



Government  
of Canada

Gouvernement  
du Canada

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Prepared by the  
Receiver General for Canada

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# Public Accounts of Canada

# 2005

## Volume I

**Summary Report  
and Financial  
Statements**

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Canada<sup>1</sup>

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To Her Excellency

The Right Honourable Michaëlle Jean,  
C.C., C.M.M., C.O.M., C.D.,  
Governor General and  
Commander-in-Chief of Canada

May it please your Excellency:

I have the honour to present to Your Excellency the *Public Accounts of Canada* for the year ended March 31, 2005.

All of which is respectfully submitted.



Reginald B. Alcock,  
*President of the Treasury Board*

Ottawa, September 27, 2005

To The Honourable Reginald B. Alcock,  
*President of the Treasury Board*

Sir:

In accordance with the provisions of section 64(1) of the *Financial Administration Act*, I have the honour to transmit herewith the *Public Accounts of Canada* for the year ended March 31, 2005, to be laid by you before the House of Commons.

Respectfully submitted,



Scott Brison,  
*Receiver General for Canada*

Ottawa, September 27, 2005

To The Honourable Scott Brison,  
*Receiver General for Canada*

Sir:

I have the honour to submit the *Public Accounts of Canada* for the year ended March 31, 2005.

Under section 64(1) of the *Financial Administration Act*, the *Public Accounts of Canada* for each fiscal year shall be prepared by the Receiver General and shall be laid before the House of Commons by the President of the Treasury Board on or before the thirty-first day of December next following the end of that year, or if the House of Commons is not then sitting, within the first fifteen days next thereafter that the House of Commons is sitting.

This annual report is presented in three volumes:

Volume I—The financial statements of Canada on which the Auditor General has expressed an opinion and provided her observations; a discussion and analysis of the financial statements and a ten-year comparison of financial information; analyses of revenues and expenses, and of asset and liability accounts; and various other statements;

Volume II—Details of the financial operations of the Government, segregated by ministry; and

Volume III—Additional information and analyses.

Respectfully submitted,



I. David Marshall,  
*Deputy Receiver General for Canada*

Ottawa, September 27, 2005

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# VOLUME I

**2004-2005**

***PUBLIC ACCOUNTS OF CANADA***

## **Table of contents**

### **Section**

- Introduction
- 1. Financial Statements Discussion and Analysis
- 2. Financial Statements of the Government of Canada and Report and Observations of the Auditor General
- 3. Revenues, Expenses and Accumulated Deficit
- 4. Consolidated Accounts
- 5. Accounts Payable and Accrued Liabilities
- 6. Interest-Bearing Debt
- 7. Cash and Accounts Receivable
- 8. Foreign Exchange Accounts
- 9. Loans, Investments and Advances
- 10. Non-Financial Assets
- 11. Contractual obligations and contingent liabilities
- 12. Index

# INTRODUCTION TO THE *PUBLIC ACCOUNTS OF CANADA*

## **Nature of the *Public Accounts of Canada***

The *Public Accounts of Canada* is the report of the Government of Canada prepared annually by the Receiver General, as required by section 64 of the *Financial Administration Act*. It covers the fiscal year of the Government, which ends on March 31.

The information contained in the report originates from two sources of data:

- the summarized financial transactions presented in the accounts of Canada, maintained by the Receiver General; and
- the detailed records, maintained by departments and agencies.

Each department and agency is responsible for reconciling its accounts to the control accounts of the Receiver General, and for maintaining detailed records of the transactions in their accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

## **Format of the *Public Accounts of Canada***

The *Public Accounts of Canada* is produced in three volumes.

**Volume I** presents the audited financial statements of the Government, as well as additional financial information and analyses;

**Volume II** presents the financial operations of the Government, segregated by ministry; and

**Volume III** presents supplementary information and analyses.

# SECTION 1

2004-2005

*PUBLIC ACCOUNTS OF CANADA*

## Financial Statements Discussion and Analysis

### CONTENTS

	<i>Page</i>
Financial statements discussion and analysis . . . . .	1.2
Introduction . . . . .	1.2
2004-2005 financial highlights . . . . .	1.2
Discussion and analysis . . . . .	1.3
The budgetary balance . . . . .	1.3
Budgetary revenues . . . . .	1.3
Total expenses . . . . .	1.5
Accumulated deficit . . . . .	1.7
Risks and uncertainties . . . . .	1.11
Ten year comparative financial information . . . . .	1.12
Detailed statement of operations and accumulated deficit . .	1.12
Detailed statement of financial position . . . . .	1.13
Statement of change in net debt . . . . .	1.14
Statement of cash flow . . . . .	1.15
Detailed statement of non-budgetary transactions and of non-financial assets . . . . .	1.16
Detailed statement of foreign exchange, unmatured debt and cash transactions . . . . .	1.17
Glossary of terms . . . . .	1.18

#### **NOTE TO READER**

An overview of the financial operations of the Government of Canada is provided in the *Annual Financial Report* prepared by the Minister of Finance. This Report also includes condensed financial statements.

Accompanying this Report are historical fiscal reference tables and related fiscal indicators for the federal government and the provinces.

The *Annual Financial Report* is available on the Internet at <http://www.fin.gc.ca/>. Copies can also be obtained by contacting the Department of Finance Distribution Centre at (613) 995-2855.

## FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS

### Introduction

The *Public Accounts of Canada* is a major accountability report of the Government of Canada. This section, together with the other sections in this volume and in Volumes II and III of the *Public Accounts of Canada*, provide detailed supplementary information in respect of matters reported in the audited financial statements in Section 2 of this volume. Further discussion and analysis of the Government's financial results can be found in the *Annual Financial Report of the Government of Canada Fiscal Year 2004-2005*, published by the Minister of Finance.

This discussion and analysis of the financial statements has been prepared under the joint direction of the Minister of Finance, the President of the Treasury Board and the Receiver General of Canada. Responsibility for the integrity and objectivity of the financial statements, however, rests with the Government. A glossary of terms used in this financial statement discussion and analysis is provided at the end of this section.

### 2004-2005 Financial Highlights

- A budgetary surplus of \$1.6 billion was achieved in 2004-2005. This marks the eighth consecutive year the Government has recorded a surplus, after twenty-seven years of consecutive deficits.
- The surplus was \$2.4 billion lower than forecast in the March 2004 Budget. Budgetary revenues were \$10.9 billion higher-than-forecast in the 2004 Budget, primarily attributable to stronger-than-expected economic growth and a higher revenue yield, while public debt charges were \$1.3 billion lower. In contrast, program expenses were \$14.5 billion higher-than-planned in the 2004 Budget, primarily reflecting the impact of new policy initiatives announced since the 2004 Budget.
- The accumulated deficit (the difference between total liabilities and financial and non-financial assets) stood at \$499.9 billion as of March 31, 2005, a decline of \$63 billion from its peak of \$562.9 billion as of March 31, 1997. This decline was attributable to higher financial assets (up \$50.5 billion), a reduction in interest-bearing debt (down \$19.8 billion), and higher non-financial assets (up \$8.8 billion), offset in part by an increase in accounts payable and accrued liabilities (up \$16.1 billion). The accumulated deficit-to-GDP ratio was 38.7 percent, down sharply from its peak of 68.4 percent as of March 1996 and is now at its lowest level since March 31, 1984.
- Net debt, a subcomponent of the accumulated deficit recording the difference between total liabilities and financial assets, stood at \$554.7 billion at the end of 2004-2005, down \$54.2 billion from its peak of \$609.0 billion at the end of 1996-97.
- Budgetary revenues totalled \$211.7 billion in 2004-2005, an increase of \$13.1 billion or 6.6 percent from 2003-2004. The revenue-to-GDP ratio stood at 16.4 percent, virtually unchanged from the ratio recorded since 2001-2002, but down significantly from the period 1996-97 to 2000-2001 when it averaged 18.0 percent. This decline reflects, in part, the impact of the tax reduction measures announced in the February 2000 Budget and October 2000 Economic Statement and Budget Update.
- Program expenses amounted to \$175.9 billion in 2004-2005, an increase of \$22.2 billion or 14.5 percent from 2003-2004. Over half (\$12.6 billion) of the increase was attributable to higher transfers to provinces and territories, primarily as an outcome of the First Ministers' meetings in 2004 on health, equalization and Territorial Formula Financing and the offshore revenue agreements with Nova Scotia and Newfoundland and Labrador. In addition, \$2.4 billion is related to a one-time increase in the provision for environmental liabilities. The program expenses-to-GDP ratio increased to 13.6 percent, up from 12.6 percent in 2003-2004, but well below the levels recorded prior to the actions taken in the mid-1990s to eliminate the deficit.
- Public debt charges, at \$34.1 billion in 2004-2005, declined by \$1.7 billion from 2003-2004 and are now at their lowest level since 1987-88. As a percentage of total budgetary revenues, they stood at 16.1 percent, down from the peak of 37.6 percent in 1990-91 and are at their lowest ratio since the mid 1970s.

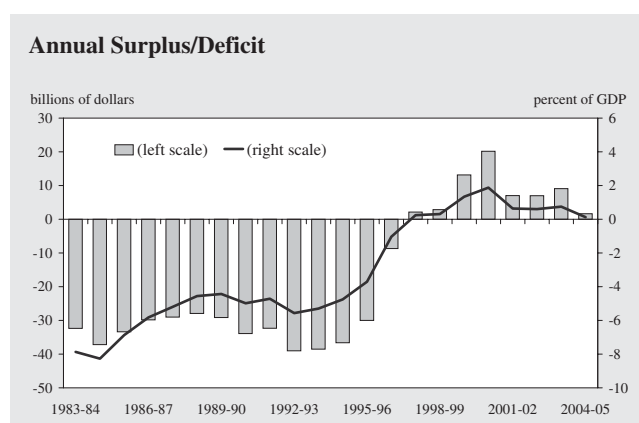


## Discussion and Analysis

### The Budgetary Balance

Sound financial management has been at the core of the Government's economic strategy for over the past 10 years. This strategy has put an end to almost three decades of chronic deficits and replaced them with eight consecutive surpluses – an achievement unparalleled since Confederation. The commitment to sound financial management allowed Canada to post a total government sector budgetary surplus in 2004, while all other G-7 countries recorded deficits.

The following graph illustrates the Government's fiscal performance since 1983-84.



In the absence of policy changes, the budgetary balance primarily mirrors economic developments. To adjust for economic developments, the budgetary balance and its components are often presented as a percentage of gross domestic product (GDP). On this basis, the improvement in the budgetary balance, from a deficit of 5.5 percent of GDP in 1993-94 to a surplus of 0.1 percent in 2004-2005, was attributable to the decline in the total expenses-to-GDP ratio. Program expenses as a percentage of GDP declined from 16.8 percent in 1993-94 to 13.6 percent in 2004-2005, while public debt charges fell from 5.5 percent in 1993-94 to 2.6 percent in 2004-2005. In contrast, budgetary revenues fell from 17.0 percent in 1993-94 to 16.4 percent in 2004-2005. The changes in the program expense and budgetary revenue ratios were due to policy actions. The decline in the public debt charge ratio was attributable to the decline in interest-bearing debt, due to the turnaround in the fiscal situation, and a decline in interest rates.

### 2004-2005 Financial Highlights

	2004-2005		2003-2004
	Budget <sup>(1)</sup>	Actual	Actual
(in billions of dollars)			
<b>Statement of Operations</b>			
Revenues.....	200.8	211.7	198.5
Expenses—			
Program expenses.....	-161.4	-175.9	-153.7
Public debt charges.....	-35.4	-34.1	-35.8
Total expenses.....	-196.8	-210.0	-189.5
<b>Annual surplus.....</b>	<b>4.0</b>	<b>1.6</b>	<b>9.1</b>
<b>Statement of Financial Position <sup>(2)</sup></b>			
Liabilities—			
Interest-bearing debt.....	614.6	615.3	621.1
Other.....	80.0	90.5	80.0
Total liabilities.....	694.6	705.7	701.1
Financial Assets.....	135.0	151.0	144.8
<b>Net debt.....</b>	<b>559.6</b>	<b>554.7</b>	<b>556.3</b>
Non-financial assets.....	55.0	54.9	54.8
<b>Accumulated deficit.....</b>	<b>504.6</b>	<b>499.9</b>	<b>501.5</b>

Note: Totals may not add due to rounding.

<sup>(1)</sup> Budget 2004 forecast adjusted to gross basis.

<sup>(2)</sup> Budget 2004 forecast was based on final results for 2002-2003 as those for 2003-2004 were not available at that time. Assumed reduction in interest-bearing debt of \$6 billion from 2002-2003.

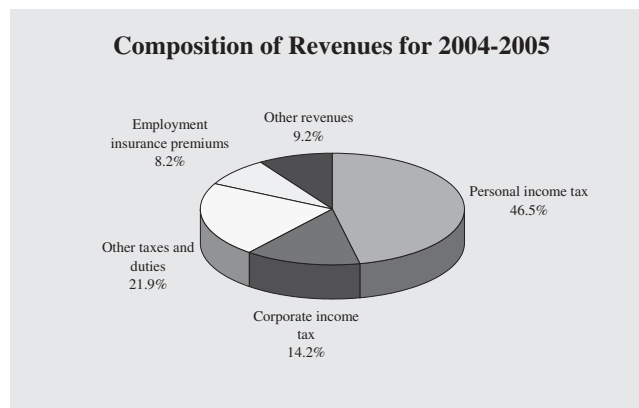
The surplus of \$1.6 billion in 2004-2005 was \$7.5 billion lower than the surplus of \$9.1 billion recorded in 2003-2004. Although budgetary revenues advanced by \$13.1 billion, reflecting strong growth in the applicable tax bases and the net proceeds from the sale of the Government's remaining shares in Petro Canada, and public debt charges declined by \$1.7 billion, program expenses were up \$22.2 billion. The increase in program expenses was largely due to the introduction of new initiatives and increases in provisions for liabilities.

The surplus of \$1.6 billion was \$2.4 billion lower than the March 2004 Budget forecast of \$4.0 billion. Budgetary revenues were \$10.9 billion higher-than-forecast, primarily reflecting stronger-than-expected growth in the applicable tax bases and a higher effective yield from these bases. Public debt charges were \$1.3 billion lower-than-forecast in the 2004 Budget, due to a lower-than-expected stock of interest-bearing debt and a decline in the average effective interest rate on that debt. However, program expenses were \$14.5 billion higher-than-planned in the 2004 Budget. This was attributable to the announcement of new policy initiatives and increased provisions for liabilities, totalling \$17.1 billion, offset partially by lower employment insurance benefits and direct program expenses.

### Budgetary Revenues

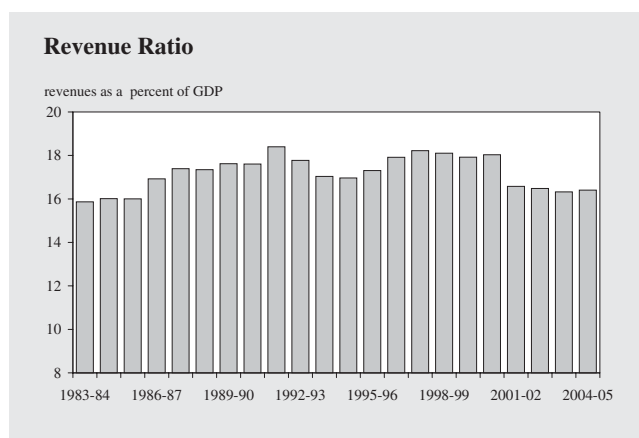
The largest source of federal revenues is personal income tax revenues, which has been relatively stable, averaging about 46.5 percent of total revenues over the last fifteen years. In contrast, corporate income tax revenues have increased from a low of 5.7 percent in 1992-93 to over 14 percent while employment insurance

premium revenues as a share of total revenues have dropped consistently, from a peak of 15.6 percent in 1994-95 to 8.2 percent in 2004-2005, reflecting annual reductions in rates. Although excise taxes and duties have averaged about 20 percent over the last fifteen years, there has been a shift towards the goods and services tax revenues and away from other excise taxes and duties.



The revenue-to-GDP ratio (budgetary revenues as a percentage of GDP) represents a measure of the overall federal “tax burden” in that it compares the total of all federal revenues accrued to the size of the economy. It should be noted that, as some components of income subject to taxation are excluded from Statistics Canada’s measure of GDP, such as capital gains and income from trustee pension plans, the ratio overstates the underlying tax burden. Apart from discretionary policy actions and the exclusion of some components of taxable income from GDP, this ratio is significantly influenced by economic developments. It tends to decline during economic downturns and to increase during recoveries, reflecting the progressive nature of the tax system and the cyclical nature of corporate profits and capital gains.

The ratio stood at 16.4 percent of GDP in 2004-2005. It has been relatively stable since 2001-2002, but down significantly from an average ratio of 18.0 percent over the period 1996-97 to 2000-2001. This decline was primarily due to the tax reduction measures announced in the *February 2000 Budget* and *October 2000 Economic Statement and Budget Plan*, which structurally lowered personal and corporate income taxes and employment insurance premium rates.



### Revenues Compared to 2003-2004

The following table compares the actual results for budgetary revenues for 2004-2005 to 2003-2004.

#### Revenues

			Change	
	2004-05	2003-04	Absolute	Percent
(in millions of dollars)				
<b>Income tax revenues—</b>				
Personal income tax . . . . .	98,521	92,957	5,564	6.0
Corporate income tax . . . . .	29,956	27,431	2,525	9.2
Other income tax revenues . . . . .	3,560	3,142	418	13.3
<b>Total . . . . .</b>	<b>132,037</b>	<b>123,530</b>	<b>8,507</b>	<b>6.9</b>
<b>Other taxes and duties—</b>				
Goods and services tax . . . . .	29,758	28,286	1,472	5.2
Customs import duties . . . . .	3,091	2,887	204	7.1
Energy taxes . . . . .	5,054	4,952	102	2.1
Air travellers security charge . . . . .	383	410	-27	-6.6
Other excise taxes and duties . . . . .	4,571	4,830	-259	-5.4
<b>Total . . . . .</b>	<b>42,857</b>	<b>41,365</b>	<b>1,492</b>	<b>3.6</b>
<b>Employment insurance premiums . . . . .</b>	<b>17,307</b>	<b>17,546</b>	<b>-239</b>	<b>-1.4</b>
<b>Other revenues—</b>				
Crown corporation revenues . . . . .	6,827	5,920	907	15.3
Foreign exchange revenues . . . . .	1,175	2,090	-915	-43.8
Other program revenues . . . . .	11,455	8,096	3,359	41.5
<b>Total . . . . .</b>	<b>19,457</b>	<b>16,106</b>	<b>3,351</b>	<b>20.8</b>
<b>Budgetary revenues . . . . .</b>	<b>211,658</b>	<b>198,547</b>	<b>13,111</b>	<b>6.6</b>

Of the \$13.1 billion increase in total budgetary revenues in 2004-2005, \$8.5 billion was attributable to higher income tax revenues. Personal income tax revenues, the largest component of budgetary revenues, were \$5.6 billion higher, or 6.0 percent, broadly in line with the growth of 4.3 percent in personal income. The difference in growth rates reflects a number of factors, including the progressivity of the personal income tax system and the fact that personal income excludes some components of taxable income, such as pension income and dividends, which are growing faster than overall personal income, as measured by Statistics Canada. Corporate income tax revenues were \$2.5 billion, or 9.2 percent higher than in 2003-2004, about half the 18.7 percent growth in corporate profits in 2004. This was down from the \$5.2 billion, or 23.4 percent increase, recorded in 2003-2004. However, the strong growth in 2003-2004, compared to a growth of only 8.7 percent in corporate profits in 2003, was attributable to an extraordinary gain of \$2.5 billion stemming from the revaluation of U.S.-dollar-denominated liabilities in the financial services sector. Excluding the impact of this one-time factor, the increase in corporate income tax revenues is broadly in line with the growth in corporate profits.

The increase in other excise taxes and duties was primarily attributable to higher goods and services tax (up \$1.5 billion, or 5.2 percent), which is in line with the growth in the applicable tax base. The decline in the Air Travellers Security Charges reflects a reduction in rates, effective April 1, 2004. Employment insurance premiums were lower as a reduction in premium rates from \$2.10 per \$100 of insurable earnings (employee rate) for 2003 to \$1.98 for 2004 more than offset the impact of an increase in employment and therefore in the number of Canadians and their employers paying premiums.

The increase in other revenues was primarily due to the \$2.6 billion gain the Government realized by selling its remaining shares in Petro Canada. Higher net gains from enterprise Crown corporations were offset by lower Exchange Fund profits, the latter reflecting the impact of the appreciation of the Canadian dollar.

### Revenues Compared to March 2004 Budget Plan

For the 2004-2005 fiscal year, revenues were \$10.9 billion higher-than-forecast in the March 2004 Budget. This was largely the result of two factors. First, the March 2004 Budget estimate was based on preliminary estimates for 2003-2004. Final results, which did not become available until the fall of 2004, indicated that budgetary revenues for 2003-2004 were \$5.1 billion higher-than-estimated in the March 2004 Budget. This effectively raised the revenue base for 2004-2005, primarily through an increase in the average effective revenue yield. Second, economic growth for 2004 turned out to be much stronger-than-forecast by private sector economists. The average private sector forecast for nominal income growth, at the time of the March 2004 Budget, was 4.2 percent. In its first quarter 2005 release, Statistics Canada estimated that nominal income advanced by 6.1 percent in 2004. These two factors largely explain the higher-than-forecasted outcomes for personal and corporate income taxes, GST revenues and employment insurance premiums.

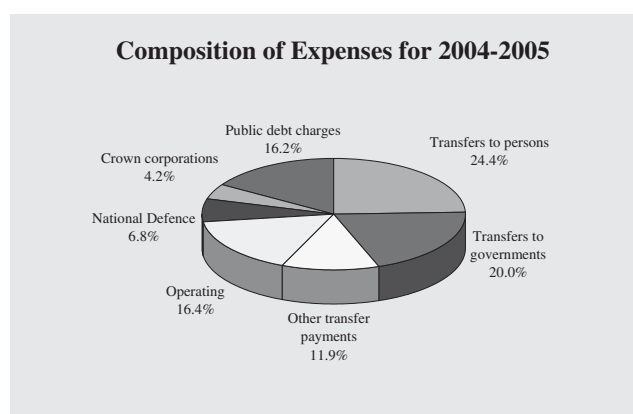
### Revenues: Comparison Actual to March 2004 Budget

	Budget	Actual	Difference
	(in millions of dollars)		
<b>Income tax revenues—</b>			
Personal income tax .....	95,695	98,521	2,826
Corporate income tax .....	26,245	29,956	3,711
Other income tax revenues .....	3,285	3,560	275
Total .....	125,225	132,037	6,812
<b>Other taxes and duties—</b>			
Goods and services tax .....	28,540	29,758	1,218
Customs import duties .....	3,000	3,091	91
Energy taxes .....	5,290	5,054	-236
Air travellers security charge .....	355	383	28
Other excise taxes and duties .....	4,490	4,571	81
Total .....	41,675	42,857	1,182
<b>Employment insurance premiums .....</b>	16,980	17,307	327
<b>Other revenues—</b>			
Crown corporation revenues .....	5,495	6,827	1,332
Foreign exchange revenues .....	2,050	1,175	-875
Other program revenues .....	9,355	11,455	2,100
Total .....	16,900	19,457	2,557
<b>Budgetary revenues .....</b>	<b>200,780</b>	<b>211,658</b>	<b>10,878</b>

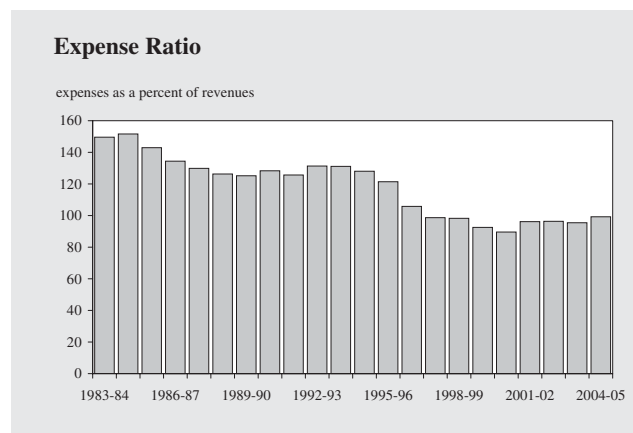
In addition, other revenues were \$2.6 billion higher-than-forecast in the March 2004 Budget. Revenues from Crown corporations were \$1.3 billion higher-than-forecast reflecting higher net gains and lower provisions against loans. Other program revenues were up \$2.1 billion, of which \$0.6 billion was attributable to higher net gains from the sale of the Government's remaining shares in Petro Canada, with the remaining difference attributable to higher revenues from the sale of goods and services and interest accruals on tax receivables.

### Total Expenses

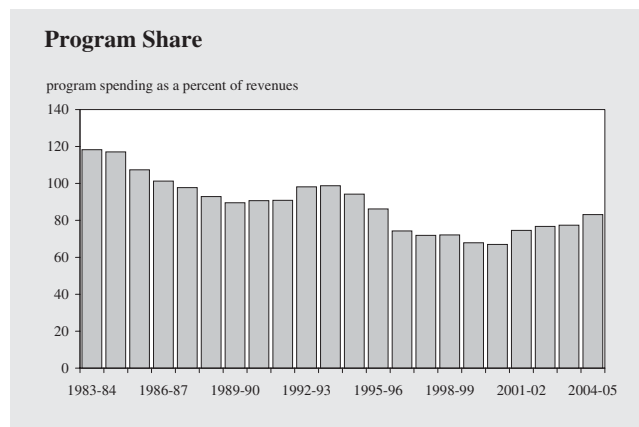
Major transfers to persons, consisting of elderly benefits, employment insurance benefits and Canada child tax benefits, at 24.4 percent, represent the largest major component of total federal expenses. This is followed by major transfers to other levels of government (Canada Health and Social Transfers, Fiscal arrangements and Alternative payments for standing programs), at 20.0 percent, and other departmental and agency operating expenses and public debt charges, at just over 16 percent each. There has been a shift in the composition of total expenses since the early 1990s. Public debt charges was the largest component for most of the 1990s, given the increase in the stock of interest-bearing debt and high average effective interest rates on that stock. With the elimination of the deficit, eight consecutive annual surpluses and a reduction in interest rates, its share has fallen from nearly 30 percent in 1996-97 to 16.2 percent in 2004-2005.



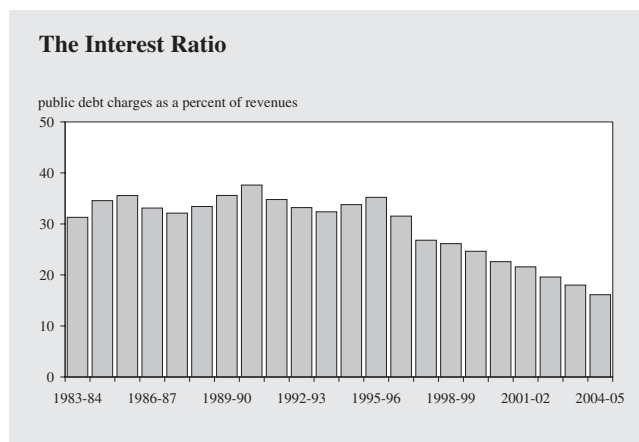
The expense ratio (total expenses as a percentage of total revenues) stood at 99.3 percent in 2004-2005. An expense ratio less than 100 means that revenues exceed expenses, resulting in a surplus. Since the federal government first recorded a surplus in 1997-98, the expense ratio has been less than 100. This is in sharp contrast to the previous twenty-seven years, in which revenues did not cover expenses, requiring the borrowing of the difference. The increase in the ratio since 2000-2001 reflects the combination of the impact of the 2000 tax reductions on revenues and the introduction of new policy initiatives on the expenses.



As noted above, total expenses includes both public debt charges and program expenses. The former is required to meet the Government's ongoing financing costs on its debt. Generally speaking, the Government has more discretion with respect to program expenses. Program expenses amounted to 83.1 percent of revenues in 2004-2005.



While the program expense ratio has been increasing in recent years, the interest ratio (public debt charges as a percentage of budgetary revenues) has been falling. It has declined from 37.6 percent in 1990-91 to 16.1 percent in 2004-2005. This ratio means that, in 2004-2005, the Government spent about 16 cents of every revenue dollar on interest on the public debt. This is money that is required to meet the Government's ongoing financing obligations on its debt. The lower the ratio, the more flexibility the Government has to address the key priorities of Canadians.



### Expenses Compared to 2003-2004

The following table compares the actual results for total expenses for 2004-2005 to 2003-2004.

Total expenses amounted to \$210.0 billion in 2004-2005, up \$20.6 billion, or 10.9 percent, from 2003-2004. Program expenses

increased by \$22.2 billion, while public debt charges were \$1.7 billion lower. The decline in public debt charges reflected both a decline in the stock of interest-bearing debt and a lower average effective interest rate on that debt as refinancing was at lower rates.

### Expenses

	2004-05		2003-04		Change	
	(in millions of dollars)		Absolute	Percent	Absolute	Percent
<b>Transfer payments—</b>						
Major transfers to persons—						
Elderly benefits .....	27,871	26,902	969	3.6		
Employment insurance benefits ..	14,748	15,058	-310	-2.1		
Canada child tax benefits .....	8,688	8,062	626	7.8		
<b>Total .....</b>	<b>51,307</b>	<b>50,022</b>	<b>1,285</b>	<b>2.6</b>		
Major transfers to other levels of government—						
Federal transfer support for health and other social programs .....	28,531	22,741	5,790	25.5		
Fiscal arrangements .....	16,170	9,351	6,819	72.9		
Alternative payments for standing programs .....	-2,746	-2,700	-46	1.7		
<b>Total .....</b>	<b>41,955</b>	<b>29,392</b>	<b>12,563</b>	<b>42.7</b>		
Other transfer payments .....	25,001	22,964	2,037	8.9		
<b>Total transfer payments .....</b>	<b>118,263</b>	<b>102,378</b>	<b>15,885</b>	<b>15.5</b>		
<b>Other program expenses—</b>						
Crown corporations .....	8,907	6,566	2,341	35.7		
National Defence .....	14,318	12,869	1,449	11.3		
All other departments and agencies ..	34,422	31,882	2,540	8.0		
<b>Total other program expenses .....</b>	<b>57,647</b>	<b>51,317</b>	<b>6,330</b>	<b>12.3</b>		
<b>Program expenses .....</b>	<b>175,910</b>	<b>153,695</b>	<b>22,215</b>	<b>14.5</b>		
Public debt charges .....	34,118	35,769	-1,651	-4.6		
<b>Total expenses .....</b>	<b>210,028</b>	<b>189,464</b>	<b>20,564</b>	<b>10.9</b>		

Over half of the increase in program expenses was attributable to higher transfers to other levels of governments (up \$12.6 billion), most of which was related to new policy initiatives. As part of the First Ministers' meeting on health in September 2004, the Government provided the provinces and territories with an additional \$5.75 billion for health with respect to 2004-2005, including \$4.25 billion for a Wait Times Reduction Fund, \$1.0 billion to close the short-term "Romanow gap", and \$0.5 billion for medical equipment. As part of the First Ministers' meeting on equalization and Territorial Formula Financing in October 2004, the Government provided provinces and territories with an incremental \$1.3 billion for 2004-2005. In addition, the Government agreed to provide Newfoundland and Labrador and Nova Scotia with 100 percent offset against reductions in equalization payments resulting from offshore resource revenues. As part of this agreement, the Government provided the two provinces with an upfront non-recoverable payment totalling \$2.8 billion. Finally, the 2005 Budget provided \$0.7 billion to provinces and territories for early learning and child care programs. Most of the remaining difference in major transfers to other levels of government was attributable to the recording of receivables in 2003-2004 with respect to equalization overpayments in previous years, which depressed equalization entitlements in that year.

Major transfers to persons increased by \$1.3 billion, reflecting higher elderly and Canada child tax benefits. The increase in the former was due to an increase in the number of eligible recipients due to the aging of the population, and higher average benefits, which are adjusted in line with increases in inflation. The increase in the Canada child tax benefit was due to scheduled increases announced as part of the February 2000 Budget \$100 billion Tax Reduction Plan. The increase of \$2.0 billion in other transfers was attributable to new policy initiatives announced in previous budgets. Improved labour market conditions and the accompanying decline in the number of unemployed resulted in lower employment insurance benefits.

Other program expenses increased by \$6.3 billion. The increase in Crown corporation expenses was due to an expense incurred by Atomic Energy of Canada Limited (AECL) for environmental liabilities, reflecting changes in its decommissioning plan and underlying assumptions. Higher operating costs as well as policy initiatives announced in previous budgets explain the increases in the other components.

#### Expenses Compared to March 2004 Budget Plan

For 2004-2005, total expenses were \$13.2 billion higher-than-forecast in the March 2004 Budget, with program expenses being \$14.5 billion higher while public debt charges were \$1.3 billion lower. The decline in public debt charges was attributable to a larger-than-expected decline in the stock of interest-bearing debt and changes in the composition of that debt, resulting in lower financing costs.

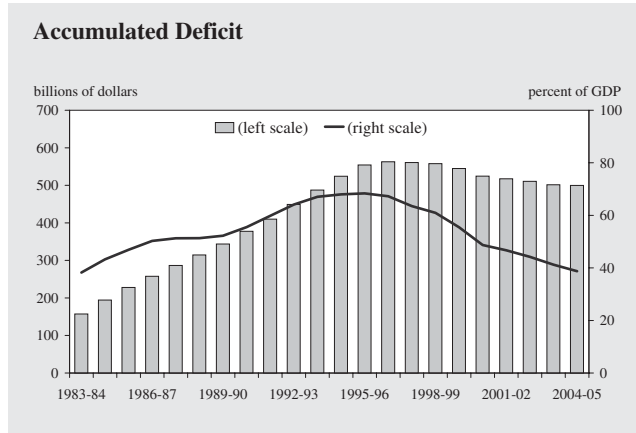
Of the \$14.5 billion increase in program expenses, \$11.4 billion was due to higher major transfers to other levels of government, primarily reflecting the impact of the new policy initiatives announced since the March 2004 Budget. The increase in other transfer payments and National Defence expenses also reflects the impact of new policy initiatives, especially additional funding to the agricultural sector affected by closure of the U.S. border to Canadian beef imports. The higher-than-expected Crown corporation expenses were due to the increased environmental liabilities recorded to reflect AECL's new nuclear facility decommissioning plan. Although expenses for all other departments and agencies were also marginally higher than the March 2004 Budget forecast, the impact of new policy initiatives of about \$1 billion was offset by a higher-than-expected lapse on appropriated spending. The better-than-expected labour market situation explains the lower-than-forecast employment insurance benefits.

#### Expenses: Comparison Actual to March 2004 Budget

	Budget	Actual	Difference
	(in millions of dollars)		
<b>Transfer payments—</b>			
Major transfers to persons—			
Elderly benefits . . . . .	27,925	27,871	-54
Employment insurance benefits . . . . .	15,715	14,748	-967
Canada child tax benefits . . . . .	8,755	8,688	-67
Total . . . . .	52,395	51,307	-1,088
Major transfers to other levels of government—			
Federal transfer support for health and other social programs . . . . .	22,050	28,531	6,481
Fiscal arrangements . . . . .	11,170	16,170	5,000
Alternative payments for standing programs . . . . .	-2,620	-2,746	-126
Total . . . . .	30,600	41,955	11,355
Other transfer payments . . . . .	24,000	25,001	1,001
<b>Total transfer payments . . . . .</b>	<b>106,995</b>	<b>118,263</b>	<b>11,268</b>
<b>Other program expenses—</b>			
Crown corporations . . . . .	6,200	8,907	2,707
National Defence . . . . .	13,800	14,318	518
All other departments and agencies . . . . .	34,400	34,422	22
Total other program expenses . . . . .	54,400	57,647	3,247
<b>Program expenses . . . . .</b>	<b>161,395</b>	<b>175,910</b>	<b>14,515</b>
Public debt charges . . . . .	35,400	34,118	-1,282
<b>Total expenses . . . . .</b>	<b>196,795</b>	<b>210,028</b>	<b>13,233</b>

#### Accumulated Deficit

The accumulated deficit is the net accumulation of annual surpluses and deficits since Confederation. Given eight consecutive years of budgetary surpluses, the accumulated deficit has been on a downward track, as shown in the following graph. Since March 31, 1997, it has declined by \$63 billion. As a percentage of GDP, it has fallen from a post-World War II peak of 68.4 percent at March 31, 1996 to 38.7 percent at March 31, 2005. The Government's objective, as first announced in the March 2004 Budget, is to reduce this ratio to 25 percent by 2014-2015, bringing the ratio back to where it was in the mid-1970s. Reducing this ratio is necessary in light of the economic and fiscal pressures that are going to result from population aging. The aging of the population will reduce the employment-to-population ratio over the coming decades, which in turn will slow the growth in government revenue, while simultaneously putting pressure on government programs such as health care and pension benefits. Reducing the debt-to-GDP ratio will reduce the burden of interest charges on public debt, freeing up resources to address other priorities.



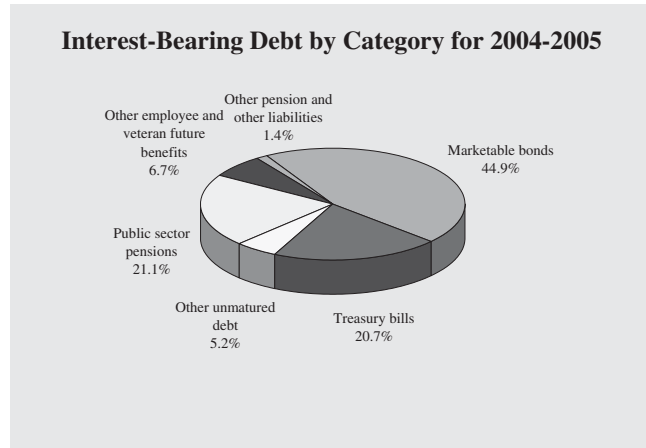
The accumulated deficit is also the difference between the Government's total liabilities and its assets. Total liabilities include interest-bearing debt and accounts payable and accrued liabilities. Assets include both financial and non-financial, the latter consisting primarily of tangible capital assets. Of the decline in the accumulated deficit since March 31, 1997, most of it has come from an increase in financial assets. The following sections provide more detail on each of these components.

**Statement of Financial Position**

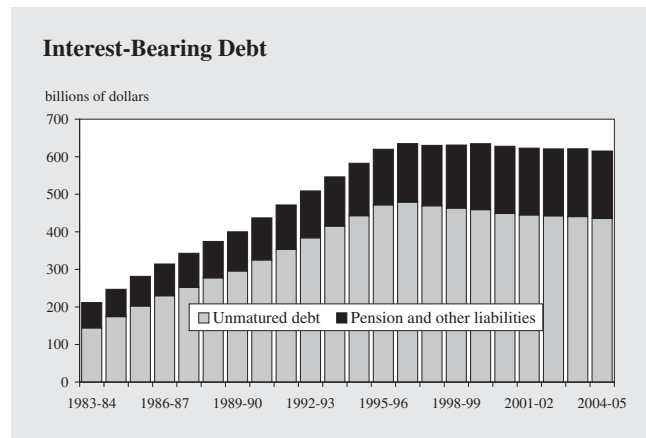
	2004-2005	2003-2004	Difference
	(in millions of dollars)		
<b>Liabilities</b>			
Accounts payable and accrued liabilities . . . . .	90,473	79,964	10,509
Interest-bearing debt—			
Unmatured debt . . . . .	435,460	440,231	-4,771
Pension and other liabilities . . . . .	179,808	180,898	-1,090
Total . . . . .	615,268	621,129	-5,861
<b>Total liabilities . . . . .</b>	<b>705,741</b>	<b>701,093</b>	<b>4,648</b>
<b>Financial Assets</b>			
Cash and accounts receivable . . . . .	76,281	70,921	5,360
Foreign exchange accounts . . . . .	40,871	44,313	-3,442
Loans, investments and advances . . . . .	33,860	29,548	4,312
Total financial assets . . . . .	151,012	144,782	6,230
<b>Net debt . . . . .</b>	<b>554,729</b>	<b>556,311</b>	<b>-1,582</b>
<b>Non-financial assets . . . . .</b>	<b>54,866</b>	<b>54,818</b>	<b>48</b>
<b>Accumulated deficit . . . . .</b>	<b>499,863</b>	<b>501,493</b>	<b>-1,630</b>

**Interest-Bearing Debt**

Interest-bearing debt includes unmaturing debt, or debt issued on the credit markets (market debt), and obligations for pension and other liabilities. The latter primarily includes obligations to federal employee pension and other benefit plans. Market debt, consisting of fixed-coupon marketable bonds, real return bonds, Treasury Bills, retail debt (Canada Savings Bonds, Canada Premium Bonds and Canada Investment Bonds), foreign currency-denominated debt as well as bonds issued to the Canada Pension Plan, amounted to 71 percent of interest-bearing debt, with obligations to federal public service pension plans accounting for an additional 21 percent, as shown in the following graph. The share of market debt has been declining since the mid-1990s, as the Government has been able to retire some of this debt.

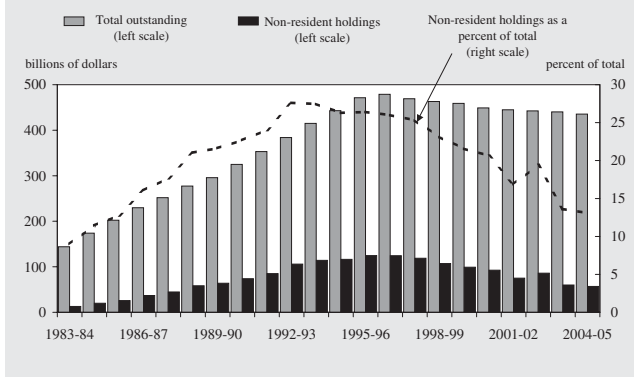


At March 31, 2005, interest-bearing debt amounted to \$615.3 billion, down \$5.9 billion from 2003-2004 and down \$19.8 billion from its peak of \$635.1 billion at March 31, 1997. Within interest-bearing debt, market debt declined \$43.3 billion between March 31, 1997 and March 31, 2005, while obligations for pension and other liabilities increased by \$23.5 billion. The Bank of Canada and the Department of Finance manage the Government's debt and associated risks. The fundamental objective of the debt management strategy is to provide stable, low-cost funding to meet the Government's financial obligations and liquidity needs. Details on the Government's debt management objectives and principles are tabled annually in Parliament through a Department of Finance publication entitled *Debt Management Strategy*. Further details on the pension plans are contained in Section 6 of this Volume.



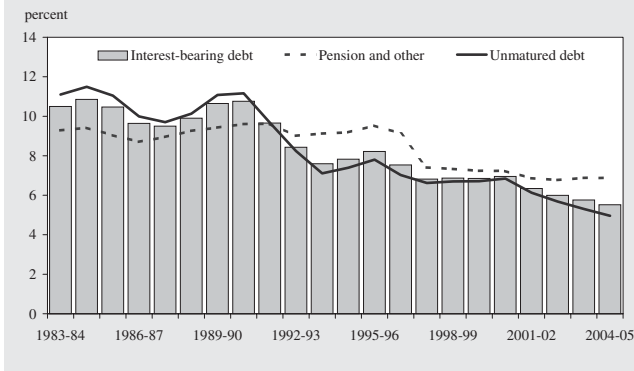
Foreign holdings of the Government's market debt were estimated at \$56.9 billion at the end of March 2005. This represents 13.1 percent of the Government's total market debt, about half of what it was in the mid-1990s.

**Foreign Holdings of Government of Canada Market Debt**



The average effective interest rate on the Government’s interest-bearing debt was 5.5 percent in 2004-2005, down from 5.8 percent in 2003-2004. It was 5.0 percent on market debt and 6.9 percent on pension and other accounts. The higher average effective interest rate on pension and other liabilities than market debt is because the former is primarily credited with interest at rates that are calculated as though the amounts in the plans were invested in a notional portfolio of Government of Canada 20-year bonds held to maturity.

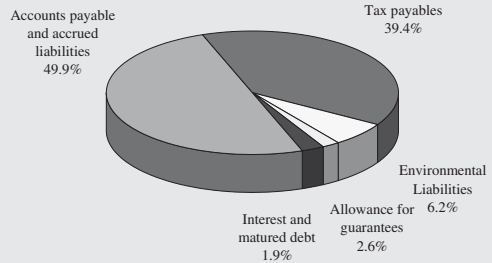
**Average Effective Interest Rate on Interest-Bearing Debt**



**Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities include the following:

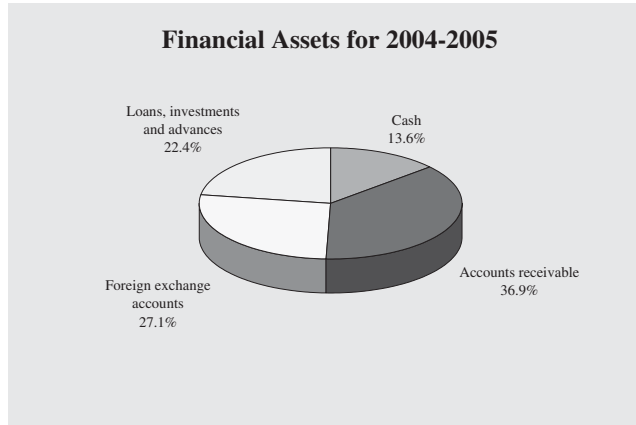
**Accounts Payable and Accrued Liabilities by Category for 2004-2005**



At March 31, 2005, these liabilities amounted to \$90.5 billion, up \$10.5 billion from March 31, 2004 and \$16.2 billion higher than at March 31, 1997. The increase since 1996-97 primarily reflects increases in tax payables (refunds), which grow broadly in line with the growth in the economy, and in accounts payable and accrued liabilities, which grow broadly in line with the growth in total expenses. The latter is also affected by liabilities to trust funds and foundations, payments which are usually made in the following fiscal year upon passage of the applicable legislation. The increase in environmental liabilities between March 31, 2004 and March 31, 2005 reflected the impact of AECL’s new nuclear facility decommissioning plan.

**Financial Assets**

Financial assets include cash on deposit with the Bank of Canada, chartered banks and other financial institutions, accounts receivable, foreign exchange accounts, and loans, investments and advances. The Government’s foreign exchange accounts include foreign currency deposits and investments in gold and subscriptions in the International Monetary Fund. The Government’s foreign currency borrowings, included in market debt, are held by the Exchange Fund Account to provide foreign currency liquidity and provide funds needed to promote orderly conditions for the Canadian dollar in the foreign exchange markets. Further details on the management of international reserves are available in the *Annual Report to Parliament on the Operations of the Exchange Fund Account*. The Government’s loans, investments and advances include its investments in enterprise Crown corporations, loans to national governments mainly for financial assistance and development of export trade, and loans under the Canada Student Loans program.

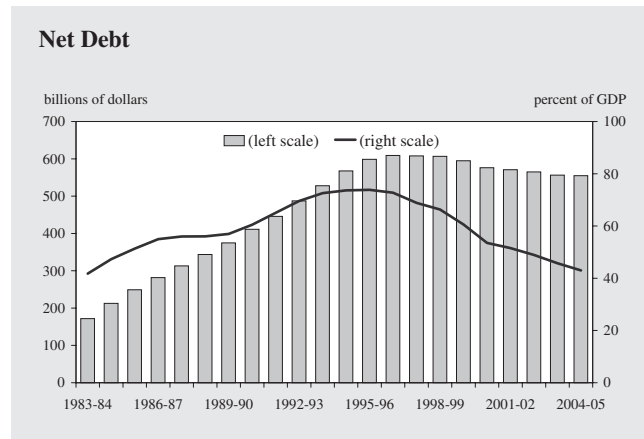


At March 31, 2005, financial assets amounted to \$151.0 billion, up \$6.2 billion from March 31, 2004, primarily due to an increase in tax receivables and in investments in enterprise Crown corporations, largely arising from higher net gains by the Export Development Corporation and Canada Mortgage and Housing Corporation. Since March 31, 1997, financial assets have increased \$50.6 billion, due to higher levels of cash and accounts receivables (up \$23.5 billion), an increase in the foreign exchange accounts (up \$14.1 billion) and an increase in loans, investments and advances (up \$13.0 billion). The increase in cash (up \$10.4 billion) is to ensure that the Government has sufficient cash on hand at year end to meet its operating and liquidity requirements through the first few months of the next fiscal year. For additional information on cash flow, see section on *Cash Flow*. The increase in tax receivables is broadly in line with the growth in the applicable tax bases. The increase in foreign exchange accounts reflected a decision by the Government in the late 1990s to increase its liquidity in these accounts. In recent years, it has reduced its holdings of foreign currency debt, given the improved economic and fiscal situation. The increase in loans, investments and advances was due to higher net gains from enterprise Crown corporations and the taking over of the financing of the Canada Student Loans program from the chartered banks in 2000.

#### Net Debt

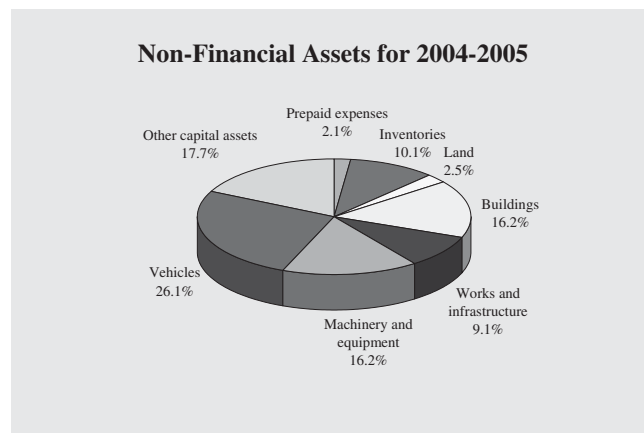
The Government's net debt – its total liabilities less financial assets – declined to \$554.7 billion at March 31, 2005, from a peak of \$609.0 billion at March 31, 1997. As a share of GDP, net debt was 43.0 percent, down 30.9 percentage points from its peak of 73.9 percent at March 31, 1997. This is the ninth consecutive year in which this ratio has declined.

This ratio measures debt relative to the ability of the country's taxpayers to finance it. Total liabilities are only reduced by *financial assets* as *non-financial assets* are not normally converted to cash to pay off the debt, without disrupting government operations.



#### Non-Financial Assets

Non-financial assets include the net book value of the Government's tangible capital assets, which includes land, buildings, works and infrastructure such as roads and bridges, machinery and equipment, ships, aircraft and other vehicles. Non-financial assets also include inventories and prepaid expenses.



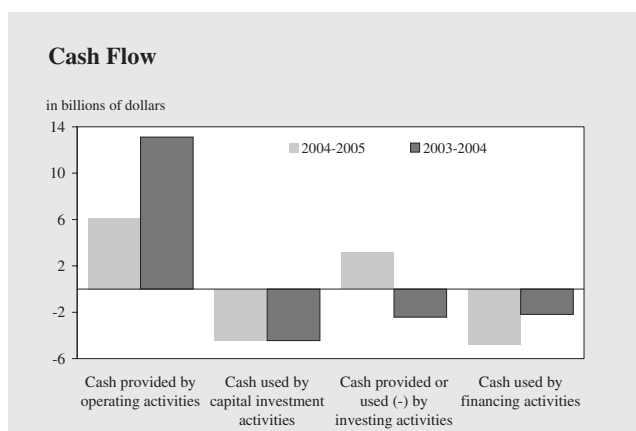
At March 31, 2005, non-financial assets stood at \$54.9 billion, virtually unchanged from the same period a year earlier. However, since March 31, 1997, non-financial assets have increased by \$8.8 billion.

#### Cash Flow

The annual surplus or deficit is presented on a full accrual basis of accounting, recognizing income in the period it is earned and liabilities when incurred. As such, the Government's operating activities generate a significant source of cash, after adjusting for non-cash revenues and expenses, part of which is offset by its capital investing activities. In addition, cash is usually received from the Government's investing activities. Since 1997-98, this cash has been used to pay off debt or change the level of the cash balances.



The following are the cash flows:



## Risks and Uncertainties

As noted in the budget and related documents, the Government's revenues and expenses are highly sensitive to changes in economic assumptions – particularly to changes in real economic growth, inflation and interest rates. Not only can the forecasts of economic growth change on an aggregate basis, but the composition of the growth can be different than originally projected. Changes in economic conditions can also affect taxpayer behaviour. The applicable tax bases used for forecasting purposes are based on Statistics Canada's estimates. These are subject to ongoing revisions. Furthermore, the concepts employed are not entirely consistent with the definition of taxation income used by the Canada Revenue Agency, as noted in earlier sections. On the revenue side, monthly cash receipts are used as a proxy for accruals. However, year-end accruals can differ significantly from the cash results, especially for personal and corporate income tax and other revenue – audited results for which are not received until well after the end of the fiscal year. The revenues and expenses may also be affected throughout the year by unforeseen developments, including natural disasters, labour disruptions, court decisions and other legal obligations, delays in Parliamentary approvals, changes in accounting standards, and changes in environmental liabilities.

The forecasts of the budgetary balance and its components are updated in the fall economic and fiscal update and again in the budget tabled in Parliament prior to, or in the early months of, the next fiscal year. These updates are largely based on the monitoring of the monthly financial results as published in the *Fiscal Monitors* and incorporate the final audited fiscal results for the previous fiscal year, which are usually released in late September/early October. Results for the previous fiscal year can have a significant impact on the current year's estimates through adjustment to the average effective tax yield and assumptions regarding lapses in departmental appropriations. Although these updates are an improvement over the first forecast, they can still be off significantly from the final audited results. In part, this relates to the timing of information flows. For example, up to forty-five percent of corporate income tax revenues can be received in the final three months of the fiscal year, given remittance procedures. This information is not received until after the latest budget estimates are finalized.

To ensure that such developments do not adversely affect the Government's balanced budget targets, it follows a prudent approach to budget planning – including the use of private sector economic forecasts, regular consultations with a private sector economic advisory group, and the inclusion in the fiscal projections of an annual Contingency Reserve, as well as extra economic prudence. If the Contingency Reserve is not needed, it is used to reduce the accumulated deficit.

The Government maintains a prudent debt structure to protect its fiscal position from unexpected increases in interest rates and to limit annual refinancing needs. One of the measures of prudence is the fixed-rate share of debt – that is, the share that does not need to be refinanced within a year. As announced in the 2003 budget, the Government has adopted a new target for the fixed-rate portion. It will be reduced from two-thirds to 60 percent by 2007-2008 to lower future debt costs. The significant improvement in Canada's economic and fiscal situation, low and stable inflation and the restoration of Canada's triple-A credit rate make interest rate surprises less likely.

To illustrate the impact of changes in economic conditions, the Department of Finance publishes, on a regular basis, sensitivity impacts on the budgetary balance. These are "rules of thumb" as the actual impact will depend on many other factors as well. These show, for example, that

- A 1-percent decrease in real GDP growth for one year would adversely affect the budgetary balance by about \$2.5 billion in the first year, with increasing impacts thereafter.
- A 1-percent reduction in inflation would adversely affect the budgetary balance by about \$1.5 billion annually.
- A sustainable 100-basis-point decline in all interest rates would improve the budgetary balance by \$1 billion in the first year, with increasing impacts thereafter until the market debt is fully refinanced.

As noted in the 2005 Budget, a key near-term risk to the Canadian economic outlook is that the appreciation of the Canadian dollar will begin to affect domestic demand, which could result in labour market weakness, thereby dampening consumer confidence and spending. On a medium-term basis, the large and persistent U.S. current account and fiscal deficits could put upward pressure on interest rates and lower growth in the U.S., which would have negative implications for Canadian growth. A longer-term risk is the aging of the population as Canada is projected to experience one of the largest increases in the ratio of elderly to the 15-64 population. Population aging will exert significant upward pressure on age-related government expenditures, such as universal public pensions and health care. The reduction in the employment-to-population ratio over the upcoming decades will also tend to reduce economic and living standard growth and slow the growth in government revenues.

While the risks are negative on balance, Canada's strong monetary, fiscal and structural policy framework make it well positioned to deal with these risks. In addition, the Government's objective to reduce the accumulated deficit-to-GDP ratio to 25 percent by 2014-2015, will reduce the burden of interest charges, freeing up resources to address emerging pressures.

## TEN YEAR COMPARATIVE FINANCIAL INFORMATION

This part provides a ten year comparison of financial information based on the accounting policies explained in Note 1 to the audited financial statements in Section 2 of this volume.

**TABLE 1.1**

GOVERNMENT OF CANADA  
DETAILED STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT  
(in millions of dollars)

	Year ended March 31									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Revenues—</b>										
<b>Tax revenues—</b>										
<b>Income tax—</b>										
Personal .....	64,049	67,796	74,949	77,894	85,070	92,662	86,972	89,530	92,957	98,521
Corporate .....	15,372	16,235	21,179	21,213	22,115	28,293	24,242	22,222	27,431	29,956
Other income tax revenues .....	1,882	2,671	1,999	2,208	2,646	2,982	2,925	3,291	3,142	3,560
	<i>81,303</i>	<i>86,702</i>	<i>98,127</i>	<i>101,315</i>	<i>109,831</i>	<i>123,937</i>	<i>114,139</i>	<i>115,043</i>	<i>123,530</i>	<i>132,037</i>
<b>Other taxes and duties—</b>										
Goods and services tax .....	16,880	18,159	19,717	20,936	23,121	24,759	25,292	28,248	28,286	29,758
Energy taxes .....	4,404	4,467	4,638	4,716	4,757	4,792	4,848	4,935	4,952	5,054
Customs import duties .....	2,969	2,676	2,766	2,359	2,105	2,784	3,040	3,278	2,887	3,091
Other excise taxes and duties .....	2,998	3,902	4,025	3,706	3,315	3,434	3,953	4,896	5,240	4,954
	<i>27,251</i>	<i>29,204</i>	<i>31,146</i>	<i>31,717</i>	<i>33,298</i>	<i>35,769</i>	<i>37,133</i>	<i>41,357</i>	<i>41,365</i>	<i>42,857</i>
<b>Total tax revenues .....</b>	<b>108,554</b>	<b>115,906</b>	<b>129,273</b>	<b>133,032</b>	<b>143,129</b>	<b>159,706</b>	<b>151,272</b>	<b>156,400</b>	<b>164,895</b>	<b>174,894</b>
<b>Employment insurance premiums .....</b>	<b>19,089</b>	<b>19,949</b>	<b>19,242</b>	<b>19,064</b>	<b>18,628</b>	<b>18,655</b>	<b>17,637</b>	<b>17,870</b>	<b>17,546</b>	<b>17,307</b>
<b>Other revenues—</b>										
Crown corporation revenues .....	5,830	4,000	4,369	4,497	4,700	5,460	4,754	5,305	5,920	6,827
Other program revenues .....	5,605	8,609	6,428	7,180	7,525	7,620	7,560	7,278	8,096	11,455
Foreign exchange revenues .....	1,179	1,456	1,542	1,851	2,085	2,679	2,453	3,379	2,090	1,175
<b>Total other revenues .....</b>	<b>12,614</b>	<b>14,065</b>	<b>12,339</b>	<b>13,528</b>	<b>14,310</b>	<b>15,759</b>	<b>14,767</b>	<b>15,962</b>	<b>16,106</b>	<b>19,457</b>
<b>Total revenues .....</b>	<b>140,257</b>	<b>149,920</b>	<b>160,854</b>	<b>165,624</b>	<b>176,067</b>	<b>194,120</b>	<b>183,676</b>	<b>190,232</b>	<b>198,547</b>	<b>211,658</b>
<b>Expenses—</b>										
<b>Transfer payments—</b>										
Old age security benefits, guaranteed income supplement and spouse's allowance .....	20,430	21,207	21,758	22,285	22,856	23,668	24,641	25,692	26,902	27,871
Other levels of government—										
Canada health and social transfer <sup>(1)</sup> .....		14,911	12,421	16,018	14,891	13,500	17,300	21,100	22,341	28,031
Fiscal arrangements .....	9,405	9,418	10,000	11,645	10,721	12,467	11,603	10,879	9,409	12,863
Canada Assistance Plan .....	7,191	105	24	8	56					
Education support .....	2,365	-41	5							
Alternative payments for standing programs .....		-2,014	-2,108	-2,150	-2,425	-2,460	-2,662	-2,321	-2,700	-2,746
Other .....	7,115	-217	162	2		1,217	375	987	342	3,807
<b>Total other levels of government .....</b>	<b>26,076</b>	<b>22,162</b>	<b>20,504</b>	<b>25,523</b>	<b>23,243</b>	<b>24,724</b>	<b>26,616</b>	<b>30,645</b>	<b>29,392</b>	<b>41,955</b>
Employment insurance benefits .....	13,476	12,380	11,842	11,884	11,301	11,444	13,726	14,496	15,058	14,748
Canada child tax benefits .....	5,215	5,239	5,352	5,715	6,000	6,783	7,471	7,823	8,062	8,688
Other transfer payments .....	16,638	16,011	21,053	17,379	17,984	21,075	18,321	19,987	22,964	25,001
<b>Total transfer payments .....</b>	<b>81,835</b>	<b>76,999</b>	<b>80,509</b>	<b>82,786</b>	<b>81,384</b>	<b>87,694</b>	<b>90,775</b>	<b>98,643</b>	<b>102,378</b>	<b>118,263</b>
<b>Other program expenses—</b>										
Crown corporation expenses .....	9,552	5,204	4,441	5,790	5,246	5,402	6,085	6,551	6,566	8,907
National Defence .....	9,817	8,807	9,087	9,308	10,113	9,744	10,443	11,803	12,869	14,318
All other departments and agencies .....	19,652	20,317	21,565	21,590	22,795	27,226	29,703	28,996	31,882	34,422
<b>Total other program expenses .....</b>	<b>39,021</b>	<b>34,328</b>	<b>35,093</b>	<b>36,688</b>	<b>38,154</b>	<b>42,372</b>	<b>46,231</b>	<b>47,350</b>	<b>51,317</b>	<b>57,647</b>
<b>Total program expenses .....</b>	<b>120,856</b>	<b>111,327</b>	<b>115,602</b>	<b>119,474</b>	<b>119,538</b>	<b>130,066</b>	<b>137,006</b>	<b>145,993</b>	<b>153,695</b>	<b>175,910</b>
<b>Public debt charges .....</b>	<b>49,407</b>	<b>47,281</b>	<b>43,120</b>	<b>43,303</b>	<b>43,384</b>	<b>43,892</b>	<b>39,651</b>	<b>37,270</b>	<b>35,769</b>	<b>34,118</b>
<b>Total expenses .....</b>	<b>170,263</b>	<b>158,608</b>	<b>158,722</b>	<b>162,777</b>	<b>162,922</b>	<b>173,958</b>	<b>176,657</b>	<b>183,263</b>	<b>189,464</b>	<b>210,028</b>
<b>Annual surplus or deficit (-) .....</b>	<b>-30,006</b>	<b>-8,688</b>	<b>2,132</b>	<b>2,847</b>	<b>13,145</b>	<b>20,162</b>	<b>7,019</b>	<b>6,969</b>	<b>9,083</b>	<b>1,630</b>
Accumulated deficit, beginning of year .....	524,156	554,162	562,850	560,718	557,871	544,726	524,564	517,545	510,576	501,493
<b>Accumulated deficit, end of year .....</b>	<b>554,162</b>	<b>562,850</b>	<b>560,718</b>	<b>557,871</b>	<b>544,726</b>	<b>524,564</b>	<b>517,545</b>	<b>510,576</b>	<b>501,493</b>	<b>499,863</b>

<sup>(1)</sup> This transfer was introduced in 1996-97 to replace the Canada Assistance Plan, Education support and Insurance and medical care.

TABLE 1.2

GOVERNMENT OF CANADA  
DETAILED STATEMENT OF FINANCIAL POSITION

(in millions of dollars)

	As at March 31 <sup>(1)</sup>									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>LIABILITIES</b>										
<b>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES—</b>										
Accounts payable and accrued liabilities . . . . .	31,434	30,593	36,011	37,943	35,966	38,080	32,292	34,406	37,267	45,120
Tax payables . . . . .	24,046	25,076	27,579	28,843	29,809	33,030	34,284	33,549	33,040	35,650
Environmental liabilities . . . . .	3,014	3,014	3,014	3,014	3,014	3,014	3,051	3,378	3,564	5,624
Interest and matured debt . . . . .	7,403	10,402	10,419	9,791	8,353	9,107	7,807	4,302	3,323	1,762
Allowance for guarantees . . . . .	5,440	5,253	4,188	4,090	3,920	3,951	4,076	3,802	2,770	2,317
<b>Total accounts payable and accrued liabilities . . . . .</b>	<b>71,337</b>	<b>74,338</b>	<b>81,211</b>	<b>83,681</b>	<b>81,062</b>	<b>87,182</b>	<b>81,510</b>	<b>79,437</b>	<b>79,964</b>	<b>90,473</b>
<b>INTEREST-BEARING DEBT—</b>										
<b>Unmatured debt—</b>										
Payable in Canadian currency—										
Marketable bonds . . . . .	252,700	282,498	294,583	295,752	293,927	294,973	293,843	288,245	278,780	266,570
Treasury bills . . . . .	166,100	135,400	112,300	96,950	99,850	88,700	94,039	104,411	113,378	127,199
Canada savings, Canada premium and Canada investment bonds . . . . .	30,460	32,470	29,769	27,662	26,489	26,099	23,966	22,584	21,330	19,080
Non-marketable bonds and notes . . . . .	3,478	3,468	3,456	4,063	3,552	3,473	3,391	3,371	3,427	3,393
	<b>452,738</b>	<b>453,836</b>	<b>440,108</b>	<b>424,427</b>	<b>423,818</b>	<b>413,245</b>	<b>415,239</b>	<b>418,611</b>	<b>416,915</b>	<b>416,242</b>
Payable in foreign currencies . . . . .	16,809	23,016	27,183	36,000	32,588	33,158	27,032	21,141	20,542	16,286
Obligations related to capital leases . . . . .	1,885	1,935	1,924	2,614	2,601	2,591	2,619	2,664	2,774	2,932
	<b>471,432</b>	<b>478,787</b>	<b>469,215</b>	<b>463,041</b>	<b>459,007</b>	<b>448,994</b>	<b>444,890</b>	<b>442,416</b>	<b>440,231</b>	<b>435,460</b>
<b>Pension and other liabilities—</b>										
Public sector pensions . . . . .	107,882	114,205	117,457	122,407	128,346	129,185	126,921	125,708	127,560	129,579
Other employee and veteran future benefits . . . . .	32,427	33,396	34,152	35,135	35,714	37,668	38,280	38,844	39,367	41,549
Due to Canada Pension Plan . . . . .	3,636	3,718	4,205	5,427	6,217	6,391	6,770	7,093	7,483	2,771
Other liabilities . . . . .	4,549	4,959	5,060	5,222	5,474	5,729	5,971	6,642	6,488	5,909
	<b>148,494</b>	<b>156,278</b>	<b>160,874</b>	<b>168,191</b>	<b>175,751</b>	<b>178,973</b>	<b>177,942</b>	<b>178,287</b>	<b>180,898</b>	<b>179,808</b>
<b>Total interest-bearing debt . . . . .</b>	<b>619,926</b>	<b>635,065</b>	<b>630,089</b>	<b>631,232</b>	<b>634,758</b>	<b>627,967</b>	<b>622,832</b>	<b>620,703</b>	<b>621,129</b>	<b>615,268</b>
<b>TOTAL LIABILITIES . . . . .</b>	<b>691,263</b>	<b>709,403</b>	<b>711,300</b>	<b>714,913</b>	<b>715,820</b>	<b>715,149</b>	<b>704,342</b>	<b>700,140</b>	<b>701,093</b>	<b>705,741</b>
<b>FINANCIAL ASSETS</b>										
<b>CASH AND ACCOUNTS RECEIVABLE—</b>										
Cash . . . . .	9,044	10,175	11,691	10,693	14,511	15,801	11,360	16,486	20,546	20,595
Tax receivables . . . . .	38,610	39,383	40,679	41,838	43,321	48,572	45,605	43,597	47,953	53,477
Other accounts receivable . . . . .	4,923	3,213	2,832	3,348	3,179	2,629	2,868	2,543	2,422	2,209
<b>Total cash and accounts receivable . . . . .</b>	<b>52,577</b>	<b>52,771</b>	<b>55,202</b>	<b>55,879</b>	<b>61,011</b>	<b>67,002</b>	<b>59,833</b>	<b>62,626</b>	<b>70,921</b>	<b>76,281</b>
<b>FOREIGN EXCHANGE ACCOUNTS—</b>										
International reserves held in the Exchange Fund										
Account . . . . .	18,908	26,726	28,198	31,855	38,630	47,845	48,667	44,849	41,247	39,114
International Monetary Fund—Subscriptions . . . . .	8,580	8,295	8,194	13,048	12,390	12,814	12,821	12,942	12,185	11,240
Less: International Monetary Fund—Notes payable and special drawing rights allocations . . . . .	8,434	8,208	7,424	10,235	9,526	10,389	9,442	8,841	9,119	9,483
<b>Total net foreign exchange accounts . . . . .</b>	<b>19,054</b>	<b>26,813</b>	<b>28,968</b>	<b>34,668</b>	<b>41,494</b>	<b>50,270</b>	<b>52,046</b>	<b>48,950</b>	<b>44,313</b>	<b>40,871</b>
<b>LOANS, INVESTMENTS AND ADVANCES—</b>										
Enterprise Crown corporations and other government business enterprises . . . . .										
	15,546	15,212	14,697	13,089	13,369	14,176	13,688	14,555	16,232	19,226
National governments including developing countries and international organizations . . . . .										
	13,092	13,374	13,712	14,750	14,231	14,998	15,272	14,793	14,293	14,375
Other loans, investments and advances . . . . .	5,652	5,839	6,021	6,053	6,103	8,335	9,574	11,650	16,609	17,793
	<b>34,290</b>	<b>34,425</b>	<b>34,430</b>	<b>33,892</b>	<b>33,703</b>	<b>37,509</b>	<b>38,534</b>	<b>40,998</b>	<b>47,134</b>	<b>51,394</b>
Less: allowance for valuation . . . . .	13,266	13,571	15,253	16,119	15,343	15,937	16,978	17,250	17,586	17,534
<b>Total loans, investments and advances . . . . .</b>	<b>21,024</b>	<b>20,854</b>	<b>19,177</b>	<b>17,773</b>	<b>18,360</b>	<b>21,572</b>	<b>21,556</b>	<b>23,748</b>	<b>29,548</b>	<b>33,860</b>
<b>TOTAL FINANCIAL ASSETS . . . . .</b>	<b>92,655</b>	<b>100,438</b>	<b>103,347</b>	<b>108,320</b>	<b>120,865</b>	<b>138,844</b>	<b>133,435</b>	<b>135,324</b>	<b>144,782</b>	<b>151,012</b>
<b>NET DEBT . . . . .</b>	<b>598,608</b>	<b>608,965</b>	<b>607,953</b>	<b>606,593</b>	<b>594,955</b>	<b>576,305</b>	<b>570,907</b>	<b>564,816</b>	<b>556,311</b>	<b>554,729</b>
<b>NON-FINANCIAL ASSETS</b>										
Tangible capital assets . . . . .	37,763	39,253	40,174	41,500	42,854	44,214	45,724	47,034	47,745	48,207
Inventories . . . . .	5,803	5,972	6,160	6,310	6,451	6,591	6,438	6,113	6,134	5,525
Prepaid expenses . . . . .	880	890	901	912	924	936	1,200	1,093	939	1,134
<b>TOTAL NON-FINANCIAL ASSETS . . . . .</b>	<b>44,446</b>	<b>46,115</b>	<b>47,235</b>	<b>48,722</b>	<b>50,229</b>	<b>51,741</b>	<b>53,362</b>	<b>54,240</b>	<b>54,818</b>	<b>54,866</b>
<b>ACCUMULATED DEFICIT . . . . .</b>	<b>554,162</b>	<b>562,850</b>	<b>560,718</b>	<b>557,871</b>	<b>544,726</b>	<b>524,564</b>	<b>517,545</b>	<b>510,576</b>	<b>501,493</b>	<b>499,863</b>

<sup>(1)</sup> Certain comparative figures have been reclassified to conform to the current year's presentation.

