

**COMPENSATION FUND (YUKON)**

**FINANCIAL STATEMENTS**

**December 31, 2011**

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## FINANCIAL STATEMENTS

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

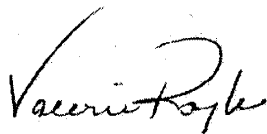
The management of the Yukon Workers' Compensation Health and Safety Board (the "Board") is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced on a timely basis; Compensation Fund assets are safeguarded and controlled; transactions of the Compensation Fund are in accordance with relevant legislation, regulations and board policies; and that the Board's resources are managed efficiently and economically and the operations of the Board are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Compensation Fund. The accompanying financial statements as at December 31, 2011, December 31, 2010, and January 1, 2010 include amounts based on management's best estimates as determined through experience and judgement, and are prepared in accordance with International Financial Reporting Standards. Other financial information included in the Annual Report is consistent with these financial statements.

Members of the Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises its responsibilities through the Finance, Investment, and Audit Committee (the "Committee"). The Committee meets with management and the external auditors on a regular basis. The Committee has reviewed the financial statements and has submitted its report to the Board of Directors, which has approved these financial statements.

The Auditor General of Canada conducts an independent audit for the purpose of expressing his opinion on the financial statements. He also considers whether the transactions that come to his notice in the course of the audit are, in all significant respects, in accordance with specified legislation.

Morneau Shepell, an independent consulting actuarial firm, has completed an actuarial valuation of the benefits liability included in the financial statements of the Compensation Fund and reported thereon in accordance with accepted actuarial practice.



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**Valerie Royle, BComm (Hons), MBA**  
*President and Chief Executive Officer*



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**Jim Stephens, CMA, CGA**  
*Vice President, Operations and  
Chief Financial Officer*

April 18, 2012

## FINANCIAL STATEMENTS

# ACTUARIAL STATEMENT OF OPINION

I have completed the actuarial valuation of the benefits liability of the Yukon Workers' Compensation Health and Safety Board (the "board") as at December 31, 2011 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In my opinion:

1. The data on which the valuation is based were supplied by the board in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable to permit a realistic valuation of the benefits liability.
2. The actuarial assumptions adopted in computing the benefits liability are adequate and appropriate for the purpose of the valuation.
3. The methods used are appropriate for the purpose of the valuation and are in accordance with accepted actuarial practice for workers' compensation organizations in Canada. The economic assumptions are consistent with the funding and investment policies of the board.
4. The estimate of the actuarial liabilities as at the valuation date is \$119,412,000. This includes provisions for benefits expected to be paid after the valuation date for claims that occurred on or before the valuation date. This liability includes future administrative expenses for all benefits except Annuity benefits payable at age 65. It does not include any self-insured employers. A provision for future claims arising from long latency occupational diseases is not included in this valuation.
5. The liability as at the valuation date for Annuity contributions and interest already set aside by the board up to the valuation date for purposes of providing pension benefits at age 65 to injured workers was obtained from the board's finance division and is included in item 4 above.
6. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations (excluding long latency occupational diseases) and the financial statements fairly present the results of the valuation.
7. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
8. The valuation is based on the provisions of the *Workers' Compensation Act* of the Yukon Territory and on the board's policies and practices in effect on the valuation date.



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**Conrad Ferguson, FCIA**  
Morneau Shepell

*This report has been peer reviewed by Thane MacKay, FCIA*

## FINANCIAL STATEMENTS

# INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Compensation Fund

### Report on the Financial Statements

I have audited the accompanying financial statements of the Compensation Fund, which comprise the statements of financial position as at 31 December 2011, 31 December 2010 and 1 January 2010, and the statements of operations and comprehensive income, statements of changes in funded position (equity) and statements of cash flows for the years ended 31 December 2011 and 31 December 2010, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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.

I believe that the audit evidence I have obtained in my audits 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 Compensation Fund as at 31 December 2011, 31 December 2010 and 1 January 2010, and its financial performance and its cash flows for the years ended 31 December 2011 and 31 December 2010 in accordance with International Financial Reporting Standards.

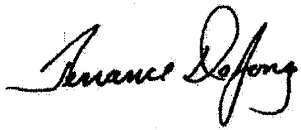
## FINANCIAL STATEMENTS

# INDEPENDENT AUDITOR'S REPORT (CONT'D)

### Report on Other Legal and Regulatory Requirements

As required by the *Workers' Compensation Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied, after giving retrospective effect to the adoption of the new standards as explained in Note 22 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Compensation Fund and the financial statements are in agreement therewith. In addition, in my opinion, the transactions of the Compensation Fund that have come to my notice during my audits of the financial statements have, in all significant respects, been in accordance with the *Workers' Compensation Act* and regulations, the *Occupational Health and Safety Act* and regulations and the *Financial Administration Act* of Yukon and regulations.



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**Terrance DeJong, CA**  
*Assistant Auditor General*  
for the Auditor General of Canada  
*April 18, 2012, Vancouver, Canada*

FINANCIAL STATEMENTS (in Canadian dollars)

COMPENSATION FUND

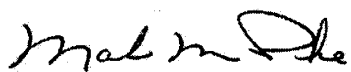
STATEMENT OF FINANCIAL POSITION  
as at December 31st

|  | note | 31-Dec-11<br>(\$000s) | 31-Dec-10<br>(\$000s) | 1-Jan-10<br>(\$000s) |
|--|------|-----------------------|-----------------------|----------------------|
| <b>ASSETS</b>                            |      |                       |                       |                      |
| Cash                                     |      | \$ 7,909              | \$ 708                | \$ -                 |
| Accounts receivable                      | 6    | 3,823                 | 4,165                 | 2,791                |
| Prepaid expenses                         |      | 143                   | -                     | -                    |
| Investments                              | 7    | 157,646               | 149,715               | 134,823              |
| Property and equipment                   | 8    | 3,700                 | 3,568                 | 3,650                |
| Intangible assets                        | 9    | 4,058                 | 4,381                 | 4,334                |
| Total Assets                             |      | <u>\$ 177,279</u>     | <u>\$ 162,537</u>     | <u>\$ 145,598</u>    |
| <b>LIABILITIES</b>                       |      |                       |                       |                      |
| Bank overdraft                           |      | \$ -                  | \$ -                  | \$ 994               |
| Accounts payable and accrued liabilities | 10   | 4,671                 | 3,826                 | 4,116                |
| Deferred portion of government grant     | 11   | 176                   | -                     | -                    |
| Benefits liability                       | 12   | 119,412               | 115,302               | 111,991              |
| Employee benefits                        | 13   | 2,053                 | 1,774                 | 1,481                |
| Total liabilities                        |      | <u>126,312</u>        | <u>120,902</u>        | <u>118,582</u>       |
| <b>FUNDED POSITION (EQUITY)</b>          |      |                       |                       |                      |
| Prevention Fund                          | 14   | 428                   | 550                   | 800                  |
| Reserves                                 |      | 50,539                | 41,085                | 26,216               |
| Total equity                             |      | <u>50,967</u>         | <u>41,635</u>         | <u>27,016</u>        |
| Total liabilities and equity             |      | <u>\$ 177,279</u>     | <u>\$ 162,537</u>     | <u>\$ 145,598</u>    |

Commitments and Contingencies (Notes 16 and 19)

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

Approved by the Yukon Workers' Compensation Health and Safety Board



**Mark Pike**  
Chair

**FINANCIAL STATEMENTS** *(in Canadian dollars)*

**COMPENSATION FUND**

**STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME**  
for the year ended December 31st

|  | note | 2011<br>(\$000s) | 2010<br>(\$000s) |
|--|------|------------------|------------------|
| <b>REVENUE AND INCOME</b>                  |      |                  |                  |
| Assessment revenue                         |      | \$ 30,422        | \$ 30,899        |
| Net investment income                      | 7    | 5,897            | 9,865            |
| Recoveries and other receipts              |      | 1,245            | 805              |
|  |      | <u>\$ 37,564</u> | <u>\$ 41,569</u> |
| <b>EXPENSES</b>                            |      |                  |                  |
| Claims expenses                            | 12   | \$ 18,099        | \$ 17,475        |
| Administration                             | 17   |                  |                  |
| General and administration                 |      | 6,986            | 6,664            |
| Occupational Health and Safety             |      | 2,082            | 1,544            |
| Workers' Advocate                          |      | 319              | 326              |
| Act review                                 |      | 49               | 80               |
| Appeal Tribunal                            |      | 176              | 171              |
| Prevention                                 | 18   | 521              | 690              |
|  |      | <u>28,232</u>    | <u>26,950</u>    |
| Operating surplus and comprehensive income |      | <u>\$ 9,332</u>  | <u>\$ 14,619</u> |

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



FINANCIAL STATEMENTS (in Canadian dollars)

**COMPENSATION FUND**

STATEMENT OF CHANGES IN FUNDED POSITION (EQUITY)  
for the year ended December 31st

|   | Stabilization<br>Reserve<br>(\$000s) | Adverse Events<br>Reserve<br>(\$000s) | Prevention<br>Fund<br>(\$000s) | Total<br>(\$000s) |
|---|--------------------------------------|---------------------------------------|--------------------------------|-------------------|
| <b>Balance at January 1, 2010</b>       | <b>\$ 7,942</b>                      | <b>\$ 18,274</b>                      | <b>\$ 800</b>                  | <b>\$ 27,016</b>  |
| Total comprehensive income for 2010     | 14,619                               | -                                     | -                              | 14,619            |
| Transfer to/from Prevention Fund        | 250                                  | -                                     | (250)                          | -                 |
| Transfer to/from Adverse Events Reserve | (1,017)                              | 1,017                                 | -                              | -                 |
| <b>Balance at December 31, 2010</b>     | <b>\$ 21,794</b>                     | <b>\$ 19,291</b>                      | <b>\$ 550</b>                  | <b>\$ 41,635</b>  |
| Total comprehensive income for 2011     | 9,332                                | -                                     | -                              | 9,332             |
| Transfer to/from Prevention Fund        | 122                                  | -                                     | (122)                          | -                 |
| Transfer to/from Adverse Events Reserve | (442)                                | 442                                   | -                              | -                 |
| <b>Balance at December 31, 2011</b>     | <b>\$ 30,806</b>                     | <b>\$ 19,733</b>                      | <b>\$ 428</b>                  | <b>\$ 50,967</b>  |

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

**FINANCIAL STATEMENTS** *(in Canadian dollars)*

**COMPENSATION FUND**

**STATEMENT OF CASH FLOWS**  
for the year ended December 31st

|  | <b>2011</b><br>(\$000s) | <b>2010</b><br>(\$000s) |
|--|-------------------------|-------------------------|
| <b>OPERATING ACTIVITIES</b>                                |                         |                         |
| Cash received from:  |                         |                         |
| Employers, for assessments                                 | \$ 31,448               | \$ 30,133               |
| Investment revenue – interest                              | 3,174                   | 3,090                   |
| Investment revenue – dividends                             | 2,016                   | 1,764                   |
| Recoveries and other receipts                              | 885                     | 691                     |
|  | <u>\$ 37,523</u>        | <u>\$ 35,678</u>        |
| Cash paid to:  |                         |                         |
| Claimants or third parties on their behalf                 | (13,922)                | (12,560)                |
| Employees, for salaries and benefits                       | (7,208)                 | (6,946)                 |
| Suppliers, for administrative and other goods and services | (1,908)                 | (4,442)                 |
|  | <u>(23,038)</u>         | <u>(23,948)</u>         |
| Total cash provided by operating activities                | <u>\$ 14,485</u>        | <u>\$ 11,730</u>        |
| <b>INVESTING ACTIVITIES</b>                                |                         |                         |
| Net purchase of investments                                | \$ (6,720)              | \$ (9,394)              |
| Purchases of property and equipment                        | (319)                   | (103)                   |
| Purchases of intangible assets                             | (245)                   | (531)                   |
| Total cash used in investing activities                    | <u>(7,284)</u>          | <u>(10,028)</u>         |
| Net increase in cash                                       | 7,201                   | 1,702                   |
| Cash, beginning of year                                    | 708                     | (994)                   |
| Cash, end of year  | <u>\$ 7,909</u>         | <u>\$ 708</u>           |

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

**FINANCIAL STATEMENTS** (in Canadian dollars)

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Reporting Entity**

The Compensation Fund (the "Fund") was established by the *Workers' Compensation Act* of Yukon (the "Act") and is administered by the Yukon Workers' Compensation Health and Safety Board (the "Board") pursuant to the Act. In 2008, the Act was amended and received Assent in the Legislative Assembly. The effective date of the new Act was July 1, 2008. The Board is exempt from income tax and the goods and services tax.

