FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2023

MASC
Manitoba Agricultural Services Corporation

Responsibility for Financial Statements, Production Insurance Trust, and Hail Insurance Trust

The management of MASC is responsible for the integrity, objectivity, and reliability of the financial statements, the accompanying notes and other financial information in the annual report including the consolidated financial statements of MASC, the Production Insurance Trust, and the Hail Insurance Trust.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available information.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included here. The Auditor General has access to MASC's Board of Directors, with or without management present, to discuss the results of their audit and the quality of MASC's financial reporting.

Original signed by:

Jared Munro
Chief Executive Officer

Manon Pascal
Chief Financial Officer

July 18, 2023

Auditor General
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of the Manitoba Agricultural Services Corporation

Opinion

We have audited the consolidated financial statements of Manitoba Agricultural Services Corporation (MASC), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statement of operations, the consolidated statement of change in net financial assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of MASC as at March 31, 2023, and the results of its consolidated operations, changes in its consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of MASC in accordance with the ethical requirements in Canada that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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In preparing the consolidated financial statements, management is responsible for assessing MASC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate MASC or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MASC's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 MASC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MASC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MASC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within MASC to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Original signed by:

Office of the Auditor
General Winnipeg,
Manitoba
July 18, 2023

MANITOBA AGRICULTURAL SERVICES CORPORATION

Consolidated Statement of Financial Position

As of March 31, 2023 | In Thousands of Dollars

	NOTE	2023	2022
FINANCIAL ASSETS			
Cash	8	**$ 18,983**	$ -
Accounts receivable	9	**4,171**	15,019
Receivables from the Province of Manitoba	10	**10,620**	8,719
Receivables from the Government of Canada	11	**14,482**	9,631
Investments	12	**633,027**	651,984
Loans receivable	13	**806,339**	787,448
Total Financial Assets		**$ 1,487,622**	$ 1,472,801
LIABILITIES			
Bank indebtedness	8	**$ -**	$ 9,420
Accounts payable and accrued liabilities	14	**11,854**	7,402
Accounts payable – Canadian Agricultural Partnership	15	**9,909**	5,279
Accounts payable – AgriRecovery	16	**4,944**	20,607
Claims payable	17	**44,903**	104,790
Unearned revenue	18	**475,624**	410,463
Loans from the Province of Manitoba	19	**833,934**	827,797
Provisions for losses on guaranteed loans	20	**5,762**	4,284
Future employee benefits	21	**7,440**	7,533
Total Liabilities		**$ 1,394,370**	$ 1,397,575
Net Financial Assets		**$ 93,252**	$ 75,226
NON-FINANCIAL ASSETS			
Prepaid expenses	2	**$ 492**	$ 527
Tangible capital assets	2 & 22	**2,397**	2,543
Total Non-Financial Assets		**$ 2,889**	$ 3,070
Accumulated Surplus		**$ 96,141**	$ 78,296
Loan guarantees and contingencies	20		
Commitments	23		

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

Approved by the Board: Original signed by:

Jim Wilson
Chair, Board of Directors

Charles Mayer
Board of Directors

MANITOBA AGRICULTURAL SERVICES CORPORATION

Consolidated Statement of Operations

For the Year Ended March 31, 2023 | In Thousands of Dollars

	2023		2022
	BUDGET	**ACTUAL**	ACTUAL
REVENUE			
Premiums from insured producers	$ 177,590	**$ 138,625**	$ 276,654
Interest from loans	37,678	**34,472**	34,461
Contribution from the Province of Manitoba	120,376	**95,673**	185,500
Contribution from the Government of Canada	139,537	**102,381**	229,989
Private reinsurance recoveries	-	**-**	12,383
Investment income	710	**16,619**	1,747
Other income	56	**48**	1,069
	475,947	**387,818**	741,803
EXPENSE			
Lending programs	31,202	**36,368**	27,948
AgriInsurance program	362,550	**269,824**	635,547
Hail Insurance program	37,017	**24,249**	10,832
Wildlife Damage Compensation program	11,459	**12,312**	8,311
Farmland School Tax Rebate program	32,731	**26,398**	31,395
Livestock Price Insurance program	992	**716**	661
Other programs	39	**106**	55
	475,990	**369,973**	714,749
Income (loss) for the year	$ (43)	**17,845**	27,054
Accumulated surplus, beginning of year		**78,296**	51,242
Accumulated surplus, end of year		**$ 96,141**	$ 78,296

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

Consolidated Statement of Change in Net Financial Assets

For the Year Ended March 31, 2023 | In Thousands of Dollars

		2023		2022
Income for the year	$	17,845	$	27,054
Tangible capital assets				
Acquisition of tangible capital assets		(36)		(1,485)
Disposal of tangible capital assets		1		-
Amortization of tangible capital assets		181		25
		146		(1,460)
Other non-financial assets				
Disposal of inventory held for use		-		131
Decrease (increase) in prepaid expenses		35		(101)
		35		30
Increase in net financial assets		18,026		25,624
Net financial assets, beginning of year		75,226		49,602
Net financial assets, end of year	$	93,252	$	75,226

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

MANITOBA AGRICULTURAL SERVICES CORPORATION

Consolidated Statement of Cash Flows

As of March 31, 2023 | In Thousands of Dollars

Cash provided by (used for):		2023		2022
OPERATING				
Income for the year	$	17,845	$	27,054
Amortization of tangible capital assets		181		25
		18,026		27,079
Changes in:				
Accrued interest receivable		(5,752)		(250)
Receivables		4,096		(13,667)
Loans receivable		(2,175)		215
Accounts payable and accrued liabilities		4,452		(1,730)
Accounts payable – Canadian Agricultural Partnership		4,630		(7,025)
Accounts payable – AgriRecovery		(15,663)		20,607
Unearned revenue		65,161		(381,029)
Claims payable		(59,887)		94,797
Provisions for losses on guaranteed loans		1,478		(5,316)
Future employee benefits		(93)		(220)
Prepaid expenses		35		(101)
Inventories held for use		-		131
Cash provided by (used for) operating activities		14,308		(266,509)
CAPITAL				
Tangible capital assets purchased		(36)		(1,485)
Tangible capital assets disposed		1		-
Cash used for capital activities		(35)		(1,485)
INVESTING				
Investments purchased		(172,013)		(15,774)
Loans disbursed		(177,809)		(146,396)
Loan principal received		161,093		246,748
Cash provided by (used for) investing activities		(188,729)		84,578
FINANCING				
Debt repayments to the Province of Manitoba		(160,863)		(162,663)
Loans from the Province of Manitoba		167,000		65,000
Cash provided by (used for) financing activities		6,137		(97,663)
Net increase (decrease) in cash and cash equivalents		(168,319)		(281,079)
Cash and cash equivalents, beginning of year		429,141		710,220
Cash and cash equivalents, end of year	$	260,822	$	429,141
Cash and cash equivalents are comprised of the following:				
Investments	$	633,027	$	651,984
Investments with terms greater than three months and accrued interest		(391,188)		(213,423)
Investments with terms of three months or less		241,839		438,561
Cash (bank indebtedness)		18,983		(9,420)
	$	260,822	$	429,141
SUPPLEMENTAL CASH FLOW INFORMATION				
Interest paid	$	22,753	$	23,642
Interest received	$	45,337	$	35,956

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

Consolidated Notes to Financial Statements

As of March 31, 2023

1. NATURE OF ORGANIZATION

The Manitoba Agricultural Credit Corporation (MACC) was established under The Agricultural Credit Corporation Act. The Manitoba Crop Insurance Corporation (MCIC) was established under The Crop Insurance Act. As a result of the proclamation of The Manitoba Agricultural Services Corporation Act, C.C.S.M. c.A25 on September 1, 2005, MACC and MCIC were amalgamated to form a provincial Crown corporation called Manitoba Agricultural Services Corporation (MASC) and the legislation establishing the former corporations was repealed.

MASC provides lending, insurance, and other programs and services. Its core programs include direct loans to agriculture producers, loan guarantees, AgriInsurance, and Hail Insurance. MASC also delivers the Wildlife Damage Compensation program, Farmland School Tax Rebate program, Livestock Price Insurance program, and other programs and services.

MASC is the trustee for the Production Insurance Trust and the Hail Insurance Trust. These trusts were created for the benefit of program participants. The trusts will be used to pay program indemnities to participating producers. Funding for the trusts will be provided by MASC.

2. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

MASC's financial statement information has been consolidated with the Production Insurance Trust and Hail Insurance Trust financial statement information using Public Sector Accounting (PSA) standards. The Production Insurance Trust and Hail Insurance Trust financial statement information is also shown separately at the end of the annual report using International Financial Reporting Standards (IFRS).

(A) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with Section 52(1) of The Manitoba Agricultural Services Corporation Act. Investments are carried at cost or amortized cost. Investments are normally held to maturity, but if early redemption is required and results in a gain or loss, the gain or loss is realized on disposal.

(B) Loans Receivable

Loans receivable are recorded at cost or amortized cost less any amount for provisions for credit losses.

Provisions for impaired loans are made when collection is in doubt. Interest is accrued on loans receivable until the date of write-off. The provision represents management's best estimate of probable losses. Where circumstances indicate doubt as to the ultimate collectability of principal or interest, specific provisions are established for individual accounts. These accounts are valued at the lower of their recorded value or the estimated net realizable value of the security held for the accounts. In addition to the provision for loss on loans identified on an individual loan basis, MASC establishes a general provision representing management's best estimate of additional probable losses based on other factors including the composition and credit quality of the portfolio and changes in economic and business conditions. Actual loan accounts that have been written off are charged to the appropriate provision once the available security has been realized and all other collection efforts have been exhausted.

(C) Claims Payable

Claims payable are comprised of claims approved but not yet disbursed and a provision for claims in process. The provision represents management's best estimate of probable claims against the programs and is determined through a review of each program. For most programs, the provision is established by reviewing outstanding claims and either providing individual claim estimates or establishing an average loss and multiplying this amount by the number of claims outstanding.

(D) Loans from the Province of Manitoba

Loans from the Province of Manitoba are carried at cost.

(E) Provision for Losses on Guaranteed Loans

The provision for losses on loan guarantees is determined annually through a review of each guarantee program. The provision represents management's best estimate of probable claims against the loan guarantees. Such provision is intended to cover MASC's share of principal, accrued and unpaid interest, and any additional amounts that are recoverable by the financial institution that issued the loan.

Current year provisions for guaranteed loan losses are charged as expenses to the provision for guaranteed loan losses.
Loan guarantee claims that have been paid are charged to the appropriate provision.

