

**NAHANNI BUTTE DENE
BAND**

Nahanni Butte, NT

**CONSOLIDATED
FINANCIAL STATEMENTS**

For the Year ended March 31, 2016



PAUL TEOH

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the members of Nahanni Butte Dene Band

I have audited the accompanying consolidated financial statements of Nahanni Butte Dene Band, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nahanni Butte Dene Band as at March 31, 2016, and the consolidated results of its operations, its changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountant

Calgary, Alberta
September 12, 2016

3.



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NAHANNI BUTTE DENE BAND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31,	2016	2015
		(Restated)
Financial Assets		
Cash and cash equivalents	\$ 309,992	\$ 25,782
Restricted deposits (note 2)	1,358,789	1,276,069
Accounts receivable (note 3)	110,451	304,404
Contributions receivable (note 4)	299,020	330,042
Total Financial Assets	2,078,252	1,936,297
Liabilities		
Accounts payable and accrued liabilities (note 5)	266,128	256,544
Contributions repayable (note 6)	114,024	99,615
Deferred contributions (note 7)	1,991,211	2,564,135
Total Liabilities	2,371,363	2,920,294
Net Financial Debt	(293,111)	(983,997)
Non-Financial Assets		
Long term investments (note 8)	1,079,930	1,437,916
Tangible capital assets (note 9)	4,042,732	4,300,561
Prepaid expenses and deposits	22,469	37,469
Total Non-Financial Assets	5,145,131	5,775,946
Accumulated Surplus	\$ 4,852,020	\$ 4,791,949

Approved on behalf of the Council:

Brian Etola Councillor

Earl Hope Councillor

The accompanying notes and schedules are an integral part of these consolidated financial statements. 4.

NAHANNI BUTTE DENE BAND

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31,		2016	2015
	Budget (Unaudited)	Actual	Actual
Revenue			
Contributions - MACA	\$ -	\$ 828,566	\$ 2,111,972
Contributions - AANDC	-	122,650	142,365
Contributions - DFN	-	25,733	27,634
Contributions - GNWT	-	353,460	262,500
Other revenue and recoveries	-	203,333	415,486
Earnings (loss) from subsidiaries	-	260,956	48,127
Add opening deferred revenue	-	2,564,135	2,761,704
Less closing deferred revenue	-	(1,991,211)	(2,564,135)
	-	2,367,622	3,205,653
Expenditure			
Municipal Services:			
Municipal administration	-	860,825	1,011,198
Utilities and operating	-	178,502	131,782
Road and works	-	116,275	52,758
Recreation	-	14,589	16,545
Water and sewage	-	269,517	370,944
Youth programs	-	47,514	45,627
Band Member Services:			
Band support administration	-	110,408	120,688
Political and institutional development	-	-	12,682
Self-government	-	-	23,189
Summer and youth work experience	-	20,087	19,000
Dehcho First Nation Funded Programs:			
Language and culture	-	4,613	9,225
Resource management	-	19,730	18,409
GNWT Funded Programs:			
Education, cultural and employment	-	32,491	22,800
Health and social services	-	179,269	97,041
Hunters and trappers assistance	-	39,065	33,311
Economic development	-	46,340	7,643
Environment and natural resources	-	69,962	74,327
Other programs	-	14,948	13,945
Others:			
Office administration	-	275,344	208,819
Loss on disposal of tangible capital assets	-	5,601	-
Membership distributions	-	-	4,225
North American Tungsten	-	-	83,543
Other programs	-	2,471	1,162
	-	2,307,551	2,378,863
Annual Surplus	-	60,071	826,790
Accumulated Surplus, beginning of year	4,791,949	4,791,949	3,965,159
Accumulated Surplus, end of year	\$ 4,791,949	\$ 4,852,020	\$ 4,791,949

The accompanying notes and schedules are an integral part of these consolidated financial statements. 5.