TABLE 1.3

GOVERNMENT OF CANADA  
STATEMENT OF CHANGE IN NET DEBT  
(in millions of dollars)

	Year ended March 31									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Net debt, beginning of year</b> .....	<b>567,494</b>	<b>598,608</b>	<b>608,965</b>	<b>607,953</b>	<b>606,593</b>	<b>594,955</b>	<b>576,305</b>	<b>570,907</b>	<b>564,816</b>	<b>556,311</b>
Change in net debt during the year—										
Annual surplus (-) or deficit .....	30,006	8,688	-2,132	-2,847	-13,145	-20,162	-7,019	-6,969	-9,083	-1,630
Changes due to tangible capital assets—										
Acquisition of tangible capital assets .....	3,269	3,970	3,425	3,818	3,851	3,880	4,485	5,051	4,535	4,619
Amortization of tangible capital assets .....	-2,195	-2,277	-2,320	-2,312	-2,290	-2,312	-2,583	-3,341	-3,502	-3,696
Proceeds from disposal of tangible capital assets .....	-73	-1,575	-82	-95	-46	-111	-56	-288	-91	-144
Loss (-) or gain on disposal of tangible capital assets .....	-129	1,372	-102	-85	-161	-97	-336	-112	-231	-317
<i>Total</i> .....	<i>872</i>	<i>1,490</i>	<i>921</i>	<i>1,326</i>	<i>1,354</i>	<i>1,360</i>	<i>1,510</i>	<i>1,310</i>	<i>711</i>	<i>462</i>
Changes due to inventories .....	226	169	188	150	141	140	-153	-325	21	-609
Changes due to prepaid expenses .....	10	10	11	11	12	12	264	-107	-154	195
<b>Net decrease (-) or increase in net debt</b> .....	<b>31,114</b>	<b>10,357</b>	<b>-1,012</b>	<b>-1,360</b>	<b>-11,638</b>	<b>-18,650</b>	<b>-5,398</b>	<b>-6,091</b>	<b>-8,505</b>	<b>-1,582</b>
<b>Net debt, end of year</b> .....	<b>598,608</b>	<b>608,965</b>	<b>607,953</b>	<b>606,593</b>	<b>594,955</b>	<b>576,305</b>	<b>570,907</b>	<b>564,816</b>	<b>556,311</b>	<b>554,729</b>

**TABLE 1.4**  
**GOVERNMENT OF CANADA**  
**STATEMENT OF CASH FLOW**  
(in millions of dollars)

	Year ended March 31									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Operating activities—</b>										
<b>Annual surplus or deficit (-)</b> .....	<b>-30,006</b>	<b>-8,688</b>	<b>2,132</b>	<b>2,847</b>	<b>13,145</b>	<b>20,162</b>	<b>7,019</b>	<b>6,969</b>	<b>9,083</b>	<b>1,630</b>
Items not affecting cash—										
Share of annual profit in enterprise Crown corporations and other government business enterprises .....	-1,873	-1,858	-2,281	-2,507	-2,562	-3,274	-2,482	-2,962	-3,711	-4,855
Amortization of tangible capital assets .....	2,195	2,277	2,320	2,312	2,290	2,312	2,583	3,341	3,502	3,696
Loss or gain (-) on disposal of tangible capital assets .....	129	-1,372	102	85	161	97	336	112	231	317
Gain on disposal of investment .....										-2,562
Changes in inventories and prepaid expenses .....	-236	-179	-199	-161	-153	-152	-111	432	133	414
Changes in pension and other liabilities .....	8,695	7,784	4,596	7,317	7,560	3,222	-1,031	346	2,611	-1,090
Changes in foreign exchange accounts .....	-4,704	-7,759	-2,155	-5,700	-6,826	-8,776	-1,776	3,096	4,637	3,442
Net change in other accounts .....	240	3,932	7,070	1,355	-5,078	1,092	-1,905	532	-3,372	5,146
<b>Cash provided or used (-) by operating activities</b> .....	<b>-25,560</b>	<b>-5,863</b>	<b>11,585</b>	<b>5,548</b>	<b>8,537</b>	<b>14,683</b>	<b>2,633</b>	<b>11,866</b>	<b>13,114</b>	<b>6,138</b>
<b>Capital investment activities—</b>										
Acquisitions of tangible capital assets .....	-3,269	-3,970	-3,425	-3,818	-3,851	-3,880	-4,485	-5,051	-4,535	-4,619
Proceeds from disposal of tangible capital assets .....	73	1,575	82	95	46	111	56	288	91	144
<b>Cash provided or used (-) by capital investment activities</b> .....	<b>-3,196</b>	<b>-2,395</b>	<b>-3,343</b>	<b>-3,723</b>	<b>-3,805</b>	<b>-3,769</b>	<b>-4,429</b>	<b>-4,763</b>	<b>-4,444</b>	<b>-4,475</b>
<b>Investing activities—</b>										
Enterprise Crown corporations and other government business enterprise net repayments .....	5,412	2,192	2,796	4,115	2,282	2,467	2,971	2,095	2,034	1,861
Other loans, investments and advances issued .....	-3,538	-2,676	-4,434	-3,621	-2,659	-5,037	-5,453	-6,216	-9,366	-8,139
Other loans, investments and advances repayments .....	5,947	2,518	4,484	2,857	3,497	2,959	3,941	4,619	4,907	9,435
<b>Cash provided or used (-) by investing activities</b> .....	<b>7,821</b>	<b>2,034</b>	<b>2,846</b>	<b>3,351</b>	<b>3,120</b>	<b>389</b>	<b>1,459</b>	<b>498</b>	<b>-2,425</b>	<b>3,157</b>
<b>Total cash generated or required (-) before financing activities</b> .....	<b>-20,935</b>	<b>-6,224</b>	<b>11,088</b>	<b>5,176</b>	<b>7,852</b>	<b>11,303</b>	<b>-337</b>	<b>7,601</b>	<b>6,245</b>	<b>4,820</b>
<b>Financing activities—</b>										
Canadian currency borrowings issued .....	448,521	379,055	283,297	245,934	267,810	225,243	257,953	309,189	336,148	335,454
Canadian currency borrowings repayments .....	-419,813	-377,907	-297,036	-260,925	-268,432	-235,825	-255,931	-305,773	-337,734	-335,969
Foreign currencies borrowings issued .....	27,839	36,806	42,586	51,859	33,418	34,176	23,412	17,297	14,227	13,608
Foreign currencies borrowings repayments .....	-27,951	-30,599	-38,419	-43,042	-36,830	-33,607	-29,538	-23,188	-14,826	-17,864
<b>Cash provided or used (-) by financing activities</b> .....	<b>28,596</b>	<b>7,355</b>	<b>-9,572</b>	<b>-6,174</b>	<b>-4,034</b>	<b>-10,013</b>	<b>-4,104</b>	<b>-2,475</b>	<b>-2,185</b>	<b>-4,771</b>
<b>Net increase or decrease (-) in cash</b> .....	<b>7,661</b>	<b>1,131</b>	<b>1,516</b>	<b>-998</b>	<b>3,818</b>	<b>1,290</b>	<b>-4,441</b>	<b>5,126</b>	<b>4,060</b>	<b>49</b>
<b>Cash at beginning of year</b> .....	<b>1,383</b>	<b>9,044</b>	<b>10,175</b>	<b>11,691</b>	<b>10,693</b>	<b>14,511</b>	<b>15,801</b>	<b>11,360</b>	<b>16,486</b>	<b>20,546</b>
<b>Cash at end of year</b> .....	<b>9,044</b>	<b>10,175</b>	<b>11,691</b>	<b>10,693</b>	<b>14,511</b>	<b>15,801</b>	<b>11,360</b>	<b>16,486</b>	<b>20,546</b>	<b>20,595</b>

TABLE 1.5

GOVERNMENT OF CANADA  
DETAILED STATEMENT OF NON-BUDGETARY TRANSACTIONS AND OF NON-FINANCIAL ASSETS

(in millions of dollars)

	Year ended March 31									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Loans, investments and advances—</b>										
Enterprise Crown corporations and other government business enterprises—										
Loans and advances—										
Canada Deposit Insurance Corporation . . . . .	533	772	460	395						
Canada Mortgage and Housing Corporation . . . . .	571	325	230	410	223	224	226	218	219	190
Farm Credit Canada . . . . .	214	-197	630	836	236	226	578			
Other . . . . .	80	25	24	60	58	-38		63	-28	2
	<i>1,398</i>	<i>925</i>	<i>1,344</i>	<i>1,701</i>	<i>517</i>	<i>412</i>	<i>804</i>	<i>281</i>	<i>191</i>	<i>192</i>
Investments—										
Share of annual profit . . . . .	-1,873	-1,858	-2,281	-2,507	-2,562	-3,274	-2,482	-2,962	-3,711	-4,855
Dividends . . . . .	1,857	1,371	1,555	2,566	1,792	1,990	2,078	1,881	1,907	1,944
Capital . . . . .	2,157	-104	-103	-152	-27	65	89	-67	-64	-275
	<i>2,141</i>	<i>-591</i>	<i>-829</i>	<i>-93</i>	<i>-797</i>	<i>-1,219</i>	<i>-315</i>	<i>-1,148</i>	<i>-1,868</i>	<i>-3,186</i>
Total . . . . .	<i>3,539</i>	<i>334</i>	<i>515</i>	<i>1,608</i>	<i>-280</i>	<i>-807</i>	<i>489</i>	<i>-867</i>	<i>-1,677</i>	<i>-2,994</i>
Other loans, investments and advances—										
Portfolio investments . . . . .	3,074		59		1					1,225
National governments including developing countries . . . . .	61	147	215	-477	198	2	219	684	574	184
International organizations . . . . .	296	325	3,767	143	-237	313	453	327	-74	-266
Provincial and territorial governments . . . . .	167	155	-407	-162	-738	-963	385	-139	-2,459	-673
Other . . . . .	-526	-342	-138	-74	317	-1,269	-1,624	-1,827	-2,500	-1,736
	<i>3,072</i>	<i>285</i>	<i>3,496</i>	<i>-570</i>	<i>-459</i>	<i>-1,917</i>	<i>-567</i>	<i>-955</i>	<i>-4,459</i>	<i>-1,266</i>
Total loans, investments and advances . . . . .	<i>6,611</i>	<i>619</i>	<i>4,011</i>	<i>1,038</i>	<i>-739</i>	<i>-2,724</i>	<i>-78</i>	<i>-1,822</i>	<i>-6,136</i>	<i>-4,260</i>
Allowance for valuation . . . . .	-2,280	-449	-2,334	366	152	-488	94	-370	336	-52
Total loans, investments and advances after allowance for valuation . . . . .	<i>4,331</i>	<i>170</i>	<i>1,677</i>	<i>1,404</i>	<i>-587</i>	<i>-3,212</i>	<i>16</i>	<i>-2,192</i>	<i>-5,800</i>	<i>-4,312</i>
<b>Pension and other liabilities—</b>										
Public sector pensions . . . . .	6,849	6,323	3,252	4,950	5,939	839	-2,264	-1,213	1,852	2,019
Other employee and veteran future benefits . . . . .	1,096	969	756	983	579	1,954	612	564	523	2,182
Due to Canada Pension Plan . . . . .	230	82	487	1,222	790	174	379	323	390	-4,712
Other liabilities . . . . .	520	410	101	162	252	255	242	672	-154	-579
Total pension and other liabilities . . . . .	<i>8,695</i>	<i>7,784</i>	<i>4,596</i>	<i>7,317</i>	<i>7,560</i>	<i>3,222</i>	<i>-1,031</i>	<i>346</i>	<i>2,611</i>	<i>-1,090</i>
<b>Non-financial assets—</b>										
Tangible capital assets . . . . .	-872	-1,490	-921	-1,326	-1,354	-1,360	-1,510	-1,310	-711	-462
Inventories . . . . .	-226	-169	-188	-150	-141	-140	153	325	-21	609
Prepaid expenses . . . . .	-10	-10	-11	-11	-12	-12	-264	107	154	-195
Total non-financial assets . . . . .	<i>-1,108</i>	<i>-1,669</i>	<i>-1,120</i>	<i>-1,487</i>	<i>-1,507</i>	<i>-1,512</i>	<i>-1,621</i>	<i>-878</i>	<i>-578</i>	<i>-48</i>
<b>Other transactions—</b>										
Tax receivables . . . . .	-1,841	-773	-1,296	-1,159	-1,483	-5,251	2,967	2,008	-4,356	-5,524
Other receivables . . . . .	-1,541	1,710	381	-516	169	550	-239	325	121	214
Provincial and territorial tax collection agreements account . . . . .	1,058	352	-551	1,267	-1,402	-824	-1,139	-934	2,374	1,103
Tax payables . . . . .	1,134	1,030	2,503	1,264	966	3,221	1,254	-735	-509	2,610
Other liabilities . . . . .	3,047	1,619	4,921	-61	-2,183	3,723	-5,787	-404	-1,338	4,737
Total other transactions . . . . .	<i>1,857</i>	<i>3,938</i>	<i>5,958</i>	<i>795</i>	<i>-3,933</i>	<i>1,419</i>	<i>-2,944</i>	<i>260</i>	<i>-3,708</i>	<i>3,140</i>
<b>Net non-budgetary transactions after allowance for valuation . . . . .</b>	<b>13,775</b>	<b>10,223</b>	<b>11,111</b>	<b>8,029</b>	<b>1,533</b>	<b>-83</b>	<b>-5,580</b>	<b>-2,464</b>	<b>-7,475</b>	<b>-2,310</b>

TABLE 1.6

GOVERNMENT OF CANADA  
DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS

(in millions of dollars)

	Year ended March 31									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Foreign exchange transactions—</b>										
International reserves held in the Exchange Fund										
Account .....	-4,552	-7,818	-1,472	-3,657	-6,775	-9,215	-822	3,818	3,602	2,133
International Monetary Fund—Subscriptions .....	853	285	101	-4,854	658	-424	-7	-121	757	945
	-3,699	-7,533	-1,371	-8,511	-6,117	-9,639	-829	3,697	4,359	3,078
Less: International Monetary Fund—Notes payable .....	851	174	766	-2,693	634	-835	947	623	-336	-453
Special drawing rights allocations .....	154	52	18	-118	75	-28		-22	58	89
	1,005	226	784	-2,811	709	-863	947	601	-278	-364
Total foreign exchange transactions .....	-4,704	-7,759	-2,155	-5,700	-6,826	-8,776	-1,776	3,096	4,637	3,442
<b>Unmatured debt transactions—</b>										
Payable in Canadian currency—										
Marketable bonds .....	28,660	32,744	15,788	9,575	-866	1,046	-1,107	-5,598	-9,466	-12,209
Treasury bills .....	1,650	-30,700	-23,100	-15,350	2,900	-11,150	5,523	10,371	8,967	13,821
Canada savings, Canada premium and Canada investment bonds .....		2,010	-2,701	-2,107	-1,173	-390	-2,340	-1,382	-1,254	-2,250
Non-marketable bonds and notes .....	-10	-10	-12	607	-511	-79	-82	-19	56	-35
	30,300	4,044	-10,025	-7,275	350	-10,573	1,994	3,372	-1,697	-673
Payable in foreign currencies .....	-1,751	3,261	464	411	-4,371	570	-6,126	-5,891	-599	-4,256
Obligations related to capital leases .....	47	50	-11	690	-13	-10	28	44	111	158
Total unmatured debt transactions .....	28,596	7,355	-9,572	-6,174	-4,034	-10,013	-4,104	-2,475	-2,185	-4,771
<b>Cash at end of year—</b>										
In Canadian currency .....	8,968	10,063	11,605	10,662	14,468	15,772	11,313	16,436	20,533	20,587
In foreign currencies .....	76	112	86	31	43	29	47	50	13	8
Total cash .....	9,044	10,175	11,691	10,693	14,511	15,801	11,360	16,486	20,546	20,595

## GLOSSARY OF TERMS

The following terms are used in this section and throughout the financial statements in Section 2 of this Volume. The definitions are taken from three primary sources:

- 1- The *Vocabulary of Government Finance Management*, Terminology Bulletin 232, Public Works and Government Services Canada.
  - 2- The *CICA Public Sector Accounting Handbook*.
  - 3- Glossary of Frequently-Used Terms, Finance Canada.
- Accounts of Canada –  
The centralized record of the financial transactions of the Government of Canada, maintained by the Receiver General. The accounts of Canada summarize revenues, expenses, assets and liabilities transactions.
  - Accrued Benefit Obligation –  
The value of future benefits attributed to services rendered by employees and former employees to the accounting date.
  - Accumulated Deficit –  
The accumulated net total of all past federal deficits and surpluses since Confederation. The accumulated deficit is also equal to total liabilities less total assets – both financial and non-financial.
  - Actuarial Valuation for Accounting Purposes –  
An assessment of the financial status of a benefit plan. It consists of the valuation of assets held to discharge the benefit liability and calculation of the actuarial present value of benefits to be paid under the plan. The valuation results in a calculation of the required future contributions or payments and a determination of any gains or losses since the last valuation.
  - Allowance –  
Estimated potential losses on the realization of government financial claims or estimated financial obligations that would not otherwise be recorded in the financial statements.
  - Appropriation –  
Any authority of Parliament to pay money out of the Consolidated Revenue Fund.
  - Capital Lease –  
A lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee.
  - Consolidated Revenue Fund –  
The aggregate of all public moneys that are on deposit at the credit of the Receiver General for Canada.
  - Consumer Price Index (CPI) –  
A measure of price changes produced by Statistics Canada on a monthly basis. The CPI measures the retail prices of a “shopping basket” of about 300 goods and services including food, housing, transportation, clothing and recreation. The index is “weighted”, meaning that it gives greater importance to price changes for some products than others – more to housing, for example, than to entertainment – in an effort to reflect typical spending patterns. Increases in the CPI are also referred to as increases in the cost of living.
  - Contingency Reserve –  
Funds set aside in the fiscal projections to cushion against changes in the economy. When this reserve is not otherwise used, it is applied to the accumulated deficit.
  - Contingent Liability –  
A potential debt which may become an actual financial obligation if certain events occur or fail to occur.
  - Contractual Obligation –  
A written obligation to outside organizations or individuals as a result of a contract.
  - Defined Benefit Pension Plan –  
A plan that specifies either the benefits to be received by employees after retirement or the method for determining those benefits.
  - Enterprise Crown Corporation –  
A corporation which is not dependent on parliamentary appropriations and whose principal activity and source of revenues are the sale of goods and/or services to outside parties. An enterprise Crown corporation is ultimately accountable to Parliament, through a minister of the Crown, for the conduct of its affairs.
  - Financial Assets –  
An asset on hand at the end of the accounting period, which could provide resources to discharge existing liabilities or finance future operations. Financial assets include cash and assets that are convertible into cash and are not intended for consumption in the normal course of activities.
  - Full Accrual Accounting –  
The method of recording transactions by which revenues and expenses are reflected in the determination of results for the period in which they are considered to have been earned and incurred, respectively, whether or not such transactions have been settled finally by the receipt or payment of cash or its equivalent.



- **G-7 (Group of Seven) –**  
The G-7 consists of the world's seven largest industrial market economies: the United States, Japan, Germany, France, Great Britain, Italy and Canada. The leaders of these countries meet annually to discuss political and economic issues of mutual concern. In addition, G-7 finance ministers meet several times a year to discuss economic policy. Their work is supported by regular, functional meetings of officials, including the G-7 Finance Deputies.
- **Gross Domestic Product (GDP) –**  
The total value of all goods and services produced within Canada during a given year. It is a measure of the income generated by production within Canada. Also referred to as annual economic output or, more simply, output. To avoid counting the same output more than once, GDP includes only final goods and services – not those that are used to make another product. GDP would not include the wheat used to make bread, but would include the bread itself.
- **Net Book Value of Tangible Capital Assets –**  
The cost of tangible capital assets less both accumulated amortization and the amount of any write-downs.
- **Net Debt –**  
The total liabilities of the government less its financial assets.
- **Non-Financial Assets –**  
An asset on hand at the end of the accounting period, which could not normally be converted to cash to pay off the debt, without disrupting government operations.
- **Operating Lease –**  
A lease in which the lessor retains substantially all the benefits and risks of ownership.
- **Public Money –**  
All money belonging to Canada received or collected by the Receiver General or any other public officer in his official capacity or any person authorized to receive or collect such money.
- **Real Return Bonds –**  
These bonds pay semi-annual interest based on a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on real return bonds are adjusted for changes in the consumer price index.
- **Reserve for Economic Prudence –**  
Funds set aside in the fiscal projections in addition to the contingency reserve. This reserve provides further assurance against falling back into deficit.
- **Surplus –**  
The amount by which government revenue exceeds expenses in any given year.
- **Swap –**  
An agreement that exchanges one type of return or financial instrument for another (e.g. a fixed for a floating rate of interest).
- **Tangible Capital Asset –**  
A non-financial asset having physical substance that:
  - (i) is held for use in the production or supply of goods and services;
  - (ii) has a useful economic life extending beyond an accounting period; and
  - (iii) has been acquired to be used on a continuing basis.
- **Transfer Payments –**  
A transfer of money from a government to an individual, an organization or another government for which the government making the transfer does not:
  - (i) receive any goods or services directly in return as would occur in a purchase/sales transaction;
  - (ii) expect to be repaid in the future, as would be expected in a loan; or
  - (iii) expect a financial return, as would be expected in an investment.

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# SECTION 2

2004-2005

*PUBLIC ACCOUNTS OF CANADA*

## **Financial Statements of the Government of Canada and Report and Observations of the Auditor General**

### CONTENTS

	<i>Page</i>
Preface .....	2.2
Statement of responsibility .....	2.3
Report of the Auditor General .....	2.4
Financial statements—	
Statement of Operations and Accumulated Deficit .....	2.5
Statement of Financial Position .....	2.6
Statement of Change in Net Debt .....	2.7
Statement of Cash Flow .....	2.8
Notes to the Financial Statements of the Government of Canada .....	2.9
Supplementary information—	
Observations of the Auditor General .....	2.27

## PREFACE TO THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of the financial statements is to provide information to Parliament, and thus to the public, to facilitate an understanding and evaluation of the full nature and extent of the financial affairs and resources for which the Government is responsible. The financial statements reflect the financial position of the Government at the reporting date, as well as its results of operations, accumulated deficit, change in net debt and cash flow.

The two fundamental concepts underlying the Government's accounting system are found in the Constitution Acts: first, that all duties and revenues received, other than those reserved to the provinces, "shall form One Consolidated Revenue Fund" (CRF); second, that the balance of the CRF, after certain prior charges, "shall be appropriated by the Parliament of Canada".

The right of Canada to raise taxes and revenues is contained in the Constitution Acts, and is given specific form in various Acts passed by Parliament. Revenues can be raised and moneys can be spent or borrowed by the Government only with the authority of Parliament. All receipts of money by departments and agencies must be deposited into the CRF. All disbursements from the CRF for spending on operations, for loans, investments and advances, and for the redemption of matured debt, must be authorized by Parliament, through annual appropriation acts and other statutes.

Wholly-owned Crown corporations that are agents of Her Majesty also may borrow only as authorized by Acts of Parliament. Such Acts usually place a ceiling on the amount of borrowings that can be outstanding at any one time. Non-agent Crown corporations and other government business enterprises can borrow without specific parliamentary authority, although such borrowings are sometimes guaranteed by the Government with the authority of Parliament.

The financial statements consist of four statements and accompanying notes.

The first is the **Statement of Operations and Accumulated Deficit**, which presents the Government's revenues, expenses and surplus for the year, and the net accumulation of the annual surpluses and deficits since Confederation.

The second is the **Statement of Financial Position**, which discloses the Government's cash balances and investments, amounts owing to and by the Government at the end of the year, and the Government's non-financial assets such as its tangible capital assets and inventories. It also presents both the accumulated deficit of the Government and its net debt which is the difference between the Government's total liabilities and its financial assets.

The third is the **Statement of Change in Net Debt**, which explains the difference between the Government's annual surplus and the change in the net debt for the year. It reports the extent to which revenues recognized in the year were sufficient to offset expenditures, as opposed to the expenses recognized in the annual surplus.

The fourth is the **Statement of Cash Flow**, which provides information on the Government's cash provided by or used for operating, capital, investing and financing activities.

Other sections in this volume together with Volume II and Volume III of the *Public Accounts of Canada*, provide more detailed supplementary information in respect of matters reported in the financial statements. The report of the Auditor General on the financial statements does not extend to this supplementary information.

## STATEMENT OF RESPONSIBILITY

The financial statements in this section are prepared by the Government of Canada in accordance with the accounting policies set out in Note 1 to the statements on a basis consistent with that of the preceding year.

Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada in compliance with governing legislation. The financial statements are prepared on a full accrual basis of accounting whereby, assets include both financial and non-financial assets, revenues, including tax revenues are recorded when earned, and expenses include accrued expenses and amortization of capital assets. The information included in these financial statements is based on the Government's best estimates and judgement, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, the Government maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded so as to maintain accountability of public money and safeguard the assets and properties of Canada under Government administration. The Receiver General for Canada maintains the accounts of Canada, a centralized summary record of the Government's financial transactions, and obtains additional information as required, from departments, agencies, Crown corporations and other government business enterprises to meet accounting and reporting requirements.

The Government presents the financial statements to the Auditor General of Canada who audits them and provides an independent opinion to the House of Commons. The duties of the Auditor General in that respect are contained in section 6 of the *Auditor General Act*. Additional information is provided in the observations of the Auditor General at the end of this section.

Annually, the financial statements are tabled in Parliament as part of the *Public Accounts of Canada*, and are referred to the Standing Committee on Public Accounts, which reports to Parliament on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

On behalf of the Government of Canada.



WAYNE G. WOUTERS  
*Secretary of the Treasury Board  
of Canada*



IAN E. BENNETT  
*Deputy Minister of Finance*



I. DAVID MARSHALL  
*Deputy Receiver General for  
Canada*



Auditor General of Canada  
Vérificatrice générale du Canada

**REPORT OF THE AUDITOR GENERAL  
ON THE  
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA**

To the House of Commons:

I have audited the statement of financial position of the Government of Canada as at March 31, 2005 and the statements of operations and accumulated deficit, change in net debt, and cash flow for the year then ended. These financial statements are the responsibility of the Government. My responsibility, as required by section 6 of the *Auditor General Act*, 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Government of Canada as at March 31, 2005 and the results of its operations, the changes in its net debt and its cash flow for the year then ended in accordance with the stated accounting policies of the Government set out in Note 1 to the financial statements. As required by section 6 of the *Auditor General Act*, I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

Additional information and comments on the financial statements and this Report are included in my Observations at the end of Section 2, Volume I of the *Public Accounts of Canada 2005*.

A handwritten signature in black ink that reads "Sheila Fraser".

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
August 31, 2005

## GOVERNMENT OF CANADA

Statement of Operations and Accumulated Deficit  
for the Year Ended March 31, 2005

(in millions of dollars)

	2005		2004
	Budget <sup>(1)</sup>	Actual	Actual
<b>REVENUES</b>			
<i>TAX REVENUES</i> —			
<b>Income tax</b> —			
Personal .....	95,700	98,521	92,957
Corporate .....	26,200	29,956	27,431
Other income tax revenues .....	3,300	3,560	3,142
	<b>125,200</b>	<b>132,037</b>	<b>123,530</b>
<b>Other taxes and duties</b> —			
Goods and services tax .....	28,500	29,758	28,286
Energy taxes .....	5,300	5,054	4,952
Customs import duties .....	3,000	3,091	2,887
Other excise taxes and duties .....	4,900	4,954	5,240
	<b>41,700</b>	<b>42,857</b>	<b>41,365</b>
<b>TOTAL TAX REVENUES</b> .....	<b>166,900</b>	<b>174,894</b>	<b>164,895</b>
<b>EMPLOYMENT INSURANCE PREMIUMS</b> .....	<b>17,000</b>	<b>17,307</b>	<b>17,546</b>
<b>OTHER REVENUES</b> —			
Crown corporation revenues .....	5,500	6,827	5,920
Other program revenues .....	9,400	11,455	8,096
Foreign exchange revenues .....	2,000	1,175	2,090
	<b>16,900</b>	<b>19,457</b>	<b>16,106</b>
<b>TOTAL OTHER REVENUES</b> .....	<b>16,900</b>	<b>19,457</b>	<b>16,106</b>
<b>TOTAL REVENUES</b> .....	<b>200,800</b>	<b>211,658</b>	<b>198,547</b>
<b>EXPENSES (Note 3)</b>			
<b>TRANSFER PAYMENTS</b> —			
Old age security benefits, guaranteed income supplement and spouse's allowance .....	27,900	27,871	26,902
Other levels of government .....	30,600	41,955	29,392
Employment insurance benefits .....	15,700	14,748	15,058
Canada child tax benefits .....	8,800	8,688	8,062
Other transfer payments .....	24,000	25,001	22,964
	<b>107,000</b>	<b>118,263</b>	<b>102,378</b>
<b>OTHER PROGRAM EXPENSES</b> —			
Crown corporation expenses .....	6,200	8,907	6,566
National Defence .....	13,800	14,318	12,869
All other departments and agencies .....	34,400	34,422	31,882
	<b>54,400</b>	<b>57,647</b>	<b>51,317</b>
<b>TOTAL OTHER PROGRAM EXPENSES</b> .....	<b>54,400</b>	<b>57,647</b>	<b>51,317</b>
<b>TOTAL PROGRAM EXPENSES</b> .....	<b>161,400</b>	<b>175,910</b>	<b>153,695</b>
<b>PUBLIC DEBT CHARGES</b> .....	<b>35,400</b>	<b>34,118</b>	<b>35,769</b>
<b>TOTAL EXPENSES</b> .....	<b>196,800</b>	<b>210,028</b>	<b>189,464</b>
<b>ANNUAL SURPLUS</b> .....	<b>4,000<sup>(2)</sup></b>	<b>1,630</b>	<b>9,083</b>
<b>ACCUMULATED DEFICIT, BEGINNING OF YEAR</b> .....	<b>501,500</b>	<b>501,493</b>	<b>510,576</b>
<b>ACCUMULATED DEFICIT, END OF YEAR (Note 4)</b> .....	<b>497,500</b>	<b>499,863</b>	<b>501,493</b>

The accompanying notes are an integral part of these statements.  
Details (unaudited) can be found in other sections of this volume.

(1) Derived from Budget 2004.

(2) Budget 2004 disclosed the budgetary surplus as \$4 billion before deducting reserves for contingency (\$3 billion) and economic prudence (\$1 billion).

## GOVERNMENT OF CANADA

Statement of Financial Position  
at March 31, 2005

(in millions of dollars)

	2005	2004
<b>LIABILITIES</b>		
<b>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES —</b>		
Accounts payable and accrued liabilities .....	45,120	37,267
Tax payables .....	35,650	33,040
Environmental liabilities .....	5,624	3,564
Interest and matured debt .....	1,762	3,323
Allowance for guarantees .....	2,317	2,770
<b>TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES .....</b>	<b>90,473</b>	<b>79,964</b>
<b>INTEREST-BEARING DEBT —</b>		
Unmatured debt (Note 5) .....	435,460	440,231
Pension and other liabilities —		
Public sector pensions (Note 6) .....	129,579	127,560
Other employee and veteran future benefits (Note 6) .....	41,549	39,367
Due to Canada Pension Plan (Note 7) .....	2,771	7,483
Other liabilities .....	5,909	6,488
<i>Total pension and other liabilities .....</i>	<i>179,808</i>	<i>180,898</i>
<b>TOTAL INTEREST-BEARING DEBT .....</b>	<b>615,268</b>	<b>621,129</b>
<b>TOTAL LIABILITIES .....</b>	<b>705,741</b>	<b>701,093</b>
<b>FINANCIAL ASSETS</b>		
<b>CASH AND ACCOUNTS RECEIVABLE —</b>		
Cash .....	20,595	20,546
Tax receivables (Note 8) .....	53,477	47,953
Other accounts receivable (Note 8) .....	2,209	2,422
<b>TOTAL CASH AND ACCOUNTS RECEIVABLE .....</b>	<b>76,281</b>	<b>70,921</b>
<b>FOREIGN EXCHANGE ACCOUNTS (Note 9) .....</b>	<b>40,871</b>	<b>44,313</b>
<b>LOANS, INVESTMENTS AND ADVANCES —</b>		
Enterprise Crown corporations and other government business enterprises (Notes 10 and 14) .....	19,226	16,232
National governments, including developing countries and international organizations (Note 11) .....	14,375	14,293
Other loans, investments and advances (Note 11) .....	17,793	16,609
	<b>51,394</b>	<b>47,134</b>
Less: allowance for valuation .....	17,534	17,586
<b>TOTAL LOANS, INVESTMENTS AND ADVANCES .....</b>	<b>33,860</b>	<b>29,548</b>
<b>TOTAL FINANCIAL ASSETS .....</b>	<b>151,012</b>	<b>144,782</b>
<b>NET DEBT .....</b>	<b>554,729</b>	<b>556,311</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 12) .....	48,207	47,745
Inventories .....	5,525	6,134
Prepaid expenses .....	1,134	939
<b>TOTAL NON-FINANCIAL ASSETS .....</b>	<b>54,866</b>	<b>54,818</b>
<b>ACCUMULATED DEFICIT (Note 4) .....</b>	<b>499,863</b>	<b>501,493</b>
<b>CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES (Notes 13 and 14)</b>		

The accompanying notes are an integral part of these statements.  
Details (unaudited) can be found in other sections of this volume.



## GOVERNMENT OF CANADA

Statement of Change in Net Debt  
for the Year Ended March 31, 2005

(in millions of dollars)

	2005		2004
	Budget <sup>(1)</sup>	Actual	Actual
<b>NET DEBT, BEGINNING OF YEAR</b> .....	<b>556,300</b>	<b>556,311</b>	<b>564,816</b>
<b>CHANGE IN NET DEBT DURING THE YEAR —</b>			
<b>ANNUAL SURPLUS</b> .....	<b>-4,000</b> <sup>(2)</sup>	<b>-1,630</b>	<b>-9,083</b>
<b>CHANGES DUE TO TANGIBLE CAPITAL ASSETS —</b>			
Acquisition of tangible capital assets .....	4,600	4,619	4,535
Amortization of tangible capital assets .....	-3,100	-3,696	-3,502
Proceeds from disposal of tangible capital assets .....		-144	-91
Loss on disposal of tangible capital assets .....		-317	-231
<b>TOTAL CHANGES DUE TO TANGIBLE</b>			
<b>CAPITAL ASSETS</b> .....	<b>1,500</b>	<b>462</b>	<b>711</b>
<b>CHANGES DUE TO INVENTORIES</b> .....		<b>-609</b>	<b>21</b>
<b>CHANGES DUE TO PREPAID EXPENSES</b> .....		<b>195</b>	<b>-154</b>
<b>NET DECREASE IN NET DEBT</b> .....	<b>-2,500</b>	<b>-1,582</b>	<b>-8,505</b>
<b>NET DEBT, END OF YEAR</b> .....	<b>553,800</b>	<b>554,729</b>	<b>556,311</b>

The accompanying notes are an integral part of these statements.  
Details (unaudited) can be found in other sections of this volume.

<sup>(1)</sup> Derived from Budget 2004.

<sup>(2)</sup> Budget 2004 disclosed the budgetary surplus as \$4 billion before deducting reserves for contingency (\$3 billion) and economic prudence (\$1 billion).

## GOVERNMENT OF CANADA

Statement of Cash Flow  
for the Year Ended March 31, 2005

(in millions of dollars)

	2005	2004
<b>OPERATING ACTIVITIES —</b>		
<b>ANNUAL SURPLUS</b> .....	<b>1,630</b>	<b>9,083</b>
Items not affecting cash —		
Share of annual profit in enterprise Crown corporations and other government business enterprises .....	-4,855	-3,711
Amortization of tangible capital assets .....	3,696	3,502
Loss on disposal of tangible capital assets .....	317	231
Gain on disposal of investments .....	-2,562	
Changes in inventories and prepaid expenses .....	414	133
Changes in pension and other liabilities .....	-1,090	2,611
Changes in foreign exchange accounts .....	3,442	4,637
Net change in other accounts .....	5,146	-3,372
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b> .....	<b>6,138</b>	<b>13,114</b>
<b>CAPITAL INVESTMENT ACTIVITIES —</b>		
Acquisitions of tangible capital assets .....	-4,619	-4,535
Proceeds from disposal of tangible capital assets .....	144	91
<b>CASH USED BY CAPITAL INVESTMENT ACTIVITIES</b> .....	<b>-4,475</b>	<b>-4,444</b>
<b>INVESTING ACTIVITIES —</b>		
Enterprise Crown corporation and other government business enterprise net repayments .....	1,861	2,034
Other loans, investments and advances issued .....	-8,139	-9,366
Other loans, investments and advances repayments .....	9,435	4,907
<b>CASH PROVIDED OR USED (-) BY INVESTING ACTIVITIES</b> .....	<b>3,157</b>	<b>-2,425</b>
<b>TOTAL CASH GENERATED BEFORE FINANCING ACTIVITIES</b> .....	<b>4,820</b>	<b>6,245</b>
<b>FINANCING ACTIVITIES —</b>		
Canadian currency borrowings issued .....	335,454	336,148
Canadian currency borrowings repayments .....	-335,969	-337,734
Foreign currencies borrowings issued .....	13,608	14,227
Foreign currencies borrowings repayments .....	-17,864	-14,826
<b>CASH USED BY FINANCING ACTIVITIES</b> .....	<b>-4,771</b>	<b>-2,185</b>
<b>NET INCREASE IN CASH</b> .....	<b>49</b>	<b>4,060</b>
<b>CASH AT BEGINNING OF YEAR</b> .....	<b>20,546</b>	<b>16,486</b>
<b>CASH AT END OF YEAR</b> .....	<b>20,595</b>	<b>20,546</b>
<b>SUPPLEMENTARY INFORMATION</b>		
Cash used for interest <sup>(1)</sup> .....	21,006	22,977

The accompanying notes are an integral part of these statements.

Details (unaudited) can be found in other sections of this volume.

<sup>(1)</sup> The 2004 amount was restated to include the amortization of discounts on Treasury bills and Canada bills.

## Notes to the Financial Statements of the Government of Canada

### 1. Summary of Significant Accounting Policies

#### Reporting entity

The reporting entity of the Government of Canada includes all departments, agencies, corporations and funds which are owned or controlled by the Government and which are accountable to Parliament. The financial activities of all these entities are consolidated in these financial statements, except for enterprise Crown corporations and other government business enterprises, which are not dependent on the Government for financing their activities. These corporations are reported under the modified equity basis of accounting.

The Canada Pension Plan is excluded from the reporting entity because it is under the joint control of the Government and participating provinces.

#### Basis of accounting

The Government reports all revenues and expenses on an accrual basis. Tax revenues are accounted for in the period in which the revenue arose. Assets are valued at the lower of cost or net realizable value. Liabilities and financial obligations to outside organizations are recorded at the estimated amount ultimately payable. Both financial assets and non-financial assets are reported on the Statement of Financial Position. Non-financial assets are charged to expense through amortization or upon utilization. Non-financial assets are not taken into consideration when determining the net debt of the Government, but rather are deducted from the net debt to determine the accumulated deficit.

#### Revenues

Tax revenues are derived from exchange transactions between third parties. They are recognized, on an accrual basis, in the period in which the event that gave rise to the revenue took place. Income tax revenue is recognized when the taxpayer has earned the income subject to the tax. Domestic goods and services tax revenue is recognized at the time of the sale of goods or the provision of services and is presented on the Statement of Operations and Accumulated Deficit net of tax credits. Excise duties revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act*. Excise tax revenue is recognized when a taxpayer sells goods taxable under the *Excise Act*. Customs duties and goods and services tax revenue on imports is recognized when goods are authorized to enter Canada.

Tax revenues are measured from amounts assessed and from estimates of amounts not assessed based on cash received. Annual revenues also include adjustments between

the estimated revenues of previous years and actual amounts, as well as revenues from reassessments relating to prior years. Revenues do not include estimates for amounts of unreported taxes.

Tax revenues that were not collected at year-end or refunds that were not yet disbursed are reported respectively as tax receivables and tax payables on the Statement of Financial Position. These amounts also include other receivables and payables for amounts collected through the tax system such as employment insurance premiums.

Other revenues are recognized in the period to which they relate. Employment insurance premiums are recognized as revenue in the period the insurable earnings are earned.

#### Expenses

Expenses for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.

Expenses include provisions to reflect changes in the economic value of assets or liabilities, including provisions for bad debts, provisions for loans, investments and advances, and inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

Premiums and discounts on public debt are amortized on a straight line basis over the term to maturity of the respective debt instrument. The corresponding amortization is recorded as part of public debt charges.

#### Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and are amortized to expense over the useful lives of the assets. For certain tangible capital assets where the costs are not readily available, such as older buildings, estimated current costs have been extrapolated back in time in a systematic and rational manner to approximate original costs.

Inventories are comprised of spare parts and supplies that are held for future program delivery and are not intended for resale. They are valued at cost. Inventories that no longer have service potential are valued at the lower of cost or net realizable value. Items for which the costs are not readily available have been valued using management's best estimates of original cost based on available information.

### **Foreign Exchange Accounts**

Short-term deposits, marketable securities and special drawing rights held in the Foreign Exchange Accounts are recorded at cost. Marketable securities are adjusted for amortization of purchase discounts and premiums. Purchases and sales of securities are recorded at the settlement date. Write-downs to reflect other than temporary impairment in the fair value of securities are included in foreign exchange revenues on the Statement of Operations and Accumulated Deficit. Canada's subscriptions to the capital of the International Monetary Fund are recorded at cost.

### **Loans, investments and advances**

Loans, investments and advances are recorded at cost. The value of loans made on a long-term, low interest or interest-free basis is adjusted to reflect their concessionary terms.

### **Allowance for valuation**

An allowance for valuation is used to reduce the carrying value of loans, investments and advances to amounts that approximate their net realizable value.

Loans to national governments, including developing countries, are considered collectible unless they are formally repudiated by the debtor. However, the Government has established a valuation allowance on the expectation that debt or debt service relief may be offered to certain sovereign debtors pursuant to multilateral or bilateral agreements. The allowance is determined based on the Government's identification and evaluation of countries that have formally applied for debt service relief, estimated probable losses that exist on the remaining portfolio, and changes in the economic conditions of sovereign debtors.

For loans, investments and advances to international organizations, an allowance is established based on their collectibility and their concessionary terms.

For loans owing from enterprise Crown corporations and other government business enterprises, an allowance for valuation is also used to reflect the portion of these loans that is expected to be recovered from future appropriations.

### **Pensions and other employee and veteran future benefits**

Employees' entitlements to pension benefits and to other employee and veteran future benefits are reported on an actuarial basis. This process is intended to determine the current value of future entitlements and uses various estimates. When actual experience varies from estimates, the adjustments are amortized over the estimated average remaining service lives of the employees.

### **Contingent liabilities**

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

### **Environmental liabilities**

Environmental liabilities consist of the estimated costs related to the management and remediation of environmentally contaminated sites as well as the estimated costs to decommission Atomic Energy of Canada Limited's nuclear facilities. For contaminated sites, a liability is accrued and an expense recorded based on management's best estimates when the contamination occurs or when the Government becomes aware of the contamination and is obligated, or is likely obligated to incur such costs. If the likelihood of the Government's obligation to incur these costs is either not determinable or unlikely, or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

For the decommissioning of nuclear facilities, the liability reflects the present value of the expected decommissioning and site remediation costs. The liability is increased each year to reflect the time value of money, adjusted for changes in management estimates of costs, and is reduced by the actual expenditures incurred.

### **Foreign currency translation**

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using rates at March 31. Gains and losses resulting from foreign currency translation are reported on the Statement of Operations and Accumulated Deficit according to the activities to which they relate. Net gains and losses relating to the Foreign Exchange Accounts, foreign debt and swap revaluations are

presented with investment revenues from foreign exchange accounts under foreign exchange revenues. Net gains and losses related to sovereign loans are presented with the return on investments from these loans under other program revenues. Net gains and losses relating to departmental sale or purchase of goods or services in foreign currency are presented against departmental program expenses under other program expenses.

### Use of estimates and measurement uncertainty

The preparation of financial statements requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported. By their nature, these estimates are subject to measurement uncertainty. The effect of changes to such estimates and assumptions in future periods could be significant to the financial statements, although, at the time of their preparation, the Government believes the estimates and assumptions to be reasonable. Some of the more significant estimates used in these financial statements affect the accrual of tax revenues and the related amounts receivable and payable, including the liabilities under provincial and territorial tax collection agreements, valuation allowances for loans, investments and advances, borrowings of Crown corporations and other government business enterprises, obligations for pensions and other employee and veteran future benefits, future payments related to contingent liabilities, environmental liabilities and transfer payments to other levels of government.

### Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

## 2. Spending and Borrowing Authorities

### i. Spending authorities

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes. The Government uses the full accrual method of accounting to prepare its Budget and present its current financial statements. However, the spending authorities voted by Parliament remain on an expenditure basis, which uses only a partial accrual method of accounting. During the year, expenditures were made under the following authorities:

	(in millions of dollars)	
	2005	2004
Annual spending limits voted by		
Parliament . . . . .	69,593	66,470
Expenditures permitted under other		
legislation . . . . .	109,508	107,281
Total budgetary expenditures authorized . . . . .	179,101	173,751
Less: amounts available for		
use in subsequent years and		
amounts that have lapsed, net of		
overexpended amounts . . . . .	6,261	6,285
Total used . . . . .	172,840	167,466
Effect of consolidation and		
full accrual accounting . . . . .	37,188	21,998
Total expenses . . . . .	210,028	189,464

The use of budgetary expenditure authorities reported in the preceding table differs from the total expenses reported in the Statement of Operations and Accumulated Deficit. The difference is due to various factors. Spending authorities are presented on a partial accrual basis, while the Statement of Operations and Accumulated Deficit is prepared on a full accrual basis. Certain accounts with separate non-budgetary authorities and certain Crown corporations are consolidated with the Government's financial statements but are not included in the budgetary expenditure authorities available for use. Provisions for valuation of assets and liabilities are also not included in spending authorities.

In addition to the authorities for budgetary expenditures, non-budgetary spending of \$63,071 million (\$44,463 million in 2004) was authorized for loans, investments and advances. A net amount of \$2,041 million was used (\$2,196 million in 2004), an amount of \$23 million lapsed (\$31 million in 2004) and an amount of \$61,008 million is available for use in subsequent years (\$42,237 million in 2004).

Details (unaudited) about the source and disposition of authorities and the details of ministerial expenditures are provided in Volume II of the *Public Accounts of Canada*.

### ii. Over-expenditure of spending authorities

During the year, the Department of National Defence's grant, "Civil pensions and annuities: Mr. R. P. Thompson", was exceeded by an amount of \$1,766.

Details (unaudited) of overexpended votes and authorities can be found in the ministerial sections of Volume II of the *Public Accounts of Canada*.

iii. Borrowing authorities

The Government may borrow only on the authority of Parliament. An authority to borrow up to \$4,000 million is available from previous fiscal years. This authority was not used in fiscal year 2004-2005 and remains available for future years.

iv. Comparison of results against budget

The budget amounts included in the Statement of Operations and Accumulated Deficit and the Statement of Change in Net Debt are derived from the amounts that were originally budgeted for 2004-2005 in the March 2004 budget (Budget 2004). Although Bud-

get 2004 was prepared using full accrual accounting, it was presented on a net basis. Adjustments have therefore been made to present the budgeted amounts on a gross basis comparable to actual reported amounts. Since actual opening numbers of the accumulated deficit and net debt were not available at the time of preparation of Budget 2004, the corresponding amounts in the budget column were adjusted to the actual closing numbers of the previous year.

The following table reconciles the Budget 2004 amounts initially presented to the basis of accounting used in these financial statements:

	(in millions of dollars)						
	Revenues			Expenses			
	Personal income tax	Crown corporation revenues	Other program revenues	Canada child tax benefits	Other program expenses		
					Crown corporation expenses	National Defence	All other departments and agencies
Presented in Budget 2004. . . . .	86,900	4,000	6,100		4,700	13,300	31,600
Add amounts netted in Budget:							
Child tax benefit payments . . . . .	8,800			8,800			
Crown corporation expenses . . . . .		1,500			1,500		
Departmental revenues netted against expenses . . . . .			3,300			500	2,800
Revised budgeted amounts. . . . .	95,700	5,500	9,400	8,800	6,200	13,800	34,400

3. Expenses

Expenses in the Statement of Operations and Accumulated Deficit are as follows:

i. Transfer payments to other levels of government

	(in millions of dollars)	
	2005	2004
Canada health and social transfer. . . . .	28,031	22,341
Fiscal arrangements . . . . .	12,863	9,409
Other . . . . .	3,807	342
Alternative payments for standing programs <sup>(1)</sup> . . . . .	-2,746	-2,700
Total expenses . . . . .	41,955	29,392

Details (unaudited) can be found in Section I of Volume II of the *Public Accounts of Canada*.

(1) These amounts represent reduced transfer payments to a province that has entered into an arrangement under which the Federal Government provides an abatement for personal income taxes to taxpayers of that province.

ii. Other transfer payments by ministry

	(in millions of dollars)	
	2005	2004
Agriculture and Agri-Food . . . . .	2,752	3,920
Canadian Heritage . . . . .	1,008	885
Foreign Affairs and International Trade (Foreign Affairs). . . . .	3,352	2,650
Health . . . . .	2,176	2,464
Human Resources and Skills Development . . . . .	1,616	2,031
Indian Affairs and Northern Development . . . . .	4,934	4,794
Industry . . . . .	2,095	2,150
Other ministries and provisions . . . . .	7,068	4,070
Total expenses . . . . .	25,001	22,964

Comparative figures have been reclassified to conform to the current year's presentation.

Details (unaudited) can be found in Section I of Volume II of the *Public Accounts of Canada*.

iii. Other program expenses by ministry excluding National Defence and Crown corporation expenses

	(in millions of dollars)	
	2005	2004
Agriculture and Agri-Food .....	1,342	1,354
Canada Customs and Revenue Agency .....	3,749	4,713
Environment .....	1,296	1,300
Fisheries and Oceans .....	1,353	1,398
Foreign Affairs and International Trade (Foreign Affairs) .....	1,566	1,312
Health .....	1,954	1,838
Human Resources and Skills Development ..	2,500	1,845
Industry .....	2,093	2,045
Justice .....	1,011	1,028
Public Works and Government Services ....	2,326	2,348
Solicitor General (Public Safety and Emergency Preparedness) .....	6,057	5,326
Treasury Board .....	1,717	1,594
Other ministries and provisions .....	7,458	5,781
<b>Total expenses .....</b>	<b>34,422</b>	<b>31,882</b>

Comparative figures have been reclassified to conform to the current year's presentation.

Details (unaudited) can be found in Section 1 of Volume II of the *Public Accounts of Canada*.

iv. Public debt charges

	(in millions of dollars)	
	2005	2004
Public debt charges related to unmatured debt —		
Interest on unmatured debt .....	17,131	18,869
Amortization of discounts on Canada and Treasury Bills .....	2,760	3,213
Amortization of premiums, discounts and commissions on all other debts .....	1,755	1,241
Servicing costs and costs of issuing new borrowings .....	79	91
Total .....	21,725	23,414
Interest expense related to employee pensions and other future benefits .....	11,761	11,660
Other .....	632	695
<b>Total public debt charges .....</b>	<b>34,118</b>	<b>35,769</b>

Details (unaudited) can be found in Section 3 of this volume.

v. Expenses by type of resources used in the operations

The Statement of Operations and Accumulated Deficit and the previous tables present a breakdown of expenses by ministry, which represent the expenses incurred for each of the main functions of the Government. The following table presents the detail of these expenses broken down by the main objects of expense:

Objects of expense	(in millions of dollars)	
	2005	2004
Transfer payments .....	118,263	102,378
Other program expenses—		
Crown corporations <sup>(1)</sup> .....	8,274	6,084
Personnel .....	27,835	24,857
Transportation and communications .....	2,204	2,252
Information .....	247	266
Professional and special services .....	4,758	4,848
Rentals .....	977	1,118
Repair and maintenance .....	1,606	1,548
Utilities, materials and supplies .....	2,342	2,122
Other subsidies and expenses .....	5,361	4,463
Amortization expenses .....	3,696	3,502
Loss on disposal of assets .....	347	257
Total other program expenses .....	57,647	51,317
<b>Total program expenses .....</b>	<b>175,910</b>	<b>153,695</b>
<b>Public debt charges .....</b>	<b>34,118</b>	<b>35,769</b>
<b>Total expenses .....</b>	<b>210,028</b>	<b>189,464</b>

Details (unaudited) reconciling objects of expense to objects of expenditure can be found in Section 3 of this Volume and details (unaudited) on ministerial expenditures by objects can be found in Section 1 of Volume II of the *Public Accounts of Canada*.

<sup>(1)</sup> This amount differs from the expense shown on the Statement of Operations and Accumulated Deficit due to the amortization expenses and loss on disposal of assets of consolidated Crown corporations, which are presented with their respective objects of expense.

vi. Significant transactions

*Transfer payments*

During the year, the Government authorized a one-time transfer of \$4,250 million to other levels of government with regard to health for the reduction of wait times. In the February 2005 budget, the Government announced an upfront non-recoverable payment of \$2,830 million related to the *Nova Scotia and Newfoundland and Labrador Additional Fiscal Equalization Offset Payments Act*. These amounts were charged to transfer payments to other levels of governments. The Government also announced a transfer of \$1,000 million related to the Farm Income Payment Program to provide an agriculture assistance package to oilseed producers and cattle producers. The amount was charged to other transfer payments.

*Environmental liabilities*

An expense of \$2,319 million and an equivalent increase in environmental liabilities have been recorded in the current fiscal year to reflect the Atomic Energy of Canada Limited new nuclear facility decommissioning plan.

*Sale of Petro-Canada shares*

The Government sold its shares in Petro-Canada in 2004-2005 and recorded a gain on disposal of \$2,562 million under other program revenues.

**4. Accumulated Deficit**

The Government includes in its revenues and expenses, the transactions of consolidated Crown corporations and of certain accounts established for specified purposes. Legislation requires that the revenues of these specified purpose accounts be identified and that related payments be charged against such revenues. Any deficiency of payments over revenues must be met through future revenues from these accounts. The following table shows the balances of these consolidated accounts and the equity of the consolidated Crown corporations included in the accumulated deficit:

	(in millions of dollars)	
	2005	2004
Accumulated deficit, excluding consolidated accounts . . . . .	549,974	551,422
Consolidated accounts —		
Employment Insurance Account . . . . .	-48,547	-46,232
Other insurance accounts . . . . .	149	149
Other consolidated accounts . . . . .	-287	-289
	501,289	505,050
Consolidated Crown corporations . . . . .	-1,426	-3,557
Accumulated deficit . . . . .	499,863	501,493

Details (unaudited) can be found in Section 4 of this volume.

**5. Unmatured Debt and Other Financial Instruments***i. Unmatured debt*

Unmatured debt is composed of the following:

	(in millions of dollars)	
	2005	2004
Market Debt—		
Payable in Canadian currency . . . . .	416,242	416,915
Payable in foreign currencies . . . . .	16,286	20,542
Total . . . . .	432,528	437,457
Obligations related to capital leases . . . . .	2,932	2,774
Total . . . . .	435,460	440,231



The following table presents the contractual maturity of debt issues and interest rates by currency and type at face value (in Canadian \$):

(in millions of dollars)									
Maturing year	Marketable bonds			Treasury bills	Canada savings, Canada premium and Canada investment bonds <sup>(2)</sup>	Non-marketable bonds and notes <sup>(3)</sup>	Canada bills	Notes	Total
	Canadian \$	US\$	Other <sup>(1)</sup>				US \$	Canada notes <sup>(4)</sup> and Euro medium-term notes <sup>(5)</sup>	
2006	25,640	1,814		127,200	872	285	3,862	564	160,237
2007	29,392	1,210			1,265	1,366			33,233
2008	23,401		386		2,733	700		89	27,309
2009	19,982	3,024	3,207		4,189	519		564	31,485
2010	19,120	191			1,025	71		1,568	21,975
2011 and subsequent	149,139	64			8,996	452			158,651
	266,674	6,303	3,593	127,200	19,080	3,393	3,862	2,785	432,890
Less: Government's holdings of unmatured debt <sup>(6)</sup>	104	257		1					362
	266,570	6,046	3,593	127,199	19,080	3,393	3,862	2,785	432,528
Obligations related to capital leases									2,932
Total unmatured debt									435,460
Nature of interest rate <sup>(7)</sup>	Fixed <sup>(8)</sup>	Fixed	Fixed <sup>(1)</sup>	Variable	Variable	Fixed	Variable	Fixed <sup>(9)</sup>	
Effective weighted average annual interest rates including swaps	5.64	4.98		2.62	2.85	9.99	2.63	3.14	
Range of interest rates	3.00-14.00	2.31-9.70		2.15-3.05	1.25-8.00	2.10-14.06	1.91-3.16	0.70-4.50	

Details (unaudited) can be found in Section 6 of this volume.

(1) Includes marketable bond that was issued in New Zealand dollars of \$386 million with a variable interest rate of 2.31% and bonds issued in Euros of \$3,207 million.

(2) Includes \$11,957 million of Canada savings bonds that are redeemable on demand.

(3) Includes \$3,335 million of bonds issued for the Canada Pension Plan, \$15 million of promissory notes issued to the Diagnostic and Medical Equipment Trust, and \$30 million of promissory notes issued to the Canada Health and Social Transfer Supplement Trust for Health Care.

(4) Includes two Canada notes issued in Japanese yen of \$564 million each.

(5) Includes Euro medium-term notes issued in Euro, US dollar, Japanese yen, Pound sterling, Norwegian kronor and Danish krone.

(6) Includes \$257 million of securities held for the retirement of unmatured debt.

(7) Debt with maturity terms of less than one year is considered to have a variable interest rate. For marketable bonds and foreign currency notes, some of the fixed interest rates were converted into variable interest rates through swap agreements.

(8) Includes real return bonds which have a variable component based on the consumer price index.

(9) Includes medium-term notes which have variable rates.

## ii. Derivative financial instruments

### (a) Swap agreements

Government debt is issued at both fixed and variable interest rates and is denominated in Canadian dollars, US dollars and other currencies. The Government has entered into interest rate and cross currency swap agreements to facilitate management of its debt structure. In the case of

interest rate swap agreements, fixed interest rate funding has been converted to variable rates tied to the Banker's Acceptance rates or London Interbank Offered Rates (LIBOR). In the case of cross currency swap agreements, Canadian dollar and other foreign currency debt has been converted into US

dollars or other foreign currencies with either fixed interest rates or variable interest rates. As a normal practice, the Government's swap positions are held to maturity.

The interest paid or payable and the interest received or receivable on all swap transactions are recorded as part of public debt charges. Unrealized gains or losses due to fluctuations in the foreign exchange value of the swaps are presented

with the accounts payable and accrued liabilities on the Statement of Financial Position and are recognized as part of foreign exchange revenues in the Statement of Operations and Accumulated Deficit.

Swaps with contractual or notional principal amounts outstanding at March 31 are as follows:

Maturing year	(in millions of dollars)			
	2005		2004	
	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$
2005				4,607
2006		4,275		4,471
2007		1,259		1,333
2008	31	3,146	33	3,036
2009	1,451	2,807	1,574	2,994
2010		3,670		3,838
2011 and subsequent		9,324		4,330
	1,482	24,481	1,607	24,609

(b) Credit risk to swap agreements

The Government manages its exposure to credit risk by dealing principally with financial institutions having credit ratings from at least two recognized rating agencies, one of which must be Moody's or Standard & Poor's. At the time of inception of the agreement, the credit rating of the institution must be at least A-

The Government does not have a significant concentration of credit risk with any individual institution and does not anticipate any credit loss with respect to its swap agreements.

The following table presents the notional amounts of the swap agreements by ratings assigned by Standard & Poor's:

Standard & Poor's	(in millions of dollars)	
	2005	2004
AAA	1,490	2,399
AA+	3,651	3,936
AA	5,397	2,057
AA-	9,671	7,778
A+	5,654	10,006
A	100	40
	25,963	26,216

iii. Managing foreign currency risk and sensitivity analysis to foreign currency exposures

Interest rate and foreign currency risks are managed using a strategy of matching the duration structure and the currency of the Exchange Fund Account (EFA) assets and the related foreign currency borrowings of the Government of Canada. As at March 31, 2005, the EFA assets and the liabilities funding these assets were effectively "matched", which means that most price changes would affect both sides of the Statement of Financial Position equally. Assets related to the IMF are only partially matched, as they are denominated in SDRs.

The Government of Canada's foreign currency assets and liabilities are held in mainly three currency portfolios: the US dollar, the Euro and the Japanese yen. At March 31, 2005, a 1 percent appreciation of the Canadian dollar versus the US dollar, the Euro and the Japanese yen would have resulted in a foreign exchange gain of \$20 million due to the unmatched exposure of the US dollar portfolio and in foreign exchange losses of \$15 million and \$4 million due respectively to the unmatched exposures of the Euro and Japanese yen portfolios. The Euro and Japanese yen portfolios are in a net asset position as at March 31, 2005.

iv. *Obligation related to capital leases*

The Government's total obligation related to capital leases as at March 31, 2005 is \$2,932 million (\$2,774 million in 2004). Interest on the obligation related to capital leases of \$164 million (\$156 million in 2004) is included in expenses as part of public debt charges. Future minimum lease payments are summarized as follows:

Maturing year	(in millions of dollars)
2006 .....	353
2007 .....	352
2008 .....	353
2009 .....	312
2010 .....	292
2011 and subsequent .....	3,600
Total minimum lease payments .....	5,262
Less: imputed interest at the average rate of 6.8 percent .....	2,330
Obligation related to capital leases .....	2,932

Details (unaudited) can be found in Section 6 of this volume.

v. *Fair values of financial instruments*(a) *Financial assets and liabilities*

The following table presents the carrying value and the fair value of financial assets and liabilities. Fair values are Government estimates and are generally calculated using market conditions at a specific point in time where a market exists. Fair values of instruments with a short life span or of a non-negotiable nature are assumed to approximate carrying values. Fair values may not reflect future market conditions nor the actual values obtainable should the instrument be exchanged on the market. The calculations are subjective in nature and involve inherent uncertainties due to unpredictability of future events.

	(in millions of dollars)					
	2005			2004		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Financial Assets—						
Cash and accounts receivable .....	76,281	76,281		70,921	70,921	
Foreign exchange accounts .....	40,871	41,646	775	44,313	45,962	1,649
Loans, investments and advances excluding investments in enterprise Crown corporations .....	19,697	19,697		18,571	20,853	2,282
Liabilities—						
Accounts payable and accrued liabilities .....	90,473	90,473		79,964	79,964	
Unmatured debt .....	435,460	466,155	-30,695	440,231	475,244	-35,013
Public sector pensions .....	129,579	125,451	4,128	127,560	127,656	-96
Other employee and veteran future benefits .....	41,549	50,468	-8,919	39,367	45,470	-6,103
Other interest bearing debts .....	8,680	8,680		13,971	13,971	
Net fair value in excess of carrying value .....			-34,711			-37,281

Fair values are determined using the following methods and assumptions:

The carrying values of short-term financial instruments are assumed to approximate their fair values due to their short-term maturity. These include cash, tax and other accounts receivable, accounts payable and accrued liabilities, and the amount due to Canada Pension Plan.

Fair values of the securities and gold reserves held in the foreign exchange accounts are established using market quotes or other available market information. Financial claims and obligations with the International Monetary Fund denominated in foreign currencies are reported at Canadian dollar equivalents at March 31, which are assumed to approximate fair value.

Fair values of loans to enterprise Crown corporations are generally established by using their carrying values. For portfolio or temporary investments, fair values are established using stock market quotes or other available information.

Fair values of other loans, investments and advances are assumed to approximate carrying values since allowances are used to reduce the carrying value of these items to amounts that approximate their estimated realizable value.

For marketable bonds denominated in Canadian dollars and foreign currencies, treasury bills issued in Canadian dollars, Euro medium-term notes and Canada notes, fair values are established using market quotes or the discounted cash flow calculated using year-end market interest and exchange rates. Fair values of other instruments comprising the unmatured debt are deemed to approximate carrying values due to their short life span or their non-negotiable nature.

The fair values of pension and other employee and veteran future benefits liabilities are assumed to approximate the actuarial value of the accrued benefit obligations net of the fair values of the pension plan assets, which are established at market value for investments and at a discounted net present value for other plan assets.

*(b) Derivative financial instruments*

The following table presents the fair value of derivative financial instruments with contractual or notional principal amounts outstanding at March 31:

	(in millions of dollars)			
	2005		2004	
	Notional value	Fair value	Notional value	Fair value
Interest rate and cross currency swaps . . . . .	25,963	1,498	26,216	529

Fair values of the swap agreements are the estimated amount that the Government would receive or pay, based on market factors, if the agreements were terminated on March 31. They are established by discounting the expected cash flows of the swap agreements by using fiscal year-end market interest and exchange rates. A positive (negative) fair value indicates that the Government would receive (make) a payment if the agreements were terminated.

**6. Public Sector Pensions and Other Employee and Veteran Future Benefits**

The Government sponsors defined benefit pension plans covering substantially all of its employees (including the Public Service, Canadian Forces, Royal Canadian Mounted Police and certain Public Service corporations) as well as federally appointed judges and Members of Parliament. For the main plans, pension benefits generally accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Since April 1, 2000, the net amount of contributions less benefits and payments related to post March 2000 service for the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans is invested in capital markets. These plans are generally funded from employee contributions, employer contributions, and investment earnings. Contributions and payments pertaining to the pre April 2000 service and other pension plans, which are not invested externally, are recorded in pension accounts within the Accounts of Canada pursuant to pension legislation.

The following presents a summary of the main pension transactions in the period:

	(in millions of dollars)					
	2005			2004		
	Funded plans	Others	Total	Funded plans	Others	Total
Contributions—						
Employees .....	1,073	77	1,150	1,015	87	1,102
Public Service corporations .....	133	12	145	126	21	147
Government .....	2,769	200	2,969	2,621	315	2,936
Total .....	3,975	289	4,264	3,762	423	4,185
Benefits paid .....	103	6,219	6,322	59	6,007	6,066

Details (unaudited) can be found in Section 6 of this volume.

The Government also sponsors a variety of other future benefit plans from which employees and former employees (including military or Royal Canadian Mounted Police members) can benefit, during or after employment or upon retirement. The cost of these benefits can accrue either during the service life of employees or upon occurrence of an event giving rise to the liability under the terms of the plans. The Government is liable for future payments for the disability and other benefits paid to war veterans, the Canadian Forces retired veterans and still-serving members, their survivors and dependants, as well as to current and former members of the Royal Canadian Mounted Police and their survivors and dependants. Other significant future benefits for which the

Government is liable include the health care and dental plans available to retired employees and their dependants, severance benefits, and workers' compensation benefits.

All these plans are unfunded. The health care and dental plans are contributory plans, whereby contributions by retired plan members are made in the year in which the benefits are payable. These contributions amounted to \$85 million in 2005 (\$83 million in 2004). The Government's costs and benefits paid are presented net of these contributions.

The pension and other employee and veteran future benefit liability at March 31, 2005 includes the following components:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2005	2004	2005	2004
Accrued benefit obligation .....	145,349	142,401	50,468	45,470
Less: Pension plan assets —				
Investments at market related value .....	18,287	13,386		
Contributions receivable from employees for past service .....	537	513		
Total .....	18,824	13,899		
	126,525	128,502	50,468	45,470
Unamortized estimation adjustments .....	3,054	-942	-8,919	-6,103
Pension and other employee and veteran future benefit liability .....	129,579	127,560	41,549	39,367

Details (unaudited) can be found in Section 6 of this volume.

Pension plan assets include marketable investments and contributions receivable from employees for past service buy back elections. The investments are valued at market related values, whereby the fluctuations between the market and expected market value are averaged over a five-year period,

within a ceiling of plus or minus 10 percent of the market value. At March 31, 2005, the market value of the investments is \$19,361 million (\$14,232 million in 2004). Contributions receivable for past service are discounted to approximate their fair value.

The pension and other employee and veteran future benefits related expense includes the following components:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2005	2004	2005	2004
Net expense related to employee pensions and other future benefits —				
Net benefits earned . . . . .	2,860	2,829	2,109 <sup>(1)</sup>	1,065
Amortization of estimation adjustments . . . . .	-947	-1,392	598	201
Plan amendment costs . . . . .			181	50
Recognition of net unamortized gains . . . . .				-226
Total . . . . .	1,913	1,437	2,888	1,090
Interest expense related to employee pensions and other future benefits—				
Interest on average accrued benefit obligation . . . . .	10,220	10,023	2,428	2,309
Expected return on average pension plan assets . . . . .	-887	-672		
Total . . . . .	9,333	9,351	2,428	2,309
Total expense related to employee pensions and other future benefits . . . . .	11,246	10,788	5,316	3,399

Details (unaudited) can be found in Section 6 of this volume.

<sup>(1)</sup> This amount includes an adjustment of \$885 million made in 2005 to record for the first time the future benefit liability related to the disability and health care benefits to which current and former Royal Canadian Mounted Police members or their survivors and dependants are entitled.

During the year, amendments were made to improve the benefits for spouses and survivors of veterans. The one time past service cost of these changes is estimated at \$181 million. It is charged to future benefit expense and included in the year-end accrued benefit obligation. In 2004, a similar amendment had resulted in a \$50 million past service cost and in the accelerated recognition of net unamortized gains of \$226 million, which was recorded against the future benefit expense.

The interest expense calculated on the average actuarial obligation is reported as part of public debt charges. It is presented net of the expected return on the average market related value of pension plan assets. During the year, the actual rate of return of marketable investments calculated on a time-weighted basis was 7.9 percent (26.1 percent in 2004).

The changes in the accrued benefit obligation and in the pension investments during the year were as follows:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2005	2004	2005	2004
Accrued benefit obligation — Beginning of year . . . . .	142,401	134,347	45,470	40,872
Benefits earned . . . . .	4,054	3,970	2,109	1,065
Interest on average accrued benefit obligation . . . . .	10,220	10,023	2,428	2,309
Benefits paid . . . . .	-6,322	-6,066	-3,100	-2,843
Administrative expenses . . . . .	-76	-78	-34	-33
Net transfers to other plans . . . . .	-206	-237		
Plan amendments . . . . .			181	50
Actuarial (gains) or losses . . . . .	-4,722	442	3,414	4,050
Accrued benefit obligation — End of year . . . . .	145,349	142,401	50,468	45,470
Market related value of investments — Beginning of year . . . . .	13,386	8,905		
Expected return on plan assets . . . . .	887	672		
Contributions . . . . .	3,975	3,762		
Benefits, transfers and other . . . . .	-159	-66		
Actuarial gains . . . . .	198	113		
Market related value of investments — End of year . . . . .	18,287	13,386		

Actuarial valuations of the pension plans are performed every three years for funding purposes. The most recent valuations for the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans were conducted as at March 31, 2002, while the valuations for the Members of Parliament and the federally appointed judges were conducted as at March 31, 2004. The valuations for pensions and other future benefits, except for the veterans' benefits, are updated annually for accounting purposes. The valuation for the veterans' benefits is performed every year for accounting purposes.

All annual valuations are prepared using assumptions that are based on Government's best estimates. The valuations are based on the projected benefit method prorated on service, except for the veterans' and workers' compensation valuations, for which benefits are accrued on an event driven basis. Many assumptions are required for this process, including estimates of future inflation, interest rates, expected return on investments, general wage increases, work-force composition, retirement rates and mortality rates. Estimation adjustments arise when actual experience varies from assumptions. They are amortized over the estimated average remaining

service lives of plan members, which represent periods ranging from 7 to 14 years.

The assumptions for the long-term rate of inflation and long-term general wage increase used in the accounting valuations are 2 percent and 2.9 percent respectively (2 percent and 2.9 percent in 2004). At March 31, 2005, the assumed expected rate of return on pension investments and the average Government long-term bond rate used to value the pension liability are 6.2 percent and 7.8 percent respectively (5.8 percent and 7.6 percent in 2004). The corresponding assumptions used in the cost of current service and in the interest expense are 5.8 percent and 7.6 percent (6.25 percent and 7.8 percent in 2004). The discount rate used to value the liability for other employee and veteran future benefits is 5.1 percent (5.3 percent in 2004), while the rate used for the cost of current service and interest expense is 5.3 percent (5.8 percent in 2004).

Changes in assumptions can result in significantly higher or lower estimates of liabilities. The following table illustrates the possible impact of a 1 percent change in the main assumptions:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2005	2004	2005	2004
Possible impact on liabilities due to:				
Increase of 1 percent in discount rates . . . . .	-17,900	-17,800	-5,500	-4,600
Decrease of 1 percent in discount rates . . . . .	22,700	22,600	7,000	5,700
Increase of 1 percent in inflation . . . . .	17,600	17,600	5,400	5,200
Decrease of 1 percent in inflation . . . . .	-14,400	-14,400	-4,300	-4,200
Increase of 1 percent in general wage increases . . . . .	4,300	4,500	300	300
Decrease of 1 percent in general wage increases . . . . .	-3,600	-3,900	-300	-300

## 7. Due to Canada Pension Plan

As explained in Note 1, the financial activities of the Canada Pension Plan (the Plan) are not included in these financial statements.

The Plan is a federal/provincial program for compulsory and contributory social insurance. It operates in all parts of Canada, except for the Province of Quebec, which has a comparable program. The Plan is administered by the Government of Canada under joint control with the participating provinces. Payments of pensions and benefits from the Plan are financed from contributions by employers, employees and self-employed persons, and from the income earned on investments. As administrator, the Government's authority to spend is limited to the Plan's net assets. At March 31, 2005, the fair value of the Plan's net assets is \$83,411 million (\$72,512 million in 2004).

The Canada Pension Plan Account (the Account) was established in the Accounts of Canada to record the transactions of the Plan, as well as the amounts transferred to or received from the Canada Pension Plan Investment Fund and the Canada Pension Plan Investment Board.

The Plan's deposit with the Receiver General for Canada of \$2,771 million (\$7,483 million in 2004) corresponds to the balance in the Account and is reported as the Government's liability to the Plan at March 31, 2005.

Additional information (unaudited) and the audited financial statements of the Plan are included in Section 6 of this volume. Additional information on the funding of the Plan may be obtained from the *21<sup>st</sup> Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions.

## 8. Tax and Other Accounts Receivable

Tax receivables represent tax revenues that were assessed by year-end as well as amounts receivable due to the accrual of tax revenues as at March 31. These accrued receivables are not due until the next fiscal year. They also include other receivables for amounts collected through the tax system such as Employment Insurance premiums.

The Government has established an allowance for doubtful accounts of \$6,000 million (\$7,598 million in 2004) in relation to the total tax receivables. It also recorded a provision for bad debt of \$993 million (\$1,887 million in 2004), which is presented against other program expenses. The details of the tax receivables and allowance for doubtful accounts are as follows:

	(in millions of dollars)			
	2005		2004	
	Total tax receivables	Allowance for doubtful accounts	Net	Net
Income tax receivable—				
Individuals .....	28,562	2,905	25,657	22,745
Employers .....	13,018	516	12,502	10,837
Corporations .....	6,968	847	6,121	5,182
Non-residents .....	913	194	719	680
Goods and services tax receivable .....	9,193	1,476	7,717	7,754
Customs duties receivable .....	151	34	117	121
Excise taxes and duties receivable .....	672	28	644	634
<b>Total .....</b>	<b>59,477</b>	<b>6,000</b>	<b>53,477</b>	<b>47,953</b>

Details (unaudited) can be found in Section 7 of this volume.

Other accounts receivable represent billed or accrued financial claims arising from amounts owed to the Government at year-end. They amount to \$3,388 million (\$3,506 million in 2004) and are presented net of an allow-

ance for doubtful accounts of \$1,179 million (\$1,084 million in 2004). Further details (unaudited) can be found in Section 7 of this volume.