(F) Future Employee Benefits

The employees of MASC belong to the Manitoba Civil Service Superannuation Fund plan, which is a multi- employer joint trustee pension plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service, and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. The joint trustee board of the plan determines the required plan contributions annually. Pension costs included in these statements are comprised of: the cost of employer contributions for the current year of service of employees, employer costs for past service costs relating to a portion of current and retired employees, plan amendments, and accrued benefits. Experience gains and losses are amortized over the expected average remaining service life beginning in the year of the actuarial valuation.

MASC employees are entitled to vacation and severance pay in accordance with the terms of the collective agreements and corporate policy. The severance pay liability is recorded based on an actuarial valuation and vacation pay is recorded based on management's best estimate. Experience gains and losses are amortized over the expected average remaining service life beginning in the year of the actuarial valuation.

Note 21 provides additional information on future employee benefits.

(G) Prepaid Expenses

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

(H) Tangible Capital Assets

MASC's tangible capital assets are recorded at historical cost and amortized on a straight-line basis over their estimated useful life, as follows:

Leasehold improvements	remaining term of lease
Furniture and equipment	10 years
Computer hardware and software	4 years
Major software development	8 years

(I) Revenue Recognition

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

Transfers (revenues from non-exchange transactions) are recognized as revenue when the transfer is authorized, all eligible criteria are met, and a reasonable estimate of the amount can be made.

(J) Premiums and Government Contributions

MASC recognizes as revenue all premiums earned on insurance policies in force during the year for all insurance programs except for AgriInsurance.

MASC follows PS 3100 restricted assets and revenues for recognition of AgriInsurance premiums and PS3410 government transfers for contributions from the Province of Manitoba and Government of Canada. The revenue for the AgriInsurance program will be recognized when the restricted assets are used for the specified purposes under the Canadian Agricultural Partnership agreement and the AgriInsurance Regulation. Premiums and government contributions include all accruals determined for current year entitlements that have been authorized by March 31, for which any eligibility criteria have been met and that can be reasonably estimated. A liability is recorded to the extent that a transfer gives rise to an obligation that meets the definition of a liability in accordance with the criteria in PS 3200 Liabilities.

The Canada-Manitoba AgriInsurance Agreement, which is consolidated in Annex B of the Canadian Agricultural Partnership: A Federal Provincial Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy, provides for the cost sharing of AgriInsurance premiums. For most AgriInsurance programs, premiums are paid 40 per cent by insured producers, 36 per cent by the Government of Canada and 24 per cent by the Province of Manitoba. The exceptions are: the Excess Moisture Insurance (EMI) Reduced Deductible Option, which is paid entirely by participating producers; the highest EMI High Dollar Value Option, which is paid 67 per cent by insured producers, 20 per cent by the Government of Canada and 13 per cent by the Province of Manitoba; and the Hay Disaster Benefit, which is paid 60 per cent by the Government of Canada and 40 per cent by the Province of Manitoba.

(K) Administrative Expenses

Identifiable administrative expenses for all the programs administered by MASC are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by MASC's Executive Management.

The Canada-Manitoba AgriInsurance Agreement referred to in Section (J) of this note, stipulates that associated administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60 per cent) and the Province of Manitoba (40 per cent).

(L) Financial Instruments

MASC's financial instruments include cash, receivables, investments, loans receivable, bank indebtedness, accounts payable and accrued liabilities, accounts payable – Canadian Agricultural Partnership, accounts payable – AgriRecovery, claims payable, loans from the Province of Manitoba, and provisions for losses on guaranteed loans.

All financial instruments are held at cost or amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

(M) Measurement Uncertainty

The preparation of financial statements that conform to Canadian PSA standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, all at the date of the financial statements; as well as the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include provisions for losses on accounts receivable, loans receivable, loan guarantees, liabilities for claims and program payments, future employee benefits, reinsurance recoveries (expense), and accrued administration liabilities.

3. FINANCIAL STRUCTURE

(A) Funding

The Board of Directors approved MASC's 2022/23 budget in June 2022. At that time, the contribution from the Province of Manitoba was budgeted at $120,376,000 while the province had budgeted $111,087,000 resulting in a shortfall of $9,288,000. This shortfall was to be covered by a supplemental funding request to the province during the year. However, actual expenditures were lower than anticipated, and the supplemental funding request was not made. Inspection Services is budgeted under Other Programs, while other activities such as emergency assistance programming are not budgeted. The table below provides the budgeted amounts for the Province of Manitoba and the Government of Canada and a reconciliation to the amounts that are shown in MASC's Statement of Operations:

	Province of Manitoba	Government of Canada
Funding approved by governments	$ 111,087	$ 139,349
Non-cash items*	1	188
Shortfall	9,288	-
Funding approved by MASC's Board of Directors	**$ 120,376**	**$ 139,537**

**Includes items such as amortization and unfunded pension expense.*

(B) Lending Programs

The lending programs' accumulated deficit of $16,726,000 (2022 - $16,172,000) is mainly comprised of the provision for loan losses and the provision for losses on guaranteed loans. The Province of Manitoba only funds loan losses when they are written off or when an eligible claim is submitted by a private sector financial institution for a loan guarantee. Annual changes to the provisions are not funded but are part of MASC's budget.

(C) AgriInsurance and Hail Insurance Fund Balance Restrictions

The AgriInsurance and Hail Insurance funds are restricted as set out in Sections 58 and 61 of The Manitoba Agricultural Services Corporation Act. The only items to be paid out of these funds are: indemnities payable under the contracts of insurance; premiums or other amounts payable for reinsurance; interest on any money borrowed for the purpose of the funds; and expenses relating to the administration of the funds.

4. WILDLIFE DAMAGE COMPENSATION PROGRAM

MASC administers the Wildlife Damage Compensation program, which pays producers for damage to agricultural crops and related products caused by migratory waterfowl or wildlife (big game animals), as well as for the injury or death of domestic livestock caused by natural predators. The program compensates for 90 per cent of production loss with the top-up level (80 to 90 per cent) of protection funded entirely by the Province of Manitoba. Administrative expenses and program payments up to the 80 per cent level of protection are shared by the Government of Canada (60 per cent) and the Province of Manitoba (40 per cent).

5. FARMLAND SCHOOL TAX REBATE

In April 2005, MASC became responsible for administering the Farmland School Tax Rebate program. The purpose of the program is to assist Manitoba farmland owners by providing a rebate on the school tax paid on farmland. The rebate level of 50 per cent decreased from the 2021 tax year rebate level of 60 per cent. The rebates are subject to a $3,125 maximum ($3,750 maximum for the 2021 tax year), which includes all parties that are related persons of the applicant. The definition of related persons for this program includes the spouse or common-law partner and any corporation controlled by the applicant and/or the applicant's spouse or common-law partner. Eligible individuals and corporations who apply must be Manitoba residents. The application deadline is March 31 of the year following the taxation year.

Included in the 2022 tax rebates is a provision of $2,281,000 for rebates that have been applied for and are in process of payment as of March 31, 2023. A provision of $117,000 remains for pre-2022 rebates that are in process of payment. The Province of Manitoba pays for the full cost of the Farmland School Tax Rebate program.

6. LIVESTOCK PRICE INSURANCE

The Livestock Price Insurance (LPI) program offers price protection for cattle and hog producers, with settlement prices based on the average price in Western Canadian markets. Livestock Price Insurance was first implemented for Alberta producers in 2009 through the Agriculture Financial Services Corporation (AFSC). Producers in Manitoba, Saskatchewan, and British Columbia were able to participate in the program starting in April 2014. LPI has been renewed under the Canadian Agricultural Partnership Agreement for an additional five years effective April 1, 2018. In Manitoba, MASC is the insurer, with the application, premium payment, and indemnity settlement being handled by AFSC (on behalf of MASC). AFSC's administrative expenses are shared by the participating provinces with MASC paying nine per cent (2022 – nine per cent) of the cost. Participating producers pay 100 per cent of the insurance premiums, with Canada and Manitoba sharing the administration expenses 60 per cent and 40 per cent, respectively. Canada is providing a financial backstop for LPI for the duration of the agreement. Any deficit on account of Manitoba producers at the end of the five-year agreement will be the responsibility of the Province of Manitoba. There was a $71,000 expense of indemnities for 2023 (2022 - $106,000 expense). At March 31, 2023, the end of the current agreement, there was a surplus of $1,610,000. The agreement has been renewed for another five years beginning April 1, 2023.

7. OTHER PROGRAMS

(A) Inspection Services

In support of Manitoba's agricultural sector, MASC provides inspection services at a reasonable cost. These services include such things as assisting in adjusting hail claims for another province, third-party loss appraisals for private sector property insurers, and on-farm livestock inspections for the Manitoba Livestock Cash Advance program. Inspection Services revenue totalled $38,000 in 2023 (2022 - $30,000).

(B) 2021 Canada-Manitoba AgriRecovery Drought Assistance

MASC is providing financial services on a cost recovery basis to Manitoba Agriculture for the administration of the 2021 Canada-Manitoba AgriRecovery Drought Assistance program. The purpose of the program was to provide financial assistance to Manitoba livestock producers to help with herd management, and extraordinary costs incurred for feed and transportation due to drought conditions in 2021. The program was funded by both the Government of Canada (60 per cent) and the Province of Manitoba (40 per cent). During the year MASC has recorded administrative expenses and a cost recovery of $25,000 relating to this program.

MASC uses its bank account to issue cheques for this program. As at March 31, 2023, the total cash on hand relating to AgriRecovery funding received was $1,011,000. MASC also invested excess funds received in advance of compensation payments made. As of March 31, 2023, MASC had $3,933,000 invested (including accrued interest) for the AgriRecovery program. The cash on hand of $1,011,000 was included in MASC's cash balance and the investments on hand of $3,933,000 were included in MASC's investments. As a result, MASC has recorded a payable to AgriRecovery of $4,944,000 at March 31, 2023.

A summary of the AgriRecovery activity during 2022/23 is as follows:

		2023		2022
Total funding carried forward from prior year	$	20,607	$	-
Total funding received/advanced during the year		36,925		54,956
Total interest received during the year		691		4
Total accrued interest on investments		33		2
Total expenditures during the year		53,312		34,355
Excess (deficiency) of funding over expenditures	$	4,944	$	20,607

These amounts are not included in the financial statements of MASC.