NAHANNI BUTTE DENE BAND

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT

For the year ended March 31,	2016	2016	2015
	Budget (Unaudited)	Actual	Actual
Annual Surplus (Deficit)	\$ -	\$ 60,071	\$ 826,790
Acquisition of tangible capital assets	-	(16,707)	(997,132)
Amortization of tangible capital assets	-	268,935	286,354
Loss (gains) on sale of tangible capital assets	-	5,601	-
Decrease (increase) in long term investments	-	357,986	-
	-	675,886	116,012
Decrease (increase) in prepaid expenses and deposits	-	15,000	(20,755)
Increase (Decrease) in Net Financial Assets	-	690,886	95,257
Net Financial Assets (Debt), beginning of year	(983,997)	(983,997)	(1,079,254)
Net Financial Assets (Debt), end of year	\$(983,997)	\$(293,111)	\$(983,997)

The accompanying notes and schedules are an integral part of these consolidated financial statements. 6.

NAHANNI BUTTE DENE BAND

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31,	2016	2015
Cash Flows from Operating Activities		
Cash receipts from government transfers	\$ 1,361,431	\$ 2,439,282
Cash receipts from contributions and other recoveries	299,948	414,869
Cash paid to suppliers and employees	(1,896,684)	(2,185,601)
	(235,305)	668,550
Cash flows from Investing Activities		
Decrease (increase) in advance to subsidiary companies	618,942	(1,144,254)
	618,942	(1,144,254)
Capital Transactions		
Purchase of tangible capital assets	(16,707)	(997,132)
	(16,707)	(997,132)
Net Increase (Decrease) in Cash and Cash Equivalents	366,930	(1,472,836)
Cash and Cash Equivalents, beginning of year	1,301,851	2,774,687
Cash and Cash Equivalents, end of year	\$ 1,668,781	\$ 1,301,851
Represented by:		
Cash	\$ 309,992	\$ 25,782
Restricted cash	1,358,789	1,276,069
	\$ 1,668,781	\$ 1,301,851

The accompanying notes and schedules are an integral part of these consolidated financial statements. 7.

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

The Nahanni Butte Dene Band (the "Council") is an Indian Band registered under the *Indian Act*. It provides services to the band members of Nahanni Butte Dene Band. It is also recognized by Department of Municipal and Community Affairs, the Government of NWT, as the designated authority responsible for the provision of municipal services to the Community of Nahanni Butte.

The Council is exempt for income tax purposes under Section 149 of the *Income Tax Act*.

1. Significant Accounting Policies

(a) Basis of Preparation

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(b) Reporting Entity

The consolidated financial statements includes the accounts of Nahanni Butte Dene Band and Nahanni Butte Dene Band Society and its following subsidiary and associated companies using the modified equity method.

	Percentage Owned	Year End
Naha Dehe Development Corporation	100%	March 31, 2016
Nahanni Butte General Store Ltd.	50%	March 31, 2016
Deh Cho Helicopters Regional Limited Partnership	14.3%	May 31, 2015

(c) Fund Accounting

The Nahanni Butte Dene Band follows the deferral method of accounting for capital contributions. Externally restricted contributions are recognized as revenue when the related capital expenditures are incurred. Contributions received in advance of making the related expenditures is recorded as deferred revenue.

The General Operating Fund reports the core operating accounts of the Council and other programs in accordance with contribution agreements with funding agencies.

The Enterprise Fund reports the assets, liabilities, revenue and expenditure relating to investments held by the Council.

(d) Long Term Investments

Long term investments are recorded at amortized costs plus adjustments for accumulated earnings and loss less any permanent decline in value.

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

1. Significant Accounting Policies (Continued)

(e) Revenue Recognition

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipts of goods or services and /or legal obligations to pay.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(f) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

(i) Tangible Capital Assets

Land and building is stated at nominal value. Purchased tangible capital assets are recorded at cost. Amortization expense is recorded over the estimated useful lives of the assets, using the following method and annual rates:

Buildings:		
- Community office	2%-5%	Declining Balance
- Trailers	10%	Declining Balance
- Garages	4%	Declining Balance
Land improvements	2.5%	Declining Balance
Landfills and lagoon	4%-10%	Declining Balance
Automotive equipment	30%	Declining Balance
Office equipment and furniture	10%-30%	Declining Balance
Heavy equipment	10%	Declining Balance

(ii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost. There is no significant inventory at year end.