## 9. Foreign Exchange Accounts

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. The Government keeps certain investments in its Exchange Fund Account to provide general liquidity and to promote orderly conditions in the foreign exchange market for the Canadian dollar. As at March 31, 2005, the fair value of the marketable securities contained in the Exchange Fund Account was \$34,952 million (\$38,866 million in 2004). Further details on these investments are provided in the audited financial statements of the Exchange Fund Account in Section 8 of this volume.

The following table presents the balances of the foreign exchange accounts:

	(in millions of dollars)	
	2005	2004
International reserves		
held in the Exchange Fund Account—		
Cash and short-term deposits .....	3,773	2,840
Marketable securities .....	34,226	37,288
Other assets .....	1,115	1,119
<b>Total .....</b>	<b>39,114</b>	<b>41,247</b>
International Monetary Fund —		
Subscriptions .....	11,240	12,185
<b>Total .....</b>	<b>50,354</b>	<b>53,432</b>
Less:		
International Monetary Fund —		
Notes payable .....	8,059	7,606
Special drawing rights allocations .....	1,424	1,513
<b>Total .....</b>	<b>9,483</b>	<b>9,119</b>
<b>Total foreign exchange accounts .....</b>	<b>40,871</b>	<b>44,313</b>

Details (unaudited) can be found in Section 8 of this volume.



## 10. Crown Corporations and Other Government Business Enterprises

The Government wholly owns forty-four Crown corporations. Some of these Crown corporations rely on the Government for most of their financing. There are twenty-three such corporations whose financial activities are consolidated in these financial statements. The major consolidated Crown corporations are Atomic Energy of Canada Limited, Canadian Broadcasting Corporation, Marine Atlantic Inc. and VIA Rail Canada Inc. Details (unaudited) of these corporations are included in Section 4 of this volume.

Other Crown corporations are government business enterprises that are able to raise substantial portions of their revenues through commercial business activity and are self-sustaining. These Crown corporations are called enterprise Crown corporations. The major enterprise Crown corporations include the Bank of Canada, Canada Mortgage and Housing Corporation, Canada Post Corporation and Export Development Canada.

There is also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but which are owned or controlled by the Government and accountable to either Parliament or to a Minister. These are referred to as other government business enterprises. The major other government business enterprises include the Canadian Wheat Board and the Port Authorities of Halifax, Montreal, Quebec and Vancouver.

For enterprise Crown corporations and other government business enterprises, the Government records these investments under the modified equity method, whereby the cost of its equity is reduced by dividends received and adjusted to include the annual net profits and losses of these corporations, after elimination adjustments of unrealized inter-organizational gains and losses. Their assets and liabilities are not included in these financial statements, except for their borrowings which are recorded as liabilities of the Government when they are not expected to be repaid directly by these corporations.

The Government also reports any amounts receivable from or payable to these corporations. Under the modified equity basis of accounting, the corporations' accounts are not adjusted to the Government's basis of accounting. Most corporations follow Canadian generally accepted accounting principles used by private sector companies.

The following tables present the Government's recorded investment in significant enterprise Crown corporations and other government business enterprises as well as their summary financial position and results.

	(in millions of dollars)	
	2005	2004
Loans and advances <sup>(1)</sup> —		
Canada Mortgage and Housing Corporation . . . . .	4,999	5,189
Other . . . . .	64	66
Total loans and advances . . . . .	5,063	5,255
Investments—		
Export Development Canada . . . . .	3,940	2,480
Canada Mortgage and Housing Corporation . . . . .	3,656	2,718
Business Development Bank of Canada . . . . .	1,570	1,218
Canada Post Corporation . . . . .	1,270	1,254
Farm Credit Canada . . . . .	1,085	948
Canada Deposit Insurance Corporation . . . . .	788	681
Other . . . . .	1,854	1,678
Total investments . . . . .	14,163	10,977
Total . . . . .	19,226	16,232

Details (unaudited) can be found in Section 9 of this volume.

<sup>(1)</sup> These loans are recorded at cost. The caption allowance for valuation also includes an amount of \$1,550 million (\$1,589 million in 2004) corresponding to the portion of these loans expected to be paid out of future appropriations.

	(in millions of dollars)	
	2005	2004
Assets		
(including capital assets, inventories and prepaid expenses of \$5,923 (\$6,828 in 2004)) . . . . .	127,708	125,682
Liabilities . . . . .	113,482	114,599
Net equity as reported . . . . .	14,226	11,083
Elimination adjustments . . . . .	-63	-106
Net equity . . . . .	14,163	10,977
Revenues . . . . .	19,297	18,461
Expenses . . . . .	14,517	14,719
Net income for the year as reported . . . . .	4,780	3,742
Elimination adjustments . . . . .	75	-31
Net income . . . . .	4,855	3,711
Other changes in equity		
Dividends <sup>(1)</sup> . . . . .	-1,944	-1,907
Capital . . . . .	275	64
Total . . . . .	3,186	1,868
Opening net equity . . . . .	10,977	9,109
Closing net equity . . . . .	14,163	10,977
Contractual obligations . . . . .	5,515	5,983
Contingent liabilities . . . . .	2,750	2,801

Details (unaudited) can be found in Section 9 of this volume.

<sup>(1)</sup> Amounts reported as dividends include \$1,696 million (\$1,754 million in 2004) from the Bank of Canada.

## 11. Other Loans, Investments and Advances

The following table presents a summary of the balances of loans, investments and advances by category:

	(in millions of dollars)	
	2005	2004
National governments, including developing countries and international organizations—		
National governments including developing countries . . . . .	935	1,106
International organizations . . . . .	13,440	13,187
Total . . . . .	14,375	14,293
Other loans, investments and advances—		
Provincial and territorial governments . . . . .	4,941	4,268
Other loans, investments and advances . . . . .	12,852	12,341
Total . . . . .	17,793	16,609
Total . . . . .	32,168	30,902

Details (unaudited) can be found in Section 9 of this volume.

Loans to national governments consist mainly of loans for financial assistance, international development assistance to developing countries, and loans for development of export trade which is administered by Export Development Canada. These loans bear interest at rates varying from 0 percent to 11 percent, and are repayable over 1 to 55 years, with final instalments in 2042.

Loans, investments and advances to international organizations include Canada's subscriptions to the share capital of international banks as well as loans and advances to associations and other international organizations. These subscriptions are composed of both paid-in and callable capital. They do not provide a return on investment but are repayable on termination of the organization or withdrawal from it. Most loans and advances to international organizations are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms.

Loans to provinces and territories include loans made under relief acts and other legislation. These loans bear interest at rates varying from 0 percent to 9.5 percent, and are repayable over 1 to 50 years, with final instalments in 2015.

Other loans, investments and advances include portfolio investments and loans and advances under various programs to individuals and organizations which include loans under the Canada Student Loans Program of \$7,483 million (\$6,370 million in 2004), and loans for development of export trade which are administered by Export Development

Canada of \$2,257 million (\$1,645 million in 2004). Loans under the Canada Student Loans Program are provided interest-free to full-time students and afterwards bear interest at either a variable rate of 2.5 percent above the prime rate or a fixed rate of 5.0 percent above the prime rate. The repayment period is generally 10 years. Loans for development of export trade bear interest at rates varying from 0 percent to 9.7 percent, and are repayable over 1 to 20 years, with final instalments in 2020.

## 12. Tangible Capital Assets

Tangible capital assets consist of acquired, built, developed or improved tangible assets, whose useful life extends beyond the fiscal year and which are intended to be used on an ongoing basis for producing goods or delivering services, including military activities. They include land, buildings, works and infrastructure, machinery and equipment, vehicles, leasehold improvements and assets under construction. Software and leasehold improvements include only the cost of assets acquired since April 1, 2001.

Tangible capital assets do not include immovable assets located on Indian reserves. In addition, the cost of works of art and museum collections consisting mainly of paintings, sculptures, drawings, prints, photographs, monuments, films and videos are charged to expense in the fiscal year in which they are acquired.

The cost of tangible capital assets used in Government operations is generally amortized on a straight-line basis over the estimated life of the asset as follows:

Buildings	20 to 40 years
Works and infrastructure <sup>(1)</sup>	5 to 40 years
Machinery and equipment	3 to 30 years
Vehicles	3 to 40 years
Leasehold improvements	lesser of useful life of improvement or lease term
Assets under construction	once in service, in accordance with asset type
Assets under capital leases	in accordance with asset type

<sup>(1)</sup> Except for the Confederation Bridge, which is amortized over 100 years.

The following table presents a summary of the transactions and balances for the main categories of tangible capital assets:

	(in millions of dollars)									
	Cost				Accumulated amortization				Net book value 2005	Net book value 2004
	Opening balance	Acquisitions	Disposals and adjustments <sup>(1)</sup>	Closing balance	Opening balance	Amortization expense	Disposals and adjustments <sup>(1)</sup>	Closing balance		
Land	1,398	26	37	1,387					1,387	1,398
Buildings	16,619	372	-319	17,310	7,799	714	106	8,407	8,903	8,820
Works and infrastructure	10,550	64	-21	10,635	5,403	329	69	5,663	4,972	5,147
Machinery and equipment	17,633	830	-565	19,028	9,246	1,158	260	10,144	8,884	8,387
Vehicles (ships, aircraft and others)	29,446	350	-1,207	31,003	14,764	1,215	-690	16,669	14,334	14,682
Leasehold improvements	1,041	54	-165	1,260	395	124	2	517	743	646
Assets under construction	6,018	2,699	2,522	6,195					6,195	6,018
Assets under capital leases	3,456	224	-72	3,752	809	156	2	963	2,789	2,647
Total	86,161	4,619	210	90,570	38,416	3,696	-251	42,363	48,207	47,745

Details (unaudited) can be found in Section 10 of this volume.

<sup>(1)</sup> Disposals and adjustments include assets under construction of \$1,907 million that were transferred to other categories upon completion of the assets. They also include assets with a cost of \$888 million and accumulated amortization of \$523 million that were reclassified from inventories to various categories of tangible capital assets.

### 13. Contractual Obligations

The nature of government activity results in some large multi-year contracts and obligations. Major contractual obligations that can be reasonably estimated are summarized as follows:

	(in millions of dollars)	
	2005	2004
Transfer payment agreements	40,967	41,015
Acquisition of property and equipment, and goods and services	14,615	7,723
Operating leases	3,286	3,492
International organizations	3,673	3,882
	62,541	56,112

Details (unaudited) can be found in Section 11 of this volume.

Estimated future expenses against these contractual obligations are as follows:

Year	(in millions of dollars)
2006	11,593
2007	7,389
2008	5,823
2009	5,014
2010	3,632
2011 and subsequent	29,090
	62,541

Details (unaudited) can be found in Section 11 of this volume.

#### i. Transfer payment agreements

The transfer payment agreements obligations include an amount of \$30,652 million (\$31,693 million in 2004) related to various contractual obligations of the Government through the Minister's account held at Canada Mortgage and Housing Corporation (CMHC) for social housing programs. Honouring these obligations currently amounts to about \$1,700 million per year. The amounts reported for CMHC under obligations for transfer payment agreements for fiscal year 2004-2005 reflect the total estimated remaining contractual obligations that extend for periods up to 35 years.

#### ii. Operating leases

The Government rents premises and equipment under operating leases which expire at various dates. Future minimum lease payments as at March 31, 2005, total \$3,286 million (\$3,492 million in 2004).

### 14. Contingent Liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are classified into five categories: guarantees by the Government, international organizations, contaminated sites, claims and pending and threatened litigation and insurance programs.

i. *Guarantees by the Government*

Guarantees by the Government at March 31, 2005 amount to \$55,213 million (\$56,883 million in 2004) for which an allowance of \$2,317 million (\$2,770 million in 2004) has been recorded.

ii. *International Organizations*

The Government has callable share capital in certain international organizations that could require payments to those agencies. As at March 31, 2005, callable share capital amounts to \$15,314 million (\$16,485 million in 2004).

iii. *Contaminated sites*

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where the Government is obligated or likely obligated to incur such costs. The Government has identified approximately 2,200 sites (2,400 sites in 2004) where such action is possible and for which a liability of \$2,874 million (\$3,133 million in 2004) has been recorded. The Government has estimated additional clean-up costs of \$2,440 million (\$1,045 million in 2004) that are not accrued as these are not considered likely to be incurred at this time. The Government's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued in the year in which they become known.

iv. *Claims and pending and threatened litigation*

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. These claims include items with pleading amounts and many where an amount is not specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The Government has recorded an allowance for claims and litigation where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Certain large and significant claims are described below:

*Comprehensive land claims:* There are currently 77 (78 in 2004) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of \$3,700 million (\$3,700 million in 2004) is estimated for claims that have progressed to a point where quantification is possible. The remaining claims are still in the early stage of negotiations and cannot yet be quantified.

*Assessed taxes under objection or appeal:* As at March 31, 2005, an amount of \$9,537 million (\$7,615 million in 2004) of taxes assessed was under objection at Canada Customs and Revenue Agency and an amount of \$1,360 million (\$986 million in 2004) was being appealed to either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

*Other:* In September 1999, the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act* were amended to enable the federal government to deal with excess amounts in the superannuation accounts and pension funds governed by these Acts. The legal validity of these provisions has since been challenged in the courts. The outcome of these lawsuits and the estimated financial impact, which could be significant, is not determinable at this time.

v. *Insurance programs*

Three agent enterprise Crown corporations operate insurance programs for the Government. In the event that the corporations have insufficient funds, the Government will have to provide financing. The Canada Deposit Insurance Corporation operates the Deposit Insurance Fund which provides basic protection coverage to depositors for up to \$100,000 (\$60,000 in 2004) deposited with each member bank, trust or loan company; Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions and the Mortgage-Backed Securities Guarantee Fund which guarantees the timely payment of the principal and interest for investors of securities based on the *National Housing Act*; and Export Development Canada provides export and foreign investment insurance to help with export trade. At March 31, 2005, total insurance in force amounts to \$719,116 million (\$688,210 million in 2004). The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

Further details (unaudited) can be found in Section 11 of this volume.

**SUPPLEMENTARY INFORMATION  
OBSERVATIONS OF THE AUDITOR GENERAL  
ON THE  
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA  
FOR THE YEAR ENDED MARCH 31, 2005**

In previous years I have reported two other matters in my Report on the Financial Statements of the Government of Canada. In these Observations I provide an update on the status of these issues.

**TRANSFERS TO FOUNDATIONS**

Due to improvements instituted and proposed by the Government, developments in accounting standards, and the relative insignificance of transfers to foundations in the current year, I have removed the other matter about transfers to foundations that I have reported in previous years in my Report on the Financial Statements of the Government of Canada.

My concerns have been about the way foundations were funded, the way the funding was accounted for, and the accountability regime relating to transfers to foundations.

The following table illustrates that since 1997, the Government has transferred \$9.4 billion to the foundations (including transfers of \$535 million in 2004–05). Of this amount, \$7.4 billion remains in the foundations' bank accounts or investments or was receivable at year end.

In recent discussions, the Comptroller General has indicated that he is looking into changing this method of funding. While the details have not been finalized, his proposal would involve making disbursements to foundations based on their cash requirements. I view this as a positive development that the Government should pursue.

I have also questioned whether transfers to foundations should be recorded as expenses when amounts are transferred to the foundations, or when transfers are used by the foundations.

In addition to the Government Reporting Entity standard discussed later in these Observations, the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants has a project to review the accounting for transfers that should provide guidance relevant to this issue. Practitioners and standard setters continue to discuss this PSAB project. So far, no new standard has been developed.

Lastly, I have expressed concerns about the accountability regime over foundations. As I noted in last year's observations, I expected that improved accountability measures would result in credible reporting of results, effective ministerial oversight, and adequate external audit.

In my February 2005 Status Report, I reported the following:

- The Government had made improvements in reporting to Parliament.
- The Government still needed mechanisms for ministers to make an adjustment to a foundation when circumstances change considerably.
- I still had concerns about the audit provisions. However, I am pleased that on June 29, 2005, a legislative amendment was made to the *Auditor General Act* that gives my Office access to foundations to conduct performance audits.

## Foundations that received over \$10 million in funding between 1996-97 and 2004-05

Foundation	Year announced	Funding received <sup>1</sup>	Grants provided <sup>2</sup>	Interest earned	Operational expenses	Balance March 31, 2005 <sup>1,3</sup>	Funding commitments signed
	(\$ millions)						
Canada Foundation for Innovation	1997	3,651	1,493	894	47	3,005	1,439
Canada Millennium Scholarship Foundation	1998	2,500	1,456	784	66	1,762	292
Canada Health Infoway Inc.	2001	1,200	99	127	56	1,172	41
Foundation for Sustainable Development Technology	2001	550	16	21	12	543	73
Genome Canada	2000	600	270	59	26	363	122
Endowment funds <sup>4</sup>	2000 to 2005	239	6	16	3	246	4
Aboriginal Healing Foundation	1998	390	306	90	48	126	73
Canadian Health Services Research Foundation	1997	152	48	24	10	118	26
Other foundations under \$125 million <sup>5</sup>	2000	140	52	15	5	98	24
<b>Grand Total</b>		<b>9,422</b>	<b>3,746</b>	<b>2,030</b>	<b>273</b>	<b>7,433<sup>6</sup></b>	<b>2,094</b>

<sup>1</sup> Funding received includes \$535 million that was receivable by the foundations at March 31, 2005.

<sup>2</sup> In addition to grants, this column includes eligible project expenses.

<sup>3</sup> The balances shown are from the latest annual reports, where March 31, 2005 financial statements are not yet available.

<sup>4</sup> For endowment funds only the earnings are disbursed — these include Pierre Elliott Trudeau Foundation; Clayoquot Biosphere Trust Society; Pacific Salmon Endowment Fund Society; Canadian Institute for Research on Linguistic Minorities, University of Moncton; Frontier College Foundation; and Asia-Pacific Foundation of Canada. During the year the Green Municipal Investment Fund and the Green Municipal Enabling Fund were combined as the Green Municipal Fund, which is reflected as an “other organization”. As a result, \$200 million of funding previously reported in the table is now reflected in footnote 6.

<sup>5</sup> These are the Canadian Foundation for Climate and Atmospheric Sciences and the Forum of Federations.

<sup>6</sup> In addition to funding for foundations and endowments, \$1,100 million had been transferred to other organizations at arm’s length from the Government; \$910 million of the transferred amount had yet to be used at March 31, 2005. The organizations are the Canadian Institute for Health Information; the Green Municipal Fund; Precarn; Canarie Inc.; the Canadian Institute for Advanced Research; the Canadian Academies of Science; and the Canadian Council on Learning.

I wish to reiterate that I express no view on the merits of foundations as vehicles to deliver government programs, and my comments should not be interpreted as a criticism of these organizations.

## EMPLOYMENT INSURANCE ACCOUNT

As a result of the amendment to the *Employment Insurance Act*, which received Royal Assent on June 29, 2005, I have removed the other matter related to Employment Insurance that was reported last year in my Report on the Financial Statements of the Government of Canada. The amendment established a new rate-setting mechanism that is effective for the 2006 premium rate. Further explanation will be provided in my Annual Report to the House of Commons later this year.

In addition to the above items that affect my Report on the Financial Statements of the Government of Canada for the current year, I wish to draw Parliament's attention to an item of significance to the Financial Statements of the Government of Canada for the upcoming year.

## GOVERNMENT REPORTING ENTITY

In 2003, PSAB revised its standard on the government reporting entity. This revised standard, to be implemented in 2005–06, changes the requirements for determining which organizations should be considered to be part of the Government, for purposes of financial reporting. Under this new standard, organizations should be considered part of the Government if they are “controlled” by Government. This differs from the previous standard, which also considered ownership and accountability.

The standard defines control as “the power to govern the financial and operating policies of another organization.” It indicates that this control can be exercised by establishing an organization's fundamental purpose and eliminating or significantly limiting the ability of the organization to make future decisions by predetermining the financial and operating policies of the organization.

Any organizations determined to be controlled by the Government would be treated as part of the government reporting entity. The Financial Statements of the Government of Canada would then reflect their assets, liabilities, expenses, and revenues. Transfers to these organizations would not be treated as expenses until the organization used these funds for their intended purposes.

This is a particularly challenging standard to apply because Government must consider the preponderance of evidence to judge whether an organization is controlled by the Government—there is no single rule or criterion to establish control.

I am continuing my discussions with government officials in an effort to reach an agreement on how to apply this new standard to the 2005–06 accounts.

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# SECTION 3

2004-2005

*PUBLIC ACCOUNTS OF CANADA*

## Revenues, Expenses and Accumulated Deficit

### CONTENTS

	<i>Page</i>
Revenues .....	3.2
Accounting for revenues .....	3.2
Tax revenues .....	3.3
Employment insurance premiums .....	3.4
Other revenues .....	3.5
Expenses .....	3.7
Accounting for expenses .....	3.7
Government's cost of operations .....	3.8
Expenses by object .....	3.11
Expenditures under statutory authorities .....	3.11

## REVENUES, EXPENSES AND ACCUMULATED DEFICIT

This section provides information on the revenues, expenses and accumulated deficit of the Government as summarized in Table 3.1.

A narrative description is provided for certain accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 3.1**  
REVENUES, EXPENSES AND ACCUMULATED DEFICIT  
(in millions of dollars)

	2004-2005	2003-2004
<b>Revenues—</b>		
Tax revenues, Table 3.2 .....	174,894	164,895
Employment insurance premiums .....	17,307	17,546
Other revenues, Table 3.4 .....	19,457	16,106
<b>Total revenues .....</b>	<b>211,658</b>	<b>198,547</b>
<b>Expenses—</b>		
Transfer payments .....	118,263	102,378
Other program expenses .....	57,647	51,317
<b>Total program expenses .....</b>	<b>175,910</b>	<b>153,695</b>
Public debt charges .....	34,118	35,769
<b>Total expenses, Table 3.6 .....</b>	<b>210,028</b>	<b>189,464</b>
<b>Annual surplus .....</b>	<b>1,630</b>	<b>9,083</b>
<b>Accumulated deficit, beginning of year .....</b>	<b>501,493</b>	<b>510,576</b>
<b>Accumulated deficit, end of year .....</b>	<b>499,863</b>	<b>501,493</b>

## REVENUES

Revenues consist of all tax and other amounts which enter into the calculation of the annual surplus or deficit of the Government.

### Accounting for Revenues

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. Tax revenues are recognized in the period in which the event that generates the revenue occurs. For income taxes, revenue is recognized when the taxpayer has earned the income producing the tax. Revenue is determined net of tax deductions and credits allowed under the *Income Tax Act*.

Revenues for the fiscal year ended March 31 are based on amounts assessed/reassessed at the time of preparation of the financial statements and estimates of income tax earned in the fiscal period but not yet assessed/reassessed. These estimates are based on amounts received at the time of preparation of the financial statements that relate to the fiscal year ended March 31 that have not been assessed or that are awaiting reassessment. Actual results may

differ significantly from these estimates. The difference will be recorded in the fiscal year in which the actual assessment/reassessment is completed. Revenues do not include estimates for amounts of unreported taxes.

Goods and services tax, and excise and customs revenues are recorded based on the tax and duties assessed and estimated at the time of preparation of the financial statements that relate to the fiscal year ended March 31. For domestic goods and services tax, revenue is recognized at the time of the sale of goods or the provision of services. For excise duties, revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act*. For excise taxes, revenue is recognized when a taxpayer sells goods taxable under the *Excise Act*. For customs duties and goods and services tax on imports, revenue is recognized when goods are authorized by the Canada Border Services Agency to enter Canada.

Employment insurance premiums are recognized in revenue in the same period as the insurable earnings are earned. Other revenues are recognized in the period to which they relate.

## Tax Revenues

Tax revenues include personal and corporate income taxes, other income tax revenues, and other taxes and duties as summarized in Table 3.2.

**TABLE 3.2**  
**TAX REVENUES**

(in millions of dollars)

	2004-2005	2003-2004
<b>Tax revenues—</b>		
Income tax—		
Personal .....	98,521	92,957
Corporate .....	29,956	27,431
Other income tax revenues .....	3,560	3,142
	<b>132,037</b>	<b>123,530</b>
Other taxes and duties—		
Goods and services tax, Table 3.3 .....	29,758	28,286
Energy taxes—		
Excise tax—Gasoline .....	4,014	3,990
Excise tax—Aviation gasoline and diesel fuel .....	1,040	962
	<i>5,054</i>	<i>4,952</i>
Customs import duties .....	3,091	2,887
Other excise taxes and duties—		
Excise duties .....	4,336	4,085
Air travellers security charge .....	383	410
Miscellaneous excise taxes and duties .....	235	745
	<i>4,954</i>	<i>5,240</i>
	<b>42,857</b>	<b>41,365</b>
Total tax revenues <sup>(1)</sup> .....	174,894	164,895

<sup>(1)</sup> Additional details are provided in Table 4a in Section I of Volume II.

### Personal income tax

Personal income tax is levied on personal income under the provisions of the *Income Tax Act*. Personal income tax is the largest source of revenues.

### Corporate income tax

Corporate income tax is levied on corporate income under the provisions of the *Income Tax Act*.

### Other income tax revenues

Other income tax revenues include the non-resident income tax and other tax revenues.

Non-resident income tax is levied on income earned in Canada by non-residents under the provisions of the *Income Tax Act*. This tax is derived from tax withheld from dividends, interest, rents, royalties, alimony, and income from estates and trusts paid to non-residents.

Other tax revenues are comprised primarily of withholding taxes on income earned in Canada by non-resident life insurance companies and income from trusts.

### Other taxes and duties

Other taxes and duties are collected under the *Excise Tax Act* and *Customs Tariff (Act)* and include the goods and services tax, energy taxes, customs import duties, and other excise taxes and duties.

*Goods and services tax*

The goods and services tax (GST) became effective January 1, 1991. The GST is applied at a rate of 7 percent on most goods and services consumed in Canada, with the exception of basic groceries, most health and dental care services, most educational services, and residential rents. A comparative analysis of the GST is presented in Table 3.3.

**TABLE 3.3**  
GOODS AND SERVICES TAX (GST) <sup>(1)</sup>

(in millions of dollars)

	2004-2005	2003-2004
GST .....	34,231	32,492
Less: remission order for the GST paid and accrued by ministries on or for goods and services purchased from outside parties .....	1,163	1,043
Gross GST from outside parties .....	33,068	31,449
Less: quarterly tax credits .....	3,310	3,163
Net GST from outside parties .....	29,758	28,286

<sup>(1)</sup> Reported in the Statement of Operations and Accumulated Deficit (Section 2 of this volume).

*Energy taxes*

Energy taxes primarily include the excise tax on gasoline, and on aviation gas and diesel fuel.

*Customs import duties*

Revenues from customs import duties consist mainly of ad valorem taxes on the importation of goods levied under the *Customs Tariff (Act)*.

*Other excise taxes and duties*

Excise taxes and duties are levied on alcoholic beverages and tobacco products. In addition, excise taxes are imposed on other items such as jewellery and passenger vehicle air conditioners. The air travellers security charge are collected by air carrier at the time of payment for the air travel by the purchaser of an air transportation service.

**Employment insurance premiums**

Premiums from employees and employers are levied under the provisions of the *Employment Insurance Act* and are classified as part of revenues. Additional details on employment insurance premiums are provided in Section 4 of this volume.

## Other Revenues

Other revenues include Crown corporations, other program and foreign exchange revenues.

**TABLE 3.4**  
OTHER REVENUES  
(in millions of dollars)

	2004-2005	2003-2004
<b>Other revenues—</b>		
Crown corporation revenues—		
Consolidated Crown corporations .....	1,506	1,663
Enterprise Crown corporations and other government business enterprises—		
Share of annual profit .....	4,855	3,711
Interest and other .....	466	546
	<b>6,827</b>	<b>5,920</b>
Other program revenues—		
Return on investments, Table 3.5 .....	491	571
Sales of goods and services—		
Rights and privileges .....	1,292	1,014
Lease and use of public property .....	520	502
Services of a regulatory nature .....	842	945
Services of a non-regulatory nature .....	2,269	2,171
Sales of goods and information products .....	183	214
Other fees and charges .....	358	180
	<b>5,464</b>	<b>5,026</b>
Miscellaneous revenues—		
Interest and penalties .....	2,562	1,974
Other .....	2,938	525
	<b>11,455</b>	<b>8,096</b>
Foreign exchange revenues—		
Exchange Fund Account .....	1,827	2,432
International Monetary Fund .....	(653)	(418)
Other .....	1	76
	<b>1,175</b>	<b>2,090</b>
Total other revenues <sup>(1)</sup> .....	<b>19,457</b>	<b>16,106</b>

<sup>(1)</sup> Additional details are provided in Table 4a in Section I of Volume II.

### Crown corporation revenues

Crown corporation revenues include revenues earned from third parties by consolidated Crown corporations, interest earned on loans to enterprise Crown corporations and other government business enterprises, and the government's share of the accumulated profits or losses of enterprise Crown corporations and other government business enterprises.

### Other program revenues

Other program revenues include sales of goods and services, return on investments, and miscellaneous revenues. Details are reported by individual ministry in Volume II of the *Public Accounts of Canada*.

### Foreign exchange revenues

Foreign exchange revenues include the revenues from investments held in the Exchange Fund Account and the International Monetary Fund, as well as the net gains or losses resulting from the translation of these investments to Canadian dollars at March 31. Foreign exchange revenues also include the net gains or losses resulting from foreign debt and currency swap revaluations.

**Return on investments**

Return on investments consists mainly of interest from loans and advances, dividends from investments, and transfer of profits and surpluses for loans, investments and advances other than those in enterprises Crown corporations and government business enterprises. A comparative analysis of return on investments is presented in Table 3.5.

**TABLE 3.5**  
RETURN ON INVESTMENTS <sup>(1)</sup>

(in millions of dollars)

	2004-2005	2003-2004
Consolidated accounts—		
Atomic Energy of Canada Limited .....	(2)	(2)
Cash and accounts receivable—		
Interest on bank deposits .....	239	284
Loans, investments and advances—		
Portfolio investments .....	15	22
National governments including developing countries .....	66	114
International organizations .....	17	22
Provincial and territorial governments .....	2	2
Other loans, investments and advances .....	285	241
	385	401
Other accounts—		
Esso Ltd—Norman Wells Project profits .....	115	99
Other .....	2	2
	117	101
Total ministerial return on investments .....	741	786
Net gain (loss) on exchange .....	(314)	(280)
Accrual of other revenues .....	81	82
Total return on investments .....	508	588
Elimination of return on investments internal to the Government .....	(17)	(17)
Total external return on investments .....	491	571

<sup>(1)</sup> Additional details are provided in Table 4a in Section 1 of Volume II, and in Section 11 of Volume III.

<sup>(2)</sup> Less than \$500,000.

## EXPENSES

Expenses consist of all charges which enter into the calculation of the annual deficit or surplus of the Government.

### Accounting for Expenses

Expenses for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.

Expenses include provisions to reflect changes in the economic value of assets or liabilities, including provisions for bad debts, provisions for loans, investments and advances, and inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

On a day-to-day basis, organizations within the Government entity transact with each other and thus contribute to the amounts of revenues and expenses recorded in the accounts. In preparing the financial statements, these "internal transactions" are eliminated so as to report on the basis of transactions with outside parties only.

Table 3.6 presents external expenses by type.

**TABLE 3.6**  
EXTERNAL EXPENSES BY TYPE

(in millions of dollars)

	2004-2005	2003-2004
Transfer payments—		
Old age security benefits, guaranteed income supplement and spouse's allowance . . . . .	27,871	26,902
Other levels of government—		
Canada health and social transfer . . . . .	28,031	22,341
Fiscal arrangements . . . . .	12,863	9,409
Alternative payments for standing programs . . . . .	(2,746)	(2,700)
Other . . . . .	3,807	342
<i>Total other levels of government</i> . . . . .	<i>41,955</i>	<i>29,392</i>
Employment insurance benefits . . . . .	14,748	15,058
Canada child tax benefits . . . . .	8,688	8,062
	<i>93,262</i>	<i>79,414</i>
Other transfer payments—		
Agriculture and Agri-Food . . . . .	2,752	3,920
Canadian Heritage . . . . .	1,008	885
Foreign Affairs and International Trade (Foreign Affairs) . . . . .	3,352	2,650
Health . . . . .	2,176	2,464
Human Resources and Skills Development . . . . .	1,616	2,031
Indian Affairs and Northern Development . . . . .	4,934	4,794
Industry . . . . .	2,095	2,150
Other . . . . .	7,068	4,070
<i>Total other transfer payments</i> . . . . .	<i>25,001</i>	<i>22,964</i>
Total transfer payments . . . . .	<u>118,263</u>	<u>102,378</u>
Other program expenses—		
Crown corporation expenses . . . . .	8,907	6,566
Agriculture and Agri-Food . . . . .	1,342	1,354
Canada Customs and Revenue Agency . . . . .	3,749	4,713
Environment . . . . .	1,296	1,300
Fisheries and Oceans . . . . .	1,353	1,398
Foreign Affairs and International Trade (Foreign Affairs) . . . . .	1,566	1,312
Health . . . . .	1,954	1,838
Human Resources and Skills Development . . . . .	2,500	1,845
Industry . . . . .	2,093	2,045
Justice . . . . .	1,011	1,028
National Defence . . . . .	14,318	12,869
Public Works and Government Services . . . . .	2,326	2,348
Solicitor General (Public Safety and Emergency Preparedness) . . . . .	6,057	5,326
Treasury Board . . . . .	1,717	1,594
Other ministries . . . . .	7,458	5,781
Total other program expenses . . . . .	<u>57,647</u>	<u>51,317</u>
Total program expenses . . . . .	<u>175,910</u>	<u>153,695</u>
Public debt charges, Table 3.8 . . . . .	34,118	35,769
Total expenses <sup>(1)</sup> . . . . .	<u>210,028</u>	<u>189,464</u>

<sup>(1)</sup> Additional information is provided in Table 2a in Section 1 of Volume II.

## **Government's cost of operations**

Government's cost of operations consists of three major types:

- transfer payments;
- other program expenses; and,
- public debt charges.

### **Transfer payments**

Transfer payments include:

- payments to persons for income support or income supplement. Assistance is based on age, family status, income, and employment criteria;
- payments to provinces and territories under two main programs:
  - fiscal arrangements: unconditional fiscal transfer payments to lower income provinces including subsidies under the Constitution Acts; and,
  - Canada Health and Social Transfers is the major means for providing the federal share of social programs administered by the provinces;
- other transfer payments, including various subsidies paid through federal programs to stabilize market prices for commodities, for the development of new technologies, for the conduct of research, for the establishment of new jobs through support for training, for the promotion of educational and cultural activities, and other miscellaneous payments.

### **Other program expenses**

Other program expenses include defence expenses, as well as the cost of Government administration and specific services delivered to the public. This category covers the costs associated with programs directly delivered by the federal Government such as food inspection, the Coast Guard, the federal court system, the operation of health facilities for natives and veterans, and the national parks system. It also includes the expenses of consolidated Crown corporations incurred with third parties.



Table 3.7 presents a comparative analysis by province of certain transfer payments.

**TABLE 3.7**  
CERTAIN TRANSFER PAYMENTS BY PROVINCE

(in millions of dollars)

	Old age security benefits <sup>(1)</sup>	Employment insurance benefits	Fiscal arrangements	Alternative payments for standing programs	Canada health and social transfer	Other <sup>(2)</sup>	Canada child tax benefits	Total
Newfoundland and Labrador . . . . .	568	895	791		462	14		2,730
	<i>551</i>	<i>913</i>	<i>693</i>		<i>397</i>	<i>25</i>		<i>2,579</i>
Prince Edward Island . . . . .	144	209	282		123	4		762
	<i>141</i>	<i>196</i>	<i>221</i>		<i>108</i>	<i>7</i>		<i>673</i>
Nova Scotia . . . . .	958	674	1,363		840	27		3,862
	<i>933</i>	<i>680</i>	<i>1,036</i>		<i>745</i>	<i>45</i>		<i>3,439</i>
New Brunswick . . . . .	786	744	1,382		674	21		3,607
	<i>767</i>	<i>749</i>	<i>1,086</i>		<i>602</i>	<i>36</i>		<i>3,240</i>
Quebec . . . . .	7,580	4,336	3,358	(2,746)	6,765	212		19,505
	<i>7,313</i>	<i>4,361</i>	<i>2,771</i>	<i>(2,700)</i>	<i>6,082</i>	<i>352</i>		<i>18,179</i>
Ontario . . . . .	10,240	4,351	8		10,130	350		25,079
	<i>9,857</i>	<i>4,364</i>	<i>8</i>		<i>9,339</i>	<i>580</i>		<i>24,148</i>
Manitoba . . . . .	1,107	413	1,643		1,047	33		4,243
	<i>1,087</i>	<i>439</i>	<i>1,475</i>		<i>955</i>	<i>54</i>		<i>4,010</i>
Saskatchewan . . . . .	1,051	338	682		895	27		2,993
	<i>1,031</i>	<i>357</i>	<i>(47)</i>		<i>782</i>	<i>48</i>		<i>2,171</i>
Alberta . . . . .	2,271	1,001	4		2,511	90		5,877
	<i>2,187</i>	<i>1,085</i>	<i>48</i>		<i>2,152</i>	<i>149</i>		<i>5,621</i>
British Columbia . . . . .	3,695	1,670	818		3,765	118		10,066
	<i>3,543</i>	<i>1,837</i>	<i>(350)</i>		<i>3,583</i>	<i>200</i>		<i>8,813</i>
Total provinces . . . . .	28,400	14,631	10,331	(2,746)	27,212	896		78,724
	<i>27,410</i>	<i>14,981</i>	<i>6,941</i>	<i>(2,700)</i>	<i>24,745</i>	<i>1,496</i>		<i>72,873</i>
Northwest Territories . . . . .	16	29	713		28	2		788
	<i>15</i>	<i>31</i>	<i>682</i>		<i>27</i>	<i>2</i>		<i>757</i>
Nunavut . . . . .	7	15	771		31			824
	<i>7</i>	<i>15</i>	<i>680</i>		<i>26</i>	<i>1</i>		<i>729</i>
Yukon Territory . . . . .	14	68	478		29	2		591
	<i>13</i>	<i>28</i>	<i>430</i>		<i>27</i>	<i>1</i>		<i>499</i>
International . . . . .	179	5						184
	<i>175</i>	<i>3</i>						<i>178</i>
Sub-total . . . . .	28,616	14,748	12,293	(2,746)	27,300	900		81,111
	<i>27,620</i>	<i>15,058</i>	<i>8,733</i>	<i>(2,700)</i>	<i>24,825</i>	<i>1,500</i>		<i>75,036</i>
Accrual and other adjustments . . . . .			570		731	2,907		4,208
			<i>676</i>		<i>(2,484)</i>	<i>(1,158)</i>		<i>(2,966)</i>
Total (Net) . . . . .	28,616	14,748	12,863	(2,746)	28,031	3,807		85,319
	<i>27,620</i>	<i>15,058</i>	<i>9,409</i>	<i>(2,700)</i>	<i>22,341</i>	<i>342</i>		<i>72,070</i>
Add: tax credits and repayments . . . . .	(745)						8,688	7,943
	<i>(718)</i>						<i>8,062</i>	<i>7,344</i>
Total (Gross) . . . . .	27,871	14,748	12,863	(2,746)	28,031	3,807	8,688	93,262
	<i>26,902</i>	<i>15,058</i>	<i>9,409</i>	<i>(2,700)</i>	<i>22,341</i>	<i>342</i>	<i>8,062</i>	<i>79,414</i>

Amounts in roman type are 2004-2005 transfer payments.

Amounts in *italic* type are 2003-2004 transfer payments.

<sup>(1)</sup> Includes the guaranteed income supplement and the spouse's allowance.

<sup>(2)</sup> Includes payments to the Diagnostic/Medical Equipment Trust amounting to \$500 million and to the 2004 Public Health and Immunization Trust amounting to \$400 million.

**Public debt charges**

Public debt charges include the interest on unmatured debt and on pensions, other employee and veteran future benefits and other liabilities, the amortization of premiums, discounts and commissions on unmatured debt, and the servicing costs and the costs of issuing new borrowings.

A comparative summary of public debt charges is presented in Table 3.8. The table also discloses the reconciling items between total public debt charges as reported in the ministerial section of the Department of Finance (Section 8) of Volume II and the total expenses of the public debt indicated in Table 3.6. The reconciling items include the expenses of the consolidated specified purpose accounts, accrual adjustments and other items.

**TABLE 3.8**  
**PUBLIC DEBT CHARGES** <sup>(1)</sup>

(in millions of dollars)

	2004-2005	2003-2004
Unmatured debt—		
Interest on:		
Marketable bonds .....	15,955	17,577
Canada savings and Canada premium bonds .....	741	846
Bonds for Canada Pension Plan .....	338	340
Promissory Note - TD Trust Company .....	1	2
Promissory notes - Montreal Trust Company .....	(2)	2
Promissory notes - Computershare Trust Company .....		
Canada notes .....	15	16
Euro medium term notes .....	81	86
	<u>17,131</u>	<u>18,869</u>
Amortization of premiums, discounts and commissions on:		
Treasury bills .....	2,727	3,189
Marketable bonds .....	1,729	1,215
Canada bills .....	33	24
Canada savings and Canada premium bonds .....	26	26
	<u>4,515</u>	<u>4,454</u>
Servicing costs and costs of issuing new borrowings .....	79	91
Total public debt charges related to unmatured debt .....	<u>21,725</u>	<u>23,414</u>
Pension and other liabilities—		
Interest on:		
Public sector pensions—Superannuation accounts .....	10,696	10,870
Less: Provision for pension adjustment .....	(1,363)	(1,519)
	<u>9,333</u>	<u>9,351</u>
Other employee and veteran future benefits—		
Health and dental care plans .....	497	475
Severance benefits .....	224	230
Worker's compensation .....	33	33
Veteran benefit plan .....	1,619	1,571
RCMP benefit plan .....	55	55
	<u>2,428</u>	<u>2,309</u>
Canada Pension Plan .....	129	182
Government Annuities Account .....	26	29
Deposit and trust accounts .....	64	65
Other specified purpose accounts .....	219	239
Capital lease obligations .....	164	156
Other liabilities .....	30	24
Total public debt charges related to pension and other liabilities .....	<u>12,393</u>	<u>12,355</u>
Consolidated specified purpose accounts—		
Interest on:		
Employment Insurance Account .....	968	1,095
Other .....	13	13
Total public debt charges related to consolidated specified purpose accounts .....	<u>981</u>	<u>1,108</u>
Total public debt charges before consolidation adjustments <sup>(3)</sup> .....	<u>35,099</u>	<u>36,877</u>
Less: consolidation adjustments .....	981	1,108
Total public debt charges <sup>(1)</sup> .....	<u>34,118</u>	<u>35,769</u>
Comprised of:		
Total public debt charges under statutory authorities before accrual and other adjustments and consolidation adjustments .....	33,870	35,931
Accrual and other adjustments .....	1,229	946
Consolidation adjustments .....	(981)	(1,108)
Total public debt charges .....	<u>34,118</u>	<u>35,769</u>

<sup>(1)</sup> A summary is provided in Table 2a in Section 1 of Volume II.

<sup>(2)</sup> Less than \$500,000.

<sup>(3)</sup> Additional details are provided in Section 8 of Volume III.

## Expenses by Object

Table 3.9 reconciles the total expenses by object to the total expenditures by object initially recorded by departments.

**TABLE 3.9**  
TOTAL EXPENSES BY OBJECT <sup>(1)</sup>

(in millions of dollars)

	Total expenses	Reconciliation	Total expenditures
Transfer payments .....	118,263	(27,849)	90,415
Other program expenses—			
Crown corporations and other program expenses .....	8,274	(8,274)	
Personnel .....	27,835	(135)	27,700
Transportation and communications .....	2,204	265	2,469
Information .....	247	24	271
Professional and special services .....	4,758	1,886	6,645
Rentals .....	977	579	1,556
Repair and maintenance .....	1,606	869	2,476
Utilities .....	2,342	139	2,481
Amortization expenses .....	3,696	(3,696)	
Loss on disposal of assets .....	347	(347)	
Other subsidies and expenses .....	5,361	2,167	7,528
Acquisition of land, buildings and works .....		779	779
Acquisition of machinery and equipment .....		3,603	3,603
	57,647	(2,139)	55,508
Public debt charges .....	34,118	(248)	33,870
Total .....	210,028	(30,236)	179,793

<sup>(1)</sup> Additional details are provided in Table 3a in Section 1 of Volume II.

## Expenditures under Statutory Authorities

Spending authorities provided by statutory authorities are for specified purposes and for such amounts and such time as the acts prescribe. These spending authorities do not generally lapse at the end of the year in which they were granted. Expenditures under such authorities account for more than two-thirds of the total program expenses each year.

Table 3.10 presents a comparative summary of the ministerial statutory expenditures.

**TABLE 3.10**  
EXPENDITURES UNDER STATUTORY AUTHORITIES

(in millions of dollars)

	2004-2005	2003-2004 <sup>(1)</sup>
Public debt charges .....	33,870	35,931
Old age security payments ( <i>Old Age Security Act</i> ) .....	21,364	20,697
Canada health transfer (Part V.1— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....	13,650	11,981
Fiscal equalization (Part I— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....	10,762	7,446
Canada social transfer (Part V.1— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....	7,900	7,344
Guaranteed income supplement payments ( <i>Old Age Security Act</i> ) .....	6,038	5,792
Wait times reduction transfer .....	4,250	
Health Reform Transfer (Part VI— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....	1,500	1,000
Contributions in support of business risk management programs under the agricultural policy framework .....	1,207	1,299
Net loss on exchange .....	734	516
Payment to the Diagnostic/Medical Equipment Trust ( <i>Budget Implementation Act, 2003</i> ) .....	500	1,500
Allowance payments ( <i>Old Age Security Act</i> ) .....	469	414
2004 Public Health and Immunization Trust .....	400	
Canada Health Infoway Inc. ....	100	600
Class grant payments for the Transitional industry support program ( <i>Farm Income Protection Act</i> ) .....	(67)	843
Payment to the 2003 Canada Health and Social Transfer Supplement Trust ( <i>Budget Implementation Act, 2003</i> ) .....		4,500
Contributions to a transition to future risk management programming .....		599
Grant to the Canadian Foundation for Innovation .....		500
Superannuation, supplementary retirement benefits, death benefits and other pensions— <sup>(2)</sup>		
Public Service—		
Government's contributions to the Public Service pension plan and the Retirement Compensation Arrangements Account .....	2,047	2,039
Government's contribution as employer to the Employment Insurance Account .....	252	263
Government's contributions to the Canada and the Quebec Pension Plans .....	465	471
Government's contributions to the Death Benefit Account .....	9	9
	2,773	2,782
Less: recoveries from revolving funds .....	114	83
	2,659	2,699
Canadian Forces—		
Government's contribution to the Canadian Forces pension plan and the Retirement Compensation Arrangements Account .....	650	615
Statutory payments under the <i>Supplementary Retirement Benefits Act</i> .....	8	9
Government's contribution as employer to the Employment Insurance Account .....	76	74
Government's contribution to the Canada and the Quebec Pension Plans .....	138	125
Government's contribution to the Death Benefit Account .....	2	3
	874	826
Royal Canadian Mounted Police—		
Government's contribution to the Royal Canadian Mounted Police pension plan and the Retirement Compensation Arrangements Account .....	210	213
Statutory payments under the <i>Supplementary Retirement Benefits Act</i> .....		
Government's contribution as employer to the Employment Insurance Account .....	19	17
Government's contribution to the Canada and the Quebec Pension Plans .....	37	37
	266	267
All other statutory expenditures .....	2,148	1,675
<b>Total ministerial expenditures under statutory authorities <sup>(3)</sup> .....</b>	<b>108,622</b>	<b>106,429</b>

<sup>(1)</sup> Comparative figures have been reclassified to conform to the current year's presentation.<sup>(2)</sup> Details related to other pension accounts, such as the Members of Parliament Retiring Allowances Account, are not included.<sup>(3)</sup> Additional information on the ministerial expenditures under statutory authorities are provided in Table 7 in Section 1 of Volume II.

# SECTION 4

2004-2005

*PUBLIC ACCOUNTS OF CANADA*

## Consolidated Accounts

### CONTENTS

	<i>Page</i>
Consolidated Crown corporations . . . . .	4.3
Summary financial statements of consolidated Crown corporations . . . . .	4.3
Contingent liabilities of consolidated Crown corporations . . . . .	4.8
Financial assistance under budgetary appropriations to consolidated Crown corporations . . . . .	4.9
Consolidated specified purpose accounts . . . . .	4.10
Insurance accounts . . . . .	4.12
Other consolidated specified purpose accounts . . . . .	4.13
Endowment principal . . . . .	4.14
Supplementary statement—	
Employment Insurance Account . . . . .	4.15

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## CONSOLIDATED CROWN CORPORATIONS

This section provides all related information on consolidated Crown corporations. Consolidated Crown corporations are those Crown corporations who rely on Government funding as their principal source of revenue.

Consolidation involves the combination of the accounts of these corporations on a line-by-line and uniform basis of accounting and eliminating inter-organizational balances and transactions. Before these balances and transactions can be eliminated, the corporations' accounts must be adjusted to the Government basis of accounting. Most corporations follow generally accepted accounting principles (GAAP) used by private sector companies.

### Summary Financial Statements of Consolidated Crown Corporations

The following tables display details of the assets, liabilities, revenues and expenses of the consolidated Crown corporations.

For those corporations having other year ends than March 31, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

Tables 4.1 and 4.2 summarize the financial transactions and results of operations as reported by the consolidated Crown corporations.

Financial assets include cash, receivables, loans and investments. Financial assets are segregated between third parties and Government and Crown corporations. The financial assets reported under Government and Crown corporations represent receivables and, loans and investments between related parties. Non-financial assets represent unexpensed portion of capital assets, inventories and prepayments such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Liabilities include payables, borrowings and other obligations. Liabilities are segregated between third parties and Government and Crown corporations. Borrowings from third parties represent long-term debts payable of the corporations. Other third party liabilities are amounts due for purchases, employee benefits, various accruals, capital leases and like items. The liabilities reported under Government and Crown corporations represent payables and borrowings between related parties.

Revenues are segregated between third parties and Government and Crown corporations. Government and Crown corporations' revenues are broken down further to identify revenues arising from normal operations and financial assistance received or receivable from the Government in respect of the current year's operations. Expenses are segregated between third parties and Government and Crown corporations. Equity transactions other than current year's net income or loss are segregated between adjustments and transactions with the Government. Equity adjustments and other include prior period adjustments and other miscellaneous items recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as capital transactions with the Government. The line "Conversion to the Government accounting basis for consolidation purposes" represents the adjustments required to bring the corporations' generally accepted accounting principles basis of accounting to the Government's basis of accounting.

These tables present consolidated financial information on consolidated parent Crown corporations and financial information on wholly-owned subsidiaries that are unconsolidated with their parent corporation, but consolidated directly in the financial statements of the Government. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Consolidated Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by consolidated agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. There were no borrowings by consolidated agent Crown corporations for the year ended March 31, 2005. Contingent liabilities of consolidated corporations are presented in Table 4.3.

A summary of financial assistance under Government budgetary appropriations to consolidated Crown corporations for the year ended March 31, 2005 is provided in Table 4.4. Differences in figures reported in Table 4.2 and those reported in Table 4.4 result from the use of different accounting policies and from items in transit.

TABLE 4.1

FINANCIAL POSITION OF CONSOLIDATED CROWN CORPORATIONS—ASSETS AND LIABILITIES  
AS AT MARCH 31, 2005

(in thousands of dollars)

	Assets			Total assets
	Financial		Non-financial	
	Third parties	Government and Crown corporations		
Consolidated Crown corporations <sup>(1)</sup>				
Atomic Energy of Canada Limited .....	419,387	3,415	440,373	863,175
Canada Council for the Arts .....	282,387	661	23,710	306,758
Canada Lands Company Limited— Old Port of Montreal Corporation Inc. ....	3,981		15,937	19,918
Canada Mortgage and Housing Corporation— Minister's Account .....				
Canadian Air Transport Security Authority .....	158,870	19,856	447,733	626,459
Canadian Broadcasting Corporation .....	329,748	82,821	1,177,751	1,590,320
Canadian Dairy Commission— Dairy Support Operation Financed by the Government of Canada .....				
Canadian Museum of Civilization .....	45,057	2,042	308,411	355,510
Canadian Museum of Nature .....	42,055	1,203	66,947	110,205
Canadian Race Relations Foundation .....	1,465	24,000	37	25,502
Canadian Tourism Commission .....	20,858	578	5,250	26,686
Cape Breton Growth Fund Corporation .....	69,099	27		69,126
Defence Construction (1951) Limited .....	5,152	5,796	1,860	12,808
Enterprise Cape Breton Corporation .....	18,559	7,294	2,210	28,063
Federal Bridge Corporation Limited, The <sup>(2)</sup> .....	24,806	4,625	165,788	195,219
International Development Research Centre .....	45,714	1,641	7,147	54,502
Marine Atlantic Inc .....	4,879		174,435	179,314
National Arts Centre Corporation .....	10,506	223	24,681	35,410
National Capital Commission .....	99,527	4,221	566,187	669,935
National Gallery of Canada .....	10,707	1,121	107,381	119,209
National Museum of Science and Technology .....	6,135	1,192	57,513	64,840
Queens Quay West Land Corporation .....	3,852			3,852
Standards Council of Canada .....	3,401	1,124	1,994	6,519
Telefilm Canada .....	7,924	33,285	10,002	51,211
VIA Rail Canada Inc .....	113,910	22,977	616,090	752,977
Total .....	1,727,979	218,102	4,221,437	6,167,518
Conversion to the Government accounting basis for consolidation purposes .....			(80,452)	(80,452)
Total on the Government accounting basis .....	1,727,979	218,102	4,140,985	6,087,066

<sup>(1)</sup> All Crown corporations listed in this table are parent Crown corporations except for the Old Port of Montreal Corporation Inc..<sup>(2)</sup> The financial information of the Federal Bridge Corporation Limited is consolidated to include the figures of its subsidiaries The Jacques Cartier and Champlain Bridges Incorporated and the Seaway International Bridge Corporation Limited.



Liabilities								
Third parties								
Borrowings	Other	Government and Crown corporations	Total liabilities	Accumulated profits (losses)	Contributed surplus	Capital stock	Equity of Canada	Total liabilities and equity
	3,051,389	42,807	3,094,196	(2,776,085)	530,064	15,000	(2,231,021)	863,175
	97,513	4,177	101,690	135,969	19,099	50,000	205,068	306,758
	5,626	13,401	19,027	891			891	19,918
	174,054	434,220	608,274	15,509	2,676		18,185	626,459
	877,839	637,309	1,515,148	75,172			75,172	1,590,320
	24,783	285,732	310,515	44,995			44,995	355,510
	39,151	76,345	115,496	(5,291)			(5,291)	110,205
	143		143	1,359	24,000		25,359	25,502
	13,613	14,509	28,122	(1,436)			(1,436)	26,686
	1,610		1,610	67,516			67,516	69,126
	8,562	386	8,948	3,860			3,860	12,808
	15,883	1,079	16,962	11,101			11,101	28,063
	11,081	128,837	139,918	1,637	53,664		55,301	195,219
	24,894	18,168	43,062	11,440			11,440	54,502
	(8,059)	174,581	166,522	(245,738)		258,530	12,792	179,314
	15,632	21,401	37,033	(1,623)			(1,623)	35,410
	59,666	2,303	61,969	5,455	602,511		607,966	669,935
	9,303	106,141	115,444	789	2,976		3,765	119,209
	8,530	46,710	55,240	9,600			9,600	64,840
	121	31,300	31,421	(28,569)	1,000		(27,569)	3,852
	3,419	756	4,175	2,344			2,344	6,519
	5,660	9,067	14,727	36,484			36,484	51,211
	(21,060)	654,151	633,091	105,623	4,963	9,300	119,886	752,977
	4,419,353	2,703,380	7,122,733	(2,528,998)	1,240,953	332,830	(955,215)	6,167,518
	37	(2,461,075)	(2,461,038)	3,954,369	(1,240,953)	(332,830)	2,380,586	(80,452)
	4,419,390	242,305	4,661,695	1,425,371			1,425,371	6,087,066

TABLE 4.2

## REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2005

(in thousands of dollars)

Consolidated Crown corporations	Third parties	Revenues		
		Government and Crown corporations		Total
		Financial assistance	Other	
Atomic Energy of Canada Limited .....	384,023	162,838	5,373	552,234
Canada Council for the Arts .....	6,180	152,112	1,452	159,744
Canada Lands Company Limited— Old Port of Montreal Corporation Inc. ....	11,091	13,375	2,766	27,232
Canada Mortgage and Housing Corporation— Minister's Account .....		2,071,697		2,071,697
Canadian Air Transport Security Authority .....	1,026	268,251	28,664	297,941
Canadian Broadcasting Corporation .....	543,432	936,771	120,003	1,600,206
Canadian Dairy Commission— Dairy Support Operation Financed by the Government of Canada .....		3,258	343	3,601
Canadian Museum of Civilization .....	21,372	98,600	9,852	129,824
Canadian Museum of Nature .....	2,179	26,644	954	29,777
Canadian Race Relations Foundation .....	1,403			1,403
Canadian Tourism Commission .....	8,748	85,111	404	94,263
Cape Breton Growth Fund Corporation .....	1,423		2,000	3,423
Defence Construction (1951) Limited .....	93		34,640	34,733
Enterprise Cape Breton Corporation .....	653	12,650		13,303
Federal Bridge Corporation Limited, The .....	12,537	25,944	3,382	41,863
International Development Research Centre .....	8,877	122,340	9,549	140,766
Marine Atlantic Inc. ....	68,807	55,266	22,244	146,317
National Arts Centre Corporation .....	18,383	36,651	3,719	58,753
National Capital Commission .....	28,269	101,667	5,160	135,096
National Gallery of Canada .....	7,184	51,679		58,863
National Museum of Science and Technology .....	2,588	24,007	1,590	28,185
Queens Quay West Land Corporation .....	1,720	4,000		5,720
Standards Council of Canada .....	5,727	6,929	1,055	13,711
Telefilm Canada .....	27,435	126,300	68,857	222,592
VIA Rail Canada Inc. ....	257,838	171,945	62,014	491,797
Total .....	1,420,988	4,558,035	384,021	6,363,044
Conversion to the Government accounting basis for consolidation purposes .....	84,402	423,704	(246,971)	261,135
Total on the Government accounting basis .....	1,505,390	4,981,739	137,050	6,624,179
Consolidation adjustments .....	561	(4,981,739)	(137,050)	(5,118,228)
Total external amount .....	1,505,951			1,505,951

The accompanying notes to Table 4.1 are an integral part of this table.

(1) The difference between this amount and the Crown corporations expense presented in the Statement of Operations and Accumulated Deficit in Section 2 of this volume consists of \$326 million in financial assistance to Enterprise Crown corporations.

Expenses			Net income/or loss(-)	Equity beginning of year	Equity adjustments and other	Equity transactions with the Government		Equity end of year
Third parties	Government and Crown corporations	Total				Dividends	Capital	
2,346,926	46,165	2,393,091	(1,840,857)	136,611	(526,775)			(2,231,021)
160,694		160,694	(950)	206,426	(408)			205,068
26,579	919	27,498	(266)	12,458	(11,301)			891
2,071,697		2,071,697						
290,017	5,053	295,070	2,871	14,132	1,182			18,185
1,683,890	29,968	1,713,858	(113,652)	184,824			4,000	75,172
3,601		3,601						
73,436	55,922	129,358	466	21,810	22,719			44,995
15,579	14,502	30,081	(304)	(5,059)	72			(5,291)
1,384		1,384	19	25,340				25,359
94,425	947	95,372	(1,109)	(327)				(1,436)
7,429	533	7,962	(4,539)	72,055				67,516
33,747		33,747	986	2,874				3,860
6,328	2,077	8,405	4,898	6,203				11,101
41,396		41,396	467	54,834				55,301
140,438		140,438	328	11,112				11,440
137,018		137,018	9,299	3,493				12,792
54,776	4,218	58,994	(241)	365	(1,747)			(1,623)
117,977	6,353	124,330	10,766	596,256	944			607,966
49,296	9,508	58,804	59	3,084	622			3,765
27,501	1,427	28,928	(743)	241	10,102			9,600
5,199		5,199	521	(28,090)				(27,569)
13,648	64	13,712	(1)	2,345				2,344
229,275	3,394	232,669	(10,077)	46,561				36,484
399,007	75,702	474,709	17,088	102,798				119,886
8,031,263	256,752	8,288,015	(1,924,971)	1,470,346	(504,590)		4,000	(955,215)
495,635	(28,121)	467,514	(206,379)	2,086,375	504,590		(4,000)	2,380,586
8,526,898	228,631	8,755,529	(2,131,350)	3,556,721				1,425,371
54,728	(228,631)	(173,903)						
8,581,626 <sup>(1)</sup>		8,581,626						

## Contingent Liabilities of Consolidated Crown Corporations

Table 4.3 summarizes the contingent liabilities of the consolidated Crown corporations. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

**TABLE 4.3**  
CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS  
(in thousands of dollars)

	March 31, 2005
<u>Agent Crown corporations</u>	
Defence Construction (1951) Limited—Miscellaneous litigations . . . . .	6,426
National Capital Commission—Environmental, miscellaneous litigations and agreements . . . . .	184,417
	<i>190,843</i>
<u>Non-agent Crown corporations</u>	
International Development Research Centre—Miscellaneous litigations . . . . .	600
Marine Atlantic Inc.—Site contamination lawsuit, miscellaneous litigations . . . . .	2,452
Total . . . . .	<u>193,895</u>

## Financial Assistance under Budgetary Appropriations to Consolidated Crown Corporations

Table 4.4 summarizes financial assistance under budgetary appropriations for both consolidated agent and non-agent Crown corporations. It should be read in conjunction with Table 4.2. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts approved through an operating expenditures vote and (b) amounts approved through a capital expenditures vote.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

Differences in figures reported in Table 4.2 and those reported in Table 4.4 result from the use of different accounting policies and from items in transit.

**TABLE 4.4**

### FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2005

(in thousands of dollars)

	Operating expenditures vote	Capital expenditures vote	Financial assistance under budgetary appropriations <sup>(1)</sup>
<u>Agent Crown corporations</u>			
Atomic Energy of Canada Limited .....	162,838		162,838
Canada Lands Company Limited—			
Old Port of Montreal Corporation Inc .....	16,100		16,100
Canada Mortgage and Housing Corporation <sup>(2)</sup> .....	2,073,942		2,073,942
Canadian Air Transport Security Authority .....	501,171		501,171
Canadian Broadcasting Corporation .....	936,771	99,757	1,036,528
Canadian Dairy Commission .....	3,258		3,258
Canadian Tourism Commission .....	78,823		78,823
Canadian Museum of Civilization .....	98,518		98,518
Canadian Museum of Nature .....	61,626		61,626
Enterprise Cape Breton Corporation .....	12,650		12,650
Federal Bridge Corporation Limited, The .....	32,019		32,019
National Capital Commission .....	68,404	33,263	101,667
National Gallery of Canada .....	37,393	8,000	45,393
National Museum of Science and Technology .....	30,641		30,641
Telefilm Canada <sup>(3)</sup> .....	128,279		128,279
	<u>4,242,433</u>	<u>141,020</u>	<u>4,383,453</u>
<u>Non-agent Crown corporations</u>			
Canada Council for the Arts .....	154,958		154,958
International Development Research Centre .....	119,086		119,086
Marine Atlantic Inc .....	72,907		72,907
National Arts Centre Corporation .....	33,460		33,460
Standards Council of Canada .....	6,929		6,929
Queens Quay West Land Corporation .....	4,000		4,000
VIA Rail Canada Inc .....	191,301		191,301
	<u>582,641</u>		<u>582,641</u>
<b>Total .....</b>	<b>4,825,074</b>	<b>141,020</b>	<b>4,966,094</b>

<sup>(1)</sup> Excludes grants and contributions paid to agent and non-agent consolidated Crown corporations where they qualify as members of a general class of recipients.

<sup>(2)</sup> Includes budgetary appropriations for Government programs known as the "Minister's Account".

<sup>(3)</sup> Includes a contribution of \$49,775 from the Canadian Television Fund under the Department of Canadian Heritage.

## CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

Consolidated specified purpose accounts are special categories of revenues and expenses which report transactions of certain accounts where enabling legislation requires that revenues be earmarked, and that related expenses be charged against such revenues. They are used principally where the activities are similar in nature to departmental activities and the transactions do not represent liabilities to third parties but in essence constitute Government revenues and expenses.

The transactions of these accounts are reported with revenues and expenses, in order to provide a more comprehensive reporting of the Government's operating results.

Further, enabling legislation requires that the transactions in each of these accounts be accounted for separately. Table 4.5 presents a summary of the balances and transactions of these accounts, in the manner required by legislation. A narrative description is provided for accounts reported in Table 4.5. Such description follows the same presentation order as the respective table.

The financial statements of the Employment Insurance Account, together with the Auditor General's report thereon, are presented at the end of this section.

TABLE 4.5

### CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

	April 1/2004	Revenues and other credits		Expenses and other debits		March 31/2005
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Insurance accounts—						
Agriculture and Agri-Food—						
Crop Reinsurance Fund . . . . .	16,408,774	86,370,204	85,000,000	94,930,309	28,800,000	64,048,669
Less: interest-bearing loans . . . . .	497,514,751		85,000,000		28,800,000	553,714,751
	(481,105,977)	86,370,204		94,930,309		(489,666,082)
Agricultural Commodities Stabilization						
Accounts . . . . .	624,616	11,184	2,656			638,456
	(480,481,361)	86,381,388	2,656	94,930,309		(489,027,626)
Finance—						
Investors' Indemnity						
Account . . . . .	45,303					45,303
Health—						
Health Insurance Supplementary Account . .	28,387					28,387
Human Resources and Skills						
Development—						
Employment Insurance Account, Table 4.6 .	46,231,557,535	17,385,572,251	1,316,019,276	14,933,757,138	1,451,972,542	48,547,419,382
Natural Resources—						
Canadian Nuclear Safety Commission—						
Nuclear Liability Reinsurance						
Account . . . . .	690,476	142,323				832,799
Transport—						
Ship-Source						
Oil Pollution						
Fund . . . . .	330,734,144	60,000	12,851,564	3,860,331	676,442	339,108,935
Total insurance accounts . . . . .	46,082,574,484	17,472,155,962	1,328,873,496	15,032,547,778	1,452,648,984	48,398,407,180

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	Revenues and other credits			Expenses and other debits		March 31/2005
	April 1/2004	External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Other consolidated specified purpose accounts—						
Canadian Heritage—						
National Battlefields Commission—						
Trust Fund Account . . . . .	529,939		9,464	149,380		390,023
Environment—						
Environmental Damages Fund . . . . .	855,192	870,476		372,225		1,353,443
Parks Canada Agency—						
New Parks and Historic Sites						
Account . . . . .	15,329,175	6,050,552	2,454,425	4,535,200	4,411,746	14,887,206
	16,184,367	6,921,028	2,454,425	4,907,425	4,411,746	16,240,649
Finance—						
Canadian Commercial Bank and						
Northland Bank Holdback Account . . . . .	246,223,464					246,223,464
Fisheries and Oceans—						
Supplementary Fines Fish						
Account . . . . .	831,762	184,410		378,932	141	637,099
Indian Affairs and Northern Development—						
Environmental Studies Research Fund . . . . .	708,827	493,057		648,000		553,884
Natural Resources—						
Environmental Studies Research Fund . . . . .	2,350,982	796,317			585,429	2,561,870
Public Works and Government Services—						
Seized Property Proceeds						
Account . . . . .	18,261,425	23,812,654		26,478,351		15,595,728
Transport—						
Fines for the Transportation of						
Dangerous Goods . . . . .	613,732	20,327	300	23,669		610,690
Total other consolidated specified purpose accounts . . . . .	285,704,498	32,227,793	2,464,189	32,585,757	4,997,316	282,813,407
Endowment principal—						
Environment—						
Parks Canada Agency—						
Mackenzie King trust account . . . . .	225,000					225,000
Health—						
Canadian Institutes of Health Research—						
Endowments for Health research . . . . .	140,267					140,267
Industry—						
National Research Council of Canada —						
H.L. Holmes Fund . . . . .	3,987,737	51,235				4,038,972
Social Sciences and Humanities						
Research Council—						
Queen's Fellowship Fund . . . . .	250,000					250,000
Total endowment principal . . . . .	4,603,004	51,235				4,654,239
Total . . . . .	46,372,881,986	17,504,434,990	1,331,337,685	15,065,133,535	1,457,646,300	48,685,874,826

## Insurance Accounts

For the following Insurance Accounts, revenues and other credits from outside parties totalled \$17,472 million (\$17,705 million in 2004) while expenses and other debits to outside parties totalled \$15,033 million (\$15,278 million in 2004) and are reported as expenses in the Statement of Operations.

Revenues and other credits of \$1,329 million (\$1,463 million in 2004) and expenses and other debits of \$1,453 million (\$348 million in 2004) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

### Crop Reinsurance Fund

This Fund, continued in the accounts of Canada pursuant to subsection 13(1) of the *Farm Income Protection Act*, provides insurance to participating provinces for costs they incur in operating various crop insurance schemes. The Crop Reinsurance Fund currently operates under the authority of the *Farm Income Protection Act*.

The revenues of the Fund come from moneys paid by the provinces for the purpose of reinsurance and the expenditures of the Fund are moneys paid to the provinces under the terms of reinsurance agreements. When there is insufficient revenues in the Fund to meet payments, the Minister of Finance may authorize an advance of additional funds to cover these obligations. These advances are recovered from future revenues from the provinces. The interest rate has been set by the Department of Finance at zero percent.

### Agricultural Commodities Stabilization Accounts

The purpose of these accounts was to reduce income loss to producers from market risks through stabilizing prices. Premiums were shared equally by the Government of Canada, the governments of participating provinces and participating producers.

These accounts are continued in the accounts of Canada pursuant to subsection 16(2) of the *Farm Income Protection Act*. Current activities are limited to collection of accounts receivable. The *Agricultural Stabilization Act*, under which the commodity accounts formerly operated, has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

### Investors' Indemnity Account

Section 57 of the *Financial Administration Act* provides for this account, and for the crediting thereto of the sum of \$25,000, such further amounts as are appropriated by Parliament for the purpose of this section, and any recovery of losses referred to in section 58 of the *Act*. This sum was increased to \$50,000 by Treasury Board Submission No. 817667 dated December 12, 1991.

Section 58 of the *Act* states that the Minister may, in accordance with and subject to regulations, pay out of the account, any losses sustained by subscribers for Government securities, who have paid all or part of the purchase price but have not received the security or repayment of the amount so paid, and losses sustained by any person in the redemption of securities.

### Health Insurance Supplementary Account

This account was established pursuant to Vote L16b, *Appropriation Act No. 2, 1973*, to record payments in respect of persons who, through no fault of their own, have lost or been unable to obtain coverage for the insured health services under the *Canada Health Act*, and in accordance with the Federal-Provincial Agreement on Eligibility and Portability. Contributions are made by all provinces to the account in proportion to population and are matched by the Federal Government.

### Employment Insurance Account

The *Employment Insurance Act* provides for a compulsory contributory employment insurance program applicable to all employees and employers, with few exceptions.

The *Act* authorizes that an account be established in the accounts of Canada to be known as the Employment Insurance Account.

The *Act* provides that the following be credited to the Account: (a) premiums, penalties and interest; (b) refunds of overpayments of benefits and support measures under Part II of the *Act*; (c) repayments of overpayments made by the Commission under the Labour Market Development Agreements; (d) amounts for services rendered to other Government departments or agencies, or to the public; (e) amounts provided for any other purposes related to employment insurance and authorized by an appropriation administered by the Canada Employment Insurance Commission; and, (f) interest on the balance of the Account at such rates as the Minister of Finance may authorize.

The *Act* also provides that the following be charged to the Account: (a) benefits, support measures and financial assistance provided under Part II of the *Act*; (b) contributions to provinces under the Labour Market Development Agreements; (c) costs of administering the *Act* including administration costs transferred to provinces; and, (d) interest on advances made by the Minister of Finance.

Employee premium rates for each \$100 of insurable earnings were \$1.98 from April 1, 2004 to December 31, 2004 and \$1.95 from January 1, 2005 to March 31, 2005. Employer premium rates are 1.4 times those for employees. Maximum weekly benefits were \$413 for the whole period.



Table 4.6 presents a statement of the transactions in the Employment Insurance Account.

**TABLE 4.6****TRANSACTIONS IN THE EMPLOYMENT INSURANCE ACCOUNT**

(in millions of dollars)

	2004-2005	2003-2004
<b>REVENUES AND OTHER CREDITS—</b>		
Premiums—		
Employers and employees <sup>(1)</sup> . . . . .	17,655	17,900
Penalties and interest revenue . . . . .	79	79
Interest earned . . . . .	968	1,096
	<u>18,702</u>	<u>19,075</u>
<b>EXPENSES AND OTHER DEBITS—</b>		
Benefits . . . . .	13,856	14,164
Transfers to the provinces—		
Part II . . . . .	892	894
Administration costs . . . . .	1,452	1,430
Administration cost		
transferred to provinces . . . . .	92	91
Bad debts . . . . .	95	60
	<u>16,387</u>	<u>16,639</u>
Net change . . . . .	2,315	2,436
Balance at beginning of year . . . . .	46,232	43,796
Balance at end of year . . . . .	48,547	46,232

<sup>(1)</sup> The difference between premium revenue presented here and the amount presented in the Government of Canada financial statements is due to the elimination on consolidation of premiums incurred by the Government of Canada, for an amount of \$348 million (\$355 million in 2004).

**Nuclear Liability Reinsurance Account**

This account was established pursuant to sections 16 and 17 of the *Nuclear Liability Act*, to record premiums and to provide for payment of claims arising from accidents at an insured facility.

**Ship-Source Oil Pollution Fund**

This account was established pursuant to section 702 of the *Canada Shipping Act*, to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the Fund Administrator, and related oil pollution control expenses, are to be financed out of the Fund.

**Other Consolidated Specified Purpose Accounts**

For the following Other Specified Purpose Accounts, revenues and other credits from outside parties of \$32 million (\$30 million in 2004) are reported while expenses and other debits to outside parties of \$33 million (\$43 million in 2004) are reported in the Statement of Operations.

