

Agriculture Financial Services Corporation

FINANCIAL STATEMENTS
March 31, 2015

Independent Auditor's Report
Statement of Financial Position
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Independent Auditor's Report

To the Board of Directors of the Agriculture Financial Services Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of the Agriculture Financial Services Corporation, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agriculture Financial Services Corporation as at March 31, 2015, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 2, 2015

Edmonton, Alberta

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2015
(dollars in thousands)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 216,869	\$ 232,017
Accounts receivable (Note 3)	12,059	11,992
Due from Government of Alberta	66,250	40,176
Due from Government of Canada	155,677	116,260
Loans receivable (Note 4)	2,067,622	1,952,919
Investments (Note 5)	1,834,695	1,634,743
Tangible capital assets (Note 6)	41,614	45,439
	<u>\$ 4,394,786</u>	<u>\$ 4,033,546</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	\$ 14,387	\$ 16,719
Due to other provincial governments (Note 8)	4,736	-
Indemnities payable (Note 9)	172,484	133,828
Borrowing from Government of Alberta (Note 10)	2,023,926	1,946,568
Deferred revenue (Note 11)	23,006	23,978
	<u>2,238,539</u>	<u>2,121,093</u>
NET ASSETS		
Net assets at beginning of year	1,912,453	1,411,159
Net operating results	243,794	501,294
Net assets at end of year	<u>2,156,247</u>	<u>1,912,453</u>
	<u>\$ 4,394,786</u>	<u>\$ 4,033,546</u>

Contingencies, Contractual Obligations and Commitments (Note 13)

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

Approved by the Board:

George Groeneveld, Chair of the Board

Dean Gallimore, Chair of the Board Audit Committee

Brad Klak, President and Managing Director

Darryl Kay, Chief Financial Officer

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2015

(dollars in thousands)

	2015		2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		(Schedule 1)	
Revenues:			
Premiums from insured persons	\$ 342,948	\$ 307,214	\$ 378,967
Interest	89,183	88,410	85,149
Contribution from Government of Alberta	353,279	290,291	328,198
Contribution from Government of Canada	281,753	244,132	258,570
Investment income	34,573	43,695	32,810
Fees and other income	13,714	16,535	14,200
	<u>1,115,450</u>	<u>990,277</u>	<u>1,097,894</u>
Expenses:			
AgrilInsurance	414,494	431,868	371,944
Agriculture Income Support	141,900	134,641	73,151
Lending	127,919	104,817	90,471
Hail Insurance	46,895	66,517	42,576
Livestock Insurance	12,280	4,456	8,740
Wildlife Damage Compensation	6,589	4,184	9,718
	<u>750,077</u>	<u>746,483</u>	<u>596,600</u>
Net operating results	<u>\$ 365,373</u>	<u>\$ 243,794</u>	<u>\$ 501,294</u>

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

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

(dollars in thousands)

	2015	2014
Operating activities:		
Net operating results	\$ 243,794	\$ 501,294
Non-cash items included in operating results		
Amortization of capital assets	9,650	9,516
Deferred capital contribution recognized as revenue	(3,771)	(4,838)
Amortization of premiums and discounts	3,102	4,921
Allowance for doubtful accounts and for losses	4,221	(3,273)
Gain on sale of investments	(7,621)	(3,907)
Loss on disposal of capital assets	28	1
Unearned revenue received	4,349	5,732
Changes in assets and liabilities relating to operations	(28,446)	12,270
Net cash provided by operating activities ⁽¹⁾	225,306	521,716
Investing activities:		
Proceeds from repayments of loans receivable	383,338	327,660
Loan disbursements	(506,186)	(502,067)
Purchase of investments	(1,064,288)	(1,088,998)
Proceeds on disposal of investments	870,245	574,696
Net cash utilized by investing activities	(316,891)	(688,709)
Capital activities:		
Purchase of tangible capital assets	(5,876)	(8,286)
Proceeds on disposal of tangible capital assets	24	-
Net cash utilized by capital activities	(5,852)	(8,286)
Financing activities:		
Borrowing from the Government of Alberta	123,586	332,578
Contributions restricted for capital	4,182	7,072
Repayment of borrowing from the Government of Alberta	(45,479)	(193,393)
Net cash provided by financing activities	82,289	146,257
Net decrease in cash during the year	(15,148)	(29,022)
Cash at beginning of year	232,017	261,039
Cash at end of year	\$ 216,869	\$ 232,017

⁽¹⁾ Net cash provided by operating activities includes \$70,612 (2014 \$69,691) of interest paid.

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

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000. AFSC is exempt from income taxes under the *Income Tax Act*.

The Corporation provides income stabilization, disaster assistance, AgriInsurance, livestock price insurance and loans and guarantees to primary agriculture producers in Alberta. Loans and guarantees are also provided to commercial Alberta businesses.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis of Financial Reporting:

(a) Revenue Recognition

Premiums from insured persons are recorded as revenue when earned over the insurance policy contract term for AgriInsurance and Hail Insurance programs. A corresponding premium contribution from the Governments of Canada and Alberta is also recognized on policies sold under the AgriInsurance programs and is included in Contributions from the Governments of Canada and Alberta. Premiums received by the Corporation in advance of the related policy term are recorded as deferred revenue until earned.