The Fund, as administered by the Board, provides compensation for injury or death by accident arising out of and in the course of employment. Annual assessments are levied upon employers by applying their industry assessment rate to their actual or estimated payrolls for the year. The assessment and investment revenue pays for all claims, administration and prevention expenses.

Since 1992, the Board has also been responsible for the administration of the *Occupational Health and Safety Act* and regulations to advance strategies for preventing workplace injuries in the territory.

The Board, a territorial entity, is domiciled in Canada and has its office at 401 Strickland Street, Whitehorse, Yukon, Canada.

### **2. Statement of Compliance and Basis of Preparation**

These financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements are the first the Board has prepared in accordance with IFRS. Refer to Note 22 for information on how IFRS has affected the reported financial position, operations and cash flows of the Fund.

The Board of Directors approved and authorized for issue the 2011 financial statements on April 18, 2012.

#### ***Basis of Measurement***

These financial statements have been prepared on a historical cost basis, except for investments held-for-trading that are measured at fair value. The Fund's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Fund operates, which is also the presentation currency of the financial statements.

All financial information is presented in Canadian dollars and has been rounded to the nearest thousand dollars, unless otherwise stated.

#### ***Critical Accounting Estimates and Judgements***

The Board makes estimates and judgements in respect of certain key assets and liabilities of the Fund. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## FINANCIAL STATEMENTS (in Canadian dollars)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The significant areas of estimation uncertainties which have a significant risk of resulting in a material adjustment within the next financial year are the following:

- Note 12 Benefits liability – Determination of discount rates and other assumptions
- Note 13 Employee benefits – Determination of discount rates and other assumptions
- Note 7 Investments – Valuation of financial instruments

The major areas of judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are the following:

- Note 7 Investments – Classification of financial instruments
- Note 8 Property and equipment – The degree of componentization
- Note 9 Intangible assets – The determination of development costs eligible for capitalization

### 3. Future Accounting and Reporting Standards

#### **New and revised accounting standards and interpretations issued but not yet effective**

Standards and interpretations issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. This listing is of standards and interpretations issued, which the Board reasonably expects to be applicable at a future date. The Board intends to adopt those standards when they become effective.

#### **IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. The extent of the impact of adoption of IFRS 9 has not yet been determined.

#### **IFRS 13 Fair Value Measurement**

In May 2011, the IASB published IFRS 13, which is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 replaces fair value measurement guidance contained in individual IFRSs, providing a single source of fair value measurement guidance. The standard provides a framework for measuring fair value and establishes new disclosure requirements to enable readers to assess the methods and inputs used to develop fair value measurements and for recurring valuations that are subject to measurement uncertainty, the effect of those measurements on the financial statements. The Board intends to adopt IFRS 13 prospectively in the Fund's financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

#### **Other changes to standards with no expected impact**

In June 2011, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, addressing the presentation of items of other comprehensive income. The amendments are effective beginning on January 1, 2012 with retrospective application and early adoption permitted. The adoption of these amendments is not expected to have any impact on the Fund's financial statements because the Fund does not currently have any items of other comprehensive income.

In June 2011, the IASB issued amendments to IAS 19 *Employee Benefits*, to eliminate the corridor method that permits the deferral of actuarial gains and losses, to revise the presentation requirements for changes in defined benefit plan

FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

assets and liabilities and to enhance the required disclosures for defined benefit plans. The amended standard is effective beginning on January 1, 2013 with retrospective application and early adoption is permitted. The adoption of these amendments is not expected to have a significant effect on the Fund's financial statements because the Fund did not use the corridor method to defer actuarial gains and losses.

**Future accounting changes**

The IASB is currently working on revisions to IFRS 4 *Insurance Contracts*. A re-exposure or review draft is due out by the end of 2012. The target and effective dates to the standard has not yet been determined. The impact of the proposed revisions is not determinable at the present time.

**4. Significant Accounting Policies**

The following is a summary of the significant accounting policies:

**(a) Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and bank balances net of any bank overdrafts. Cash and short term investments held by custodians for investment purposes are not available for general use and are included in investments.

**(b) Assessments**

Assessment revenue is calculated monthly on actual or estimated payrolls as reported by the employer, or on provisional assessments as determined by the Board. Separate rates of assessment are established for each industry classification. At year end, assessments receivable and payable are adjusted based on the difference between estimated and actual payrolls.

The Board administers the Government of Yukon employees' compensation claims related to injuries prior to January 1, 1993, when the Government was a self-insured employer. The Fund receives reimbursement for the claim costs and related administrative expenses of those employees (note 15). These amounts are recorded in recoveries and other receipts in the year in which the related expenses are incurred.

**(c) Recoveries from third parties**

Since July 1, 2008, under section 51 of the *Workers' Compensation Act*, the Board is deemed to be an assignee of a cause of action in respect of a worker's injury that arose out of a work related injury. If settled, or as a result of a Court decision, the legal costs and costs associated with the claim create the settlement. Out of the settlement are paid the legal costs, and legal disbursements, and all past, present and future costs. Any funds remaining will be paid to the worker. The amount recovered for past, present and future costs is used to offset future claims benefits, which were previously expensed in accordance with actuarial calculations, and which were previously incorporated in the benefits liability.

Revenue received from third party recoveries is recorded in the year the settlement occurs. No provision is made in the benefits liability for possible future third party recoveries because of their contingent nature.

**FINANCIAL STATEMENTS** (in Canadian dollars)

**NOTES TO THE FINANCIAL STATEMENTS** (CONT'D)

**(d) Financial instruments**

INVESTMENTS

Investments are classified as held for trading because they are acquired for the purpose of selling or repurchasing in the near term and are measured at fair value through profit or loss. The fair value of publicly traded investments is the quoted market price which approximates the bid price at the end of the reporting period. Pooled fund units are valued at their year-end net asset value, as determined by the fund manager. Purchases and sales of investments are recognized on the trade date. Short-term investments held by the investment managers for investment purposes are included in Investments.

Realized gains and losses arising on the sale of investments, are recognized in investment income in the period earned net of unrealized gains and losses. Unrealized gains and losses, arising from fluctuations in fair value, are recognized in investment income in the period in which they arise. Investment income arising from dividends and interest is recognized in the period earned as part of net investment income. Investment income is presented net of investment management fees and transaction costs.

Investments denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Income from investments is translated at the rate in effect at the time it is earned. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are recognized in investment income in the period in which they arise.

The Board does not enter into any financial derivative instruments as part of managing its investment portfolio.

OTHER FINANCIAL ASSETS AND LIABILITIES

Accounts receivable and assessments receivable are classified as loans and receivables. Accounts payable and accrued liabilities, and assessments refundable are classified as other financial liabilities. All are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Due to the short-term nature of accounts receivable, assessments receivable, accounts payable and accrued liabilities, and assessments refundable, their carrying values approximate their fair values.

FAIR VALUE HIERARCHY

The Fund uses the following hierarchy for determining and disclosing the fair value of its financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Changes in valuation methods may result in transfers into or out of an instrument's assigned level. There were no such transfers between levels in 2011.

IMPAIRMENT OF FINANCIAL ASSETS

The carrying amount of accounts and assessment receivables is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. The Board assesses at

## FINANCIAL STATEMENTS *(in Canadian dollars)*

### NOTES TO THE FINANCIAL STATEMENTS *(CONT'D)*

each reporting date whether a financial asset or group of financial assets is impaired. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

#### DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset is derecognized when the contractual right to the cash flows from the asset expires or if the Board transfers the financial asset and substantially all risk and rewards of ownership to another entity.

Financial liabilities are derecognized when the contractual obligations are discharged, cancelled, or expire.

#### ***(e) Property and equipment***

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment. Depreciation is calculated based on the straight-line method, using rates based on the estimated useful lives of the assets as follows:

|                         |               |
|-------------------------|---------------|
| Buildings               | 10 – 50 years |
| Furniture and equipment | 5 – 10 years  |
| Computer equipment      | 5 – 10 years  |

Where an item of property and equipment comprises of significant components with different useful lives, the components are accounted for separately. The security system is considered a significant component of the Strickland building.

The estimated useful life, residual value and depreciation method is reviewed at each year end and any change in estimate is made on a prospective basis.

The fair value of land and the Mine Rescue Station building has been recorded as deemed cost on January 1, 2010, which is the date of transition to IFRS as disclosed in note 22.

#### ***(f) Intangible assets***

Intangible assets are comprised of purchased software and internally developed software systems.

Research costs are expensed as incurred. Development costs of internally developed software systems are capitalized when the system is technically feasible, resources are available, costs can be measured reliably, management intends to use the asset and future economic benefits are probable. The asset is derecognized when it no longer meets these criteria. Salaries, wages and benefits directly related to internally developed software systems are included in the asset's cost. When the asset is substantially complete and is available for use, development costs capitalization ceases and the costs are transferred to the related asset category and amortized.

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment. Amortization is calculated based on the straight-line method, using rates based on the estimated useful lives of the assets as follows:

|                      |              |
|----------------------|--------------|
| Systems and software | 5 – 12 years |
|----------------------|--------------|

The estimated useful life and amortization period is reviewed at each year end and any change in estimate is made on a prospective basis.

**FINANCIAL STATEMENTS** *(in Canadian dollars)*

**NOTES TO THE FINANCIAL STATEMENTS** *(CONT'D)*

***(g) Impairment of non-financial assets***

IAS 36 *Impairment of Assets* requires an entity to test assets for impairment if indicators of impairment exist. The impairment review must be conducted for an individual asset, an asset group, or the cash-generating unit level, which is the smallest identifiable group of assets that generates cash inflows independent of cash inflows from other assets or groups of assets.

Based on an analysis of cash flows, the Board has established that the appropriate cash generating unit for impairment review is the entity. The Board has statutory power under the Act to increase premiums and /or charge a premium surcharge to ensure full funding into the foreseeable future and therefore, impairment at the entity level is remote.

Individual assets that may have experienced impairment due to loss, damage, obsolescence or curtailed service potential will be reviewed and the estimated useful life, depreciation method and residual value adjusted.

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Board estimates the asset's recoverable amount. As at December 31, 2011, management conducted an impairment review at the entity level, which confirmed that there were no indicators of impairment – changes in the legislative, economic or business environment – that would have a material impact on the Board's ability to generate future economic benefits from its operating (non-financial) assets.