Revenues and other credits of \$2 million (\$11 million in 2004), and expenses and other debits of \$5 million (\$3 million in 2004) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

**Trust Fund Account**

This account was established at the creation of the National Battlefields Commission for the purpose of acquiring various properties for the development of the park. The monies are received by way of private contributions, from municipal corporations, provincial governments and others, and deposited for the purposes of the Commission, as prescribed for in its incorporation Act. Following the land acquisitions of the Commission, an amount of money remained in the account and increased over a period of years as a result of interest earned, while the Commission was listed in Schedule C of the *Financial Administration Act*, prior to September 1, 1984.

**Environmental Damages Fund**

This account was established for the management of court orders/awards or other financial compensation to Environment Canada for damages to the environment.

**New Parks and Historic Sites Account**

This account was established pursuant to the *Parks Canada Agency Act* to record payments to be used to acquire lands or property required to establish any national park, national historic site or other protected heritage area that has not yet attained full operation status, and to make any related contributions.

**Canadian Commercial Bank and Northland Bank Holdback Account**

This account was established to record the amount held from the recovery of monies received from the winding up of Canadian Commercial Bank and Northland Bank.

During the fiscal year, no claims have been received for potential payments from the holdback.

### **Supplementary Fines Fish Account**

The account was established to record the deposit of monies received from persons declared guilty of offences under the *Fisheries Act*, and fined by courts under paragraph 79(2) (f) of the *Act*.

### **Environmental Studies Research Fund—Indian Affairs and Northern Development**

This account was established pursuant to subsection 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this *Act* or any other Act of Parliament, should be conducted.

### **Environmental Studies Research Fund—Natural Resources**

This account was established pursuant to subsection 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this *Act* or any other Act of Parliament, should be conducted.

### **Seized Property Proceeds Account**

This account was established pursuant to section 13 of the *Seized Property Management Act*, to record the net proceeds received from the disposition of seized and forfeited properties to Her Majesty or fines imposed and also monies received from the government of foreign states pursuant to agreements for the purpose of the *Act*. The *Act* also provides that the following be charged to the Account: operating expenses incurred in carrying out the purpose of the *Act*, amounts paid as a result of claims and repayments of advances from the Minister of Finance, interest on drawdown from Seized Property Working Capital Account and distribution of the proceeds to other Government departments and the Consolidated Revenue Fund.

### **Fines for the Transportation of Dangerous Goods**

This account was established pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations to record fines levied by courts.

### **Endowment Principal**

For the following Endowment Principal Accounts, revenues and other credits from outside parties of \$51,000 (\$276,000 in 2004) are reported in the Statement of Operations and Accumulated Deficit.

#### **Mackenzie King trust account**

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of \$225,000, to the Government of Canada. The amount of \$225,000 was credited to the account and earns interest, in accordance with the terms of section 3 of the *Laurier House Act*. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

#### **Endowments for Health Research**

This account was established by section 29 of the *Canadian Institutes of Health Research Act*, to record various endowments received from donors for the purpose of health research. The interest received is used for the payment of research grants.

#### **H.L. Holmes Fund**

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding research persons.

#### **Queen's Fellowship fund**

This fund is an endowment of \$250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The interest earned is used for the payment of fellowships to graduate students in certain fields of Canadian studies.

## SUPPLEMENTARY STATEMENT

### Employment Insurance Account

#### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Employment Insurance Account have been prepared by the Canada Employment Insurance Commission in accordance with Canadian generally accepted accounting principles for public sector entities. The significant accounting policies are identified in Note 2. The integrity and objectivity of the data and the estimates of importance in these financial statements are management's responsibility.

In support of its responsibility, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of the financial information, and to ensure that the transactions are in accordance with the *Employment Insurance Act* and Regulations, as well as the *Financial Administration Act* and regulations.

The Employment Insurance Account's external auditor, the Auditor General of Canada, audits the financial statements and reports to the Minister of Human Resources and Skills Development.

The financial statements of the Employment Insurance Account are an integral part of the *Public Accounts of Canada*, which are tabled in Parliament and referred to the Standing Committee on Public Accounts for examination purposes.

SHERRY HARRISON  
*Acting Comptroller  
Human Resources and Skills  
Development Canada*

ALAN NYMARK  
*Chairperson of the Canada  
Employment Insurance Commission*

August 25, 2005

#### AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND  
SKILLS DEVELOPMENT

I have audited the balance sheet of the Employment Insurance Account as at March 31, 2005 and the statements of operations and accumulated surplus and cash flow for the year then ended. These financial statements are the responsibility of the Canada Employment Insurance Commission. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Employment Insurance Account as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

For the past six years, I have drawn attention to the government's compliance with the intent of the *Employment Insurance Act*, with respect to the setting of the employment insurance premium rates. Under the previous provisions, the accumulated surplus was to be taken into account when setting premium rates. With the passage of the *2005 Budget Implementation Act*, the *Employment Insurance Act* has been amended, as described in note 11 to the financial statements, to establish a new rate-setting mechanism. Beginning in 2006, premium rates will be based on the principle that the premium rate for a year should generate just enough premium revenue during that year to cover the payments that will be made during that year. The accumulated surplus can no longer be considered when calculating the break-even premium rate.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
August 25, 2005

**Employment Insurance Account—Continued**

BALANCE SHEET AS AT MARCH 31  
(in thousands of dollars)

ASSETS	2005	2004	LIABILITIES	2005	2004
Balance of the account with Receiver			Unredeemed warrants .....	88,492	88,992
General for Canada (Note 6) .....	47,379,278	45,124,781	Benefits payable .....	532,532	459,947
Premiums receivable .....	1,439,331	1,156,574	Amounts payable (Note 4) .....	135,384	504
Due from claimants				756,408	549,443
(Note 3) .....	474,591	484,916			
Advances—Employment benefits			ACCUMULATED SURPLUS .....	48,549,164	46,233,147
and support measures .....	12,372	16,319			
	49,305,572	46,782,590		49,305,572	46,782,590

Contingencies (Note 10)

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

Approved by:

SHERRY HARRISON  
*Acting Comptroller*  
*Human Resources and Skills*  
*Development Canada*

ALAN NYMARK  
*Chairperson of the Canada*  
*Employment Insurance Commission*

STATEMENT OF OPERATIONS AND  
ACCUMULATED SURPLUS  
FOR THE YEAR ENDED MARCH 31  
(in thousands of dollars)

	2005	2004
Revenue		
Premiums (Note 5) .....	17,654,806	17,900,359
Interest on the balance of the		
account with Receiver General		
for Canada (Note 6) .....	967,996	1,095,519
Penalties .....	51,228	46,985
Interest on overdue accounts		
receivable (Note 3) .....	26,601	29,170
	18,700,631	19,072,033
Expenses		
Benefits and support		
measures (Note 7		
and Schedule) .....	14,748,446	15,069,693
Administration costs (Note 8) .....	1,541,659	1,521,034
Bad debts .....	94,509	60,270
	16,384,614	16,650,997
Surplus for the year .....	2,316,017	2,421,036
Accumulated surplus at the		
beginning of the year .....	46,233,147	43,812,111
Accumulated surplus at the		
end of the year .....	48,549,164	46,233,147

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

STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED MARCH 31  
(in thousands of dollars)

	2005	2004
Operating activities		
Cash receipts:		
Premiums .....	17,372,049	17,507,572
Interest received .....	967,996	1,095,519
Recoveries of benefit		
overpayments		
and penalties .....	289,044	310,590
	18,629,089	18,913,681
Cash payments:		
Benefits and support		
measures .....	(14,974,550)	(15,257,946)
Administration costs .....	(1,399,542)	(1,551,203)
	(16,374,092)	(16,809,149)
Net increase in cash and		
cash equivalents .....	2,254,997	2,104,532
Cash and cash equivalents		
Beginning of year .....	45,035,789	42,931,257
End of year .....	47,290,786	45,035,789
Cash and cash equivalents at end		
of year are represented by		
Balance of the account with Receiver		
General for Canada .....	47,379,278	45,124,781
Unredeemed warrants .....	(88,492)	(88,992)
	47,290,786	45,035,789

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

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

## 1. Authority, objective and responsibilities

The Canada Employment Insurance Commission (the Commission), a departmental corporation named in Schedule II to the *Financial Administration Act*, administers the *Employment Insurance Act* (the Act). The Commission is co-managed by the Government, workers and employers. The objective of the Act is to provide short-term financial relief and other assistance to eligible workers. The financial transactions relating to this objective are reported through the Employment Insurance Account.

The Employment Insurance Account (the Account) was established in the accounts of Canada by the Act. All amounts received under the Act are deposited in the Consolidated Revenue Fund and credited to the Account. The benefits and the costs of administration of the Act are paid out of the Consolidated Revenue Fund and charged to the Account.

The Minister of National Revenue is responsible for collecting premiums from employers and employees, and for administering and enforcing the provisions of the Act relating to benefit repayments receivable from higher income claimants.

The Act authorizes the Government of Canada to enter into Labour Market Development Agreements with each province and territory on the design and delivery of the active employment benefits and support measures contained in the Act. With the exception of Ontario, agreements with all provinces and territories have been entered into and implemented.

Responsibility sharing varies from one agreement to the other. In some cases, the provinces and territories have full responsibility for delivering the active employment benefits and support measures; in others, the agreement provides for a co-management approach with the federal government.

## 2. Significant accounting policies

The Account is a component of the Government of Canada reporting entity. In this context, its operations are consolidated with those of the Government and are presented in the financial statements of the Government of Canada. The financial statements of the Account are also presented in Volume I of the *Public Accounts of Canada*.

## (a) Basis of accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for public sector entities.

## (b) Revenue—Premiums

Premiums are recognized as revenue in the period in which they are earned. Premiums earned in the period are measured from amounts assessed by the Canada Customs and Revenue Agency (CCRA) and from estimates of amounts not assessed based on cash received. Premium revenue also includes adjustments between actual and estimated premiums of previous years.

## (c) Expenses—Benefits and support measures

Income benefits (or benefits under Part I of the Act) provide temporary income support to claimants while they look for work. Income benefits represent the amounts paid and payable to claimants for the period relating to the financial year, less benefit overpayments established by the Commission during the year.

Employment benefits and support measures (or benefits under Part II of the Act) provide financial assistance, namely grants or contributions, to eligible persons to help them re-integrate into the labour market and to third parties to help them provide employment assistance services to unemployed workers. These expenses include the direct costs, excluding administration costs, of financial and employment assistance programs and related measures provided to eligible persons and third parties. Overpayments established during the year are deducted from these expenses. Part II expenses also include the transfer payments to the provinces and territories for the design and delivery of programs similar to the employment benefits and support measures.

Claimants with higher income levels than those stated in the Act have to repay benefits received. Estimated benefit repayments received or receivable from those claimants are deducted from benefits and support measures.

## (d) Administration costs

The administration costs of the Act are based on a formula allocating the expenses between the Department of Human Resources and Skills Development, the Department of Social Development and the Account. The formula takes into consideration the source of funding — from the Account or from the Consolidated Revenue Fund — in the allocation of expenses. In addition, the administration costs incurred by the provinces and the territories to administer the labour market development agreements are included in the administration costs for the year based on provisions in the agreements.

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005—Continued

(e) Advances—Employment benefits and support measures

Advances for employment benefits and support measures are recorded as an asset on the balance sheet and are charged to expenses upon utilization.

(f) Asset and liability valuation

Due to the short-term nature, the carrying value of the financial assets and liabilities of the Account approximate their fair value at the end of the year.

(g) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and revenue and expenses during the reporting period. The most significant estimates are related to premiums, benefit repayments and allowance for doubtful accounts. Actual results could differ significantly from these estimates.

3. Due from claimants

	2005	2004
	(in thousands of dollars)	
Benefit overpayments receivable .....	469,690	463,378
Amount of penalties receivable .....	219,635	229,621
	<u>689,325</u>	<u>692,999</u>
Less: allowance for doubtful accounts .....	397,917	350,366
	<u>291,408</u>	<u>342,633</u>
Estimated benefit repayments receivable from higher income claimants .....	183,183	142,283
	<u>474,591</u>	<u>484,916</u>

The Commission detects overpayments on claims processed during the current and preceding years. These overpayments are accounted for by reducing the benefit expenses during the year in which they are established. During the year, overpayments totalling \$270 million were established, including \$16 million in interest (\$349 million in 2003-2004, including \$16 million in interest).

The Commission may impose penalties on a claimant or an employer when it becomes aware that information they have provided is false or misleading. The Act sets the maximum amounts that may be imposed in these cases. During the year, the Commission imposed penalties totalling \$63 million, including \$11 million in interest (\$60 million in 2003-2004, including \$13 million in interest).

During 2004-2005, the Commission recovered \$289 million (\$311 million in 2003-2004) of benefit overpayments and penalties. Uncollectible benefit overpayments and penalties written off during the year amounted to \$48 million (\$51 million in 2003-2004).

The Commission establishes an allowance for doubtful accounts by aging the balance of the accounts receivable outstanding and by applying varying percentages based on past recovery experience to the aging categories so determined.

In accordance with Treasury Board regulations, the Account charges interest on outstanding Employment Insurance and Unemployment Insurance debts caused through misrepresentation.

4. Amounts payable

	2005	2004
	(in thousands of dollars)	
To Canada		
Administration costs .....	103,417	(38,700)
Tax deductions from warrants .....	24,570	31,736
Recoupments from warrants .....	2,507	4,506
Amounts payable to provinces related to Labour Market Development Agreements .....	20	(2,337)
	<u>130,514</u>	<u>(4,795)</u>
To provinces		
Quebec tax deductions from warrants .....	2,856	3,344
Recoupments from warrants .....	2,014	1,955
	<u>4,870</u>	<u>5,299</u>
	<u>135,384</u>	<u>504</u>

5. Premiums

Premiums for the year are measured by the CCRA based on amounts assessed and reassessed at the time of preparation of its financial statements and an estimate of premiums earned in the period but not yet assessed or reassessed. The estimate of premiums earned but not yet assessed or reassessed is based on cash amounts received at the time of preparation of the financial statements that relate to the fiscal year.

Actual premiums may differ from these estimates. Actual premium revenue for calendar years 2004 and 2005 will only be known once the CCRA has processed all employer declarations of premiums for these years. An adjustment for the difference between actual and estimated premiums will be recorded in the fiscal year in which the actual assessment or reassessment results are known.

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005—Continued

Employers with qualified wage loss insurance plans are entitled to premium reductions. They are required to share this reduction with their employees. For the calendar year 2004, the total amount of reductions is estimated at \$535 million (\$527 million in 2003). Actual reductions for the calendar year 2003 were \$522 million (\$513 million in 2002). Employees insured under a qualified wage loss insurance plan are entitled to allowances because of illness, injury, pregnancy or child care, depending on the plan. These allowances have the effect of reducing the special benefits payable by the Account to the insured persons.

As defined in section 66.1 of the Act, the premium rate for the year 2003 was set by the Governor in Council on the recommendation of the Minister of Human Resources Development and the Minister of Finance. Pursuant to section 66.2, the premium rate for the year 2004 was set at 1.98 percent. As per section 66.3, the premium rate for the year 2005 was set by the Governor in Council on the recommendation of the Minister of Human Resources and Skills Development and the Minister of Finance.

For the following calendar years, premium rates for each \$100 of insurable earnings were:

	2005	2004	2003
	(in dollars)		
For employees.....	1.95	1.98	2.10
For employers (calculated at 1.4 times the employee rate) .....	2.73	2.77	2.94

6. Interest on the balance of the account with Receiver General for Canada

Pursuant to section 76 of the Act, the Minister of Finance may authorize the payment of interest on the balance in the Account in accordance with such terms and conditions and at such rates as the Minister of Finance may establish. The interest is credited to the Account and charged to the Consolidated Revenue Fund.

The interest on the daily balance of the account with Receiver General for Canada is calculated daily and is credited to the Account. The interest rate on the balance of the account is equal to 90 percent of the monthly average of tender rates for three-month Treasury Bills for the same month. The interest rates varied between 1.78 percent and 2.39 percent during the year (1.84 percent and 2.89 percent in 2003-2004). The rate for March 2005 was 2.25 percent (1.84 percent for March 2004).

7. Estimated overpayments and underpayments of benefits

The Commission applies a selective rather than universal application of the internal control procedures because of the large number of claimants to be monitored and the need for prompt service. Therefore, the verification of claims is mainly done after claimants have begun to receive benefits.

In order to measure the effectiveness of the benefit payment process, the Commission has a program in place which estimates, through statistical extrapolation, the most likely value of incorrect benefit payouts. For benefits paid during the 12 months ended March 31, 2005, these undetected overpayments and underpayments are estimated to be \$400 million and \$191 million respectively (\$525 million and \$219 million for the 12 months ended March 31, 2004). These estimates are used by the Commission to assess the quality of decisions and the need, if any, to improve its systems and practices of processing claims.

There is not a direct link between the overpayments established during the year (as indicated in Note 3) and the estimated overpayments and underpayments of benefits for the same period.

8. Administration costs

	2005	2004
	(in thousands of dollars)	
Administration costs by activity		
Employment Insurance		
Benefits .....	572,652	539,540
Policy, Program and Service Delivery		
Support .....	458,345	526,867
Corporate Services .....	295,019	271,931
Employment Programs .....	56,938	35,997
Workplace		
Skills .....	59,059	43,993
Learning.....	16,419	17,283
	1,458,432	1,435,611
Add: Administration costs incurred by provinces and territories .....	91,636	91,623
Less: Recovery of costs for maintaining the social insurance number registry and issuing replacement cards.....	(8,409)	(6,200)
	1,541,659	1,521,034

For comparative purposes, the 2003-2004 numbers by activities have been reclassified to conform to the current year's presentation.

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005—Continued

9. Related party transactions

The Account is a component of the Government of Canada reporting entity and is therefore related to all departments, agencies and Crown corporations. The Account enters into transactions with these entities in the normal course of operations, under the same terms and conditions that apply to unrelated parties.

Related party transactions not otherwise disclosed in these financial statements include administration costs of \$110 million (\$114 million in 2003-2004) charged by Public Works and Government Services Canada for accommodation and rental costs, and \$103 million (\$103 million in 2003-2004) by the Canada Customs and Revenue Agency for collecting premiums from employers and employees and other related activities. These costs are charged to the Account based on memoranda of understanding with the Department of Human Resources and Skills Development and the Department of Social Development.

Employment Insurance premiums include the employer's share of premiums paid by the federal government of \$348 million (\$355 million in 2003-2004).

10. Contingencies

In the normal course of the operations of the Account, numerous appeals against or by the Commission are presently outstanding. The outcome of these appeals is not presently determinable. Any claims resulting from the resolution of these appeals will be accounted for as an expense in the period in which the claim will be determinable. However, in the opinion of management, the result of these appeals should not have a significant impact on the operations of the Account.

Legal proceedings

Two legal proceedings have been filed against Her Majesty the Queen contesting on substantially similar grounds the constitutional validity of the *Employment Insurance Act* and parts thereof. In particular, certain provisions relating to the setting of premiums and the size of the accumulated surplus in the Account are being challenged. Although the Government won the case at trial, an appeal has been filed and in management's opinion, the final outcome of these proceedings cannot be determined at this time. The effect, if any, of the ultimate resolution of this matter will be accounted for in the year that it is known.

11. Subsequent events

Legislative amendments

Legislation to amend the *Employment Insurance Act* received Royal Assent on June 29, 2005. The amendments allow the Canada Employment Insurance Commission to set, no later than November 14 in the previous year, the premium rate under a new rate-setting mechanism. In setting the rate, the Commission will rely on the principle that the premium rate should generate just enough premium revenue to cover the payments to be made during that year based on forecast values of economic variables provided by the Minister of Finance, and in doing so, will take into account the report of the chief actuary to the Commission and any public input.

The premium rate for a year may not be increased or decreased by more than fifteen one-hundredths of one percent (0.15 percent) relative to the premium rate for the previous year. For 2006 and 2007, the premium rate in each year may not be greater than 1.95 percent. On the recommendation of the Minister of Human Resources and Skills Development and the Minister of Finance, the Governor in Council may, on or before November 30 in a year, substitute a premium rate for the following year that is different from the one set by the Commission, if it is in the public interest.

The *Employment Insurance Act* was also amended for the purpose of implementing a premium reduction agreement between the Government of Canada and a province, to allow for a regulatory scheme to make the necessary adjustments and modifications to that Act, as required to harmonize it with a provincial law that has the effect of reducing or eliminating the special benefits payable under that Act. A consequential change is also made to the parental benefits provisions to reduce or eliminate similar benefits when paid by a province. This legislative amendment was necessary because the Government of Canada and the province have concluded an agreement for the implementation, in January 2006, of that province's parental insurance plan.



**Employment Insurance Account—Continued**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005—Concluded

## Transfer payments to provinces and territories

The Government of Canada has Labour Market Development Agreements with all provinces and territories, with the exception of Ontario. These agreements can be of two types: co-managed agreements where both parties assume responsibility for the planning and design of employment programs, or transfer agreements where the province or territory assumes full responsibility for the design and delivery of employment programs similar to the employment benefits and support measures.

The Canada-Quebec Labour Market Development Agreement is a transfer agreement. Between 1999-2000 and 2003-2004, the province of Quebec spent a cumulative amount of \$102 million (\$28 million in 2003-2004, \$20 million in 2002-2003, \$17 million in 2001-2002, \$20 million in 2000-2001 and \$17 million in 1999-2000) which was charged to expenses even though the eligibility had not been agreed by both parties, as required by the agreement. During this period, discussions were taking place with the province of Quebec to find a satisfactory agreement for both parties.

In June 2005, the governments of Canada and Quebec agreed on a new policy interpretation to govern the use of the *Employment Insurance Act* Part II funds to support employer sponsored training of employees facing a loss of employment. The policy interpretation will be used to assess the eligibility of the expenses charged by the Government of Quebec since 1999-2000 on its "Formation de la main-d'oeuvre, volet entreprises" measure under Part II of the Act. Any required adjustments will be accounted for in 2005-2006.

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**Employment Insurance Account—Concluded**SCHEDULE OF BENEFITS AND SUPPORT MEASURES  
FOR THE YEAR ENDED MARCH 31  
(in thousands of dollars)

	2005	2004
Part I—Income benefits		
Regular .....	8,668,593	9,121,833
Fishing .....	313,047	337,096
Worksharing .....	11,201	26,945
	8,992,841	9,485,874
Special benefits		
Parental .....	2,081,156	1,986,726
Maternity .....	924,837	908,956
Sickness .....	796,618	754,101
Adoption .....	31,291	28,593
Compassionate care .....	7,219	1,533
	3,841,121	3,679,909
	12,833,962	13,165,783
Part II—Employment benefits and support measures		
Employment benefits		
Skills development .....	428,909	355,489
Self-employment .....	115,443	95,904
Job creation partnerships .....	70,620	73,679
Targeted wage subsidies .....	47,551	45,393
	662,523	570,465
Support measures		
Employment assistance .....	323,683	334,169
Labour market partnerships .....	173,410	192,386
Research and innovation .....	16,576	26,770
	513,669	553,325
Transfer payments to provinces and territories .....	890,945	893,819
	2,067,137	2,017,609
Benefits and support measures .....	14,901,099	15,183,392
Less: Benefit repayments received or receivable from higher income claimants .....	152,653	113,699
	14,748,446	15,069,693

**Benefit rates—Income benefits**

Benefits paid represent the lesser of 55 percent of average insurable earnings, or \$413 per week. The benefit rate can be increased to a maximum of 80 percent of average insurable earnings or \$413 per week for claimants who are in a low-income family with children.

# SECTION 5

2004-2005

*PUBLIC ACCOUNTS OF CANADA*

## Accounts Payable and Accrued Liabilities

### CONTENTS

	<i>Page</i>
Accounts payable and accrued liabilities .....	5.3
Tax payables .....	5.11
Environmental liabilities .....	5.12
Interest and matured debt .....	5.13
Allowance for guarantees .....	5.14

## ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

This section contains information on accounts reported on the Statement of Financial Position under “Accounts Payable and Accrued Liabilities”. The establishment and operation of these accounts are authorized by Parliament in annual appropriation acts and other legislation. In many cases, these accounts represent accounts payable, accruals and allowances set up at year end under the authority granted to the President of the Treasury Board under the *Financial Administration Act*.

Table 5.1 presents the year-end balances of accounts payable and accrued liabilities by category. Chart 5A presents accounts payable and accrued liabilities by category at March 31.

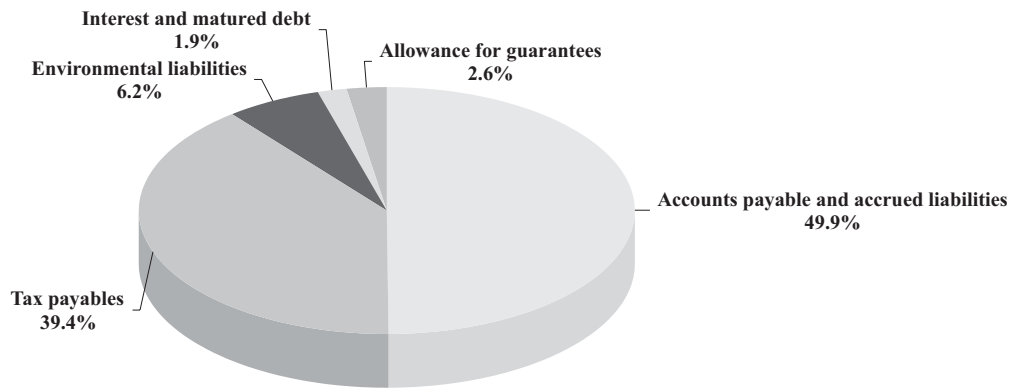
Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 5.1**  
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31/2005	March 31/2004 <sup>(1)</sup>
	\$	\$
Accounts payable and accrued liabilities, Table 5.2 .....	45,120,055,454	37,266,848,882
Tax payables, Table 5.6 .....	35,649,729,478	33,039,779,432
Environmental liabilities, Table 5.7 .....	5,624,000,000	3,564,200,000
Interest and matured debt, Table 5.8 .....	1,762,095,768	3,322,993,654
Allowance for guarantees, Table 5.9 .....	2,317,500,000	2,770,400,000
<b>Total</b> .....	<b>90,473,380,700</b>	<b>79,964,221,968</b>

<sup>(1)</sup> Certain comparative figures have been restated to reflect the current year’s presentation.

**CHART 5A**  
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES BY CATEGORY AT MARCH 31, 2005



## Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes accounts payable, accrued salaries and benefits, notes payable to international organizations, the provincial and territorial tax collection agreements account, miscellaneous payroll deductions, cross-currency swap revaluation account, other accounts and deferred revenues.

Table 5.2 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

**TABLE 5.2**  
**ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31/2005	March 31/2004 <sup>(1)</sup>
	\$	\$
Accounts payable.....	35,893,719,072	28,495,647,271
Add: consolidation adjustment <sup>(2)</sup> .....	1,159,349,000	958,631,000
	<i>37,053,068,072</i>	<i>29,454,278,271</i>
Accrued salaries and benefits .....	2,478,158,412	2,081,432,418
Notes payable to international organizations, Table 5.3 .....	540,732,742	618,823,075
Provincial and territorial tax collection agreements account, Table 5.4 .....	3,695,983,617	2,593,162,630
Miscellaneous payroll deductions .....	137,208,408	136,601,350
Cross-currency swap revaluation account .....	(922,244,937)	363,028,415
Other .....	141,284,322	89,887,900
Deferred revenues, Table 5.5 .....	1,995,864,818	1,929,634,823
<b>Total.....</b>	<b>45,120,055,454</b>	<b>37,266,848,882</b>

<sup>(1)</sup> Certain comparative figures have been restated to reflect the current year's presentation.

<sup>(2)</sup> Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

### Accounts payable

This account records amounts owing at the year end pursuant to contractual arrangements, or for work performed, goods received, or services rendered, accrued amounts to be paid from appropriations and statutory authorities, and accrued financial obligations of consolidated Crown corporations.

### Accrued salaries and benefits

This amount records salaries and wages owing at year end, amounts owing for earned and unpaid annual vacation leave and compensation time, and other accrued amounts relating to unpaid or retro-active salaries.

**Notes payable to international organizations**

Share capital subscriptions, and loans and advances are made to international organizations using cash and/or notes payable that are later presented for encashment according to terms of agreements. These demand notes are non-interest bearing and are non-negotiable. The subscriptions, loans and advances are recorded as assets and details are reported in Table 9.13 (Section 9 of this volume).

Table 5.3 presents the balances and transactions for the individual notes.

**TABLE 5.3**  
**NOTES PAYABLE TO INTERNATIONAL ORGANIZATIONS**

	April 1/2004	Receipts and other credits		Payments and other charges		March 31/2005
		Note issuances	Revaluation <sup>(1)</sup>	Note encasement	Revaluation <sup>(1)</sup>	
	\$	\$	\$	\$	\$	\$
Finance—						
European Bank for Reconstruction and Development . . . . .	19,111,407	9,802,739		9,955,771	1,329,185	17,629,190
International Bank for Reconstruction and Development (World Bank) . . . . .		29,009,682				29,009,682
International Development Association . . . . .	302,027,000	230,134,000		292,420,000		239,741,000
Multilateral Investment Guarantee Agency . . . . .	4,206,821				326,266	3,880,555
Foreign Affairs and International Trade (Foreign Affairs)—						
Canadian International Development Agency—						
African Development Bank . . . . .		3,461,282		3,461,282		
Asian Development Bank . . . . .	6,786,479		102,479	3,809,274		3,079,684
Caribbean Development Bank . . . . .	8,107,447			271	218,405	7,888,771
Inter-American Development Bank . . . . .	5,519,086			491,410	5,005,921	21,755
International financial institutions—						
African Development Fund . . . . .		69,603,210		69,603,210		
Asian Development Fund . . . . .	127,457,109	100,339,869		111,340,617		116,456,361
Caribbean Development Bank—Special . . . . .	59,638,725	1,681,197		6,607,979		54,711,943
Global Environment Facility Trust Fund . . . . .	85,969,001	39,735,000		57,390,200		68,313,801
Inter-American Development Bank—Fund for Special Operations . . . . .		1,138,504		1,138,504		
International Fund for Agriculture Development . . . . .		14,533,867		14,533,867		
Montreal Protocol Fund . . . . .		6,216,533		6,216,533		
	273,064,835	233,248,180		266,830,910		239,482,105
Total . . . . .	618,823,075	505,655,883	102,479	576,968,918	6,879,777	540,732,742

<sup>(1)</sup> Notes denominated in foreign currencies are translated into Canadian dollars at the year-end closing rate of exchange.

## Provincial and territorial tax collection agreements account

This account records both income taxes administered by the Government of Canada on behalf of provinces, territories, and aboriginal governments, pursuant to the *Federal Provincial Fiscal Arrangements Act* and harmonized sales tax, sales tax and goods and services sales tax pursuant to the *Excise Tax Act*, and related payments made to them.

Under the *Federal-Provincial Fiscal Arrangements Act*, the Government of Canada is empowered to enter into agreements with provincial, territorial, and aboriginal governments, to collect income taxes on their behalf, and to make payments to them with respect to such taxes. Furthermore, the Government is empowered to enter into agreements with provincial governments, to collect the harmonized sales tax, and to make payments to them with respect to such tax.

The Government of Canada has entered into agreements with provinces and territories (excluding Quebec), and with some self-governing First Nations, to collect individual income tax, and, with provinces and territories (excluding Quebec, Ontario and Alberta except for the tax on preferred shares dividend), to collect corporate income tax, and, to pay in instalments to such provinces and territories, the estimated revenues to be produced by the respective provincial and territorial taxes. The Government also entered into agreements with the provinces of Nova Scotia, New Brunswick and Newfoundland and Labrador, to collect the harmonized sales tax,

and to make payments to them with respect to such tax. Furthermore, the Government has also entered into agreements with some First Nations, to collect sales taxes on motive fuels, tobacco, and alcohol and goods and services sales tax, and to make payments to them with respect to such agreements. This account also reflects amounts related to the Government of Canada's administration of various provincial and territorial programs under Memoranda of Understanding, such as child benefit programs.

Because the *Public Accounts of Canada* reports information on an April to March fiscal year basis and because tax information is calculated on a calendar year basis, there can be transactions related to several tax years during any given fiscal year. For example, during a fiscal year the Minister of Finance makes current payments, based on estimates, for two calendar years (April to December and January to March). During this period, it is also necessary to make payments or adjustments related to final determinations of tax revenues, rebates and credits for previous tax years.

Table 5.4 presents the accumulated balances and the net position of the revenues and the payments made to the provinces and territories for corporate and personal income taxes as well as for harmonized sales tax, sales tax and goods and services sales tax.

**TABLE 5.4**

### PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Total Personal Income Tax administered by				
Canada Customs and Revenue Agency .....	1,299,060,349	38,422,589,611		39,721,649,960
Less: payments to provinces and territories—				
Newfoundland and Labrador .....			791,040,051	791,040,051
Prince Edward Island .....			178,536,646	178,536,646
Nova Scotia .....			1,486,550,442	1,486,550,442
New Brunswick .....			1,019,559,370	1,019,559,370
Ontario .....			20,696,614,928	20,696,614,928
Manitoba .....			1,711,187,737	1,711,187,737
Saskatchewan .....			1,331,322,291	1,331,322,291
Alberta .....			4,770,119,925	4,770,119,925
British Columbia .....			5,082,779,840	5,082,779,840
Yukon .....			36,053,200	36,053,200
Northwest Territories .....			58,989,087	58,989,087
Nunavut .....			12,341,008	12,341,008
First Nations .....			3,414,616	3,414,616
			<i>37,178,509,141</i>	<i>37,178,509,141</i>
<b>Total personal income tax on hand .....</b>	<b>1,299,060,349</b>	<b>38,422,589,611</b>	<b>37,178,509,141</b>	<b>2,543,140,819</b>

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Concluded*

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Total Corporate Income Tax administered by Canada Customs and Revenue Agency .....	976,505,320	3,060,143,042		4,036,648,362
Less: payments to provinces and territories—				
Newfoundland and Labrador .....			116,762,248	116,762,248
Prince Edward Island .....			26,726,921	26,726,921
Nova Scotia .....			416,453,497	416,453,497
New Brunswick .....			212,617,799	212,617,799
Ontario .....			106,731,497	106,731,497
Quebec .....			32,681,210	32,681,210
Manitoba .....			398,220,610	398,220,610
Saskatchewan .....			249,888,381	249,888,381
Alberta .....			22,282,988	22,282,988
British Columbia .....			1,258,680,863	1,258,680,863
Yukon .....			12,254,950	12,254,950
Northwest Territories .....			59,165,870	59,165,870
Nunavut .....			9,458,438	9,458,438
			2,921,925,272	2,921,925,272
<b>Total corporate income tax on hand .....</b>	<b>976,505,320</b>	<b>3,060,143,042</b>	<b>2,921,925,272</b>	<b>1,114,723,090</b>
Total Harmonized Sales Tax administered by Canada Customs and Revenue Agency .....	317,291,588	2,113,540,920		2,430,832,508
Less: payments to provinces and territories—				
Newfoundland and Labrador .....			568,068,731	568,068,731
Nova Scotia .....			1,036,621,405	1,036,621,405
New Brunswick .....			788,552,566	788,552,566
			2,393,242,702	2,393,242,702
<b>Total harmonized sales tax on hand .....</b>	<b>317,291,588</b>	<b>2,113,540,920</b>	<b>2,393,242,702</b>	<b>37,589,806</b>
Total First Nations' Sales Tax administered by Canada Customs and Revenue Agency .....	305,373	4,694,110		4,999,483
Less: payments to First Nations .....			4,638,250	4,638,250
<b>Total First Nations Sales Tax on hand .....</b>	<b>305,373</b>	<b>4,694,110</b>	<b>4,638,250</b>	<b>361,233</b>
Total First Nations' Goods and Services Sales Tax administered by Canada Customs and Revenue Agency .....		1,286,117		1,286,117
Less: payments to First Nations .....			1,117,448	1,117,448
<b>Total First Nations Goods and Services Sales Tax on hand .....</b>		<b>1,286,117</b>	<b>1,117,448</b>	<b>168,669</b>
<b>Total .....</b>	<b>2,593,162,630</b>	<b>43,602,253,800</b>	<b>42,499,432,813</b>	<b>3,695,983,617</b>

**Miscellaneous payroll deductions**

Deductions from the salaries and wages of certain employees are credited to this account pending transmittal to related outside organizations.

**Cross-currency swap revaluation account**

This account records the unrealized gains or losses due to fluctuations in the foreign exchange value of the cross-currency swaps.

**Other**

Miscellaneous accounts payable and accrued liabilities such as provincial sales tax collected on sales are recorded in this account.

**5.6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**



## Deferred Revenues

This account records revenues received before the end of the current fiscal year for which the goods or services are to be delivered or rendered in a subsequent fiscal year. It includes licence fees received for which access to the radio spectrum is being provided in subsequent years and also presents sepa-

rately revenues received which have been recorded in a specified purpose account.

Table 5.5 presents the balances and transactions of deferred revenues.

**TABLE 5.5**  
DEFERRED REVENUES

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Deferred revenues—				
Citizenship and Immigration—				
Service fees for immigration and citizenship .....	293,908,367	46,943,288	2,893,994	337,957,661
Industry—				
Spectrum licence fees and other fees .....	1,406,318,004	262,670,438	242,157,040	1,426,831,402
Solicitor General (Public Safety and Emergency Preparedness)—				
Royal Canadian Mounted Police—				
Provincial arrangement on capital assets .....	98,652,837	2,499,733	883,561	100,269,009
Other departments .....	77,569,762	31,827,344	34,956,199	74,440,907
<b>Total .....</b>	<b>1,876,448,970</b>	<b>343,940,803</b>	<b>280,890,794</b>	<b>1,939,498,979</b>
Other deferred revenues—Specified purpose accounts—				
Donation and bequest accounts—				
Agriculture and Agri-Food—				
Shared-cost agreements—Research .....	23,513,384	18,544,145	22,305,074	19,752,455
Canadian Heritage—				
Library and Archives Canada—				
Special operating account .....	25,000	380,869	199,190	206,679
Environment—				
Endangered species—Donations .....	4,111			4,111
Parks Canada Agency—				
Pacific Rim Mitigation Fund .....		2,500,000	125,000	2,375,000
	4,111	2,500,000	125,000	2,379,111
Fisheries and Oceans—				
Restricted donations .....		395,000	130,933	264,067
St-Lawrence Seaway Dredging .....	2,858,877		2,858,877	
	2,858,877	395,000	2,989,810	264,067
Foreign Affairs and International Trade (Foreign Affairs)—				
Canadian Landmine Action Fund .....	332,899		332,127	772
Governor General—				
Dotations—Rideau Hall .....	18,530		14,080	4,450
Health—				
Canadian Institutes of Health Research—				
Donations for research .....	1,700,215	12,991,790	5,594,755	9,097,250
Human Resources and Skills Development <sup>(1)</sup> —				
Canadian Centre for Occupational Health and Safety—				
Donations .....	89,927	500		90,427
Industry—				
Prime Minister's Awards .....	1,690,960	1,929,734	1,411,118	2,209,576
Canadian Space Agency—				
Space training project .....	61,200	56,810	56,795	61,215
National Research Council of Canada—				
Trust fund .....	20,507,591	18,122,451	18,637,839	19,992,203
Natural Sciences and Engineering Research Council—				
Trust fund .....	250			250
Social Sciences and Humanities Research Council—				
Trust fund .....	404,376	6,645	10,000	401,021
	22,664,377	20,115,640	20,115,752	22,664,265

TABLE 5.5

DEFERRED REVENUES—*Concluded*

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
National Defence—				
Corporate sponsorships and donations . . . . .	32,167	114,107	46,695	99,579
Solicitor General (Public Safety and Emergency Preparedness)—				
Royal Canadian Mounted Police—				
Royal Canadian Mounted Police Pipe Band (NCR) . . . . .		11,110		11,110
Mounted Police Foundation . . . . .	249,663		249,663	
Sponsorship Agreement—Contributions . . . . .	635,860	110,835	226,366	520,329
	885,523	121,945	476,029	531,439
Treasury Board—				
Canada School of Public Service (Canadian Centre for Management Development)—				
Donations . . . . .	13,787			13,787
Total—Donation and bequest accounts . . . . .	52,138,797	55,163,996	52,198,512	55,104,281
Endowment interest accounts—				
Environment—				
Parks Canada Agency—				
Mackenzie King trust account . . . . .		10,575	10,575	
Health—				
Canadian Institutes of Health Research—				
Endowments for health research . . . . .	2,881	2,031	2,667	2,245
Industry—				
National Research Council of Canada—				
H.L. Holmes Fund . . . . .	2,682	120,000	90,729	31,953
Social Sciences and Humanities Research Council—				
Queen's Fellowship Fund . . . . .	59,509	6,353		65,862
Transport—				
Shared-cost agreements—Transportation research and development . . . . .	981,984	547,833	368,319	1,161,498
Total—Endowment interest accounts . . . . .	1,047,056	686,792	472,290	1,261,558
Total—Other deferred revenues—Specified purpose accounts . . . . .	53,185,853	55,850,788	52,670,802	56,365,839
Total—Deferred revenues . . . . .	1,929,634,823	399,791,591	333,561,596	1,995,864,818

<sup>(1)</sup> Formerly part of the Department of Human Resources Development.

### Service fees for immigration and citizenship

This account was established to record fees and rights derived from the *Citizenship Act* and Regulations and the *Immigration and Refugees Protection Act* and Regulations. Fees are deferred until the application is deemed processed, while rights (right of citizenship and right of permanent residence) are deferred until the right is granted.

### Spectrum licence fees and other fees

This account was established to record, *a*) monies received in advance from Spectrum Auctions, which are recognized as revenues over a ten-year period; *b*) monies received from Spectrum Licence Fees that are received in the latter part of the fiscal year, but which are applicable to the following fiscal year; and, *c*) monies received from other sources such as Bankruptcy Trustee Licence Fees and Competition Bureau Pre-Merger Fees, which are recognized as revenue in the subsequent year.

### Provincial arrangement on capital assets

This account was established to record the balance of revenue received at the time of acquisition of capital assets owned by the Royal Canadian Mounted Police. The deferred revenue is earned on the same basis as the amortization of the corresponding capital asset.

### Shared-cost agreements—Research

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

**Special operating account**

This account was established, pursuant to section 18 of the *Library and Archives of Canada Act*, to record monies received for the purposes of the Library and Archives of Canada, by way of gifts. Amounts required for the purposes of the Act may be paid out of this account, or out of money appropriated by Parliament for such purposes.

**Endangered species—Donations**

This account was established to record donations, gifts or bequests received from individuals and organizations to finance various studies related to endangered species.

**Pacific Rim Mitigation Fund**

This account was established to record monies received for the protection of lands within the Pacific Rim National Park Reserve of Canada. Monies so received are used to monitor community use impacts, carry out related research and implement required mitigation measures.

**Restricted donations**

This account was established to record directed donations to be used for research, development, management and promotion of fisheries and oceans related issues.

**St-Lawrence Seaway Dredging**

This account was established to record monies received for the maintenance dredging services tonnage fees. Monies so received are used to pay for the dredging of the St-Lawrence Ship Channel between Montreal and Cap Gribane.

During the year, the account was closed.

**Canadian Landmine Action Fund**

This account was established to record monies received from the public to support Canadian Mine Action Programs pursuant to the Ottawa Convention agreement which bans the production, use, stockpiling and export of anti-personnel mines.

**Donations—Rideau Hall**

This account was established to record gifts, donations or bequests to Rideau Hall from private organizations and individuals to fund specific initiatives.

**Donations for research—Canadian Institutes of Health Research**

This account was established, pursuant to section 29 of the *Canadian Institutes of Health Research Act*, to record donations and contributions received from organizations and individuals for biomedical research.

**Donations—Canadian Centre for Occupational Health and Safety**

This account was established pursuant to subsection 6(3) of the *Canadian Centre for Occupational Health and Safety Act*, to record monies, securities or other property received by way of gift, bequest or otherwise, and to disburse such donations at the discretion of the Centre.

**Prime Minister's Awards**

This account was established to record amounts deposited by external parties to be used in support of the Prime Minister's Awards for teaching excellence.

**Space training project**

This account was established to record funds received for the payment of expenses related to the space training project.

**Trust fund—National Research Council of Canada**

This account was established by the *National Research Council Act* to record funds received from other governments and organizations outside the accounting entity to cover expenses made on their behalf.

**Trust fund—Natural Sciences and Engineering Research Council**

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record funds received from other governments and organizations to cover expenses made on their behalf.

**Trust fund—Social Sciences and Humanities Research Council**

This account was established to record funds available for social sciences and humanities research activities. The account is also used to record receipts of private donations for the purpose of special projects.

**Corporate sponsorships and donations**

This account was established by the Department of National Defence to administer funds received from various private companies, not for profit corporations, associations, other levels of government, or individuals for the purpose of holding events consistent with the Department's mandate but not funded from its appropriations.

**Royal Canadian Mounted Police Pipe Band (NCR)**

This account was established to administer sponsorship funds to support the Royal Canadian Mounted Police Pipe Band.

### **Mounted Police Foundation**

This account was established to record funds received from the Mounted Police Foundation which will be used to cover expenses related to community policing, educational, promotional and public relations projects throughout Canada.

### **Sponsorship Agreement—Contributions**

This account was established to record funds contributed to the Royal Canadian Mounted Police pursuant to sponsorship agreements for use in community policing programs.

### **Donations—Canada School of Public Service (Canadian Centre for Management Development)**

This account was established under the authority provided by section 5(h) of the *Canadian Centre for Management Development Act* in order to account for funds provided to the Canadian Centre for Management Development as a gift to further the objects of the Centre.

### **Mackenzie King trust account**

The late The Right Hon W. L. Mackenzie King bequeathed Laurier House, Ottawa, and the sum of \$225,000, to the Government of Canada. The amount of \$225,000 was credited to the account and earns interest, in accordance with the terms of section 3 of the *Laurier House Act*. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

### **Endowments for health research**

This account was established by section 29 of the *Canadian Institutes of Health Research Act*, to record various endowments received from donors for the purpose of health research. The interest received is used for the payment of research grants.

### **H. L. Holmes Fund**

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding research persons.

### **Queen's Fellowship Fund**

This fund is an endowment of \$250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The interest earned is used for the payment of fellowships to graduate students in certain fields of Canadian studies.

### **Shared-cost agreements—Transportation research and development**

This account was established to record, on a temporary basis, *a)* monies received from cost-sharing agreements intended to strengthen and improve the safety, security and efficiency of the Canadian transportation system; and, *b)* monies received from private sector and provincial governments to directly support the departmental strategic objectives.

## Tax Payables

Tax payables include amounts payable to taxpayers based on assessments as well as estimates of refunds owing for assessments not completed by year end.

Table 5.6 presents a summary of the balances for the different tax revenue streams.

**TABLE 5.6**  
**TAX PAYABLES**

	March 31/2005	March 31/2004
	\$	\$
Personal and non-resident income tax .....	20,246,505,960	18,646,364,667
Corporate income tax .....	8,724,474,419	8,238,968,996
Goods and services tax .....	6,562,211,935	5,988,113,070
Customs and excise .....	116,537,164	166,332,699
Total .....	35,649,729,478	33,039,779,432

### Personal and non-resident income tax

This account records tax refunds payable to individual taxpayers as well as amounts payable to employers and other with-holders of personal income tax. This account also includes any interest owing on the balances.

### Corporate income tax

This account records tax refunds payable and any interest owing to corporate taxpayers.

### Goods and services tax

This account records refunds, rebates and any interest owing related to the goods and services tax.

### Customs and excise

This account records refunds of customs import duties, excise taxes and duties, energy taxes and any interest owing on the balances.

## Environmental Liabilities

Environmental liabilities include the estimated costs related to the management and remediation of contaminated sites where the Government is obligated, or likely obligated to incur such costs, as well as the estimated costs to decommission Atomic Energy of Canada Limited's nuclear facilities.

The Government has identified approximately 2,200 contaminated sites (2,400 contaminated sites in 2004) for which a liability of \$2,874 million (\$3,133 million in 2004) has been recorded. The contingent liabilities associated with contaminated sites are disclosed in Section 11 of this volume.

In 2005, Atomic Energy of Canada Limited completed a review of its decommissioning plan, the significant assumptions that underlie the estimate and the calculation of the nuclear facility decommissioning and waste management provision. An expense of \$2,319 million and an equivalent increase in environmental liabilities are recorded in the current fiscal year to reflect the changes in the plan and underlying assumptions.

Table 5.7 presents the balances for contaminated sites and for nuclear facility decommissioning.

**TABLE 5.7**  
ENVIRONMENTAL LIABILITIES

	March 31/2005	March 31/2004
	\$	\$
Contaminated sites .....	2,874,000,000	3,133,019,000
Atomic Energy of Canada Limited's nuclear facility decommissioning .....	2,750,000,000	431,181,000
Total .....	5,624,000,000	3,564,200,000

## Interest and Matured Debt

Interest and matured debt includes interest due, interest accrued, matured debt, and unamortized discounts, premiums and commissions on unmatured debt.

Table 5.8 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

**TABLE 5.8**  
**INTEREST AND MATURED DEBT**

	March 31/2005	March 31/2004
	\$	\$
Interest due .....	3,295,022,776	3,500,830,507
Interest accrued .....	4,655,217,678	5,240,495,924
Matured debt .....	153,685,123	191,337,475
	8,103,925,577	8,932,663,906
Less: unamortized discounts on Canada bills .....	8,164,899	3,375,918
unamortized discounts on Treasury bills .....	1,045,877,609	865,133,670
unamortized discounts and premiums on marketable bonds .....	5,287,071,814	4,740,379,231
unamortized commissions on Canada savings, Canada premium and Canada investment bonds .....	715,487	781,433
	6,341,829,809	5,609,670,252
Total .....	1,762,095,768	3,322,993,654

### Interest due

Interest due is the interest on the bonded debt, which is due and payable but has not been redeemed by bond holders.

### Interest accrued

Interest accrued is the interest accumulated as at March 31 on the bonded debt and certain other liabilities, that is not payable until a future date.

### Matured debt

This account records financial obligations represented by certificates of indebtedness issued by the Government, that have become due but that have not been presented for redemption. Unclaimed matured bonds are transferred to other revenues if they remain unredeemed 15 years after the date of call or maturity, whichever is earlier; the minimum time before such a transfer is made is 5 years from the date of maturity.

### Unamortized discounts on Canada bills

This account records the portion of the discounts on outstanding Canada bills which has not yet been charged to expenses. Discounts are amortized over the life of the bills.

### Unamortized discounts on Treasury bills

This account records the portion of the discounts on outstanding Treasury bills which has not yet been charged to expenses. Discounts are amortized over the life of the bills.

### Unamortized discounts and premiums on marketable bonds

This account records the portion of the discounts and premiums on outstanding marketable bonds which has not yet been charged to expenses. Discounts and premiums are amortized over the life of the bonds.

### Unamortized commissions on Canada savings, Canada premium and Canada investment bonds

This account records the portion of the commissions on outstanding Canada savings bonds, Canada premium bonds and Canada investment bonds which has not yet been charged to expenses. Commissions are amortized over the life of the bonds.

## Allowance for Guarantees

This category of accounts payable and accrued liabilities includes the allowance for loan guarantees and the allowance for borrowings of Crown corporations.

Table 5.9 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

**TABLE 5.9**  
**ALLOWANCE FOR GUARANTEES**

	March 31/2005	March 31/2004
	\$	\$
Allowance for loan guarantees .....	578,000,000	765,000,000
Allowance for borrowings of Crown corporations .....	1,739,500,000	2,005,400,000
Total .....	2,317,500,000	2,770,400,000

### Allowance for loan guarantees

This account records potential losses on loan guarantees when it is likely that a payment will be made in the future to honour a guarantee and when the amount of the loss can be reasonably estimated.

### Allowance for borrowings of Crown corporations

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent enterprise Crown corporations, and interest thereon, is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute unconditional obligations of the Government.

Borrowings of non-agent Crown corporations and other government business enterprises may, at times, be guaranteed by the Government.

This account reports the borrowings of agent and non-agent enterprise Crown corporations and other government business enterprises expected to be repaid by the Government (see Table 9.6 in Section 9 of this volume).



# SECTION 6

2004-2005

*PUBLIC ACCOUNTS OF CANADA*

## Interest-Bearing Debt

### CONTENTS

	<i>Page</i>
Unmatured debt—	
Marketable bonds .....	6.3
Treasury bills .....	6.5
Canada savings, Canada premium and Canada investment bonds .....	6.6
Non-marketable bonds and notes .....	6.7
Canada bills .....	6.8
Canada notes .....	6.8
Euro medium-term notes .....	6.9
Interest rates .....	6.10
Maturity of Government debt .....	6.11
Statement of all borrowing transactions on behalf of Her Majesty .....	6.12
Obligations related to capital leases .....	6.13
Pension and other liabilities—	
Public sector pensions .....	6.17
Other employee and veteran future benefits .....	6.28
Canada Pension Plan .....	6.30
Other liabilities—	
Government Annuities Account .....	6.31
Deposit and trust accounts .....	6.32
Other specified purpose accounts .....	6.38
Supplementary statements—	
Canada Pension Plan .....	6.50
Government Annuities Account .....	6.64
Royal Canadian Mounted Police (Dependants) Pension Fund .....	6.68

## INTEREST-BEARING DEBT

This section contains information on the interest-bearing debt of the Government. Interest-bearing debt includes the unmatured debt and pension and other accounts.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges.

Table 6.1 presents the transactions and year-end balances of interest-bearing debt. Chart 6A presents interest-bearing debt by category for the current fiscal year.

The financial statements of the Canada Pension Plan, the Government Annuities Account and the Royal Canadian Mounted Police (Dependants) Pension Fund, together with the Auditor General's reports thereon, are presented at the end of this section.

A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

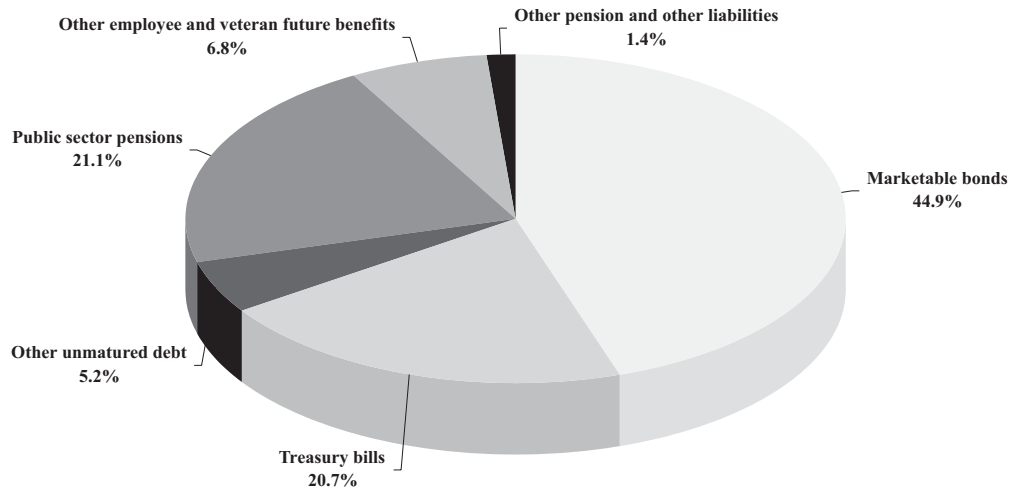
**TABLE 6.1**  
INTEREST-BEARING DEBT

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Unmatured debt <sup>(1)</sup> —				
Payable in Canadian currency—				
Marketable bonds, Table 6.2	278,779,705,350	61,792,917,265	74,002,373,000	266,570,249,615
Treasury bills, Table 6.3	113,377,642,000	271,470,992,000	257,650,000,000	127,198,634,000
Canada savings, Canada premium and Canada investment bonds, Table 6.4	21,330,088,321	1,963,886,274	4,213,964,362	19,080,010,233
Non-marketable bonds and notes, Table 6.5	3,427,329,453	23,710,515	58,416,431	3,392,623,537
	<i>416,914,765,124</i>	<i>335,251,506,054</i>	<i>335,924,753,793</i>	<i>416,241,517,385</i>
Payable in foreign currencies—				
Marketable bonds, Table 6.2	12,897,371,800	28,390,125	3,287,243,780	9,638,518,145
Canada bills, Table 6.6	3,364,473,220	13,579,621,596	13,082,169,817	3,861,924,999
Canada notes, Table 6.7	1,257,400,000		129,400,000	1,128,000,000
Euro medium-term notes, Table 6.8	3,022,741,840		1,365,277,802	1,657,464,038
	<i>20,541,986,860</i>	<i>13,608,011,721</i>	<i>17,864,091,399</i>	<i>16,285,907,182</i>
	437,456,751,984	348,859,517,775	353,788,845,192	432,527,424,567
Obligations related to capital leases, Table 6.13	2,774,211,438	201,960,301	44,124,446	2,932,047,293
Total—Unmatured debt	440,230,963,422	349,061,478,076	353,832,969,638	435,459,471,860
Pension and other liabilities—				
Public sector pensions, Table 6.16—				
Superannuation accounts	135,417,805,788	15,030,509,033	11,361,989,170	139,086,325,651
Allowance for pension adjustments	(7,858,000,000)	1,344,000,000	2,993,000,000	(9,507,000,000)
	<i>127,559,805,788</i>	<i>16,374,509,033</i>	<i>14,354,989,170</i>	<i>129,579,325,651</i>
Other employee and veteran future benefits, Table 6.28	39,367,000,000	5,332,000,000	3,150,000,000	41,549,000,000
Due to Canada Pension Plan, Table 6.29—				
Canada Pension Plan Account	7,482,952,179	43,751,250,841	48,463,159,444	2,771,043,576
Other liabilities—				
Government Annuities Account	405,722,191	26,486,182	54,942,669	377,265,704
Deposit and trust accounts, Table 6.30	1,536,399,912	1,092,328,467	992,084,404	1,636,643,975
Other specified purpose accounts, Table 6.33	4,545,987,695	1,896,333,689	2,547,189,249	3,895,132,135
	<i>53,338,061,977</i>	<i>52,098,399,179</i>	<i>55,207,375,766</i>	<i>50,229,085,390</i>
Total—Pension and other liabilities	180,897,867,765	68,472,908,212	69,562,364,936	179,808,411,041
Total	621,128,831,187	417,534,386,288	423,395,334,574	615,267,882,901

<sup>(1)</sup> This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.12.

**CHART 6A**

INTEREST-BEARING DEBT BY CATEGORY AT MARCH 31, 2005

**UNMATURED DEBT**

Unmatured debt represents financial obligations resulting from certificates of indebtedness issued by the Government of Canada that have not yet become due and obligations related to capital leases.

The Government's holdings of its own securities have been deducted from unmatured debt, to report the amount of the Government's liabilities to outside parties.

**Marketable Bonds**

Marketable bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- bought and sold on the open market;
- payable in Canadian or foreign currency;
- subject to call or redemption before maturity;
- fixed dates of maturity;
- interest payable either in coupon or registered form; and,
- face value guaranteed at maturity.

Registered marketable bonds are transferable by endorsement and delivery by one holder to another. Bearer marketable bonds need not be endorsed.

Table 6.2 presents a summary of the balances and transactions for marketable bonds.

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2005.

**TABLE 6.2**  
**MARKETABLE BONDS**

	April 1/2004	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2005
	\$	\$	\$	\$
Payable in Canadian currency—				
Matured 2004-2005 .....	32,528,466,000		32,528,466,000	
Maturing 2005-2006 .....	31,304,333,000		5,664,639,000	25,639,694,000
2006-2007 .....	23,595,050,000	6,400,000,000	603,011,000	29,392,039,000
2007-2008 .....	19,165,920,000	5,600,000,000	1,364,858,000	23,401,062,000
2008-2009 .....	21,856,896,000		1,874,775,000	19,982,121,000
2009-2010 .....	15,034,683,000	5,200,000,000	1,115,095,000	19,119,588,000
2010-2011 .....	12,953,598,000	4,359,034,000	1,363,913,000	15,948,719,000
2011-2012 .....	15,092,351,000		1,830,716,000	13,261,635,000
2012-2013 .....	11,600,000,000		184,958,000	11,415,042,000
2013-2014 .....	13,699,888,000		703,503,000	12,996,385,000
2014-2015 .....	5,468,165,000	5,399,272,000		10,867,437,000
2015-2016 .....	483,005,000	5,200,000,000		5,683,005,000
2020-2021 .....	1,105,758,000		104,497,000	1,001,261,000
2021-2022 .....	7,673,754,032	125,968,099	632,084,000	7,167,638,131
2022-2023 .....	625,267,000		74,819,000	550,448,000
2023-2024 .....	7,871,642,000		690,000,000	7,181,642,000
2025-2026 .....	8,485,103,000		548,517,000	7,936,586,000
2026-2027 .....	6,173,495,277	120,884,132		6,294,379,409
2027-2028 .....	8,976,126,000		214,945,000	8,761,181,000
2029-2030 .....	13,900,000,000		131,000,000	13,769,000,000
2031-2032 .....	6,554,786,125	128,350,246		6,683,136,371
2033-2034 .....	13,410,295,000			13,410,295,000
2036-2037 .....	1,403,846,916	1,458,824,788		2,862,671,704
2037-2038 .....		3,349,343,000		3,349,343,000
	278,962,428,350	37,341,676,265	49,629,796,000	266,674,308,615
Less: Government's holdings—				
Government's holdings .....		24,372,577,000	24,372,577,000	
Consolidation adjustment <sup>(2)</sup> .....	182,723,000	78,664,000		104,059,000
	182,723,000	24,451,241,000	24,372,577,000	104,059,000
Total marketable bonds payable in Canadian currency .....	278,779,705,350	61,792,917,265	74,002,373,000	266,570,249,615
Payable in foreign currencies—				
Matured 2004-2005 .....	2,622,600,000		2,622,600,000	
Maturing 2005-2006 .....	1,966,950,000		152,550,000	1,814,400,000
2006-2007 .....	1,311,300,000		101,700,000	1,209,600,000
2007-2008 .....	418,304,700		32,442,300	385,862,400
2008-2009 .....	6,580,991,036		349,963,840	6,231,027,196
2009-2010 .....	207,047,714		16,057,922	190,989,792
2016-2017 .....	50,149,357		9,937,415	40,211,942
2018-2019 .....	21,085,704		1,635,336	19,450,368
2019-2020 .....	4,589,550		355,950	4,233,600
	13,183,018,061		3,287,242,763	9,895,775,298
Less: Government's holdings and securities held for the retirement of unmatured debt <sup>(3)</sup> .....	285,646,261	28,390,125	1,017	257,257,153
Total marketable bonds payable in foreign currencies .....	12,897,371,800	28,390,125	3,287,243,780	9,638,518,145
Total .....	291,677,077,150	61,821,307,390	77,289,616,780	276,208,767,760

(1) This column includes the translation of marketable bonds payable in foreign currencies to Canadian dollars using the closing rates of exchange at March 31.

(2) Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

(3) These securities were assumed by the Government of Canada on February 5, 2001 upon the dissolution of Petro-Canada Limited. These are presented as a deduction from the foreign currency unmatured debt since they are held specifically for the repayment of the corresponding liabilities assumed upon the dissolution of the Corporation.

## Treasury Bills

Treasury bills are short-term certificates of indebtedness issued by the Government of Canada to pay sums of money on given dates, and have the following characteristics:

- issued at a discount in lieu of interest payments;
- issued in Canadian currency only;
- issued every 2 weeks;
- common terms: 3 months, 6 months and 12 months;
- transferable; and,
- bought and sold on the open market.

The balance at March 31, 2005 consists of \$7,500 million in odd issue bills; \$38,900 million in three-month bills; \$28,200 million in six-month bills; and, \$52,600 million in 364-day bills.

Table 6.3 presents a summary of Treasury bill issues and redemptions.

**TABLE 6.3**  
TREASURY BILLS

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Three-month bills .....	32,600,000,000	137,500,000,000	131,200,000,000	38,900,000,000
Six-month bills .....	25,900,000,000	54,500,000,000	52,200,000,000	28,200,000,000
Other bills .....	54,900,000,000	79,450,000,000	74,250,000,000	60,100,000,000
	113,400,000,000	271,450,000,000	257,650,000,000	127,200,000,000
Less: Government's holdings— Consolidation adjustment <sup>(1)</sup> .....	22,358,000	20,992,000		1,366,000
Total .....	113,377,642,000	271,470,992,000	257,650,000,000	127,198,634,000

<sup>(1)</sup> Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

## Canada Savings, Canada Premium and Canada Investment Bonds

Canada savings, Canada premium and Canada investment bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- issued to Canadian residents;
- issued in Canadian currency only;
- registered in the name of the holder;
- fixed dates of maturity;
- not marketable;
- not subject to call before maturity;
- term to maturity of seven years or more;
- Canada savings bonds are redeemable on demand by the holder, with accrued interest calculated to the end of the previous month (no interest is paid if redeemed during the first 3 months following the date of issue);

— Canada premium bonds are redeemable in full or partially on any annual anniversary of the issue date and during the 30 days thereafter by the holder, with accrued interest if applicable; and,

— Canada investment bonds carry a fixed rate for the duration of their terms (3, 5 or 7 years). Accrued simple interest will be credited monthly and will be paid on each anniversary until maturity. Accrued compound interest will be credited on each annual anniversary until maturity.

Table 6.4 presents a summary of the balances and transactions for Canada savings, Canada premium and Canada investment bonds.

**TABLE 6.4**  
CANADA SAVINGS, CANADA PREMIUM AND CANADA INVESTMENT BONDS

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Canada Savings Bonds—				
Maturing 2005-2006 .....	1,012,648,236		140,578,272	872,069,964
2006-2007 .....	1,374,911,380		192,343,146	1,182,568,234
2007-2008 .....	3,289,620,360		573,707,975	2,715,912,385
2008-2009 .....	3,142,619,195		152,781,181	2,989,838,014
2009-2010 .....	422,537,903		63,000,711	359,537,192
2010-2011 .....	439,267,661		76,636,744	362,630,917
2011-2012 .....	579,190,453		115,973,687	463,216,766
2012-2013 .....	905,075,791		278,141,593	626,934,198
2013-2014 <sup>(1)</sup> .....	1,266,060,252	814,639,298	991,882,820	1,088,816,730
2014-2015 <sup>(2)</sup> .....	1,605,688,710	730,800,844	1,040,818,453	1,295,671,101
2015-2016 .....		62,400		62,400
	<i>14,037,619,941</i>	<i>1,545,502,542</i>	<i>3,625,864,582</i>	<i>11,957,257,901</i>
Canada Premium Bonds—				
Maturing 2006-2007 .....	77,196,813		917,869	76,278,944
2007-2008 .....	17,149,880		1,143,403	16,006,477
2008-2009 .....	1,331,662,781		132,631,162	1,199,031,619
2009-2010 .....	698,952,988		33,984,309	664,968,679
2010-2011 .....	1,286,485,189		140,654,690	1,145,830,499
2011-2012 .....	967,090,532		144,646,388	822,444,144
2012-2013 .....	1,654,270,249		59,481,026	1,594,789,223
2013-2014 .....	1,252,830,913	55,681,369	74,018,969	1,234,493,313
2014-2015 .....	280,835	361,344,645	537,564	361,087,916
2015-2016 .....		191,018		191,018
	<i>7,285,920,180</i>	<i>417,217,032</i>	<i>588,015,380</i>	<i>7,115,121,832</i>
Canada Investment Bonds—				
Maturing 2006-2007 .....	6,548,200		84,400	6,463,800
2007-2008 .....		1,166,700		1,166,700
	<i>6,548,200</i>	<i>1,166,700</i>	<i>84,400</i>	<i>7,630,500</i>
<b>Total .....</b>	<b>21,330,088,321</b>	<b>1,963,886,274</b>	<b>4,213,964,362</b>	<b>19,080,010,233</b>

(1) Ten years maturity extension to CSB Series 46 until November 1, 2013.

(2) Ten years maturity extension to CSB Series 47 until November 1, 2014.

## Non-Marketable Bonds and Notes

Non-marketable bonds and notes are interest-bearing certificates of indebtedness issued by the Government of Canada exclusively to the Canada Pension Plan (CPP) Investment Fund or to the Canada Health and Social Transfer (CHST) Supplement Trust for Health Care, the Diagnostic/Medical Equipment Trust and the 2004 Public Health and Immunization Trust. They have the following characteristics:

- not negotiable;
- not transferable;
- not assignable;
- issued in Canadian currency only;
- term to maturity of 20 years or less for the CPP bonds and 3 years or less for the CHST, the Diagnostic/Medical Equipment Trust and the 2004 Public Health and Immunization Trust;
- interest payable semi-annually; and,
- redeemable at face value plus accrued interest.

Table 6.5 presents a summary of the balances and transactions for these non-marketable bonds and notes.

**TABLE 6.5**  
NON-MARKETABLE BONDS AND NOTES

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Canada Pension Plan Investment Fund—				
Matured 2004-2005 .....	16,661,000		16,661,000	
Maturing 2005-2006 .....	239,955,000			239,955,000
2006-2007 .....	1,352,282,000			1,352,282,000
2007-2008 .....	699,981,000			699,981,000
2008-2009 .....	519,360,000			519,360,000
2009-2010 .....	71,112,000			71,112,000
2010-2011 .....	425,010,000			425,010,000
2011-2012 .....	15,763,000			15,763,000
2012-2013 .....	11,118,000			11,118,000
	<i>3,351,242,000</i>		<i>16,661,000</i>	<i>3,334,581,000</i>
Canada Health and Social Transfer				
Supplement Trust for Health Care—				
Maturing 2005-2006 .....	47,575,906	6,574,799	24,535,858	29,614,847
Diagnostic/Medical Equipment Trust—				
Maturing 2005-2006 .....	28,511,547		13,263,185	15,248,362
Public Health and Immunization Trust—				
Maturing 2006-2007 .....		17,135,716	3,956,388	13,179,328
Total .....	3,427,329,453	23,710,515	58,416,431	3,392,623,537

## Canada Bills

Canada bills are short-term certificates of indebtedness issued by the Government of Canada in the United States money market under the Government's foreign currency borrowing program. Canada bills provide Canada with an additional source of short-term US funds and have the following characteristics:

- issued at a discount in lieu of interest payments;
- term to maturity of not more than 270 days;

- transferable; and,
- bought and sold on the open market.

The year-end balance of Canada bills payable in US dollars was translated into Canadian dollars using the closing rate of exchange at March 31, 2005.

Table 6.6 presents a summary of Canada bill issues and redemptions.

**TABLE 6.6**  
CANADA BILLS

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Canada bills before revaluation.....	3,466,304,371	13,579,621,596	13,045,499,835	4,000,426,132
Exchange valuation adjustment.....	(101,831,151)		36,669,982	(138,501,133)
Total .....	3,364,473,220	13,579,621,596	13,082,169,817	3,861,924,999

## Canada Notes

Canada notes are issued by the Government of Canada under the Government's foreign currency borrowing program. Canada notes provide Canada with an additional source of medium-term foreign funds.

The year-end balances of Canada notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 2005.

Table 6.7 presents a summary of the balances and transactions for Canada notes.

**TABLE 6.7**  
CANADA NOTES

	April 1/2004	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2005
	\$	\$	\$	\$
Payable in foreign currencies—				
Maturing 2005-2006.....	628,700,000		64,700,000	564,000,000
2008-2009.....	628,700,000		64,700,000	564,000,000
Total .....	1,257,400,000		129,400,000	1,128,000,000

<sup>(1)</sup> This column includes the translation of Canada notes payable in foreign currencies to Canadian dollars using the closing rates of exchange at March 31.



## Euro Medium-Term Notes

Euro medium-term notes are issued by the Government of Canada in the Euromarkets under the Government's foreign currency borrowing program, and thus provide Canada with an additional source of medium-term foreign funds.

The year-end balances of Euro medium-term notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 2005.

Table 6.8 presents a summary of the balances and transactions for the Euro medium-term notes.

**TABLE 6.8**  
EURO MEDIUM-TERM NOTES

	April 1/2004	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2005
	\$	\$	\$	\$
Payable in foreign currencies—				
Matured 2004-2005 .....	1,310,964,307		1,310,964,307	
Maturing 2007-2008 .....	96,877,533		7,513,495	89,364,038
2009-2010 .....	1,614,900,000		46,800,000	1,568,100,000
<b>Total .....</b>	<b>3,022,741,840</b>		<b>1,365,277,802</b>	<b>1,657,464,038</b>

<sup>(1)</sup> This column includes the translation of Euro notes payable in foreign currencies to Canadian dollars using closing rates of exchange at March 31.

## Interest Rates

Table 6.9 sets out unmatured debt as at March 31, for each of the years 2000-2001 to 2004-2005 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as marketable bonds, Treasury bills, Canada savings, Canada premium and Canada investment

bonds, non-marketable bonds and notes (including the bonds for the Canada Pension Plan Investment Fund and the notes for the Canada Health and Social Transfer Supplement Trust for Health Care and Diagnostic/Medical Equipment Trust), Canada bills and Foreign currency notes.

**TABLE 6.9**

UNMATURED DEBT AS AT MARCH 31, FROM 2001 TO 2005, WITH THE AVERAGE RATE OF INTEREST THEREON

	Marketable bonds		Treasury bills		Canada savings, Canada premium and Canada investment bonds		Non-marketable bonds and notes		Canada bills		Foreign currency notes		Total unmatured debt <sup>(1)</sup>	
	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%
2005 .....	276,209	5.62	127,199	2.62	19,080	2.85	3,393	9.99	3,862	2.63	2,785	3.14	432,528	4.61
2004 .....	291,677	5.96	113,378	2.52	21,330	3.37	3,427	9.96	3,364	0.92	4,281	2.37	437,457	4.90
2003 .....	302,264	6.26	104,411	3.04	22,584	3.43	3,371	10.14	2,603	1.12	4,519	2.36	439,752	5.32
2002 .....	313,115	6.61	94,039	2.64	23,966	3.23	3,391	10.16	3,355	1.75	4,405	2.46	442,271	5.56
2001 .....	315,631	6.98	88,700	5.31	26,099	5.42	3,473	10.10	7,228	5.10	5,272	4.15	446,403	6.11

Note: The interest rate in effect at March 31 is used where various rates of interest are applicable.