(C) Canadian Agricultural Partnership – Ag Action Manitoba Program

Effective January 1, 2021 to March 31, 2023, MASC will provide financial services on a cost recovery basis to Manitoba Agriculture, who has been authorized to administer the non-business risk management program Ag Action Manitoba under the joint Canada-Manitoba Canadian Agricultural Partnership (CAP) framework agreement on behalf of the federal government. The purpose of the program is to provide financial assistance to Manitoba farmers, agricultural processors, industry organizations, researchers, and industry service providers. During the year ended March 31, 2023, MASC incurred administrative expenses and a cost recovery, relating to the administration of the CAP Ag Action Manitoba Program totalling $9,000. Although CAP is administered by Manitoba Agriculture, with the help of MASC, control of the funds received by MASC for CAP activities remains with the Government of Canada, Agriculture and Agri-Food Canada. Therefore, the financial statements of CAP have not been consolidated into the financial statements of MASC.

MASC uses its bank account to issue cheques for this program. As at March 31, 2023, the total cash on hand relating to CAP funding received was $9,909,000. These funds were included in MASC's cash and are recorded as a payable to CAP at March 31, 2023.

A summary of CAP activity is as follows:

		2023		2022
Total funding carried forward from prior year	$	5,279	$	12,304
Total funding received/advanced during the year		21,985		15,114
Total expenditures paid during the year		17,355		22,139
Excess (deficiency) of funding over expenditures	$	9,909	$	5,279

Net CAP payments totalling $5,688,000, relating to the 2022/23 fiscal year, were paid after March 31, 2023, and are not included in the total expenditures listed above. The remaining $4,221,000 was returned to the government.

These amounts are not included in the financial statements of MASC.

8. CASH & BANK INDEBTEDNESS

	2023		2022	
Cash (bank indebtedness) balance belonging to:				
MASC	$	8,063	$	(15,304)
Canadian Agricultural Partnership		9,909		5,279
AgriRecovery		1,011		605
	$	18,983	$	(9,420)

Effective January 1, 2021 to March 31, 2023, MASC will provide financial services to Manitoba Agriculture, to help administer the Canadian Agricultural Partnership – Ag Action Manitoba program on behalf of the federal government. MASC uses its bank account to issue cheques for this program. The portion of MASC's bank account balance that belongs to the Canadian Agricultural Partnership is shown under Accounts Payable – Canadian Agricultural Partnership.

Effective September 2021, MASC will provide financial services to Manitoba Agriculture, to help administer the AgriRecovery program on behalf of the federal and provincial governments. MASC uses its bank account to issue cheques for this program. The portion of MASC's bank account balance that belongs to the AgriRecovery program is shown under Accounts Payable – AgriRecovery.

9. ACCOUNTS RECEIVABLE

	2023		2022	
Amounts from insured persons:				
AgriInsurance	$	2,273	$	1,941
Hail Insurance		901		379
Private reinsurance recoveries		-		12,383
Other		1,829		1,414
	$	5,003	$	16,117
Less provision for credit losses		(832)		(1,098)
	$	4,171	$	15,019

The provisions for credit losses of $832,000 (2022 - $1,098,000) includes estimated losses on premiums and other accounts receivable and is subject to measurement uncertainty. The provision estimate is formula based and depends on an assessment of MASC's ability to collect the outstanding balance. A 100 per cent provision is assessed on accounts in arrears for more than two years, with lower provisions based on actual collection experience over the last seven years being applied to accounts that are in arrears by less than two years.

10. RECEIVABLES FROM THE PROVINCE OF MANITOBA

	2023		2022	
AgriInsurance premiums (Note 2J)	$	3,347	$	2,031
Wildlife Damage Compensation program		1,390		131
Administrative expenses		74		755
Pension liability		5,211		5,204
Severance liability		429		429
Vacation pay liability		169		169
	$	10,620	$	8,719

Pension Liability

The Province of Manitoba has accepted responsibility for funding MASC's pension liability (for pensionable service earned by employees of the former MACC prior to the amalgamation of MACC and MCIC on September 1, 2005) and related expense, which includes an interest component. MASC has therefore recorded a receivable from the Province of Manitoba equal to the estimated value of its actuarially determined pension liability of $5,211,000 as of March 31, 2023 (2022 - $5,204,000) and has recorded an increase under other contributions from the Province of Manitoba for 2022/23 equal to the related pension increase of $7,000 (2022 - $90,000 decrease). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

Severance Liability

The amount recorded as a receivable from the Province of Manitoba for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to MASC, an amount equal to its share of the current year's expense for severance. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance pay expense. The receivable for severance pay will be paid by the Province of Manitoba when it is determined that the cash is required to discharge the related severance pay liabilities. As of March 31, 2023, the receivable for severance pay liability was $429,000 (2022 - $429,000).

Vacation Pay Liability

The amount recorded as a receivable from the Province of Manitoba for vacation pay expenses was initially based on the estimated value of the corresponding liability as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to MASC, an amount equal to its share of the current year's expense for vacation pay entitlements. As of March 31, 2023, the receivable for vacation pay liability was $169,000 (2022 - $169,000).

11. RECEIVABLES FROM THE GOVERNMENT OF CANADA

		2023		2022
AgriInsurance premiums (Note 2J)	$	10,189	$	6,014
Administrative expenses		121		1,932
Wildlife Damage Compensation program		4,068		1,482
Livestock Price Insurance program		104		75
Other programs		-		128
	$	14,482	$	9,631

12. INVESTMENTS

MASC's investments are with the Province of Manitoba and consist of the following as of March 31, 2023:

Maturity Terms	Average Interest Rate	Lending Programs	AgriInsurance Program	Hail Insurance Program	Farmland School Tax Rebate Program	Other Programs*	2023	2022
3 months or less	4.538%	$ 8,000	$ 160,000	$ 67,499	$ 1,755	$ 4,585	$ 241,839	$ 438,561
1 year	4.556%	6,500	334,170	40,042	2,400	-	383,112	211,099
5 years	2.425%	-	-	2,000	-	-	2,000	2,000
	4.542%	14,500	494,170	109,541	4,155	4,585	626,951	651,660
Accrued interest		55	5,030	921	30	40	6,076	324
		$ 14,555	$ 499,200	$ 110,462	$ 4,185	$ 4,625	$ 633,027	$ 651,984

Includes $3.9 million in AgriRecovery investments and $33 thousand in AgriRecovery accrued interest.

13. LOANS RECEIVABLE

MASC's loans receivable consist of the following as of March 31, 2023:

	2023			2022		
	Regular Program Loans	**Special Assistance Loans***	**Total**	**Regular Program Loans**	**Special Assistance Loans***	**Total**
Recorded investment	$ 806,749	$ 366	**$ 807,115**	$ 790,103	$ 516	$ 790,619
Specific provision**	(4,846)	(406)	**(5,252)**	(5,806)	(570)	(6,376)
General provision	(8,400)	(4)	**(8,404)**	(8,197)	(7)	(8,204)
	793,503	(44)	**793,459**	776,100	(61)	776,039
Accrued interest	12,870	10	**12,880**	11,396	13	11,409
Net carrying value	$ 806,373	$ (34)	**$ 806,339**	$ 787,496	$ (48)	$ 787,448

**Includes Manitoba Hog Assistance and BSE Recovery loans.*
***Provisions may be higher than corresponding loan balances to account for accrued interest and legal fees.*

Impaired loans included in the preceding schedule:

	2023			2022		
	Regular Program Loans	**Special Assistance Loans***	**Total**	**Regular Program Loans**	**Special Assistance Loans***	**Total**
Impaired loan balance	$ 66,173	$ 375	**$ 66,548**	$ 66,534	$ 529	$ 67,063
Specific provision**	(4,846)	(406)	**(5,252)**	(5,806)	(570)	(6,376)
	$ 61,327	$ (31)	**$ 61,296**	$ 60,728	$ (41)	$ 60,687

**Includes Manitoba Hog Assistance and BSE Recovery loans.*
***Provisions may be higher than corresponding loan balances to account for accrued interest and legal fees.*

A loan becomes impaired as a result of deterioration in credit quality to the extent that MASC no longer has reasonable assurance of timely collection of the full amount of principal and interest. The table above provides the amount of impaired loans and the specific provision for credit losses on these loans as of March 31, 2023. A total of $2,997,000 (2022 - $2,756,000) of interest on impaired loans was included in revenue for the year ended March 31, 2023.

Provisions for impaired loans:

	2023			2022		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Beginning provision balance	$ 14,003	$ 577	**$ 14,580**	$ 15,388	$ 1,538	$ 16,926
Write-offs, net of recoveries	(137)	-	**(137)**	(29)	(557)	(586)
Provision (recovery) expense	(620)	(167)	**(787)**	(1,356)	(404)	(1,760)
Ending provision balance	$ 13,246	$ 410	**$ 13,656**	$ 14,003	$ 577	$ 14,580

**Includes Manitoba Hog Assistance and BSE Recovery loans.*

Included in loans receivable is a specific provision of $5,252,000 (2022 - $6,376,000) and a general provision of $8,404,000 (2022 - $8,204,000) that are subject to measurement uncertainty. The resulting amount established for specific and general provisions of $13,656,000 (see Note 2B) could change substantially in the future, if the factors considered by management in establishing these estimates change significantly.

Loans receivable are secured by tangible assets consisting predominantly of land, followed by buildings, livestock, and other types of assets. The estimated value of such tangible securities as of the most recent valuation dates is $1,347,713,000 (2022 - $1,324,429,000).

Remaining terms to maturities are as follows:

	2023			2022		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Less than 5 years	$ 102,209	$ 366	**$ 102,575**	$ 108,201	$ 516	$ 108,717
5 years to up to 10 years	93,173	-	**93,173**	88,569	-	88,569
10 years to up to 15 years	122,204	-	**122,204**	126,780	-	126,780
15 years to up to 20 years	167,291	-	**167,291**	163,177	-	163,177
More than 20 years	321,872	-	**321,872**	303,376	-	303,376
	$ 806,749	$ 366	**$ 807,115**	$ 790,103	$ 516	$ 790,619

**Includes Manitoba Hog Assistance and BSE Recovery loans.*

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of March 31, 2023 consist of the following:

		Accounts Payable General		Salaries and Benefits		Accrued Vacation Pay		Other		**2023**		2022
Lending program	$	-	$	309	$	-	$	73	**$**	**382**	$	112
AgriInsurance program		5,560		2,146		950		1		**8,657**		6,952
Hail Insurance program		-		-		-		11		**11**		-
Wildlife Damage Compensation program		41		91		-		-		**132**		133
Farmland School Tax Rebate program		2,090		45		-		-		**2,135**		3
Livestock Price Insurance program		44		24		-		-		**68**		41
Other programs		5		21		-		443		**469**		161
Total	$	$7,740	$	2,636	$	950	$	528	**$**	**11,854**	$	7,402

**Other accounts payable of $443 thousand includes amounts owing to the Province of Manitoba for various other programs administered by MASC.*

15. ACCOUNTS PAYABLE – CANADIAN AGRICULTURAL PARTNERSHIP

Accounts payable to the Canadian Agricultural Partnership as of March 31, 2023 consist of the following:

		2023		2022
Ag Action Manitoba – Bank Balance (Note 7 (C))	**$**	**9,909**	$	5,279
	$	**9,909**	$	5,279

Effective January 1, 2021, MASC provided financial services for the Canadian Agricultural Partnership – Ag Action Manitoba program. The two corporations share one bank account. The accounts payable to the Canadian Agricultural Partnership represents the portion of MASC's bank account balance that belongs to the Canadian Agricultural Partnership - Ag Action Manitoba program.