***(h) Government grants***

There are two types of government grants which include government grants related to expenses and government grants related to assets. Government grants related to expenses are recognized as income when there is reasonable assurance that the conditions attached to the grant will be complied with and the grant will be received. When the grant relates to an asset, it is recognized as deferred income and is released into income in equal amounts over the expected useful life of the related asset.

In 2005, the Government of Yukon approved the reinstatement of ongoing funding for the Mine Safety Program (the "Program") through an annual grant to the Board. The Program, which was transferred to the Board in 1993, provides mine rescue training and support services as well as mine safety inspection services. The funding is to be reviewed by the Government, at a minimum, every five years. The grant is accounted for as income in the period in which the related expenses are incurred (note 11).

In 2011, the Board signed an agreement with the Government of Yukon which provides the Board with funding for the purpose of upgrading mine safety equipment (note 11).

***(i) Benefits liability***

The benefits liability is determined annually and represents the actuarial present value of all future benefit payments expected to be made for claims which have occurred in the current fiscal year or in any prior year. The benefits liability includes a provision for future payments on claims that have not been finalized to date. It also includes a provision for all benefits provided by current legislation, policies and administrative practices in respect of existing claims as well as future claims management costs. No provision has been made for claims related to known latent occupational diseases where the claim has not yet been reported and the year of disablement would be in a subsequent period.



## FINANCIAL STATEMENTS *(in Canadian dollars)*

### NOTES TO THE FINANCIAL STATEMENTS *(CONT'D)*

The benefits liability is comprised of three liabilities – medical aid and compensation, pension, and annuity:

- Medical aid and compensation includes benefits for medical aid, short and long term compensation for loss of earnings and personal property, lump sum payments for permanent impairment, rehabilitation assistance, emergency transportation, traditional aboriginal healing, and death and funeral expenses.
- The pension liability includes monthly pension benefits indexed annually that are paid to spouses, dependent children and guardians of dependent children of those who die from a work-related injury.
- The annuity liability is for workers who have received compensation for the same disability for at least 24 months. An amount equal to ten percent of the total compensation payments, plus interest, is set aside to provide a retirement annuity at sixty-five years of age.

Many assumptions are required to calculate the benefits liability, including estimates of future inflation, interest rates, and mortality rates. The benefits liability is determined annually by an independent actuarial valuation. The Actuarial Statement of Opinion on the adequacy and appropriateness of the benefits liability is attached to these financial statements.

A portion of administration and general expenses is allocated as claims management costs to the current year's claims and the prior years' claims. The amount allocated to claims is reviewed by the independent actuary for reasonableness as part of the annual actuarial valuation of the benefits liability.

#### ***(j) Employee benefits***

##### SHORT TERM EMPLOYEE BENEFITS

Employee benefits that are expected to be settled within twelve months of the reporting date are measured on an undiscounted basis. These benefits include wages and salaries, sick leave benefits expected to be used, and annual vacation leave earned but not yet used.

##### OTHER LONG TERM EMPLOYEE BENEFITS

Benefits that are expected to be settled beyond twelve months are determined based on an actuarial valuation at the best estimate of future cash flows discounted to present value with actuarial gains and losses recognized in the statement of operations and comprehensive income as incurred. These benefits include long service vacation leave and sick leave benefits earned but not used.

##### POST EMPLOYMENT BENEFITS

###### *(i) Retirement and severance benefits*

Retiring or severance benefits are available to employees who have completed five years of service with the Board. Payments are made upon retirement or termination, with benefits increasing with additional length of service. The benefit obligation is determined based on an actuarial valuation using estimates of future inflation and interest rates. Actuarial gains and losses are recognized in the statement of operations and comprehensive income as incurred. The obligation is calculated using the projected unit credit method prorated on service.

**FINANCIAL STATEMENTS** (in Canadian dollars)

**NOTES TO THE FINANCIAL STATEMENTS** (CONT'D)

(ii) *Public Service Pension Plan*

Substantially all of the employees of the Board are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Fund to cover current service cost. Pursuant to legislation currently in place, the Fund has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Fund.

**(k) Leases**

Leases, which do not transfer substantially all the risks and benefits of ownership of the asset to the Fund are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

The Board has entered into operating leases for storage premises, rental accommodation for travel, and vehicles. The leases have an average life of one year. There is a one year renewal option on the rental accommodation.

**5. Risk Management**

The Fund has exposure to the following financial risks: credit risk, liquidity risk, and market risk (which also includes inflation risk, interest rate risk and currency risk). The Fund's exposure to these risks arises primarily in relation to its investment portfolio, but also in relation to its other financial assets and financial liabilities.

The Board's management is responsible for monitoring performance, recommending changes to the Investment Policy, and selecting investment managers. The Board of Directors is ultimately responsible for governance and strategic direction of the investment portfolio through its review and approval of the Investment Policy. The investment managers' compliance with this Investment Policy is monitored on a regular basis. Quarterly, independent consultants benchmark the performance of the Fund's investment managers and to advise on the appropriateness and effectiveness of the Fund's Investment Policy and practices.

The following sections present information about the Fund's exposure to each of the above risks and the Board's objectives, policies and processes for measuring and managing each risk:

**Credit risk**

Credit risk on financial instruments arises from the possibility that the issuer of a fixed-term instrument fails to meet its obligations. To manage this risk, the Board, as prescribed in the Investment Policy, has determined that short-term investments must have a credit rating of at least R1L, and long-term investments require a rating of BBB or higher by the Dominion Bond Rating Service or the equivalent rating by Moody's, in order to be eligible for consideration as an investment. Diversification of credit risk is managed by limiting the exposure in a single private institution to 15% of the portfolio. The Board has stayed within these guidelines during the year.

**Fixed Income Portfolio Credit Ratings**

|                         |           |           |           |          | <b>31-Dec-11</b> | <b>31-Dec-10</b> | <b>01-Jan-10</b> |
|-------------------------|-----------|-----------|-----------|----------|------------------|------------------|------------------|
| Ratings:                | AAA       | AA        | A         | BBB      | (\$000s)         | (\$000s)         | (\$000s)         |
| Fixed income securities | \$ 35,843 | \$ 15,278 | \$ 23,991 | \$ 3,999 | \$ 79,111        | \$ 68,861        | \$ 65,568        |
| Totals                  | \$ 35,843 | \$ 15,278 | \$ 23,991 | \$ 3,999 | \$ 79,111        | \$ 68,861        | \$ 65,568        |

## FINANCIAL STATEMENTS (in Canadian dollars)

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The Fund's exposure to credit risk associated with its accounts receivable and assessments receivable is the risk that an employer or a cost recovery customer (the "customer") will be unable to pay amounts due to the Fund. The Fund's maximum exposure to credit risk associated with its accounts receivable and assessments receivable is \$3,823,000 (December 31, 2010 – \$4,165,000, January 1, 2010 – \$2,791,000). Allowances for doubtful accounts are provided for potential losses that have been incurred at the reporting date. The amounts disclosed on the statement of financial position are net of these allowances for bad debts. Accounts receivable and assessments receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer may default. The Board takes into consideration the customer's payment history, their credit worthiness and the then current economic environment in which the customer operates to assess impairment. The Board recognizes a bad debt provision when management considers that the expected recovery is less than the actual amount receivable.

The Board believes that the credit risk of accounts receivable and assessments receivable is mitigated by the following:

- i. The employer base is dispersed across various industries, with government comprising a significant concentration. The non-government based employers may be affected by any downturns due to prevailing economic conditions.
- ii. As at December 31, 2011, approximately 87% (December 31, 2010 – 92%, January 1, 2010 – 87%) of accounts receivable and assessments receivable are outstanding for less than 90 days. The Board does not require collateral or other security from employers or customers for accounts receivable or assessments receivable.
- iii. The Board has the power and remedies to enforce payment owing to the Fund.

#### CREDIT RISK ARISING FROM SECURITIES – LENDING ACTIVITIES

To generate additional income, the Board's investment managers may lend any of its investments to eligible third parties for short periods. These loans are secured against loss with cash or readily marketable securities having a minimum fair value of 100% of the loan. Included in the investment manager's pooled fund investments at year end, the Fund's share of outstanding securities on loan amounted to nil (December 31, 2010 and January 1, 2010 – nil). The amount of collateral held for the securities at year end was nil (December 31, 2010 and January 1, 2010 – nil). For the year, securities-lending transactions within the Board's investment managers' pooled investment funds generated incremental income of \$15,000 (2010 – nil).

#### **Liquidity risk**

Liquidity risk is the risk that the Fund is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Board's operations are financed through a combination of the cash flows from operations and investments. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. The Fund has access to the Government of Yukon overall line of credit facility with the Government's banker. This access provides the Fund with overdraft coverage of \$7,000,000 if needed. The Fund's accounts payable and accrued liabilities had a carrying value of \$4,671,000 as at December 31, 2011 (December 31, 2010 – \$3,826,000, January 1, 2010 – \$4,116,000) and are all due within 60 days.

#### **Market risk**

The Fund is exposed to market risk, which is the risk that the fair value or future cash flows of its investments will fluctuate in the future because of economic conditions. Market risk is managed through diversification between different asset classes and geographic diversification and by limiting the concentration in any single entity to 15% or less of the fair value of the investment fund.

**FINANCIAL STATEMENTS** (in Canadian dollars)

**NOTES TO THE FINANCIAL STATEMENTS** (CONT'D)

The table below presents the Fund's investment targets and actual asset mix at fair value:

|                        | Target  |         | Actual    |           |           |
|------------------------|---------|---------|-----------|-----------|-----------|
|                        | Minimum | Maximum | 31-Dec-11 | 31-Dec-10 | 01-Jan-10 |
| <b>Equities</b>        |         |         |           |           |           |
| Canada                 | 0%      | 25%     | 14.30%    | 17.50%    | 15.90%    |
| United States          | 0%      | 25%     | 17.60%    | 16.90%    | 17.10%    |
| International          | 0%      | 25%     | 15.50%    | 18.30%    | 17.40%    |
| <b>Fixed income</b>    |         |         |           |           |           |
| Short-term investments | 0%      | 10%     | 2.10%     | 1.10%     | 0.60%     |
| Bonds                  | 35%     | 85%     | 50.50%    | 46.20%    | 49.00%    |
|                        |         |         | 100%      | 100%      | 100%      |

The table below presents the effect of a material adverse change in the fair value of each of the categories of equities in the Fund's investments portfolio on operating results and equity:

|  | 31-Dec-11  |             | 31-Dec-10  |             | 01-Jan-10  |             |
|--|------------|-------------|------------|-------------|------------|-------------|
|  | (\$000s)   |             | (\$000s)   |             | (\$000s)   |             |
| Percent decrease in fair value:              | -10%       | -20%        | -10%       | -20%        | -10%       | -20%        |
| <b>Equities</b>                              |            |             |            |             |            |             |
| Canada                                       | \$ (2,258) | \$ (4,517)  | \$ (2,612) | \$ (5,224)  | \$ (2,141) | \$ (4,282)  |
| United States                                | (2,773)    | (5,546)     | (2,524)    | (5,048)     | (2,305)    | (4,610)     |
| International                                | (2,444)    | (4,888)     | (2,737)    | (5,474)     | (2,348)    | (4,696)     |
| Total impact on operating results and equity | \$ (7,475) | \$ (14,951) | \$ (7,873) | \$ (15,746) | \$ (6,794) | \$ (13,588) |

**Inflation risk**

Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power of current monetary assets. The Board manages inflation risk through its investment allocation between equities and fixed income investments.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Fund's investment portfolio is exposed to interest rate risk through its holdings of short and long-term fixed income investments. Interest rate risk is minimized by actively managing the duration of the fixed income investments.

FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The table below presents the effects of a 50 and 100 bps' adverse change in the nominal interest rate on the fair value of the bond portfolio on operating results and equity:

|  | 31-Dec-11<br>(\$000s) |            | 31-Dec-10<br>(\$000s) |            | 01-Jan-10<br>(\$000s) |            |
|--|-----------------------|------------|-----------------------|------------|-----------------------|------------|
|  | +50bp                 | +100bp     | +50bp                 | +100bp     | +50bp                 | +100bp     |
| Positive bp change in nominal interest rate  |                       |            |                       |            |                       |            |
| Bonds  | \$ (2,475)            | \$ (4,949) | \$ (1,970)            | \$ (3,940) | \$ (1,819)            | \$ (3,638) |
| Total impact on operating results and equity | \$ (2,475)            | \$ (4,949) | \$ (1,970)            | \$ (3,940) | \$ (1,819)            | \$ (3,638) |

One basis point (bp) equals 1/100 of 1%; 50 bps = 50/100 of 1%, or 0.5%.

The table below presents the remaining terms to maturity at fair value, along with the average effective yields for each maturity, for fixed income investments exposed to inflation and interest rate risk:

|                         | Remaining term to maturity |            |           | 31-Dec-11<br>(\$000s) | 31-Dec-10<br>(\$000s) | 01-Jan-10<br>(\$000s) |
|-------------------------|----------------------------|------------|-----------|-----------------------|-----------------------|-----------------------|
|                         | 1-5 years                  | 5-10 years | >10 years | Total                 | Total                 | Total                 |
|                         | Bonds                      | \$ 38,286  | \$ 20,012 | \$ 20,813             | \$ 79,111             | \$ 68,861             |
| Average effective yield | 1.91%                      | 3.18%      | 3.48%     | 2.64%                 | 3.28%                 | 3.49%                 |

**Currency risk**

Currency risk is the risk that the value of financial assets and financial liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates relative to the Canadian dollar.

Within its pooled investments, the Fund is exposed to exchange rate volatility that is managed by the contracted fund manager. The Board does not undertake long-term hedging strategies for the currency risk of foreign investments. The fair value of the Fund's US dollar investments as at December 31, 2011 was \$42,000,000 (December 31, 2010 – \$39,200,000, January 1, 2010 – \$35,400,000). The Fund did not hold any investments in other foreign currencies at December 31, 2011 (December 31, 2010 and January 1, 2010 – nil).

The table below presents the effects of a change in the Canadian/US dollar exchange rates for all equities held in US dollars on operating results and equity:

|   | 31-Dec-11<br>(\$000s) | 31-Dec-10<br>(\$000s) | 01-Jan-10<br>(\$000s) |
|---|-----------------------|-----------------------|-----------------------|
| Appreciation in the Canadian Dollar relative to the US Dollar | +10%                  | +10%                  | +10%                  |
| <b>Decrease in fair value of US Dollar-based equities</b>     | \$ (3,815)            | \$ (3,563)            | \$ (3,218)            |

**Derivative financial instruments**

The Fund did not have any derivative financial instruments during the year or at year end (December 31, 2010 and January 1, 2010 – nil).

FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. Accounts Receivable

|                                  | 31-Dec-11<br>(\$000s)  | 31-Dec-10<br>(\$000s)  | 1-Jan-10<br>(\$000s)   |
|----------------------------------|------------------------|------------------------|------------------------|
| <b>ASSESSMENTS</b>               |                        |                        |                        |
| Assessed and due from employers  | \$ 3,064               | \$ 3,837               | \$ 2,559               |
| Allowance for doubtful accounts  | (97)                   | (87)                   | (50)                   |
|                                  | <u>\$ 2,967</u>        | <u>\$ 3,750</u>        | <u>\$ 2,509</u>        |
| <b>OTHER</b>                     |                        |                        |                        |
| Other receivables and recoveries | \$ 928                 | \$ 420                 | \$ 287                 |
| Allowance for doubtful accounts  | (72)                   | (5)                    | (5)                    |
|                                  | <u>856</u>             | <u>415</u>             | <u>282</u>             |
|                                  | <u><u>\$ 3,823</u></u> | <u><u>\$ 4,165</u></u> | <u><u>\$ 2,791</u></u> |

Included in other receivables and recoveries are amounts due from the Government of Yukon, which are disclosed in note 15.

Reconciliation of allowance for doubtful accounts

|                            | 31-Dec-11<br>(\$000s) | 31-Dec-10<br>(\$000s) | 1-Jan-10<br>(\$000s) |
|----------------------------|-----------------------|-----------------------|----------------------|
| Balance, beginning of year | \$ 92                 | \$ 55                 | \$ 89                |
| Accounts written off       | (14)                  | (8)                   | (77)                 |
| Current year provision     | 91                    | 45                    | 43                   |
| Balance, end of year       | <u>\$ 169</u>         | <u>\$ 92</u>          | <u>\$ 55</u>         |

7. Investments

The Board of Directors has established an Investment Policy for the management of the investment process, utilizing external investment managers. The investment managers' compliance with this Investment Policy is monitored on a regular basis.

FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

|                              | 31-Dec-11<br>(\$000s) | 31-Dec-10<br>(\$000s) | 1-Jan-10<br>(\$000s) |
|------------------------------|-----------------------|-----------------------|----------------------|
|                              | Fair Value            | Fair Value            | Fair Value           |
| <b>FIXED-TERM SECURITIES</b> |                       |                       |                      |
| Federal bonds                | \$ 25,990             | \$ 23,096             | \$ 24,755            |
| Provincial bonds             | 3,223                 | 3,220                 | 3,178                |
| Corporate bonds              | 49,898                | 42,545                | 37,635               |
|                              | <u>79,111</u>         | <u>68,861</u>         | <u>65,568</u>        |
| <b>EQUITIES</b>              |                       |                       |                      |
| Canada                       | 22,583                | 26,122                | 21,409               |
| United States                | 27,730                | 25,238                | 23,051               |
| International                | 24,442                | 27,370                | 23,482               |
|                              | <u>74,755</u>         | <u>78,730</u>         | <u>67,942</u>        |
| <b>OTHER INVESTMENTS</b>     |                       |                       |                      |
| Cash on account              | 140                   | 119                   | 108                  |
| Short-term investments       | 3,176                 | 2,101                 | 978                  |
| Accrued interest receivable  | 535                   | (16)                  | 311                  |
|                              | <u>3,851</u>          | <u>2,204</u>          | <u>1,397</u>         |
| Investments, sub-total       | 157,717               | 149,795               | 134,907              |
| Management fee accrual       | (71)                  | (80)                  | (84)                 |
|                              | <u>\$ 157,646</u>     | <u>\$ 149,715</u>     | <u>\$ 134,823</u>    |

As at December 31, 2011, the Fund held the following financial instruments measured at fair value:

|                           | Quoted prices in active<br>markets for identical assets<br>(Level 1)<br>(\$000s) | Significant other<br>observable inputs<br>(Level 2)<br>(\$000s) | Significant other<br>unobservable inputs<br>(Level 3)<br>(\$000s) | Total<br>(\$000s) |
|---------------------------|--|---|---|-------------------|
| Cash and Cash equivalents | \$ 3,780   | \$ -  | \$ -  | \$ 3,780          |
| Bonds                     | 7,114  | 71,997  | -   | 79,111            |
| Equities                  | 36,112   | -   | -   | 36,112            |
| Pooled funds              | -  | 38,643  | -   | 38,643            |
| Total investments         | <u>\$ 47,006</u>   | <u>\$ 110,640</u>   | <u>\$ -</u>   | <u>\$ 157,646</u> |

**FINANCIAL STATEMENTS** (in Canadian dollars)

**NOTES TO THE FINANCIAL STATEMENTS** (CONT'D)

As at December 31, 2010, the Fund held the following financial instruments measured at fair value:

|                           | <b>Quoted prices in active<br/>markets for identical assets<br/>(Level 1)</b><br>(\$000s) | <b>Significant other<br/>observable inputs<br/>(Level 2)</b><br>(\$000s) | <b>Significant other<br/>unobservable inputs<br/>(Level 3)</b><br>(\$000s) | <b>Total</b><br>(\$000s) |
|---------------------------|---|--|--|--------------------------|
| Cash and Cash equivalents | \$ 2,124  | \$ –   | \$ –   | \$ 2,124                 |
| Bonds                     | 6,716   | 62,145   | –  | 68,861                   |
| Equities                  | 36,106  | –  | –  | 36,106                   |
| Pooled funds              | –   | 42,624   | –  | 42,624                   |
| <b>Total investments</b>  | <b>\$ 44,946</b>  | <b>\$ 104,769</b>  | <b>\$ –</b>  | <b>\$ 149,715</b>        |

As at January 1, 2010, the Fund held the following financial instruments measured at fair value:

|                           | <b>Quoted prices in active<br/>markets for identical assets<br/>(Level 1)</b><br>(\$000s) | <b>Significant other<br/>observable inputs<br/>(Level 2)</b><br>(\$000s) | <b>Significant other<br/>unobservable inputs<br/>(Level 3)</b><br>(\$000s) | <b>Total</b><br>(\$000s) |
|---------------------------|---|--|--|--------------------------|
| Cash and Cash equivalents | \$ 1,313  | \$ –   | \$ –   | \$ 1,313                 |
| Bonds                     | 26,451  | 39,117   | –  | 65,568                   |
| Equities                  | 32,939  | –  | –  | 32,939                   |
| Pooled funds              | –   | 35,003   | –  | 35,003                   |
| <b>Total investments</b>  | <b>\$ 60,703</b>  | <b>\$ 74,120</b>   | <b>\$ –</b>  | <b>\$ 134,823</b>        |

The classification is based on type, frequency and visibility of pricing, source of pricing and liquidity. There are three levels of classification.

A Level 1 classification reflects public daily market or quote pricing with a good volume level.

A Level 2 classification is used when pricing is:

- a) model or matrix based (using observable inputs and or market information)
- b) based on closely related securities
- c) derived pricing (when no public quote exists)
- d) from a broker quote on less active markets.

A Level 3 security would have no public pricing and poor to non-existent liquidity.

Pooled fund units are valued at their year-end net asset value, as determined by the fund manager or administrator. For equity and fixed-income pooled funds, these values represent the Fund's proportionate share of underlying net assets at fair values determined using either quoted market prices or year-end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities.



