, agrees to indemnify the lessor and other related third parties for liabilities that may arise from the use of the leased premises where the event triggering liability results from a breach of a covenant, any wrongful act, neglect or default on the part of the tenant or related third parties. However, this clause may be altered through negotiation. In the Corporation’s assets acquired under capital leases both the lessee and the lessor agree to indemnify each other for death or injury to the employees or agents of either party, where the event triggering liability results from negligent acts, omissions or willful misconduct.

The maximum amount potentially payable under any such indemnities cannot be reasonably estimated. The Corporation has liability insurance that relates to the indemnifications described above.

Historically, the Corporation has not made significant payments related to the above-noted indemnities and, accordingly, no liabilities have been accrued in the consolidated financial statements.

(b) Contingencies:

The Corporation is party to legal proceedings in the ordinary course of its operations. In the opinion of management, the outcome of such proceedings will not have a material adverse effect on the Corporation’s financial statements or its activities. Claims and obligations related to the operation of the blood supply system prior to September 28, 1998, and the Canadian Council for Donation and Transplantation prior to April 1, 2008, are not the responsibility of the Corporation.

(In thousands of dollars)

18. Commitments:

At March 31, 2018, the Corporation had the following contractual commitments:

	Vendor commitments	Research and development grants	Operating leases	Total
2018-2019	$ 155,790	$ 2,900	$ 7,396	$ 166,086
2019-2020	72,023	1,358	5,687	79,068
2020-2021	70,901	668	3,484	75,053
2021-2022	1,831	457	2,623	4,911
2022-2023	650	152	2,058	2,860
Thereafter	–	–	2,490	2,490
Total	$ 301,195	$ 5,535	$ 23,738	$ 330,468

The research and development grants are funded by contributions included in deferred contributions for future expenses.

19. Research and development:

For the year ended March 31, 2018, the Corporation incurred $12,968 (2017 - $12,961) of expenses related to research and development. These costs are reported in note 13 under Fresh Blood Products and National Facilities Redevelopment Program.

20. Related party transactions:

The Members provide funding for the operating budgets of the Corporation. The Corporation enters into other transactions with these related parties in the normal course of business.

Transactions with the defined contribution plan, the two defined benefit plans, and the other defined retirement and post-employment benefits plan are conducted in the normal course of business. The transactions with these plans consist of contributions as disclosed in note 8, and inter-company administrative charges. At March 31, 2018, the net amount due from the Corporation's pension plans is $285 (2017 - $529).

21. Capital disclosures:

The Corporation is a non-share capital corporation and plans its operations to essentially result in an annual financial breakeven position. The Corporation considers its capital to be the sum of its net assets. This definition is used by management and may not be comparable to measures presented by other entities. The Corporation manages capital through a formal and approved budgetary process where funds are allocated following the underlying objectives below:

(a) to provide a safe, secure, cost-effective and accessible supply of blood and blood products, including red blood cells, platelets, cord blood, and plasma protein products, to all Canadians. The Corporation also provides the management of donor registries for stem cells, cord blood stem cells and organs, diagnostic services in certain parts of Canada, and research and development;

(b) to support the Corporation's ability to continue as a going concern;

(c) to meet regulatory and statutory capital requirements related to captive insurance operations; and

(d) to ensure the funding of working capital requirements.

The Corporation evaluates its accomplishment against its objectives annually. The Corporation has complied with all externally imposed capital requirements and there were no changes in the approach to capital management during the period.

The Corporation's captive insurance operations are required to maintain statutory capital and surplus greater than a minimum amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At March 31, 2018, the Corporation's captive insurance operations were required to maintain a minimum statutory capital and surplus of $37,500 (2017 - $37,500). The actual statutory capital and surplus was $216,807 (2017 - $201,650) and the minimum margin of solvency was therefore met. The Corporation's captive insurance operations were also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities. At March 31, 2018, the Corporation's captive insurance operations were required to maintain regulatory assets of at least $188,110 (2017 - $187,976). At that date, regulatory assets were $467,620 (2017 - $452,285) and the minimum liquidity ratio was therefore met. The value of regulatory assets differs from that reported on the consolidated statement of financial position as it is determined under a different accounting framework, *International Financial Reporting Standards*.

22. Statutory disclosures:

As required under the Charitable Fundraising Act of Alberta, included in staff costs is $867 (2017 - $530) paid as remuneration to employees whose principal duties involve fundraising.

23. Reclassification:

Certain comparative information has been reclassified to conform with the consolidated financial statements presentation adopted in the current year.