16. ACCOUNTS PAYABLE – AGRIRECOVERY

Accounts payable to AgriRecovery as of March 31, 2023 consist of the following:

		2023		2022
AgriRecovery – Bank Balance	**$**	**1,011**	$	605
AgriRecovery – Investments		**3,900**		20,000
AgriRecovery – Accrued Interest		**33**		2
	$	**4,944**	$	20,607

Effective September 2021, MASC provided financial services for the AgriRecovery program. The accounts payable to AgriRecovery represents the portion of MASC's bank account balance, investments, and accrued interest that belong to the AgriRecovery program.

17. CLAIMS PAYABLE*

		2023		2022
AgriInsurance program	$	**40,353**	$	99,864
Hail Insurance program		**32**		-
Wildlife Damage Compensation program		**2,082**		1,884
Farmland School Tax Rebate program		**2,436**		2,726
Livestock Price Insurance program		**-**		26
Other programs		**-**		290
	$	**44,903**	$	104,790

**Includes claims approved but not paid as well as provisions for outstanding claims.*

18. UNEARNED REVENUE

		2023		2022
Producer	$	**191,796**	$	165,546
Province of Manitoba – AgriInsurance premium revenue		**112,808**		97,202
Province of Manitoba – capital asset purchases		**716**		758
Government of Canada – AgriInsurance premium revenue		**169,230**		145,820
Government of Canada – capital asset purchases		**1,074**		1,137
	$	**475,624**	$	410,463

MASC follows PS 3100 restricted assets and revenues for recognition of AgriInsurance premiums and PS3410 government transfers for contributions from the Province of Manitoba and the Government of Canada. The revenue for the AgriInsurance program will be recognized when the restricted assets are used for the specified purpose under the Canadian Agricultural Partnership agreement and the AgriInsurance Regulation. The current year premium revenue and interest income, net of reinsurance premiums, will be used to fund current year claims first, with any shortfall resulting in a recognition of revenue. The balance remaining is restricted for the payment of claims and other expenses allowed under the Manitoba Agricultural Services Corporation Act.

	Producer	Province	Canada	2023	2022
Unearned premium revenue April 1	**$ 165,546**	**$ 97,202**	**$ 145,821**	**$ 408,569**	$ 791,492
Premium contribution	125,009	74,227	111,348	**310,584**	225,944
Interest income	4,826	2,865	4,298	**11,989**	1,327
Reinsurance recoveries (expense)	(5,004)	(2,951)	(4,428)	**(12,383)**	12,383
Loss recoveries	6	3	5	**14**	430
	124,837	74,144	111,223	**310,204**	240,084
Indemnities	78,742	46,754	70,137	**195,633**	589,966
Private reinsurance premiums	19,845	11,784	17,677	**49,306**	33,041
	98,587	58,538	87,814	**244,939**	623,007
Increase (decrease) in unearned premium revenue	26,250	15,606	23,409	**65,265**	(382,923)
Unearned premium revenue March 31	**$ 191,796**	**$ 112,808**	**$ 169,230**	**$ 473,834**	$ 408,569

19. LOANS FROM THE PROVINCE OF MANITOBA

Following the practices established by the Province of Manitoba, MASC must repay advances according to the amortization schedule or be subject to a prepayment penalty. The prepayment penalty is calculated as the net present value of the future cash flows of the loan being prepaid minus the net present value of a loan with the same terms, except for the interest rate, which is equal to the rate for a semi-annual, non-callable Province of Manitoba bond with the same term to maturity. Advances are repayable in equal annual blended instalments of principal and interest, with March 31, 2023, interest rates ranging from 0.750 per cent to 6.875 per cent (2022 – 0.750 per cent to 6.875 per cent).

Maturities of principal over the following terms		2023		2022
1 year	$	**131,735**	$	160,727
2 years		**87,374**		89,790
3 years		**75,033**		72,690
4 years		**66,024**		57,659
5 years		**63,141**		49,170
More than 5 years		**410,627**		397,761
	$	**833,934**	$	827,797

20. LOAN GUARANTEES AND CONTINGENCIES

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2023 are shown below:

	2023			2022		
	Contingent Liability	Provision for Losses	Net Contingent Liability	Contingent Liability	Provision for Losses	Net Contingent Liability
Operating Credit Guarantees for Agriculture	$ 6,630	$ (331)	**$ 6,299**	$ 7,262	$ (363)	$ 6,899
Manitoba Livestock Associations Loan Guarantees	8,968	(2,379)	**6,589**	9,659	(579)	9,080
Diversification Loan Guarantees	38,724	(2,904)	**35,820**	40,102	(3,008)	37,094
Rural Entrepreneur Assistance Program	2,108	(148)	**1,960**	3,478	(334)	3,144
	$ 56,430	$ (5,762)	**$ 50,668**	$ 60,501	$ (4,284)	$ 56,217

The change in the provision for guaranteed loan losses is as follows:

		2023		2022
Beginning provision balance	$	**4,284**	$	9,600
Write-offs, net of recoveries		**(175)**		(20)
Provision expense (recovery)		**1,653**		(5,296)
Ending provision balance	$	**5,762**	$	4,284

The Operating Credit Guarantee for Agriculture program was introduced in 2003, replacing the Guaranteed Operating Loan program. MASC guarantees the actual eligible loss incurred by the participating private lender up to 25 per cent of the maximum amount advanced under an individual's line of credit. The maximum allowable loan is $700,000 for individuals and $1,000,000 for partnerships, corporations, and co-operatives.

The Manitoba Livestock Associations Loan Guarantee program was introduced in 1991. For each participating livestock association, MASC provides a 25 per cent guarantee to the association's lending institution, based on a maximum loan of $12,000,000 per association.

The Diversification Loan Guarantee program was introduced in 2001, whereby guarantees are based on 25 per cent of the original principal amount of each individual loan, with no maximum loan amount.

The Rural Entrepreneur Assistance (REA) program provided a guarantee of up to 80 per cent of the principal amount of a qualifying loan made by participating lenders to small rural non-agricultural businesses. REA guaranteed loans up to a maximum of $200,000. MASC assumed administration of the program in 2005. This program was discontinued as of April 1, 2019, with outstanding guarantees in run-off status.

(B) Certain legal actions for additional indemnity payments have been commenced by insured producers against MASC. The outcome of these claims cannot be determined at this time.

21. FUTURE EMPLOYEE BENEFITS

Severance Liability

MASC's employees are eligible for severance, because of retirement, permanent layoff, or death. Benefits are based on an employee's years of service. Commencing March 31, 1999, MASC began recording the accumulated severance pay benefit. The amount of recorded severance pay obligation is based on actuarial calculations.

Actuarial valuations are carried out every three years to provide an estimate of the accrued liability for severance pay benefits. An actuarial valuation of the severance obligations as of March 31, 2023, was conducted by Ellement Consulting Group. The key actuarial assumptions include an interest rate of 4.80 per cent for administration staff and 4.90 per cent for adjusting staff (2020 – 5.75 per cent administration and adjustors), severance rate of 1.13 per cent of average salary of $72,393 for administration staff and 0.29 per cent of average salary of $45,364 for adjusting staff (2020 - 0.94 per cent of average salary of $72,362 for administration staff and 0.34 per cent of average salary of $45,448 for adjusting staff), and salary inflation rate increases of 3.50 per cent (2020 - 3.50 per cent). The accrued benefit cost method with salary projection was used.

The average remaining service life of the employees is 15 years for administration staff and nine years for adjusting staff. For 2022/23, the amortization of the net actuarial loss was $6,000 (2022 - $23,000 gain).

Provision for severance liability		**2023**		**2022**
Accrued severance obligation, beginning of year	$	**2,373**	$	2,473
Benefits accrued		**105**		106
Interest accrued on benefits		**122**		142
Benefits paid		**(306)**		(348)
Accrued severance obligation, end of year		**2,294**		2,373
Unamortized actuarial gain (loss)		**(6)**		23
Provision, end of year	$	**2,288**	$	2,396

MASC's severance costs consist of the following:		**2023**		**2022**
Benefits accrued	$	**105**	$	106
Interest accrued on benefits		**122**		142
Amortization of experience loss (gain)		**(29)**		(27)
Severance cost	$	**198**	$	221

Pension Liability

MASC's employees are eligible for pension benefits in accordance with the provision of The Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits and will receive benefits based on length of service and on the average of annualized earnings calculated on the best five years of service prior to retirement, termination or death that provides the highest earnings. MASC is required to match the contributions made to the Civil Service Superannuation Fund by employees at prescribed rates, which is recorded as an operating expense.

MASC contributes 50 per cent of the pension disbursements made to retired employees of the former MACC for service up to September 1, 2005.

Effective April 1, 1998, the former MCIC became a fully funded matching employer. Upon the formation of MASC, the current pension obligations to the Civil Service Superannuation Board for former MCIC employees continued to be matched by MASC. As a matching employer for this group of employees, MASC discharges its pension liability on a current basis and, therefore, has no additional pension obligation. MASC paid $786,000 to the current pension in 2022/23 (2022 - $771,000).

Prior to the amalgamation of MACC and MCIC into MASC, MACC did not match employees' current service contributions, and instead contributed 50 per cent of the pension disbursements made to retired employees. Starting September 1, 2005, the current pension contributions for former MACC employees have been matched. MASC accrues a provision for its liability for the pensionable service that was earned by MACC employees prior to September 1, 2005, which includes future cost of living adjustments based on an actuarial valuation. The Province of Manitoba provides funding for this liability (Note 10).

Actuarial valuations are carried out every year to provide an estimate of the accrued liability for unfunded pension benefits. An actuarial valuation of the pension obligations as of December 31, 2021, was conducted by Ellement Consulting Group. The key actuarial assumptions include a rate of return of 5.75 per cent (2020 - 5.75 per cent), inflation of two per cent (2020 – two per cent), salary inflation rate increases of 3.50 per cent (2020 - 3.50 per cent), discount rate of 5.75 per cent (2020 - 5.75 per cent), and post-retirement indexing at two-thirds of the inflation rate. The service to date projected benefit method prorated on services has been applied and the liabilities (adjusted for a provision for adverse experience and a trust fund credit) have been estimated to March 31, 2023, all according to the formula prescribed by the consulting actuary.