For the Livestock Price Insurance Program premiums are recorded as revenue when a policy is sold.

Government transfers from the Governments of Canada and Alberta are referred to as government contributions. Contributions from the Governments of Canada and Alberta for estimated compensation payments to participants under Agriculture Income Support Programs such as AgriStability (formerly the Canadian Agriculture Income Stabilization (CAIS)), AgriInvest, AgriRecovery and Wildlife Damage Compensation are recognized in the period in which the program payments to producers are determinable. Overpayments of compensation payments under the AgriStability program are recovered through repayment or the reduction of future eligible payments under the program or other programs administered by the Corporation. Overpayments are repayable to the Governments of Canada and Alberta.

Contributions received from the Governments of Canada and Alberta that are restricted for the acquisition of tangible capital assets are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired tangible capital assets.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) Revenue Recognition (continued)

Interest income on loans receivable is recognized as earned over the period of loan repayment except for impaired loans. At the date impairment is assessed, arrears of interest is derecognized and is not accrued until the loan reverts to performing status or is terminated. When an impaired loan is reverted to performing status, interest is accrued and recognized from the date of change in status of the loan. Interest previously unrecognized is recognized only when payment is received.

Investment income is recognized in the period in which the income is earned. Gains or losses on the value on investments are recognized when realized on disposition.

Fees which are primarily from lending activities and AgriStability applications are recognized on processing of the related application. AgriStability program application fees received in advance of the program commencement date are recorded as deferred revenue until earned.

(b) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed. Interest expense includes debt servicing costs such as amortization of discounts and premiums, foreign exchange gains and losses, and issuance costs.

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

(c) Net Assets

Net assets represent the difference between the carrying value of assets held by the Corporation and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Corporation operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Valuation of Financial Assets and Liabilities

AFSC's financial assets and liabilities include cash, receivables, loans receivable, investments, accounts payable and accrued liabilities, indemnities payable, borrowing from the Government of Alberta and deferred revenue. 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.

Since no financial assets or liabilities are recorded at fair value and there were no foreign currency transactions, these statements do not present a Statement of Remeasurement Gains and Losses as the Corporation has no remeasurement gains or losses.

(e) Measurement Uncertainty

There is an inherent degree of uncertainty associated with the measurement of certain amounts recognized or disclosed in the financial statements. In the preparation of the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets, liabilities, net assets and related disclosures. Estimates of material amounts relate to Indemnities payable and Allowances for doubtful accounts and for losses on Accounts receivable and Loans receivable. Accordingly, actual results could differ from these and other estimates thereby impacting future financial statements. Disclosure of the nature and circumstances giving rise to the uncertainty, have been disclosed in the relevant notes in the financial statements (See Notes 3, 4 and 9).

(f) Cash

Cash consists of bank balances. Interest is earned on bank balances as part of funds managed by the Government of Alberta and is included in investment income.

(g) Loans Receivable and Allowances for Doubtful Accounts and for Losses

Loans receivable are recorded at cost or amortized cost less any amount for provision for credit losses. Amounts included in the cost of loan receivable include principal not due, arrears of principal and interest, accrued interest and capitalized other costs.

The Corporation records valuation allowances to reduce the cost of impaired loans to their net realizable value. A loan is classified as impaired when collection of principal and interest is no longer reasonably assured. Two types of allowances are established for loans receivable.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Loans Receivable and Allowances for Doubtful Accounts and for Losses (continued)

Specific allowance – a specific allowance is established after a loan-by-loan review of accounts meeting prescribed criteria indicative of a potential deterioration in the credit quality of debt. The specific allowance for each loan is determined as the difference between the loan principal amount outstanding and the discounted net present value of the related security net of the cost of realization. Changes in net realizable value of security subsequent to the recording of the initial allowance are adjusted through the specific allowance.

General allowance – two types of general allowance are recorded. The first type is for estimated probable losses relating to deterioration in the full recoverability of individual loan accounts which have not yet met management's criteria for setting up a specific allowance at the balance sheet date. A methodology is applied to determine the Corporation's risk exposure to probable losses on individual loan accounts not subject to a specific allowance. The second type is for the aggregate amount owing for individual loans under a specific program or industry sector or a geographical area. In determining the allowance, management considers economic and market conditions and uncertainties affecting recoverability of such loans.

Loans are written off against the related allowance for doubtful accounts and for losses if there is no realistic prospect of future recovery. Any recovery of amounts previously written off is recognized on receipt of proceeds.

(h) Concessionary Loans and Loan Discounts

A loan is considered to have concessionary terms when at inception of the loan, the net present value of expected future cash flows is less than present book value. Book values of concessionary loans are reduced to their net present values by loan discounts expensed in the year in which loans are disbursed and amortized to interest revenue over the period of the concessionary term in proportion to loan repayments received.

(i) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments; then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the effective interest rate method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(j) Borrowing from Government of Alberta

Borrowing is carried at amortized cost. Premiums and discounts on borrowing are amortized to interest expense using the effective yield method over the period to maturity.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(k) Tangible Capital Assets including Capital Leases

Tangible capital assets of the Corporation are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. An asset acquired, other than computer software, with a life of more than one year and a cost of \$5 or more is capitalized. Computer software acquired from external sources at a cost of \$100 or more and software developed by the Corporation costing \$500 or more are capitalized.