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

1. Significant Accounting Policies (Continued)

(g) Cash and Cash Equivalents

Cash includes cash and demand deposits. Cash equivalents includes highly liquid investments that can be readily converted into cash for a fixed amount and that matures less than three months from the date of acquisition.

(h) Allocation of Expenditure

Certain common expenditure have been allocated to programs based on estimate of services provided.

(i) Financial Instruments - Recognition and Measurement

The Council has elected the following classifications with respect to its financial assets and financial liabilities:

- Cash and restricted cash are classified as assets held-for-trading and is subsequently measured at fair value with gains and losses arising from changes in the fair value recognized in net income in the period in which they arise. The estimated fair value of cash is assumed to approximate its carrying amount.
- Accounts receivable are classified as loans and receivables and are subsequently measured at amortized cost using the effective interest method. The amortized cost using the effective interest method approximates their fair values due to the short term nature.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are subsequently measured at amortized cost using the effective interest method. At inception, the estimated fair values of accounts payable and accrued liabilities are assumed to approximate their carrying amounts.

Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(j) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

1. Significant Accounting Policies (Continued)

(k) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Restricted Deposits

	2016	2015
CIBC Business Interest Account - Nahanni Butte Dene Band		
- Community Public Infrastructure (CPI)	\$ 182,986	\$ 182,839
Nahanni Butte Dene Band - Gas Tax Fund (GTF)	938,933	850,881
Cash in Trust	-	5,600
Nahanni Butte Trust	236,870	236,749
	<u>\$ 1,358,789</u>	<u>\$ 1,276,069</u>

Interest on CIBC Business Interest Account are paid monthly at rates ranging from 0.10% to 0.65% per annum depending on monthly average account balance.

	Building Canada Plan	Community Public Infrastructure	Federal Gas Tax Funding	Total
Deferred contributions	\$ 56	\$ 599,512	\$ 1,184,243	\$ 1,783,811
Less contributions receivable	-	-	(261,518)	261,518
Required balance	56	599,512	922,725	1,522,293
Restricted cash deposits	-	182,986	938,933	1,121,919
	<u>\$ 56</u>	<u>\$ 416,526</u>	<u>\$ (16,208)</u>	<u>\$ 400,374</u>

Sufficient funds must be deposited to separate bank accounts to correspond with the respective restricted cash balances. Interest earned on these accounts is credited to the appropriate restricted bank accounts. As at March 31, 2016, total deposit deficiency amounts to \$400,374.

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

3. Accounts Receivable

	2016	2015
Trade and other	\$ 98,226	\$ 179,337
GST refundable	26,705	138,452
	124,931	317,789
Less allowances for doubtful accounts	(14,480)	(13,385)
	\$ 110,451	\$ 304,404

4. Contributions Receivable

	2016	2015
Aboriginal Affairs and Northern Development Canada	\$ 52,022	\$ 56,300
Government of NWT	333,735	253,820
Dehcho First Nations	11,819	19,922
	397,576	330,042
Less allowances for doubtful accounts	(98,556)	-
	\$ 299,020	\$ 330,042

5. Accounts Payable and Accrued Liabilities

	2016	2015
Trade and other	\$ 236,589	\$ 246,310
Accrued wages and benefits	10,274	17,878
Other taxes payable (refundable)	19,265	(7,644)
	\$ 266,128	\$ 256,544

6. Contributions Repayable

	2016	2015
Dehcho First Nations	\$ 38,006	\$ 41,468
Dehcho Health and Social Services	937	2,424
Aboriginal Affairs and Northern Development Canada	43,781	43,781
Government of NWT	31,300	11,942
	\$ 114,024	\$ 99,615

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

7. Deferred Contributions

	2016	2015
Government of NWT:		
Building Canada Plan	\$ 56	\$ 56
Community Public Infrastructure	599,512	1,264,364
Federal Gas Tax Funding	1,184,243	1,025,226
DHSS - Community Wellness	-	67,089
Other:		
Selwyn Fund	7,400	7,400
Canadian Zinc IBA	200,000	200,000
	<u>\$ 1,991,211</u>	<u>\$ 2,564,135</u>

8. Long Term Investments

The Council owns 100% of Naha Dehe Development Corporation, a private company incorporated under the Business Corporation Act of Northwest Territories on July 9, 2001. The Corporation's principal activities are business management and investment activities. The Company is exempt from income tax under Section 149(1)(e) of the *Income Tax Act*.