The amortization of actuarial gains or losses is performed over a period of five years. For 2022/23, the amortization of the net actuarial gain was $80,000 (2022 - $1,000 loss).

Provision for employer's share of employees' pension plan	2023	2022
Accrued pension obligation, beginning of year	$ 5,130	$ 5,340
Interest accrued on benefits	337	320
Benefits paid	(412)	(385)
Actuarial (gain) loss	390	(145)
Accrued pension obligation, end of year	5,445	5,130
Unamortized actuarial gain (loss)	(293)	7
Provision, end of year	$ 5,152	$ 5,137

MASC's pension plan costs consist of the following:	2023	2022
Interest accrued on benefits	$ 337	$ 320
Interest earned	6	(22)
Amortization of experience loss (gain)	(80)	1
Pension cost	$ 263	$ 299

22. TANGIBLE CAPITAL ASSETS

Tangible capital assets as of March 31, 2023 are shown below:

	Leasehold Improvements	Machinery, Equipment, & Furniture	Computer Hardware & Software	Major Application Development	**2023**	2022
Cost of Tangible Capital Asset						
Opening Balance	$ 471	$ 319	$ 267	$ 2,478	**$ 3,535**	$ 2,109
Additions	-	36	-	-	**36**	1,485
Disposals	-	(12)	-	-	**(12)**	(59)
Closing Balance	471	343	267	2,478	**3,559**	3,535
Accumulated Amortization						
Opening Balance	$ 420	$ 305	$ 267	-	**$ 992**	$ 1,026
Amortization	19	7	-	155	**181**	25
Accumulated Amortization on Disposals	-	(11)	-	-	**(11)**	(59)
Closing Balance	439	301	267	155	**1,162**	992
Net Property & Equipment	$ 32	$ 42	$ -	$ 2,323	**$ 2,397**	$ 2,543

MASC uses the straight line amortization method for capitalization.

23. COMMITMENTS

	2023	2022
Approved, undisbursed loans	**$ 17,695**	$ 27,986
Estimated farm loan incentives	**3,511**	3,319
Operating leases	**52**	82
Service agreements	**1,233**	1,261
	$ 22,491	$ 32,648

The estimated farm loan incentives relate to future payments for the Young Farmer Rebate. The Young Farmer Rebate is based on rebates that clients under 40 years of age at the time of the loan application can earn for the first five years of a loan, with the rebate being applied to the client's loan balance.

The operating lease commitments are for equipment.

The service agreements are for software as a service, Microsoft Enterprise licensing agreement, and internet services.

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments comprise the majority of MASC's assets and liabilities. For lending operations, MASC borrows from the Province of Manitoba at fixed interest rates and then provides both fixed and renewable term loans to clients at interest rates that generally earn a reasonable interest rate margin to cover associated administrative expenses. For AgriInsurance operations, MASC places the retained funds mainly in short-term investments, in order to have sufficient capital available to make contributions to the Production Insurance Trust for insurance payments when losses exceed the current year's premium income plus interest revenue less reinsurance premiums.

MASC's risk management policies are designed to identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable up-to-date information systems. The Board of Directors approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third-party compliance reporting, and by reviews conducted by MASC's internal auditors.

MASC is exposed to credit, liquidity, and market risks in respect of its use of financial instruments.

Credit Risk

Credit risk is the likelihood of one party to a financial instrument failing to discharge an obligation and causing financial loss to the counter party. The financial instruments that potentially subject MASC to credit risk mainly consist of accounts receivable, loans receivable and guarantees on loans. MASC's investments are held by the Province of Manitoba, which guarantees the associated payments of principal and interest.

MASC's maximum possible exposure to credit risk is as follows:

		2023		2022
Investments	$	633,027	$	651,984
Accounts receivable		4,171		15,019
Receivables from the Province of Manitoba		10,620		8,719
Receivables from the Government of Canada		14,482		9,631
Loans receivable		806,339		787,448
Loan guarantees		56,430		60,501
	$	1,525,069	$	1,533,302

Investments - MASC is not exposed to significant credit risk as its investments are held by the Province of Manitoba, with a guarantee of the associated payments of principal and interest.

Accounts Receivable - MASC's accounts receivable consists largely of insurance premiums due from participating producers. The insurance programs offer credit for producer premiums, which are due and payable at the time of billing. Interest is charged on premiums that are not paid by October 31 of that crop year, with March 31 being the final payment deadline. MASC terminates the insurance contracts of producers who do not make acceptable payment arrangements prior to the upcoming crop year. The importance of insurance programs to the financial well-being of an ongoing farming operation serves to mitigate the credit risk associated with the non-payment of insurance premiums.

Receivables from the Province of Manitoba and the Government of Canada - MASC is not exposed to significant credit risk given the very high probability that payment in full will be collected when due.

Loans Receivable - Impairment provisions are provided for losses that have been incurred as of the end of the fiscal year. Significant changes in the economic well-being of Manitoba's agricultural industry or the deterioration of specific sectors of the industry, which represent a concentration within MASC's overall loan portfolio, may result in losses that differ from those provided for as of the date of the Consolidated Statement of Financial Position. Management of credit risk associated with loans is an integral part of MASC's activities, with careful monitoring and appropriate remedial actions.

The Board of Directors is responsible for approving and monitoring MASC's tolerance of credit exposures, which it does through review and approval of the guidelines for lending and loan guarantee programs and by setting general limits on credit exposures to individual clients. MASC has comprehensive policy and procedures manuals in place for all lending programs. In general, MASC emphasizes responsible lending, which is comprised of a combination of adequate loan security and a client's ability to pay.

MASC is also mandated to deliver higher risk special assistance loan programs on behalf of the Manitoba government and economic development loans (referred to as Enterprise Development Loans) as directed by the Manitoba government, which fall outside the normal limits set out in regular loan policies. These loans have provisions for credit losses that are established by the Provincial Treasury Board. In addition, MASC closely monitors the performance of these loans to mitigate losses. Special assistance loans make up 0.05 per cent of MASC's overall lending portfolio.

Summarized below are the loan balances that are past due but not impaired.

	2023			2022		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Less than 1 year in arrears	$ 8,166	$ -	**$ 8,166**	$ 19,556	$ -	$ 19,556
1 to 2 years in arrears	7,510	-	**7,510**	9,690	-	9,690
	$ 15,676	$ -	**$ 15,676**	$ 29,246	$ -	$ 29,246

**Includes Manitoba Hog Assistance and BSE Recovery loans.*

Loans that are past due but not impaired generally reflect situations where it is thought that the client has sufficient cash flow to meet their payment obligations and the loan is adequately secured. The majority of MASC's term loans have semi-annual payments and therefore a loan that is in the "Less than 1 year" category is generally only one payment in arrears. Two payments in arrears put the loan in the "1 to 2 years" category. In addition, Stocker Loans, which provide short-term financing for the purchase or retention of feeder cattle, are due at the end of the term, which is generally one to one and one-half years. Any delay in the sale of the cattle at the end of the term technically puts the loan in arrears, however, such loans are normally paid in full once the associated cattle are sold.

MASC's lending exposure, as provided in Note 13, is broken down by agricultural sector as shown in the table below:

Loans Receivable by Agricultural Sector

	2023			2022		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Grains and oilseeds	$ 478,522	$ 58	**$ 478,580**	$ 455,310	$ 64	$ 455,374
Other crops	7,051	75	**7,126**	7,089	70	7,159
Cattle	292,511	41	**292,552**	296,887	149	297,036
Hogs	2,418	178	**2,596**	1,333	222	1,555
Poultry	2,650	-	**2,650**	2,797	-	2,797
Dairy	17,686	-	**17,686**	17,447	-	17,447
Other	18,781	24	**18,805**	20,636	24	20,660
Provisions and concessions	(13,246)	(410)	**(13,656)**	(14,003)	(577)	(14,580)
	$ 806,373	$ (34)	**$ 806,339**	$ 787,496	$ (48)	$ 787,448

**Includes Manitoba Hog Assistance and BSE Recovery loans.*

Given that the Province of Manitoba provides funding for the full amount of loans that are written off, MASC's loans receivable risk is minimal.

Loan Guarantees - MASC provides loan guarantees to private sector financial institutions, which encourage the provision of credit to operations that financial institutions consider to be higher risk. Each loan guarantee request is reviewed to assess its viability and to ensure it fits within the established program parameters. Loan guarantees are approved based on a delegated approval authority. MASC's loan guarantee activity involves three separate programs: Manitoba Livestock Associations Loan Guarantees, which are directed at the cattle industry; and both Operating Credit Guarantees for Agriculture and Diversification Loan Guarantees, which are generally available to Manitoba's agricultural industry.

MASC's loan guarantee exposure by agricultural sector is summarized below:

Loan Guarantees by Agricultural Sector

	Diversification Loan Guarantees		Operating Credit Guarantees	
	2023	2022	**2023**	2022
Grains and oilseeds	**1%**	1%	**55%**	54%
Potatoes	**-**	-	**-**	7%
Other crops	**5%**	5%	**-**	-
Cattle	**-**	-	**14%**	11%
Hogs	**2%**	3%	**11%**	10%
Poultry	**18%**	17%	**-**	-
Dairy	**65%**	66%	**2%**	1%
Other	**9%**	8%	**18%**	17%
	100%	100%	**100%**	100%

The Province of Manitoba provides funding for all claims by private sector financial institutions on loan guarantees, resulting in minimal associated risk eligible to MASC.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to investments, loans receivable, and advances from the Province of Manitoba.

Investments - MASC's investment portfolio is mainly in short-term interest-bearing investments. These investments are normally held to maturity so changes in interest rates do not affect the value of the investments. All of MASC's investments are placed through Manitoba Finance.