Leases that, from the point of view of the lessee, transfer substantially all the benefits and risks incidental to the ownership of the asset to the Corporation are considered capital leases. These are accounted for as an asset and an obligation. Capital lease obligations are recorded at the present value of the minimum lease payments excluding executory costs. The discount rate used to determine the present value of the lease payments is the Corporation's incremental borrowing rate.

(l) AgriStability, AgriInvest and AgriRecovery Program

Payments under the programs to participants, administration expenses and corresponding contributions from the Governments of Canada and Alberta are recorded at 100% for AgriStability and AgriRecovery programs because the programs are delivered by the Corporation and at 40% for AgriInvest program because the program is delivered by Agriculture and Agri-Food Canada.

(m) Reinsurance

The Corporation carries reinsurance to cover AgriInsurance risks through two levels of government. Two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. The Government of Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the AgriInsurance net assets of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement between the Governments of Canada and Alberta (see Note 16).

In addition, the Corporation carries reinsurance through private reinsurance companies for AgriInsurance and Hail insurance programs. Amounts recoverable from private reinsurers on premiums and indemnities are recorded in Accounts receivable.

Reinsurance recoveries are reported gross; they are included in fees and other revenue. Reinsurance expenses are reported at gross amounts and are separately disclosed in Schedule 1.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(n) AgrilInsurance Net Assets Balance Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, amounts in the AgrilInsurance net assets are restricted for AgrilInsurance purposes only.

(o) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements are comprised of the cost of employer contributions for the current year service of employees.

(p) Transactions with Related Parties

The Government of Alberta significantly influences the programs delivered by the Corporation and is a major contributor to the funding of the programs. Therefore, the Government is considered a related party. All related party transactions with the Government of Alberta have been recorded at the exchange amount which is the consideration paid or received as agreed to by the related party (see Note 15).

(q) PS3260 Liability for Contaminated Sites

In June 2010, the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The Corporation early adopted this accounting standard as of April 1, 2012. AFSC recognizes a liability for the sites no longer in use where the contamination has exceeded the relevant environmental standards and where AFSC has accepted responsibility. Included in Accounts Payable and Accrued Liabilities (Note 7) is a liability of \$743 for the estimated remaining remediation (2014 \$755).

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 3 Accounts Receivable

	2015	2014
AgriStability & Canadian Agricultural Income Stabilization (CAIS) programs:		
Overpayments	\$ 13,951	\$ 19,434
Administration fees	370	549
Premiums from insured persons		
AgriInsurance program	3,116	2,020
Livestock insurance program	2,537	2,918
Hail insurance program	294	379
Amounts due under Western Livestock Price insurance program	-	1,368
Other	5,879	4,942
	<u>26,147</u>	<u>31,610</u>
Allowances for doubtful accounts		
At beginning of year	(19,618)	(19,887)
Decrease (increase) for this year	3,436	70
Write offs, net of recoveries	2,094	199
At end of year	<u>(14,088)</u>	<u>(19,618)</u>
	<u>\$ 12,059</u>	<u>\$ 11,992</u>

Included in the allowances for doubtful accounts is \$13,951 (2014 \$19,434) representing the amount of overpayments under AgriStability and CAIS programs in recognition of the Corporation's role as an agent for collection. The allowance for doubtful accounts is subject to measurement uncertainty as it is an estimate based on management's assessment of collectability of outstanding balance. Actual write-offs realized in future periods could be materially different from management's estimates.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 4 Loans Receivable

Loans receivable are comprised of the following:

	2015			2014
	Farm	Commercial	Total	Total
Performing loans - non concessionary	\$ 1,624,498	\$ 417,459	\$ 2,041,957	\$ 1,922,025
Performing loans - concessionary	5,422	-	5,422	7,274
Impaired loans	5,061	25,053	30,114	30,035
	<u>1,634,981</u>	<u>442,512</u>	<u>2,077,493</u>	<u>1,959,334</u>
Accrued interest	24,893	2,050	26,943	26,266
Loan discount	(70)	-	(70)	(90)
	<u>1,659,804</u>	<u>444,562</u>	<u>2,104,366</u>	<u>1,985,510</u>
Allowances	<u>(10,013)</u>	<u>(26,731)</u>	<u>(36,744)</u>	<u>(32,591)</u>
Net carrying value	<u>\$ 1,649,791</u>	<u>\$ 417,831</u>	<u>\$ 2,067,622</u>	<u>\$ 1,952,919</u>

All loans have fixed interest rates for the term of loan or renewal period.

Loans have blended repayments during the term. Loans can be repaid in full or part during the term without any penalty.

Allowances for doubtful accounts for loans are as follows:

	Farm	Commercial	2015	2014
At beginning of year	\$ 11,888	\$ 20,703	\$ 32,591	\$ 37,542
Increase (decrease) for the year	(1,863)	9,520	7,657	(3,203)
Write-offs	(12)	(3,492)	(3,504)	(1,748)
At end of year	<u>\$ 10,013</u>	<u>\$ 26,731</u>	<u>\$ 36,744</u>	<u>\$ 32,591</u>
Specific allowance	\$ 851	\$ 23,949	\$ 24,800	\$ 15,622
General allowance	9,162	2,782	11,944	16,969
	<u>\$ 10,013</u>	<u>\$ 26,731</u>	<u>\$ 36,744</u>	<u>\$ 32,591</u>

Valuation allowances of loans receivable are based on management's best estimate. Actual losses realized may vary significantly from management's estimate.