The following summarizes the financial position and results of operations of the Corporation as at and for the year ended March 31, 2016

	2016	2015
Financial Position		
Current assets	\$ 60,410	\$ 202,065
Non-current assets	48,765	61,472
Total assets	109,175	263,537
Current liabilities	103,819	207,086
Non-current liabilities	135,000	155,034
Shareholder's equity (capital deficiency)	<u>\$ (129,644)</u>	<u>\$ (98,583)</u>
Financial Performance		
Revenues	\$ 15,297	\$ 202,526
Expenses	46,358	141,272
Net earnings (loss)	<u>\$ (31,061)</u>	<u>\$ 61,254</u>
Investments:		
Investment at cost	\$ 10	\$ 10
Receivable from Corporation	69,149	155,941
Accumulated equity earnings (deficit)	<u>(129,654)</u>	<u>(98,593)</u>
Investment in Corporation	<u>\$ (60,495)</u>	<u>\$ 57,358</u>

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

8. Long Term Investments (Continued)

The Council owns 50% of Nahanni Butte General Stores Ltd., a private company incorporated under the *Business Corporation Act of Northwest Territories* on October 15, 1992. The Company owns and operates The Nahanni Butte General Store and Nahanni Butte Inn in Nahanni Butte, Northwest Territories.

The Company is exempt from income taxes under Section 149(1)(e) of the Income Tax Act.

The following summarizes the financial position and results of operations of the Corporation as at and for the year ended March 31, 2016

	2016	2015
Financial Position		
Current assets	\$ 226,992	\$ 112,075
Non-current assets	725,077	870,904
Total assets	952,069	982,979
Current liabilities	808,048	1,336,287
Non-current liabilities	27,493	27,148
Total shareholder's equity (capital deficiency)	\$ 116,528	\$(380,456)
Financial Performance		
Revenues	\$ 824,183	\$ 321,087
Expenses	221,961	484,598
Gain (loss) on disposal of assets	105,238	-
Net earnings (loss)	496,984	(163,511)
Net earnings (loss) attributable to the Council	\$ 248,492	\$(81,756)
Investments:		
Investment at cost	\$ 25,000	\$ 25,000
Receivable from Corporation	749,098	1,256,248
Accumulated equity earnings (deficit)	(41,986)	(290,478)
Investment in Corporation	\$ 732,112	\$ 990,770

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

8. Long Term Investments (Continued)

The Council owns 5,000 of 35,000 (14.27%) limited partnership units in Deh Cho Helicopters Regional Limited Partnership (DCHRLP). DCHRLP was formed on June 1, 2004 under the Partnership Act of the Northwest Territories.

The Partnership's principal activities are to own and lease a Eurocopter AS350 B2 Helicopter and other helicopter charters through Great Slave Helicopters Ltd. in the Deh Cho areas in Northwest Territories.

The following summarizes the financial position and results of operations of the Corporation as at and for the year ended May 31, 2015

	2015	2014
Financial Position		
Current assets	\$ 1,502,013	\$ 1,671,690
Non-current assets	1,259,624	1,016,090
Total assets	2,761,637	2,687,780
Current liabilities	15,113	245,124
Non-current liabilities	4,403	5,206
Total partners' equity	\$ 2,742,121	\$ 2,437,450
Financial Performance		
Revenues	\$ 559,998	\$ 823,475
Expenses	255,327	343,068
Net earnings (loss)	304,671	480,407
Net earnings attributable to the Council	\$ 43,525	\$ 68,629
Investment:		
Investment at cost	\$ 5,000	\$ 5,000
Accumulated equity earnings	428,313	384,788
Distributions of earnings	(25,000)	-
Investment in Partnership	\$ 408,313	\$ 389,788
		(Restated)
Total Investments	\$ 1,079,930	\$ 1,437,916