**FINANCIAL STATEMENTS** *(in Canadian dollars)*

**NOTES TO THE FINANCIAL STATEMENTS** *(CONT'D)*

Net investment income for the year ended December 31 consists of the following:

|   | <b>2011</b><br>(\$000s) | <b>2010</b><br>(\$000s) |
|---|-------------------------|-------------------------|
| Interest                                      | \$ 3,273                | \$ 2,990                |
| Dividends                                     | 2,018                   | 1,767                   |
| Realized gains in the year                    | 2,316                   | 525                     |
| (Decrease) Increase in fair value in the year | (1,208)                 | 5,056                   |
| Investment management fees                    | (502)                   | (473)                   |
|   | <u>\$ 5,897</u>         | <u>\$ 9,865</u>         |

FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Property and Equipment

|                                    | Land<br>(\$000s) | Buildings<br>(\$000s) | Furniture and<br>equipment<br>(\$000s) | Computers and<br>equipment<br>(\$000s) | Total<br>(\$000s) |
|------------------------------------|------------------|-----------------------|--|--|-------------------|
| <b>Cost</b>                        |                  |                       |  |  |                   |
| At January 1, 2010                 | \$ 1,045         | \$ 3,867              | \$ 626                                 | \$ 469                                 | \$ 6,007          |
| Additions                          | –                | 14                    | 28                                     | 61                                     | 103               |
| Disposals                          | –                | –                     | (136)                                  | (15)                                   | (151)             |
| At December 31, 2010               | <b>\$ 1,045</b>  | <b>\$ 3,881</b>       | <b>\$ 518</b>                          | <b>\$ 515</b>                          | <b>\$ 5,959</b>   |
| <b>Depreciation and impairment</b> |                  |                       |  |  |                   |
| At January 1, 2010                 | –                | 1,488                 | 532                                    | 337                                    | 2,357             |
| Depreciation                       | –                | 87                    | 24                                     | 60                                     | 171               |
| Disposals                          | –                | –                     | (125)                                  | (12)                                   | (137)             |
| Impairment                         | –                | –                     | –                                      | –                                      | –                 |
| At December 31, 2010               | <b>\$ –</b>      | <b>\$ 1,575</b>       | <b>\$ 431</b>                          | <b>\$ 385</b>                          | <b>\$ 2,391</b>   |
| <b>Net book value</b>              |                  |                       |  |  |                   |
| At January 1, 2010                 | <b>\$ 1,045</b>  | <b>\$ 2,379</b>       | <b>\$ 94</b>                           | <b>\$ 132</b>                          | <b>\$ 3,650</b>   |
| At December 31, 2010               | <b>\$ 1,045</b>  | <b>\$ 2,306</b>       | <b>\$ 87</b>                           | <b>\$ 130</b>                          | <b>\$ 3,568</b>   |
| <b>Cost</b>                        |                  |                       |  |  |                   |
| At January 1, 2011                 | \$ 1,045         | \$ 3,881              | \$ 518                                 | \$ 515                                 | \$ 5,959          |
| Additions                          | –                | 38                    | 206                                    | 75                                     | 319               |
| Disposals                          | –                | –                     | (53)                                   | (73)                                   | (126)             |
| At December 31, 2011               | <b>\$ 1,045</b>  | <b>\$ 3,919</b>       | <b>\$ 671</b>                          | <b>\$ 517</b>                          | <b>\$ 6,152</b>   |
| <b>Depreciation and impairment</b> |                  |                       |  |  |                   |
| At January 1, 2011                 | –                | 1,575                 | 431                                    | 385                                    | 2,391             |
| Depreciation                       | –                | 92                    | 28                                     | 66                                     | 186               |
| Disposals                          | –                | –                     | (53)                                   | (72)                                   | (125)             |
| Impairment                         | –                | –                     | –                                      | –                                      | –                 |
| At December 31, 2011               | <b>\$ –</b>      | <b>\$ 1,667</b>       | <b>\$ 406</b>                          | <b>\$ 379</b>                          | <b>\$ 2,452</b>   |
| <b>Net book value</b>              |                  |                       |  |  |                   |
| At December 31, 2011               | <b>\$ 1,045</b>  | <b>\$ 2,252</b>       | <b>\$ 265</b>                          | <b>\$ 138</b>                          | <b>\$ 3,700</b>   |

FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. Intangible Assets

|  | Internal software<br>development costs<br>(\$000s) | Software systems<br>under development<br>(\$000s) | Software<br>costs<br>(\$000s) | Total<br>(\$000s) |
|--|--|---|-------------------------------|-------------------|
| <b>Cost</b>  |  |   |                               |                   |
| At January 1, 2010   | \$ 5,734   | \$ 417  | \$ 601                        | \$ 6,752          |
| Additions  | 214  | 285   | 32                            | 531               |
| Disposals  | -  | -   | (2)                           | (2)               |
| At December 31, 2010   | <b>\$ 5,948</b>                                    | <b>\$ 702</b>                                     | <b>\$ 631</b>                 | <b>\$ 7,281</b>   |
| <b>Amortization and impairment</b>                                   |  |   |                               |                   |
| At January 1, 2010   | 1,926  | -   | 492                           | 2,418             |
| Amortization   | 449  | -   | 33                            | 482               |
| Disposals  | -  | -   | -                             | -                 |
| Impairment   | -  | -   | -                             | -                 |
| At December 31, 2010   | <b>\$ 2,375</b>                                    | <b>\$ -</b>                                       | <b>\$ 525</b>                 | <b>\$ 2,900</b>   |
| <b>Net book value</b>  |  |   |                               |                   |
| At January 1, 2010   | <b>\$ 3,808</b>                                    | <b>\$ 417</b>                                     | <b>\$ 109</b>                 | <b>\$ 4,334</b>   |
| At December 31, 2010   | <b>\$ 3,573</b>                                    | <b>\$ 702</b>                                     | <b>\$ 106</b>                 | <b>\$ 4,381</b>   |
| <b>Cost</b>  |  |   |                               |                   |
| At January 1, 2011   | \$ 5,948   | \$ 702  | \$ 631                        | \$ 7,281          |
| Additions  | 93   | 58  | 94                            | 245               |
| Disposals  | -  | -   | -                             | -                 |
| Transfer completed systems to internal<br>software development costs | 760  | (760)   |                               |                   |
| At December 31, 2011   | <b>\$ 6,801</b>                                    | <b>\$ -</b>                                       | <b>\$ 725</b>                 | <b>\$ 7,526</b>   |
| <b>Amortization and impairment</b>                                   |  |   |                               |                   |
| At January 1, 2011   | 2,375  | -   | 525                           | 2,900             |
| Amortization   | 535  | -   | 33                            | 568               |
| Disposals  | -  | -   | -                             | -                 |
| Impairment   | -  | -   | -                             | -                 |
| At December 31, 2011   | <b>\$ 2,910</b>                                    | <b>\$ -</b>                                       | <b>\$ 558</b>                 | <b>\$ 3,468</b>   |
| <b>Net book value</b>  |  |   |                               |                   |
| At December 31, 2011   | <b>\$ 3,891</b>                                    | <b>\$ -</b>                                       | <b>\$ 167</b>                 | <b>\$ 4,058</b>   |

FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. Accounts Payable and Accrued Liabilities

|  | 31-Dec-11<br>(\$000s) | 31-Dec-10<br>(\$000s) | 31-Jan-10<br>(\$000s) |
|--|-----------------------|-----------------------|-----------------------|
| <b>Payable</b>                         |                       |                       |                       |
| Assessments refundable                 | \$ 1,918              | \$ 1,665              | \$ 1,151              |
| Other payables and accrued liabilities | 2,753                 | 2,161                 | 2,965                 |
|  | <b>\$ 4,671</b>       | <b>\$ 3,826</b>       | <b>\$ 4,116</b>       |

Included in other payables and accrued liabilities are amounts due to the Government of Yukon, which are disclosed in note 15.

11. Government Grants

In 2011, the Board received \$330,000 for the Mine Safety Program Grant (2010 - \$330,000). This was accounted for as income in the period. The Board also received \$228,000 for the purpose of upgrading mine safety equipment (2010 - \$0). Of this amount, \$176,000 was deferred as the equipment is not yet in use. In addition, \$52,000 was expensed and released into income as the expenditures did not meet the definition of an asset.

There are no unfulfilled conditions or contingencies attached to these grants.

12. Benefits Liability

|                            | 2011<br>(\$000s)                |           |          |            | 2010<br>(\$000s) |
|----------------------------|---------------------------------|-----------|----------|------------|------------------|
|                            | Medical aid and<br>compensation | Pension   | Annuity  | Total      | Total            |
| Balance, beginning of year | \$ 84,589                       | \$ 23,650 | \$ 7,063 | \$ 115,302 | \$ 111,991       |
| Add claims costs incurred: |                                 |           |          |            |                  |
| Current year injuries      | 15,175                          | 1,873     | -        | 17,048     | 14,968           |
| Prior years' injuries      | (1,425)                         | 2,476     | -        | 1,051      | 2,507            |
|                            | 13,750                          | 4,349     | -        | 18,099     | 17,475           |
| Less claims payments made: |                                 |           |          |            |                  |
| Current year injuries      | 3,841                           | 53        | -        | 3,894      | 3,323            |
| Claims management          | 499                             | 7         | -        | 506        | 432              |
| Prior years' injuries      | 6,397                           | 1,904     | 244      | 8,545      | 9,237            |
| Claims management          | 796                             | 248       | -        | 1,044      | 1,172            |
|                            | 11,533                          | 2,212     | 244      | 13,989     | 14,164           |
| Balance, end of year       | \$ 86,806                       | \$ 25,787 | \$ 6,819 | \$ 119,412 | \$ 115,302       |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### **(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks**

The Board has an objective to control insurance risk, thus reducing the volatility of operating results. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, operating results from the Board's workers' compensation business are affected by market factors, particularly movements in asset values. Short-term variability is, to some extent, a feature of the workers' compensation business.

Key aspects of processes established to mitigate insurance risks include:

- The maintenance and use of management information systems, which provide data on the risks to which the Fund is exposed to at any point in time.
- Actuarial models, using information from the management information system, are used to monitor claims patterns and calculate assessment premiums. Past experience and statistical methods are used as part of the process.
- The asset mix of the Fund investments is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match maturity dates of assets with the expected pattern of claim payments.

### **(b) Terms and conditions of the Act**

The terms and conditions attaching to the Act affect the level of insurance risk accepted by the Board. All workers' compensation coverage entered into is subject to substantially the same terms and conditions under the Act.

### **(c) Concentration of insurance risk**

The Fund's exposure to insurance risk is due to workplace injury caused through an event or disaster that occurred during the reporting period, and/or occupational diseases diagnosed during the reporting period. The Fund's benefits liability includes an amount estimated to cover any such occurrences. This figure is reviewed on an annual basis. The Fund's risk is concentrated by industry as some industries have higher claims experience costs than other industries and is mitigated by higher assessments being charged to industries with proven higher experience costs.

### **(d) Development of claims**

There is a possibility that changes may occur in the estimate of the Fund's obligations over time. The tables in part (i) of this note show the estimates of total net and gross claims outstanding for each underwriting year at successive year ends.

### **(e) Interest rate risk**

The Fund is exposed to the risk that interest rate movements may materially impact the value of the benefits liability. The financial impact of changing interest rates on the benefits liability is expected to be offset in the longer term by similar changes in claims inflation.

The discount rates being applied to future claims payments in determining the valuation of the benefits liability is disclosed in part (g) of this note.

The exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is set out in note 5.

### **f) Liquidity risk**

The Fund's exposure to liquidity risk is set out in note 5.

FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**(g) Actuarial assumptions and methods**

The key actuarial assumptions used to value the benefits liability are as follows:

|  | 31-Dec-11 | 31-Dec-10 | 1-Jan-10 |
|--|-----------|-----------|----------|
| Discount rate for medical aid benefits – net <sup>1</sup>                | 1.00%     | 1.00%     | 1.50%    |
| Discount rate for compensation benefits – net <sup>2</sup>               | 3.50%     | 3.50%     | 4.00%    |
| Discount rate for survivor and other pension benefits – net <sup>2</sup> | 3.50%     | 3.50%     | 4.00%    |

<sup>1</sup> Net of a discount rate attributable to inflation of 6.5%

<sup>2</sup> Net of a discount rate attributable to inflation of 3.0%

The benefits liability was determined using accepted actuarial practice in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefits reflects management's and the actuary's best estimates of long term economic and actuarial assumptions.