Loans Receivable/Loans from the Province of Manitoba - MASC borrows funds for lending operations from the Province of Manitoba at fixed rates and normally lends those funds to clients at a minimum of 1.5 percentage points above the associated borrowing rate. The vast majority of loans from the Province of Manitoba have fixed or renewable interest rates for the full term of the advance and MASC offers fixed and renewable interest rate loans to its clients. This arrangement mitigates MASC's interest rate risk; however, some interest rate risk is imparted through MASC's lending policy of allowing prepayment of loans without penalty, given that MASC does not have the offsetting ability to prepay the associated advances from the Province of Manitoba without penalty. MASC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

Loans Receivable and Advances from the Province of Manitoba

	Scheduled Repayments						
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Not Interest Rate Sensitive*	**2023**	2022
Loans receivable	$ 84,401	$ 189,581	$ 184,370	$ 348,762	$ (775)	**$ 806,339**	$ 787,448
Average interest rate	4.65%	4.66%	4.70%	4.77%	-	**4.72%**	4.21%
Due to the Province of Manitoba	$ 131,735	$ 291,572	$ 178,206	$ 232,421	-	**$ 833,934**	$ 827,797
Average interest rate	3.35%	3.36%	3.38%	3.53%	-	**3.41%**	2.84%
	$ (47,334)	$ (101,991)	$ 6,164	$ 116,341	$ (775)	**$ (27,595)**	$ (40,349)

**Includes provisions for impaired loans and accrued interest.*

Liquidity Risk

Liquidity risk relates to MASC's ability to access sufficient funds to meet its financial commitments.

Advances from the Province of Manitoba have a direct correlation to the loans' receivable, as the funds borrowed are directly lent to MASC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written off. Consequently, MASC has minimal liquidity risk on its lending portfolio in respect of advances from the Province of Manitoba.

MASC does not have material liabilities that can be called unexpectedly at the demand of a lender or client, and has no material commitments for capital expenditures, or need for same, in the normal course of business.

AgriInsurance indemnities are paid out of the Production Insurance Trust and Production Insurance Fund, the balance of which is included in MASC's consolidated unearned revenue of $473,834,000 as at March 31, 2023. The AgriInsurance indemnities are funded firstly out of MASC's current net revenue including premiums collected, interest earned on investments, reinsurance recoveries and loss recoveries, which normally exceed cash requirements. If all the above is exhausted, the program can access excess funds accumulated in MASC's unearned revenue balance. Once the unearned revenue balance is exhausted, the program can access funds from the Government of Canada and the Province of Manitoba through an agreement that provides for unlimited additional funding for claim payments. MASC can also access funds through its ability to borrow funds from the Province of Manitoba for the AgriInsurance program.

Hail indemnities for the 2018 and future crop years are paid out of the Hail Insurance Trust. Hail Insurance Trust equity was $111,257,000 as at March 31, 2023. The hail indemnities are funded firstly out of MASC's current net revenue through contributions to the trust, which normally exceeds cash requirements, and secondly from the trust equity. The Hail Insurance Trust can also access funds from MASC's Hail Insurance program's ability to borrow funds from the Province of Manitoba.

25. ACTUARIAL REVIEW

Actuarial certifications of AgriInsurance premium rates and the financial sustainability of the overall AgriInsurance program were completed by IAO Actuarial Consulting Inc. in January 2018 and August 2017, respectfully. The actuarial review concluded that the premium rate methodologies are actuarially sound and therefore sufficient to meet expected claim costs over time; and that the entire program meets the overall financial self-sustaining criteria, as defined by the Government of Canada. The actuarial review of the methodologies used to establish the probable yields and coverage levels was completed in December 2018, by IAO Actuarial Consulting Inc., consulting actuary, and with the finding that the methodologies reflect the productive capabilities. MASC requires that all program changes receive actuarial approval prior to implementation and that the probable yield tests as prescribed by the Government of Canada be completed annually.

26. RELATED PARTY TRANSACTIONS

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

Information is provided throughout these statements, which disclose the significant related party transactions. The value for interest paid and interest earned are as follows:

		2023		2022
Interest earned on investments from the Province of Manitoba	**$**	**16,303**	$	1,562
Interest paid on loans from the Province of Manitoba	**$**	**22,753**	$	23,642

Loans made to directors and staff are approved under the same lending criteria applicable to MASC's clients. There are no loans that are impaired in relation to the staff and directors loan balances. Loans to directors and staff at year end amounted to $10,959,000 (2022 -$11,566,000).

27. REINSURANCE FUNDS

AgriInsurance Program

In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. MASC pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba and to the Crop Reinsurance Fund of Manitoba, based on the amount of premiums collected and the cumulative financial balance of the AgriInsurance program.

When indemnities paid to insured producers exceed the funds retained by MASC and the Production Insurance Trust, after accounting for private sector reinsurance recoveries, transfers are made from the reinsurance funds to MASC. Interest is not credited or charged to the respective reinsurance funds by the Government of Canada or the Province of Manitoba. The balances in the Crop Reinsurance Fund of Canada for Manitoba and the Crop Reinsurance Fund of Manitoba are held by the Government of Canada and the Province of Manitoba, respectively. Federal-provincial reinsurance is essentially an agreement on how to share the financing of any deficits in the AgriInsurance program.

	Crop Reinsurance Fund of Canada for Manitoba				Crop Reinsurance Fund of Manitoba			
		2023		2022		**2023**		2022
Opening surplus	**$**	**36,029**	$	36,028	**$**	**58,049**	$	58,048
Current year premium contributions (net)*		**2**		1		**1**		1
Net book value	**$**	**36,031**	$	36,029	**$**	**58,050**	$	58,049

**For 2022/23, there were no current year premium contributions, as the reinsurance premium rates for the year were zero. The current year premium contributions (net) are the result of prior year adjustments and are shown net of an allowance for uncollectible accounts, which in 2022/23 is $3 thousand (2022 - $1 thousand).*

In addition to the financial protection provided by federal-provincial reinsurance as noted above, MASC entered into a one-year agreement with private sector reinsurers. The agreement covers 100 per cent (2022 - 100 per cent) of losses (including deemed losses for adjusting expenses) that exceed 15 per cent of AgriInsurance liability coverage. The maximum coverage is $512,600,000. Reinsurance premiums were $49,306,000 (2022 - $33,041,000). There was private sector reinsurance expense of $12,383,000 for 2023 (2022 – $12,383,000 recovery). Actual 2022 indemnities were lower than estimated. As a result, MASC was no longer eligible for a private reinsurance claim recovery and the recovery was reversed.

Hail Insurance Program

For 2022/23, MASC entered into a one-year agreement with private sector reinsurers for the Hail Insurance program. The agreement covers 100 per cent (2022 – 100 per cent) of hail insurance losses (including actual loss adjusting expenses) that exceed 5 per cent of hail insurance liability coverage. The maximum coverage is $37,500,000. Reinsurance premiums were $1,356,000 (2022 – $1,027,000), with no reinsurance recovery for 2023 (2022 – nil).

Livestock Price Insurance Program

Alberta's Agriculture Financial Services Corporation (AFSC) administers this program on behalf of MASC. AFSC entered into a private reinsurance agreement for 2022/23 for excess of loss reinsurance, whereby reinsuring companies assumed 100 per cent of the losses between 200 to 300 per cent of gross net written premium. This agreement included Manitoba's share of the program. Manitoba's share of reinsurance premiums was $103,000 (2022 - $89,000).

For 2022/23, the program also entered into a separate quota share reinsurance agreement whereby the reinsurer assumed 27.5 per cent (2022 – 27.5 per cent) of all losses incurred for the Livestock Price Insurance program. Manitoba's share of total reinsurance premiums, net of commissions and rebates was $121,000 (2022 - $110,000). The reinsurers' share of Manitoba's losses were nil (2022 - $29,000). An adjustment was made for the reinsurers' share of Manitoba's losses for the prior year ($18,000). Manitoba's total net quota share reinsurance premiums were $99,000 (2022 – $68,000).

28. RECLASSIFICATION

Certain comparative figures in the financial statements have been restated to conform to the presentation in the current year.

MANITOBA AGRICULTURAL SERVICES CORPORATION

Schedule 1: Consolidated Schedule of Administrative Expenses

For the Year Ended March 31, 2023 | In Thousands of Dollars

		2023		2022
Adjustors' wages, benefits, and expenses	$	4,775	$	5,625
Advertising		409		337
Amortization expense		176		25
Appeal tribunal		36		5
Audit fees and legal		250		324
Directors' remuneration and expense		62		49
Furniture and equipment		68		136
Information technology		1,697		1,502
Office rental and utilities		1,013		1,131
Other administrative expenses		1,484		815
Other administrative recoveries		(705)		(588)
Postage		150		168
Printing and office supplies		123		137
Salaries and employee benefits		15,103		12,658
Telephone		93		123
Travel and vehicle expenses		212		103
Total administrative expenses	$	24,946	$	22,550
Administrative expenses allocation:				
Lending programs	$	6,151	$	4,801
AgriInsurance program		12,508		12,964
Hail Insurance program		4,101		2,901
Wildlife Damage Compensation program		1,264		967
Farmland School Tax Rebate program		519		463
Livestock Price Insurance program		443		399
Other programs		(40)		55
Total administrative expenses	$	24,946	$	22,550

MANITOBA AGRICULTURAL SERVICES CORPORATION

Schedule 2: Consolidated Schedule of Operations and Accumulated Surplus

For the Year Ended March 31, 2023 | In Thousands of Dollars

	Lending Programs		AgriInsurance Program		Hail Insurance Program	
	2023	2022	**2023**	2022	**2023**	2022
REVENUE						
Insurance premiums						
Insured producers	**$ -**	$ -	**$ 98,760**	$ 246,467	**$ 39,308**	$ 29,690
Province of Manitoba	**-**	-	**58,621**	144,951	**-**	-
Government of Canada	**-**	-	**87,937**	217,451	**-**	-
	-	-	**245,318**	608,869	**39,308**	29,690
Interest from loans	**34,472**	34,461	**-**	-	**-**	-
Other contributions - Province of Manitoba	**-**	-	**5,012**	5,189	**-**	-
Other contributions - Government of Canada	**-**	-	**7,505**	7,778	**-**	-
Private reinsurance recoveries	**-**	-	**-**	12,383	**-**	-
Investment income	**1,332**	108	**11,989**	1,328	**2,949**	285
Other income	**10**	1,039	**-**	-	**-**	-
Total revenue	**35,814**	35,608	**269,824**	635,547	**42,257**	29,975
EXPENSE						
Insurance indemnities and compensation payments	**-**	-	**195,633**	589,966	**18,775**	6,882
Reinsurance premiums (Note 27)	**-**	-	**49,306**	33,041	**1,356**	1,027
Private reinsurance expense (Note 27)	**-**	-	**12,383**	-	**-**	-
Interest on borrowed funds	**22,753**	23,642	**-**	-	**-**	-
Provision (recoveries) for credit losses	**(787)**	(1,760)	**(14)**	(428)	**17**	22
Provision (recoveries) for guaranteed loan losses (Note 20)	**1,653**	(5,296)	**-**	-	**-**	-
Other recoveries - Province of Manitoba	**5,510**	5,368	**-**	-	**-**	-
Young farmer incentives	**1,088**	1,193	**8**	4	**-**	-
Farmland School Tax Rebates (Note 5)	**-**	-	**-**	-	**-**	-
Other program payments (Note 7)	**-**	-	**-**	-	**-**	-
Administrative expenses (Schedule 1)	**6,151**	4,801	**12,508**	12,964	**4,101**	2,901
Total expenses	**36,368**	27,948	**269,824**	635,547	**24,249**	10,832
Income (loss) for the year	**(554)**	7,660	**-**	-	**18,008**	19,143
Accumulated surplus (deficit), beginning of year	**(16,172)**	(23,832)	**-**	-	**93,249**	74,106
Surplus (deficit), end of year	**$ (16,726)**	$ (16,172)	**$ -**	$ -	**$ 111,257**	$ 93,249