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, equipment and other assets. The estimated values of such assets are \$4,035 (2014 \$3,749).

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 4 Loans Receivable (continued)

The composition of the Loans receivable balance by range of effective annual interest rates is as follows:

	2015	2014
Effective annual Interest Rate		
Less than or equal to 2%	\$ 70,554	\$ 76,218
2.01% to 3.00%	280,945	206,650
3.01% to 4.00%	612,361	501,610
4.01% to 5.00%	441,625	446,125
5.01% to 6.00%	390,779	373,657
6.01% to 7.00%	233,810	289,545
7.01% to 8.00%	38,131	55,365
Over 8%	9,218	11,554
	2,077,423	1,960,724
Accrued interest	26,943	26,266
Allowance for doubtful accounts	(36,744)	(32,591)
Property reclassified as tangible capital assets	-	(1,480)
	\$ 2,067,622	\$ 1,952,919
Weighted average annual interest rate	4.34%	4.52%

Note 5 Investments

	2015	2014
Bonds and debentures:		
Government of Canada, direct and guaranteed	\$ 938,215	\$ 843,492
Other provincial, direct and guaranteed	79,991	135,728
	1,018,206	979,220
Corporate securities:		
Asset backed securities, AAA rated	461,863	329,595
Senior bank notes	342,784	316,952
	804,647	646,547
	1,822,853	1,625,767
Accrued interest	11,842	8,976
	\$ 1,834,695	\$ 1,634,743

The fair value of investments at March 31, 2015 is \$1,861,743 (2014 \$1,639,850). Fair value is based on quoted market prices excluding accrued interest.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 5 Investments (continued)

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity ⁽¹⁾			2015	2014
	Within 1 Year	1 to 5 Years	6 to 10 Years		
Bonds and debentures	\$ 162,415	\$ 724,874	\$ 130,917	\$ 1,018,206	\$ 979,220
Yield ⁽²⁾	0.59%	0.79%	1.37%	0.83%	1.40%
Corporate Securities	124,993	597,838	81,816	804,647	646,547
Yield ⁽²⁾	1.07%	1.34%	1.70%	1.33%	1.90%
	287,408	1,322,712	212,733	1,822,853	1,625,767
Accrued interest	1,400	8,917	1,525	11,842	8,976
	<u>\$ 288,808</u>	<u>\$ 1,331,629</u>	<u>\$ 214,258</u>	<u>\$ 1,834,695</u>	<u>\$ 1,634,743</u>

⁽¹⁾ Term to maturity classifications are based on contractual maturity date of the security.

⁽²⁾ Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 6 Tangible Capital Assets

	Land	Building	Furniture and Fixtures	Computer Equipment and Software	2015	2014
Estimated Useful Life	Indefinite	25 - 40 years	5 - 10 years	2 - 10 years		
Cost						
At beginning of year	\$ 1,827	\$ 9,987	\$ 10,226	\$ 94,348	\$ 116,388	\$ 108,972
Additions	-	-	1,404	4,472	5,876	8,286
Disposals	-	-	(146)	(241)	(387)	(870)
	<u>1,827</u>	<u>9,987</u>	<u>11,484</u>	<u>98,579</u>	<u>121,877</u>	<u>116,388</u>
Accumulated amortization						
At beginning of year	-	4,698	5,791	60,460	70,949	62,303
Amortization expense	-	362	1,114	8,174	9,650	9,515
Disposals	-	-	(95)	(241)	(336)	(869)
	<u>-</u>	<u>5,060</u>	<u>6,810</u>	<u>68,393</u>	<u>80,263</u>	<u>70,949</u>
Net book value at March 31, 2015	<u>\$ 1,827</u>	<u>\$ 4,927</u>	<u>\$ 4,674</u>	<u>\$ 30,186</u>	<u>\$ 41,614</u>	
Net book value at March 31, 2014	<u>\$ 1,827</u>	<u>\$ 5,289</u>	<u>\$ 4,476</u>	<u>\$ 33,847</u>		<u>\$ 45,439</u>

Computer equipment and software costs include \$6,120 (2014 \$5,260) of costs incurred that are not amortized because they are still in the development stage.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 7 Accounts Payable and Accrued Liabilities

	2015	2014
Salaries, wages and employee benefits	\$ 7,087	\$ 7,425
Supplies and services	6,589	8,090
Reinsurance Premiums to Government of Canada	63	515
Other	648	689
	\$ 14,387	\$ 16,719

Note 8 Due to Other Provincial Governments

Due to provincial governments represents amounts collected from and paid to other provincial governments relating to the Western Livestock Price Insurance Program which was implemented in April 2014. The program provides producers with protection against an unexpected drop in prices on cattle and hogs. The Corporation entered into an agreement with the other provincial governments to deliver this program to producers in British Columbia, Saskatchewan and Manitoba. Any premiums, indemnities or expenses collected on behalf of producers outside of Alberta are recorded as Due to provincial governments in the financial statements. The Corporation's Statement of Operations includes premiums, indemnities and administration expenses for Alberta producers only.