The overall valuation approach is designed to reflect emerging trends without placing too much emphasis on temporary fluctuations. The factors used in the valuation have been developed on a best estimate basis, without margins for adverse deviations, by taking the Board's historical experience into consideration along with recent trends in that experience. The general philosophy is to avoid reacting too strongly to temporary fluctuations until there is sufficient evidence that a change in assumption is required. By waiting until a clear trend has emerged, we reduce the likelihood of larger liability adjustments than warranted, both positive and negative, and unstable financial results.

The degree to which the valuation reflects trends is partly impacted by formulas intended to place the appropriate amount of weight on observed experience for each recent year and partly impacted by professional judgement based on observation of payment and claiming trends, including discussions with the Board's staff about the underlying factors that might be causing an observed trend.

The Medical and Short Term Compensation liability represents the present value of expected future benefit payments for hospital and physician services, short-term loss of earnings payments, travel expenses, rehabilitation benefits and other eligible medical services under the Act. The Medical and Short Term Compensation liability is calculated using the loss development method also known as the "claims run-off" approach. In this method, historical paid claims data are summarized by injury year and payment year in order to observe the relationships between payments at different durations for each injury year. Historical factors, at each duration, are developed from prior injury years and are applied to injury years that are not yet fully mature in order to estimate the future timing and amount of remaining benefit payments. A provision with respect to the ten percent annuity contribution required on loss of earnings benefits paid beyond 24 months is included in the Short Term Compensation liability.

The Long Term Compensation liability represents the present value of expected future long term loss of earnings payments for injury years 2005 and prior, including future inflationary adjustments, for individuals still in receipt of a long term loss of earnings award at December 31, 2011. The Long Term Compensation liability is calculated on a seriatim, or individual basis using the discounted cash flow method. Loss of earnings benefits are indexed annually in the month following the anniversary of the date of when the injured worker's loss of earnings began. Mortality rates are used to determine the future life expectancy of individuals in receipt of a long term loss of earnings award. A provision with respect to the ten percent annuity contribution required on loss of earnings benefits paid beyond 24 months is included in the Long Term Compensation liability.

**FINANCIAL STATEMENTS** (in Canadian dollars)

**NOTES TO THE FINANCIAL STATEMENTS** (CONT'D)

The Pension liability represents the present value of expected future pension payments, including future inflationary adjustments, to individuals who have been approved for a pension or survivor award at December 31, 2011. The Pension liability is calculated on a seriatim basis using the discounted cash flow method. Pension benefits are indexed annually on January 1st of each year. Mortality rates are used to determine the future life expectancy of individuals in receipt of a pension award.

The Future Long Term Compensation liability represents the present value of future long term loss of earnings awards that have not yet been approved as of December 31, 2011. These future awards are in respect of all claims arising from injuries which occurred on or before December 31, 2011. The estimated number and timing of these future awards has been developed based on the historical emergence of claims. In addition, the expected cost of each claim has been developed based on actual long term awards approved prior to December 31, 2011. A provision with respect to the ten percent annuity contribution required on loss of earnings benefits paid beyond 24 months is included in the Future Long Term Compensation liability.

The discount rate is used to calculate the present value of expected future payments.

The administration rate represents the present value of expected future costs required to provide administrative services for the continuation of claims management and maintenance for existing claims.

As these assumptions may change over time to reflect underlying economic or legislated conditions, it is possible that such changes could cause a material change to the actuarial present value of future benefit payments.

Significant changes in the benefits liability due to actuarial assumptions included the following:

|  | Increase (decrease) in benefits liability |                   |
|--|---|-------------------|
|  | <b>2011</b>                               | <b>2010</b>       |
|  | (\$000s)                                  | (\$000s)          |
| Change in runoff factors                 | \$ (1,161)                                | \$ (1,821)        |
| Update of first year inflation           | (265)                                     | (1,163)           |
| Change in discount rate                  | –   | 4,822             |
| Change in admin rate                     | 1,657                                     | –                 |
| Other changes in actuarial assumptions   | 365                                       | 579               |
|  | <u>\$ 596</u>                             | <u>\$ 2,417</u>   |
| Favourable claims experience during year | (3,850)                                   | (5,243)           |
|  | <u>\$ (3,254)</u>                         | <u>\$ (2,826)</u> |

**(h) Liability sensitivity**

The most significant assumption in the determination of the benefits liability is the net discount rate. The net discount rate is the assumed rate of return in excess of the assumed inflation rate. A reduction in the net discount rate would increase the actuarial present value of the benefits liability resulting in an increase in claims expense and benefit liability. An increase in the discount rate would decrease the actuarial present value, resulting in a decrease in claims expense and benefit liability.

Medical benefits represent approximately 18% of the benefits liability. An increase in the assumed excess medical inflation rate (above the assumed inflation rate) would result in an increase in claims expense and the benefits liability for medical benefits.

FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

|   | 31-Dec-11<br>(\$000s) |          | 31-Dec-10<br>(\$000s) |          | 01-Jan-10<br>(\$000s) |          |
|---|-----------------------|----------|-----------------------|----------|-----------------------|----------|
|   | +1%                   | -1%      | +1%                   | -1%      | +1%                   | -1%      |
| Percentage change in assumed rates  |                       |          |                       |          |                       |          |
| Increase (decrease) in claims expense and benefits liability from change in net discount rate             | \$ (8,530)            | \$ 9,916 | \$ (8,086)            | \$ 9,319 | \$ (7,644)            | \$ 8,768 |
| Increase (decrease) in claims expense and benefits liability from change in excess medical inflation rate | 1,848                 | (1,609)  | 1,641                 | (1,424)  | 1,660                 | (1,435)  |

(i) Claims Development

The following table shows the development of claims cost estimates for the five most recent injury years:

| Estimate of cumulative claims                        | Year of injury             |                  |                  |                  |                  |                  |                   |
|--|----------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
|  | 2006 and prior<br>(\$000s) | 2007<br>(\$000s) | 2008<br>(\$000s) | 2009<br>(\$000s) | 2010<br>(\$000s) | 2011<br>(\$000s) | Total<br>(\$000s) |
| At end of accident year                              | \$ 348,034                 | \$ 25,247        | \$ 24,593        | \$ 21,560        | \$ 26,001        | \$ 28,402        |                   |
| One year later                                       | 343,169                    | 26,069           | 19,487           | 18,820           | 23,288           |                  |                   |
| Two years later                                      | 338,069                    | 23,205           | 17,116           | 18,092           |                  |                  |                   |
| Three years later                                    | 327,428                    | 21,047           | 16,422           |                  |                  |                  |                   |
| Four years later                                     | 314,075                    | 20,422           |                  |                  |                  |                  |                   |
| Five years later                                     | 307,992                    |                  |                  |                  |                  |                  |                   |
| <b>Cumulative Payments</b>                           |                            |                  |                  |                  |                  |                  |                   |
| At end of accident year                              | 124,835                    | 3,288            | 3,082            | 2,454            | 3,182            | 3,721            |                   |
| One year later                                       | 136,388                    | 6,572            | 4,707            | 3,963            | 4,787            |                  |                   |
| Two years later                                      | 145,120                    | 7,607            | 5,198            | 4,500            |                  |                  |                   |
| Three years later                                    | 152,350                    | 8,013            | 5,371            |                  |                  |                  |                   |
| Four years later                                     | 158,990                    | 8,304            |                  |                  |                  |                  |                   |
| Five years later                                     | 164,667                    |                  |                  |                  |                  |                  |                   |
| Estimate of cumulative claims                        | 307,992                    | 20,422           | 16,422           | 18,092           | 23,288           | 28,402           | 414,618           |
| Cumulative payments                                  | 164,667                    | 8,304            | 5,371            | 4,500            | 4,787            | 3,721            | 191,350           |
| Estimate of future payments                          | 143,325                    | 12,118           | 11,051           | 13,592           | 18,501           | 24,681           | 223,268           |
| Effect of discounting                                | (72,935)                   | (6,272)          | (5,902)          | (7,725)          | (11,417)         | (13,626)         | (117,877)         |
| Effect of Admin expenses                             | 9,061                      | 817              | 723              | 825              | 1,002            | 1,593            | 14,021            |
| Amount recognized on Statement of Financial Position | \$ 79,451                  | \$ 6,663         | \$ 5,872         | \$ 6,692         | \$ 8,086         | \$ 12,648        | \$ 119,412        |



FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

As at December 31, 2011, a claims investigation initiated in 2010 was concluded in 2011. This has resulted in a reduction in the benefits liability of more than \$650,000 when discounted to December 31, 2011. Three new claims were investigated by the Investigations Unit. The outcome of the investigations is not determinable at this time and therefore, the potential future effect of these claims is not reflected in the benefits liability.

| 13. Employee Benefits                 | 31-Dec-11<br>(\$000s) | 31-Dec-10<br>(\$000s) | 1-Jan-10<br>(\$000s) |
|---------------------------------------|-----------------------|-----------------------|----------------------|
| Short-term employee benefits          | \$ 638                | \$ 473                | \$ 441               |
| Other long-term employee benefits (a) | 466                   | 421                   | 336                  |
| Post-employment benefits (b)          | 949                   | 880                   | 704                  |
|                                       | <u>\$ 2,053</u>       | <u>\$ 1,774</u>       | <u>\$ 1,481</u>      |

Short term benefits included in the above amounts are expected to be paid within the next twelve months.

**(a) Other Long-term Employee Benefits**

Long service vacation leave is an additional five days of vacation leave available to employees who have completed five years of continuous service with the Board and on each five year anniversary date there after.

Unused sick leave credits accumulate and are carried forward up to a maximum. A retiring employee may convert up to one third, to a maximum of 180 days, as pre-retirement leave.

The balance in the liability accrual for accumulating sick leave benefits and long service vacation for the year was:

|                                  | 31-Dec-11<br>(\$000s) | 31-Dec-10<br>(\$000s) | 1-Jan-10<br>(\$000s) |
|----------------------------------|-----------------------|-----------------------|----------------------|
| Long service vacation benefits   | \$ 40                 | \$ 52                 | \$ 38                |
| Accumulating sick leave benefits | 426                   | 369                   | 298                  |
| Total                            | <u>\$ 466</u>         | <u>\$ 421</u>         | <u>\$ 336</u>        |

**(b) Post-employment Benefits**

(i) RETIREMENT AND SEVERANCE BENEFIT

Retiring or severance benefits are available to employees who have completed five years of service with the Board.

Payments are made upon retirement or termination, with benefits increasing with additional length of service.

The movement in the accrual for retirement and severance benefits for the year was:

|  | 2011<br>(\$000s) | 2010<br>(\$000s) |
|--|------------------|------------------|
| Benefits, beginning of the year                      | \$ 880           | \$ 704           |
| Payments made during the year                        | (107)            | (61)             |
| Current service cost                                 | 86               | 76               |
| Interest cost  | 51               | 51               |
| Actuarial loss from changes in actuarial assumptions | 39               | 110              |
| Benefits, end of the year                            | <u>\$ 949</u>    | <u>\$ 880</u>    |

The plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

**FINANCIAL STATEMENTS** (in Canadian dollars)

**NOTES TO THE FINANCIAL STATEMENTS** (CONT'D)

The key assumptions used to calculate post employment benefits are a liability discount rate of 4.5% (December 31, 2010 – 5.0%, January 1, 2010 – 6.0%) and an annual rate of general escalation in wages of 2.25% and in 2013 increasing by 25bps each year to reach 3.0% in 2015 and beyond (December 31, 2010 – 3.0%, January 1, 2010 – 3.0%).