<sup>(1)</sup> Excludes obligations related to capital leases.

Table 6.10 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 2000-2001 to 2004-2005 inclusively.

**TABLE 6.10**

TREASURY BILLS AVERAGE YIELDS AT TENDER

Year ended	High	Low	Last issue
	%	%	%
March 31			
Three-month bills—			
2005 .....	2.70	1.93	2.55
2004 .....	3.24	1.99	1.99
2003 .....	3.14	2.38	3.14
2002 .....	4.49	1.90	2.34
2001 .....	5.75	4.60	4.60
Six-month bills—			
2005 .....	2.83	1.98	2.56
2004 .....	3.36	1.98	1.98
2003 .....	3.37	2.67	3.37
2002 .....	4.52	1.96	2.73
2001 .....	6.01	4.58	4.58
Other bills—			
2005 .....	3.05	1.98	3.04
2004 .....	3.62	2.01	2.01
2003 .....	3.66	2.27	3.66
2002 .....	4.63	2.15	3.48
2001 .....	6.33	4.58	4.58

## Maturity of Government Debt

Table 6.11 presents total unmatured debt arranged in order of maturity.

**TABLE 6.11**  
MATURITY OF GOVERNMENT DEBT

	Marketable bonds		Treasury bills		Canada savings, Canada premium and Canada investment bonds		Non-marketable bonds and notes		Canada bills		Foreign currency notes		Total unmatured debt	
	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%
2006 .....	27,454	5.94	127,200	2.62	872	1.50	285	9.85	3,862	2.63	564	0.70	160,237	3.19
2007 .....	30,602	5.12			1,265	1.87	1,366	9.52					33,233	5.18
2008 .....	23,787	5.29			2,733	1.51	700	10.01			89	2.47	27,309	5.02
2009 .....	26,213	5.44			4,189	5.28	519	10.20			564	1.90	31,485	5.43
2010 .....	19,311	5.15			1,025	3.13	71	9.98			1,568	4.50	21,975	5.02
2011/2015 ...	64,489	5.60			8,996	2.37	452	11.19					73,937	5.24
2016/2020 ...	5,747	5.11											5,747	5.11
2021/2025 ...	15,901	6.72											15,901	6.72
2026/2030 ...	36,761	6.73											36,761	6.73
2031/2035 ...	20,093	5.17											20,093	5.17
2036/2040 ...	6,212	3.00											6,212	3.00
	276,570	5.62	127,200	2.62	19,080	2.85	3,393	9.99	3,862	2.63	2,785	3.14	432,890	4.61
Less: Government's holdings .....	361	8.54	1	2.62									362	8.52
	276,209	5.62	127,199	2.62	19,080	2.85	3,393	9.99	3,862	2.63	2,785	3.14	432,528	4.61
Obligations related to capital leases .....													2,932	6.80
Total	276,209	5.62	127,199	2.62	19,080	2.85	3,393	9.99	3,862	2.63	2,785	3.14	435,460	4.62

Note: This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.12.

## Statement of all Borrowing Transactions on behalf of Her Majesty

Table 6.12 presents the information required by section 49 of the *Financial Administration Act*. The borrowing transactions included in this table are: borrowings by the Government for general purposes, and borrowings by agent enterprise Crown corporations. Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not included because such borrowings are not on behalf of Her Majesty.

**TABLE 6.12**

### STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY

(in millions of dollars)

	April 1/2004	Issues/ Borrowings	Retirements	March 31/2005
Unmatured debt of the Government of Canada <sup>(1)</sup> .....	437,457	348,860	353,789	432,528
Obligations related to capital leases <sup>(1)</sup> .....	2,774	202	44	2,932
	<i>440,231</i>	<i>349,062</i>	<i>353,833</i>	<i>435,460</i>
Borrowings of enterprise Crown corporations designated as agents of Her Majesty <sup>(2)</sup> .....	44,295	109,567	110,372	43,490
<b>Total</b> .....	<b>484,526</b>	<b>458,629</b>	<b>464,205</b>	<b>478,950</b>

(1) Details can be found in this section.

(2) Details can be found in Section 9 (Table 9.6) of this volume.

## Obligations related to capital leases

A capital lease is a lease that transfers substantially all the benefits and risks inherent to ownership of the asset to the lessee.

Table 6.13 presents obligations related to capital lease agreements by asset type.

**TABLE 6.13**  
OBLIGATIONS RELATED TO CAPITAL LEASES

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Land .....	11,296,673	1,887,525		13,184,198
Buildings .....	1,211,831,019	152,800,062		1,364,631,081
Works and infrastructure .....	709,034,888		12,893,934	696,140,954
Machinery and equipment .....	22,673,315		2,018,794	20,654,521
Vehicles .....	819,375,543	47,272,714	29,211,718	837,436,539
<b>Total .....</b>	<b>2,774,211,438</b>	<b>201,960,301</b>	<b>44,124,446</b>	<b>2,932,047,293</b>

## Capital Leases

Table 6.14 provides details of obligations under capital lease arrangements.

**TABLE 6.14**

### DETAILS OF OBLIGATIONS RELATED TO CAPITAL LEASES

(In thousands of dollars)

	Inception date	Lease term in years	Implicit interest rate (%) <sup>(1)</sup>	Balances at March 31, 2005		
				Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
Environment—						
National Wildlife Research Centre, Carleton University, Ottawa .....	May 1/2002	25	5.63	28,600	12,430	16,170
Human Resources Development (Social Development)—						
Canon Canada .....	May 4/2001	5	15.0	131	13	118
Sprint Canada Inc .....	Jan 1/2002	5	7.00	7,510	65	7,445
				<i>7,641</i>	<i>78</i>	<i>7,563</i>
National Defence—						
Edmonton Armoury North .....	Dec 31/2000	20	5.62	22,097	7,439	14,658
Edmonton Armoury South .....	May 1/1999	20	6.09	31,909	12,141	19,768
HMCS Windsor Submarine .....	Oct/2001	6		27,000		27,000
HMCS Corner Brook .....	Feb /2003	6		47,572		47,572
Longue Pointe Supply Depot .....	Nov 30/1994	35	8.26	69,367	30,646	38,721
Shawinigan Armoury .....	May 12/1999	20	5.46	7,876	2,393	5,483
IBM (DES) .....	Nov/2003	3	3.29	1,769	43	1,726
Milit-Air (NFTC) .....	Dec/1999	20	5.78	912,145	300,033	612,112
Hawks and Harvards .....	Oct/2003	17	5.87	111,582	38,967	72,615
HMCS Chicoutimi .....	Oct/2004	4		77,886		77,886
				<i>1,309,203</i>	<i>391,662</i>	<i>917,541</i>
Public Works and Government Services—						
1040 Boulevard St-Joseph, Gatineau .....	Feb 1/2003	5	8.00	1,357	146	1,211
1741 Brunswick Street, Halifax .....	July 1/2002	5	11.5	1,039	140	899
Place du Centre, Gatineau .....	Feb 17/1978	30	11.2	14,269	2,754	11,515
280 St-Dominique, Quebec .....	Dec 1/2003	5	4.20	961	71	890
400 Cooper Street, Ottawa .....	Apr 1/2002	7	6.80	2,412	305	2,107
Centennial Towers, Ottawa .....	Dec 31/2003	10	6.70	91,827	22,642	69,185
1130 Morrison Drive, Ottawa .....	Apr 1/2003	10	6.10	1,509	318	1,191
4455 12 <sup>e</sup> Avenue, Shawinigan-Sud .....	Sept 1/2003	10	8.90	3,526	1,046	2,480
50 King Street, Moncton .....	June 1/2002	10	6.40	1,813	362	1,451
985 McGill Pl, Kamloops .....	June 1/2002	15	13.5	3,734	1,905	1,829
Archives St-Augustin de Desmaures, Montreal .....	Oct 1/1999	15	14.6	10,016	4,615	5,401
Bank of Canada, Ottawa .....	Sept 1/2002	10	6.00	11,939	2,321	9,618
Boyd Warehouse, Complex No 2, Ottawa .....	Apr 1/2002	10	31.3	3,048	1,818	1,230
C. D. Howe, 240 Sparks Street, Ottawa .....	Sept 1/1977	35	9.20	45,242	12,523	32,719
Canada Building & Entreprise Building, Ottawa .....	Apr 30/2004	9	5.90	57,878	11,898	45,980
Complexe Guy Favreau, Montreal .....	Jan 1/2004	15	5.80	123,712	45,633	78,079
Cour fédérale, Montreal .....	Feb 9/1994	20	23.5	15,112	8,769	6,343
Government of Canada Building, Cornwall .....	Dec 1/2004	15	6.10	11,604	3,934	7,670
Judy Lamarsh, Chatham (GOCB) .....	June 1/1995	25	8.70	7,105	3,167	3,938
Killeany Place Complex, Ottawa .....	Aug 1/2002	7	5.10	2,808	290	2,518
Labelle, Ottawa .....	Apr 1/2002	10	5.60	7,035	1,223	5,812
L'Esplanade Laurier, Ottawa .....	Oct 1/2000	10	6.90	45,583	9,956	35,627
Library Square (Block 56), Vancouver .....	May 1/1995	25	9.70	100,560	47,767	52,793
Louis Saint-Laurent, Gatineau .....	Nov 1/2001	15	6.40	85,964	28,259	57,705
McArthur, Ottawa .....	Sept 1/2002	10	23.5	3,195	1,690	1,505
Metropolitan Place, Dartmouth .....	Apr 1/2002	8	13.3	3,080	839	2,241
Montcalm Phase II, Gatineau .....	Apr 1/2002	10	22.7	6,487	3,248	3,239
O.A.C.I., Montreal .....	Nov 1/1996	20	9.90	152,675	68,632	84,043
Place Bell Canada, Ottawa .....	May 30/2003	15	10.9	12,356	5,780	6,576
Place Vincent Massey, Gatineau .....	Aug 1/2001	10	6.20	13,952	2,441	11,511

TABLE 6.14

DETAILS OF OBLIGATIONS RELATED TO CAPITAL LEASES—*Concluded*

(In thousands of dollars)

	Inception date	Lease term in years	Implicit interest rate (%) <sup>(1)</sup>	Balances at March 31, 2005		
				Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
Purdy's Wharf Tower II, Halifax . . . . .	Oct 1/2003	8	4.50	3,868	518	3,350
Queensway Corporate Campus Phase II, Ottawa . . . . .	Apr 1/2002	9	16.9	5,500	2,057	3,443
Royal Bank Building, Toronto . . . . .	May 1/2002	10	12.5	36,528	12,495	24,033
Sir Wilfrid Laurier, Ottawa . . . . .	Mar 1/2001	10	17.0	22,254	5,698	16,556
Terrasses de la Chaudière, Gatineau . . . . .	Jan 1/1993	20	10.0	180,141	69,983	110,158
Urbandale Building, Ottawa . . . . .	June 1/2002	10	4.40	3,789	544	3,245
550 Blvd de la Cité, Gatineau . . . . .	Dec 1, 2003	15	9.80	53,357	23,976	29,381
1600 Star Top, Gloucester . . . . .	July 01, 2004	15	7.28	43,593	16,306	27,287
2204 Walkley Road, Ottawa . . . . .	Sept 01, 2004	5	11.7	5,105	1,135	3,970
Commerce Tower, Sidney . . . . .	Dec 16, 2004	7	4.20	1,585	206	1,379
Jean Edmond Tower North, Ottawa . . . . .	Jan 01, 2005	10	4.50	88,422	17,050	71,372
Place Montcalm, Phase III, Gatineau . . . . .	Dec 01, 2003	15	8.70	55,617	23,056	32,561
Place Wellington, Sherbrooke . . . . .	Feb 01, 2005	8	6.30	2,241	476	1,765
Willet Building, Ottawa . . . . .	Oct 01, 2001	7	5.10	8,211	706	7,505
Hitachi, Ottawa . . . . .	Apr 03, 2003	4	4.40	1,240	53	1,187
IBM Canada, Ottawa . . . . .	Feb 01, 2005	3	3.30	1,495	76	1,419
IBM Canada, Ottawa . . . . .	Sept 01, 2004	3	3.80	2,032	95	1,937
Leases less than \$1,000,000 . . . . .				16,642	4,431	12,211
				1,373,418	473,353	900,065
Transport —						
Confederation Bridge . . . . .	May 31/1997	35	6.16	1,699,346	1,003,205	696,141
Other departments—						
Leases less than \$1,000,000 . . . . .				7,138	849	6,289
				4,425,346	1,881,577	2,543,769
Consolidated Crown corporations—						
Canadian Broadcasting Corporation—						
Canadian Broadcasting Centre,						
250 Front St. W., Toronto . . . . .	Oct 14, 1988	30	7.53	743,373	387,777	355,596
Canadian Museum of Nature—						
National Heritage Building						
Aylmer, Quebec . . . . .	Sept 30, 1996	35	9.88	92,750	60,068	32,682
				836,123	447,845	388,278
Total . . . . .				5,261,469	2,329,422	2,932,047

(1) Lessors'/Lessees' financing rate lease agreement is subject to change over term of lease.

## Maturity of obligations related to capital leases

Table 6.15 presents upcoming minimum leases payments for the next five years by ministry.

**TABLE 6.15**

### MATURITY OF OBLIGATIONS RELATED TO CAPITAL LEASES

(in thousands of dollars)

	Payments due in					2011 and subsequent years	Total
	2006	2007	2008	2009	2010		
Environment—							
Remaining payments .....	1,300	1,300	1,300	1,300	1,300	22,100	28,600
Imputed interest .....	910	888	865	841	815	8,111	12,430
	<i>390</i>	<i>412</i>	<i>435</i>	<i>459</i>	<i>485</i>	<i>13,989</i>	<i>16,170</i>
Human Resources Development (Social Development)—							
Remaining payments .....	1,536	6,105					7,641
Imputed interest .....	52	26					78
	<i>1,484</i>	<i>6,079</i>					<i>7,563</i>
National Defence—							
Remaining payments .....	123,960	119,779	122,877	94,055	76,593	771,939	1,309,203
Imputed interest .....	43,631	41,569	39,508	37,336	35,033	194,585	391,662
	<i>80,329</i>	<i>78,210</i>	<i>83,369</i>	<i>56,719</i>	<i>41,560</i>	<i>577,354</i>	<i>917,541</i>
Public Works and Government Services—							
Remaining payments .....	133,972	134,524	137,703	126,206	123,088	717,925	1,373,418
Imputed interest .....	71,439	66,803	60,875	54,650	48,656	170,930	473,353
	<i>62,533</i>	<i>67,721</i>	<i>76,828</i>	<i>71,556</i>	<i>74,432</i>	<i>546,995</i>	<i>900,065</i>
Transport—							
Remaining payments .....	52,790	51,776	52,558	53,352	54,158	1,434,712	1,699,346
Imputed interest .....	39,309	37,681	37,822	37,945	38,049	812,399	1,003,205
	<i>13,481</i>	<i>14,095</i>	<i>14,736</i>	<i>15,407</i>	<i>16,109</i>	<i>622,313</i>	<i>696,141</i>
Other departments—							
Leases less than \$1,000,000—							
Remaining payments .....	2,625	1,804	1,626	755	327	1	7,138
Imputed interest .....	370	275	158	33	13		849
	<i>2,255</i>	<i>1,529</i>	<i>1,468</i>	<i>722</i>	<i>314</i>	<i>1</i>	<i>6,289</i>
	<b>160,472</b>	<b>168,046</b>	<b>176,836</b>	<b>144,863</b>	<b>132,900</b>	<b>1,760,652</b>	<b>2,543,769</b>
Consolidated Crown corporations—							
Canadian Broadcasting Corporation—							
Remaining payments .....	33,039	33,039	33,039	33,039	33,039	578,178	743,373
Imputed interest .....	26,776	26,305	25,798	25,252	24,666	258,980	387,777
	<i>6,263</i>	<i>6,734</i>	<i>7,241</i>	<i>7,787</i>	<i>8,373</i>	<i>319,198</i>	<i>355,596</i>
Canadian Museum of Nature—							
Remaining payments .....	3,500	3,500	3,500	3,500	3,500	75,250	92,750
Imputed interest .....	3,229	3,202	3,173	3,140	3,105	44,219	60,068
	<i>271</i>	<i>298</i>	<i>327</i>	<i>360</i>	<i>395</i>	<i>31,031</i>	<i>32,682</i>
	<b>6,534</b>	<b>7,032</b>	<b>7,568</b>	<b>8,147</b>	<b>8,768</b>	<b>350,229</b>	<b>388,278</b>
	<b>167,006</b>	<b>175,078</b>	<b>184,404</b>	<b>153,010</b>	<b>141,668</b>	<b>2,110,881</b>	<b>2,932,047</b>
Summary—							
Remaining payments .....	352,722	351,827	352,603	312,207	292,005	3,600,105	5,261,469
Imputed interest .....	185,716	176,749	168,199	159,197	150,337	1,489,224	2,329,422
Net obligations .....	<b>167,006</b>	<b>175,078</b>	<b>184,404</b>	<b>153,010</b>	<b>141,668</b>	<b>2,110,881</b>	<b>2,932,047</b>



## PENSION AND OTHER LIABILITIES

Pension and other liabilities include general liabilities established under the authority of section 64 of the *Financial Administration Act*, as well as specified purpose accounts. The latter represent the recorded value of the financial obligations of the Government in its role as administrator of certain public moneys received or collected for specified purposes, under or pursuant to legislation, trusts, treaties, undertakings or contracts. Legislation relating to some of these accounts permits investments to be made and, in certain cases, the balances of the accounts earn interest.

### Public Sector Pensions

The liability for public sector pensions represents the Government's obligations for its major pension plans. Allowance accounts are used to record: the accumulated amortization of any shortfall or excess between the liability for public sector pensions determined on an actuarial basis for accounting purposes, and the balances of the superannuation accounts, the accumulated differential between interest credited to the superannuation accounts and interest based on the actuarial obligations, and any other accounting adjustment required under the Government accounting policies.

The Government sponsors defined benefit pension plans for substantially all its employees, principally members of the Public Service, the Canadian Forces and the Royal Canadian Mounted Police. It also has obligations for several other pension plans; the two most significant ones being for Members of Parliament and federally appointed judges.

The legislation provides that all pension obligations arising from these plans be met but, until March 31, 2000, separate market invested funds were not maintained. Since April 1, 2000, the net amount of contributions less benefits and payments related to the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans are transferred to the Public Sector Pension Investment Board. The goal of the Board is to achieve maximum rates of return on investments without undue risk, while respecting the requirements and financial obligations of each of the public sector pension plans.

#### *i. Pension plans*

##### *Employee pension plans*

Basic pensions for the three major employees plans are generally based on the best five consecutive years' average earnings and accrue at 2 percent of these average earnings per year of service, to a maximum of 70 percent of final average earnings. Benefits are integrated with benefits under the Canada/Quebec pension plans. Basic pensions are indexed annually (on January 1) to the cost of living.

Plan members contribute 4 percent on salary up to the Yearly Maximum Pensionable Earnings (YMPE) for the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) purposes and 7.5 percent on that portion of salary above the YMPE.

Employer contributions are made monthly to provide for the cost (net of employee contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. In 2004-2005, the employer contribution rates averaged about 2.6, 3.5 and 3.0 times the current year's employee contribution for the plans of the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

Since April 1, 2000, new contributions made to these three pension plans both by plan members and by the Government as the employer have been credited to new Pension Funds. The net amount of these contributions less benefits and payments related to post March 2000 service is invested in capital markets by the Public Sector Pension Investment Board (PSP Investments). PSP Investments operates independently of the Government and plan members. It is required to report the results of its investments in an annual report to Parliament and to the ministers responsible for those three pension plans.

The superannuation accounts, which continue to record the transactions that pertain to pre-April 2000 service, earn interest at rates that are based on the Government of Canada long-term bond rate. The interest rate credited to the accounts was about 8.0 percent in 2005 and 8.3 percent in 2004. The Pension Fund accounts, which record the transactions that pertain to post March 2000 service, are only flow through accounts used to transfer funds to PSP Investments, and as such they do not earn interest. The balance in these accounts at year-end corresponds to money that was in transit or impending transfer to PSP Investments.

To reflect the *Income Tax Act* restrictions on the benefits payable from registered pension plans, pension legislation contains a number of provisions to allow various federal service superannuation plans to adapt to the tax restrictions. These include Retirement Compensation Arrangements Accounts established under the *Special Retirement Arrangements Act* (SRAA), to record transactions for those pension benefits above the limits, or not permitted under the *Income Tax Act*.

*Members of Parliament retiring allowances*

Members of Parliament are eligible at age 55 to receive a basic pension upon termination of membership and after having contributed to the plan for at least six years. The basic allowance is based on the best five year average sessional indemnity and is accrued at a rate of 3 percent of those average indemnities for both Members of the House of Commons and for Senators. Basic allowances are indexed annually (on January 1<sup>st</sup>) to the cost of living once recipients reach age 60.

Members' contributions for these benefits are now 7 percent for Members of the House of Commons and for Senators. The Government contributions are made monthly to provide for the cost (net of Members' contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. The Government contributions expressed as a multiple of Members' contributions, are as follows:

	2005	2004
Members of Parliament		
House of Commons		
Retiring allowances account . . . . .	3.51	3.84
Retirement compensation arrangements . . . . .	6.64	6.92
The Senate		
Retiring allowances account . . . . .	3.12	2.71
Retirement compensation arrangements . . . . .	4.09	3.96

Contributions are credited to the appropriate pension accounts. The accounts earn interest at a rate of 2.5 percent per quarter.

*Pension plan for federally appointed judges*

This plan provides fully indexed annuities to judges and to all eligible survivors providing they meet minimum age and service requirements. Unlike other pension plans, the judges' plan lacks an explicit accrual rate for benefits. Instead, the full benefit amount is generally payable when the member has completed 15 years of pensionable service and the total of the member's age and years of service totals 80.

Judges appointed to the bench before February 17, 1975 make required contributions of 1.5 percent of salary. All other judges make contributions of 7 percent of salary. No specified purpose account is maintained for this plan. Benefits are included as an expenditure in the Statement of Revenues and Expenditures. During the year, the benefit payments charged to expenditures amounted to \$74 million.

*ii. Actuarial valuations*

As required under the *Public Pensions Reporting Act*, actuarial valuations are performed triennially for funding purposes on the five major pension plans using the projected benefit method pro-rated on services.

The most recent review date for the actuarial valuation of each pension plan is as follows:

- Public Service—March 31, 2002;
- Canadian Forces—March 31, 2002;
- Royal Canadian Mounted Police—March 31, 2002;
- Members of Parliament—March 31, 2004;
- Federally appointed judges—March 31, 2004.

Actuarial valuations for the Retirement Compensation Arrangements related to the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans were done as part of the valuation of the related plan.

In accordance with the legislation governing the major pension plans, the President of the Treasury Board has the authority to direct that any actuarial deficiency found will be credited to the appropriate account or fund in equal installments over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. During the year, credit adjustments of \$3.5 million, \$10 million, \$14 million and \$10 million (\$3.5 million, \$10 million, \$22 million and \$10 million in 2004) were made to the Public Service Pension Fund, the Members of Parliament Retirement Compensation Arrangement Account and the Retirement Compensation Arrangements Accounts No. 1 and No. 2 respectively as a result of their most recent actuarial review.

A comparable provision gives authority to deal with surpluses in the superannuation accounts by debiting the appropriate account over a period of up to fifteen years. Any future surpluses identified in the Pension Funds may be dealt with by a reduction of Government and/or plan member contributions, or by withdrawing amounts from the Fund. As a result of the last triennial actuarial reviews, debit adjustments of \$770 million, nil, and nil (\$2,240 million, \$630 million and \$406 million in 2004) were made respectively to the Public Service, the Canadian Forces and the Royal Canadian Mounted Police Superannuation Accounts during the year.

Table 6.16 presents a summary of the balances and transactions for the liability for public sector pensions. Receipts and other credits for the pension accounts consist of contributions from employees, related contributions from the Government and participating Public Service corporations, transfers from other pension funds, other contributions related to actuarial liability adjustments, refunds of refundable tax and interest. Payments and other charges for the pension accounts consist of annuity payments for pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions, pension division pay-

ments, transfer value payments, transfers to other plans, remittances of refundable tax, payment of administrative expenses, debits resulting from triennial actuarial reviews, and transfers to the Public Sector Pension Investment Board (PSPiB). Adjustments to the allowance account result from annual actuarial valuations performed for accounting purposes, from the annual adjustment between the interest based on the actuarial obligations and interest credited to the pension accounts, and from any other accounting adjustment required under the Government accounting policies.

**TABLE 6.16**  
**PUBLIC SECTOR PENSIONS**

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Public Service Superannuation Account,				
Table 6.18 .....	82,568,940,165	6,621,286,333	4,688,967,084	84,501,259,414
Allowance for pension adjustments .....	(7,425,000,000)	770,000,000	1,694,000,000	(8,349,000,000)
	<i>75,143,940,165</i>	<i>7,391,286,333</i>	<i>6,382,967,084</i>	<i>76,152,259,414</i>
Public Service Pension Fund Account,				
Table 6.19 .....	143,167,778	2,951,869,902	2,945,397,950	149,639,730
Allowance for pension adjustments .....	(8,000,000)	149,000,000	4,000,000	137,000,000
	<i>135,167,778</i>	<i>3,100,869,902</i>	<i>2,949,397,950</i>	<i>286,639,730</i>
Canadian Forces Superannuation Account,				
Table 6.20 .....	40,251,700,228	3,183,678,360	2,084,665,228	41,350,713,360
Allowance for pension adjustments .....	(2,229,000,000)		945,000,000	(3,174,000,000)
	<i>38,022,700,228</i>	<i>3,183,678,360</i>	<i>3,029,665,228</i>	<i>38,176,713,360</i>
Canadian Forces Pension Fund Account,				
Table 6.21 .....	37,578,628	809,318,124	758,045,600	88,851,152
Allowance for pension adjustments .....	91,000,000	43,000,000	53,000,000	81,000,000
	<i>128,578,628</i>	<i>852,318,124</i>	<i>811,045,600</i>	<i>169,851,152</i>
Royal Canadian Mounted Police Superannuation Account,				
Table 6.22 .....	10,453,724,135	832,611,045	395,859,514	10,890,475,666
Allowance for pension adjustments .....	(529,000,000)		221,000,000	(750,000,000)
	<i>9,924,724,135</i>	<i>832,611,045</i>	<i>616,859,514</i>	<i>10,140,475,666</i>
Royal Canadian Mounted Police Pension Fund Account,				
Table 6.23 .....	20,337,853	278,073,408	280,902,598	17,508,663
Allowance for pension adjustments .....	(17,000,000)	19,000,000	1,000,000	1,000,000
	<i>3,337,853</i>	<i>297,073,408</i>	<i>281,902,598</i>	<i>18,508,663</i>
Members of Parliament Retiring Allowances Account,				
Table 6.24 .....	394,555,828	46,644,156	18,674,608	422,525,376
Allowance for pension adjustments .....	(73,000,000)	3,000,000	16,000,000	(86,000,000)
	<i>321,555,828</i>	<i>49,644,156</i>	<i>34,674,608</i>	<i>336,525,376</i>
Members of Parliament Retirement Compensation				
Arrangements Account, Table 6.25 .....	106,872,584	40,275,688	21,639,697	125,508,575
Allowance for pension adjustments .....	88,000,000	25,000,000	12,000,000	101,000,000
	<i>194,872,584</i>	<i>65,275,688</i>	<i>33,639,697</i>	<i>226,508,575</i>
Retirement Compensation Arrangements (RCA)				
Account, Table 6.26 .....	1,342,538,162	255,190,157	167,787,044	1,429,941,275
Allowance for pension adjustments .....	1,037,000,000	239,000,000	31,000,000	1,245,000,000
	<i>2,379,538,162</i>	<i>494,190,157</i>	<i>198,787,044</i>	<i>2,674,941,275</i>
Supplementary Retirement Benefits Account,				
Table 6.27 .....	98,390,427	11,561,860	49,847	109,902,440
Allowance for pension adjustments .....	1,207,000,000	96,000,000	16,000,000	1,287,000,000
	<i>1,305,390,427</i>	<i>107,561,860</i>	<i>16,049,847</i>	<i>1,396,902,440</i>
<b>Total .....</b>	<b>127,559,805,788</b>	<b>16,374,509,033</b>	<b>14,354,989,170</b>	<b>129,579,325,651</b>
<b>SUMMARY—</b>				
Superannuation accounts .....	135,417,805,788	15,030,509,033	11,361,989,170	139,086,325,651
Allowance for pension adjustments .....	(7,858,000,000)	1,344,000,000	2,993,000,000	(9,507,000,000)
<b>Total .....</b>	<b>127,559,805,788</b>	<b>16,374,509,033</b>	<b>14,354,989,170</b>	<b>129,579,325,651</b>

Table 6.17 presents a summary of transactions in public sector pensions that resulted in charges to expenses. Interest is based on the actuarial obligations under the various plans. The pension interest expenses represents the interest credited to the superannuation accounts in accordance with the pension legislation, shown net of a provision of \$476 million (\$847 million in 2004) and net of \$887 million (\$672 million in 2004) in expected return on pension plan assets.

**TABLE 6.17**

**SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENSES**

(in millions of dollars)

	2004-2005								Total	2003-2004
	Government contributions	Statutory payments <sup>(1)</sup>	Current service cost adjustments	Net current service costs	Funding of actuarial liability adjustment	Amortization of estimation adjustments	Net pension expenses	Net pension interest expenses		
Public Service Superannuation Account .....	40		(91)	(51)		(650)	(701)	5,576	4,875	4,728
Public Service Pension Fund Account .....	1,928		2	1,930	4	83	2,017	64	2,081	2,120
Canadian Forces Superannuation Account .....	4		(8)	(4)		(492)	(496)	2,727	2,231	2,061
Canadian Forces Pension Fund Account .....	630		(53)	577		23	600	20	620	629
Defence Services Pension Continuation Act .....		10		10			10		10	11
Royal Canadian Mounted Police Superannuation Account .....	1		(2)	(1)		(108)	(109)	719	610	537
Royal Canadian Mounted Police Pension Fund Account .....	207		(1)	206		11	217	8	225	221
Royal Canadian Mounted Police Continuation Act .....		16		16			16		16	23
Members of Parliament Retiring Allowances Account .....	5			5		3	8	24	32	32
Members of Parliament Retirement Compensation Arrangements Account .....	16			16	9	7	32	8	40	31
Retirement Compensation Arrangements (RCA) Account .....	97		(4)	93	24	154	271	109	380	270
Supplementary Retirement Benefits Account .....	4		(16)	(12)		22	10	78	88	100
Judges Act .....		74		74			74		74	69
Other (diplomatic services, lieutenant governors, etc.) .....		1		1			1		1	1
Subtotal .....	2,932	101	(173)	2,860	37	(947)	1,950	9,333	11,283	10,833
Less: costs already recorded in the allowance for pension adjustments of previous years .....					(37)		(37)		(37)	(45)
Total .....	2,932	101	(173)	2,860		(947)	1,913	9,333	11,246	10,788

(1) Includes payments under *Supplementary Retirement Benefits Act* and various acts.

### Public Service Superannuation Account

This account, established by the *Public Service Superannuation Act*, is used to record all transactions (contributions, benefit payments, transfers and interest credits) in respect of service accrued by Public Service members up to March 31, 2000.

**TABLE 6.18**

#### PUBLIC SERVICE SUPERANNUATION ACCOUNT

	2004-2005	2003-2004
	\$	\$
Opening balance.....	82,568,940,165	81,857,869,870
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees.....	14,139,916	15,660,821
Retired employees.....	35,986,796	38,104,961
Public Service corporations employees.....	795,432	5,080,136
Employer contributions—		
Government.....	39,358,048	41,685,917
Public Service corporations.....	584,320	667,992
Transfers from other pension funds.....	1,259,203	4,649,101
Interest.....	6,529,162,618	6,647,335,212
	6,621,286,333	6,753,184,140
	89,190,226,498	88,611,054,010
PAYMENTS AND OTHER CHARGES—		
Annuities.....	3,696,750,519	3,550,134,808
Minimum benefits.....	10,347,997	12,717,339
Pension division payments.....	35,903,746	29,676,739
Pension—Transfer value payments.....	64,359,565	56,499,977
Returns of contributions—		
Government employees.....	304,948	597,535
Public Service corporation employees.....	90,822	(11,597)
Transfers to other pension funds.....	57,708,532	94,907,641
Transfers to Canada Post Corporation pension plan.....		6,422,938
Administrative expenses.....	53,500,955	51,168,465
Actuarial liability adjustment.....	770,000,000	2,240,000,000
	4,688,967,084	6,042,113,845
Closing balance.....	84,501,259,414	82,568,940,165

### Public Service Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after April 1, 2000 under the *Public Service Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Service Pension Investment Board (PSP Investments) to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

**TABLE 6.19**

#### PUBLIC SERVICE PENSION FUND ACCOUNT

	2004-2005	2003-2004
	\$	\$
Opening balance.....	143,167,778	117,799,938
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees.....	749,209,162	711,242,730
Retired employees.....	10,250,079	7,067,981
Public Service corporations employees.....	64,150,498	62,441,236
Employer contributions—		
Government.....	1,928,133,677	1,833,639,249
Public Service corporations.....	133,419,564	125,600,388
Actuarial liability adjustment.....	3,500,000	3,500,000
Transfers from other pension funds.....	63,206,922	63,828,329
	2,951,869,902	2,807,319,913
PAYMENTS AND OTHER CHARGES—		
Annuities.....	59,186,404	31,523,202
Minimum benefits.....	1,947,638	1,534,575
Pension division payments.....	2,288,691	919,400
Pension—Transfer value payments.....	37,754,454	23,974,468
Returns of contributions—		
Government employees.....	6,081,707	7,270,022
Public Service corporation employees.....	1,593,838	1,924,122
Transfers to other pension funds.....	3,920,666	2,674,362
Transfers to Canada Post Corporation pension plan.....		(1,956,160)
Administrative expenses.....	7,538,354	5,565,614
	120,311,752	73,429,605
Receipts and other credits less payments and other charges.....	2,831,558,150	2,733,890,308
Transfers to Pension Investment Board.....	2,825,086,198	2,708,522,468
Closing balance.....	149,639,730	143,167,778

**Canadian Forces Superannuation Account**

This account, established by the *Canadian Forces Superannuation Act*, is used to record all transactions (contributions, benefit payments, transfers and interest credits) in respect of service accrued by Canadian Forces members up to March 31, 2000.

**TABLE 6.20**  
CANADIAN FORCES SUPERANNUATION ACCOUNT

	2004-2005	2003-2004
	\$	\$
Opening balance.....	40,251,700,228	39,700,296,348
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel.....	4,084,357	4,485,568
Contributions by the Government.....	4,358,321	4,529,469
Interest.....	3,171,683,205	3,216,652,073
Other.....	3,552,477	3,790,823
	3,183,678,360	3,229,457,933
	43,435,378,588	42,929,754,281
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments.....	2,029,919,497	1,996,314,877
Pension division payments.....	42,195,668	35,017,284
Cash termination allowances and returns of contributions.....	3,466,099	5,269,610
Transfers to Public Service Superannuation Account.....	463,200	664,606
Administrative expenses.....	8,620,764	10,787,676
Actuarial liability adjustment.....		630,000,000
	2,084,665,228	2,678,054,053
Closing balance.....	41,350,713,360	40,251,700,228

**Canadian Forces Pension Fund Account**

This account is used to record the transactions in respect of service accrued on or after April 1, 2000 under the *Canadian Forces Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Service Pension Investment Board (PSP Investments) to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

**TABLE 6.21**  
CANADIAN FORCES PENSION FUND ACCOUNT

	2004-2005	2003-2004
	\$	\$
Opening balance.....	37,578,628	43,655,947
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel.....	179,244,399	165,633,912
Contributions by the Government.....	629,836,393	580,569,792
Transfers from other pension funds.....	237,332	148,094
	809,318,124	746,351,798
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments.....	25,531,691	15,420,407
Pension division payments.....	2,962,818	1,183,574
Cash termination allowances and returns of contributions.....	7,976,803	6,053,990
Transfers to Public Service Superannuation Account.....	87,383	88,838
Administrative expenses.....	821,475	703,054
	37,380,170	23,449,863
Receipts and other credits less payments and other charges.....	771,937,954	722,901,935
Transfers to Pension Investment Board.....	720,665,430	728,979,254
Closing balance.....	88,851,152	37,578,628

### Royal Canadian Mounted Police Superannuation Account

This account, established by the *Royal Canadian Mounted Police Superannuation Act* is used to record all transactions (contributions, benefit payments, transfers and interest credits) in respect of service accrued by Royal Canadian Mounted Police members up to March 31, 2000.

**TABLE 6.22**

#### ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	2004-2005	2003-2004
	\$	\$
Opening balance .....	10,453,724,135	10,372,747,814
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel (current and arrears) .....	1,430,319	1,443,572
Contributions by the Government .....	1,358,469	1,485,661
Transfers from other pension funds .....	357,321	256,923
Interest .....	829,464,936	845,720,410
	832,611,045	848,906,566
	11,286,335,180	11,221,654,380
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities and allowance payments .....	374,807,907	345,550,942
Pension division payments .....	12,712,462	6,937,421
Returns of contributions .....	50,605	131,681
Cash termination allowance and gratuities .....	250,818	456,084
Commuted value payments .....	2,727,090	
Transfers to other pension funds .....	96,372	349,416
Interest on returns of contributions .....	13,746	22,881
Administrative expenses .....	5,200,514	8,481,820
Actuarial liability adjustment .....		406,000,000
	395,859,514	767,930,245
Closing balance .....	10,890,475,666	10,453,724,135

### Royal Canadian Mounted Police Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after April 1, 2000 under the *Royal Canadian Mounted Police Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Service Pension Investment Board (PSP Investments) to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

**TABLE 6.23**

#### ROYAL CANADIAN MOUNTED POLICE PENSION FUND ACCOUNT

	2004-2005	2003-2004
	\$	\$
Opening balance .....	20,337,853	10,715,486
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel (current and arrears) .....	69,888,028	68,361,169
Contributions by the Government .....	207,039,064	203,093,704
Transfers from other pension funds .....	1,146,316	1,763,205
	278,073,408	273,218,078
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities and allowance payments .....	7,810,706	4,274,631
Minimum benefits .....	74,221	61,679
Pension division payments .....	711,775	148,885
Returns of contributions .....	98,895	182,465
Cash termination allowance and gratuities .....	12,666	2,474
Commuted value payments .....	1,082,749	
Transfers to other pension funds .....	77,598	36,802
Interest on returns of contributions .....	7,997	3,627
Administrative expenses .....	764,607	818,421
	10,641,214	5,528,984
Receipts and other credits less payments and other charges .....	267,432,194	267,689,094
Transfers to Pension Investment Board .....	270,261,384	258,066,727
Closing balance .....	17,508,663	20,337,853

**Members of Parliament Retiring Allowances Account**

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a Member of the Senate or the House of Commons. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members who served on or after a certain date and contributed under the Act.

**TABLE 6.24**  
MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	2004-2005	2003-2004
	\$	\$
Opening balance .....	394,555,828	368,488,609
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current .....	1,358,819	1,276,081
Arrears of principal, interest and mortality insurance .....	2,290	(175,368)
Government contributions—		
Current .....	4,780,613	4,557,315
Interest .....	40,502,434	37,822,796
	46,644,156	43,480,824
	441,199,984	411,969,433
PAYMENTS AND OTHER CHARGES—		
Annual allowances .....	18,108,177	16,551,392
Withdrawal allowances .....	172,402	
Interest on withdrawals .....	5,729	669
Pension division payments .....	388,300	861,544
	18,674,608	17,413,605
Closing balance .....	422,525,376	394,555,828

**Members of Parliament Retirement Compensation Arrangements Account**

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide for benefits in respect of pension credits accrued by Members of Parliament which are not payable out of the Members of Parliament Retiring Allowances Account. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members.

**TABLE 6.25**  
MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

	2004-2005	2003-2004
	\$	\$
Opening balance .....	106,872,584	87,252,525
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current .....	2,580,301	2,925,422
Arrears of principal, interest and mortality insurance .....	49,484	
Government contributions—		
Current .....	16,297,793	16,921,883
Interest .....	11,702,344	9,979,113
Actuarial liability adjustment .....	9,645,766	9,773,275
	40,275,688	39,599,693
	147,148,272	126,852,218
PAYMENTS AND OTHER CHARGES—		
Annual allowances .....	3,254,354	1,529,508
Refundable tax remitted to Canada		
Customs and Revenue Agency .....	17,944,084	17,926,813
Withdrawals .....	366,766	54,545
Interest on withdrawals .....	9,586	
Pension division payments .....	64,907	468,768
	21,639,697	19,979,634
Closing balance .....	125,508,575	106,872,584



## Retirement Compensation Arrangements (RCA) Account

The RCA was established by the *Special Retirement Arrangements Act* (SRAA) to provide pension benefits for federal employees under retirement compensation arrangements.

The RCA No.1 pays those pension benefits above the amount that may, in accordance with the *Income Tax Act* restrictions on registered pension plans, be paid under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*. The RCA No.1 was created effective December 15, 1994.

The RCA No.2 pays benefits to Public Service employees who were declared surplus as part of a 3 year Government downsizing initiative ended on March 31, 1998 and who were between age 50 and 54. It pays the difference between a pension unreduced for early retirement and the reduced pension payable from the Public Service Superannuation Account. It is funded entirely by the Government. The RCA No.2 was created effective April 1, 1995.

**TABLE 6.26**

### RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

	RCA No.1						RCA No.2		Total	
	Public Service		Canadian Forces		Royal Canadian Mounted Police		Public Service			
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance . . . . .	416,151,867	356,603,407	72,806,419	53,811,085	18,156,011	13,607,172	835,423,865	832,924,383	1,342,538,162	1,256,946,047
RECEIPTS AND OTHER CREDITS—										
Contributions—										
Government										
employees . . . . .	9,673,579	11,509,684	1,900,561	2,391,300	288,927	309,859			11,863,067	14,210,843
Retired employees . . . . .	264,183	354,791							264,183	354,791
Public Service corporation employees . . . . .	1,272,443	1,477,650							1,272,443	1,477,650
Employer contributions—										
Government . . . . .	78,984,352	162,848,564	16,204,430	29,155,476	1,664,479	9,480,430			96,853,261	201,484,470
Public Service corporations . . . . .	10,862,035	20,436,021							10,862,035	20,436,021
Transfers from other pension funds . . . . .		8,973								8,973
Refundable tax . . . . .							833,122	1,599,441	833,122	1,599,441
Interest . . . . .	36,389,184	34,955,714	6,313,831	5,953,369	1,505,998	1,495,628	64,933,033	66,501,801	109,142,046	108,906,512
Actuarial liability adjustment . . . . .	2,400,000	14,600,000	11,400,000	7,300,000			10,300,000	9,800,000	24,100,000	31,700,000
	139,845,776	246,191,397	35,818,822	44,800,145	3,459,404	11,285,917	76,066,155	77,901,242	255,190,157	380,178,701
	555,997,643	602,794,804	108,625,241	98,611,230	21,615,415	24,893,089	911,490,020	910,825,625	1,597,728,319	1,637,124,748
PAYMENTS AND OTHER CHARGES—										
Annuities . . . . .	4,529,484	2,741,106	502,989	325,688	150,159	98,135	77,077,670	75,401,760	82,260,302	78,566,689
Minimum benefits . . . . .	29	61,277							29	61,277
Pension division . . . . .	598,590	314,854							598,590	314,854
Transfer value and interest . . . . .	247,245	125,052							247,245	125,052
Returns of contributions—										
Government employees . . . . .	16,432	9,124			1,557				17,989	9,124
Public Service corporation employees . . . . .	8,684	5,606							8,684	5,606
Transfers . . . . .	990,991	42,100,407			3,098				994,089	42,100,407
Refundable tax . . . . .	68,440,104	141,285,511	13,214,788	25,479,123	2,005,224	6,638,943			83,660,116	173,403,577
	74,831,559	186,642,937	13,717,777	25,804,811	2,160,038	6,737,078	77,077,670	75,401,760	167,787,044	294,586,586
Closing balance . . . . .	481,166,084	416,151,867	94,907,464	72,806,419	19,455,377	18,156,011	834,412,350	835,423,865	1,429,941,275	1,342,538,162

**Supplementary Retirement Benefits Account**

This account was established by the *Supplementary Retirement Benefits Act*, to provide for pension benefit increases resulting from changes in the Consumer Price Index.

The account continues to provide for increased pension benefits resulting from indexation for pensions of federally appointed judges, and recipients of pensions under various Continuation Acts and other Acts.

**TABLE 6.27**  
SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

	Judges		Others <sup>(1)</sup>		Total	
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
	\$	\$	\$	\$	\$	\$
Opening balance .....	97,931,211	89,674,624	459,216	458,512	98,390,427	90,133,136
RECEIPTS AND OTHER CREDITS—						
Employee contributions—						
Government .....	3,692,269	2,263,650	14,942	13,915	3,707,211	2,277,565
Matching contributions—						
Government .....	3,727,575	2,263,650	14,942	13,930	3,742,517	2,277,580
Interest .....	4,095,015	3,729,287	17,117	16,304	4,112,132	3,745,591
	11,514,859	8,256,587	47,001	44,149	11,561,860	8,300,736
	109,446,070	97,931,211	506,217	502,661	109,952,287	98,433,872
PAYMENTS AND OTHER CHARGES—						
Annuities .....				39,879		39,879
Returns of contributions .....			49,847	3,566	49,847	3,566
			49,847	43,445	49,847	43,445
Closing balance .....	109,446,070	97,931,211	456,370	459,216	109,902,440	98,390,427

<sup>(1)</sup> Includes lieutenant governors and non-career diplomats.

### Allowance for Pension Adjustments

This account records the accounting adjustments resulting from annual actuarial valuations.

Estimation adjustments of \$947 million (\$1,392 million in 2004) due to experience gains and losses and changes in actuarial assumptions were amortized to this account and reduced pension costs for the year.

An amount of \$37 million (\$45 million in 2004) was recorded in this account during the year to offset pension costs charged to expenses in previous years but recorded in the accounts in the year.

An amount of \$173 million (\$166 million in 2004) was recorded in this account and reduced pension costs to adjust for the difference between the government contributions and the net cost of current services.

An amount of \$770 million (\$3,276 million in 2004) was credited to this account in counterpart to the debit adjustments made in the superannuation accounts as a result of the most recent actuarial valuations.

An amount of \$476 million (\$847 million in 2004) was debited to this account to adjust for the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts and an amount of \$887 million (\$672 million in 2004) was recorded in this account to record the expected return on the pension plan assets.

As well, a consolidation adjustment of \$101 million (\$186 million in 2004) was credited to this account and debited against personal tax revenues to eliminate the effect of internal transactions resulting from tax amounts debited to the RCA accounts that were previously recorded as tax revenues.

The unamortized estimation adjustment of \$3,054 million in net gains (\$942 million in net losses in 2004) will be amortized to this account and will affect expenses in future years.

As a result of annual actuarial valuations for accounting purposes, the net liability for public sector pensions was found to be \$12,561 million (\$6,916 million in 2004) lower than the balance of the superannuation accounts, plus the market related value of the assets invested in PSP Investments through the Pension Funds, and the contributions receivable from employees for past service. This amount is made of:

	Excess (shortfall)	
	(in millions of dollars)	
	2005	2004
Public Service Pension Plan—		
Public Service Superannuation		
Account .....	9,993	7,024
Public Service Pension Fund .....	(655)	(763)
	<u>9,338</u>	<u>6,261</u>
Canadian Forces Pension Plan—		
Canadian Forces Superannuation		
Account .....	5,014	3,121
Canadian Forces Pension Fund .....	(301)	(306)
	<u>4,713</u>	<u>2,815</u>
Royal Canadian Mounted Police		
Pension Plan—		
Royal Canadian Mounted Police		
Superannuation Account .....	1,373	743
Royal Canadian Mounted		
Police Pension Fund .....	(83)	(111)
	<u>1,290</u>	<u>632</u>
Members of Parliament Retiring Allowances .....	86	66
Retirement Compensation Arrangements .....	(1,483)	(1,603)
Pension plan for federally appointed		
judges .....	(1,383)	(1,255)
Total .....	<u>12,561</u>	<u>6,916</u>

## Other employee and veteran future benefits

The Government sponsors a variety of other future benefit plans from which employees and former employees, (including military or Royal Canadian Mounted Police members) can benefit, during or after employment or upon retirement. Some are considered retirement benefits, whereby benefits are expected to be provided after retirement to employees and their beneficiaries or dependents. Others are considered post-employment benefits, whereby benefits are expected to be paid after employment but before retirement. Benefits for veterans are paid to war veterans, as well as to Canadian Forces retired veterans and Canadian Forces still-serving members. Benefits for members of the Royal Canadian Mounted Police are paid to both current and former members. These are primarily post-employ-

ment benefits, but some benefits are also paid during employment to still-serving members. They include disability and associated benefits paid to veterans or, Royal Canadian Mounted Police members, or to their beneficiaries and dependants.

The other major future benefits include the Public Service Health Care Plan and the Pensioners' Dental Services Plan available to retired employees and retired military and Royal Canadian Mounted Police members and post-employment benefits such as workers' compensation benefits and severance benefits that accumulate. Table 6.28 presents the balance of these liabilities at year-end.

**TABLE 6.28**

### OTHER EMPLOYEE AND VETERAN FUTURE BENEFITS

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Veterans' disability and other future benefits .....	27,249,000,000	2,698,000,000	2,339,000,000	27,608,000,000
Royal Canadian Mounted Police disability and other future benefits .....		1,023,000,000	43,000,000	980,000,000
Public Service Health Care Plan .....	6,255,000,000	815,000,000	312,000,000	6,758,000,000
Pensioners' Dental Services Plan .....	1,456,000,000	108,000,000	44,000,000	1,520,000,000
Severance benefits .....	3,836,000,000	539,000,000	321,000,000	4,054,000,000
Workers' compensation .....	571,000,000	149,000,000	91,000,000	629,000,000
<b>Total .....</b>	<b>39,367,000,000</b>	<b>5,332,000,000</b>	<b>3,150,000,000</b>	<b>41,549,000,000</b>

All of these plans are unfunded. The Public Service Health Care Plan and the Pensioners' Dental Services Plan are contributory plans. Contributions by retired plan members are made to the plans only in the year the benefits are payable to retirees. Therefore the Government's liability and costs are shown net

of members' contributions. The accrued benefit obligation related to these plans is determined actuarially for accounting purposes. As at March 31, the Government's recorded liability includes the following components:

(in millions of dollars)

	2005		2004	
	Accrued benefit obligation	Unamortized estimation adjustments	Future benefit liability	Future benefit liability
Veterans' disability and other future benefits .....	33,207	(5,599)	27,608	27,249
Royal Canadian Mounted Police disability and other future benefits .....	1,378	(398)	980	
Public Service Health Care Plan .....	9,794	(3,036)	6,758	6,255
Pensioners' Dental Services Plan .....	1,352	168	1,520	1,456
Severance benefits .....	4,059	(5)	4,054	3,836
Workers' compensation .....	678	(49)	629	571
<b>Total .....</b>	<b>50,468</b>	<b>(8,919)</b>	<b>41,549</b>	<b>39,367</b>

The cost of these benefits can accrue either during the service life of employees or upon occurrence of an event giving rise to the liability under the terms of the plans. An interest component is charged to interest on the public debt based on the average accrued benefit obligation.

During the year, amendments were made to extend the veterans' independence benefits to survivors of non-institutionalized veterans clients and to spouses of institutionalized veterans client. The one time past service cost of these changes is estimated at \$181million. It is charged to the future benefit expense and included in the year-end accrued benefit obligation. In 2004, a similar amendment had resulted in a \$50 million past service cost and in the accelerated recognition of net unamortized gains of \$226 million, which was recorded against the future benefit expense.

During the year, the expense relating to these benefits was as follows:

(in millions of dollars)

	2005					2004	
	Benefits earned	Plan amendment costs	Amortization of estimation adjustments	Net benefit expense	Interest cost	Total	Total
Veterans' disability and other future benefits .....	514	181	384	1,079	1,619	2,698	1,990
Royal Canadian Mounted Police disability and other future benefits.....	959 <sup>(1)</sup>		9	968	55	1,023	
Public Service Health Care Plan .....	209		179	388	427	815	690
Pensioners' Dental Services Plan .....	38		(16)	22	70	92	86
Severance benefits .....	277		38	315	224	539	537
Workers' compensation .....	112		4	116	33	149	96
<b>Total .....</b>	<b>2,109</b>	<b>181</b>	<b>598</b>	<b>2,888</b>	<b>2,428</b>	<b>5,316</b>	<b>3,399</b>

<sup>(1)</sup> This amount includes an adjustment of \$885 million made in 2005 to record for the first time the future benefit liability related to the disability and health care benefits to which current and former Royal Canadian Mounted Police members or their survivors and dependants are entitled.

## Canada Pension Plan

The Canada Pension Plan (the Plan) is a compulsory and contributory social insurance program which is designed to provide a measure of protection to Canadian workers and their families against loss of earnings due to retirement, disability or death. Established in 1965, the Plan operates in all parts of Canada, except the Province of Quebec which has a comparable plan.

Under existing arrangements, all pensions, benefits and expenditures incurred in the administration of the Plan are financed from contributions made by employees, employers and self-employed persons, and from investment returns.

As administrator, the Government's authority to spend is limited to the Plan's net assets. At March 31, the fair value of the Plan's net assets is \$83,411 million (\$72,512 million in 2004).

The Canada Pension Plan Account (the Account) was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. It also records the amounts transferred to or received from the Canada Pension Plan Investment Fund (the Fund) and the Canada Pension Plan Investment Board (the Board). The Fund was established in the accounts of Canada to record the investment in bonds of provinces, territories and Canada. The Board operates at arm's length from the Government and invests in a diversified portfolio of securities.

Table 6.29 presents a reconciliation between the net assets shown in the Plan's financial statements and the Account, as well as a summary of the balances and transactions in the Account which result in the deposit with the Receiver General for Canada.

**TABLE 6.29**  
DUE TO CANADA PENSION PLAN

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Canada Pension Plan balance per audited financial statements—				
Net assets per audited financial statements . . . . .	72,511,696,446	35,048,472,408	24,148,793,047	83,411,375,807
Less: Receivables, net of liabilities . . . . .	2,766,145,694	2,726,204,144	2,766,145,694	2,726,204,144
Unrealized gain/loss on investment fund . . . . .	3,935,505,574		1,875,497,431	2,060,008,143
Accumulated net income from Canada Pension Plan Investment Board's operations . . . . .	2,970,791,000	4,982,197,000		7,952,988,000
	<i>62,839,254,178</i>	<i>27,340,071,264</i>	<i>19,507,149,922</i>	<i>70,672,175,520</i>
Less: transfers to Canada Pension Plan Investment Board . . . . .	29,824,555,252	6,668,960,246	27,471,196,133	50,626,791,139
Subtotal . . . . .	33,014,698,926	34,009,031,510	46,978,346,055	20,045,384,381
Less: securities held by the Canada Pension Plan Investment Fund —				
Canada . . . . .	3,351,242,000	1,035,560,748		2,315,681,252
Newfoundland and Labrador . . . . .	633,059,113	237,485,253	44,050,528	439,624,388
Nova Scotia . . . . .	1,079,352,000	394,123,500	64,321,500	749,550,000
Prince Edward Island . . . . .	140,339,000	52,717,450	9,836,084	97,457,634
New Brunswick . . . . .	834,318,408	316,649,761	61,719,140	579,387,787
Quebec <sup>(1)</sup> . . . . .	95,747,049	34,314,678	5,058,638	66,491,009
Ontario . . . . .	10,233,206,000	4,173,139,413	1,046,326,471	7,106,393,058
Manitoba . . . . .	1,002,011,000	389,028,361		612,982,639
Saskatchewan . . . . .	1,081,568,000	402,891,611		678,676,389
Alberta . . . . .	3,143,754,000	1,202,154,695	60,666,667	2,002,265,972
British Columbia . . . . .	3,933,424,177	1,503,015,361	192,834,361	2,623,243,177
Yukon Territory . . . . .	3,726,000	1,138,500		2,587,500
	<i>25,531,746,747</i>	<i>9,742,219,331</i>	<i>1,484,813,389</i>	<i>17,274,340,805</i>
Deposit with the Receiver General for Canada . . . . .	7,482,952,179	43,751,250,841	48,463,159,444	2,771,043,576

(1) The Quebec Bonds which are purchased by the Plan relate to the contributions of certain federal employees, such as members of the Canadian Armed Forces, who are resident in the Province of Quebec but contribute to the Plan.

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 9.9 percent of pensionable earnings for the 2004 and 2005 calendar years, subject to maximum combined contributions of \$3,665 and \$3,722 respectively;
- (b) income from investments in bonds held by the Fund and from the average daily operating balance deposited with the Receiver General for Canada;
- (c) funds received from the federal, provincial and territorial governments for the bonds which have been disposed during the year, and;
- (d) gains on investments held by the Fund and/or the Board.

Payments and other charges include:

- (a) pensions and benefits paid under the Plan as retirement pensions, survivors' benefits paid to spouse or common-law partner and orphans, or as lump sum death benefits, and disability benefits to eligible contributors and their children;
- (b) pensions and benefits paid and recovered from the Plan, in accordance with an agreement with a province providing a comprehensive pension plan;
- (c) payments that are required to be charged to the Plan, in accordance with reciprocal agreements with other countries;
- (d) the costs of administration of the Plan;
- (e) funds reinvested during the year in the bonds of provincial and territorial governments;
- (f) funds transferred to the Board, and;
- (g) losses on investments held by the Fund and/or the Board.

For additional information, the financial statements of the Plan are included with other Supplementary Statements at the end of this section. Additional information on the funding of the Plan may also be obtained from the 21<sup>st</sup> Actuarial Report on the Canada Pension Plan prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions.

## Government Annuities Account

This account was established by the *Government Annuities Act*, and modified by the *Government Annuities Improvement Act*, which discontinued sales of annuities in 1975. The account is valued on an actuarial basis each year, with the deficit or surplus charged or credited to the Consolidated Revenue Fund.

The purpose of the *Government Annuities Act* was to assist Canadians to provide for their later years, by the purchase of Government annuities. The *Government Annuities Improvement Act* increased the rate of return and flexibility of Government annuity contracts.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously untraceable annuitants, earned interest and any transfer needed to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenues. The amounts of unclaimed annuities, related to untraceable annuitants, are transferred to non-tax revenues.

As of March 31, 2005, over 73,059 annuitants held 79,804 active contracts, each annuitant receiving an average payment of \$656.34. During the year, 477 deferred annuities came into payment and another 212 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 2005, there were 2,897 outstanding deferred annuities, the last of which will come into payment around the year 2030.

During the 2004-2005 fiscal year, 5,789 annuities were terminated or adjusted as a result of annuitant deaths: 3,847 group certificates and 1,942 individual contracts. The average age at death for males was 84.07 while the female age at death averaged 89.21.

Total income amounted to \$26.5 million, \$26.2 million of which represented interest of 7 percent credited to the Account. Premiums received totaled \$72,400. Total disbursements of \$57.5 million originated mainly from the \$54.1 million in payments made under matured annuities. An amount of \$156,599 was used to refund premiums at death before maturity or when the annuity would have been too small, and \$319,684 was transferred to the Consolidated Revenue Fund as a result of unclaimed annuities.

The opening balance of \$405.7 million was reduced due to a surplus as at April 1, 2004 of \$2.5 million, transferred to the Consolidated Revenue Fund, and disbursements exceeding income by \$28.3 million during 2004-2005. Since the actuarial reserves required as of March 31, 2005 were only \$377.2 million, a surplus of \$0.3 million was also transferred to the Consolidated Revenue Fund.

## Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain moneys that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities,

these are deducted from the corresponding accounts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.30 presents a summary of the balances and transactions in deposit and trust accounts.

**TABLE 6.30**  
DEPOSIT AND TRUST ACCOUNTS

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Deposit accounts—				
Agriculture and Agri-Food—				
Canadian Dairy Commission—				
Canadian Dairy Commission account . . . . .	(208,377)	746,824	756,850	(218,403)
Canada Customs and Revenue Agency—				
Guarantee deposits <sup>(1)</sup> . . . . .	34,732,715	17,029,382	9,874,225	41,887,872
Less: securities held in trust . . . . .	517,000	5,000	1,179,000	1,691,000
	34,215,715	17,034,382	11,053,225	40,196,872
Finance—				
Canada Development Investment Corpora- tion—				
Holdback—Privatization . . . . .	61,000,000		2,000,000	59,000,000
Canada Hibernia Holding Corporation—				
Abandonment reserve fund . . . . .	27,755,000	32,245,000		60,000,000
	88,755,000	32,245,000	2,000,000	119,000,000
Human Resources and Skills Development— <sup>(2)</sup>				
Canada Labour Code—Other . . . . .	116,559	314,138	318,686	112,011
Canada Labour Code—Wage Recovery				
Appeals . . . . .	565,130	942,691	513,611	994,210
Fair wages deposit account . . . . .	910			910
	682,599	1,256,829	832,297	1,107,131
Indian Affairs and Northern Development—				
Agent administered Indian minors account . . . . .	40,314	774	33,348	7,740
Less: securities held in Peace Hills Trust . . . . .	40,314	33,348	774	7,740
		34,122	34,122	
Field British Columbia and Yukon Operations of the Northern Canada Power Commission . . . . .	992,588			992,588
Guarantee deposits . . . . .	46,325,190	66,569,308	22,109,128	90,785,370
Less: securities held in trust . . . . .	29,164,087	6,134,250	43,328,496	66,358,333
	17,161,103	72,703,558	65,437,624	24,427,037
Guarantee deposits—Oil and gas . . . . .	152,310,687	63,707,755	67,949,429	148,069,013
Less: securities held in trust . . . . .	150,227,332	65,924,429	37,965,131	122,268,034
	2,083,355	129,632,184	105,914,560	25,800,979
Guarantee deposits—Reserve resources . . . . .	766,953			766,953
Special accounts—Section 63,				
Indian Act . . . . .	248,471	5,315,360	5,263,527	300,304
Less: deposits in special bank accounts . . . . .	248,471	5,263,527	5,315,360	300,304
		10,578,887	10,578,887	
	21,003,999	212,948,751	181,965,193	51,987,557
Industry—				
Trustee Performance Securities—Bankruptcy and Insolvency Act . . . . .	15,000			15,000
Justice—				
Courts Administration Service (Tax Court of Canada)—				
Security for costs . . . . .	2,417	15,089		17,506
Supreme Court of Canada—				
Security for costs . . . . .	358,828	53,503	17,940	394,391
	361,245	68,592	17,940	411,897



**TABLE 6.30**  
**DEPOSIT AND TRUST ACCOUNTS—Continued**

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Natural Resources—				
Guarantee deposits—Oil and gas .....	362,896,128	258,258,533	129,424,910	491,729,751
Less: securities held in trust .....	355,923,575	129,155,394	255,519,558	482,287,739
	6,972,553	387,413,927	384,944,468	9,442,012
Privy Council—				
Chief Electoral Officer—Candidates' and committees' deposits—Election and referendum .....	4,000	1,685,000	1,577,000	112,000
Public Works and Government Services—				
Contractors' security deposits (departments and agencies)—				
Bonds .....	706,204			706,204
Less: securities held in trust .....	706,204			706,204
Cash .....	9,642,250	1,051,794	91,544	10,602,500
Certified cheques .....	44,133		14,560	29,573
Less: securities held in trust .....				
	44,133		14,560	29,573
Deposits on disposals and rents .....	307,569	604,492		912,061
Seized property—Cash .....	39,495,772	34,387,593	27,727,868	46,155,497
	49,489,724	36,043,879	27,833,972	57,699,631
Solicitor General (Public Safety and Emergency Preparedness)—				
Canada Border Services Agency—				
Guarantee deposits <sup>(3)</sup> .....	3,798,156	868,521	895,896	3,770,781
Less: securities held in trust .....	426,800	140,000		286,800
	3,371,356	1,008,521	895,896	3,483,981
General security deposits <sup>(4)</sup> .....	3,938,546	1,542,932	1,326,881	4,154,597
Immigration guarantee fund <sup>(4)</sup> .....	27,050,646	56,889,291	54,433,707	29,506,230
Seized monetary assets <sup>(4)</sup> .....	3,600			3,600
Temporary deposits received from importers <sup>(5)</sup> .....	584,549	843,227	594,171	833,605
Less: deposits in special bank accounts .....				
	584,549	843,227	594,171	833,605
	34,948,697	60,283,971	57,250,655	37,982,013
Total deposit accounts .....	236,240,155	749,727,155	668,231,600	317,735,710
Trust accounts—				
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.31 .....	1,045,330,156	211,004,216	200,126,219	1,056,208,153
Revenue accounts, Table 6.32 .....	186,138,055	95,951,283	86,985,072	195,104,266
	1,231,468,211	306,955,499	287,111,291	1,251,312,419
Indian estate accounts .....	12,447,524	4,443,275	5,114,515	11,776,284
Indian savings accounts .....	37,645,267	6,030,149	7,225,842	36,449,574
	1,281,561,002	317,428,923	299,451,648	1,299,538,277
National Defence—				
Estates—Armed services .....	456,724	994,490	1,329,482	121,732
Solicitor General (Public Safety and Emergency Preparedness)—				
Canadian Security Intelligence Service—				
Scholastic awards .....	30,789	610	2,000	29,399
Correctional Service—				
Inmates' trust fund .....	10,068,066	23,123,871	22,451,634	10,740,303
Royal Canadian Mounted Police—				
Benefit trust fund .....	1,965,523	271,515	73,608	2,163,430
	12,064,378	23,395,996	22,527,242	12,933,132

TABLE 6.30

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Veterans Affairs—				
Administered accounts .....	2,625,398	441,540	426,717	2,640,221
Estates fund .....	2,902,362	242,124	72,096	3,072,390
Veterans administration and welfare trust fund .....	549,893	98,239	45,619	602,513
	6,077,653	781,903	544,432	6,315,124
Total trust accounts .....	1,300,159,757	342,601,312	323,852,804	1,318,908,265
Total deposit and trust accounts .....	1,536,399,912	1,092,328,467	992,084,404	1,636,643,975

(1) During the year, part of this account was transferred to Canada Border Services Agency.

(2) Formerly the Department of Human Resources Development.

(3) During the year, part of this account was transferred from Canada Customs and Revenue Agency.

(4) In 2003-2004, these accounts were shown under the Department of Citizenship and Immigration.

(5) During the year, this account was transferred from Canada Customs and Revenue Agency

### Canadian Dairy Commission account

The Canadian Dairy Commission is a Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*. This account was established for banking purposes using the Consolidated Revenue Fund pursuant to section 15 of the *Canadian Dairy Commission Act*.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

### Guarantee deposits—Canada Customs and Revenue Agency

This account was established to record cash securities required to guarantee payment of Goods and Services Tax (GST) as it relates to non resident registrants and, certain licensees as it relates to excise taxes, which are both payable pursuant to the *Excise Tax Act*.

Securities held in trust by the Agency are made up of cash deposited to the Consolidated Revenue Fund.

### Holdback—Privatization—Canada Development Investment Corporation

This account was established pursuant to subsection 129(1) of the *Financial Administration Act*. This special purpose money is to be used to meet costs incurred on the sale of Crown corporations and demand for payment by purchasers pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with their sale.

### Canada Hibernia Holding Corporation—Abandonment reserve fund

This account was established to record funds which will be used to defray the future abandonment costs that will occur at the closure of the Hibernia field.

### Canada Labour Code—Other

This account was established to record amounts received under the provisions of section 251 of the Canada Labour Code Part III. The receipts are wage payments ordered by a Labour inspector in settlement of a wages dispute, which the employer has chosen to pay to the Minister of Labour instead of paying them directly to the employee. These amounts are then paid out to the employees.

### Canada Labour Code—Wage Recovery Appeals

This account was established to record amounts received under the provisions of section 251.1 of the Canada Labour Code Part III. This requires federally-regulated employers who wish to appeal a payment order made by a Labour inspector regarding wages due to employees, to forward the amounts due to the Minister of Labour for deposit. They are held until the appeal is completed and the adjudicator has directed payment of the disputed amount to the employee or return to the employer. Deposits in this account are interest-bearing at the rate set by the Minister of Finance for contractor's deposits.

### Fair wages deposit account

This account is operated under the authority of section 13 of the Fair Wages and Hours of Labour Regulations. Where an investigation in respect of a contract on Government works results in an award of wages, the amount received from the contractor is credited to this account, and is subsequently distributed to employees.

The account also records amounts received from departments and agencies, representing wages in respect of contracts, withheld from final payment to contractors.

### Agent administered Indian minors account

This account was established to record moneys belonging to Indian minors transferred to and held by an appointed agent pursuant to section 52 of the *Indian Act*.

### **Field British Columbia and Yukon Operations of the Northern Canada Power Commission**

This account was established to record amounts deposited by the Northern Canada Power Commission to reimburse liabilities pertaining to Field, British Columbia and Yukon Operations of the Northern Canada Power Commission.

### **Guarantee deposits—Indian Affairs and Northern Development**

This account was established to record cash and securities deposited as guarantees for performance as required by permits, leases, authorizations and water licences, pursuant to section 8 of the *Arctic Waters Pollution Prevention Act*, section 17 of the *Yukon Waters Act* and of the *Northwest Territories Waters Act* and various regulations under the *Territorial Lands Act*. Interest is not allowed on cash deposits.

### **Guarantee deposits—Oil and gas—Indian Affairs and Northern Development**

This account was established to record securities in the form of cash, promissory notes, letters of credit or other acceptable instruments which are required to be issued to, and held by the Government of Canada pursuant to a signed Exploration Agreement in accordance with the *Canada Petroleum Resources Act*. These securities are a performance guarantee or refundable rental that the agreed exploration work will be performed in the manner and time frame specified. Interest is not paid on these deposits.

### **Guarantee deposits—Reserve resources**

This account was established to record cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, in accordance with the various regulations made under section 57 of the *Indian Act*. Interest is allowed on cash deposits.

### **Special accounts—Section 63, *Indian Act***

This account was established to record moneys held for Indians in authorized banks across Canada. These moneys include such items as deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands. This is a non-interest bearing account.

### **Trustee Performance Securities—Bankruptcy and Insolvency Act**

This account was established in accordance with section 16 of the *Bankruptcy and Insolvency Act*, whereby a duly appointed trustee shall give security in cash or by bond of a guaranty company, satisfactory to the official receiver, for the due accounting for the payment and the transfer of all property received by him as trustee and for the due and faithful performance of his duties.

### **Security for costs—Courts Administration Service (Tax Court of Canada)**

This account was established to maintain accounts on behalf of litigants before the Tax Court of Canada. These accounts record the moneys paid into the Tax Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held pending payment of such moneys, in accordance with an order/judgment of the Court.

### **Security for costs—Supreme Court of Canada**

This account was established to record security to the value of \$500 deposited by an Appellant with the Registrar of the Supreme Court of Canada in accordance with paragraph 60(1)(b) of the *Supreme Court Act*. As per section 87 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.

### **Guarantee deposits—Oil and gas—Natural Resources**

This account was established to record securities in the form of cash, promissory notes, and bonds which are required to be issued to, and held by the Government of Canada pursuant to an Exploration Licence in accordance with section 24 of the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration will be performed in the manner and time frame specified. Interest is not paid on these deposits.

### **Candidates' and committees' deposits—Election and referendum**

This account was established to record candidates' election and committees' referendum deposits received in respect of an election (general or by-election) or a referendum.

Pursuant to the *Canada Election Act* or the *Referendum Act*, amounts received are either refunded to candidates or committees, or are transferred to non-tax revenues.

### **Contractors' security deposits**

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

### **Deposits on disposals and rents**

This account was established in accordance with the terms and conditions of the Real Property Disposition Revolving Fund to record receipts on future disposals of properties that are not closed at the end of the year. It is also used to record rent deposits received by the department, or collected on behalf of third party clients, which will be returned to the tenants at the end of the lease.

**Seized property—Cash**

This account was established pursuant to the *Seized Property Management Act*, to record seized cash and proceeds from the interlocutory sale of seized assets. These funds will be deposited to the Consolidated Revenue Fund and credited to the account until returned to the owner or forfeited.

**Guarantee deposits—Canada Border Services Agency**

This account was established to record cash required to guarantee payment of customs duties on imported goods pursuant to the *Customs Act*.

**General security deposits**

This account was established to record general security deposits from transportation companies in accordance with subsection 148 of the *Immigration and Refugee Protection Act*.

**Immigration guarantee fund**

This account was established by sections 14, 26, 44, 56, 58 and 148 of the *Immigration and Refugee Protection Act*, to record amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

**Seized monetary assets**

This account was established in accordance with sections 137 and 140 of the *Immigration and Refugee Protection Act* which authorized the Officer to seize and hold anything that is believed to be, on reasonable ground, was fraudulently or improperly obtained or used or that the seizure is necessary to prevent its fraudulent or improper use or to carry out the purpose of the Act.

**Temporary deposits received from importers**

This account was established to record temporary security deposits received from importers to ensure compliance with various (Customs) regulations regarding temporary entry of goods.