Breakdown of the amounts owing is as follows:

	2015	2014
Premiums collected	\$ 5,508	\$ -
Indemnities paid	-	-
Administration costs incurred	(772)	(1,368)
	\$ 4,736	\$ (1,368)

Prior year due from provincial governments is included in accounts receivable.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 9 Indemnities Payable

	2015	2014
	(Note 2(l))	(Note 2(l))
AgriStability (previously CAIS program), AgriInvest, AgriRecovery and related programs		
Current claim year	\$ 112,401	\$ 84,564
Prior claim years	46,807	33,905
	159,208	118,469
AgriInsurance	11,966	11,745
Wildlife compensation	758	2,030
Hail insurance	552	169
Livestock price insurance	-	1,415
	\$ 172,484	\$ 133,828

Estimated indemnities payable of \$172,484 and corresponding contributions and receivables from the Governments of Canada and Alberta are subject to measurement uncertainty because they could change materially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for the AgriStability and AgriInvest programs are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of \$88,621 to \$138,860.

Estimated indemnities for prior claim years under AgriStability, AgriInvest and AgriRecovery programs are based on probable payments for claims not yet processed.

Estimated indemnities payable for the AgriInsurance program are based upon number of claims remaining to be paid and average claim payment amounts. The indemnities payable also includes claims deferred by producers. Based on that information the projected estimated indemnities would be in the range of \$9,310 to \$14,621.

Indemnities for Livestock Price Insurance Program are based on estimated payments using forward contract prices applicable to policies sold during the fiscal year with settlement dates beyond the end of fiscal year.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 10 Borrowing from Government of Alberta

All borrowings from the Government of Alberta bear interest rates which are fixed for the term of the borrowing. Repayment of principal is on maturity with the exception of a small number of borrowings which require blended repayments during the term.

The composition of outstanding borrowing from the Government of Alberta by range of effective annual interest rate is as follows:

	2015	2014
Effective annual Interest Rate		
Less than or equal to 2%	\$ 170,000	\$ 120,000
2.01% to 3.00%	483,000	433,000
3.01% to 4.00%	809,238	784,238
4.01% to 5.00%	489,751	514,751
5.01% to 6.00%	55,155	75,634
	2,007,144	1,927,623
Accrued interest	14,431	14,045
Unamortized premium	2,351	4,900
	\$ 2,023,926	\$ 1,946,568
Weighted average annual interest rate	3.51%	3.62%

Principal repayments due in each of the next five years and thereafter are as follows:

Year ending March 31, 2016	\$ 108,642
2017	185,506
2018	68,780
2019	186,092
2020	293,109
Thereafter	1,165,015
	\$ 2,007,144

The estimated fair value of borrowings as at March 31, 2015 is \$2,232,195 (2014 \$2,025,893). Fair value is an approximation of market value to the holder.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 11 Deferred Revenue

	<u>2015</u>	<u>2014</u>
Unearned revenue	\$ 4,349	\$ 5,732
Spent deferred capital contributions	<u>18,657</u>	<u>18,246</u>
	<u>\$ 23,006</u>	<u>\$ 23,978</u>

	<u>2015</u>			<u>2014</u>
	<u>Government of Canada</u>	<u>Non- government</u>	<u>Government of Alberta</u>	<u>Total</u>
Unearned revenue				<u>Total</u>
Balance at beginning of year	\$ -	\$ 5,732	\$ -	\$ 5,732
Received during year	-	4,349	-	4,349
Less amounts recognized	-	(5,732)	-	(5,732)
Balance at end of year	<u>\$ -</u>	<u>\$ 4,349</u>	<u>\$ -</u>	<u>\$ 4,349</u>

	<u>2015</u>			<u>2014</u>
	<u>Government of Canada</u>	<u>Non- government</u>	<u>Government of Alberta</u>	<u>Total</u>
Spent deferred capital contributions				<u>Total</u>
Balance at beginning of year	\$ 10,496	\$ 752	\$ 6,998	\$ 18,246
Transferred capital assets received	2,393	194	1,595	4,182
Less amounts recognized as revenue	(2,219)	(73)	(1,479)	(3,771)
Balance at end of year	<u>\$ 10,670</u>	<u>\$ 873</u>	<u>\$ 7,114</u>	<u>\$ 18,657</u>

Unearned revenue represents premiums received from producers for AgrilInsurance programs, fees collected for the AgriStability program relating to the next fiscal year and amounts collected in advance from other provincial governments for licensing fees for the Western Livestock Price Insurance Program. Spent deferred capital contributions represent contributions received from the federal and provincial governments that are restricted for the acquisition of tangible capital assets.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 12 Pensions

The Corporation participates in the multi-employer Alberta Management Employees Pension Plan and the Alberta Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Alberta Public Service Managers.

AFSC does not have sufficient plan information to follow the standards for defined benefit accounting, and therefore, follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the plans is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits. The expense for these pension plans is equivalent to the annual contributions of \$6,407 for the year ended March 31, 2015 (2014 \$6,155).