The expected fund contributions to the plan for the next year is \$43,000.

(II) PUBLIC SERVICE PENSION PLAN

Substantially all of the employees of the Board are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Fund. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 15.624% (16.044% for the prior year). The Fund contributions are outlined in the table below.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Contributions made to the Public Service Pension Plan by the Fund and the employees for the year were as follows:

|                          | <b>2011</b><br>(\$000s) | <b>2010</b><br>(\$000s) |
|--------------------------|-------------------------|-------------------------|
| Employees' contributions | \$ 371                  | \$ 350                  |
| Fund contributions       | \$ 682                  | \$ 671                  |

The expected contributions to the plan for the next year are \$415,000 employee contributions and \$723,000 Fund contributions.

**(c) Benefit Expense**

The following table summarizes the components of the benefit expense recognized in salaries and benefits within administration expenses in the statement of operations and comprehensive income for the respective plans:

|                                 | <b>Other long-term benefits</b><br>(\$000s) | <b>Severance and retirement benefits</b><br>(\$000s) | <b>Public Service pension plan</b><br>(\$000s) | <b>Total</b><br>(\$000s) |
|---------------------------------|---|--|--|--------------------------|
| <b>Net benefit expense 2011</b> |   |  |  |                          |
| Current service cost            | \$ 36                                       | \$ 86  | \$ 682   | \$ 804                   |
| Interest cost                   | 20  | 51   | –  | 71                       |
| Actuarial losses                | 20  | 39   | –  | 59                       |
|                                 | <u>\$ 76</u>                                | <u>\$ 176</u>  | <u>\$ 682</u>                                  | <u>\$ 934</u>            |
| <b>Net benefit expense 2010</b> |   |  |  |                          |
| Current service cost            | \$ 31                                       | \$ 76  | \$ 671   | \$ 778                   |
| Interest cost                   | 18  | 51   | –  | 69                       |
| Actuarial losses                | 42  | 110  | –  | 152                      |
|                                 | <u>\$ 91</u>                                | <u>\$ 237</u>  | <u>\$ 671</u>                                  | <u>\$ 999</u>            |

**FINANCIAL STATEMENTS** (in Canadian dollars)

**NOTES TO THE FINANCIAL STATEMENTS** (CONT'D)

**14. Capital Management and Reserves**

The *Workers' Compensation Act* establishes that one of the purposes of the Act is to maintain a solvent Compensation Fund managed in the interest of workers and employers. To ensure that the Fund is able to meet its financial obligations, premiums charged to employers over time must be sufficient to cover current and future costs of all claims incurred by injured workers. These assessment revenues combined with investment returns from the Fund's assets are designed to provide the foundation for the Fund to meet all current and future obligations for injured workers.

The Board of Directors considers that capital is the net difference between assets and liabilities. There have been no changes in the objectives and definition of capital from the previous period. The Fund does not have any external capital requirements. The reserves are established to protect the fully funded position of the Fund and to stabilize the effect of fluctuations in the employer assessment rates and investment returns. The Fund is considered fully funded when there are sufficient funds for the payment of all present and future compensation, including the cost of administration. At the end of the fiscal year, once the benefits liability is determined, the net difference between the Fund's assets and liabilities is allocated to reserves.

The Board of Directors uses the Funding Ratio (Assets/Liabilities) to manage capital. At December 31, 2011, the Funding Ratio is 140% (December 31, 2010 – 134%, January 1, 2010 – 123%).

Under the current Funding Policy, the Prevention Fund and two reserves are established as follows:

**Prevention Fund:**

The Prevention Fund serves to provide funding for the start up costs of pre-selected accident prevention and workplace safety initiatives. The Board of Directors decided to wind down the Prevention Fund in 2009. The remaining balance in the Prevention Fund will be used to cover future commitments from current funding agreements that were in place prior to this decision. In 2011, a total of \$122,000 (2010 – \$250,000) was incurred on accident prevention and workplace safety initiatives. At December 31, 2011, the Prevention Fund has a balance of \$428,000 (December 31, 2010 – \$550,000, January 1, 2010 – \$800,000).

**Reserves:**

(I) STABILIZATION RESERVE

The Stabilization Reserve is to protect the fully funded position of the Fund and to stabilize the effect of fluctuations on employer assessment rates. The target level for this reserve is equal to ten percent of the benefits liability, which was \$11,941,000 as at December 31, 2011 (December 31, 2010 – \$11,530,000, January 1, 2010 – \$11,199,000). The operating range for this reserve is determined as the target level balance plus or minus three and a half percent of the benefits liability. At December 31, 2011, the Stabilization Reserve has a balance of \$30,806,000 (December 31, 2010 – \$21,794,000, January 1, 2010 – \$7,942,000).

This reserve is considered to have a surplus when its balance exceeds the top of the operating range and a deficit if the reserve balance is below its target level. The funding policy requires that any deficiency or surplus at the end of a fiscal year be amortized over a period not exceeding ten years from the year in which the deficiency or surplus arose.

A rebate in 2011 was included in the assessment rates as required by the Funding Policy based on the 2010 funded position.

**FINANCIAL STATEMENTS** (in Canadian dollars)

**NOTES TO THE FINANCIAL STATEMENTS** (CONT'D)

(II) ADVERSE EVENTS RESERVE

The Adverse Events Reserve is to provide funding for infrequent, unexpected adverse claims experience and catastrophic events to protect employers from the sudden impact of the costs of these types of events. The target level for this reserve is \$19,733,000 (2010 – \$19,291,000), which has been set at 100 times the maximum wage rate plus ten percent of the benefits liability and is calculated annually upon completion of the actuarial valuation of the benefits liability. Costs related to catastrophic and adverse events and latent occupational diseases are charged to this reserve, resulting in a charge of nil for 2011 (2010 – nil). This reserve is limited to its target level. Funds in excess of the target level are transferred to the Stabilization Reserve, with nil funds transferred in 2011 (2010 – nil). At December 31, 2011, the Adverse Events Reserve has a balance of \$19,733,000 (December 31, 2010 – \$19,291,000, January 1, 2010 - \$18,274,000).

Transfers cannot be made from this reserve to any other temporary fund or reserve if the transfer will reduce this reserve below its target level.

**15. Related Party Transactions**

**(a) Government of Yukon**

The Board is a territorial entity with delegated powers on behalf of the Government of Yukon (the "Government"), and is related to all Government departments, agencies and Government corporations.

The Government and entities related to the Government pay assessment premiums to the Fund for workers' compensation benefit coverage.

During 2011, the Compensation Fund paid the Government \$804,000 (2010 – \$777,000) for building maintenance, computer, office supplies, payroll processing, recruitment, and vehicle services. The Fund also reimbursed the Government for payroll costs of \$7,087,000 (2010 – \$6,913,000).

The Government pays certain claims costs to the Compensation Fund for claims prior to 1993 (note 4(c)) and also reimburses the cost of supplementary benefits pursuant to the Yukon Workers' Compensation Supplementary Benefits Ordinance. Supplementary compensation benefits are granted, pursuant to the Yukon Workers' Compensation Supplementary Benefits Ordinance, to all persons receiving compensation on or after October 1, 1973 for accidents prior to that date. Compensation is increased to the amount that would have been granted had the accident occurred after the Act came into force. The cost of these benefits is recovered from the Yukon Consolidated Revenue Fund. Effective January 1, 1993, all Government employees were covered by the Fund.

Reimbursements for claims expenses received from the Government was \$749,000 in 2011 (\$420,000 – 2010).

The Board enters into transactions with the Government and entities related to the Government in the normal course of business and the transactions are recorded at the exchange amount.

Revenues and recoveries from the Government of Yukon for the year ended December 31, 2011 totalled \$6,602,000 (2010 - \$6,968,000).

FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Balances due to and from Government of Yukon are as follows:

|  | 31-Dec-11<br>(\$000s) | 31-Dec-10<br>(\$000s) | 1-Jan-10<br>(\$000s) |
|--|-----------------------|-----------------------|----------------------|
| Due to the Government of Yukon                 | \$ (1,866)            | \$ (1,730)            | \$ (2,373)           |
| Due from the Government of Yukon – recoveries  | 451                   | 129                   | 69                   |
| Due from the Government of Yukon – assessments | 267                   | 503                   | 504                  |
| Net amount due                                 | <u>\$ (1,148)</u>     | <u>\$ (1,098)</u>     | <u>\$ (1,800)</u>    |

**(b) Key Management Personnel**

The remuneration of key management personnel, which includes the members of the Board of Directors and senior management team, are as follows:

|                                   | 2011<br>(\$000s) | 2010<br>(\$000s) |
|-----------------------------------|------------------|------------------|
| Short-term employee benefits      | \$ 1,293         | \$ 1,188         |
| Post-employment benefits          | 226              | 209              |
| Other long-term employee benefits | 5                | 35               |
| Total remuneration                | <u>\$ 1,524</u>  | <u>\$ 1,432</u>  |

Contributions made to the Public Service Pension Plan by the Fund for key management personnel was \$185,000 (2010 - \$119,000).

A member of the Board of Directors is the acting president of the Yukon Federation of Labour which has entered into a Return to Work Agreement with the Board to train workers and employers on how to safely return injured workers to the workplace. This agreement was awarded based on a competitive bidding process. In 2011 a total of \$54,000 was expended.

A member of the Board of Directors is a partner of MacKay LLP which had a contract for \$9,000 with the Board for accounting services related to an externally funded program. This engagement was managed by another partner of the firm who has no relationship with the Board.

Transactions with responsible key management personnel are negotiated on a commercial basis. Conflicts are overcome by directors declaring their interests and abstaining from voting at Board of Directors meetings.