**Indian band funds**

This account was established to record moneys belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

**TABLE 6.31**  
INDIAN BAND FUNDS—CAPITAL ACCOUNTS

	2004-2005	2003-2004
	\$	\$
Opening balance .....	1,045,330,156	1,022,301,355
RECEIPTS AND OTHER CREDITS—		
Oil royalties .....	24,073,408	20,308,404
Gas royalties .....	176,307,885	187,597,301
Land and other claim settlements .....	918,100	400,000
Sundries .....	9,704,823	10,658,609
	211,004,216	218,964,314
	1,256,334,372	1,241,265,669
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution .....	23,855,096	23,959,126
Transfer pursuant to section 64 of the Indian Act .....	176,270,044	171,965,627
Sundries .....	1,079	10,760
	200,126,219	195,935,513
Closing balance .....	1,056,208,153	1,045,330,156

**TABLE 6.32**  
INDIAN BAND FUNDS—REVENUE ACCOUNTS

	2004-2005	2003-2004
	\$	\$
Opening balance .....	186,138,055	177,533,065
RECEIPTS AND OTHER CREDITS—		
Government interest .....	61,171,984	61,850,000
Court awards and settlements .....	4,365,862	7,583,952
Land and other claim settlements .....	5,145,000	2,369,921
Sundries .....	25,268,437	30,943,398
	95,951,283	102,747,271
	282,089,338	280,280,336
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution .....	8,154,818	11,964,022
Transfer pursuant to section 69 of the Indian Act .....	76,280,593	80,038,608
Sundries .....	2,549,661	2,139,651
	86,985,072	94,142,281
Closing balance .....	195,104,266	186,138,055

**Indian estate accounts**

These accounts were established to record moneys received and disbursed for estates of deceased Indians, mentally incompetent Indians and missing Indians pursuant to sections 42 to 51 and 52.3 of the *Indian Act*.

**Indian savings accounts**

These accounts were established to record moneys received and disbursed for individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

**Estates—Armed services**

This account was established to record the service estates of deceased members of the Canadian Forces pursuant to section 42 of the *National Defence Act*. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

**Scholastic awards**

This account was established to record donations of \$26,000 to be used for the presentation of scholarship awards to children of employees of the Canadian Security Intelligence Service to encourage university studies.

**Inmates' trust fund**

Pursuant to section 111 of the Corrections and Conditional Release Regulations, this account is credited with moneys received from inmates at the time of incarceration, net earnings of inmates from employment inside institutions, moneys received for inmates while in custody, moneys received from sales of hobby craft, money earned through work while on day parole, and interest. Payments to assist in the reformation and rehabilitation of inmates are charged to this account.

**Benefit trust fund**

This account was established by section 23 of the *Royal Canadian Mounted Police Act*, to record moneys received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances.

**Administered accounts**

Pursuant to section 41 of the *Pension Act*, section 15 of the *War Veterans Allowance Act* section 55 of the *Veterans Treatment Regulations* and section 8 of the *Guardianship of Veterans Property Regulations*, these accounts are under the jurisdiction of the Department of Veterans Affairs. Moneys held in these accounts include: (a) pensions, war veterans allowances and treatment allowances placed under the administration of the Department of Veterans Affairs; and, (b) benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated their inability to manage their own affairs.

Payments are made out of the accounts, to provide food, shelter, clothing, comforts and other necessities.

**Estates fund**

This account was established to record the proceeds from the estates of those veterans who died while receiving hospital treatment or institutional care, and for those veterans whose funds had been administered by the Government, in accordance with sections 5, 6 and 7 of the *Veterans' Estates Regulations*. Individual accounts are maintained and payments are made to beneficiaries pursuant to the appropriate legislative authority.

**Veterans administration and welfare trust fund**

This account was established to record donations, legacies, gifts, bequests, etc, received, to be disbursed for the benefit of veterans or their dependents under certain conditions, and for the benefit of patients in institutions, in accordance with section 9 of the *Guardianship of Veterans' Property Regulations*.

## Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.33 presents a summary of the balances and transactions for all other specified purpose accounts.

**TABLE 6.33**  
OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Insurance and death benefit accounts—				
Finance—				
Office of the Superintendent of Financial Institutions—				
Insurance company liquidation . . . . .	59,262	36,561	95,823	
Human Resources and Skills Development— <sup>(1)</sup>				
Civil service insurance fund . . . . .	7,102,962	118,634	466,453	6,755,143
National Defence—				
Regular force death benefit account,				
Table 6.34 . . . . .	192,898,346	30,615,804	27,415,790	196,098,360
Treasury Board—				
Public Service death benefit account,				
Table 6.35 . . . . .	2,100,375,954	240,778,215	129,287,371	2,211,866,798
Veterans Affairs—				
Returned soldiers' insurance fund . . . . .	37,524		6,136	31,388
Veterans insurance fund . . . . .	8,771,371	185,112	770,439	8,186,044
	8,808,895	185,112	776,575	8,217,432
Total insurance and death benefit accounts . . . . .	2,309,245,419	271,734,326	158,042,012	2,422,937,733
Pension accounts—				
Human Resources and Skills Development— <sup>(1)</sup>				
Annuities agents' pension account . . . . .	6,139	3,205	3,171	6,173
Solicitor General (Public Safety and Emergency Preparedness)—				
Royal Canadian Mounted Police—				
Dependants' pension fund . . . . .	30,805,140	2,413,116	2,724,505	30,493,751
Total pension accounts . . . . .	30,811,279	2,416,321	2,727,676	30,499,924
Other accounts—				
Agriculture and Agri-Food—				
Canadian Agricultural Income Stabilization (formerly				
Net Income Stabilization Account) . . . . .	1,978,401,607	311,767,290	1,094,100,387	1,196,068,510
Canadian Food Inspection Agency—				
Shared-cost agreements . . . . .	1,412,105	579,091	746,561	1,244,635
Canadian Grain Commission—				
Automated Quality Testing—Private sector . . . . .	146,901		94,491	52,410
	1,979,960,613	312,346,381	1,094,941,439	1,197,365,555
Atlantic Canada Opportunities Agency—				
Federal/provincial agreement—Advance account . . . . .	1,240,938	310,737	873,906	677,769
Canada Customs and Revenue Agency—				
Deposits/Disbursements—Worker's				
Compensation Board . . . . .	127,600	189,338,884	189,466,484	
Canadian Heritage—				
Miscellaneous projects deposits . . . . .	241,273	679,659	17,370	903,562
Library and Archives Canada—				
Special Operating Account <sup>(2)</sup> . . . . .	527,551	443,123	401,424	569,250
Telefilm Canada—				
Advance account . . . . .	(8,550,700)	278,133,188	254,799,070	14,783,418
	(7,781,876)	279,255,970	255,217,864	16,256,230

TABLE 6.33

## OTHER SPECIFIED PURPOSE ACCOUNTS—Continued

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Citizenship and Immigration—				
Immigrant investor program .....	11,600,000	14,000,000		25,600,000
Environment—				
Miscellaneous projects deposits .....	5,266,725	4,955,700	5,413,915	4,808,510
Parks Canada Agency—				
Miscellaneous projects deposits .....	407,714	267,663	59,496	615,881
	5,674,439	5,223,363	5,473,411	5,424,391
Finance—				
Common school funds—Ontario and Quebec .....	2,677,771			2,677,771
Foreign claims fund .....	179,020			179,020
War claims fund—World				
War II .....	4,236			4,236
	2,861,027			2,861,027
Fisheries and Oceans—				
Federal/provincial cost-sharing				
agreements .....	1,062,247	461,510	595,109	928,648
Miscellaneous projects deposits .....	11,966,991	20,443,398	21,559,209	10,851,180
Sales of seized assets .....	962,697	458,743	465,738	955,702
	13,991,935	21,363,651	22,620,056	12,735,530
Foreign Affairs and International Trade				
(Foreign Affairs)— <sup>(3)</sup>				
Canada Foundation account .....	393,652		4,905	388,747
Less: securities held in trust .....	387,452	808		386,644
deposits in a special bank account .....	6,200	4,097		2,103
		4,905	4,905	
Financial assistance to Canadians abroad .....	74,861	1,197,206	1,189,898	82,169
Funds from non-governmental organizations <sup>(4)</sup> .....	4,340,622	17,926,240	19,080,778	3,186,084
Shared-cost projects <sup>(4)</sup> .....	881,845	3,552,543	3,546,897	887,491
Canadian International Development Agency—				
Shared-cost projects—International conferences .....	871,022	2,785,580	2,511,188	1,145,414
	6,168,350	25,466,474	26,333,666	5,301,158
Foreign Affairs and International Trade				
(International Trade)— <sup>(3)</sup>				
Funds from non-governmental organizations <sup>(4)</sup> .....		250,000	207,803	42,197
Shared-cost projects <sup>(4)</sup> .....	52,864	1,372,686	1,131,319	294,231
NAFTA Secretariat, Canadian Section—				
Shared-cost agreements .....	1,099			1,099
	53,963	1,622,686	1,339,122	337,527
Health—				
Canadian Sports Pool Corporation—Other outstanding				
liabilities .....		50,000	50,000	
Collaborative research projects .....	2,738,288	1,435,863	1,611,439	2,562,712
Miscellaneous federal/provincial projects .....	2,010,228	4,031,753	4,174,759	1,867,222
Pan American Health Organization .....	(1,154)	1,154		
World Health Organization .....	104,515			104,515
	4,851,877	5,518,770	5,836,198	4,534,449
Human Resources and Skills Development— <sup>(1)</sup>				
Federal/provincial shared-cost project .....	16,919	754,149	705,020	66,048
Federal/provincial shared-cost project—Interprovincial				
Computerized Examination Management System (ICEMS) ..	993,519	767,566	676,667	1,084,418
Labour standards suspense account .....	1,361,689	6,500		1,368,189
Canadian Centre for Occupational Health				
and Safety—				
PanAsia Research and Development				
Grants Program .....	72,409		72,409	
Shared-cost agreements .....	60,000		60,000	
	2,504,536	1,528,215	1,514,096	2,518,655

TABLE 6.33

## OTHER SPECIFIED PURPOSE ACCOUNTS—Continued

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Human Resources Development (Social Development)— <sup>(1)</sup>				
Federal/provincial shared-cost project.....	2,594,593	12,005,281	11,964,795	2,635,079
Indian Affairs and Northern Development—				
Indian special accounts <sup>(5)</sup> .....	383,956	4,652	4,766	383,842
Indian band funds—				
Shares and certificates.....	20,000			20,000
Less: securities held in trust.....	20,000			20,000
Indian compensation funds.....	222,340			222,340
Indian moneys suspense account.....	41,918,955	26,555,124	23,851,515	44,622,564
Non-Indian moneys.....	664,811		195,456	469,355
	43,190,062	26,559,776	24,051,737	45,698,101
Industry—				
Canada/Provinces Business Service Centre.....		475,000	400,000	75,000
Income from securities in trust—Bankruptcy and Insolvency Act.....	52,031			52,031
Petro-Canada Enterprises Inc—Unclaimed shares.....	695,313	266,302	601	961,014
Securities in trust—Bankruptcy and Insolvency Act.....	31,266			31,266
Less: securities held in trust.....	31,266			31,266
Shared-cost/joint project agreements—Research.....	85,057	19,612	23,948	80,721
Shared-cost projects.....	3,141,982	8,481,715	9,285,842	2,337,855
Unclaimed dividends and undistributed assets—				
Bankruptcy and Insolvency Act.....	10,601,746	2,640,973	1,594,208	11,648,511
Canada Business Corporations Act.....	2,523,016	2,781,453	1,412,895	3,891,574
Winding-up Act.....	529,659			529,659
Canadian Space Agency—				
Radarsat.....	107,458			107,458
Natural Sciences and Engineering Research Council—				
Trust fund.....	594,848	7,746	360,489	242,105
Statistics Canada—				
Project deposits.....	7,028,542	1,604,081		8,632,623
	25,359,652	16,276,882	13,077,983	28,558,551
Justice—				
Courts Administration Service (Federal Court and Federal Court of Appeal)—				
Special account.....	11,030,175	2,062,395	3,145,298	9,947,272
National Defence—				
Foreign governments—				
United Kingdom—				
British Army—Suffield, Alberta.....	19,050,824	83,987,656	72,386,912	30,651,568
Wainwright, Alberta.....	836,519	4,351,898	4,617,224	571,193
Other activities.....	9,026,984	9,992,921	14,001,672	5,018,233
Federal Republic of Germany—				
German Army—Shilo, Manitoba.....	198,004			198,004
Other activities.....	14,210,143	10,459,252	18,033,352	6,636,043
Netherlands.....	3,027,010		1,573,625	1,453,385
Italian Air Force Training.....	608,875	9,440,773	8,785,855	1,263,793
Air projects.....	2,546,776	(893,873)		1,652,903
Security.....	1,445,917	134,956		1,580,873
NATO Flying Training Centre.....	9,047,323	3,231,649		12,278,972
	59,998,375	120,705,232	119,398,640	61,304,967
Joint research and development projects.....	3,969,269	4,554,670	1,430,013	7,093,926
Non-government agencies.....	1,312,970	2,065,551	1,646,103	1,732,418
North Atlantic Treaty Organization (NATO)—				
Infrastructure projects.....	6,618,109			6,618,109
	71,898,723	127,325,453	122,474,756	76,749,420



TABLE 6.33

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/2004	Receipts and other credits	Payments and other charges	March 31/2005
	\$	\$	\$	\$
Natural Resources—				
Market development incentive payments—Alberta .....	5,293,931	12,897	363,361	4,943,467
Newfoundland Offshore Revenue Account .....		381,569,312	381,569,312	
Nova Scotia Offshore Revenue Account .....		165,675,203	165,675,203	
Shared-cost agreements—Research .....	3,682,105	3,559,565	4,616,266	2,625,404
Shared-cost projects .....	7,538,956	2,536,235	3,021,567	7,053,624
Canadian Nuclear Safety Commission—				
Security equipment purchases .....	52,744	458,601	406,105	105,240
Installation of specialized monitoring equipment .....		192,845		192,845
	16,567,736	554,004,658	555,651,814	14,920,580
Office of Infrastructure of Canada—				
Crown Corporation Trusts—Donations <sup>(6)</sup> .....	113,976	5,000	103,876	15,100
Privy Council—				
Shared-cost projects—Media travel expenses .....	368,134	564,575	346,289	586,420
Public Works and Government Services—				
Credit card—Special project fund <sup>(7)</sup> .....	1,000,000			1,000,000
Francophone Summits .....	19,297		13,800	5,497
Military purchases excess funds deposit .....	47,531,315	21,703,592		69,234,907
Less: securities held in trust .....			21,703,592	69,234,907
	1,019,297	21,703,592	21,717,392	1,005,497
Solicitor General (Public Safety and Emergency Preparedness)—				
Joint research and development projects .....	3,016,041	5,678,807	6,730,226	1,964,622
Royal Canadian Mounted Police—				
Joint research and development projects .....	167,893	16,196	56,365	127,724
Seized assets—Canadian funds .....	785,833		131,866	653,967
	3,969,767	5,695,003	6,918,457	2,746,313
Veterans Affairs—				
Shared-cost agreements .....	14,780		11,508	3,272
Western Economic Diversification—				
Jobs and economic restoration initiative .....		5,296	5,296	
Total .....	2,197,380,297	1,622,183,042	2,363,085,443	1,456,477,896
Less: consolidation adjustment <sup>(8)</sup> .....	(8,550,700)		23,334,118	14,783,418
Total other accounts .....	2,205,930,997	1,622,183,042	2,386,419,561	1,441,694,478
Total other specified purpose accounts .....	4,545,987,695	1,896,333,689	2,547,189,249	3,895,132,135

(1) Formerly part of the Department of Human Resources Development.

(2) Formerly shown under two different account name, National Archives of Canada—Donation and National Library—Special Operating Account.

(3) Formerly part of the Department of Foreign Affairs and International Trade.

(4) Part of this account is split between Foreign Affairs and International Trade (Foreign Affairs) and Foreign Affairs and International Trade (International Trade).

(5) Includes an amount of \$1,000 as per Vote 6b, *Appropriation Act No. 4, 2003-2004*.

(6) In 2003-2004, this account was shown under the Department of Transport.

(7) In 2003-2004, this account was shown under the Treasury Board Secretariat.

(8) Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

### Insurance company liquidation

This account was established to record receipts and disbursements resulting from the liquidation of the estate, of various insurance companies for which the Superintendent of Financial Institutions is the court appointed liquidator.

### Civil service insurance fund

This account was established by the *Civil Service Insurance Act*, introduced to enable the Minister of Finance to contract with a person appointed to a permanent position in any branch of the public service, for the payment of certain death benefits. No new contracts have been entered into since 1954, when the Supplementary Death Benefit Plan for the Public Service and Canadian Forces was introduced as part of the *Public Service Superannuation Act* and the *Canadian Forces Superannuation Act*, respectively. As of April 1<sup>st</sup>, 1997, the Department of Human Resources and Skills Development assumed responsibility for the administration and the actuarial valuation of the *Civil Service Insurance Act*.

The number of policies in force as of March 31, 2005 was 1,526 and the average age of the policyholders was 86.3 years. During the year, premiums of \$3,337 were received. Death benefits, settlement annuities and premium refunds of \$466,452 were paid during 2004-2005.

According to the actuarial valuation and with the prescribed actuarial assumptions, the liabilities in respect of the benefits provided under the Act are estimated at \$6,755,144 as at March 31, 2005. The assets as at March 31, 2005 are \$6,639,847. The deficit as at March 31, 2005 is therefore \$115,297. Pursuant to subsection 16(3) of the Civil Service Insurance Regulations, an amount of \$115,297 has therefore been credited to the Account from the Consolidated Revenue Fund in 2004-2005.

### Regular force death benefit account

This account was established by the *Canadian Forces Superannuation Act*, to provide life insurance to contributing members and former members of the Canadian Forces. Receipts and other credits consist of: (a) contributions by participants; (b) Government's contribution paid in respect of participants who, at the time of death, were members of the regular force, or who were elective regular force participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*; (c) single premiums payable by the Government in respect of regular force participants who became entitled to a basic benefit of \$5,000 without contribution; and, (d) interest.

Payments and other charges consist of: (a) benefits paid in respect of participants who, at the time of death, were members of the regular force, or who were elective regular force participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular force; (b) benefits paid in respect of elective regular force participants, to whom pensions were not payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular force; and, (c) the portion of benefit payable for which a single premium has been paid by the Government.

**TABLE 6.34**  
REGULAR FORCE DEATH BENEFIT ACCOUNT

	2004-2005	2003-2004
	\$	\$
Opening balance.....	192,898,346	193,076,338
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions by personnel.....	13,056,123	12,804,177
Government's contribution.....	1,792,319	2,025,056
Single premiums payable by the Government in respect of regular force participants who became entitled to a basic benefit of \$5,000 without contribution.....	618,089	653,581
Interest.....	15,149,273	15,517,088
	30,615,804	30,999,902
	223,514,150	224,076,240
<b>PAYMENTS AND OTHER CHARGES—</b>		
Benefits paid in respect of participants who, at the time of death, were members of the regular force, or who the regular force, or who participants.....	27,415,790	31,177,894
Closing balance.....	196,098,360	192,898,346

### Public Service death benefit account

This account was established under the *Public Service Superannuation Act*, to provide life insurance to contributing members of the Public Service.

The account is credited with: (a) contributions by employees; (b) contributions by the Government and Public Service corporations; and, (c) interest. Payments and other charges represent: (a) benefits paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*; and, (b) benefits of \$10,000 paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*, and on whose behalf a single premium for \$10,000 death benefit coverage for life has been made.

**TABLE 6.35**  
PUBLIC SERVICE DEATH BENEFIT ACCOUNT

	2004-2005	2003-2004
	\$	\$
Opening balance .....	2,100,375,954	1,998,277,095
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees—		
Government and Public Service corporations .....	63,750,919	61,554,346
Government—		
General .....	7,397,981	7,305,629
Single premium for \$10,000 .....	1,343,749	1,256,548
Public Service corporations .....	835,829	811,248
Interest .....	167,449,737	163,384,196
	240,778,215	234,311,967
	2,341,154,169	2,232,589,062
PAYMENTS AND OTHER CHARGES—		
Benefit payments—		
General .....	88,676,074	87,557,810
Life coverage for \$10,000 .....	40,537,332	44,572,812
Other death benefit payments .....	73,965	82,486
	129,287,371	132,213,108
Closing balance .....	2,211,866,798	2,100,375,954

### Returned soldiers' insurance fund

This fund was established by the *Returned Soldiers' Insurance Act*, to provide life insurance to contributing veterans of World War I. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial adjustment as at March 31, 2004 of \$4,781 was charged to the account during the year and was credited to revenues. The final date on which application for this insurance could have been received, was August 31, 1933.

### Veterans insurance fund

This fund was established by the *Veterans' Insurance Act*, to provide life insurance to contributing veterans of World War II. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 2004 of \$172,545 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received, was October 31, 1968.

### Annuities agents' pension account

This account was established by Vote 181, *Appropriation Act No. 1, 1961*, to provide pension benefits to former eligible Government employees who were engaged in selling Government annuities to the public.

### Dependants' pension fund

This fund, which pertains to Part IV of the *Royal Canadian Mounted Police Pension Continuation Act*, provides pension benefits to certain widows and other dependants of contributing members of the Royal Canadian Mounted Police. The fund is credited with a 5 percent contribution from the pay of members of the Force (other than commissioned officers) who are subject to the *Pension Continuation Act*. There are no longer any active members amongst the contributors.

### Canadian Agricultural Income Stabilization (formerly Net Income Stabilization Account)

On December 11, 2003, the Minister of Agriculture and Agri-Food Canada announced that the Agricultural Policy Framework (APF) has received the necessary signatures required for the implementation. This resulted in the launching of the Canadian Agricultural Income Stabilization (CAIS) program and the ending of the Net Income Stabilization Account (NISA) program after the 2002 stabilization year.

This NISA program was established by section 15 of the *Farm Income Protection Act* and the Federal/Provincial Agreement establishing the Net Income Stabilization Account Program, to help participating producers of qualifying agricultural commodities achieve long term improved income stability. The Program allows participants to deposit funds up to predetermined limits into an account held at a participating financial institution, and receive matching contributions from the federal and provincial governments.

The federal government and the provinces have approved the wind down of the NISA program at the end of the 2002 stabilization year. Participants will then have a maximum of five years, with minimum of 20 percent annual withdrawals of the balance of their accounts, to withdraw their funds from the Program.

The CAIS program is designed to help producers protect their farming operation from both small and large drops in income. In general, individuals or entities that derive income from primary production of agricultural commodities, as defined by the program, are eligible to participate in the CAIS program. The CAIS program and Production Insurance are the two main programs under the Business Risk Management component of the APF.

The program payments are based on declines in reference margins and are shared 60/40 with the provinces for which the Administration delivers. The provinces are invoiced by the Administration for their 40 percent share of the contributions which are held in a specified purpose account and drawn down as applications are processed.

The account records the following transactions relating to the Consolidated Revenue Fund:

- (a) Government matching contributions on NISA participant matchable deposits, for the 2002 stabilization year, with the exception of Alberta, the federal and provincial governments provided base matching contributions equal to two thirds and one third, respectively of participant matchable deposits. The federal Government contributed the full 3 percent for Alberta;
- (b) interest paid by the federal Government on NISA funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;
- (c) interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;
- (d) The provincial share of CAIS funds received to cost/share payments to producers.

#### **Shared-cost agreements—Canadian Food Inspection Agency**

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

#### **Automated Quality Testing—Private sector**

The purpose of the account is to develop new, rapid, automated testing methods to determine the quality of grain and to commercialize them. This project is funded at least 50% from the private sector. The authority comes from Treasury Board minute N°. 827824 as at February 10, 2000.

#### **Federal/provincial agreement—Advance account**

This account was established to record deposits from non-federal partners for their share of costs under various projects. Monies are disbursed on behalf of contributors as projects are undertaken. Unused funds are to be returned to contributors.

#### **Deposits/Disbursements—Worker's Compensation Board**

This account was established under the authority of the *Canada Customs and Revenue Agency Act* and the *Worker's Compensation Act*, to enable the Canada Customs and Revenue Agency to record and forward on daily basis, funds received from Nova Scotia employers to the Worker's Compensation Board of Nova Scotia, as part of a partnership arrangement between the Agency and the Board.

#### **Miscellaneous projects deposits—Canadian Heritage**

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

#### **Special Operating Account (formerly National Archives of Canada—Donations and National Library—Special Operating Account)**

This account was established pursuant to section 18 of the *Library and Archives of Canada Act*, which also directed that (a) the account be credited with all monies received for the purpose of the Library and Archives Canada by way of donation, bequest or otherwise and (b) any amounts required for the purpose of the Act may be paid out of the account or out of money appropriated by Parliament for such purposes.

#### **Advance account—Telefilm Canada**

This account was established pursuant to section 19 of the *Telefilm Canada Act*, to reserve for use in future years moneys generated by projects funded by Telefilm Canada, and which, due to timing, remained unreinvested at year end.

#### **Immigrant investor program**

This account was established to record the receipt and disbursement of amounts received under the Immigrant Investor Program in accordance with section 12(2) of the *Immigration and Refugee Protection Act* and section 91(d) of the *Immigration and Refugee Protection Regulations*. This program allows qualified immigrants to gain permanent residence in Canada by making an investment in the Canadian economy.

#### **Miscellaneous projects deposits—Environment**

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

### **Miscellaneous projects deposits—Parks Canada Agency**

This account was established to record contributions received from organizations and individuals for various projects.

### **Common school funds—Ontario and Quebec**

This account was established under *12 Victoria 1849*, Chapter 200, to record the proceeds from the sale of lands set apart for the support and maintenance of common schools in Upper and Lower Canada, now Ontario and Quebec. Interest of \$133,889, apportioned on the basis of population, is paid directly to these provinces on a semi-annual basis, at the rate of 5 percent per annum, and is charged to interest on the public debt.

### **Foreign claims fund**

This account was established by Vote 22a, *Appropriation Act No. 9, 1966*, to record: (a) such part of the money received from the Custodian of Enemy Property, proceeds of the sale of property and the earnings of property, and, (b) all amounts received from governments of other countries pursuant to agreements entered into after April 1, 1966 relating to the settlement of Canadian claims, and also records payment of claims submitted, including payment of the expenses incurred in investigating and reporting on such claims.

### **War claims fund—World War II**

This account was established by Vote 696, *Appropriation Act No. 4, 1952*, to record moneys received from the Custodian of Enemy Property or from other sources, and payments: (a) to eligible claimants for compensation in respect of World War II; (b) of a supplementary award amounting to 50 percent of the original award (PC 1958-1467, October 23, 1958); and, (c) of expenses incurred in investigating and reporting on claims.

A War Claims Commission was established to enquire into and report on claims made by Canadians arising out of World War II for which compensation may be paid from this or any other fund established for the purpose. The expenses of the Commission are chargeable hereto.

### **Federal/provincial cost-sharing agreements**

This account was established to record the deposit of moneys received from the provinces for cost-shared programs according to official signed agreements.

### **Miscellaneous projects deposits—Fisheries and Oceans**

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

### **Sales of seized assets**

The account was established to record the proceeds of the sale of seized items by the Department of Fisheries and Oceans from a person contravening the *Fisheries Act*. Monies so received are held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans or the courts.

### **Canada Foundation account**

This account was established by Vote 6g, *Appropriation Act No. 2, 1967*, to record monies received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954 between Canada and Italy, and disbursements for the purposes of the said agreements.

### **Financial assistance to Canadians abroad**

This account was established to record monies received from families or friends as prepayment for financial assistance to distressed Canadians abroad.

### **Funds from non-governmental organizations—Foreign Affairs and International Trade (Foreign Affairs)**

This account was established to record monies received as prepayment for services to be performed by the Department of Foreign Affairs and International Trade on behalf of third parties.

### **Shared-cost projects—Foreign Affairs and International Trade (Foreign Affairs)**

This account was established to record monies received from organizations outside the Government of Canada accounting entity for shared-cost projects.

### **Shared-cost projects—International conferences**

This account was established to record deposits received and payments made in accordance with authorities for shared-cost projects concerning International Conference Agreements.

### **Funds from non-governmental organizations—Foreign Affairs and International Trade (International Trade)**

This account was established to record monies received as prepayment for services to be performed by the Department of Foreign Affairs and International Trade on behalf of third parties.

### **Shared-cost projects—Foreign Affairs and International Trade (International Trade)**

This account was established to record monies received from organizations outside the Government of Canada accounting entity for shared-cost projects.

**Shared-cost agreements—NAFTA Secretariat, Canadian Section**

This account was established to record monies received from the United States and the Mexican Section of the NAFTA Secretariat, for the development and administration of common information management systems.

**Canadian Sports Pool Corporation—Other outstanding liabilities**

This account was established to record moneys received at the dissolution of the Canadian Sports Pool Corporation which are to be used to pay any liabilities of the Corporation.

During the year, the account was closed.

**Collaborative research projects**

This account was established to record funds received from client groups for cost shared and joint project research agreements.

**Miscellaneous federal/provincial projects—Health**

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial/territorial projects which address health issues which are national in scope.

**Pan American Health Organization**

This account was established to record funds for a collaborative laboratory and epidemiology strengthening project for the prevention and control of selected enteric pathogens and their antibiotic resistance pattern in the region of the Americas. It also includes a project to strengthen epidemiological and laboratory infrastructure for the diagnosis and surveillance of *S. pneumoniae* in support of vaccine development.

During the year, the account was closed.

**World Health Organization**

This account was established to record funds received from the World Health Organization, for scientific projects.

**Federal/provincial shared-cost project—Human Resources and Skills Development**

This account was established to record the deposit of advance payments made by provinces towards the costs of projects and programs for which there is a cost-sharing agreement with the federal Government. Disbursements are made to pay the provinces' share of costs per official agreements or to refund unused amounts.

**Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS)**

This account was established to record advance payments received from provincial governments to cover their share of the costs of the ICEMS Project. Advance payments are made pursuant to the ICEMS Framework Agreement. The costs incurred are charged to the account and any unexpended funds will be returned to provinces at the end of the project.

**Labour standards suspense account**

This account was established under the authority of section 23 of the Canada Labour Standards Regulations to record wages received by the Minister of Labour from employers who cannot locate employees. Efforts are then made to locate employees. Wages are paid out when employees are located or when employees contact the department for payment.

**PanAsia Research and Development Grants Program**

This account was established to record monies being administered on behalf of the International Development Research Centre for various grants to support research and development and research projects in Asia and Pacific region in networking applications, technologies and regulatory issues. The project addresses the region's economic, social and environmental problems.

During the year, the account was closed.

**Shared-cost agreements—Canadian Centre for Occupational Health and Safety**

This account represents monies contributed to a joint federal/provincial sponsored inquiries services provided by Canadian Centre for Occupational Health and Safety.

During the year, the account was closed.

**Federal/provincial shared-cost project—Human Resources Development (Social Development)**

This account was established to record the deposit of advance payments made by provinces towards the costs of projects and programs for which there is a cost-sharing agreement with the federal Government. Disbursements are made to pay the provinces' share of costs per official agreements or to refund unused amounts.

**Indian special accounts**

Indian special accounts represent a number of non-interest bearing accounts which are maintained for specific purpose and include the following:

- (a) Quebec fur account—This account was established to record moneys received from the sales of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for tallymen's wages, freight costs, etc.

- (b) Off-reserve housing program—Personal Contributions—This account was established to record personal contributions held in trust until paid to the vendor, builder or legal representative.
- (c) Fines—Indian Act—Fines collected as defined in section 104 of the *Indian Act*, are credited to this account for the benefit of the bands or members of the bands. Expenditures may be made per the direction of the Governor in Council to cover certain costs in the administration or promotion of the purpose of the relative law.

#### **Indian band funds—Shares and certificates**

This account was established under the *Indian Act*, to record the historical value of Transalta Utilities Ltd shares received as compensation for a power line right-of-way on the Blood Indian reserve. These shares are held in the name of the Receiver General for Canada for the credit of the Blood Indian Band. Any dividends received are credited to the revenue account of the Blood Indian Band.

#### **Indian compensation funds**

This holding account was established to record moneys received from the sales of Indian lands and easement compensation where the title has not been cleared nor the land survey completed.

#### **Indian moneys suspense account**

This account was established to hold moneys received for individual Indians and bands, that cannot be disbursed to an Indian, or credited to an Indian Band Fund or Individual Trust Fund account, pending execution of the related lease, permit or licence, settlement of litigation, registration of the Indian or identification of the recipient.

#### **Non-Indian moneys**

This account was established to collect “Provincial Mineral Revenues” on behalf of the Province of Saskatchewan and remit the same in the manner as described in an agreement between the two parties. The collection and remittance arrangement is anticipated to terminate upon the expiry or forfeiture of all Replacement Mineral Dispositions or earlier if the Disposition Holders decide to stop drilling. All revenue moneys collected, received or held by the Crown for the use and benefit of the First Nations or its members cease to be Indian moneys and must be transferred to the First Nations. Moneys must be held separately in a non-Indian moneys account. This account is interest bearing.

#### **Canada/Provinces Business Service Centre**

This account was established to record monies received from other provinces under cost-sharing agreements for the Canada-Ontario Business Service Centre.

#### **Income from securities in trust—Bankruptcy and Insolvency Act**

This account was established by sections 78, 84, 154 and 194 of the *Bankruptcy and Insolvency Act*, to record dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients’ names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are forwarded to the Superintendent of Bankruptcy for safekeeping.

#### **Petro-Canada Enterprises Inc—Unclaimed shares**

This account was established by Section 227 of the *Canada Business Corporation Act* to record the liability to shareholders who have not presented their shares for payment.

#### **Securities in trust—Bankruptcy and Insolvency Act**

This account was established by section 67 of the *Bankruptcy and Insolvency Act*, to record the value of securities originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

#### **Shared-cost/joint project agreements—Research**

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

#### **Shared-cost projects—Industry**

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

#### **Unclaimed dividends and undistributed assets—Bankruptcy and Insolvency Act**

This account represents amounts credited to the Receiver General in accordance with the provisions of section 154 of the *Bankruptcy and Insolvency Act*, pending distribution to creditors.

#### **Unclaimed dividends and undistributed assets—Canada Business Corporations Act**

This account was established in accordance with sections 227 and 228 of the *Canada Business Corporations Act*, for the purpose of recording liabilities to creditors and shareholders who have not been located. The account is charged when funds are paid to them.

### **Unclaimed dividends and undistributed assets—Winding-up Act**

This account records amounts credited to the Receiver General, in accordance with sections 138 and 139 of the *Winding-up Act*, pending distribution.

### **Radarsat**

This account was established to record moneys received for both cost-sharing and advance payments for Radarsat scenes.

### **Trust fund—Natural Sciences and Engineering Research Council**

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record funds received from other governments and organizations, to cover expenditures made on their behalf, and to record the liability to other organizations.

### **Project deposits—Statistics Canada**

This account was established to record deposits received from outside parties to secure payments for special statistical services.

### **Special account—Courts Administration Service (Federal Court and Federal Court of Appeal)**

This account was established to maintain accounts on behalf of litigants before the Federal Court and Federal Court of Appeal. These accounts record the moneys paid into the Federal Court and Federal Court of Appeal, pursuant to an order of the Courts, rules of the Courts or statutes, to be held pending payment of such moneys, in accordance with an order/judgment of these Courts.

### **Foreign governments**

These accounts were established to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with the provisions of agreements with the Government of Canada.

### **Joint research and development projects—National Defence**

This account was established to record funds received from the private sector through collaborative relationships where the work is shared between the government and the private sector laboratory.

### **Non-government agencies**

This account was established to record funds received for expenditures made on behalf of non-government agencies, for which specific accounts have not been established.

### **North Atlantic Treaty Organization (NATO)—Infrastructure projects**

These accounts were established to record funds received from NATO to cover (a) NATO infrastructure projects implemented by Canada, and, (b) other expenditures to be made on NATO's behalf, in accordance with the terms of an agreement with the Government of Canada.

### **Market development incentive payments—Alberta**

This account records moneys received from the Government of Alberta, to encourage the expansion of natural gas markets in Alberta and provinces to the East, in accordance with an agreement between the Government of Canada and the Government of Alberta dated September 1, 1981 and pursuant to section 39 of the *Energy Administration Act*. The original term of the agreement was from November 1, 1981 to January 31, 1987. As a result of the Western Accord of March 25, 1985, payments from the Government of Alberta terminated as at April 30, 1986, however, payments are being made from the account for selected programs which encourage the use of natural gas for vehicles.

### **Newfoundland Offshore Revenue Account**

This account was established pursuant to section 214 of the *Canada-Newfoundland Atlantic Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Newfoundland offshore area with the Province of Newfoundland. Certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Newfoundland are charged thereto.

### **Nova Scotia Offshore Revenue Account**

This account was established pursuant to section 219 of the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Nova Scotia offshore area with the Province of Nova Scotia. Certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Nova Scotia are charged thereto.

### **Shared-cost agreements—Research—Natural Resources**

This account was established to facilitate the retention and disbursement of moneys received from private industries and other governments for joint projects or shared-cost research agreements.

### **Shared-cost projects—Natural Resources**

This account was established to facilitate the retention and disbursement of moneys received from private organizations and other governments for cost-sharing scientific projects.



**Security equipment purchases**

Funds deposited in this account by licensees are used to provide for payment of purchases of security equipment for the licensees' facilities in accordance with security arrangements mandated pursuant to the *Nuclear Safety and Control Act*.

**Installation of specialized monitoring equipment**

The purpose of this account is to hold funds provided by the International Atomic Energy Agency (IAEA). These funds are expended towards a joint Canadian Nuclear Safety Commission (CNSC) and International Atomic Energy Agency (IAEA) project for the installation of specialized monitoring equipment occurring at four of Canada's nuclear generating facilities pursuant to the *Nuclear Safety and Control Act* and Canada's International Obligations under Safeguards.

**Crown Corporation Trusts—Donations**

This account was established to record, on a temporary basis, (a) donations intended for the development and operations of the Downsview Park, Toronto; and, (b) donations from private sector entities to support the Old Port of Montreal.

**Shared-cost projects—Media travel expenses**

This account record medias' (non-governmental organizations) reimbursements for travel arrangement services rendered to them.

**Credit card—Special project fund**

This account was established to record funds received from American Express (AMEX) to improve the Travel Program.

**Francophone Summits**

This account was established to record moneys granted since 1994 by the «Agence de la Francophonie (Paris)» for completing projects involving the industrialization of the French language and partner languages as well as the promotion of new French terms in both scientific and technical fields.

**Military purchases excess funds deposit**

This account was established by a written agreement between Canada and the United States, to record temporarily unused funds paid to the United States Government under contracts for purchases of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

**Joint research and development projects—Solicitor General (Public Safety and Emergency Preparedness)**

This account was established to record funds received to conduct joint research and development projects.

**Joint research and development projects—Royal Canadian Mounted Police**

This account was established to record monies received from other government organizations in order to share costs incurred under various research project agreements.

**Seized assets—Canadian funds**

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

**Shared-cost agreements—Veterans Affairs**

This account was established to record transactions relating to share of costs incurred under federal/provincial cost-sharing agreements and funding for research projects.

**Jobs and economic restoration initiative**

This account was established through a federal-provincial cost-shared program designed to help prevent permanent job loss in flood affected areas and to restore economic activity.

## SUPPLEMENTARY STATEMENTS

### Canada Pension Plan

#### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canada Pension Plan have been prepared by management of Social Development Canada in accordance with the Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the data in these financial statements, including the amounts which must, of necessity, be based on best estimates and judgements. The financial information presented throughout the *Annual Report* is consistent with the financial statements.

In support of its responsibilities, management has developed and maintains systems of internal control and supporting procedures. They are designed to provide reasonable assurance that assets are safeguarded, recorded and properly maintained and transactions are properly authorized and are in accordance with the *Canada Pension Plan* and *Financial Administration Act* and accompanying regulations. These controls include the establishment of an organizational structure that provides a well-defined division of responsibilities and accountability, the selection and training of qualified staff, and the communication of policies and guidelines throughout the organization. Internal controls are reviewed and evaluated by both internal and external auditors in accordance with its respective audits. Management also reviews the recommendations of its internal and external auditors for improvements in internal controls.

The Auditor General of Canada, the external auditor of the Canada Pension Plan, has conducted an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards and has reported to the Minister of Social Development.

DAVID BAXTER  
*Comptroller*  
*Social Development Canada*

NICOLE JAUVIN  
*Deputy Minister*  
*Social Development Canada*

August 25, 2005

#### AUDITOR'S REPORT

TO THE MINISTER OF SOCIAL DEVELOPMENT

I have audited the statement of net assets of the Canada Pension Plan as at March 31, 2005 and the statements of changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the management of Social Development Canada. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Canada Pension Plan as at March 31, 2005 and the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
August 25, 2005

**Canada Pension Plan—Continued**

## CANADA PENSION PLAN

## STATEMENT OF NET ASSETS

AS AT MARCH 31

(in millions of dollars)

	2005	2004
Assets		
Investments		
CPP Investment Fund—at fair value (Note 4)		
Provincial and territorial bonds . . . . .	16,693	25,397
Canada bonds . . . . .	2,641	4,070
CPP Investment Board—at fair value (Note 6) . . . . .	58,722	32,894
Cash		
Deposit with Receiver General for Canada . . . . .	2,771	7,483
Receivables		
Contributions . . . . .	2,278	1,946
Accrued interest . . . . .	550	862
Régime des rentes du Québec . . . . .	30	28
Beneficiaries (Note 7) . . . . .	36	36
	83,721	72,716
Liabilities		
Accounts payable . . . . .	32	55
Accrued pensions and benefits . . . . .	52	51
Taxes due to Canada Customs and Revenue Agency . . . . .	84	
CPP Investment Board's liabilities, net of its other assets . . . . .	142	99
	310	205
Net assets . . . . .	83,411	72,511
Net assets, represented by:		
Canada Pension Plan Investment Fund . . . . .	19,334	29,467
Accumulated transfers to CPP Investment Board (Note 5) . . . . .	50,627	29,824
Accumulated net gain from Investment Board's operations . . . . .	7,953	2,971
Canada Pension Plan Account (Note 8) . . . . .	2,771	7,483
CPP receivables, net of liabilities . . . . .	2,726	2,766
Net assets . . . . .	83,411	72,511

Contingencies (Note 12)

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

Approved by Social Development Canada:

DAVID BAXTER

*Comptroller**Social Development Canada*

NICOLE JAUVIN

*Deputy Minister**Social Development Canada*

**Canada Pension Plan—Continued**

CANADA PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31  
(in millions of dollars)

	2005	2004
Net assets, beginning of year .....	72,511	57,251
Increase in assets		
Contributions (Note 9) .....	28,941	28,029
Investment income (Note 10) .....	6,108	10,248
	35,049	38,277
Decrease in assets		
Pensions and benefits		
Retirement .....	16,822	15,880
Survivors .....	3,333	3,194
Disability .....	2,926	2,850
Disabled contributor's child .....	258	257
Death .....	249	255
Orphan .....	216	213
Net overpayments .....	(41)	(42)
	23,763	22,607
Administration costs (Note 11) .....	386	410
	24,149	23,017
Increase in net assets .....	10,900	15,260
Net assets, end of year .....	83,411	72,511

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

**Canada Pension Plan—Continued**

## CANADA PENSION PLAN

STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED MARCH 31  
(in millions of dollars)

	2005	2004
Cash flow provided by operating activities		
Cash receipts:		
Contributions .....	28,609	27,714
Interest from CPP Investment Fund .....	2,071	2,572
Interest on deposit with Receiver General for Canada .....	135	188
Recoveries from Régime des rentes du Québec .....	265	288
Recoveries from beneficiaries .....	41	37
	31,121	30,799
Cash payments:		
Pensions and benefits .....	(23,718)	(22,634)
Repayments to Régime des rentes du Québec .....	(268)	(251)
Administration costs .....	(409)	(430)
	(24,395)	(23,315)
	6,726	7,484
Cash flow used in investing activities		
Transfers to CPP Investment Board (including interest collected on its behalf) .....	(18,668)	(8,134)
Transfers from CPP Investment Board .....	6,669	
Disposals of bonds net of reinvestments - CPP Investment Fund .....	561	1,040
	(11,438)	(7,094)
Net increase/(decrease) in the deposit with Receiver General for Canada .....	(4,712)	390
Deposit with Receiver General for Canada, beginning of year .....	7,483	7,093
Deposit with Receiver General for Canada, end of year .....	2,771	7,483

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

## Canada Pension Plan—Continued

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

## 1. Description of the Canada Pension Plan

## (a) Description of the CPP

The Canada Pension Plan (CPP) is a federal/provincial plan established by an Act of Parliament in 1965.

The CPP began operations in 1966. It is a compulsory and contributory social insurance program operating in all parts of Canada, except Quebec, which operates the Régime des rentes du Québec, a comparable program. The Plan's objective is to provide a measure of protection to workers and their families against the loss of earnings due to retirement, disability or death.

The Minister of Social Development is responsible for the administration of the *Canada Pension Plan* (the *CPP Act*); the Minister of National Revenue is responsible for collecting contributions. The Minister of Finance and his provincial counterparts are responsible for setting CPP contribution rates, pension and benefit levels and funding policy.

The financial activities of the Canada Pension Plan are recorded in the CPP Account (Note 8). The plan assets are held by the CPP Investment Fund (Note 4) and the CPP Investment Board (Note 6). The financial transactions affecting the Account and the Investment Fund are governed by the *CPP Act* and regulations. The Investment Board's transactions are governed by the *Canada Pension Plan Investment Board Act* and the accompanying regulations.

As stated in the *CPP Act*, changes to this Act require the approval of at least two-thirds of the provinces having, in the aggregate, not less than two-thirds of the population of all included provinces.

## (b) Financing

CPP is financed by contributions and investment returns. Employers and employees pay contributions equally to CPP. Self-employed workers pay the full amount.

CPP was designed initially to be financed on a pay-as-you-go basis, which means that the Plan would operate on a current basis with pensions and benefits being paid out of current contributions. With changes made to the Act in 1997, CPP is now intended to be funded on a "steady-state"—basis that is, combined contributions of 9.9 percent of pensionable earnings will provide a capitalization level of 25 percent of the Plan's liability within about 15 years.

From 1966 to 1986, the combined employer-employee contribution rate remained at 3.6 percent of pensionable earnings. In 1987, it was raised to 3.8 percent and

increased yearly by 0.2 percent to reach 5.6 percent in 1996. In the years 1997 to 2003, the combined contribution rate was increased annually to reach 9.9 percent. The maximum combined contribution for 2005 was \$3,722 (2004 - \$3,663).

The *CPP Act* provides that an actuarial report shall be prepared every three years for purposes of the review of the financial state of the CPP by the Minister of Finance and his provincial counterparts. The *Twenty-first Actuarial Report of the Chief Actuary of the Office of the Superintendent of Financial Institutions* was tabled on December 8, 2004. The CPP is financially sound and the 9.9 percent combined employee-employer contribution rate reached in 2003 is expected to be sufficient to sustain the Plan in the face of an aging population.

A number of assumptions such as long term rate of return on assets, inflation rate, mortality rates, increase in salary and benefit rates, among other things, were used in the 21<sup>st</sup> CPP Actuarial Report. These assumptions reflect best estimates of future economic and demographic events. The next actuarial report as at December 31, 2006 is expected to be completed by December 2007.

## (c) Net assets of the Plan

The net assets of the Plan are composed of the deposit with the Receiver General for Canada, and investments held by the CPP Investment Fund and the CPP Investment Board. They represent funds accumulated for the payment of pensions, benefits and administration costs. This amount does not cover the actuarial present value of accrued pensions and benefits. As at March 31, 2005, the net assets of the Plan are of \$83 billion (2004 - \$72.5 billion). This amount represents approximately 3.5 times the total of pensions and benefits in 2005 (2004 - 3.2 times). According to the 21<sup>st</sup> Actuarial Report, this is expected to grow to 5.6 times by 2021.

## (d) Pensions and benefits

**Retirement pensions**—A retirement pension is payable to each contributor at age 60 or older, according to the provisions of the Act. The monthly amount is equal to 25 percent of the contributor's average monthly pensionable earnings during the pensionable period. The amount may be reduced or increased depending upon whether the contributor applies for a retirement pension before or after age 65. This adjustment cannot exceed 30 percent. The maximum new monthly pension payable at age 65 in 2005 is \$828.75 (2004 - \$814.17).

**Disability benefits**—A disability benefit is payable to a contributor who is disabled, according to the provisions of the Act. The amount of the disability benefit to

**Canada Pension Plan —Continued**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005—Continued

be paid includes a flat-rate portion and an amount equal to 75 percent of the earned retirement pension. The maximum new monthly disability benefit in 2005 is \$1,010.23 (2004 - \$992.80).

**Survivor's benefits**—A survivor's benefit is payable to the spouse or common-law partner (the beneficiary) of a deceased contributor, according to the provisions of the Act. For a beneficiary under the age of 65, the benefit consists of a flat-rate portion and an amount equal to 37.5 percent of the deceased contributor's earned retirement pension. A beneficiary between the ages of 35 and 45 who is not disabled or who has no dependent children receives reduced benefits. For beneficiaries aged 65 and over, the benefit is equal to 60 percent of the retirement pension granted to the deceased contributor. The maximum new monthly benefit payable to a beneficiary in 2005 is \$497.25 (2004 - \$488.50).

**Disabled contributor's child and orphan benefits**—According to the provisions of the Act, each child of a contributor who is receiving disability benefits or who died is entitled to a benefit as long as the child is under the age of 18, or is between the ages of 18 and 25 and attending school full-time. The flat-rate monthly benefit in 2005 is \$195.96 (2004 - \$192.68).

**Death benefits**—According to the provisions of the Act, a death benefit is a one-time payment to, or on behalf of, the estate of a contributor. The benefit amounts either to 10 percent of the maximum pensionable earnings in the year of death or six times the monthly retirement pension granted to the deceased contributor, whichever is less. The maximum death benefit in 2005 is \$2,500 (2004 - \$2,500).

**Pensions and benefits indexation**—As required by the Act, pensions and benefits are indexed annually based on the Consumer Price Index for Canada. The rate of indexation for 2005 is 1.7 percent (2004 - 3.2 percent).

## 2. Significant accounting policies

*(a)* Basis of presentation

These financial statements present the financial position, the changes in net assets and the cash flows of the Canada Pension Plan. They include the financial position of the CPP Investment Board and the results of its operations. These financial statements are prepared in accordance with Canadian generally accepted accounting principles for public sector entities and conform to the disclosure and accounting requirements of the *CPP Act*.

These financial statements do not provide information on the actuarial estimates required to meet future obligations of the CPP since the CPP Act does not require that the pensions and benefits be pre-funded.

The CPP, which is under joint control of the Government of Canada and participating provinces, is not considered to be part of the reporting entity of the Government of Canada. Accordingly, its financial activities are not consolidated with those of the Government.

*(b)* Valuation of investments

Investments are stated at fair value.

Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

**Bonds held by the CPP Investment Fund and the CPP Investment Board**—The fair value is determined by calculating the present value of bonds' projected cash flows. The discount rate used is based as appropriate on the provincial, territorial or Government of Canada market rates. The fair value includes a further discount for the non-marketable, non-transferable, and rollover characteristics of the bonds.

Bonds issued by the provincial and territorial governments can be redeemed prior to maturity at the option of these governments or renewed for another 20 years. There are distinct calculation methods for bonds early redemption or renewal that do not take into consideration the non-marketable and non-transferable characteristics.

Any early redemption or renewal could therefore result in transactions at amounts that differ from the recorded fair value of the bonds.

**Other investments held by the CPP Investment Board**—The fair value is determined as follows: quoted market prices for publicly traded equities and unit values for pooled funds. Unit values reflect the quoted market prices of the underlying securities.

In the case of private equity investments, where quoted market prices are not available, fair value is determined annually, commencing after the first year of ownership, based on carrying values and other relevant information reported by external managers of the limited partnerships or funds in which the investments are made. These carrying values are determined by the external

Canada Pension Plan —Continued

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005—Continued

managers using accepted industry valuation methods. These methods include considerations such as earnings multiples of comparable publicly traded companies, discounted cash flows and third party transactions, or other events which suggest material impairment or improvement in the value of the investment. On a quarterly basis, when, there is evidence of a significant change in fair value, the valuation is adjusted, as appropriate. In the first year of ownership, cost is generally considered to be an appropriate estimate of fair value for private equity investments and infrastructure funds, unless there is an indication of permanent impairment of value.

The fair value of private market investments in real estate properties is determined annually, commencing after the first year of ownership, using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions. In the first year of ownership, cost is generally considered to be an appropriate estimate for fair value of real estate unless there is an indication of permanent impairment of value. Debt on real estate investments is valued using discounted cash flows based on current market yields for instruments with similar characteristics.

Fair value for over-the-counter derivatives such as swaps and forward contracts is determined based on market prices for underlying assets. Fair value of exchange-traded futures is based on quoted market prices.

Money market securities are recorded at cost which, together with accrued interest income, approximates fair value.

(c) Contributions

Contributions include CPP contributions earned for the year. The Canada Customs and Revenue Agency collects contributions and measures them using the assessment of tax returns. In determining the amount of contributions earned for the year, the Agency considers cash received and contributions assessed, and makes an estimate for contributions related to tax returns not yet assessed. This estimate is subject to review and adjustments. Adjustments, if any, are recorded as contributions in the year they are known.

(d) Investment income recognition

CPP Investment Fund income is recorded on the accrual basis and includes unrealized gains and losses on bonds held at the end of the year.

CPP Investment Board's net income from operations represents the Investment Board's investment income, less investment and administrative expenses. Investment income is recorded on the accrual basis and includes realized gains and losses on disposal of investments, unrealized gains and losses on investments held at the end of the year, dividend income (recognized on ex-dividend date), interest income, distributions from partnerships and trusts, and net operating income from private market real estate investments.

Realized gains and losses on investments sold during the year represent the difference between sale proceeds and cost, less related costs of disposition. Unrealized gains and losses represent in the difference between fair value and cost of investments. The current year unrealized gains and losses represent the year-over-year change in this difference.

(e) Translation of foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Investments denominated in foreign currencies and held at the year end are translated at exchange rates in effect at the year end date. The resulting realized and unrealized gains and losses are included in investment income.

(f) Pensions and benefits

Pensions and benefits are recorded when payable.

(g) Net overpayments

Net overpayments are composed of overpayments of pensions and benefits that were established during the year less remissions of debts granted.

(h) Administration costs

Administration costs are recorded in the year to which they relate.

(i) Use of estimates

The preparation of financial statements in accordance with the Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and revenue and expenses for the year. Actual results could differ from these estimates. The most significant estimates are related to contributions, allowance for doubtful accounts, the fair value of the bonds held by the CPP Investment Fund and the fair value of investments held by the CPP Investment Board.



**Canada Pension Plan —Continued**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005—Continued

3. Implementation of the legislative amendment

Legislation to amend the *Canada Pension Plan* and the *Canada Pension Plan Investment Board Act* came into force on April 1, 2004. The amended legislation and a related administrative agreement provide for the transfer of CPP assets, that were administered by the federal government, to the CPP Investment Board, beginning in 2004. These assets consist of the bonds held by the CPP Investment Fund and a portion of the Deposit with the Receiver General for Canada. The CPP Investment Board, and the federal government have signed an agreement governing the process for the transfer of the assets.

The bonds will be transferred to the CPP Investment Board over a three year period beginning in May 2004. Funds on Deposit with the Receiver General for Canada will be transferred over a period of twelve months beginning in September 2004.

The amended legislation and related administrative agreement also provide for the weekly transfer of any amounts held in the Canada Pension Plan Account to the CPP Investment Board that exceed the immediate obligations of the CPP.

4. Investments held by the CPP Investment Fund

The Canada Pension Plan Investment Fund was established in the accounts of Canada by the *CPP Act* to record the Plan's investments in bonds of the provinces, territories and Canada. The CPP Investment Fund's bond portfolio is administered by the federal Department of Finance.

Until the end of 1997, the investments in provincial, territorial and federal government bonds were made with the cash on hand in excess of the Plan's forecast three-month operating requirement. These bonds were not marketable and had a 20-year term (or less) as fixed by the Minister of Finance on the recommendation of the Chief Actuary of the Office of the Superintendent of Financial Institutions. The interest rate on the bonds was determined by the Minister of

Finance based on the average yield to maturity of all outstanding Government of Canada obligations with terms of 20 years or more. When these bonds matured, funds not required for payment of pensions and benefits were re-invested in new bonds.

Since 1998, a maturing provincial or territorial bond may be re-invested in a new bond only once for a term of 20 years, if both the issuer asks to do so and the operating balance is sufficient to pay current pensions and benefits. Excess funds not re-invested are transferred to the CPP Investment Board.

The re-invested bonds remain not marketable and bear interest at a rate fixed by the Minister of Finance. The interest rate is substantially the same rate that the province would pay if it were to borrow the same amount for the same term through the issuance of a bond on the public capital markets. Interest earned on the investments is paid semi-annually to the CPP Account.

During the year, all disposals of bonds were made, at maturity date, at face value. The bonds are redeemable in whole or in part before maturity. Since January 31, 2001, the provinces and territories are permitted to redeem their bonds held by the CPP Investment Fund prior to their maturity at a value equivalent to market value. No bonds were redeemed by the provinces and the territories prior to maturity during the year ended March 31, 2005 (2004 - none).

In accordance with the amended legislation and the related administrative agreement, the bonds held by the CPP Investment Fund will be transferred to the CPP Investment Board on a monthly basis as explained in note 3. As at March 31, 2005, 11/36<sup>th</sup> of the Investment Fund was transferred (approximately \$8.8 billion).

The bonds held by the CPP Investment Fund are exposed to interest rate risk. Interest rate risk refers to the risk of an adverse change in the fair value of the bonds as a result of an unfavourable movement in market interest rates.

## Canada Pension Plan —Continued

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005—Continued

The following table provides information on disposals, re-investments, unrealized gains/(losses) of bonds as well as bonds transferred to the CPP Investment Board and the remaining balance held by the CPP Investment Fund:

## CPP INVESTMENT FUND

(in millions of dollars)

	March 31, 2004			March 31, 2005		
	at cost	Disposals	Re-investments	at cost	March 31, 2005 at fair value	March 31, 2004 at fair value
Newfoundland and Labrador . . . . .	633	47	47	633	698	714
Prince Edward Island . . . . .	140	11	11	140	155	159
Nova Scotia . . . . .	1,079	86	86	1,079	1,196	1,232
New Brunswick . . . . .	834	67	67	834	921	940
Quebec . . . . .	96	5	5	96	108	111
Ontario . . . . .	10,233	1,133	1,133	10,233	11,377	11,687
Manitoba . . . . .	1,002	119		883	997	1,167
Saskatchewan . . . . .	1,082	104		978	1,095	1,241
Alberta . . . . .	3,144	339	78	2,883	3,253	3,661
British Columbia . . . . .	3,934	355	199	3,778	4,234	4,481
Yukon Territory . . . . .	4			4	4	4
	22,181	2,266	1,626	21,541	24,038	25,397
Canada . . . . .	3,352	17		3,335	3,803	4,070
	25,533	2,283	1,626	24,876	27,841	29,467
CPP Investment Board's share . . . . .	*	(237)	(141)	(7,601)	(8,507)	
CPP's share . . . . .	25,533	2,046	1,485	17,275	19,334	29,467

\* CPP transferred to CPP Investment Board bonds with a cost of \$7,697 during the year ending March 31, 2005.

In order to reflect the non-marketable and non-transferable characteristics of the bonds, an additional discount factor has been used in determining the fair value. The use of this additional discount factor reduced the reported fair value by \$1.19 billion (1.26 billion in 2004). The following

schedule presents the fair value of the bonds by maturity dates and the average annual rate of return on bonds currently held based on current effective yields for similar type bonds:

	2005		2004	
	Investments at fair value	Effective yield	Investments at fair value	Effective yield
Investments maturing				
Within 1 year . . . . .	1,620	5.26%	2,254	5.31%
1 to 5 years . . . . .	7,268	5.01%	10,812	4.62%
Over 5 years . . . . .	10,446	5.54%	16,401	5.35%
Total—Investments . . . . .	19,334		29,467	
Average effective yield on investments . . . . .		5.32%		5.08%

## Canada Pension Plan —Continued

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005—Continued

## 5. Accumulated transfers to the CPP Investment Board

	2005	2004
	(in millions of dollars)	
Accumulated transfers, beginning of year .....	29,824	21,690
Transfers of bonds titles and accrued interest .....	* 8,804	
Transfers of funds to CPP Investment Board .....	18,668	8,134
Transfers of funds from CPP Investment Board .....	(6,669)	
	50,627	29,824

\* Based on fair market value at the time of transfer.

## 6. Investments held by the CPP Investment Board

The Canada Pension Plan Investment Board (CPPIB) was established by an Act of Parliament in 1997. The *Canada Pension Plan Investment Board Act* came into force on April 1, 1998. The purpose of the Board is to invest the funds transferred by the CPP in a diversified portfolio of investments.

The Board is designed to operate at arm's length from the government. It is required to be accountable to the public, Parliament (through the federal Minister of Finance), and the provinces and provides regular reports of its activities and the results achieved.

The following schedule provides information on the Board's investments as at March 31:

	2005	2004
	(in millions of dollars)	
Canadian equities, at fair value		
Public markets .....	21,044	18,046
Private markets .....	512	282
	21,556	18,328
Non-Canadian equities, at fair value		
Public markets .....	12,646	7,552
Private markets .....	2,394	1,530
	15,040	9,082
Total equities (Cost 2005 - \$32,141; 2004 - \$25,034) ..	36,596	27,410
Real return assets		
Public markets real estate .....	384	350
Private markets real estate .....	638	432
Private markets infrastructure .....	230	22
	1,252	804
Total real return assets (Cost 2005 - \$1,222; 2004 - \$829) .....		
Nominal fixed income		
Bonds transferred from the CPP Investment Fund .....	8,507	
Money market securities (Cost 2005 - \$20,614; 2004 - \$4,784) ..	12,067	4,777
	20,574	4,777
Total nominal fixed income .....		
Investment receivables (Cost 2005 - \$340; 2004 - \$68) .....	339	68
Derivatives receivable .....	240	35
Investment liabilities (Cost 2005 - \$234; 2004 - \$170) .....	(242)	(171)
Derivatives liabilities .....	(37)	(29)
Total net investments .....	58,722	32,894

The CPP Investment Board has established investment policies which set out the manner in which assets shall be invested. In determining its target asset weights, the CPP Investment Board takes into consideration certain assets of the CPP which are held outside the CPP Investment Board.

**Canada Pension Plan —Continued**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005—Continued**Private equity investments**

Private equity investments are generally made by buying interests in limited partnership with a typical term of 10 years. The private equity limited partnerships underlying investments represent equity ownerships or investments with the risk and return characteristics of equity.

The CPP Investment Board advances capital to the limited partnerships, a portion of which, commonly referred to as management fees, is used by general partners to select and provide ongoing management support to the underlying companies. Management fees generally vary between 1 percent to 2 percent of the total amount committed to the limited partnerships, and are included as part of the CPP Investment Board's cost of the investments. During the year ended March 31, 2005, management fees totalling \$70 million (2004 - \$64 million) were included in the capital advanced to the limited partnerships and recorded as part of the cost of the investment. As discussed more fully in note 2b), the carrying values of these investments are reviewed at least annually and any resulting adjustments are reflected as unrealized gains or losses in investments income.

**Real return assets**

As at March 31, 2005, investments total \$780,448,000 in real estate investments (March 31, 2004 - \$611,531,000 and \$230,125,000 in private market infrastructure (March 31, 2004 - \$22,013,000).

The CPP Investment Board obtains exposure to real estate through investments in publicly traded securities and privately held real estate. Private real estate investments are held by a subsidiary and are managed on behalf of the CPP Investment Board by external advisors and managers through co-ownership arrangements. As at March 31, 2005, the subsidiary's share of these investments includes assets of \$638,200,000 (March 31, 2004 - \$431,848,000) and \$241,752,000 of liabilities related to mortgage debt (March 31, 2004 - \$170,797,000), with a weighted average fixed interest rate of 7.64 percent and terms to maturity of two to 16 years.

The CPP Investment Board currently uses limited partnership arrangements to invest in infrastructure. The underlying investments of these limited partnerships represent equity ownerships in entities that invest in infrastructure assets which are expected to provide predictable cash flows. Management fees for infrastructure investments are treated similar to private equity management fees as discussed in the previous section. During the year ended March 31, 2005, management fees included in the capital advanced to the limited partnerships were \$1,777,000 (2004 - \$214,000).

**Derivative contracts**

A derivative is a financial contract, the value of which is derived from the value of underlying assets, indexes, interest rates or currency exchange rates.

The CPP Investment Board uses derivatives primarily to replicate the return of Canadian and Non-Canadian equities and to manage asset weights and currency exposure. The CPP Investment Board has equity swaps outstanding to exchange money market interest payments for equity returns. The CPP Investment Board also uses exchange-traded futures contracts and foreign exchange forwards to either buy or sell a specified index or currency at a specified price and date in the future. Futures are used to achieve the desired market exposure to equity markets, and foreign exchange forwards to manage currency exposure.

All derivative contracts have a term to maturity of one year or less. Notional amounts of derivative contracts are used to compute the cash flows and for determining the fair value of the contracts. Notional amounts are not recorded as assets or liabilities on CPP's Statement of Net Assets.

The notional amounts and fair value of derivative contracts held as at March 31 are as follows:

	2005		2004	
	Notional amount	Fair value	Notional amount	Fair value
Equity swaps.....	5,918	206	4,034	9
Equity futures.....	6,061	(6)	448	(3)
Foreign exchange forwards.....	2,093	3		
Total.....	14,072	203	4,482	6

**Canada Pension Plan —Continued**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005—Continued

**Securities Lending**

The CPP Investment Board participates in a securities lending program to enhance portfolio returns. Credit risk associated with the securities lending program is mitigated by requiring the borrower to provide daily collateral in the form of readily marketable investments of greater market value than the securities loaned. As at March 31, 2005, the CPP Investment Board's investments include loaned securities with an estimated fair value of \$1.4 billion (2004 - \$721 million). The fair value of collateral received in respect of these loans is \$1.5 billion (2004 - \$758 million).

**CPP Investment Board's Investment Risks**

Investments, investments receivables and investments liabilities may be exposed to one or more of the following risks:

**Currency Risk**

CPP Investment Board is exposed to currency risk through holdings of investments, investment receivables and investment liabilities in various currencies. The net underlying currency exposures, after allocating foreign currency derivatives, as at March 31, 2005 are as follows:

Currency	2005		2004	
	Net exposure	% of total	Net exposure	% of total
	(in millions of dollars)			
Canadian dollar	42,339	72	23,280	71
United States dollar	7,804	13	5,599	17
Euro	3,464	6	1,557	5
British Pound Sterling	2,086	3	932	3
Japanese Yen	1,256	2	698	2
Australian dollar	462	1	137	
Swiss Franc	340	1	349	1
Other	971	2	342	1
	58,722	100	32,894	100

**Interest Rate Risk**

Interest Rate Risk refers to the effect on the fair value of investments and liabilities due to fluctuations of interest rates. The fair value of the CPP Investment Board's bonds and mortgage debt is affected directly by changes in interest rates.

**Market Risk**

Market Risk is the risk that the value of an investment will be adversely affected by changes in market prices, whether those changes are caused by factors specific to individual investment or factors affecting all securities traded in the market. The CPP Investment Board mitigates market risk through diversification of its investment portfolio, based on asset and risk limits established in the investment policies.

**Credit Risk**

The CPP Investment Board limits credit risk by dealing with counterparties that have a minimum credit rating of A or R-1 (short term) as determined by a recognized credit rating agency, where available, or as determined through an internal credit rating process. Credit exposure is limited to maximum amounts as specified in the investment policies.

**Liquidity Risk**

The CPP Investment Board is exposed to liquidity risk through its responsibility for providing cash management services to the CPP. The CPP Investment Board mitigates liquidity risk through its unsecured credit facilities.

**Commitments**

The CPP Investment Board has committed to enter into investment transactions, which will be funded over the next several years in accordance with the agreed terms and conditions. As at March 31, 2005, these remaining commitments total \$5.4 billion (2004 - \$3.9 billion). As at March 31, 2005, the organization has made lease commitments of \$20 million (March 31, 2004 - \$21 million) over the next nine years.

**Other information**

The CPP Investment Board is exempt from Part I tax under paragraph 149(1)(d) of the *Income Tax Act (Canada)* on the basis that all of the shares of the CPP Investment Board are owned by Her Majesty the Queen in right of Canada. The CPP Investment Board's subsidiaries are exempt from Part I tax under paragraph 149(1)(d.2) of the *Income Tax Act (Canada)* on the basis that all of the shares of the subsidiaries are owned by a corporation whose shares are owned by Her Majesty the Queen in right of Canada.

Canada Pension Plan —Continued

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005—Continued

The CPP Investment Board's audited financial statements for the year ended March 31, 2005 are publicly available and provide details concerning the Board's investment policy, its investments and portfolio returns.

7. Receivables from beneficiaries

	2005	2004
	(in millions of dollars)	
Balance of pensions and benefits overpayments .....	82	81
Allowance for doubtful accounts.....	(46)	(45)
	36	36

Social Development Canada has procedures to detect overpayments. During the year, overpayments totalling \$46 million (2004 - \$45 million) were established and remissions of debts totalling \$5 million (2004 - \$4 million) were granted. A further \$41 million was recovered (2004 - \$37 million).

8. Canada Pension Plan Account

The CPP Account was established in the accounts of Canada by the *CPP Act*, to record the contributions, interest, pensions, benefits and administration costs of the Plan. It also records the amounts transferred to or received from the CPP Investment Fund and the CPP Investment Board.

In accordance with the amended legislation and the related agreement, funds on deposit with the Receiver General for Canada will be transferred to the CPP Investment Board on a monthly basis as explained in note 3. As at March 31, 2005, 7/12<sup>th</sup> of the funds to be transferred (approximately \$3.8 billion) have been transferred. As at March 31, 2005, the Deposit with the Receiver General for Canada is \$2,771 million (2004 - \$7,483 million).

9. Contributions

Contributions for the year are measured by Canada Customs and Revenue Agency (CCRA) using the assessment of tax returns. In determining the amount of contributions earned for the year, the Agency considers cash received and contributions assessed and makes an estimate for contributions related to tax returns not yet assessed.

Actual results may differ from these estimates. Actual contribution amounts for calendar years 2004 and 2005 will only be known once CCRA has processed all employer's and self-employed workers' declarations of contributions for these years. An adjustment for the difference between actual and estimated contributions will be recorded in the fiscal year in which the adjustment is known.

10. Investment income

	2005	2004
	(in millions of dollars)	
CPP Investment Fund income:		
Interest on bonds.....	1,941	2,500
Investment income/(loss) on bonds.....	(945)	357
Interest on deposit with the Receiver General for Canada at a weighted-average annual rate of 2.11 percent (2004 - 2.59 percent) .....	996	2,857
CPP Investment Board net income from operations:		
Net unrealized gains.....	2,182	6,050
Net realized gains.....	1,762	658
Investment income on bonds .....	319	
Dividend income.....	737	504
Other investment income.....	35	21
Investment and administrative expenses.....	(52)	(24)
	* 4,983	* 7,209
Investment income .....	6,108	10,248

\* Includes foreign exchange losses of \$867.4 million (2004 - \$392.6 million).

11. Administration costs

	2005	2004
	(in millions of dollars)	
Pension and benefit delivery, accommodation and corporate services		
Social Development Canada .....	263	
Human Resources and Skills Development Canada.....	10	
Human Resources Development Canada.....		309
Collection of contributions (Canada Customs and Revenue Agency) .....	96	85
Cheque issue and computer services (Public Works and Government Services Canada) .....	16	15
Actuarial services (Office of the Superintendent of Financial Institutions) .....	1	1
	386	410

**Canada Pension Plan —Concluded**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005—*Concluded*

Administration costs of the CPP represent the cost of services received from a number of federal government departments and an agency. Those costs are based on estimated allocations of costs and are charged to the CPP in accordance with the memoranda of understanding. For the year ended March 31, 2005, pension and benefit delivery, accommodation and corporate services, formerly provided by HRDC, are now provided by SDC and HRSDC following the creation of the two new departments.

## 12. Contingencies

At March 31, 2005, there were 8,331 (4,403 in 2004) appeals relating to the payment of CPP pensions and benefits. These contingencies are estimated at an amount of \$33 million (\$22 million in 2004). Any award made in favour of beneficiaries will be accounted for as an expense of the period in which the amount becomes determinable.

A class action was filed against the CPP for discrimination against survivors whose same-sex common-law partners died on or after April 17, 1985 and before January 1, 1998. On November 26, 2004, the Court of Appeal for Ontario ruled that eligible class members, whose partners died between April 17, 1985 and January 1, 1998, will be entitled to receive pension payments. On January 25, 2005, both the government and counsel for the class members sought leave to appeal to the Supreme Court of Canada. Both requests for leave were granted on June 23, 2005. At the time of the preparation of the financial statements the Supreme Court of Canada had not yet set a hearing date.

On July 12, 2005, the Ontario Superior Court endorsed the agreement of the Government of Canada and the counsel for the class members to pay interim Survivor's Pensions to class members who currently have an active and complete application with the department. Where the CPP eligibility criteria are met, the interim payment may have a maximum retroactive date of January 1<sup>st</sup>, 2003. In the event that the Supreme Court of Canada ultimately reverses the decisions of the lower courts, these interim payments would have to be reimbursed to the CPP. The ultimate contingency involved in this class action is still estimated at an amount between \$71 and \$132 million.

## 13. Related party transactions

In addition to the transactions disclosed in the other notes to the financial statements, the CPP has \$2,278 million (2004 - \$1,946 million) of contributions receivable from the Canada Customs and Revenue Agency and the accounts payable of \$32 million (2004 - \$55 million) to the government of Canada for the administration of the plan.

The CPP enters into transactions with the Government of Canada in the normal course of business at exchange value.

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## Government Annuities Account

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by the management of Human Resources and Skills Development Canada in accordance with Canadian generally accepted accounting principles. Management is responsible for the integrity and objectivity of the information in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions comply with relevant authorities, assets are safeguarded and proper records are maintained.

The management of Human Resources and Skills Development Canada recognises the responsibility of conducting its affairs in compliance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

The management of Human Resources and Skills Development Canada is responsible for maintaining adequate control systems and the quality of financial reporting. The financial statements have been reviewed and approved by the Department.

The independent auditor, the Auditor General of Canada, conducts an independent audit, in accordance with Canadian generally accepted auditing standards, and expresses her opinion on the financial statements and her report follows.