At December 31, 2014, the Alberta Management Employees Pension Plan reported a surplus of \$75,805 (2013 surplus \$50,457) and the Alberta Public Service Pension Plan reported a deficiency of \$803,299 (2013 deficiency \$1,254,678). At December 31, 2014, the Supplementary Retirement Plan for Alberta Public Service Managers had a deficiency of \$17,203 (2013 deficiency \$12,384). The Corporation's share of these pension plans' deficiency is not determinable. The Corporation is not responsible for future funding of the plan deficits other than through contribution increases.

Note 13 Contingencies, Contractual Obligations and Commitments

Contingent Liability

	<u>2015</u>	<u>2014</u>
Loan guarantees	\$ 12,972	\$ 10,226
Less allowances for losses	<u>(150)</u>	<u>(150)</u>
Total contingencies	<u>\$ 12,822</u>	<u>\$ 10,076</u>

Included in loan guarantees is \$11,779 (2014 \$8,750) guaranteed under the Alberta Flood Recovery Loan Guarantee Program (AFRLGP), which was established to assist Alberta businesses directly impacted by the June 2013 flood in southern Alberta. Under the AFRLGP, the Corporation has entered into agreements with financial institutions guaranteeing repayment of up to 75% of loans issued under this program.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 13 Contingencies, Contractual Obligations and Commitments (continued)

The Corporation has not been named in any legal matters of which the outcome is not determinable (2014 nil).

Contractual Obligations

	<u>2015</u>	<u>2014</u>
Reinsurance	29,286	25,170
Operating leases	7,866	6,246
Other contracts	<u>1,355</u>	<u>2,556</u>
Total contractual obligations	<u>\$ 38,507</u>	<u>\$ 33,972</u>

The operating lease contractual obligations are for accommodations with terms up to fourteen years.

Commitments

	<u>2015</u>	<u>2014</u>
Approved, undisbursed loans	<u>\$ 170,249</u>	<u>\$ 181,981</u>

Note 14 Financial Instruments and Financial Risk Management

Financial instruments comprise the majority of AFSC's assets and liabilities. AFSC is exposed to credit, interest and liquidity risks in respect to its use of financial instruments.

Credit Risk

Credit risk is the possibility that a debtor will not pay amounts owing to AFSC, resulting in a loss to the Corporation.

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

	<u>2015</u>	<u>2014</u>
Loans receivable	\$2,070,149	\$1,952,919
Investments	1,834,695	1,634,743
Due from Government of Canada	156,395	116,260
Due from Government of Alberta	66,729	40,176
Accounts receivable	12,059	11,992
Loan guarantees	<u>12,972</u>	<u>10,226</u>
Total commitments	<u>\$4,152,999</u>	<u>\$3,766,316</u>

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

Loans receivable - Security requirements for a loan or guarantee depend on the risk involved in each individual operation. Adequate security is required for new and emerging businesses as well as for enterprises needing specialized or customized equipment. To mitigate credit risk, lending staff monitor loan accounts continually to ensure prompt response to any financial difficulties customers may encounter.

Investments - AFSC invests surplus funds generated by Production and Hail Insurance operations. To decrease the risk of loss of investment, the majority of funds are invested in bonds of federal or provincial governments or securities of corporations that have superior credit ratings. The investments are managed by Alberta Investment Management Corporation, an Alberta Crown Corporation. AFSC also invests in asset-backed securities (AAA rating) and senior bank notes (A rating and higher). Both of these investments consist of securities with relatively low levels of risk.

Due from the Government of Alberta and the Government of Canada – AFSC is not exposed to significant credit risk as payment in full is typically collected when due.

Accounts receivable - Payments to some CAIS/AgriStability participants resulted in overpayments when information provided to AFSC by participants proved to be incorrect or not supported. This creates a risk of potential non-repayment of the overpayments. The Corporation may set off overpayments against any payments to customers.

AFSC provides insurance coverage on crops, effective at the acceptance of the customer's application for insurance, with or without payment of premiums in full. Non-collection of outstanding insurance premiums is a risk. To minimize this risk, a discount is offered for early payment of insurance premiums and arrangements made for a payment schedule for all customers not taking advantage of the discount. Insurance staff closely monitors outstanding premiums and promptly take collection action when required.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

The following breakdown of the Loans receivable provides an indication of the concentration of credit risk in the loan portfolio. Further information is provided throughout these statements which disclose other concentrations of credit risk.

	2015		2014	
	Dollar	Percentage	Dollar	Percentage
Loans receivable by individual sector:				
Grain and Oilseeds	\$ 1,044,243	50%	\$ 945,750	48%
Cattle	514,474	25%	472,814	24%
Accommodations and Other Services	120,731	6%	122,898	6%
Manufacturing	98,280	5%	101,849	5%
Other Livestock	74,220	4%	69,352	4%
Trade - Retail and Wholesale	54,358	3%	68,073	3%
Commercial and Industrial	41,661	2%	49,174	3%
Transportation and Warehousing	36,755	2%	38,092	2%
Professional Services	30,110	1%	30,674	2%
Other	89,534	4%	88,314	5%
Allowance	<u>(36,744)</u>	<u>-2%</u>	<u>(32,591)</u>	<u>-2%</u>
	2,067,622	100%	1,954,399	100%
Property reclassified as tangible capital assets	<u>-</u>		<u>(1,480)</u>	
	<u>\$ 2,067,622</u>	<u>100%</u>	<u>\$ 1,952,919</u>	<u>100%</u>

Interest Rate Risk

Interest rate risk is the impact future changes in interest rates have on cash flows and fair values of financial assets and liabilities. AFSC's interest rate exposure relates to investments, loans receivable, and borrowing from the Government of Alberta.