**FINANCIAL STATEMENTS** (in Canadian dollars)

**NOTES TO THE FINANCIAL STATEMENTS** (CONT'D)

**16. Commitments**

The Board has commitments for professional services contracts, contribution agreements, Prevention Fund agreements, storage facilities and travel accommodation for the next five years, in thousands of dollars, as follows:

|             | <b>Professional services contracts</b> | <b>Contribution agreements</b> | <b>Prevention Fund agreements</b> | <b>Travel and storage</b> | <b>Total</b> |
|-------------|--|--------------------------------|-----------------------------------|---------------------------|--------------|
| <b>2012</b> | \$ 592                                 | \$ 581                         | \$ 40                             | \$ 40                     | \$ 1,253     |
| <b>2013</b> | 5                                      | 369                            | 147                               | 7                         | 528          |
| <b>2014</b> | -                                      | -                              | -                                 | -                         | -            |
| <b>2015</b> | -                                      | -                              | -                                 | -                         | -            |
| <b>2016</b> | -                                      | -                              | -                                 | -                         | -            |
|             | \$ 597                                 | \$ 950                         | \$ 187                            | \$ 47                     | \$ 1,781     |

**17. Administration Expenses**

|  | <b>2011</b><br>(\$000s) | <b>2010</b><br>(\$000s) |
|--|-------------------------|-------------------------|
| Salaries and benefits  | \$ 7,492                | \$ 7,237                |
| Consulting and professional  | 1,057                   | 849                     |
| Amortization – intangible assets   | 568                     | 483                     |
| Buildings  | 349                     | 309                     |
| Automobile and travel  | 318                     | 227                     |
| Computer systems   | 276                     | 218                     |
| Communications   | 197                     | 206                     |
| Depreciation – property and equipment  | 186                     | 172                     |
| Staffing and recruitment   | 165                     | 175                     |
| Board expenses   | 158                     | 167                     |
| General administration   | 118                     | 135                     |
| Furniture and equipment  | 77                      | 18                      |
| Printing and publications  | 71                      | 76                      |
| Lease expense  | 52                      | 70                      |
| Supplies and stationery  | 44                      | 47                      |
| System development analysis expense  | 34                      | -                       |
|  | \$11,162                | \$ 10,389               |
| Less: claims administration expense transferred to claims expenses (notes 12 and 20) | (1,550)                 | (1,604)                 |
|  | \$ 9,612                | \$ 8,785                |

**FINANCIAL STATEMENTS** (in Canadian dollars)

**NOTES TO THE FINANCIAL STATEMENTS** (CONT'D)

**18. Prevention Expenses**

|  | <b>2011</b><br>(\$000s) | <b>2010</b><br>(\$000s) |
|--|-------------------------|-------------------------|
| Contribution agreements – funded through the Prevention Fund | \$ 122                  | \$ 250                  |
| Contribution agreements – funded through Operations          | 399                     | 440                     |
|  | <u>\$ 521</u>           | <u>\$ 690</u>           |

**19. Contingencies**

The Fund is required to pay for future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, these liabilities cannot be reasonably estimated and are not included in the benefits liability or the financial statements.

Due to the nature of the Board's operations, various legal matters are pending. In the opinion of management, these matters will not have a material effect on the Fund's financial position or results of operations.

**20. Reclassification – Claims Expense**

A portion of administration and general expenses has been reclassified as claims management costs to provide administrative services for the continuation of claims management of existing claims. The amount at December 31, 2010 was \$1,604,000.

The reclassification is management's preference to allocate claims management expenses as part of claims expenditures, consistent with other workers' compensation boards in Canada.

**21. Events After the Reporting Period**

On March 29, 2012, the Government of Canada announced during the Budget Speech that the eligibility age for OAS pension benefits will increase from age 65 to 67. Should this proposed change be passed into law and receive Assent, it is expected to have a material effect on the benefits liability by increasing it by \$3,900,000 as the loss of earning benefits for those workers affected by the change will be paid until age 67. The estimated increase is not included in the benefits liability at December 31, 2011 as the Budget proposals have not yet been passed into law.

**22. First-Time Adoption of IFRS**

As explained in Note 2, the Board has prepared financial statements that comply with IFRS applicable for periods ending on or after December 31, 2011, together with the comparative period data as at and for the year ended December 31, 2010. In preparing these financial statements, the Fund's opening statement of financial position (previously referred to as the Balance Sheet) was prepared as at January 1, 2010, the Fund's date of transition to IFRS. This note explains the principal adjustments made by the Fund in restating its pre-changeover Canadian GAAP statement of financial position as at January 1, 2010 and its previously published pre-changeover Canadian GAAP financial statements as at and for the year ended December 31, 2010.

FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**Exemptions applied**

IFRS 1 *First-Time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Fund has applied the following exemptions:

- Land and buildings have been measured at fair value at the date of transition to IFRS, which will become their deemed cost going forward.
- The Fund has elected to apply the transitional provisions in IFRS 4 *Insurance Contracts*, and disclose only five years of data in the claim development table, as permitted by IFRS 4 in the year of adoption of IFRS. The disclosure will be increased in each succeeding additional year, until the full ten years of information is included.
- In relation to post employment benefits, the Fund has elected to disclose the following amounts prospectively from the date of transition (IFRS ordinarily requires the amounts for the current and previous four annual periods to be disclosed): (i) the present value of the defined benefit obligation; and (ii) the experience adjustments (actuarial gains and losses) arising on the plan liabilities.

**Estimates**

The estimates at January 1, 2010 and at December 31, 2010 are consistent with those made for the same dates in accordance with pre-changeover Canadian GAAP (after adjustments to reflect any differences in accounting policies).

**Reconciliation of the Fund's equity as at January 1, 2010 (date of transition to IFRS)**

|  | note | Pre-changeover<br>Canadian GAAP<br>(\$000s) | Remeasurements<br>& reclassifications<br>(\$000s) | IFRS as at<br>Jan 1, 2010<br>(\$000s) |
|--|------|---|---|---------------------------------------|
| <b>ASSETS</b>                            |      |   |   |                                       |
| Accounts receivable                      |      | \$ 2,791                                    | \$ –  | \$ 2,791                              |
| Investments                              |      | 134,823                                     | –   | 134,823                               |
| Property and equipment                   | A    | 2,885                                       | 765   | 3,650                                 |
| Intangible assets                        |      | 4,334                                       | –   | 4,334                                 |
|  |      | <u>\$ 144,833</u>                           | <u>\$ 765</u>                                     | <u>\$ 145,598</u>                     |
| <b>LIABILITIES</b>                       |      |   |   |                                       |
| Bank overdraft                           |      | \$ 994                                      | \$ –  | \$ 994                                |
| Accounts payable and accrued liabilities | B    | 4,153                                       | (37)  | 4,116                                 |
| Benefits liability                       |      | 111,991                                     | –   | 111,991                               |
| Employee benefits                        | B    | 1,092                                       | 389   | 1,481                                 |
|  |      | <u>118,230</u>                              | <u>352</u>  | <u>118,582</u>                        |
| <b>FUNDED POSITION (EQUITY)</b>          |      |   |   |                                       |
| Prevention Fund                          |      | 800   | –   | 800                                   |
| Reserves                                 | A,B  | 25,803                                      | 413   | 26,216                                |
| Total equity                             |      | <u>26,603</u>                               | <u>413</u>  | <u>27,016</u>                         |
| Total liabilities and equity             |      | <u>\$ 144,833</u>                           | <u>\$ 765</u>                                     | <u>\$ 145,598</u>                     |



FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Reconciliation of the Fund's equity as at December 31, 2010

|  | note | Pre-changeover<br>Canadian GAAP<br>(\$000s) | Remeasurements<br>& reclassifications<br>(\$000s) | IFRS as at<br>Dec 31, 2010<br>(\$000s) |
|--|------|---|---|--|
| <b>ASSETS</b>                            |      |   |   |  |
| Cash                                     |      | \$ 708                                      | \$ –  | \$ 708                                 |
| Accounts receivable                      |      | 4,165                                       | –   | 4,165                                  |
| Investments                              |      | 149,715                                     | –   | 149,715                                |
| Property and equipment                   | A    | 2,814                                       | 754   | 3,568                                  |
| Intangible assets                        |      | 4,381                                       | –   | 4,381                                  |
|  |      | <u>\$ 161,783</u>                           | <u>\$ 754</u>                                     | <u>\$ 162,537</u>                      |
| <b>LIABILITIES</b>                       |      |   |   |  |
| Accounts payable and accrued liabilities | B    | \$ 3,878                                    | \$ (52)   | \$ 3,826                               |
| Benefits liability                       |      | 115,302                                     | –   | 115,302                                |
| Employee benefits                        | B    | 1,327                                       | 447   | 1,774                                  |
|  |      | <u>120,507</u>                              | <u>395</u>  | <u>120,902</u>                         |
| <b>FUNDED POSITION (EQUITY)</b>          |      |   |   |  |
| Prevention Fund                          |      | 550   | –   | 550                                    |
| Reserves                                 | A,B  | 40,726                                      | 359   | 41,085                                 |
| Total equity                             |      | <u>41,276</u>                               | <u>359</u>  | <u>41,635</u>                          |
| Total liabilities and equity             |      | <u>\$ 161,783</u>                           | <u>\$ 754</u>                                     | <u>\$ 162,537</u>                      |

FINANCIAL STATEMENTS (in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Reconciliation of the Fund's total comprehensive income as at December 31, 2010

|   | note     | Pre-changeover<br>Canadian GAAP<br>(\$000s) | Remeasurements<br>& reclassifications<br>(\$000s) | IFRS year ended<br>Dec 31, 2010<br>(\$000s) |
|---|----------|---|---|---|
| <b>REVENUE AND INCOME</b>                                   |          |   |   |   |
| Assessment revenue  |          | \$ 30,899                                   | \$ -  | \$ 30,899                                   |
| Net investment income                                       |          | 9,865                                       | -   | 9,865                                       |
| Recoveries and other receipts                               |          | 805   | -   | 805   |
|   |          | \$ 41,569                                   | \$ -  | \$ 41,569                                   |
| <b>EXPENSES</b>   |          |   |   |   |
| Claims expenses   | 20       | \$ 15,871                                   | \$ 1,604  | \$ 17,475                                   |
| Administration  |          |   |   |   |
| General and administration                                  | A, B, 20 | 8,214                                       | (1,550)   | 6,664                                       |
| Occupational Health and Safety                              |          | 1,544                                       | -   | 1,544                                       |
| Workers' Advocate   |          | 326   | -   | 326   |
| Act Review  |          | 80  | -   | 80  |
| Appeal tribunal   |          | 171   | -   | 171   |
| Prevention  |          | 690   | -   | 690   |
|   |          | 26,896                                      | 54  | 26,950                                      |
| Operating surplus (deficit) and comprehensive income (loss) |          | \$ 14,673                                   | \$ (54)   | \$ 14,619                                   |

**Notes to the reconciliation of equity as at January 1, 2010 and December 31, 2010 and total comprehensive income for the year ended December 31, 2010**

A portion of administration and general expenses has been reclassified as claims management costs as disclosed in note 20.

**A. PROPERTY AND EQUIPMENT AND DEPRECIATION EXPENSE**

The Fund has elected to measure land and the Mine Rescue Station building at fair value at the date of transition to IFRS. This resulted in an increase of \$765,000 in property and equipment and the stabilization reserve as at January 1, 2010 reflecting a total fair value assigned to the land of \$655,000 and to the Mine Rescue Building of \$110,000. In addition, the higher carrying value attributed to the Mine Rescue Building resulted in an increase in depreciation expense of \$11,000 for the year ended December 31, 2010.

The Fund changed its accounting estimate for the depreciation of property and equipment. Buildings were previously depreciated over 50 years. The depreciation rate was changed to 10 – 50 years to account for the useful life of the Mine Rescue Building. Computers were depreciated over 5 years and the depreciation rate was changed to 5 – 10 years to account for the useful life of computer equipment.

**FINANCIAL STATEMENTS** *(in Canadian dollars)*

**NOTES TO THE FINANCIAL STATEMENTS** *(CONT'D)*

**B. POST EMPLOYMENT BENEFITS**

The Board's accumulating sick leave benefit plan meets the definition of a long-term benefit under IAS 19 *Employee Benefits* and as a result has been measured based on an actuarial valuation using the projected unit credit method with actuarial gains and losses recognized as an expense as incurred. At the date of transition, this resulted in an increase in post employment benefits of \$352,000 and a decrease in the stabilization reserve. In addition, this resulted in an increase of \$43,000 in accrued employee benefits and salaries and benefits expense for the year ended December 31, 2010.

Accrued payroll benefits were re-allocated from accounts payable and accrued liabilities to accrued employee benefits. The amount at January 1, 2010 was \$37,000 and \$52,000 at December 31, 2010.

**Statement of cash flows**

The transition from pre-changeover Canadian GAAP to IFRS has not had a material impact on the statement of cash flows.

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