KAREN JACKSON  
*Assistant Deputy Minister  
Human Resources and Skills Development Canada*

TERRY M. HEARN, CMA  
*Comptroller  
Human Resources and Skills Development Canada*

June 10, 2005

### REPORT OF THE ACTUARY

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account as at March 31, 2005 and their change in the Account's statement of operations for the year then ended.

As prescribed in the *Government Annuities Regulations*, the valuation was based on the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The valuation assumed a seven percent annual interest rate, also as stipulated in the *Regulations*.

The valuation was conducted in accordance with accepted actuarial principles to the extent that they apply. Significant differences are as follows: first, the Account's assets are in the form of a deposit with the Receiver General for Canada, so actuarial liabilities were based on the present value of future payments discounted at the prescribed interest rate; second, administrative expenses are paid by the government out of general funds, so no provision is made in the valuation; and finally, given the need for a realistic valuation and based on the size and long standing existence of this group of annuitants, there are no added margins for mortality risks.

In my opinion, the valuation is appropriate, it conforms to statutory requirements and the financial statements fairly present its results.

Luc Taillon  
Fellow of the Canadian Institute of Actuaries  
Chief Actuary  
Human Resources and Skills Development Canada

Gatineau, Canada  
June 10, 2005



**Government Annuities Account—Continued**

## AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND SKILLS  
DEVELOPMENT

I have audited the balance sheet of the Government Annuities Account as at March 31, 2005 and the statements of operations and actuarial liabilities and cash flows for the year then ended. These financial statements are the responsibility of the management of Human Resources and Skills Development Canada. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

Richard Flageole, FCA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
June 10, 2005

BALANCE SHEET AS AT MARCH 31, 2005  
(in thousands of dollars)

ASSETS	2005	2004	LIABILITIES	2005	2004
Deposit with Receiver General for Canada (Note 3) . . . . .	351,187	379,800	Actuarial surplus due to Canada . . . . .	261	2,532
Accrued interest due from Canada . . . . .	26,164	28,454	Actuarial liabilities (Note 4) . . . . .	377,229	405,744
Accounts receivable . . . . .	139	22			
	<u>377,490</u>	<u>408,276</u>		<u>377,490</u>	<u>408,276</u>

Contingency (Note 7)

See accompanying notes to the financial statements.

Approved by the Department:

KAREN JACKSON  
*Assistant Deputy Minister*  
*Human Resources and Skills Development Canada*

TERRY M. HEARN, CMA  
*Comptroller*  
*Human Resources and Skills Development Canada*

## Government Annuities Account—Continued

STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES  
FOR THE YEAR ENDED MARCH 31, 2005  
(in thousands of dollars)

	2005	2004
Payments and other charges		
Annuity payments . . . . .	54,095	57,330
Premium refunds . . . . .	156	253
Unclaimed annuities . . . . .	320	260
	54,571	57,843
Income		
Interest from		
Canada (Note 3) . . . . .	26,164	28,454
Premiums (Note 3) . . . . .	72	32
Other . . . . .	81	63
	26,317	28,549
Excess of payments and other charges over income for the year . . . . .	28,254	29,294
Actuarial liabilities, beginning of year . . . . .	405,744	437,570
	377,490	408,276
Actuarial surplus due to Canada . . . . .	261	2,532
Actuarial liabilities, end of year (Note 4) . . . . .	377,229	405,744
Actuarial liabilities are comprised of:		
Deferred annuities, present value . . . . .	20,027	25,399
Matured annuities, present value . . . . .	357,202	380,345
	377,229	405,744

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2005  
(in thousands of dollars)

	2005	2004
Cash flows from (used in) operations:		
Payments to annuitants . . . . .	(54,251)	(57,583)
Unclaimed annuities paid to Consolidated Revenue Fund . . . . .	(320)	(260)
Interest received . . . . .	28,454	30,612
Premiums received from annuitants . . . . .	72	32
Other (charges) income . . . . .	(36)	141
	(26,081)	(27,058)
Actuarial surplus remitted to Consolidated Revenue Fund . . . . .	(2,532)	(3,309)
Decrease in Deposit with Receiver General for Canada . . . . .	(28,613)	(30,367)
Deposit with Receiver General for Canada, beginning of year . . . . .	379,800	410,167
Deposit with Receiver General for Canada, end of year . . . . .	351,187	379,800

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

## 1. Authority and purpose

The Government Annuities Account was established in 1908 by the *Government Annuities Act*, as modified by the *Government Annuities Improvement Act*.

The purpose of the *Government Annuities Act* was to assist individuals and groups of Canadians to prepare financially for their retirement by purchasing Government Annuities. In 1975, the *Government Annuities Improvement Act* discontinued future sales of Government Annuity contracts. Annuities are deferred until their maturity date, at which time payments to annuitants begin.

The Account is administered by Human Resources and Skills Development Canada and operates through the Consolidated Revenue Fund.

## 2. Significant accounting policies

The financial statements of the Government Annuities Account are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are:

## (a) Actuarial liabilities

The method utilized to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and regulations.

Actuarial liabilities comprise, in respect of deferred and matured annuities, the present value of such annuities actuarially determined on the basis of such rate or rates of interest and mortality tables as is prescribed.

## (b) Actuarial surplus/deficit

At the end of any fiscal year, the recorded amount of actuarial liabilities may be different than the amount of actuarial liabilities determined by the actuary. The difference is recorded as an actuarial surplus or deficit, which is remitted to or recovered from the Consolidated Revenue Fund.

## (c) Interest from Canada

Interest from Canada is recorded on the accrual basis and is calculated on actuarial liabilities as prescribed by the *Government Annuities Improvement Act*.

## (d) Unclaimed annuities

Unclaimed annuities represent amounts transferred to the Consolidated Revenue Fund in respect of annuities that could not be paid because the annuitants could not be located.

**Government Annuities Account—Concluded**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005—*Concluded*

*(e)* Management estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, actuarial liabilities, income and the disclosure of contingent liabilities at the date of the financial statements. Despite the use of management's best estimates, it is possible that the amounts for the actuarial liabilities and related accounts could change materially in the near term.

## 3. Premiums deposited with Receiver General for Canada

Premiums are deposited with the Receiver General for Canada. This deposit earns interest at a rate of seven percent in accordance with the *Government Annuities Improvement Act*. Due to the short-term nature, the carrying value of the deposit with the Receiver General for Canada approximates its fair value.

## 4. Actuarial liabilities

The *Government Annuities Act* and regulations prescribe the basis upon which actuarial values are to be determined. The regulations require the discounting of expected future payments using an annual interest rate of seven percent. Future payments are to be estimated by using the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The Chief Actuary has indicated that these assumptions provide a reasonable estimate of the actuarial liabilities of the Account.

## 5. Respective roles of the valuation actuary and of the auditor

In accordance with the Joint Policy Statement of the Canadian Institute of Chartered Accountants and the Canadian Institute of Actuaries, dated March 1991, it is appropriate to include a description of the respective roles of the actuary and of the auditor with the financial statements. Their respective roles are as follows:

*(a)* Human Resources and Skills Development Canada's Chief Actuary determines and reports on the amount of actuarial liabilities for annuity contracts issued under the *Government Annuities Act*, as shown in the financial statements. This valuation is conducted in accordance with accepted actuarial principles, as adapted to the circumstances of the Government Annuities Account. The Chief Actuary also ensures that the method used to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and regulations.

*(b)* The Auditor General of Canada expresses an opinion on the fair presentation of the financial statements prepared by management in accordance with Canadian generally accepted accounting principles. The Auditor General of Canada also expresses an opinion on whether the transactions that come to the auditor's attention are, in all significant respects, in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and regulations. The audit is conducted in accordance with Canadian generally accepted auditing standards issued by the Canadian Institute of Chartered Accountants.

## 6. Related party transactions

The Account does not record the value of administrative services, including actuarial services, it receives without charge from Human Resources and Skills Development Canada and other government entities. For the year ended March 31, 2005, the estimated cost of the administrative services received from Human Resources and Skills Development Canada amounted to \$2.6 million (2004—\$2.8 million).

## 7. Contingency

A lawsuit has been filed against Her Majesty the Queen claiming breach of the government's responsibility to properly administer the transfer of excess payments within the Account. The amount of the claim is \$8.2 million. In management's opinion, the outcome of this action cannot be determined at this time and no provision has been made in the financial statements.

**Royal Canadian Mounted Police (Dependants)  
Pension Fund**

MANAGEMENT RESPONSIBILITY FOR FINANCIAL  
STATEMENTS

The management of the Royal Canadian Mounted Police (Dependants) Pension Fund is responsible for the preparation of the financial statements. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include management's best estimates and judgements when appropriate.

Responsibility for the integrity and objectivity of the financial statements rests with the management of the Royal Canadian Mounted Police (Dependants) Pension Fund. In support of its responsibility, management has developed and maintained books, records, internal controls and management practices, designed to provide reasonable assurance as to the reliability of the financial information.

These financial statements have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Approved by:

GIULIANO ZACCARDELLI  
*Commissioner*

PAUL GAUVIN  
*Deputy Commissioner  
Corporate Management  
and Comptrollership*

July 22, 2005

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC SAFETY AND EMERGENCY  
PREPAREDNESS

I have audited the statement of net assets available for benefits of the Royal Canadian Mounted Police (Dependants) Pension Fund as at March 31, 2005 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at March 31, 2005 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Douglas G. Timmins, CA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
July 22, 2005

## Royal Canadian Mounted Police (Dependants) Pension Fund—Continued

### STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT MARCH 31

	2005	2004
	\$	\$
Net assets available for benefits		
Due from the Consolidated Revenue Fund .....	30,493,751	30,805,139

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

### STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS YEAR ENDED MARCH 31

	2005	2004
	\$	\$
Net assets available for benefits, beginning of year .....	30,805,139	30,919,035
Increase in net assets:		
Interest income on amount due from the Consolidated Revenue Fund .....	2,404,210	2,477,090
Contributions .....	8,906	9,723
Total increase in net assets .....	2,413,116	2,486,813
Decrease in net assets:		
Benefit payments .....	(2,724,504)	(2,600,709)
Decrease in net assets .....	311,388	113,896
Net assets available for benefits, end of year .....	30,493,751	30,805,139

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

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31

#### 1. Description of the Fund

The following summary description of the Royal Canadian Mounted Police (Dependants) Pension Fund (the Fund) is for general information only. For more complete information, reference should be made to the *Royal Canadian Mounted Police Pension Continuation Act* (the Act). All monetary transactions of the Fund are made through a specified purpose account in the Consolidated Revenue Fund (CRF).

##### (a) General

The Royal Canadian Mounted Police (Dependants) Pension Fund was established in 1934 pursuant to the *Royal Canadian Mounted Police Act* and is currently operated under Part IV of the *Royal Canadian Mounted Police Pension Continuation Act* (effective 1959) and the related Regulations.

The Act provides for members of the Force, other than commissioned officers, appointed before March 1, 1949, to purchase certain survivorship benefits for their dependants by payment of specified contributions.

##### (b) Funding policy

All eligible members have now retired and, as such, there are no more active members contributing to the Fund; however, retired members may continue to make instalment payments in respect of previous elections made before their retirement.

The Act directs the Minister of Finance to have an actuarial valuation of the Fund prepared at least every five years. If the actuarial valuation discloses a surplus, the Governor in Council may, by order, increase the benefit payments. If there is an actuarial deficiency, the Governor in Council may direct that there be amounts transferred to the Fund, out of any unappropriated moneys in the CRF, as may be required to re-establish the solvency of the Fund.

##### (c) Interest income

The Government of Canada credits the Fund with interest computed quarterly on the amount due from the Consolidated Revenue Fund at the end of the preceding quarter. The rate of interest is determined by the Minister of Finance on a quarterly basis and is equal to the rate used in other government Superannuation accounts. The rate is calculated as though the amounts recorded were invested in a notional portfolio of Government of Canada 20 year bonds.

**Royal Canadian Mounted Police (Dependants)  
Pension Fund—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31—Continued

(d) Basic death benefits

The following benefits, as applicable, are payable on the death of a member who has made the scheduled contributions and has left them in the Fund.

i) Widow's pension benefit

The widow is entitled to the pension purchased by the member. In many cases the pension benefit equals approximately 1.5 percent of the member's final pension benefit payment multiplied by his years of credited service. The pension benefit is payable for life with a guarantee that the total payments shall be no less than the member's contributions.

ii) Eligible children's annuities

An annuity, not exceeding 7 percent of the member's final pension payment, is payable to each surviving child eligible in accordance with the provisions of the *Act* at that time. If there is no surviving widow or if the widow dies before the child's annuity ceases, the amount of the annuity doubles.

iii) Lump sum benefits

If a member is not survived by a widow, a lump sum payment is made to the dependants and relatives of the member who are, in the opinion of the Minister, best entitled to share the benefit. The lump sum amount is equal to the actuarial present value of a pension to a hypothetical surviving widow 20 years older than the member at his death, but not exceeding 75 years of age.

iv) Benefit limitations

Under certain circumstances, the basic death benefits payable to a surviving widow are reduced. This can occur when a member marries after age 60; in that case, the value of the pension to the widow cannot exceed the lump sum payable if he were not survived by a widow.

(e) Dividends on death benefits

The *Act* provides that if the Fund is substantially in excess of the amount required to make adequate provision for the prospective payments, the Governor in Council may, by order, increase the benefits provided under Part IV of the *Act* in such manner as may appear equitable and expedient. The authority of the Governor in Council is delegated to the Treasury Board under section 7(2) of the *Financial Administration Act*.

To date, most of these benefit increases have taken the form of proportionate dividends applied to all basic death benefits, both accrued and prospective.

(f) Withdrawal of contributions

A retired member who did not elect to withdraw his contributions from the Fund upon retirement retains the right to do so at any time thereafter; however, all his rights under Part IV of the *Act* and those of his dependants shall cease upon such election. All returns of contributions are made without interest.

2. Significant accounting policies

(a) Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity independent of the sponsor and Fund members. They are prepared to assist Fund members and others in reviewing the activities of the Fund for the fiscal period but they do not portray the funding requirements of the Fund.

Due from the Consolidated Revenue Fund is considered a cash equivalent, and accordingly its carrying value approximates fair value.

(b) Services provided without charge

The Fund does not record the value of administrative services it receives without charge from various government departments and agencies. These services include the following:

- financial management and other support services from the Royal Canadian Mounted Police;
- actuarial valuation and other services from the Office of the Superintendent of Financial Institutions; and,
- cheque issue from Public Works and Government Services Canada.

3. Pension obligations

The most recent statutory actuarial valuation was performed as at March 31, 2004 by the Office of the Superintendent of Financial Institutions. The valuation disclosed an actuarial surplus of \$3,686,000. A portion of this surplus was distributed by annual effective increases in the pension amount of 1.5 percent as at April 1, 2005, 2006 and 2007 and by increases to lump sum death benefits and residual payments. The cumulative increase to the basic pension amount was 1,035 percent effective April 1, 2005, 1,052 percent effective April 1, 2006 and 1,069 percent effective April 1, 2007.

**Royal Canadian Mounted Police (Dependants)  
Pension Fund—Concluded**

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31—Concluded

The remaining balance of the actuarial surplus is intended to be used over the remaining life of the Fund for the payment of increases in the pension benefits. The average ages of members and widows were both estimated to be 81 years as at March 31, 2004. The remaining lifetime of the Fund was estimated at 35 years.

The obligations for pension benefits are determined on an actuarial basis and incorporate the actuary's best estimates of future Fund yields, mortality rates, proportion of members married, and age of new widows. The current Fund yield of 8.2 percent per annum (8.4 percent in 2004) is consistent with the estimated yield (8.04 percent) used for the immediate future in the actuarial valuation. The expected long-term Fund yield is estimated to decline to 5.47 percent per annum by the year 2024 and to rise to the ultimate level of 5.7 percent by 2033. Variations in any of these assumptions can result in a significantly higher, or lower, estimate of the liability.

An interim valuation was performed as at March 31, 2005. The actuarial present value of accrued pension benefits and the principal components of change in the actuarial present value during the plan year were estimated as follows:

	2005	2004
	\$	\$
Actuarial present value of accrued pension benefits, beginning of year .....	26,785,000	27,485,000
Net interest accrued on benefits .....	2,135,000	2,181,000
Net adjustment arising from experience gains and losses and from valuation changes .....	152,000	(290,000)
Benefit increases .....	1,100,000	
Contributions from participants - instalment payments .....	9,000	10,000
Benefit payments .....	(2,725,000)	(2,601,000)
Actuarial present value of accrued pension benefits, end of year .....	<u>27,456,000</u>	<u>26,785,000</u>

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# SECTION 7

2004-2005

*PUBLIC ACCOUNTS OF CANADA*

## Cash and Accounts Receivable

### CONTENTS

	<i>Page</i>
Cash .....	7.2
Tax receivables .....	7.3
Other accounts receivable .....	7.4

## CASH AND ACCOUNTS RECEIVABLE

This section contains information on accounts reported on the Statement of Financial Position under “Cash and Accounts Receivable”.

Table 7.1 presents the year-end balances of cash and accounts receivable by category.

**TABLE 7.1**  
CASH AND ACCOUNTS RECEIVABLE

	March 31/2005	March 31/2004
	\$	\$
Cash, Table 7.2 . . . . .	20,595,167,314	20,546,313,642
Tax receivables, Table 7.3 . . . . .	53,477,070,032	47,953,394,855
Other accounts receivable, Table 7.5 . . . . .	2,208,413,979	2,422,292,840
<b>Total cash and accounts receivable . . . . .</b>	<b>76,280,651,325</b>	<b>70,922,001,337</b>

### Cash

Cash consists of public moneys on deposit and cash in transit at March 31<sup>st</sup>. Cash in bank consists of public moneys on deposit to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions. Cash in transit consists of public moneys received by public officers prior to April 1, but not deposited by that date as

well as cash held by consolidated Crown corporations. Outstanding cheques and warrants are deducted to arrive at the closing cash balance.

Table 7.2 presents a summary of the cash balances.

**TABLE 7.2**  
CASH

	March 31/2005	March 31/2004
	\$	\$
<b>Cash in bank—</b>		
Canadian currency . . . . .	17,121,709,779	17,249,969,800
Foreign currencies <sup>(1)</sup> . . . . .	7,863,861	13,263,495
Special deposits <sup>(2)</sup> . . . . .	31,762,559	33,824,952
<b>Total cash in bank . . . . .</b>	<b>17,161,336,199</b>	<b>17,297,058,247</b>
<b>Cash in transit—</b>		
Cash in hands of collectors and in transit . . . . .	7,135,066,517	6,834,435,939
Other cash—Consolidated Crown corporations <sup>(3)</sup> . . . . .	588,956,000	536,806,000
<b>Total cash in transit . . . . .</b>	<b>7,724,022,517</b>	<b>7,371,241,939</b>
<b>Less: Outstanding cheques and warrants—</b>		
Outstanding cheques <sup>(4)</sup> . . . . .	4,286,536,963	4,118,391,315
Imprest account cheques <sup>(5)</sup> . . . . .	3,654,439	3,595,229
<b>Total outstanding cheques and warrants . . . . .</b>	<b>4,290,191,402</b>	<b>4,121,986,544</b>
<b>Total cash . . . . .</b>	<b>20,595,167,314</b>	<b>20,546,313,642</b>

<sup>(1)</sup> The balances denominated in foreign currencies (United Kingdom pounds sterling, United States dollars and Euros) have been translated into Canadian dollar equivalents.

<sup>(2)</sup> These are balances in the hands of financial institutions for the purchase or redemption of Government securities, for the payment of interest and for reimbursement of GST refund payments issued by the ministère du Revenu du Québec on behalf of the government.

<sup>(3)</sup> These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of consolidated Crown corporations.

<sup>(4)</sup> Cheques and Employment Insurance warrants issued in Canadian dollars, and outstanding are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenues. During the year, an amount of \$32,909,471 (\$33,186,973 in 2004) was transferred to non-tax revenues. Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

<sup>(5)</sup> Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenues), are recorded in this account.

## Tax Receivables

Tax receivables include amounts assessed by Canada Customs and Revenue Agency and the Canada Border Services Agency but not yet collected, as well as estimates of unassessed taxes at year-end. Amounts receivable also include related amounts for interest and penalties.

Tax receivables include taxes and premiums collectable on behalf of others such as provincial, territorial governments and

the Canada Pension Plan. These amounts have also been included in liabilities.

Table 7.3 presents tax receivables by tax stream. Amounts receivable that are written off or forgiven are included in Section 3 of Volume III (Debts, obligations and claims written off or forgiven).

**TABLE 7.3**  
TAX RECEIVABLES AS AT MARCH 31

	2005			2004
	Gross tax receivables	Allowance for doubtful accounts	Net tax receivables	Net tax receivables
	\$	\$	\$	\$
Tax receivables—				
Income tax receivables—				
Individuals . . . . .	28,562,303,927	2,905,111,342	25,657,192,585	22,745,319,425
Employers . . . . .	13,017,993,303	516,267,336	12,501,725,967	10,837,179,836
Corporations . . . . .	6,968,541,876	847,332,568	6,121,209,308	5,181,666,005
Non-residents . . . . .	912,739,908	193,858,577	718,881,331	680,324,447
Goods and services tax receivable . . . . .	9,192,731,273	1,475,708,228	7,717,023,045	7,754,549,618
Customs duties receivable . . . . .	151,353,236	33,909,484	117,443,752	120,687,387
Excise taxes and duties receivable . . . . .	671,737,728	28,143,684	643,594,044	633,668,137
Total . . . . .	59,477,401,252	6,000,331,219	53,477,070,032	47,953,394,855

Table 7.4 presents the aging for tax receivables for the period over which claims at March 31, 2005 have been outstanding. Receivables based on estimates of unassessed taxes at year-end are included in current receivables.

**TABLE 7.4**  
AGING OF TAX RECEIVABLES

	Year ended March 31	
	2005	2004
	\$	\$
Tax receivables		
Less than one year . . . . .	50,152,327,779	45,685,191,427
1-2 . . . . .	2,967,222,113	2,551,811,252
2-3 . . . . .	1,913,095,580	1,780,478,923
3-4 . . . . .	1,294,237,661	1,305,040,099
4-5 . . . . .	835,666,086	967,679,060
Over 5 years . . . . .	2,314,852,033	3,261,153,835
Total . . . . .	59,477,401,252	55,551,354,596

## Other accounts receivable

Other accounts receivable represent billed (but uncollected) and unbilled or accrued financial claims arising from amounts owed to the Government for use of its assets, or from the proceeds for provision of services as of March 31, 2005.

Amounts receivable written off or forgiven are included in Section 3 of Volume III (Debts, obligations and claims written off or forgiven).

Table 7.5 presents a summary of the balances for other receivables.

**TABLE 7.5**  
OTHER ACCOUNTS RECEIVABLE AS AT MARCH 31

	2005			2004
	Gross receivables	Allowance for doubtful accounts	Net receivables	Net receivables
	\$	\$	\$	\$
Other receivables <sup>(1)</sup> .....	3,138,398,755	1,179,752,776	1,958,645,979	2,188,113,840
Accounts receivable of consolidated Crown corporations <sup>(2)</sup> .....	249,768,000		249,768,000	234,179,000
Total.....	3,388,166,755	1,179,752,776	2,208,413,979	2,422,292,840

<sup>(1)</sup> Other receivables are the financial claims owed to the Government and arising from other revenues.

<sup>(2)</sup> Accounts receivable are the financial claims of the consolidated Crown corporations.

Table 7.6 presents the aging of other accounts receivables for the period over which claims at March 31, 2005 have been outstanding.

**TABLE 7.6**  
AGING OF OTHER ACCOUNTS RECEIVABLE

	Year ended March 31
	2005
	\$
Outstanding days	
0-30.....	763,174,727
31-60.....	44,065,278
61-90.....	67,830,754
91-365.....	254,121,259
Over 365.....	2,009,206,737
Total.....	3,138,398,755
Accounts receivable of consolidated Crown corporations.....	249,768,000
Total.....	3,388,166,755

# SECTION 8

2004-2005

*PUBLIC ACCOUNTS OF CANADA*

## Foreign Exchange Accounts

### CONTENTS

	<i>Page</i>
International reserves held in the Exchange Fund Account . .	8.2
International Monetary Fund—Subscriptions . . . . .	8.3
International Monetary Fund—Notes payable . . . . .	8.3
Special drawing rights allocations . . . . .	8.3
Supplementary statement—	
Exchange Fund Account . . . . .	8.4

## FOREIGN EXCHANGE ACCOUNTS

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Investment income from the foreign exchange accounts and net gains and losses resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are recorded in foreign exchange revenues on the Statement of Operations and Accumulated Deficit.

Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$16,286 million as at March 31, 2005 (\$20,542 million as at March 31, 2004); details relating to these obligations are presented in Section 6 of this volume. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 8.1**  
FOREIGN EXCHANGE ACCOUNTS

	April 1/2004	Payments and other charges	Receipts and other credits	March 31/2005
	\$	\$	\$	\$
International reserves held in the Exchange Fund				
Account, Table 8.2 .....	41,246,288,458	22,504,055,002	24,635,885,820	39,114,457,640
International Monetary Fund—Subscriptions .....	12,185,255,322		945,803,949	11,239,451,373
	<i>53,431,543,780</i>	<i>22,504,055,002</i>	<i>25,581,689,769</i>	<i>50,353,909,013</i>
Less:				
International Monetary Fund—Notes payable .....	7,606,154,134	381,415,761	834,000,000	8,058,738,373
Special drawing rights allocations .....	1,512,905,813	88,753,338		1,424,152,475
	<i>9,119,059,947</i>	<i>470,169,099</i>	<i>834,000,000</i>	<i>9,482,890,848</i>
Total .....	44,312,483,833	22,974,224,101	26,415,689,769	40,871,018,165

### International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and special drawing rights (SDRs).

The Exchange Fund Account is operated under the provisions of the *Currency Act*. In accordance with this *Act*, audited financial statements for the Exchange Fund Account are prepared for each calendar year. The financial statements as at December 31, 2004, together with the Auditor General's report thereon, are found at the end of this section.

Table 8.2 shows international reserves held in and advances to the Exchange Fund Account as at March 31, 2005. Gold held by the Account is valued at 35 SDRs per fine ounce (\$63.96 Cdn as at March 31, 2005 and \$67.95 Cdn as at March 31, 2004).

In 2004-2005, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$22,165 million and an adjustment of \$339 million to recognize the net income of the Exchange Fund Account for the period January 1 to March 31. Receipts and other credits consisted of repayments of advances of \$22,508 million and a net valuation adjustment of \$2,128 million.

**TABLE 8.2****INTERNATIONAL RESERVES HELD IN  
THE EXCHANGE FUND ACCOUNT**

(in millions of dollars)

	March 31/2005	March 31/2004
US dollar cash on deposits .....	127	136
US dollar short-term deposits .....	3,519	2,454
US dollar marketable securities .....	16,929	17,983
Euro short-term deposits .....	34	147
Euro marketable securities .....	16,168	18,046
Japanese yen short-term deposits .....	93	103
Japanese yen marketable securities .....	1,129	1,259
Special drawing rights .....	1,108	1,111
Gold .....	7	7
<b>Total .....</b>	<b>39,114</b>	<b>41,246</b>
<b>Advances by the Consolidated Revenue</b>		
Fund were denominated as follows:		
US dollars (2005, \$19,644		
million US; 2004, \$18,771		
million US) .....	23,761	24,615
Euro .....	15,352	17,394
Japanese yen .....	1,218	1,358
Special drawing rights		
(2005, SDR 610 million; 2004,		
SDR 610 million) .....	(1,115)	(1,184)
Canadian dollars .....	(441)	(1,316)
<b>Total advances from the Consolidated</b>		
<b>Revenue Fund .....</b>	<b>38,775</b>	<b>40,867</b>
Total net income from January 1 to		
March 31 .....	339	379
<b>Total .....</b>	<b>39,114</b>	<b>41,246</b>

**International Monetary Fund—  
Subscriptions**

This account records the value of Canada's subscription (its "quota") to the capital of the International Monetary Fund (IMF).

The amount by which the sum of Canada's subscriptions plus loans to the IMF under special facilities exceeds the IMF's holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand for balance of payments purposes. The subscription is expressed in terms of SDR, a unit of account defined in terms of a "basket" of four major currencies, the Euro, US dollar, Pound sterling and Japanese yen.

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR-value of the IMF's holdings of Canadian dollars.

In 2004-2005, receipts and other credits consisted of a maintenance of value adjustment of \$400 million and a valuation adjustment of \$546 million.

**International Monetary Fund—Notes  
Payable**

This account records non-marketable, non-interest bearing notes issued by the Government to the IMF. These notes are payable on demand and are subject to redemption or re-issue, depending on the needs of the IMF for Canadian currency.

Canadian dollar holdings of the IMF include these notes and a small working balance (initially equal to one-quarter of one percent of Canada's subscription) held on deposit at the Bank of Canada. In 2004-2005, notes payable to the IMF increased by \$453 million.

**Special Drawing Rights Allocations**

This account records the value of SDRs allocated to Canada by the IMF. The special drawing right is an international currency created by the IMF, and allocated to countries participating in its Special Drawing Rights Department. It represents a liability of Canada, as circumstances could arise whereby Canada could be called upon to repay these allocations, in part or in total.

As an asset, SDRs represent rights to purchase currencies of other countries participating in the IMF's Special Drawing Rights Department, as well as to make payments to the IMF itself. All SDRs allocated to Canada by the IMF have either been used to settle subscriptions in the IMF, or have been advanced to the Exchange Fund Account.

There was no allocation of SDRs by the IMF to Canada during the year. In 2004-2005, payments and other charges consisted of a valuation adjustment of \$89 million.

## SUPPLEMENTARY STATEMENT

### Exchange Fund Account

#### MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the financial statements of the Exchange Fund Account (the Account) and all other information presented in this Annual Report rests with the Department of Finance. The operation of the Account is governed by the provisions of Part II of the *Currency Act*. The Account is administered by the Bank of Canada as fiscal agent.

The financial statements were prepared in accordance with the stated accounting policies set out in Note 2 to the financial statements, which conform to those used by the Government of Canada. These policies were applied on a basis consistent with that of the preceding year.

The Department of Finance establishes policies for the Account's transactions and investments, and for related accounting activities. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

The Bank of Canada effects transactions for the Account and maintains records, as required to provide reasonable assurance regarding the reliability of the financial statements. The Bank reports to the Department of Finance on the financial position of the Account and on the results of its operations.

The Auditor General of Canada conducts an independent audit of the financial statements of the Account and reports the results of her audit to the Minister of Finance.

The Annual Report of the Account is tabled in Parliament along with the financial statements, which are also part of the *Public Accounts of Canada* and are referred to the Standing Committee on Public Accounts for their review.

D. A. DODGE  
Governor  
Bank of Canada

IAN E. BENNETT  
Deputy Minister  
Department of Finance

S. VOKEY, CA  
Chief Accountant  
Bank of Canada

Ottawa, Canada  
March 11, 2005

#### AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at December 31, 2004 and the statement of revenue for the year then ended. These financial statements have been prepared to comply with Sections 20 and 21 of the *Currency Act*. These financial statements are the responsibility of the Account's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at December 31, 2004 and its revenues and its cash flows for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements, which conform to the accounting policies of the Government of Canada.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Minister of Finance for complying with Sections 20 and 21 of the *Currency Act* as set out in Note 2 to the financial statements. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part II of the *Currency Act*.

Douglas G. Timmins, CA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
March 11, 2005



**Exchange Fund Account—Continued**BALANCE SHEET AS AT DECEMBER 31, 2004  
(in millions of Canadian dollars)

ASSETS	2004	2003	LIABILITIES	2004	2003
Cash and short-term deposits (Note 4) .....	2,668	3,065	Due to the Consolidated Revenue Fund		
Marketable securities (Note 5) .....	31,761	35,707	Advances (Note 7) .....	34,382	37,599
	<u>34,429</u>	<u>38,772</u>	Net revenue for the year .....	1,798	2,963
Other assets					
Special drawing rights .....	1,107	1,087			
Gold .....	7	7			
Accrued interest and other receivables (Note 6) .....	637	696			
	<u>1,751</u>	<u>1,790</u>			
	<u>36,180</u>	<u>40,562</u>		<u>36,180</u>	<u>40,562</u>

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

Approved:

D.A. DODGE  
*Governor*  
*Bank of Canada*IAN E. BENNETT  
*Deputy Minister*  
*Department of Finance*S. VOKEY, CA  
*Chief Accountant*  
*Bank of Canada*STATEMENT OF REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(in millions of Canadian dollars)

	2004	2003
Revenue from investments		
Marketable securities .....	1,588	1,931
Cash and short-term deposits .....	35	49
Special drawing rights .....	21	21
	<u>1,644</u>	<u>2,001</u>
Other revenue		
Net gain on sales of gold .....		205
Net gain on foreign exchange .....	154	757
	<u>154</u>	<u>962</u>
Net revenue for the year .....	<u>1,798</u>	<u>2,963</u>

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

**Exchange Fund Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2004

(Amounts in the notes to the financial statements are in millions of Canadian dollars, unless otherwise stated.)

1. Authority and objective

The Exchange Fund Account (the Account) is governed by Part II of the *Currency Act*. The Account is in the name of the Minister of Finance and is administered by the Bank of Canada as fiscal agent. The *Financial Administration Act* does not apply to the Account.

The legislative mandate of the Account is to aid in the control and protection of the external value of the Canadian dollar, and the Minister of Finance acquires or sells for the Account those assets that are deemed appropriate for this purpose in accordance with the *Currency Act*. The Account is empowered to invest in instruments approved by the Minister of Finance in accordance with the *Act*.

The objectives of the Account are to provide general liquidity for the government and to promote orderly conditions in the foreign exchange market for the Canadian dollar. Canada's current policy is to intervene in foreign exchange markets on a discretionary, rather than a systematic, basis and only in the most exceptional of circumstances.

The net revenue for the year is payable to the Consolidated Revenue Fund (CRF) of the Government of Canada within three months after the end of the year in accordance with the *Currency Act*.

2. Significant accounting policies

As stipulated in the *Currency Act*, the financial statements of the Account are prepared in accordance with the accounting policies used by the Government of Canada to prepare its financial statements. The financial statements of the Account are prepared for the Minister of Finance in compliance with Sections 20 and 21 of the *Currency Act*.

The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles because it excludes the disclosure of the notional cost of advances. The advances are provided interest free under the terms and conditions prescribed by the Governor in Council and the Account reflects only transactions pertaining to the assets of the Account. The significant accounting policies of the Account are set out below.

(a) Basis of presentation

The purpose of the financial statements is to report to Parliament on the operations of the Account to comply with the *Currency Act*. The Bank of Canada, on behalf of the Minister of Finance, may sell, lend, borrow, or deal in assets under the terms and conditions prescribed

by the *Currency Act*. The reporting entity of the Account is limited to those transactions permitted by the *Currency Act*. For that purpose, the following operations are recorded in the Account:

All proceeds, earnings, and interest from transactions relating to the assets are credited to the Account, along with all amounts received on the maturity of deposits, securities, and notes held for the Account.

The Account's administrative, custodial, and fiscal agency services are provided and paid for by the Bank of Canada. These costs are not recognized in the financial statements.

Interest-free advances to the Account from the CRF are authorized by the Minister under the terms and conditions prescribed by the Governor in Council.

The annual net revenue of the Account is paid to the CRF (or charged to the CRF when net revenue is a negative amount).

All material changes in cash flows are evident from the financial statements. A separate statement of cash flows has not been prepared.

(b) Use of estimates

The preparation of the financial statements of the Account requires management to make estimates and assumptions, based on information available as of the date of the financial statements. The most significant use of estimates is in the presentation of assets at fair value. Actual results could differ from those estimates.

(c) Translation of foreign currencies and special drawing rights

Assets and advances denominated in foreign currencies and special drawing rights (SDRs) are translated into Canadian dollar equivalents at rates prevailing on the balance sheet dates, which were as follows:

	2004	2003
US dollars .....	1.2020	1.2965
Euros .....	1.6287	1.6282
Japanese yen .....	0.011727	0.01207
SDRs .....	1.86050	1.92656

Gains or losses resulting from the translation of assets and advances denominated in foreign currencies and SDRs, as well as transactions throughout the year, are recorded as net foreign exchange gains and are included separately in the category *Other revenue* in the *Statement of Revenue*.

Investment revenue in foreign currencies and SDRs is translated into Canadian dollars at the foreign exchange rates prevailing on the date the revenue is earned.

**Exchange Fund Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2004—Continued

*(d)* Revenue

Revenue from investments is recorded on an accrual basis and includes interest earned, amortization of premiums and discounts, gains or losses on sales of securities, and revenues from securities lending activities. Interest is accrued on short-term deposits, marketable securities, and special drawing rights. Accrued interest is recorded in the category *Other assets* on the *Balance sheet*.

*(e)* Assets

## Short-term deposits

Short-term deposits are money market transactions where the Account invests funds with designated counterparties. Short-term deposits are recorded at cost and are generally held to maturity.

## Marketable securities

Marketable securities are recorded at cost and are adjusted for amortization of purchase discounts and premiums. Purchases and sales of securities are recorded at the settlement dates. Write-downs to reflect other than temporary impairment in the fair value of securities are included in *Revenue from investments*.

## Special Drawing Rights

The special drawing rights (SDR) serves as the unit of account of the International Monetary Fund (IMF) and its value is based on a basket of key international currencies. SDRs are recorded at year-end market value.

## Gold

Gold is carried in the Account at a value of 35 SDRs per fine ounce, which approximates cost and conforms to the value used in the *Public Accounts of Canada*. The Account sold its remaining gold bullion in 2003 and continues to hold gold coins. Net gains on gold sales are recorded at settlement dates.

*(f)* Tri-party reverse repurchase agreement

Tri-party reverse repurchase agreements are money market transactions where the Account invests funds on a secured basis with designated counterparties at prevailing market rates. The collateral on these transactions is held by a tri-party custodian. Tri-party reverse repurchase transactions are recorded on the

*Balance sheet* under the category *Cash and short-term deposits* at the amount originally invested. Revenue from these transactions is included in the category *Revenue from investments* in the *Statement of Revenue*.

*(g)* Securities lending program

The Account has agency agreements with two major financial institutions. Loans of securities are effected on behalf of the Account by these agents who guarantee the loans and obtain collateral of equal or greater value from their approved counterparties in these transactions. The securities loaned continue to be accounted for as investment assets. Revenue from the securities-lending program is included in *Revenue from investments* in the *Statement of Revenue*.

## 3. Official government operations

Official government operations involve purchases and sales of Canadian dollars against foreign currencies. These are undertaken to promote orderly conditions in the market for the Canadian dollar or to meet net government requirements for foreign exchange. Since September 1998, no transactions were aimed at moderating movements in the value of the Canadian dollar.

The majority of Canada's official international reserves reside inside the Account. The Account represents approximately 90 percent (89 percent in 2003) of Canada's official reserves. The remainder of the official reserves resides in the foreign currency accounts of the Minister of Finance.

## 4. Cash and short-term deposits

Cash and short-term deposits are held as follows:

	2004	2003
	Carrying value	Carrying value
US dollar holdings . . . . .	2,529	2,950
Euro holdings . . . . .	42	16
Japanese yen holdings . . . . .	97	99
	2,668	3,065

## Exchange Fund Account—Continued

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2004—Continued

## 5. Marketable securities

Marketable securities are held as follows:

Term to maturity

	2004								2003	
	Under 6 months		6 months to 1 year		1 to 5 years		Over 5 years		Total	Total
	Carrying value	Yield	Carrying value	Yield	Carrying value	Yield	Carrying value	Yield	Carrying value	Carrying value
US dollar holdings										
Sovereign	3,979	2.31%	181	6.85%	308	3.81%	1,889	4.33%	6,357	5,812
Supra National	981	5.46%	363	4.33%	1,244	4.15%	121	4.46%	2,709	3,912
Agencies and other	1,042	4.33%	677	3.45%	2,229	4.25%	1,337	4.83%	5,285	6,718
Carrying value	6,002		1,221		3,781		3,347		14,351	16,442
Euro holdings										
Sovereign	286	2.89%	719	3.64%	7,281	4.23%	3,357	4.95%	11,643	12,330
Supra National					660	4.54%	329	4.73%	989	1,169
Agencies and other	264	4.27%	163	3.41%	2,390	4.39%	788	4.85%	3,605	4,558
Carrying value	550		882		10,331		4,474		16,237	18,057
Yen holdings										
Sovereign					1,173	1.24%			1,173	1,208
Carrying value					1,173				1,173	1,208
Total securities										
Carrying value	6,552		2,103		15,285		7,821		31,761	35,707

The yield in the above table represents the weighted average yield to maturity based on the carrying value at the end of the year for the respective securities.

The outstanding unamortized premium/discount on marketable securities amounts to \$230 million (\$251 million in 2003).

At year-end, a portion of the Account's holdings of US government securities, consisting of US\$1,830 million (par value) in Treasury Bills (US\$2,550 million in 2003) and US\$1,165 million (par value) in Treasury Notes (nil in 2003), is being used in securities-lending operations with financial institutions.

## 6. Accrued interest and other receivables

	2004	2003
Accrued interest		
Cash and short-term deposits	4	2
Marketable securities		
US dollar holdings	164	169
Euro holdings	461	516
Japanese yen holdings	4	5
SDRs	4	3
Other receivables		1
	637	696

The fair value of the accrued interest and other receivables is deemed equal to their carrying value given their maturity date.

## 7. Due to the Consolidated Revenue Fund (CRF)—Advances

The Account is funded by advances from the CRF. These are limited to \$60 billion by Order-in-Council dated April 26, 2001. At year-end, advances from (deposits with) the CRF consisted of:

	2004	2003
US dollars	20,332	23,898
Canadian dollars	(2,108)	(4,347)
Euros	16,027	17,920
Japanese yen	1,266	1,303
SDRs	(1,135)	(1,175)
	34,382	37,599

The proceeds of Canada's borrowings in foreign currencies and allocations of SDRs by the IMF have been advanced from the CRF to the Account. Subsequent repayments of foreign currency debt are made using the assets of the Account and result in reductions in the level of foreign currency advances. Interest payable by Canada on borrowings in foreign currencies and charges on allocations of SDRs to Canada are charged directly to the CRF.

**Exchange Fund Account—Concluded**

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2004—Concluded

Canadian-dollar advances are required by the Account for the settlement of its purchases of foreign currencies. Sales of foreign currencies result in receipts of Canadian dollars that are remitted to the CRF, causing reductions in the level of outstanding Canadian-dollar advances. Cumulative net sales of foreign currencies can result in overall net deposits of Canadian dollars by the Account with the CRF.

**8. Financial instruments***(a) Risk management*

The role of the Account as principal repository of Canada's official international reserves determines the nature of its assets and of its operations, as well as its use of financial instruments.

To ensure that the Account asset portfolio is prudently diversified with respect to credit risk, the investment guidelines prescribed by the Minister of Finance specify limits on holdings by class of issuer (sovereign, agency, supranational, or commercial financial institution) and type of instrument. There are also limits on exposure to any one issuer or counterparty.

With respect to investment guidelines, the Account may hold debt issued in the designated currencies by highly rated sovereign governments and their agencies, as well as by supranational organizations. Eligible issues must have a minimum long-term rating of A- or A3 from two of four designated rating agencies (Standard & Poor's, Moody's, Fitch, and Dominion Bond Rating Service), one of which must be either Moody's or Standard & Poor's. The Account may also make deposits and execute other transactions with commercial financial institutions that meet the same rating criteria, with the term to maturity of commercial deposits limited to three months or less.

Through the securities-lending program, agents can lend securities only up to a prescribed maximum amount and only to a list of counterparties approved by the Government. Each borrower must enter into a Securities Loan Agreement with either of the agents. Borrowers are also required to provide collateral for securities borrowed, according to a specific list approved by the Government. Collateral is limited to specific security types, terms to maturity, and credit ratings. The agents also provide an indemnity in the event of default by the borrower. The Account enters into securities lending in order to earn extra return on investments.

*(b) Interest rate and foreign currency risk*

Interest rate and foreign currency risks are managed by adopting a strategy of matching the duration structure and the currency of the Account's assets with the

related foreign currency borrowings of the Government of Canada.

*(c) Fair value of financial instruments*

	2004		2003	
	Carrying value and accrued interest	Fair value	Carrying value and accrued interest	Fair value
<b>Investments</b>				
Cash and short-term deposits . . . . .	2,672	2,672	3,067	3,067
<b>Marketable securities</b>				
US dollar holdings . . . . .	14,514	14,685	16,611	17,113
Euro holdings . . . . .	16,698	17,552	18,573	19,306
Japanese yen holdings . . . . .	1,178	1,218	1,213	1,259
	35,062	36,127	39,464	40,745
SDRs . . . . .	1,111	1,111	1,090	1,090
Gold . . . . .	7	57	7	59

The estimated fair value of cash, short-term deposits, and SDRs is deemed equal to their carrying value given their maturity date.

Estimated fair values of marketable securities are based on quoted market prices.

The estimated fair value of gold is based on London fixings of \$526.48 (\$540.96 in 2003) per fine ounce.

**9. Commitments***(a) Currency swaps*

The Account may enter into short-term currency swap arrangements with the Bank of Canada to assist the Bank in its cash-management operations. There were no drawings under this facility in 2004 or 2003, and there were no commitments outstanding as at December 31, 2004.

*(b) Foreign currency contracts*

In the normal course of operations, the Account enters into foreign currency contracts. As at December 31, 2004, the Account was under contract to sell \$8 thousand (\$4 million in 2003) of foreign currency. Unrealized gains (losses) are calculated using the year-end exchange rates. As of that date, there were no unrealized net gains (losses) included in net revenue (nil in 2003).

**10. Comparative figures**

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

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# SECTION 9

2004-2005

*PUBLIC ACCOUNTS OF CANADA*

## Loans, Investments and Advances

### CONTENTS

	<i>Page</i>
Enterprise Crown corporations and other government business enterprises .....	9.3
Summary financial statements of enterprise Crown corporations and other government business enterprises .....	9.6
Borrowings by enterprise Crown corporations and other government business enterprises .....	9.12
Maturity and currency of borrowings by enterprise Crown corporations and other government business enterprises .....	9.13
Contingent liabilities of enterprise Crown corporations and other government business enterprises .....	9.13
Contractual obligations of enterprise Crown Corporations and other government business enterprises .....	9.14
Financial assistance under budgetary appropriations to enterprise Crown corporations and other government business enterprises .....	9.15
Portfolio investments .....	9.16
National governments including developing countries .....	9.17
International organizations .....	9.22
Provincial and territorial governments .....	9.26
Other loans, investments and advances .....	9.30
Allowance for valuation .....	9.38

## LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada acquired through the use of parliamentary appropriations, except for the portion of the investment balances representing adjustments for the equity of enterprise Crown corporations and other government business enterprises. Some of these appropriations permit repayments to be used for further loans and advances. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II.

The investment in enterprise Crown corporations and other government business enterprises is accounted for under the modified equity method and is carried at cost which is adjusted for the annual profits or losses of the enterprises and reduced by any dividends paid by the corporations to the Government. Under the modified equity approach, the accounting policies of the enterprise Crown corporations and other government business enterprises are not adjusted to conform to the Government's accounting policies. The Government also reports any amounts receivable from or payable to these corporations.

Other loans, investments and advances are recorded at cost and are subject to annual valuation to reflect reductions from the recorded value to the estimated realizable value. Foreign

currency transactions are translated and recorded in Canadian dollar equivalents at the exchange rates prevailing at the transaction dates. Balances of loans, investments and advances resulting from foreign currency transactions are reported at year-end closing rates of exchange; net gains and losses related to these sovereign loans are presented with the return on investments from these loans under other program revenues.

The allowance established to reflect reductions from the recorded value to the estimated realizable value of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under subsection 63(2) of the *Financial Administration Act*.

Revenues received during the year on loans, investments and advances, are credited to other revenues; details are provided in Section 3 of this volume and in Section 11 of Volume III.

Table 9.1 presents the transactions and year-end balances of loans, investments and advances by category.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 9.1**  
LOANS, INVESTMENTS AND ADVANCES

	April 1/2004	Payments and other charges	Receipts and other credits	March 31/2005
	\$	\$	\$	\$
Enterprise Crown corporations and other government business enterprises, Table 9.2 .....	16,232,575,823	5,271,770,392	2,278,336,866	19,226,009,349
Portfolio investments, Table 9.11 .....	1,240,254,680		1,225,167,174	15,087,506
National governments including developing countries, Table 9.12 .....	1,105,682,245	72,472,485	243,257,803	934,896,927
International organizations, Table 9.13 .....	13,187,067,992	531,493,867	278,623,138	13,439,938,721
Provincial and territorial governments, Table 9.14 .....	4,268,081,450	2,800,492,159	2,127,363,038	4,941,210,571
Other loans, investments and advances, Table 9.15 .....	11,100,728,657	4,734,522,769	2,998,459,340	12,836,792,086
	47,134,390,847	13,410,751,672	9,151,207,359	51,393,935,160
Less: allowance for valuation .....	17,586,360,923	1,140,042,279	1,087,369,663	17,533,688,307
Total .....	29,548,029,924	14,550,793,951	10,238,577,022	33,860,246,853



## Enterprise Crown Corporations and Other Government Business Enterprises

Loans and advances to, and investments in, enterprise Crown corporations and other government business enterprises represent the balance of financial claims held by the Government against corporations for working capital, capital expenditures and other purposes, investment in the capital stock of corporations, and loans and advances to corporations for re-lending.

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries.

Enterprise Crown corporations are a type of government business enterprise that are defined as those Crown corporations which are not dependent on parliamentary appropriations and whose principal activity and source of revenue is the sale of goods and services to outside parties. These include selected Crown corporations listed in Part I, all the Crown corporations listed in Part II of Schedule III of the *Financial Administration Act* and the Bank of Canada. Although a Crown corporation, the Canada Pension Plan Investment Board is not part of the Government reporting entity since its mandate is to manage an investment portfolio on behalf of the Canada Pension Plan which is itself excluded from the reporting entity.

There are also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but which are owned or controlled by the Government and ultimately accountable to Parliament through a Minister of the Crown for the conduct of their affairs. These are referred to as "other government business enterprises" and include the Canadian Wheat Board and the various Port Authorities.

Most of the enterprise Crown corporations and other government business enterprises are agents of Her Majesty for the conduct of all or part of their activities. This status is granted in one of the following ways:

- (i) designation by Parliament, through a special act of incorporation;
- (ii) statutory authorization; or,
- (iii) proclamation by the *Government Corporations Operation Act*.

Further information on the business and activities of all parent Crown corporations and information on all Crown corporations and other corporate interest of Canada is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*. Although no longer included as part of this Report, a compilation of the audited financial statements of the parent Crown corporations is also available upon request.

Table 9.2 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to enterprise Crown corporations and other government business enterprises.

**TABLE 9.2**  
**ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES**

	April 1/2004	Payments and other charges	Receipts and other credits	March 31/2005
	\$	\$	\$	\$
<b>Investments—</b>				
Investments and accumulated profits/losses (Table 9.5) .....	10,977,299,949	5,129,814,000	1,944,488,000	14,162,625,949
<b>Loans and advances<sup>(1)</sup>—</b>				
Canada Mortgage and Housing Corporation—				
Housing .....	3,512,568,449		80,783,664	3,431,784,785
Real estate .....	62,051,914		3,928,468	58,123,446
Joint projects .....	1,003,603,177		37,416,126	966,187,051
Student housing projects .....	228,694,692		9,990,932	218,703,760
Sewage treatment projects .....	362,115,057		53,029,403	309,085,654
Assisted home ownership .....	19,910,829		5,032,641	14,878,188
	5,188,944,118		190,181,234	4,998,762,884
Other—				
Canada Lands Company Limited .....	36,101,756	2,283,392	5,711,632	32,673,516
Canadian Dairy Commission .....	30,230,000	139,673,000	137,956,000	31,947,000
	66,331,756	141,956,392	143,667,632	64,620,516
Total—Loans and advances .....	5,255,275,874	141,956,392	333,848,866	5,063,383,400
Total .....	16,232,575,823	5,271,770,392	2,278,336,866	19,226,009,349

<sup>(1)</sup> These loans are recorded at cost. The caption allowance for valuation shown in Table 9.1 also includes an amount of \$1,550 million (\$1,589 million in 2004) corresponding to the portion of these loans expected to be repaid out of future appropriations.

The results and financial position of enterprise Crown corporations and other government business enterprises are detailed at Tables 9.3 to 9.5. These tables also show the breakdown of the equity of each corporation between accumulated profits and losses, contributed surplus and capital stock, as well as the details of the Government's investment under the modified equity accounting method.

The Government of Canada has also made loans and advances to various enterprise Crown corporations and other government business enterprises. The following describes loans which were outstanding as of March 31, 2005 or 2004.

### Canada Mortgage and Housing Corporation

The Corporation was incorporated, on January 1, 1946, by the *Canada Mortgage and Housing Corporation Act*. The Corporation's mandate, as stated in the *National Housing Act*, is to promote the construction of new houses, the repair and modernization of existing houses, and the improvement of housing and living conditions. Advances have been made to the Canada Mortgage and Housing Corporation to support various programs undertaken by the Corporation.

#### Housing

Advances made for moderate to low income housing bear interest at rates from 4.125 percent to 16.10 percent per annum, and are repayable over 1 to 50 years, with instalments between June 30, 2005 and March 31, 2037.

#### Real estate

Advances made for the acquisition and development of real estate bear interest at rates from 9.50 percent to 15 percent per annum, and are repayable over 50 years, with the final instalment on June 30, 2036.

#### Joint projects

Advances made to undertake housing projects jointly with the provinces bear interest at rates from 3.5 percent to 17.96 percent per annum, and are repayable over 1 to 50 years, with instalments between June 30, 2005 and June 30, 2038.

#### Student housing projects

Advances made for student housing projects bear interest at rates from 5 percent to 10.05 percent per annum, and are repayable over 20 to 50 years, with instalments between June 30, 2005 and March 31, 2030.

#### Sewage treatment projects

Advances made to assist in the establishment or expansion of sewage treatment projects and the construction of trunk storm sewers bear interest at rates from 5 percent to 10.38 percent per annum, and are repayable over 20 to 50 years, with instalments between June 30, 2005 and March 31, 2023.

#### Assisted home ownership

Advances made for owner-occupied housing bear interest at rates from 8.58 percent to 8.68 percent per annum, and are repayable over 18 to 20 years, with instalments between June 30, 2005 and December 31, 2008.

### Canada Lands Company Limited

Canada Lands Company Limited (originally Public Works Lands Company Limited) was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. The Corporation conducts its business through Canada Lands Company CLC Limited (CLC), its principal wholly-owned subsidiary. CLC's objective is to carry out a commercially-oriented and orderly disposal program of certain Government real properties and the management of certain select properties. In undertaking this objective, CLC may manage, develop and dispose of real properties, either in the capacity of owner or as agent of the Government.

CLC has acquired an interest in a number of real properties from the Government in consideration for the issuance of promissory notes, which bear no interest and are repayable from the proceeds of the sale of the properties in respect of which they were issued. The notes were discounted using the Consolidated Revenue Fund lending rate applicable to Crown corporations and recorded at their discounted value.

During the year, new notes have been issued for an amount of \$0.5 million. An amount of \$5.6 million was repaid during the year and an amount of \$1.8 million was amortized to income. The balance in the account represents the balance of the notes receivable net of the corresponding unamortized discount.

### Canadian Dairy Commission

The Corporation was established by the *Canadian Dairy Commission Act*, to provide, to efficient producers of milk and cream, the opportunity of obtaining a fair return for their labour and investment, and to provide, to consumers of dairy products, a continuous and adequate supply of high quality dairy products.

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is \$300,000,000.

The loans bear interest at rates from 2.1014 percent to 2.9584 percent per annum, and are repayable within 1 year.

### Interest paid to the Government

Interest paid to the Government of Canada with respect to these loans in the years ended March 31, 2005 and 2004 is as follows:

	2004-2005	2003-2004
	(in millions of dollars)	
Corporation—		
Canada Mortgage and Housing Corporation .....	464.0	481.6
Canadian Dairy Commission .....	1.3	0.6
<b>Total .....</b>	<b>465.3</b>	<b>482.2</b>

## Summary Financial Statements of Enterprise Crown Corporations and Other Government Business Enterprises

The following tables display details of the assets, liabilities, revenues and expenses of enterprise Crown corporations and other government business enterprises.

Tables 9.3 to 9.5 present the assets, liabilities, revenues, expenses and changes to the equity of enterprise Crown corporations and other government business enterprises grouped in five segments. The segment of competitive, self-sustaining corporations consists of those corporations named in Part I of Schedule III of the *Financial Administration Act* and of other competitive and self-sustaining government business enterprises.

For those corporations having year ends other than March 31, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

The tables summarize the financial transactions and results of operations of each enterprise Crown corporation and other government business enterprises in accordance with its own respective accounting policies. Most enterprise Crown corporations follow the generally accepted accounting principles (GAAP) used by private sector companies, as outlined in the *Handbook of the Canadian Institute of Chartered Accountants*.

Financial assets include cash, receivables, loans and investments. Financial assets are segregated between other parties and Government and Crown corporations. The financial assets reported under Government and Crown corporations represent receivables and loans and investments between related parties. Non-financial assets represent the unexpensed portion of capital assets, inventories and prepayments such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Liabilities include payables, borrowings, and other obligations. Liabilities are segregated between third parties and Government and Crown corporations. Borrowings from third parties represent amounts repayable to financial institutions and other investors. Other liabilities are amounts due in respect of purchases, employee future benefits and pension benefits, accrued interest on borrowings, long-term capital leases and sundry accounts payable. The liabilities reported under Government and Crown corporations represent payables and borrowings between related parties.

Revenues include financial assistance received or receivable from the Government in respect of the current year's operations, when applicable. Expenses are segregated between third parties, and Government and Crown corporations. Equity adjustments and other include prior period adjustments and other miscellaneous items as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as equity contributions provided by the Government. Any intergovernmental transactions are eliminated as part of the modified equity accounting adjustment.

These tables present consolidated financial information on parent enterprise Crown corporations, unconsolidated wholly-owned subsidiaries and other government business enterprises.

Enterprise Crown corporations and other government business enterprises are also categorized as being either agents or non-agents of the Crown. Agent status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In some situations, agent status may be restricted to certain designated activities of a corporation.

A summary of financial assistance under Government budgetary appropriations to enterprise Crown corporations and other government business enterprises for the year ended March 31, 2005 is provided in Table 9.10.

TABLE 9.3

## SUMMARY COMBINED FINANCIAL STATEMENTS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES BY SEGMENT

(in thousands of dollars)

	Competitive, self-sustaining	Bank of Canada	Lending and insurance	Marketing	Other	Total
<b>ASSETS AND LIABILITIES</b>						
<b>AS AT MARCH 31, 2005</b>						
Assets						
Financial—						
Third parties . . . . .	1,813,264	260,239	64,696,817	5,845,289	24,811	72,640,420
Government and Crown corporations . . . . .	995,283	43,634,483	4,490,622	8,270	15,856	49,144,514
Total financial assets . . . . .	2,808,547	43,894,722	69,187,439	5,853,559	40,667	121,784,934
Non-financial assets . . . . .	4,183,318	245,165	792,142	688,247	13,905	5,922,777
Total assets as reported . . . . .	6,991,865	44,139,887	69,979,581	6,541,806	54,572	127,707,711
Elimination adjustments . . . . .	97,848		(160,989)		(11)	(63,152)
Total assets . . . . .	7,089,713	44,139,887	69,818,592	6,541,806	54,561	127,644,559
Liabilities						
Third parties—						
Borrowings . . . . .	345,335		43,376,690	5,403,143	3,254	49,128,422
Bank of Canada notes in circulation and amounts owing to depositors . . . . .		42,338,510				42,338,510
Other liabilities . . . . .	2,681,780	423,728	10,324,981	1,062,199	349,572	14,842,260
Government and Crown corporations . . . . .	405,240	1,347,649	5,238,822	34,798	146,232	7,172,741
Total liabilities . . . . .	3,432,355	44,109,887	58,940,493	6,500,140	499,058	113,481,933
Equity of Canada as reported . . . . .	3,559,510	30,000	11,039,088	41,666	(444,486)	14,225,778
Elimination adjustments . . . . .	97,848		(160,989)		(11)	(63,152)
Equity of Canada . . . . .	3,657,358	30,000	10,878,099	41,666	(444,497)	14,162,626
Total liabilities and equity . . . . .	7,089,713	44,139,887	69,818,592	6,541,806	54,561	127,644,559
Contingent liabilities . . . . .	29,850		2,719,907		673	2,750,430
Contractual obligations . . . . .	745,054		4,749,554	15,506	4,767	5,514,881
<b>REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY</b>						
<b>FOR THE YEAR ENDED MARCH 31, 2005</b>						
Revenues						
Third parties . . . . .	7,485,433		5,157,439	3,858,000	130,062	16,630,934
Government and Crown corporations—						
Financial assistance . . . . .				8,199	60,200	68,399
Other . . . . .	705,357	1,695,959	196,672			2,597,988
Total revenues . . . . .	8,190,790	1,695,959	5,354,111	3,866,199	190,262	19,297,321
Expenses						
Third parties . . . . .	7,533,613		1,659,589	3,854,987	190,378	13,238,567
Government and Crown corporations . . . . .	303,065		957,084	3,954	14,591	1,278,694
Total expenses . . . . .	7,836,678		2,616,673	3,858,941	204,969	14,517,261
Net income/loss(-) for the year . . . . .	354,112	1,695,959	2,737,438	7,258	(14,707)	4,780,060
Equity of Canada, beginning of the year as reported . . . . .						
Adjustments . . . . .	3,400,999	30,000	8,045,355	39,964	(432,971)	11,083,347
Elimination adjustments . . . . .	95,571		(2,648)	(5,556)	3,192	90,559
Equity transactions with the Government—	97,848		(160,989)		(11)	(63,152)
Dividends . . . . .	(291,172)	(1,695,959)	(16,057)			(2,003,188)
Capital . . . . .			275,000			275,000
Equity of Canada, end of the year . . . . .	3,657,358	30,000	10,878,099	41,666	(444,497)	14,162,626

TABLE 9.4

## FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES —ASSETS AND LIABILITIES AS AT MARCH 31, 2005

(in thousands of dollars)

Enterprise Crown corporations and other government business enterprises <sup>(1)</sup>	Assets			Total assets
	Financial		Non-financial	
	Third parties	Government and Crown corporations		
<b>Competitive, self-sustaining</b>				
Blue Water Bridge Authority	14,394	53,657	112,382	180,433
Canada Development Investment Corporation	12,303	59,128		71,431
Canada Hibernia Holding Corporation	40,994	60,359	257,414	358,767
Canada Lands Company Limited	78,714	745	264,276	343,735
Parc Downsview Park Inc.	9,810	2,240	8,310	20,360
Canada Post Corporation	1,307,881	672,346	1,964,473	3,944,700
Halifax Port Authority <sup>(2)</sup>	22,857	8,667	94,099	125,623
Montreal Port Authority <sup>(2)</sup>	11,073	87,494	207,200	305,767
Quebec Port Authority <sup>(2)</sup>	37,554	152	85,301	123,007
Ridley Terminals Inc.	3,253	35	12,119	15,407
Royal Canadian Mint	42,752	12,445	115,433	170,630
Saint John Port Authority <sup>(2)</sup>	6,677	8,575	65,846	81,098
Toronto Port Authority <sup>(2)</sup>	16,192	2,502	48,327	67,021
Vancouver Port Authority <sup>(2)</sup>	76,102	3,957	499,528	579,587
Other Canada Port Authorities <sup>(2)(3)</sup>	132,708	22,981	448,610	604,299
<i>Total—Competitive, self-sustaining</i>	<i>1,813,264</i>	<i>995,283</i>	<i>4,183,318</i>	<i>6,991,865</i>
<b>Bank of Canada</b>	<i>260,239</i>	<i>43,634,483</i>	<i>245,165</i>	<i>44,139,887</i>
<b>Lending and Insurance</b>				
Business Development Bank of Canada	8,877,649		567,512	9,445,161
Canada Deposit Insurance Corporation	128,060	1,217,519	1,938	1,347,517
Canada Mortgage and Housing Corporation	15,660,199	325,190	82,830	16,068,219
Insurance Programs	7,017,553	2,730,237	60,884	9,808,674
Mortgage Backed Securities Guarantee Fund	188,454	100,811		289,265
Export Development Canada	21,538,626	32,481	44,645	21,615,752
Farm Credit Canada	11,286,276	84,384	34,333	11,404,993
<i>Total—Lending and insurance</i>	<i>64,696,817</i>	<i>4,490,622</i>	<i>792,142</i>	<i>69,979,581</i>
<b>Marketing</b>				
Canadian Commercial Corporation	295,267		1,910	297,177
Canadian Dairy Commission—				
Marketing operations	21,922		87,765	109,687
Canadian Wheat Board, The	5,520,772	8,270	578,901	6,107,943
Freshwater Fish Marketing Corporation	7,328		19,671	26,999
<i>Total—Marketing</i>	<i>5,845,289</i>	<i>8,270</i>	<i>688,247</i>	<i>6,541,806</i>
<b>Other</b>				
Atlantic Pilotage Authority	3,902	1,942	2,909	8,753
Cape Breton Development Corporation	9,972	12,200	5,538	27,710
Great Lakes Pilotage Authority	(364)		139	(225)
Laurentian Pilotage Authority	5,840		1,790	7,630
Pacific Pilotage Authority	5,461	1,714	3,529	10,704
<i>Total—Other</i>	<i>24,811</i>	<i>15,856</i>	<i>13,905</i>	<i>54,572</i>
<b>Total</b>	<b>72,640,420</b>	<b>49,144,514</b>	<b>5,922,777</b>	<b>127,707,711</b>
Elimination adjustments		(63,152)		(63,152)
<b>Total</b>	<b>72,640,420</b>	<b>49,081,362</b>	<b>5,922,777</b>	<b>127,644,559</b>

<sup>(1)</sup> All enterprise Crown corporations listed in this table are parent Crown corporations except the Great Lakes Pilotage Authority.

Although a Crown corporation, Canada Pension Plan Investment Board is designed to operate at arm's length from the Government and manages, on behalf of the Canada Pension Plan, funds not belonging to the Government, therefore, it is considered external to the Government reporting entity. The Public Sector Pension Investment Board is not included in the above list since its activities are included in the Government's results through pension accounting.

<sup>(2)</sup> Canada Port Authorities, which are not Crown corporations but considered government business enterprises, are agents of the Crown for their port activities.<sup>(3)</sup> Consists of the combined figures of the Canada Port Authorities of Belledune, Fraser River, Hamilton, Nanaimo, North Fraser, Port Alberni, Prince Rupert, Saguenay, Sept-Îles, St. John's, Thunder Bay, Trois-Rivières and Windsor.

Liabilities								
Third parties		Government and Crown corporations	Total liabilities	Accumulated profits/ (losses)	Contributed surplus	Capital stock	Equity of Canada	Total liabilities and equity
Borrowings	Other							
106,034	4,752	38	110,824	69,609			69,609	180,433
	19,816		19,816	(691,570)	743,184	1	51,615	71,431
	113,066	21,833	134,899	223,868			223,868	358,767
43,340	26,922	32,870	103,132	95,522	145,081		240,603	343,735
	2,844	1,154	3,998	(2,638)	19,000		16,362	20,360
70,635	2,351,329	252,891	2,674,855	114,674	1,155,171		1,269,845	3,944,700
5,600	10,614	474	16,688	58,078	50,857		108,935	125,623
	28,774	1,145	29,919	38,585	237,263		275,848	305,767
27,867	8,708	50,108	86,683	13,901	22,423		36,324	123,007
	2,081	219	2,300	(186,935)	64,000	136,042	13,107	15,407
17,139	40,271	12,985	70,395	60,235		40,000	100,235	170,630
	3,783		3,783	15,656	61,659		77,315	81,098
	9,992		9,992	57,029			57,029	67,021
5,919	27,416	30,344	63,679	365,649	150,259		515,908	579,587
68,801	31,412	1,179	101,392	297,868	205,039		502,907	604,299
345,335	2,681,780	405,240	3,432,355	529,531	2,853,936	176,043	3,559,510	6,991,865
	42,762,238	1,347,649	44,109,887		25,000	5,000	30,000	44,139,887
7,432,511	431,190	11,891	7,875,592	503,391	27,778	1,038,400	1,569,569	9,445,161
	558,988	39	559,027	788,490			788,490	1,347,517
9,572,764	1,205,765	5,125,933	15,904,462	138,757	25,000		163,757	16,068,219
	6,378,981	100,688	6,479,669	3,329,005			3,329,005	9,808,674
	130,493	(4,536)	125,957	163,308			163,308	289,265
16,190,518	1,480,017	4,807	17,675,342	2,957,210		983,200	3,940,410	21,615,752
10,180,897	139,547		10,320,444	551,824	532,725		1,084,549	11,404,993
43,376,690	10,324,981	5,238,822	58,940,493	8,431,985	585,503	2,021,600	11,039,088	69,979,581
	255,511		255,511	13,666	28,000		41,666	297,177
689	77,025	31,973	109,687					109,687
5,384,020	721,098	2,825	6,107,943					6,107,943
18,434	8,565		26,999					26,999
5,403,143	1,062,199	34,798	6,500,140	13,666	28,000		41,666	6,541,806
	2,957		2,957	3,492	2,304		5,796	8,753
	328,115	146,232	474,347	(446,637)			(446,637)	27,710
	3,369		3,369	(3,676)	82		(3,594)	(225)
2,982	9,664		12,646	(7,495)	2,479		(5,016)	7,630
272	5,467		5,739	4,159	806		4,965	10,704
3,254	349,572	146,232	499,058	(450,157)	5,671		(444,486)	54,572
49,128,422	57,180,770	7,172,741	113,481,933	8,525,025	3,498,110	2,202,643	14,225,778	127,707,711
				(63,152)			(63,152)	(63,152)
49,128,422	57,180,770	7,172,741	113,481,933	8,461,873	3,498,110	2,202,643	14,162,626	127,644,559

TABLE 9.5

## REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 2005

(in thousands of dollars)

Enterprise Crown corporations and other government business enterprises	Revenues			Total
	Third parties	Government and Crown corporations <sup>(1)</sup>		
		Financial assistance	Other	
<b>Competitive, self-sustaining</b>				
Blue Water Bridge Authority . . . . .	25,776			25,776
Canada Development Investment Corporation . . . . .	291		164,000	164,291
Canada Hibernia Holding Corporation . . . . .	300,819			300,819
Canada Lands Company Limited . . . . .	132,339			132,339
Parc Downsview Park Inc. . . . .	1,559		600	2,159
Canada Post Corporation . . . . .	6,432,695		453,373	6,886,068
Halifax Port Authority . . . . .	26,775		470	27,245
Montreal Port Authority . . . . .	69,810		8,172	77,982
Quebec Port Authority . . . . .	17,225		484	17,709
Ridley Terminals Inc. . . . .	1,215		742	1,957
Royal Canadian Mint . . . . .	269,050		75,380	344,430
Saint John Port Authority . . . . .	11,000		463	11,463
Toronto Port Authority . . . . .	12,482			12,482
Vancouver Port Authority . . . . .	99,733		624	100,357
Other Canada Port Authorities . . . . .	84,664		1,049	85,713
<i>Total—Competitive, self-sustaining</i> . . . . .	<i>7,485,433</i>		<i>705,357</i>	<i>8,190,790</i>
<b>Bank of Canada</b>				
<b>Lending and insurance</b>				
Business Development Bank of Canada . . . . .	624,443			624,443
Canada Deposit Insurance Corporation . . . . .	107,996		28,803	136,799
Canada Mortgage and Housing Corporation . . . . .	931,657		26,294	957,951
Insurance Programs . . . . .	1,383,968		134,273	1,518,241
Mortgage Backed Securities Guarantee Fund . . . . .	52,240		4,369	56,609
Export Development Canada . . . . .	1,426,625		637	1,427,262
Farm Credit Canada . . . . .	630,510		2,296	632,806
<i>Total—Lending and insurance</i> . . . . .	<i>5,157,439</i>		<i>196,672</i>	<i>5,354,111</i>
<b>Marketing</b>				
Canadian Commercial Corporation . . . . .	494,990	8,199		503,189
Canadian Dairy Commission—				
Marketing operations . . . . .	234,425			234,425
Canadian Wheat Board, The . . . . .	3,070,472			3,070,472
Freshwater Fish Marketing Corporation . . . . .	58,113			58,113
<i>Total—Marketing</i> . . . . .	<i>3,858,000</i>	<i>8,199</i>		<i>3,866,199</i>
<b>Other</b>				
Atlantic Pilotage Authority . . . . .	15,826			15,826
Cape Breton Development Corporation . . . . .	2,058	60,200		62,258
Great Lakes Pilotage Authority . . . . .	13,441			13,441
Laurentian Pilotage Authority . . . . .	52,881			52,881
Pacific Pilotage Authority . . . . .	45,856			45,856
<i>Total—Other</i> . . . . .	<i>130,062</i>	<i>60,200</i>		<i>190,262</i>
<b>Total</b> . . . . .	<b>16,630,934</b>	<b>68,399</b>	<b>2,597,988</b>	<b>19,297,321</b>
Elimination adjustments . . . . .				
<b>Total net results</b> . . . . .	<b>16,630,934</b>	<b>68,399</b>	<b>2,597,988</b>	<b>19,297,321</b>
Less equity adjustments . . . . .				
<b>Share of annual profit</b> . . . . .				

The accompanying notes for Table 9.4 are an integral part of this table.

<sup>(1)</sup> The "Financial assistance" column records only that portion of financial assistance received or receivable from the federal Government that has been credited to operations. Additional amounts representing capital and operating appropriations received by the corporations are included in "Equity transactions with Government". Revenues "Other" include amounts generated from the sale of goods and services, investment income as well as grants where the corporations qualify as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amount reported in Table 9.10 because of differences resulting from the different accounting policies followed.