Investments – Interest rate risk on investments is mitigated by AFSC's Investment Policy for surplus funds. The investment policy is approved by the Board of Directors and compliance with the policy is reported to the Board Audit Committee at least twice a year. Duration of investments are set to match management's best estimate of when investments may be needed to be liquidated to meet financial commitments.

Loans receivables – Loans receivable balances consist of loans with interest rates fixed either until maturity date or for a term with a renewable option. The Corporation allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Impact of interest rate changes on performance of loan portfolio and cash flows could be significant as a result of changes in market interest rates and borrower's repayment preferences.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

Borrowing from the Government of Alberta - The interest rates on borrowings are fixed until maturity. For a vast majority of borrowings, principal repayments are due in full on maturity date with no prepayment option. The Government of Alberta provides an annual contribution to the Corporation that includes an amount to bridge the gap between interest revenue from the loan portfolio and interest on borrowings annually through the budget process. Cash inflows are matched with outflows through additional borrowing as required from the Government of Alberta. Management has assessed that the interest rate risk related to borrowing is not significant.

The following position of the Corporation's loan portfolio and borrowing provides additional information on interest rate risk.

	Scheduled Repayment ⁽¹⁾				Not ⁽²⁾ Interest Rate Sensitive	2015	2014
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
Loan balances	\$ 188,307	\$ 631,284	\$ 575,523	\$ 673,177	\$ (669)	\$ 2,067,622	\$ 1,952,919
Yield	4.04%	4.10%	4.09%	3.21%		3.97%	4.34%
Borrowing from							
Government of Alberta	\$ 108,642	\$ 733,487	\$ 679,294	\$ 485,721	\$ 16,782	\$ 2,023,926	\$ 1,946,568
Yield ⁽³⁾	3.57%	3.69%	3.49%	3.11%		3.57%	3.64%
Net gap	<u>\$ 79,665</u>	<u>\$ (102,203)</u>	<u>\$ (103,771)</u>	<u>\$ 187,456</u>	<u>\$ (17,451)</u>	<u>\$ 43,696</u>	<u>\$ 6,351</u>

⁽¹⁾ For loan balances, scheduled repayments of principal are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For borrowing from the Government of Alberta, scheduled repayments reflect contractual repayment of principal.

⁽²⁾ Includes specific and general allowance, accrued interest and unamortized loan discount.

⁽³⁾ Yield represents the rate which discounts future cash receipts to the carrying amount.

Liquidity Risk

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

AFSC's primary liquidity risk relates to its liability for insurance claims. Insurance claims are funded firstly with current year premiums collected, which normally exceeds cash requirements. In addition, the investment portfolio of surplus funds in insurance operations is structured in such a way that a portion of the portfolio is accessible at short notice to fund claim payments. The Corporation also carries private sector reinsurance for AgrilInsurance and Hail Insurance providing significant protection against catastrophic losses. If all of the above are exhausted, the AgrilInsurance program has a reinsurance agreement with the Government of Canada and the Government of Alberta to provide additional funding for claim payments. Additionally, the Corporation has access to advances from the Government of Alberta to meet short-term cash flow needs.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 15 Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Corporation.

The Corporation had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	<u>2015</u>	<u>2014</u>
Revenues:		
Grants	\$ 286,417	\$ 323,397
Other	3,874	4,801
	<u>\$ 290,291</u>	<u>\$ 328,198</u>
Expenses:		
Accommodation	\$ 742	\$ 784
Other services	1,840	1,717
Interest	69,761	67,752
	<u>\$ 72,343</u>	<u>\$ 70,253</u>
Payable to:		
Ministry of Agriculture and Rural Development	\$ 514	\$ 520
Ministry of Treasury Board and Finance	2,023,926	1,946,568
Ministry of Service Alberta	7	4
Receivable from:		
Ministry of Agriculture and Rural Development	66,250	40,176
Deferred Revenue from:		
Ministry of Agriculture and Rural Development	<u>7,114</u>	<u>6,998</u>
	<u>\$ 2,097,811</u>	<u>\$ 1,994,266</u>

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

(dollars in thousands)

Note 16 Crop Reinsurance Funds

The contributions, withdrawals and accumulated net asset positions of the Crop Reinsurance Fund of Alberta and the Crop Reinsurance Fund of Canada for Alberta are as follows (see Note 2(m)):

	AgrilInsurance Reinsurance Fund of Alberta		AgrilInsurance Reinsurance Fund of Canada for Alberta	
	2015	2014	2015	2014
Opening net assets	\$ 33,641	\$ 30,379	\$ 34,318	\$ 31,056
Contributions	-	3,262	-	3,262
Closing net assets	\$ 33,641	\$ 33,641	\$ 34,318	\$ 34,318

The net assets balance in the Crop Reinsurance Fund of Alberta is consolidated in the AgrilInsurance Fund in Schedule 1.