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

9. Tangible Capital Assets

			2016	2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 2,568,013	\$ 1,418,388	\$ 1,149,625	\$ 1,229,241
Land improvements	2,424,408	186,800	2,237,608	2,278,558
Landfills and lagoon	730,263	570,930	159,333	179,250
Automotive equipment	849,223	849,223	-	3,300
Office equipment and furniture	264,866	177,643	87,223	117,811
Heavy equipment	834,579	425,636	408,943	492,401
	\$ 7,671,352	\$ 3,628,620	\$ 4,042,732	\$ 4,300,561

10. Equity in Tangible Capital Assets

	2016	2015
Tangible capital assets	\$ 7,671,352	\$ 7,668,052
Accumulated amortization	(3,628,620)	(3,367,492)
	\$ 4,042,732	\$ 4,300,560

11. Accumulated Surplus (Deficit)

	2016	2015
Unrestricted		
General Operating Fund	\$ (270,642)	\$ (946,527)
Enterprise Fund	1,079,930	1,437,916
Equity in Tangible Capital Assets	4,042,732	4,300,560
	\$ 4,852,020	\$ 4,791,949

12. Government Transfers

	2016	2015
Government of NWT - MACA	\$ 828,566	\$ 2,111,972
Aboriginal Affairs and Northern Development Canada	122,650	142,365
Dehcho First Nations	25,733	27,634
Government of NWT	353,460	262,500
	\$ 1,330,409	\$ 2,544,471

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

13. Expenditure by Object

	2016	2015
Advertising and promotion	\$ 2,460	\$ 1,800
Administration	22,902	10,019
Amortization	268,935	286,354
Bad debts (recovered)	104,124	39,476
Bank charges and interest	16,236	97,142
Contracted services	114,351	20,540
Contributions repaid	20,879	31,594
Donations/Contributions	1,923	6,952
Equipment rental	32,609	10,435
Freight and postage	3,952	2,339
Honoraria	24,675	17,800
Insurance	109,714	90,634
Loss on disposal of capital assets	5,601	-
Materials and supplies	108,713	108,912
Meeting and workshop	12,865	3,654
Miscellaneous	38,326	10,800
Office	7,349	4,896
Professional fees	158,572	226,718
Rent and utilities	339,831	357,419
Repairs and maintenance	48,349	56,557
Telephone and Internet	16,708	27,612
Training and scholarships	17,150	-
Travel and accommodation	82,964	157,031
Wages and benefits	748,363	810,179
	\$ 2,307,551	\$ 2,378,863

14. Economic Dependence

The Council receives a major portion of its revenue from the Aboriginal Affairs and Northern Development Canada of the Government of Canada and the Department of Municipal and Community Affairs of the Government of Northwest Territories. The nature and extent of this revenue is of such significance that the Council is economically dependent on this source of revenue.

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

15. Comparative Figures

For the year ended March 31, 2015, the long term investment for Nahanni Butte General Store Ltd. was omitted. The comparative figures for long term investments were restated to consolidate the accounts of Nahanni Butte General Store Ltd. using the modified equity method.

As a result, the comparative figure was restated as follow:

	Originally Reported	Adjustments	Re-stated
Statement of Financial Position:			
Long term investment	\$ -	\$ 1,437,916	\$ 1,437,916
Receivable from related party	1,256,248	(1,256,248)	-
Accumulated surplus:			
Enterprise Fund	\$ 447,146	\$ 990,770	\$ 1,437,916
Statement of Operations:			
Earnings (loss) from subsidiaries	\$ 129,884	\$(81,757)	\$ 48,127

Certain figures presented for comparative purposes have been reclassified to conform with current year's presentation.

16. Financial Instruments and Risk Management

The Council's financial instruments are exposed to certain risks, which include credit risk, market risk, interest rate risk and liquidity risk.

Credit Risk - Credit risk refers to the potential that the funding agencies or counter party to a financial instrument will fail to discharge its contractual obligations. The Council is exposed mainly to credit risk from funding agencies' refusal to contribute the full funding due to the Council's non-compliance to the contribution agreements. The Council manages credit risk by ensuring that it complies with the terms and conditions of the contribution agreements.

Liquidity Risk - Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due. The Council manages liquidity risk through the management of its capital structure.

Unless otherwise noted, it is management's opinion that the Council is not exposed to other significant interest, currency and market risks arising from these financial instruments.