Wildlife Damage Compensation Program		Farmland School Tax Rebate Program		Livestock Price Insurance Program		Other Programs		Total	Total
2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
$ -	$ -	**$ -**	$ -	**$ 557**	$ **497**	**$ -**	$ -	**$ 138,625**	$ 276,654
-	-	**-**	-	**-**	-	**-**	-	**58,621**	144,951
-	-	**-**	-	**-**	-	**-**	-	**87,937**	217,451
-	-	**-**	-	**557**	497	**-**	-	**285,183**	639,056
-	-	**-**	-	**-**	-	**-**	-	**34,472**	34,461
5,653	3,809	**26,210**	31,387	**177**	160	**-**	4	**37,052**	40,549
6,659	4,502	**-**	-	**266**	239	**14**	19	**14,444**	12,538
-	-	**-**	-	**-**	-	**-**	-	**-**	12,383
-	-	**188**	8	**107**	16	**54**	2	**16,619**	1,747
-	-	**-**	-	**-**	-	**38**	30	**48**	1,069
12,312	8,311	**26,398**	31,395	**1,107**	912	**106**	55	**387,818**	741,803
11,048	7,344	**-**	-	**71**	106	**-**	-	**225,527**	604,298
-	-	**-**	-	**202**	156	**-**	-	**50,864**	34,224
-	-	**-**	-	**-**	-	**-**	-	**12,383**	-
-	-	**-**	-	**-**	-	**-**	-	**22,753**	23,642
-	-	**(5)**	17	**-**	-	**(9)**	(8)	**(798)**	(2,157)
-	-	**-**	-	**-**	-	**-**	-	**1,653**	(5,296)
-	-	**-**	-	**-**	-	**445**	-	**5,955**	5,368
-	-	**-**	-	**-**	-	**-**	-	**1,096**	1,197
-	-	**25,884**	30,915	**-**	-	**-**	-	**25,884**	30,915
-	-	**-**	-	**-**	-	**(290)**	8	**(290)**	8
1,264	967	**519**	463	**443**	399	**(40)**	55	**24,946**	22,550
12,312	8,311	**26,398**	31,395	**716**	661	**106**	55	**369,973**	714,749
-	-	**-**	-	**391**	251	**-**	-	**17,845**	27,054
-	-	**-**	-	**1,219**	968	**-**	-	**78,296**	51,242
$ -	$ -	**$ -**	$ -	**$ 1,610**	$ 1,219	**$ -**	$ -	**$ 96,141**	$ 78,296

Auditor General
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of the Manitoba Agricultural Services Corporation

Opinion

We have audited the financial statements of the Production Insurance Trust (Production Trust) which comprise the statement of financial position as at March 31, 2023, and the statement of comprehensive income, the statement of changes in trust equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Production Trust as at March 31, 2023, and its financial performance, changes in its trust equity, and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Production Trust in accordance with the ethical requirements in Canada that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

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In preparing the financial statements, management is responsible for assessing the Production Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the Production Trust or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Production Trust's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Production Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Production Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Production Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Original signed by:

Office of the Auditor
General Winnipeg,
Manitoba
July 18, 2023

PRODUCTION INSURANCE TRUST

Statement of Financial Position

As of March 31, 2023 | In Thousands of Dollars

		2023		2022
ASSETS				
Cash and cash equivalents (Note 3A)	$	**99,000**	$	169,524
Accounts receivable from MASC (Note 3B)		**16,739**		277
Investments (Note 4)		**125,413**		66,259
Total Assets	$	**241,152**	$	236,060
LIABILITIES				
Claims payable (Note 3D)	$	**39,691**	$	99,865
TRUST EQUITY		**201,461**		136,195
Total Liabilities and Trust Equity	$	**241,152**	$	236,060

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

Approved by the Board: Original signed by:

Jim Wilson
Chair, Board of Directors

Charles Mayer
Board of Directors

PRODUCTION INSURANCE TRUST

Statement of Comprehensive Income (Loss)

For the Year Ended March 31, 2023 | In Thousands of Dollars

		2023		2022
REVENUE				
Contribution from MASC	$	**256,162**	$	206,432
Investment income		**4,737**		585
Total Revenue	$	**260,899**	$	207,017
EXPENSE				
Insurance indemnities	$	**195,633**	$	589,941
Net Income (Loss) and Comprehensive Income (Loss) for the year	$	**65,266**	$	(382,924)

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

PRODUCTION INSURANCE TRUST

Statement of Changes in Trust Equity

For the Year Ended March 31, 2023 | In Thousands of Dollars

		2023		2022
Trust equity, beginning of year	$	136,195	$	519,119
Net income (loss) and comprehensive income (loss) for the year		65,266		(382,924)
Trust equity, end of year	$	201,461	$	136,195

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

PRODUCTION INSURANCE TRUST

Statement of Cash Flows

For the Year Ended March 31, 2023 | In Thousands of Dollars

		2023		2022
Cash provided by (used for):				
OPERATING				
Income (loss) for the year	$	65,266	$	(382,924)
Changes in:				
Receivables from MASC		(16,462)		3,813
Claims payable		(60,174)		94,260
Cash used for operating activities		(11,370)		(284,851)
INVESTING				
Investments (purchased) redeemed		(59,154)		36,379
Cash provided by (used for) investing activities		(59,154)		36,379
Net increase (decrease) in cash and cash equivalents		(70,524)		(248,472)
Cash and cash equivalents, beginning of year		169,524		417,996
Cash and cash equivalents, end of year	$	99,000	$	169,524
Supplemental Cash Flow Information				
Interest received	$	2,221	$	542

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

Notes to Financial Statements

As of March 31, 2023

1. NATURE OF TRUST

The Production Insurance Trust (Trust) was created by the Province of Manitoba to benefit Manitoba Agricultural Services Corporation's AgriInsurance program participants. MASC is designated as the trustee for the Trust.

The Trust is used to pay AgriInsurance indemnities to participating producers. Funding for the Trust is provided by MASC.

2. STATEMENT OF COMPLIANCE

The Production Insurance Trust's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on July 18, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements in accordance with IFRS.

(A) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and temporary investments, which are highly liquid investments with short-term maturities (less than three months) and are measured at amortized cost. Interest income is recorded on an accrual basis within investment income in the statement of comprehensive income (loss).

(B) Accounts Receivable from MASC

The accounts receivable from MASC is recorded at amortized cost, which approximates the fair market value, is non-interest bearing and has no fixed terms of repayment.

(C) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with the Production Insurance Trust agreement, and are measured at amortized cost. Investments are principally held to maturity for the purpose of collecting contractual cash flows with early redemptions occurring infrequently. Investment income is recognized using the effective interest rate method. Gains or losses arising from an early redemption are recognized within investment income in the statement of comprehensive income.

(D) Claims Payable

Claims payable are comprised of claims approved but not yet disbursed and a provision for claims in process. The provision represents management's best estimate of probable claims against the Trust. The provision is established by reviewing outstanding claims and either providing individual claim estimates or establishing an average loss and multiplying this amount by the number of claims outstanding.

(E) Related Party Transactions

Contributions from MASC are recognized at the exchange amount when received.

(F) Classification and Measurement of Financial Assets

The Trust determines the classification and measurement of its financial assets based on an assessment of: (a) the business model under which the assets are held; and (b) the contractual cash flow characteristics of the assets. All of the Trust's financial assets are classified and measured at amortized cost since:

- the assets are all held within a business model whose primary objective is to hold assets to collect the contractual cash flows; and
- the contractual terms of the assets give rise to cash flows, which are solely payments of principal and interest.

Transaction costs related to all financial instruments are expensed as incurred.

(G) Impairment of Financial Assets

The Trust recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. The Trust has determined all its financial assets to have low credit risk and has measured the loss allowance for these instruments at an amount equal to their 12-month expected credit losses.

At each reporting date, the Trust assesses whether their financial assets are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The loss allowance for credit-impaired financial assets is measured at an amount equal to the lifetime expected credit losses for these instruments.

Loss allowances for financial assets measured at amortized cost are deducted from the carrying value of the assets.

(H) Derecognition of Financial Assets

The Trust derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(I) Measurement Uncertainty

The preparation of financial statements that conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, all at the date of the financial statements; as well as the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include liabilities for claim payments.

4. INVESTMENTS

The Trust's investments are with the Province of Manitoba and consist of the following as of March 31, 2023.

Maturity Terms	Average Interest Rate		2023		2022
1 year	4.484%	$	122,798	$	66,160
Accrued Interest			2,615		99
		$	125,413	$	66,259

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Trust's financial instruments include cash and cash equivalents, accounts receivable from MASC, and investments.

Financial instruments comprise the majority of the Trust's assets and liabilities. Contributions from MASC is dependent on the corporation collecting premiums from producers participating in the AgriInsurance program. Also, the Trust places the retained funds mainly in short-term investments, to have sufficient capital available to make insurance payments when losses exceed the current year's contributions from MASC.

MASC, as trustee, establishes risk management policies designed to identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable up-to-date information systems. The Board of Directors of MASC approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third-party compliance reporting, and by reviews conducted by MASC's internal auditors.

The Trust is exposed to credit, liquidity, and market risks in respect of its use of financial instruments. The carrying value of the Trust's financial instruments approximate their fair value.

Credit Risk

Credit risk is the likelihood of one party to a financial instrument failing to discharge an obligation and causing financial loss to the counter party. The financial instruments that subject the Trust to credit risk are investments and the accounts receivable from MASC.

Investments – The Trust is not exposed to significant credit risk as its investments are held by the Province of Manitoba, with a guarantee of the associated payments of principal and interest.