Note 17 Budget

The budget reported in the Statement of Operations was included in the 2014/15 Government Estimates.

Note 18 Comparative Figures

The 2014 figures have been reclassified where necessary to conform to 2015 presentation.

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF OPERATIONS
YEAR ENDED MARCH 31, 2015
(dollars in thousands)

	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Agrilinsurance	Agrilinsurance	Agriculture	Agriculture	Lending	Lending	Hall	Hall	Livestock	Livestock	Wildlife	Wildlife	Total	Total
	Note 2(n)	Note 2(n)	Income Support	Income Support			Insurance	Insurance	Insurance	Insurance	Damage Compensation	Damage Compensation		
Revenues:														
Premiums from insured persons	\$ 231,168	\$ 309,142	\$ -	\$ -	\$ -	\$ 46,392	\$ 55,316	\$ 46,392	\$ 23,433	\$ -	\$ -	\$ -	\$ 307,214	\$ 378,967
Interest	563	719	1,300	87,100	82,984	100	111	100	72	-	-	-	88,410	85,149
Contribution from Government of Alberta	203,539	286,860	64,804	18,297	16,404	-	-	-	1,521	2,173	2,130	4,868	290,291	328,198
Contribution from Government of Canada	183,432	232,233	56,812	21,282	-	-	-	-	1,828	400	2,060	4,655	244,132	268,570
Investment income	42,234	31,929	371	728	461	193	231	193	135	(76)	(4)	(24)	43,695	32,810
Fees and other income	(35)	158	10,441	3,202	3,149	383	2,021	383	576	(2)	56	71	16,535	14,200
	660,901	841,041	133,266	109,327	102,998	47,068	57,679	47,068	24,862	25,974	4,242	9,570	990,277	1,097,894
Expenses:														
Indemnities	367,560	306,355	117,158	-	-	37,773	61,237	37,773	(976)	5,803	3,567	8,607	548,546	410,739
Salaries, wages and employee benefits	25,742	23,273	13,380	18,701	17,009	1,182	1,176	1,182	2,065	1,680	337	618	61,401	56,769
Supplies and services	12,662	11,139	5,025	5,806	5,964	1,038	1,130	1,038	1,041	810	154	354	25,818	24,306
Amortization of tangible capital assets	2,872	2,755	2,593	2,767	2,776	734	752	734	630	443	36	57	9,650	9,516
Interest	4	4	2	69,886	67,925	-	-	-	-	-	-	-	69,892	67,931
Reinsurance	23,031	28,693	-	-	-	1,918	2,224	1,918	1,700	-	-	-	26,955	30,611
Allowance for doubtful accounts and for losses (Note 3 & 4)	(3)	(275)	(3,517)	7,657	(3,203)	(69)	(2)	(69)	(4)	4	90	82	4,221	(3,272)
	431,868	371,944	134,641	104,817	90,471	42,576	66,517	42,576	4,456	8,740	4,184	9,718	746,483	596,600
Net operating results	229,033	469,097	(1,375)	4,510	12,527	4,492	(8,838)	4,492	20,406	17,234	58	(148)	243,794	501,294
Net assets at beginning of year	1,801,833	1,332,736	3,257	79,542	67,015	16,079	20,871	16,079	6,009	(11,225)	1,241	1,389	1,912,453	1,411,159
Net assets at end of year	\$ 2,030,866	\$ 1,801,833	\$ 1,882	\$ 84,052	\$ 79,542	\$ 20,571	\$ 11,733	\$ 20,571	\$ 26,415	\$ 6,009	\$ 1,299	\$ 1,241	\$ 2,156,247	\$ 1,912,453

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF SALARIES AND BENEFITS
YEAR ENDED MARCH 31, 2015
(dollars in thousands)

	2015			2014	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non- cash Benefits ⁽³⁾	Total	Total
Chairman of Board	\$ 51			\$ 51	\$ 67
Board members ⁽⁴⁾	174			174	296
President and Managing Director	485	51	96	632	670
Executive Members					
Senior Vice-President, Corporate Services ⁽⁵⁾	158	94	34	286	384
Chief Operating Officer	246	27	58	331	342
Vice-President, Human & Corporate Services	246	18	59	323	332
Vice-President, Innovation & Product Development	234	27	54	315	290
Chief Information Officer ⁽⁶⁾	185	72	37	294	264
Chief Financial Officer	190	5	50	245	237
Chief Communication and Marketing Officer ⁽⁷⁾	135	1	38	174	77

⁽¹⁾ Base salaries are fees for Chair and Board members and base pay for employees.

⁽²⁾ Other cash benefits include vacation payments and lump sum payments. There were no bonuses paid during the year.

⁽³⁾ Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental, medical and vision care, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.

⁽⁴⁾ The amounts relate to eleven Board members during 2014/15 (eleven in 2013/14).

⁽⁵⁾ Position was for seven (7) months in 2014/15.

⁽⁶⁾ The current Chief Information Officer commenced employment on February 15, 2015. An acting Chief Information Officer held that position from September 1, 2014 to February 14, 2015. The outgoing Chief Information Officer held that position from April 1, 2014 to August 31, 2014.

⁽⁷⁾ Position was for five and a half (5.5) months in 2013/14.