Accounts Receivable from MASC – The Trust is directly affected by MASC's credit risk related to the collection of AgriInsurance producer and related government premiums as well as private reinsurance recoveries since these collections and recoveries, net of reinsurance premiums, become contributions to the Trust. The AgriInsurance program offers credit for producer premiums, which are due and payable at the time of billing. Interest is charged on premiums that are not paid by October 31 of that crop year, with March 31 being the final payment deadline. MASC terminates the insurance contracts of producers who do not make acceptable payment arrangements prior to the upcoming crop year. The importance of insurance programs to the financial well-being of an ongoing farming operation serves to mitigate the credit risk associated with the non-payment of insurance premiums. MASC and therefore the Trust are not exposed to significant credit risk given the very high probability that payment in full will be collected when due. There is a very high probability that MASC will receive full payment for the reinsurance recoveries from the private reinsurers, therefore MASC and the Trust are not exposed to a significant credit risk.

Interest Rate Risk

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

Investments – The Trust's investment portfolio is mainly in short-term, interest-bearing investments. These investments are normally held to maturity so changes in interest rates do not affect the value of the investments. All of MASC's investments are placed through Manitoba Finance.

Liquidity Risk

Liquidity risk relates to the Trust's ability to access sufficient funds to meet its financial commitments.

The Trust's primary liquidity risk relates to its liability for insurance claims. The Trust does not have material liabilities that can be called unexpectedly at the demand of a client, and has no material commitments for capital expenditures, or need for same, in the normal course of business.

Insurance indemnities are funded firstly out of current net revenue, which normally exceeds cash requirements; secondly, from the trust equity; and thirdly, from MASC's unearned revenue balance, which maintains the Production Insurance Fund balance. If all of the above is exhausted, the Trust can access funds from MASC's AgriInsurance program, which has an agreement with the Government of Canada and the Province of Manitoba that provides for unlimited additional funding for claim payments. The Trust can also access funds from MASC's AgriInsurance program's ability to borrow funds from the Province of Manitoba.

Auditor General
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of the Manitoba Agricultural Services Corporation

Opinion

We have audited the financial statements of the Hail Insurance Trust (Hail Trust), which comprise the statement of financial position as at March 31, 2023, and the statement of comprehensive income, the statement of change in trust equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hail Trust as at March 31, 2023, and its financial performance, changes in its trust equity, and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hail Trust in accordance with the ethical requirements in Canada that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

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In preparing the financial statements, management is responsible for assessing the Hail Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the Hail Trust or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hail Trust's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Hail Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hail Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hail Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Original signed by:

Office of the Auditor
General Winnipeg,
Manitoba
July 18, 2023

HAIL INSURANCE TRUST

Statement of Financial Position

As of March 31, 2023 | In Thousands of Dollars

		2023		2022
ASSETS				
Cash and cash equivalents (Note 3A)	$	**67,499**	$	22,900
Accounts receivable from MASC (Note 3B)		**828**		337
Investments (Note 4)		**42,963**		70,012
Total Assets	$	**111,290**	$	93,249
LIABILITIES				
Claims payable (Note 3D)	$	**33**	$	-
TRUST EQUITY		**111,257**		93,249
Total Liabilities and Trust Equity	$	**111,290**	$	93,249

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

Approved by the Board: Original signed by:

Jim Wilson
Chair, Board of Directors

Charles Mayer
Board of Directors

HAIL INSURANCE TRUST

Statement of Comprehensive Income

For the Year Ended March 31, 2023 | In Thousands of Dollars

		2023		2022
REVENUE				
Contribution from MASC	$	**33,877**	$	25,768
Investment income		**2,906**		257
Total Revenue	$	**36,783**	$	26,025
EXPENSE				
Insurance indemnities	$	**18,775**	$	6,882
Net Income and Comprehensive Income for the year	$	**18,008**	$	19,143

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

HAIL INSURANCE TRUST

Statement of Change in Trust Equity

For the Year Ended March 31, 2023 | In Thousands of Dollars

		2023		2022
Trust equity, beginning of year	$	93,249	$	74,106
Net income and Comprehensive Income for the year		18,008		19,143
Trust equity, end of year	$	111,257	$	93,249

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

HAIL INSURANCE TRUST

Statement of Cash Flows

For the Year Ended March 31, 2023 | In Thousands of Dollars

		2023		2022
Cash provided by (used for):				
OPERATING				
Income for the year	$	18,008	$	19,143
Changes in:				
Receivables from MASC		(491)		763
Claims payable		33		-
Cash provided by operating activities		17,550		19,906
INVESTING				
Investments (purchased) redeemed		27,049		(55,091)
Cash provided by (used for) investing activities		27,049		(55,091)
Net increase (decrease) in cash and cash equivalents		44,599		(35,185)
Cash and cash equivalents, beginning of year		22,900		58,085
Cash and cash equivalents, end of year	$	67,499	$	22,900
Supplemental Cash Flow Information				
Interest received	$	2,058	$	191

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

HAIL INSURANCE TRUST

Notes to Financial Statements

As of March 31, 2023

1. NATURE OF TRUST

The Hail Insurance Trust (Trust) was created by the Province of Manitoba to benefit Manitoba Agricultural Services Corporation's Hail Insurance program participants. MASC is designated as the trustee for the Trust.

The Trust is used to pay Hail Insurance indemnities to participating producers. Funding for the Trust is provided by MASC.

2. STATEMENT OF COMPLIANCE

The Hail Insurance Trust's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on July 18, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements in accordance with IFRS.

(A) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and temporary investments, which are highly liquid investments with short-term maturities (less than three months) and are measured at amortized cost. Interest income is recorded on an accrual basis in investment income in the statement of comprehensive income.

(B) Accounts Receivable from MASC

The accounts receivable from MASC is measured at amortized cost, which approximates the fair market value, is non-interest bearing and has no fixed terms of repayment.

(C) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with the Hail Insurance Trust agreement, and are measured at amortized cost. Investments are principally held to maturity for the purpose of collecting contractual cash flows with early redemptions occurring infrequently. Investment income is recognized using the effective interest rate method. Gains or losses arising from an early redemption are recognized within investment income in the statement of comprehensive income.

(D) Claims Payable

Claims payable are comprised of claims approved but not yet disbursed and a provision for claims in process. The provision represents management's best estimate of probable claims against the Trust. The provision is established by reviewing outstanding claims and either providing individual claim estimates or establishing an average loss and multiplying this amount by the number of claims outstanding.

(E) Related Party Transactions

Contributions from MASC are recognized at the exchange amount when received.

(F) Classification and Measurement of Financial Assets

The Trust determines the classification and measurement of its financial assets based on an assessment of: (a) the business model under which the assets are held; and (b) the contractual cash flow characteristics of the assets. All the Trust's financial assets are classified and measured at amortized cost since:

- the assets are all held within a business model whose primary objective is to hold assets to collect the contractual cash flows; and
- the contractual terms of the assets give rise to cash flows, which are solely payments of principal and interest.

Transaction costs related to all financial instruments are expensed as incurred.

(G) Impairment of Financial Assets

The Trust recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. The Trust has determined all its financial assets to have low credit risk and has measured the loss allowance for these instruments at an amount equal to the 12-month expected credit losses.

At each reporting date, the Trust assesses whether their financial assets are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The loss allowance for credit-impaired financial assets is measured at an amount equal to the lifetime expected credit losses for these instruments.

Loss allowances for financial assets measured at amortized cost are deducted from the carrying value of the assets.

(H) Derecognition of Financial Assets

The Trust derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(I) Measurement Uncertainty

The preparation of financial statements that conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, all at the date of the financial statements; as well as the reported amounts of revenues and expenses during the period.

4. INVESTMENTS

The Trust's investments are with the Province of Manitoba and consist of the following as of March 31, 2023:

Maturity Terms	Average Interest Rate		**2023**		2022
1 Year	4.202%	$	**40,042**	$	67,939
5 Years	2.425%		**2,000**		2,000
	4.118%		**42,042**		69,939
Accrued Interest			**921**		73
		$	**42,963**	$	70,012

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Trust's financial instruments include cash and cash equivalents, accounts receivable from MASC, and investments.

Financial instruments comprise the majority of the Trust's assets and liabilities. Contributions from MASC is dependent on the corporation collecting premiums from producers participating in the Hail Insurance program. Also, the Trust places the retained funds mainly in short-term investments, to have sufficient capital available to make insurance payments when losses exceed the current year's contributions from MASC.

MASC, as trustee, establishes risk management policies designed to identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable up-to-date information systems. The Board of Directors of MASC approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third-party compliance reporting, and by reviews conducted by MASC's internal auditors.

The Trust is exposed to credit, liquidity, and market risks in respect of its use of financial instruments. The carrying value of the Trust's financial instruments approximate their fair value.

Credit Risk

Credit risk is the likelihood of one party to a financial instrument failing to discharge an obligation and causing financial loss to the counter party. The financial instruments that subject the Trust to credit risk are investments and the accounts receivable from MASC.

Investments – The Trust is not exposed to significant credit risk as its investments are held by the Province of Manitoba, with a guarantee of the associated payments of principal and interest.

Accounts Receivable from MASC – The Trust is directly affected by MASC's credit risk related to the collection of Hail Insurance producer premiums as well as private reinsurance recoveries since these collections and recoveries, net of reinsurance premiums, become contributions to the Trust. The Hail Insurance program offers credit for producer premiums, which are due and payable at the time of billing. Interest is charged on premiums that are not paid by October 31 of that crop year, with March 31 being the final payment deadline. MASC terminates the insurance contracts of producers who do not make acceptable payment arrangements prior to the upcoming crop year. The importance of insurance programs to the financial well-being of an ongoing farming operation serves to mitigate the credit risk associated with the non-payment of insurance premiums. MASC and therefore the Trust are not exposed to significant credit risk given the very high probability that payment in full will be collected when due. There is a very high probability that MASC will receive full payment for the reinsurance recoveries from the private reinsurers, therefore MASC and the Trust are not exposed to a significant credit risk.

Interest Rate Risk

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

Investments – The Trust's investment portfolio is mainly in short-term, interest-bearing investments. These investments are normally held to maturity so changes in interest rates do not affect the value of the investments. All of MASC's investments are placed through Manitoba Finance.

Liquidity Risk

Liquidity risk relates to the Trust's ability to access sufficient funds to meet its financial commitments.

The Trust's primary liquidity risk relates to its liability for insurance claims. The Trust does not have material liabilities that can be called unexpectedly at the demand of a client, and has no material commitments for capital expenditures, or need for same, in the normal course of business.

Insurance indemnities are funded firstly out of current net revenue, which normally exceeds cash requirements and secondly, from the Trust equity. If all the above is exhausted, the Trust can also access funds from MASC's Hail Insurance program's ability to borrow funds from the Province of Manitoba.