Third parties	Expenses		Net income/or loss(-)	Equity beginning of year	Equity adjustments and other	Equity transactions with the Government		Equity end of year
	Government and Crown corporations	Total				Dividends	Capital	
19,592		19,592	6,184	63,425				69,609
8,054		8,054	156,237	59,378		(164,000)		51,615
270,430	50,179	320,609	(19,790)	243,658				223,868
114,946	4,124	119,070	13,269	232,334		(5,000)		240,603
4,325	(152)	4,173	(2,014)	18,376				16,362
6,550,709	197,860	6,748,569	137,499	1,254,437	9	(122,100)		1,269,845
19,199	1,051	20,250	6,995	101,940				108,935
62,570	5,301	67,871	10,111	266,053	(316)			275,848
15,245	538	15,783	1,926	34,398				36,324
2,540	89	2,629	(672)	13,779				13,107
295,919	37,366	333,285	11,145	89,090				100,235
9,386	253	9,639	1,824	75,491				77,315
17,372		17,372	(4,890)	61,919				57,029
70,394	6,042	76,436	23,921	491,987				515,908
72,932	414	73,346	12,367	394,734	95,878	(72)		502,907
7,533,613	303,065	7,836,678	354,112	3,400,999	95,571	(291,172)		3,559,510
			1,695,959	30,000		(1,695,959)		30,000
508,005	2,950	510,955	113,488	1,218,459		(12,378)	250,000	1,569,569
26,926	1,996	28,922	107,877	680,613				788,490
477,475	479,876	957,351	600	163,157				163,757
175,327	439,229	614,556	903,685	2,425,320				3,329,005
4,546	19,048	23,594	33,015	130,293				163,308
(44,621)	11,114	(33,507)	1,460,769	2,479,641				3,940,410
511,931	2,871	514,802	118,004	947,872	(2,648)	(3,679)	25,000	1,084,549
1,659,589	957,084	2,616,673	2,737,438	8,045,355	(2,648)	(16,057)	275,000	11,039,088
498,835	2,652	501,487	1,702	39,964				41,666
227,567	1,302	228,869	5,556		(5,556)			
3,070,472		3,070,472						
58,113		58,113						
3,854,987	3,954	3,858,941	7,258	39,964	(5,556)			41,666
15,818		15,818	8	5,788				5,796
56,368	14,591	70,959	(8,701)	(441,128)	3,192			(446,637)
15,453		15,453	(2,012)	(1,582)				(3,594)
56,435		56,435	(3,554)	(1,462)				(5,016)
46,304		46,304	(448)	5,413				4,965
190,378	14,591	204,969	(14,707)	(432,971)	3,192			(444,486)
13,238,567	1,278,694	14,517,261	4,780,060	11,083,347	90,559	(2,003,188)	275,000	14,225,778
				(106,047)	(15,805)	58,700		(63,152)
13,238,567	1,278,694	14,517,261	4,780,060	10,977,300	74,754	(1,944,488)	275,000	14,162,626
			74,754		(74,754)			
			4,854,814	10,977,300		(1,944,488)	275,000	14,162,626

## Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.6 summarizes the borrowing transactions by agent and non-agent enterprise Crown corporations and other government business enterprises.

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent enterprise Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the accounts of Canada net of borrowings expected to be repaid directly by these corporations.

Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not on behalf of Her Majesty, but may, at times be guaranteed by the Government.

As at March 31, 2005, an allowance for borrowings of enterprise Crown corporations and other government business enterprises was established at \$1,740 million.

**TABLE 9.6**  
BORROWINGS BY ENTERPRISE CROWN CORPORATIONS  
AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	Balance April 1/2004	Borrowings and other credits	Repayments and other charges	Balance March 31/2005
<u>Borrowings by agent enterprise Crown corporations</u>				
Business Development Bank of Canada . . . . .	7,302,431	19,694,942	19,564,862	7,432,511
Canada Mortgage and Housing Corporation . . . . .	10,441,204	6,186,555	7,054,995	9,572,764
Canada Post Corporation . . . . .	108,092	5,193	42,650	70,635
Canadian Dairy Commission (Marketing) . . . . .	911	25,624	25,846	689
Canadian Wheat Board, The <sup>(1)</sup> . . . . .	11,886		5,508	6,378
Export Development Canada . . . . .	17,177,927	70,704,925	71,692,334	16,190,518
Farm Credit Canada . . . . .	9,209,146	12,931,358	11,959,607	10,180,897
Freshwater Fish Marketing Corporation . . . . .	23,088	18,434	23,088	18,434
Royal Canadian Mint . . . . .	20,724		3,585	17,139
	44,295,409	109,567,031	110,372,475	43,489,965
<u>Borrowings by non-agent enterprise Crown corporations and other government business enterprises</u>				
Blue Water Bridge Authority . . . . .	108,102		2,068	106,034
Canada Lands Company Limited . . . . .	47,000		3,660	43,340
Canadian Wheat Board, The <sup>(1)</sup> . . . . .	6,139,717	21,426,367	22,188,442	5,377,642
Halifax Port Authority <sup>(2)</sup> . . . . .	6,000		400	5,600
Laurentian Pilotage Authority . . . . .	1,486	1,658	162	2,982
Pacific Pilotage Authority . . . . .	529		257	272
Quebec Port Authority <sup>(2)</sup> . . . . .	29,744	(1,877)		27,867
Vancouver Port Authority <sup>(2)</sup> . . . . .	5,425	601	107	5,919
Other Canada Port Authorities <sup>(2)</sup> . . . . .	77,536	11,800	20,535	68,801
	6,415,539	21,438,549	22,215,631	5,638,457
Total . . . . .	50,710,948	131,005,580	132,588,106	49,128,422
Borrowings expected to be repaid by enterprise Crown corporations and other government business enterprises . . . . .	48,705,548	131,005,580	132,322,206	47,388,922
Allowance for borrowings of enterprise Crown corporations and other government business enterprises expected to be repaid by the Government and reported on the Statement of Financial Position . . . . .	2,005,400		265,900	1,739,500

<sup>(1)</sup> On December 31, 1998 The Canadian Wheat Board ceased to be an agent of Her Majesty and a Crown corporation under the *Financial Administration Act*.

<sup>(2)</sup> The Authority is an agent of the Crown only for its port activities. It is considered a non-agent of the Crown for borrowings purposes.

## Maturity and Currency of Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.7 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations and other government business enterprises, as at March 31, 2005.

**TABLE 9.7**

### MATURITY AND CURRENCY OF BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

Year of maturity	Agent	Non-agent	Total
2006 .....	15,612,092	3,880,354	19,492,446
2007 .....	5,077,202	20,925	5,098,127
2008 .....	4,324,997	52,059	4,377,056
2009 .....	3,014,786	40,333	3,055,119
2010 .....	2,509,574	64,439	2,574,013
Subsequent years .....	12,951,314	1,580,347	14,531,661
Total .....	43,489,965	5,638,457	49,128,422 <sup>(1)</sup>

<sup>(1)</sup> The borrowings are composed of \$13,983,498 US, ¥ 2,581,614, Euro 225,134, NZ dollar \$412,962, AU \$1,013,771, NOK 194,272 and \$30,717,171 CDN.

## Contingent Liabilities of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.8 summarizes the contingent liabilities of enterprise Crown corporations and other government business enterprises. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

**TABLE 9.8**

### CONTINGENT LIABILITIES OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	March 31, 2005
<u>Enterprise Crown corporations and other government business enterprises</u>	
Export Development Canada—Loan guarantees and loans with recourse .....	2,703,335
Farm Credit Canada—Loan guarantees .....	16,572
Laurentian Pilotage Authority—Miscellaneous litigations .....	673
Vancouver Port Authority—Miscellaneous litigations .....	29,850
Total .....	2,750,430

## Contractual Obligations of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.9 summarizes the contractual obligations of enterprise Crown corporations and other government business enterprises. A contractual obligation represents a legal obligation to third organizations or individuals as a result of a contract. Contractual obligations are classified into three main categories: loans authorized but undisbursed, capital expenditures and operating leases.

**TABLE 9.9**

### CONTRACTUAL OBLIGATIONS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES AT MARCH 31, 2005

(in thousands of dollars)

	Loans	Capital expenditures	Operating leases	Total
<u>Enterprise Crown corporations and other government business enterprises</u>				
Atlantic Pilotage Authority . . . . .			1,369	1,369
Business Development Bank of Canada . . . . .	1,070,900		173,610	1,244,510
Canada Hibernia Holding Corporation . . . . .			16,079	16,079
Canada Post Corporation . . . . .			655,000	655,000
Canadian Wheat Board . . . . .			15,506	15,506
Export Development Canada . . . . .	2,794,000			2,794,000
Farm Credit Canada . . . . .	663,700		47,344	711,044
Halifax Port Authority . . . . .			1,894	1,894
Laurentian Pilotage Authority . . . . .			2,988	2,988
Pacific Pilotage Authority . . . . .			410	410
Royal Canadian Mint . . . . .		20,407		20,407
Vancouver Port Authority . . . . .		12,800	34,100	46,900
Other Canada Port Authorities . . . . .		235	4,539	4,774
<b>Total . . . . .</b>	<b>4,528,600</b>	<b>33,442</b>	<b>952,839</b>	<b>5,514,881</b>

## Financial Assistance Under Budgetary Appropriations to Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.10 summarizes financial assistance under budgetary appropriations for both agent, non-agent enterprise Crown corporations and other government business enterprises. It should be read in conjunction with Table 9.5. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts approved through an operating expenditures vote and (b) amounts approved through a capital expenditures vote.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

Differences in figures reported in Table 9.5 and those reported in Table 9.10 result from the use of different accounting policies and from items in transit.

**TABLE 9.10**

### FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 2005

(in thousands of dollars)

	Operating expenditures vote	Capital expenditures vote	Financial assistance under budgetary appropriations <sup>(1)</sup>
<u>Enterprise Crown corporations and other government business enterprises</u>			
Canada Post Corporation <sup>(2)</sup> .....	233,693		233,693
Canadian Commercial Corporation .....	16,399		16,399
Canadian Wheat Board, The <sup>(3)</sup> .....	12,379		12,379
Cape Breton Development Corporation .....	60,200		60,200
Export Development Canada <sup>(4)</sup> .....	27,501		27,501
Total .....	350,172 <sup>(5)</sup>		350,172

<sup>(1)</sup> Excludes grants and contributions paid to agent and non-agent enterprise Crown corporations where they qualify as members of a general class of recipients.

<sup>(2)</sup> Includes a payment of \$36,483 from the Department of Indian Affairs and Northern Development for the purpose of providing Northern Air Stage Parcel Service.

<sup>(3)</sup> Consists of a payment of \$12,379 for the acquisition and leasing of hopper cars for the transportation of grain in Western Canada.

<sup>(4)</sup> Includes a payment of \$12,000 from the Department of Foreign Affairs and International Trade (International Trade) as administration expenses for the Canada Account.

<sup>(5)</sup> Of this amount, \$325,793 is presented with Crown corporations expenses on the Statement of Operations and Accumulated Deficit in Section 2 of this volume. The remainder is presented with other program expenses of all other departments and agencies.

## Portfolio Investments

Portfolio investments are entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. Additional information on these entities is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*.

Under the terms of section 147 of the *Bankruptcy and Insolvency Act*, the Superintendent of Bankruptcy has received shares in a number of corporations in lieu of a cash levy payable to the Crown.

Table 9.11 presents a summary of the balances and transactions for the various types of portfolio investments.

**TABLE 9.11**  
**PORTFOLIO INVESTMENTS**

	April 1/2004	Payments and other charges	Receipts and other credits	March 31/2005
	\$	\$	\$	\$
Petro-Canada—Finance .....	1,225,167,174		1,225,167,174	
Other—				
Société du parc industriel et portuaire Québec-Sud—				
Economic Development Agency of Canada				
for the Regions of Quebec .....	400			400
Co-operative Housing Project—Environment—				
Parks Canada Agency .....	337,106			337,106
Lower Churchill Development Corporation Limited—				
Natural Resources .....	14,750,000			14,750,000
North Portage Development Corporation—				
Western Economic Diversification .....				
	15,087,506			15,087,506
Total .....	1,240,254,680		1,225,167,174	15,087,506

### Petro-Canada

Petro-Canada was incorporated under the *Petro-Canada Act*, to explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

Under the *Petro-Canada Public Participation Act*, assented to February 1, 1991, the Corporation was continued under the *Canada Business Corporations Act*, and authority was provided for the sale of shares to the public.

In September 1995, the Government sold 123,900 shares in a public offering.

On September 29, 2004, the Government sold their remaining 49.4 million shares, which represented approximately 18.6 percent ownership of Petro-Canada, for a total net proceeds of \$3,129 million in cash. The net gain on the sale, amounting to \$2,562 million, was recorded as a gain on disposal in 2004-2005.

During the year, the account was closed.

### Société du parc industriel et portuaire Québec-Sud

The Corporation was incorporated by a Special Act of the Government of Quebec, to favor and manage the development of an industrial park intended for major industrial projects in the Township of Lévis. In order to achieve this objective, the Corporation acquired, sold or exchanged lands in this Township.

In 1995, the mandate was modified after the lands were ascertained as inappropriate for industrial infrastructure. The Corporation conducted the sale of the Corporation's land and suggested an alternative solution to the two levels of government on the use of the proceeds of this sale.

The Government had purchased 400 common shares of the Corporation at \$1 per share. This represented 40 percent of the authorized shares. The balance of the outstanding shares is owned by the Government of Quebec.

The Corporation was dissolved under Bill 81 (2004, Chapter 40 - Legislation of the Government of Quebec) on December 17, 2004. The redemption of the 400 common shares will occur during the next fiscal year.

### Co-operative Housing Project

The Parks Canada Agency has invested in the Rocky Mountain II Co-operative Housing Association, along with five other entities, to provide accommodation for Parks Canada employees and employees of other entities in Banff, Alberta.

### Lower Churchill Development Corporation Limited

The Corporation was incorporated under the *Companies Act of Newfoundland*, to establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland and Labrador in the development of the hydroelectric power potential of the Lower Churchill River in Labrador, the Government is authorized to purchase approximately 49 percent of the shares of the Lower Churchill Development Corporation Limited.

The Government has purchased 1,475 class A shares, representing 49 percent of the shares outstanding. The balance of the outstanding shares is owned by Newfoundland and Labrador Hydro (an agent of the Government of Newfoundland and Labrador).

### North Portage Development Corporation

The Corporation was incorporated under the *Manitoba Corporations Act*, to foster the social and economic development of the North Portage area in the core area of Winnipeg. The objective of the Government's participation is to stimulate economic recovery in Canada and Manitoba.

The Government's holding of common shares represents 33.3 percent of the shares outstanding. The Corporation is owned equally by the City of Winnipeg, the Province of Manitoba and the Government of Canada.

### National Governments Including Developing Countries

Loans to national governments consist mainly of loans for financial assistance, international development assistance to developing countries, and loans for development of export trade (administered by Export Development Canada).

Table 9.12 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

**TABLE 9.12**

#### NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

	April 1/2004	Payments and other charges	Receipts and other credits	March 31/2005
	\$	\$	\$	\$
Finance—				
United Kingdom.....	42,603,048		19,617,740	22,985,308
Foreign Affairs and International Trade (Foreign Affairs)—				
Developing countries—Canadian International Development Agency—International development assistance .....	313,614,447	27,540,399	17,251,870	323,902,976
Foreign Affairs and International Trade (International Trade)—				
Development of export trade (loans administered by Export Development Canada) .....	749,441,384	44,903,613	206,345,935	587,999,062
National Defence—				
North Atlantic Treaty Organization—Damage claims recoverable .....	23,366	28,473	42,258	9,581
<b>Total.....</b>	<b>1,105,682,245</b>	<b>72,472,485</b>	<b>243,257,803</b>	<b>934,896,927</b>

**United Kingdom***United Kingdom Financial Agreement Act, 1946—Deferred principal*

Under authority of the *United Kingdom Financial Agreement Act, 1946*, a credit of \$1,250,000,000 was extended by the Government of Canada to the government of the United Kingdom to facilitate purchases by the United Kingdom of goods and services in Canada and to assist the government of the United Kingdom in meeting transitional post-war deficits in its current balance of payments, in maintaining adequate reserves of gold and dollars, and in assuming the obligations of multilateral trade.

The agreement, as amended in 1957, provides for the deferment of interest in respect of the year 1956 and of seven instalments of principal and interest after December 31, 1956, under certain conditions. Interest for 1956, and interest and principal for 1957, 1964, 1965, 1968 and 1976 were deferred. The outstanding deferred principal is repayable between December 31, 2005 and December 31, 2006.

**Developing countries—International development assistance**

Interest-free or low interest bearing loans have been made through the Canadian International Development Agency to developing countries for international development assistance. Loans are recorded in part as expenses when the economic value of the loans is reduced due to their concessionary terms.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments.

All loans have been made in Canadian dollars and are therefore not subject to revaluations for foreign exchange fluctuations.

Similar assistance has been provided to developing countries by way of subscriptions and advances to the International Development Association, advances to the Global Environment Facility, and loans to other international financial institutions. These are reported later in this section under the heading "International organizations".

	April 1/2004	Payments and other charges	Receipts and other credits <sup>(1)</sup>	March 31/2005
	\$	\$	\$	\$
(a) rescheduling as per agreement with Government of Egypt in August 1992, Phase III of reorganization schedule. Next principal repayment due January 1, 2017:				
Egypt .....	44,995,933			44,995,933
(b) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayments between September 1996 and January 2012:				
Brazil .....	3,141,952		93,741	3,048,211
Cuba .....	9,547,012			9,547,012
Malaysia .....	652,126		163,043	489,083
Turkey .....	421,739		210,869	210,870
	13,762,829		467,653	13,295,176
(c) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:				
Salvador, El .....	131,128		65,413	65,715
(d) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand .....	94,987		33,333	61,654



	April 1/2004	Payments and other charges	Receipts and other credits <sup>(1)</sup>	March 31/2005
	\$	\$	\$	\$
(e) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria . . . . .	10,147,154		732,747	9,414,407
Argentina . . . . .	242,667		18,667	224,000
Bolivia . . . . .	763,111		42,395	720,716
Brazil . . . . .	313,649		20,914	292,735
Chile . . . . .	1,342,461		165,719	1,176,742
Colombia . . . . .	369,101		27,106	341,995
Dominican Republic . . . . .	4,686,025		236,045	4,449,980
Ecuador . . . . .	5,371,771		304,919	5,066,852
Guatemala . . . . .	2,281,403		100,000	2,181,403
Indonesia . . . . .	212,842,243		4,183,800	208,658,443
Malaysia . . . . .	1,734,493		62,935	1,671,558
Malta . . . . .	499,980		25,000	474,980
Mexico . . . . .	36,027		2,771	33,256
Morocco . . . . .	9,552,401		586,001	8,966,400
Myanmar (Burma) . . . . .	8,306,202			8,306,202
Pakistan . . . . .	447,507,534			447,507,534
Paraguay . . . . .	258,085		18,131	239,954
Peru . . . . .	44,073	8,128	3,729	48,472
Philippines . . . . .	2,034,905		97,160	1,937,745
Sri Lanka . . . . .	101,451,293		2,237,699	99,213,594
Thailand . . . . .	21,328,163		760,870	20,567,293
Tunisia . . . . .	66,619,617		4,845,875	61,773,742
	897,732,358	8,128	14,472,483	883,268,003
(f) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria . . . . .	29,056,945		2,212,988	26,843,957
Subtotal . . . . .	985,774,180	8,128	17,251,870	968,530,438
Less: portion expensed due to concessionary terms . . . . .	672,159,733	27,532,271		644,627,462
Total . . . . .	313,614,447	27,540,399	17,251,870	323,902,976

Note: Grace period refers to interval from date of issuance of the loan to first repayment of loan principal.

<sup>(1)</sup> Receipts and other credits may include transactions such as repayments, forgiveness, etc.

## Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Minister for Foreign Affairs and International Trade (International Trade), with the concurrence of the Minister of Finance, may authorize Export Development Canada ("the Corporation") to enter into certain transactions or class of transactions where the Corporation has advised the Minister that it will not enter into such transactions because, on the basis of the Corporation's risk management practices, such transactions could not be supported under the Corporation's Corporate Account. Funding for such transactions is provided by payments made by the Minister of Finance out of the Consolidated Revenue Fund and the transactions are administered by the Corporation on behalf of the Government of Canada.

Loan transactions with long repayment terms and/or low or zero interest rates are recorded in part as expenses when the economic value is reduced due to such concessionary terms.

The following table presents the balances and transactions for loans made to national governments, together with their terms and conditions of repayments.

	Payments and other charges		Receipts and other credits		March 31/2005
	April 1/2004	Payments or other charges <sup>(1)</sup>	Revaluation	Receipts or other credits <sup>(2)</sup>	
	\$	\$	\$	\$	\$
<b>NON-BUDGETARY LOANS<sup>(3)</sup>—</b>					
(a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 11 percent interest per annum, with final repayments between May 2000 and November 2005:					
Madagascar <sup>(4)</sup>	13,359,068	6,913,534		1,028,562	19,244,040
Mexico	7,003,312			495,255	4,848,077
Tanzania	4,001,378			308,080	3,693,298
	24,363,758	6,913,534		1,659,980	27,785,415
(b) 6 to 10 year term, 5.93 percent (LIBOR) to 10.5 percent interest per annum, with final repayments between July 2000 and March 2007:					
Algeria	29,766,347			6,774,185	21,199,318
Argentina	34,224,151			2,635,037	31,589,114
Cameroun	4,920,560		81,707		5,002,267
Congo <sup>(4)</sup>	3,354,640			258,286	3,096,354
Ecuador	794,414			464,258	296,606
Jamaica	1,409,011			524,981	653,266
Kenya	383,185		221,639		604,824
Lithuania	336,659			329,659	7,000
Romania	79,737,309			31,130,369	44,152,249
Russia	749,119			742,375	6,744
Sudan	5,061,161				389,676
Venezuela	113,838,255	10,162,288		5,975,398	108,334,855
	274,574,811	10,162,288	303,346	45,941,225	219,600,338
(c) 11 to 15 year term, 5.93 percent (LIBOR) to 11.5 percent interest per annum, with final repayments between July 1996 and January 2007:					
Argentina	500,157				500,157
Brazil	1,233,976			1,233,976	
Pakistan <sup>(4)</sup>	8,909,432			746,951	8,162,481
Peru	281,713		12,999	214,722	79,990
Russia	58,171,880			3,539,860	51,234,727
Rwanda <sup>(4)</sup>	2,136,417		364,223		2,500,640
Zambia <sup>(4)</sup>	3,382,469	5,232,180		260,428	8,354,221
	74,616,044	5,232,180	377,222	4,988,558	70,832,216
Insurance claims paid during the year:					
Cuba	30,420,852			185,450	30,235,402
Haiti	488,986			115,857	373,129
Russia	14,251,432			635,307	13,616,125
	45,161,270			185,450	44,224,656
Total—Non-budgetary loans	418,715,883	22,308,002	680,568	52,775,213	362,442,625

	Payments and other charges			Receipts and other credits		March 31/2005
	April 1/2004	Payments or other charges <sup>(1)</sup>	Revaluation	Receipts or other credits <sup>(2)</sup>		
				Revaluation		
	\$	\$	\$	\$	\$	\$
<b>BUDGETARY LOANS<sup>(3)</sup>—</b>						
(a) 1 to 15 year term, 6.9 percent (LIBOR) to 11 percent interest per annum, with final repayments between April 1997 and June 2012:						
Poland .....	26,203,479			26,203,479		
(b) 16 to 20 year term, 0 percent to 3.5 percent interest per annum, with final repayments between March 2008 and March 2011:						
Cameroun .....	770,762				38,819	731,943
Thailand .....	13,292,132			1,995,994	534,505	10,761,633
	14,062,894			1,995,994	573,324	11,493,576
(c) 21 to 25 year term, 0 percent to 3.5 percent interest per annum, with final repayments between November 1999 and July 2036:						
Algeria .....	9,313,807			725,764	4,358	8,583,685
China .....	457,181,575	3,494,165		3,091,593	35,112,606	422,471,541
Indonesia .....	41,628,898			1,604,467	3,653,125	36,371,306
	508,124,280	3,494,165		5,421,824	38,770,089	467,426,532
(d) 31 to 55 year term, 0 percent interest per annum, with final repayment in July 2042:						
Cameroun .....	16,328,185				1,756,496	14,571,689
China .....	155,255,575			4,351,686	11,733,601	139,170,288
Egypt .....	11,790,252			348,291	286,789	11,155,172
Gabon .....	11,867,997			426,101	787,773	10,654,123
India .....	66,259,390			1,403,120	5,030,347	59,825,923
Jamaica .....	8,272,880			232,392	625,897	7,414,591
Kenya .....	8,518,583			235,809	916,623	7,366,151
Morocco .....	116,697,895			3,232,937	8,856,719	104,608,239
Turkey .....	137,616,435			3,369,614	10,525,202	123,721,619
	532,607,192			13,599,950	40,519,447	478,487,795
Total—Budgetary loans .....	1,080,997,845	3,494,165		47,221,247	79,862,860	957,407,903
Subtotal .....	1,499,713,728	25,802,167	680,568	99,996,460	106,349,475	1,319,850,528
Less: portion expensed due to concessionary terms .....	750,272,344	18,420,878				731,851,466
Total .....	749,441,384	44,223,045	680,568	99,996,460	106,349,475	587,999,062

Note: Final repayment dates may change if loan amounts are rescheduled or restructured.

(1) Payments or other charges may include transactions such as loans, adjustments, etc.

(2) Receipts or other credits may include transactions such as repayments, forgiveness, etc.

(3) Prior to April 1, 1987, these loans were authorized by miscellaneous non-budgetary authorities. Subsequently they were authorized by miscellaneous budgetary authorities.

(4) Certain comparative figures have been reclassified from budgetary to non-budgetary loans.

### North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

## International Organizations

This group records Canada's subscriptions to the share capital of international banks. It also includes loans and advances to associations and other international organizations.

Canada's subscriptions to the share capital of a number of international banks are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investment but are repayable on termination of the organization or withdrawal from it.

Paid-in capital subscriptions are made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Although payable on demand, these notes are typically encashed according to terms of agreements reached between the organization and participating countries. Canada's subscriptions to the paid-in capital of these organizations are reported in Table 9.13.

Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program. Callable share capital, which has never been drawn on by the banks, would only be utilized in extreme circumstances to repay loans, should a bank's reserves not be sufficient. It represents a contingent liability of the Government, and is listed with other contingent liabilities related to international organizations in Table 11.8 (Section 11 of this volume).

Most loans and advances to international organizations are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms. Loans made on a long-term, low-interest or interest-free basis, and investments in organizations that make similar loans, are recorded in full or in part as expenses through the allowance for valuation when the economic value is reduced due to their concessionary terms.

Table 9.13 presents a summary of the balances and transactions for share capital, loans and advances to international organizations. The revaluation amount represents the conversion of foreign currency balances to the year-end closing rates of exchange. Balances denominated in United States dollars were converted to Canadian dollars at year-end exchange rate of (\$1 US/\$1.2096 Cdn).

Table 11.9 (Section 11 of this volume) presents additional information on contingent liabilities and contractual obligations for international organizations that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The notes payable outstanding at year end of \$540,732,742 (\$618,823,075 in 2004) are reported in Table 5.3 (Section 5 of this volume).

**TABLE 9.13**  
INTERNATIONAL ORGANIZATIONS

	Payments and other charges		Receipts and other credits		March 31/2005
	April 1/2004	Participation or other charges	Reimbursements or other credits	Revaluation	
	\$	\$	\$	\$	\$
Capital subscriptions <sup>(1)</sup> —					
Finance—					
European Bank for Reconstruction and Development .....	251,647,657	16,337,899		21,163,849	246,821,707
International Bank for Reconstruction and Development (World Bank) .....	385,255,245	29,009,682		11,231,602	403,033,325
International Finance Corporation .....	106,663,765			8,272,482	98,391,283
Multilateral Investment Guarantee Agency .....	14,073,199			1,091,469	12,981,730
	<i>757,639,866</i>	<i>45,347,581</i>		<i>41,759,402</i>	<i>761,228,045</i>
Foreign Affairs and International Trade (Foreign Affairs)—					
Canadian International Development Agency—					
African Development Bank .....	111,291,443	3,461,282		3,870,461	110,882,264
Asian Development Bank .....	199,353,838			13,351,392	186,002,446
Caribbean Development Bank .....	24,132,694			271	22,696,561
Inter-American Development Bank .....	236,206,491			461,287	217,261,467
	<i>570,984,466</i>	<i>3,461,282</i>		<i>461,558</i>	<i>536,842,738</i>
	<i>1,328,624,332</i>	<i>48,808,863</i>		<i>461,558</i>	<i>1,298,070,783</i>

**TABLE 9.13**  
**INTERNATIONAL ORGANIZATIONS—Concluded**

	Payments and other charges			Receipts and other credits		
	April 1/2004	Participation or other charges	Revaluation	Reimbursements or other credits	Revaluation	March 31/2005
		\$	\$	\$	\$	\$
Loans and advances—						
Finance—						
Global Environment Facility <sup>(2)</sup> .....	10,000,000					10,000,000
International Development Association <sup>(2)</sup> .....	6,626,704,061	230,134,000				6,856,838,061
International Monetary Fund—Poverty Reduction and Growth Facility <sup>(1)</sup> .....	763,605,317	19,302,825		119,424,576	41,146,361	622,337,205
	7,400,309,378	249,436,825		119,424,576	41,146,361	7,489,175,266
Foreign Affairs and International Trade (Foreign Affairs)—						
International organizations and associations <sup>(1)</sup> —						
Berne Union of the World Intellectual Property Organization .....	45,309				1,093	44,216
Customs Co-operation Council .....	11,025				319	10,706
Food and Agriculture Organization .....	1,180,170				91,530	1,088,640
General Agreement on Tariffs and Trade .....	56,423				1,361	55,062
International Maritime Organization .....	2,626				146	2,480
International Atomic Energy Agency .....	501,965				38,931	463,034
International Civil Aviation Organization .....	225,019				17,452	207,567
Paris Union of the World Intellectual Property Organization .....	116,751				2,816	113,935
United Nations Educational, Scientific and Cultural Organization .....	980,092				76,013	904,079
United Nations organizations .....	4,078,143				316,287	3,761,856
World Health Organization .....	203,343				15,771	187,572
	7,400,866				561,719	6,839,147
Canadian International Development Agency—						
International financial institutions <sup>(2)</sup> —						
African Development Bank .....	2,093,896			62,500		2,031,396
African Development Fund .....	1,600,821,576	69,603,210			7,837,494	1,662,587,292
Andean Development Corporation .....	2,437,500			125,000		2,312,500
Asian Development Bank—Special .....	27,027,000					27,027,000
Asian Development Fund .....	1,716,762,540	100,339,868				1,817,102,408
Caribbean Development Bank—						
Agricultural Development Fund .....	2,000,000					2,000,000
Caribbean Development Bank—						
Commonwealth Caribbean Regional .....	5,256,400				418,000	4,838,400
Caribbean Development Bank—Special .....	162,106,132	1,681,197			1,311,475	162,475,854
Central American Bank for Economic Integration .....	1,032,780			114,750		918,030
Global Environment Facility Trust Fund .....	272,935,000	39,735,000				312,670,000
Inter-American Development Bank—Fund for Special Operations .....	385,050,212	1,138,504			18,880,869	367,307,847
Multilateral Investment Fund .....	11,388,294					11,388,294
International Bank for Reconstruction and Development .....	26,282,000				2,090,000	24,192,000
International Fund for Agriculture Development .....	163,038,743	14,533,867				177,572,610
International Monetary Fund .....	14,414,931				1,146,306	13,268,625
Montreal Protocol Fund .....	58,086,412	6,216,533			2,788,525	61,514,420
	4,450,733,416	233,248,179		302,250	34,472,669	4,649,206,676
	11,858,443,660	482,685,004		119,726,826	76,180,749	12,145,221,089
Subtotal .....	13,187,067,992	531,493,867		120,188,384	155,081,603	13,443,291,872
Less: portion expensed due to concessionary terms .....				3,353,151		3,353,151
Total .....	13,187,067,992	531,493,867		123,541,535	155,081,603	13,439,938,721

<sup>(1)</sup> Loans and investments made prior to April 1, 1986 which were authorized by non-budgetary authorities.

<sup>(2)</sup> Loans and investments made since April 1, 1986 which were authorized by budgetary authorities.

### **European Bank for Reconstruction and Development**

This account records Canada's subscriptions to the capital of the European Bank for Reconstruction and Development (EBRD), as authorized by the *European Bank for Reconstruction and Development Agreement Act*, and various appropriation acts.

At year-end, Canada has subscribed to 68,000 shares of the EBRD's authorized capital valued at \$828.6 million US. Only \$216.2 million US or about 35 per cent of Canada's share subscription is "paid-in". The balance is callable meaning the institution can request the resources in the unlikely event that it requires them to meet its financial obligations to bondholders. Payments for the share subscription are authorized by the *Act*. Each payment to the EBRD is comprised of cash and a promissory note.

As at March 31, 2005, Canada had paid-in shares valued at \$204,052,337 US.

Canada's contingent liability for the callable portion of its shares is \$612,420,000 US.

### **International Bank for Reconstruction and Development (World Bank)**

This account records Canada's subscriptions to the capital of the International Bank for Reconstruction and Development, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2005, Canada has subscribed to 44,795 shares. The total value of these shares is \$5,403,844,825 US, of which \$319,633,987 US plus \$16,404,055 Cdn has been paid-in. The remaining portion is callable.

The callable portion is subject to call by the Bank under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$5,069 million US.

### **International Finance Corporation**

This account records Canada's subscriptions to the capital of the International Finance Corporation, which is part of the World Bank Group, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2005, Canada has subscribed to 81,342 shares. These shares have a total value of \$81,342,000 US, all of which has been paid-in.

### **Multilateral Investment Guarantee Agency**

This account records Canada's subscriptions to the capital of the Multilateral Investment Guarantee Agency, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2005, Canada has subscribed to 5,225 shares. The total value of these shares is \$56,534,500 US, of which \$10,732,250 US is paid-in and the remaining portion is callable.

The callable portion is subject to call by the Agency under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$45,802,250 US.

### **African Development Bank**

This account records Canada's subscriptions to the capital of the African Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade (Foreign Affairs) Vote L30, *Appropriation Act No. 2, 2004-2005*).

At year-end, authority had been granted for subscriptions of 7,705 paid-in shares and 73,473 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2005, Canada's participation to the paid-in capital is \$110,882,264 Cdn for 7,705 paid-in shares and of these paid-in shares, 2,100 were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$984,917,646 Cdn and \$177,333,450 US for a total value of \$1,199,420,187 Cdn.

### **Asian Development Bank**

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 12,961 paid-in shares and 172,125 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2005, Canada's participation to the paid-in capital is \$186,002,446 Cdn for 12,961 paid-in shares. Of these paid-in shares, 10,591 were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$1,533,210,533 US and \$596,976,219 Cdn for a total value of \$2,451,547,680 Cdn.

### **Caribbean Development Bank**

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 2,278 paid-in shares and 8,124 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2005, Canada's participation to the paid-in capital is \$22,696,561 Cdn for 2,278 paid-in shares. These shares were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$49,001,856 US for a total value of \$59,272,645 Cdn.

### **Inter-American Development Bank**

This account records Canada's subscriptions to the capital of the Inter-American Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 14,397 paid-in shares and 320,490 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2005, Canada's participation to the paid-in capital is \$217,261,467 Cdn for 14,397 paid-in shares. These shares were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$3,866,208,680 US for a total value of \$4,676,566,019 Cdn.

### **Global Environment Facility**

This account records the funding of a facility for environmental funding in developing countries in the areas of ozone, climate change biodiversity and international waters as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. Advances to the Global Environment Facility (GEF) are made in non-negotiable, non-interest bearing demand notes that are later encashed.

As at March 31, 2005, advances to the GEF amounted to \$10,000,000 Cdn.

### **International Development Association**

This account records Canada's contributions and subscriptions to the International Development Association (IDA), as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. The contributions and subscriptions to the Association, which is part of the World Bank Group, are used to lend funds to the poorest developing countries for development purposes, on highly favourable terms (no interest, with a 35 to 40 year maturity and 10 years of grace). Contributions and subscriptions to IDA are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, transactions included participation through the issuance of notes payable.

As at March 31, 2005, Canada's total participation in IDA amounted to \$6,856,838,061 Cdn.

### **International Monetary Fund—Poverty Reduction and Growth Facility**

This account records the loan to the International Monetary Fund in order to provide assistance to debt distressed, low-income countries as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

The total loan authority pursuant to the *Bretton Woods and Related Agreements Act* was set at \$550 million or such greater amount as may be fixed by the Governor in Council. The Governor in Council subsequently increased the limit to SDR 700 million.

As at March 31, 2005, Canada has lent a total of 648,482,500 SDR to the Poverty Reduction and Growth Facility. Of this amount, 307,942,306 SDR has been repaid. The outstanding balance of 340,540,194 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR/\$1.82750 Cdn). During the year, transactions included a loan in cash, repayments and an exchange valuation adjustment.

Canada has also made budgetary contributions towards an interest subsidy amounting to 186,097,586 SDR, which do not appear in Table 9.13.

### **International organizations and associations**

These items represent the historical value of payments made by the Canadian Government to working capital funds maintained by international organizations of which Canada is a member. Participation in the financing of these working capital funds, on the basis of the scale of assessments, is prescribed by financial regulations for membership in the organizations. Payments into the funds are not subject to interest or repayment schedules, but are recorded by the organizations as credits from member states. Payments by Canada were authorized by appropriation acts.

### **International financial institutions**

This account records loans and advances for assistance to international financial institutions, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade (Foreign Affairs) Votes L25, L25a and L25b, *Appropriation Acts No. 2, No. 3 and No. 4, 2004-2005*).

In certain cases, loans and advances are made using notes payable that are later encashed. During the year, transactions included loans and advances made in cash and through note issuances, encashments of notes issued in previous years and revaluations for foreign currency fluctuations.

## Provincial and Territorial Governments

This category records loans to provinces and territories made under relief acts and other legislation.

Loans made on a long-term, low-interest or interest-free basis are recorded in part as expenses when the economic value of these loans is reduced due to their concessionary terms.

Table 9.14 presents a summary of the balances and transactions for the various types of loans and advances that have been made to provincial and territorial governments.

**TABLE 9.14**  
PROVINCIAL AND TERRITORIAL GOVERNMENTS

	April 1/2004	Payments and other charges	Receipts and other credits	March 31/2005
	\$	\$	\$	\$
<b>NEWFOUNDLAND AND LABRADOR—</b>				
Atlantic Canada Opportunities Agency—				
Loans to enterprises in Newfoundland and Labrador.....				
	476,680		20,000	456,680
Finance—				
Federal-provincial fiscal arrange- ments .....				
	189,631,000	379,791,000	68,904,215	500,517,785
Municipal Development and Loan Board .....				
	980,384		220,603	759,781
Winter capital projects fund.....				
	2,836,758			2,836,758
	<i>193,448,142</i>	<i>379,791,000</i>	<i>69,124,818</i>	<i>504,114,324</i>
Industry—				
Atlantic Development Board carry-over projects.....				
	110,144	6,563	40,815	75,892
Atlantic Provinces Power Development Act .....				
	15,109,656	182,784	2,434,645	12,857,795
	<i>15,219,800</i>	<i>189,347</i>	<i>2,475,460</i>	<i>12,933,687</i>
Total Newfoundland and Labrador .....	209,144,622	379,980,347	71,620,278	517,504,691
<b>NOVA SCOTIA—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....				
	209,552,000	123,646,000		333,198,000
Municipal Development and Loan Board.....				
	42,674		15,875	26,799
Total Nova Scotia .....	209,594,674	123,646,000	15,875	333,224,799
<b>PRINCE EDWARD ISLAND—</b>				
Atlantic Canada Opportunities Agency— Comprehensive development plan agreement .....				
	426,474		426,474	
Finance—				
Federal-provincial fiscal arrange- ments .....				
	36,181,000	8,635,000	6,828,000	37,988,000
Municipal Development and Loan Board .....				
	145,328		44,517	100,811
Winter capital projects fund.....				
	63,079			63,079
	<i>36,389,407</i>	<i>8,635,000</i>	<i>6,872,517</i>	<i>38,151,890</i>
Total Prince Edward Island .....	36,815,881	8,635,000	7,298,991	38,151,890



**TABLE 9.14**  
**PROVINCIAL AND TERRITORIAL GOVERNMENTS—Continued**

	April 1/2004	Payments and other charges	Receipts and other credits	March 31/2005
	\$	\$	\$	\$
<b>NEW BRUNSWICK—</b>				
Atlantic Canada Opportunities Agency— Special areas and highways agreement . . . . .	573,774		277,024	296,750
<b>Finance—</b>				
Federal-provincial fiscal arrange- ments . . . . .	168,191,000	40,131,000		208,322,000
Municipal Development and Loan Board . . . . .	571,257		178,611	392,646
	168,762,257	40,131,000	178,611	208,714,646
<b>Industry—</b>				
Atlantic Provinces Power Development Act . . . . .	5,236,516	48,615	1,160,115	4,125,016
<b>Total New Brunswick . . . . .</b>	<b>174,572,547</b>	<b>40,179,615</b>	<b>1,615,750</b>	<b>213,136,412</b>
<b>QUEBEC—</b>				
<b>Finance—</b>				
Federal-provincial fiscal arrange- ments . . . . .	1,904,123,400	1,750,736,681	532,467,399	3,122,392,682
Municipal Development and Loan Board . . . . .	4,731,953		1,891,459	2,840,494
<b>Total Quebec . . . . .</b>	<b>1,908,855,353</b>	<b>1,750,736,681</b>	<b>534,358,858</b>	<b>3,125,233,176</b>
<b>ONTARIO—</b>				
<b>Finance—</b>				
Federal-provincial fiscal arrange- ments . . . . .	(65,078,000)	65,078,000		
Mutual fund capital gain refund over- payments . . . . .	1,330,000,000		133,038,148	1,196,961,852
<b>Total Ontario . . . . .</b>	<b>1,264,922,000</b>	<b>65,078,000</b>	<b>133,038,148</b>	<b>1,196,961,852</b>
<b>MANITOBA—</b>				
<b>Finance—</b>				
Federal-provincial fiscal arrange- ments . . . . .	(12,239,000)	59,214,000		46,975,000
Mutual fund capital gain refund over- payments . . . . .	91,000,000		9,140,300	81,859,700
<b>Total Manitoba . . . . .</b>	<b>78,761,000</b>	<b>59,214,000</b>	<b>9,140,300</b>	<b>128,834,700</b>
<b>SASKATCHEWAN—</b>				
Agriculture and Agri-Food— Agricultural service centres . . . . .	5,685	188	5,873	
<b>Finance—</b>				
Federal-provincial fiscal arrange- ments . . . . .	377,196,008	282,399,328	140,594,008	519,001,328
Municipal Development and Loan Board . . . . .	9,785		4,489	5,296
	377,205,793	282,399,328	140,598,497	519,006,624
<b>Total Saskatchewan . . . . .</b>	<b>377,211,478</b>	<b>282,399,516</b>	<b>140,604,370</b>	<b>519,006,624</b>
<b>ALBERTA—</b>				
<b>Finance—</b>				
Federal-provincial fiscal arrange- ments . . . . .	23,243,000		430,244,262	(407,001,262)
Municipal Development and Loan Board . . . . .	254,724		87,976	166,748
<b>Total Alberta . . . . .</b>	<b>23,497,724</b>		<b>430,332,238</b>	<b>(406,834,514)</b>

**TABLE 9.14**  
**PROVINCIAL AND TERRITORIAL GOVERNMENTS—Concluded**

	April 1/2004	Payments and other charges	Receipts and other credits	March 31/2005
	\$	\$	\$	\$
<b>BRITISH COLUMBIA—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	632,941,000	9,579,000	41,549,000	600,971,000
Municipal Development and Loan Board .....	195,171		92,225	102,946
Total British Columbia .....	633,136,171	9,579,000	41,641,225	601,073,946
<b>YUKON TERRITORY—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	637,000		11,233,078	(10,596,078)
Total Yukon Territory .....	637,000		11,233,078	(10,596,078)
<b>NORTHWEST TERRITORIES—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	228,000		24,118,357	(23,890,357)
Total Northwest Territories .....	228,000		24,118,357	(23,890,357)
<b>NUNAVUT—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	1,673,000		7,095,570	(5,422,570)
Total Nunavut .....	1,673,000		7,095,570	(5,422,570)
Subtotal .....	4,919,049,450	2,719,448,159	1,412,113,038	6,226,384,571
Less: portion expensed due to concessionary terms .....	650,968,000	81,044,000	715,250,000	1,285,174,000
Total .....	4,268,081,450	2,800,492,159	2,127,363,038	4,941,210,571

### Loans to enterprises in Newfoundland and Labrador

Loans have been made to provide financing to small and medium-sized businesses in Newfoundland.

These loans originated from the Newfoundland and Labrador Development Corporation Limited, of which Canada owned 40 percent of the shares. In an agreement dated March 29, 1989, the Newfoundland government purchased Canada's shares to effect the withdrawal of the Government of Canada from the Corporation. A condition of the withdrawal was that the Government of Canada accepts these loans as full payment of moneys owing by the Corporation to Canada. These loans are currently being administered by the Department.

The remaining loans are all in recovery and negotiations are being held to recover outstanding amounts.

### Federal-provincial fiscal arrangements

These amounts represent underpayments and overpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements Act*, and other statutory authority. The underpayments are non-interest bearing and are paid in subsequent years.

### Municipal Development and Loan Board

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25 percent to 5.625 percent per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments between April 1, 2005 and July 1, 2008.

### **Winter capital projects fund**

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 7.4 percent to 9.5 percent per annum, and are repayable either in annual instalments over 5 to 20 years, or at maturity.

### **Atlantic Development Board carry-over projects**

Loans have been made to finance certain water projects that were carried over from the Atlantic Development Board.

The remaining loan bears interest at the rate of 8.352 percent, with final instalment due April 1, 2006.

### **Atlantic Provinces Power Development Act**

Loans have been made to the Atlantic provinces, to assist in the generation of electrical energy by steam driven generators in the provinces, and in the control and transmission of electric energy.

The loans bear interest at rates from 4.5 percent to 8.5 percent per annum, and are repayable in equal annual instalments, with final instalments due March 31, 2014.

### **Comprehensive development plan agreement**

Loans have been made to the Province of Prince Edward Island, to assist in financing the realization of a comprehensive and co-ordinated development plan of the province, pursuant to an agreement with the province, whose territory has been designated a "special rural development area".

During the year, loans were repaid in full and the account was closed.

### **Special areas and highways agreement**

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

Originally, the loans beared interest at rates from 6.3519 percent to 9.5757 percent per annum. The remaining loans bear no interest and are repayable in annual instalments, with final instalment due on April 1, 2005.

### **Mutual fund capital gain refund overpayments**

These amounts represent overpayments made to provinces under tax collection agreements for tax years 1997 to 1999 stemming from the misclassification of mutual fund trust capital gains refunds. Recoveries are non-interest bearing and will take place over a 10-year period and started in 2004-2005.

### **Agricultural service centres**

Loans have been made to provincial and municipal authorities, to assist in the construction or expansion of water supply and waste disposal facilities in key agriculture service centres, which are essential to rural adjustment and urban development in the agricultural portion of the Prairie region.

During the year, loans were repaid in full and the account was closed.

## Other Loans, Investments and Advances

This group records loans, investments and advances not classified elsewhere.

Table 9.15 presents a summary of the balances and transactions for the various types of other loans, investments and advances.

**TABLE 9.15**  
OTHER LOANS, INVESTMENTS AND ADVANCES

	April 1/2004	Payments and other charges	Receipts and other credits	March 31/2005
	\$	\$	\$	\$
Unconditionally repayable contributions—				
Atlantic Canada Opportunities Agency .....	358,679,765	80,761,225	87,090,653	352,350,337
Economic Development Agency of Canada for the Regions of Quebec .....	261,585,881	46,186,392	29,533,666	278,238,607
Industry .....	85,552,995	24,369,572	33,731,522	76,191,045
Natural Resources .....	27,599,145	5,885,067		33,484,212
Western Economic Diversification .....	73,412,801	3,585,881	34,682,964	42,315,718
<b>Total—Unconditionally repayable contributions .....</b>	<b>806,830,587</b>	<b>160,788,137</b>	<b>185,038,805</b>	<b>782,579,919</b>
Loans and accountable advances—				
Foreign Affairs and International Trade (Foreign Affairs)—				
Missions abroad .....	16,587,534	617,837,857	613,404,962	21,020,429
Personnel posted abroad .....	12,754,659	5,604,435	3,324,581	15,034,513
	<i>29,342,193</i>	<i>623,442,292</i>	<i>616,729,543</i>	<i>36,054,942</i>
National Defence—				
Imprest accounts, standing advances and authorized loans .....	32,269,724	566,874,025	572,971,133	26,172,616
Other departments—				
Miscellaneous accountable advances .....	15,774,001		1,597,967	14,176,034
Miscellaneous accountable imprest and standing advances .....	20,909,406	170,097	318,757	20,760,746
	<i>36,683,407</i>	<i>170,097</i>	<i>1,916,724</i>	<i>34,936,780</i>
<b>Total—Loans and accountable advances.....</b>	<b>98,295,324</b>	<b>1,190,486,414</b>	<b>1,191,617,400</b>	<b>97,164,338</b>
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings .....	73,019			73,019
National Marketing Programs .....	106,096,882	11,935,231		118,032,113
	<i>106,169,901</i>	<i>11,935,231</i>		<i>118,105,132</i>
Canadian Heritage—				
Cultural property .....				
Citizenship and Immigration—				
Immigration loans .....	42,494,280	14,120,206	14,671,513	41,942,973
Finance—				
Canadian Commercial Bank .....	47,202,429		110,000	47,092,429
Financial Consumer Agency of Canada—				
Advances .....	1,500,000	6,000,000	6,000,000	1,500,000
Ottawa Civil Service Recreational Association .....	28,495		13,947	14,548
	<i>48,730,924</i>	<i>6,000,000</i>	<i>6,123,947</i>	<i>48,606,977</i>
Fisheries and Oceans—				
Canadian producers of frozen groundfish .....	128,315			128,315
Haddock fishermen .....	1,343,337			1,343,337
	<i>1,471,652</i>			<i>1,471,652</i>
Foreign Affairs and International Trade (International Trade)—				
Development of export trade (loans administered by Export Development Canada) .....	1,645,327,361	914,653,746	302,957,195	2,257,023,912
Human Resources and Skills Development— <sup>(1)</sup>				
Canada Student Loans Program .....	6,369,962,046	2,207,142,257	1,094,105,200	7,482,999,103
Provincial workers' compensation boards .....	12,973,001	40,000		13,013,001
	<i>6,382,935,047</i>	<i>2,207,182,257</i>	<i>1,094,105,200</i>	<i>7,496,012,104</i>

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/2004	Payments and other charges	Receipts and other credits	March 31/2005
	\$	\$	\$	\$
Indian Affairs and Northern Development—				
Council of Yukon First Nations—Elders .....	11,217,638		865,627	10,352,011
Farm Credit Canada Guarantee				
Loans Program <sup>(2)</sup> .....	4,974,959		4,851,313	123,646
First Nations in British Columbia .....	280,518,046	28,750,708		309,268,754
Indian Economic Development Fund .....	87,121		17,620	69,501
Indian Economic Development Guarantee				
Loans Program <sup>(2)</sup> .....	354,924	7,680,841	691,425	7,344,340
Inuit Loan Fund .....	82,836			82,836
Native Claimants .....	357,307,534	23,111,725	7,197,262	373,221,997
On Reserve Housing Guarantee				
Loans Program <sup>(2)</sup> .....	9,197,846	1,479,023	4,404,447	6,272,422
Stoney Band Perpetual Loan .....	389,615			389,615
Yukon Energy Corporation .....	28,428,756		28,428,756	
	692,559,275	61,022,297	46,456,450	707,125,122
Industry—				
Company stock option .....				
Manufacturing, processing and service industries in				
Canada .....	110,000,000			110,000,000
Small Business loans .....	144,893,488	96,081,657	110,915,605	130,059,540
National Research Council of Canada—				
H. L. Holmes Fund .....	3,987,737	51,235		4,038,972
	258,881,225	96,132,892	110,915,605	244,098,512
National Defence—				
Canadian Forces housing projects .....	320,054	86,888	359,384	47,558
Natural Resources—				
Hibernia Development Project .....	46,000,000		9,200,000	36,800,000
Nordion International Inc. ....	86,000,000		4,000,000	82,000,000
	132,000,000		13,200,000	118,800,000
Public Works and Government Services—				
Seized Property Working Capital Account .....	(7,715,722)	32,465,912	31,752,475	(7,002,285)
Solicitor General (Public Safety and Emergency Preparedness)—				
Correctional Service—				
Parolees .....	7,394	6,289	6,731	6,952
Transport—				
Canadian Airport Authorities .....	18,594,737		385,101	18,209,636
Saint John Harbour Bridge Authority .....	23,480,834		834,726	22,646,108
St. Lawrence Seaway Management Corporation .....	179,397			179,397
	42,254,968		1,219,827	41,035,141
Veterans Affairs—				
Commonwealth War Graves Commission .....	72,327		3,753 <sup>(3)</sup>	68,574
Veterans' Land Act Fund—				
Advances .....	68,769		31,055	37,714
	141,096		34,808	106,288
Other departments—				
Miscellaneous .....	257,291	26,500		283,791
Subtotal—Other .....	9,345,834,746	3,343,632,218	1,621,803,135	11,067,663,829
Add: consolidation adjustment <sup>(4)</sup> .....	849,768,000	39,616,000		889,384,000
Total—Other .....	10,195,602,746	3,383,248,218	1,621,803,135	11,957,047,829
Total .....	11,100,728,657	4,734,522,769	2,998,459,340	12,836,792,086

(1) Formerly part of the Department of Human Resources Development.

(2) Current year transactions reflect an adjustment to opening balance.

(3) This amount represents a revaluation adjustment.

(4) Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

### Unconditionally repayable contributions

Unconditionally repayable contributions are, in substance loans, and are generally made to businesses pursuant to various Acts of Parliament, with various amounts outstanding.

These loans are aimed at stimulating economic development or for assistance. They bear various interest rates, some of which have concessional terms, and are repayable at various due dates with final instalments due within up to 10 years of initial disbursement.

Loans made on a long-term, low-interest or interest-free basis are recorded in part as expenses when the economic value of the loans is reduced due to their concessional terms.

### Missions abroad

Non-interest bearing advances have been made for interim financing of expenses at missions abroad, pending distribution to appropriations of Foreign Affairs and International Trade and other departments and agencies.

The total amount authorized to be outstanding at any time is \$50,000,000.

### Personnel posted abroad

A working capital advance account was established to finance loans and advances to employees posted abroad, including employees of other Government departments and agencies, as well as medical advances to locally-engaged staff.

The total amount authorized to be outstanding at any time is \$22,500,000.

The closing balance consists of loans to employees, \$11,760,822; advances for medical expenses, \$1,296,596; advances for workmen's compensation, \$6,760; security and other deposits under Foreign Service Directives, \$814,350 and, school and club debentures, \$1,155,985.

The loans to employees bear interest at rates from 2.75 percent to 3.0 percent per annum, and are repayable over 1 to 4 years, with final instalments between April 1, 2005 and March 1, 2009.

### Imprest accounts, standing advances and authorized loans

This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and, (d) authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is \$120,000,000, as last amended by National Defence Vote L11b, *Appropriation Act No. 4, 2001-2002*.

### Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

### Miscellaneous accountable imprest and standing advances

This account is operated to provide imprest funds, accountable advances and recoverable advances to departments and agencies.

The total amount authorized to be outstanding at any time is \$22,000,000.

### Construction of multi-purpose exhibition buildings

Loans have been made to finance the construction of multi-purpose exhibition buildings.

The loans bear interest at rates from 7.532 percent to 9.351 percent per annum, and are repayable over 20 to 30 years, with final instalments between May 31, 2005 and June 30, 2006.

### National Marketing Programs

Loans made by financial institutions under the *Farm Improvement and Marketing Cooperative Loans Act* and advances made by producer organizations under the *Agricultural Marketing Programs Act* are guaranteed by the Crown. Where the guarantee is honoured, the Crown becomes subrogated to the financial institution's or producer organization's rights to outstanding principal, interest and costs.

### Cultural property

Loans made to designated heritage institutions and public authorities in Canada, for the purchase of objects in respect of which export permits have been refused under the *Cultural Property Export and Import Act*, or for the purchase of cultural property situated outside Canada which is important to the national heritage.

Although authority for additional loans was provided by Canadian Heritage Vote L10, *Appropriation Act No. 2, 2004-2005*, no loans were made during the year. The total loan authority is \$10,000 per year.

### Immigration loans

Section 88 of the *Immigration and Refugee Protection Act* authorizes the making of loans for the purpose of the *Act*.

The total amount authorized to be outstanding at any time is \$110,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable by monthly instalments over 1 to 7 years, with a possible deferment of 2 years, bearing interest at rates from 3.56 percent to 12.875 percent per annum, with final instalments between April 1, 2005 and April 1, 2012, \$41,229,322; and,
- (b) repayable by monthly instalments over 1 to 6 years, with a possible deferment of 2 years, non-interest bearing, with final instalments past due, \$713,651.

During the year, loans totalling \$913,740 were written off by Citizenship and Immigration Vote 2b, *Appropriation Act No. 4, 2004-2005*.

### **Canadian Commercial Bank**

Advances have been made to the Canadian Commercial Bank representing the Government's participation in the support group as authorized by the *Canadian Commercial Bank Financial Assistance Act*. These funds represent the Government's participation in the loan portfolio that was acquired from the Bank and the purchase of outstanding debentures from existing holders.

### **Financial Consumer Agency of Canada—Advances**

Interest-bearing advances have been made to defray the cost of operation of the Agency pursuant to Section 13(1) of the *Financial Consumer Agency of Canada Act*.

The advances are repayable within one year.

### **Ottawa Civil Service Recreational Association**

Loans have been made to the Ottawa Civil Service Recreational Association, to assist in the building and development of the W Clifford Clark Memorial Centre.

The remaining loan bears interest at the rate of 4.25 percent per annum, and is repayable in equal semi-annual instalments over 45 years, with the final instalment due September 30, 2005.

### **Canadian producers of frozen groundfish**

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories.

The loans bore interest at the rate of 13 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1987. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

### **Haddock fishermen**

Loans have been made to Nova Scotia haddock fishermen whose fishery was closed from February 1 to May 31, 1975, pursuant to an agreement under the International Agreement for the Northwest Atlantic Fisheries. The total loan authority is \$1,650,000.

The loans bore interest at the rate of 8 percent per annum, and were repayable in equal annual instalments over 4 years, with the final instalment in 1979. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

### **Development of export trade**

Pursuant to section 23 of the *Export Development Act*, the Minister for Foreign Affairs and International Trade (International Trade), with the concurrence of the Minister of Finance, may authorize Export Development Canada ("the Corporation") to enter into certain transactions or class of transactions where the Corporation has advised the Minister that it will not enter into such transactions because, on the basis of the Corporation's risk management practices, such transactions could not be supported under the Corporation's Corporate Account. Funding for such transactions is provided by payments made by the Minister of Finance out of the Consolidated Revenue Fund and the transactions are administered by the Corporation on behalf of the Government of Canada.

Loan transactions with long repayment terms and/or low or zero interest rates are recorded in part as expenses when the economic value is reduced due to such concessionary terms.

The following table presents the balances and transactions for loans made to non-sovereign entities, together with their terms and conditions of repayments.

	Payments and other charges		Receipts and other credits		March 31/2005
	April 1/2004	Payments or other charges <sup>(1)</sup>	Revaluation	Receipts or other credits <sup>(2)</sup>	
	\$	\$	\$	\$	\$
(a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 8.5 percent interest per annum, with final repayments between February 1995 and April 2005:					
Brazil .....	4,333,371			333,642	3,999,729
South Africa .....	30,078,616			8,289,552	19,914,192
	<i>34,411,987</i>			<i>8,289,552</i>	<i>23,913,921</i>
(b) 6 to 10 year term, 8.28 percent (LIBOR) to 9.68 percent interest per annum, with final repayments between November 2006 and February 2008:					
Antigua .....	30,893,178			2,378,574	28,514,604
Jordan .....	3,751,811			1,387,275	2,152,542
	<i>34,644,989</i>			<i>1,387,275</i>	<i>30,667,146</i>
(c) 11 to 15 year term, 4.5 percent (LIBOR) to 8.0 percent interest per annum, with final repayments between November 2006 and October 2020:					
China .....	18,170,937			13,788,832	4,370,554
United States .....	1,559,416,262	911,733,874		79,772,990	2,198,820,935
	<i>1,577,587,199</i>	<i>911,733,874</i>		<i>93,561,822</i>	<i>2,203,191,489</i>
(d) 16 to 20 year term, 0 percent interest per annum, with final repayments between June 2012 and November 2014:					
Spain .....	22,456,029			641,844	21,117,279
Thailand .....	5,458,232			333,249	4,445,280
	<i>27,914,261</i>			<i>975,093</i>	<i>25,562,559</i>
Subtotal .....	1,674,558,436	911,733,874		104,213,742	2,283,335,115
Less: portion expensed due to concessionary terms .....	29,231,075	2,919,872			26,311,203
Total .....	1,645,327,361	914,653,746		104,213,742	2,257,023,912

Note: Final repayment dates may change if loan amounts are rescheduled or restructured.

<sup>(1)</sup> Payments or other charges may include transactions such as loans, adjustments, etc.

<sup>(2)</sup> Receipts or other credits may include transactions such as repayments, forgiveness, etc.

## Canada Student Loans Program

### Direct loans to students

Loans issued on or after August 1, 2000 are operated under the authority of section 6.1 of the *Canada Student Financial Assistance Act*, which authorizes the Minister of Human Resources and Skills Development to enter into loan agreements directly with any qualifying student. Agreements are subject to the terms and conditions approved by the Governor in Council, on the recommendation of the Minister of Human Resources and Skills Development with the concurrence of the Minister of Finance.

The total amount of loans outstanding may not exceed fifteen billion dollars, except as otherwise provided by an Appropriation Act or other Act of Parliament.

The total amount of loans outstanding as at March 31, 2005 amounts to \$6,867,748,629 (\$5,652,051,722 as at March 31, 2004).

### Guaranteed and risk-shared student loans

Loans issued prior to August 1, 2000 include loans outstanding which are amounts related to student loans subrogated to the Crown under the *Canada Student Loans Act* and under the *Canada Student Financial Assistance Act*. The total amount of loans outstanding as at March 31, 2005 amounts to \$615,250,495 (\$717,910,324 as at March 31, 2004).



### Provincial workers' compensation boards

This account is operated under the authority of subsection 4(6) of the *Government Employees Compensation Act*, to provide operating funds to enable provincial compensation boards to administer the *Act* on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

### Council of Yukon First Nations—Elders

Loans have been made to the Council of Yukon First Nations, to provide interim benefits to elderly Yukon Indians pending settlement of Yukon Indian land claims.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L20, *Appropriation Act No. 2, 2004-2005*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled or on a date fixed in the agreement, which shall be not later than March 31, 2005, whichever date is earlier.

All the loans outstanding at year end bear interest at rates from 2.28 percent to 3.61 percent per annum.

### Farm Credit Canada Guarantee Loans Program

The Farm Credit Canada guarantee loans program was discontinued as of November 14, 1989. During the year, the last active loan guarantee expired and no future loan guarantees will be given under this program.

As of March 31, 2005, the outstanding amount represents the remaining defaulted loans reimbursed to the lenders by the Minister. These loans are deemed unrecoverable and the balance will be written off in future years.

### First Nations in British Columbia

Loans have been made to First Nations in British Columbia, to support their participation in the British Columbia Treaty Commission process related to the research, development and negotiation of treaties.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L25, *Appropriation Act No.2, 2004-2005*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a treaty is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a treaty has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable by the First Nations and will pay the loan on the earliest of the following dates:
  - (i) date on which the treaty is settled;
  - (ii) twelfth anniversary of the first loan advance to the First Nations under the earliest First Nations funding agreement;
  - (iii) seventh anniversary after the signing of an agreement-in-principal, or;
  - (iv) date the federal minister demands payment of the loans due to an event of default under this agreement or under any First Nations' funding agreement.

The interest-bearing and non-interest bearing portions of the loans outstanding at year end are \$48,777,175 and \$260,491,579 respectively. The rate is 5.185 percent per annum for the interest-bearing portion.

### Indian Economic Development Fund

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time is \$48,550,835, as last amended by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 1996-97*.

All outstanding loans bear interest at rates from 7 percent to 11.25 percent per annum.

### Indian Economic Development Guarantee Loans Program

The Indian Economic Development Guarantee authority, established under Vote L53(b), *Appropriation Act No.1, 1970*, amended under P.C. 1977-3608, authorized the department to guarantee loans for Indian businesses on a risk-sharing basis with commercial lenders. The guarantee level is not to exceed at any time \$60,000,000, less the total amount of payments made to implement previous guarantees under that authority.

Simple interest, usually based on a percentage plus the prime rate, will accrue on the debt after payout. All payments, including accrued interest, remain as a debt of the client until recovered in full.

### **Inuit Loan Fund**

Loans have been made to individual Inuit or groups of Inuit, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Inuit, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Inuit.

The total amount authorized to be outstanding at any time is \$6,633,697, as last amended by Indian Affairs and Northern Development Vote 37b, *Appropriation Act No. 4, 1995-96*.

The remaining loan bears interest at a rate of 5.50 percent per annum.

### **Native Claimants**

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L20, *Appropriation Act No. 2, 2004-2005*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable as to principal and interest on the date on which the claim is settled, or on a date fixed in the agreement.

The interest bearing and the non-interest bearing portions of the loans outstanding at year end are \$156,371,784 and \$216,850,212 respectively. Rates are from 2.13 percent to 11.89 percent per annum for the interest-bearing portion.

### **On Reserve Housing Guarantee Loans Program**

On Reserve Housing guarantees provide needed support to Indian or Indian bands residing on reserves or crown land. Reserves are, as such, non mortgageable and the ministerial guarantee provides security to the lending institution in the event of a default by the client.

The total amount authorized to be outstanding at any time is \$1.7 billion, as last amended by Indian Affairs and Northern Development Vote 5, *Appropriation Act No. 3, 1972*, Indian Affairs and Northern Development Vote 5d, *Appropriation Act No. 1, 1977* and Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 3, 1993-94*.

If a loan made under the Minister's guarantee goes into default, the lender has recourse to the Minister for reimbursement. In 1987, a reserve for losses of \$2 million per annum was established within the department's reference levels to cover all three Guarantee Loan Programs administered by Indian Affairs and Northern Development. Such payments remain a debt of the First Nation to the Crown and interest is accrued and capitalized on these debts at the contract interest rate applicable at the time the loan was assigned to the Minister. Recovery of the debt is made to the extent possible, from the security used as collateral, such as trust money or land claim funds, or through repayment agreements.

### **Stoney Band Perpetual Loan**

In 1946, loans were made to Stoney Band of Alberta for land acquisition beyond their treaty entitlement.

A loan of \$500,000 was made to purchase additional land. Under the terms of the agreement, as stated in Treasury Board Minutes, P.C. 2/1437 dated April 11, 1946, the Band assigned monies accruing to them, from the rental of their water resources to provide interest payments at the rate of 3 percent annually on the amount of the loan that had actually been expended. In the same agreement, the Band resolved that the Department allots \$200,000 to the Pekisko Group, and \$300,000 for the additions to Morley Reserve.

### **Yukon Energy Corporation**

In accordance with subsection 4(2) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*, the Northern Canada Power Commission (formerly a Crown corporation) transferred its assets in the Yukon Territory to the Yukon Energy Corporation effective March 31, 1987.

Loans have been made to assist the Yukon Energy Corporation in acquiring the Northern Canada Power Commission Yukon Assets pursuant to subsection 7(1) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*.

The loans for the Flexible Term Note (FTN) bear interest at the rate of 7 percent per annum and are repayable in equal principal annual instalments of \$1,000,000 plus interest. The instalment is subject to certain principal deferral and interest abatement provisions depending on the sales volume of electrical power. Clause 2 of the Flexible Term Note allows for reduced payments when sales on the Whitehorse-Aishihik-Faro (WAF) System are less than 310 GWH per year. The level of sales did not exceed 310 GWH this fiscal year.

During the year, loans totalling \$17,489,185 were written off by Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 4, 2004-2005*.

In 2004-2005, loans were repaid in full and the account was closed.

### Company stock option

Pursuant to section 14 of the *Department of Industry Act*, this account establishes authority, in accordance with terms and conditions prescribed by regulations of the Governor in Council,

- (a) to take, purchase, exercise, assign or sell, on behalf of Her Majesty in Right of Canada, a stock option in a company in connection with the provision of a loan, insurance of a loan, or contribution made to the company by Her Majesty under a program authorized by the Governor in Council where, in the opinion of the Minister,
  - (i) it is necessary to take, purchase, exercise, assign or sell the stock option in order to permit Her Majesty in Right of Canada to benefit from the purchase; or
  - (ii) it is necessary to take, purchase, exercise, assign or sell, the stock option in order to protect the Crown's interest in respect of a loan made or insured, or contribution made; and
- (b) to authorize the sale or other disposition of any capital stock acquired.

During the year, additional purchases were authorized by Industry Vote L15, *Appropriation Act No. 2, 2004-2005*.

### Manufacturing, processing and service industries in Canada

This account records loans made to persons engaged or about to engage or assist in manufacturing, processing or service industries in Canada in order to promote the establishment, improvement, growth, efficiency or international competitiveness of such industries or to assist them in their financial restructuring.

During the year, additional loans were authorized by Industry Vote L20, *Appropriation Act No. 2, 2004-2005*.

There is one remaining loan which is interest free unless it goes into default, and otherwise is repayable at maturity on April 1, 2017.

### Small Business loans

This account records money owed to the Government by borrowers upon default of loans that are subject to statutory authorities, pursuant to the *Small Business Loans Act* (SBLA) and the *Canada Small Business Financing Act* (CSBFA). These authorities provide for the payment of claims or the sharing of loan losses between lenders and the Government.

### H. L. Holmes Fund

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding research persons.

### Canadian Forces housing projects

Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.

The remaining loan bears interest at a rate of 5.125 percent per annum, and is repayable over 40 years, with a final instalment on May 1, 2005.

### Hibernia Development Project

Loans have been made to facilitate the implementation of the Hibernia Development Project pursuant to section 14 of the *Department of Industry Act*.

Loan agreements were signed between Canada and each of the three companies involved in the 1993 purchase of Gulf Canada's Hibernia share. Loans of \$132 million were provided to owners to assist in offsetting the tax consequences of not being able to use the deductions generated by the Hibernia Development Project in the calculation of the companies' taxable income.

Loans in the amount of \$66 million were made on June 30, 1995 as authorized by Natural Resources Vote L15, *Appropriation Acts No. 1 and No. 2, 1995-96*. The remaining \$66 million was loaned on July 2, 1996.

Loans are interest-free and are repayable in 10 equal annual instalments commencing June 30, 1999, with the final instalment on June 30, 2008.

### Nordion International Inc.

A \$100 million loan has been made to Nordion International Inc. for the construction of two nuclear reactors and related processing facilities to be used in the production of medical isotopes pursuant to an agreement reached on June 28, 1996 between MDS Health Group Ltd., Nordion International Inc. and Natural Resources Canada.

The secured loan is interest-free and fully repayable over 15 years commencing 42 months after the first loan drawdown was made.

### Seized Property Working Capital Account

This account was established by section 12 of the *Seized Property Management Act*. Expenses incurred, and advances made, to maintain and manage any seized or restrained property and other properties subject to a management order or forfeited to Her Majesty, are charged to this account. This account is credited when expenses and advances to third parties are repaid or recovered and when revenues from these properties or proceeds of their disposal are received and credited with seized cash upon forfeiture.

The total amount authorized to be outstanding at any time is \$50,000,000.

Any shortfall between the proceeds from the disposition of any property forfeited to Her Majesty and the amounts that were charged to this account and that are still outstanding, is charged to a Seized Property Proceeds Account and credited to this account.

The credit balance in the account represents the excess of seized cash and proceeds of disposal from cases of forfeiture over total expenses incurred to date. Only when cases are finalized and all assets have been liquidated will the net proceeds be transferred to the Seized Property Proceeds Account.

### **Parolees**

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is \$50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven by the Solicitor General, if certain conditions are met.

During the year, loans totalling \$3,374 were forgiven pursuant to Solicitor General Vote L103b, *Appropriation Act No. 1, 1969*.

### **Canadian Airport Authorities**

The loans stems from agreements regarding the transfer of chattels and consumable stock to individuals authorities (13) upon transfer of the management, operation and maintenance responsibilities to the authority under the National Airports Policy.

The loans portfolio consists of 13 non-interest bearing loans to Canadian Airport Authorities issued in the years 1997-2003.

### **Saint John Harbour Bridge Authority**

Advances have been made to the Saint John Harbour Bridge Authority in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, NB. The total amount of advances in each year is to be based on the difference for the year between the operating and financing costs of the toll bridge, and the revenue of the Bridge Authority, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year.

On April 1, 1990, a new agreement was signed. This agreement called for the consolidation of all debts into one non-interest bearing loan. The Authority will remit excess funds from the operation of the bridge to the Government on an annual basis to repay the debt.

### **St. Lawrence Seaway Management Corporation**

This account was established by subsection 80(1) of the *Canada Marine Act*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence

Seaway Management Corporation in accordance with an agreement between the Department of Transport and the Corporation. The repayments of these loans are recorded in this account.

The remaining loan bears interest at rates from 7 percent to 9.5 percent per annum, and is repayable at monthly rates, with the final instalment of the existing terms being March 2006.

### **Commonwealth War Graves Commission**

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

At year end, the balance of the advances was £30,000 UK. This balance was converted to Canadian dollars, using the year-end rate of exchange.

The advances are non-interest bearing and have no fixed terms of repayments.

### **Veterans' Land Act Fund**

#### *Advances*

Advances have been made, under Parts I and III of the *Veterans' Land Act*, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security. The total amount authorized to be outstanding at any time is \$605,000,000.

#### *Allowance for conditional benefits*

A provision equal to 1/10 of the benefits to veterans was established each year up to and including 1978-79. Since that time, a forecast of requirements has been performed each year, and provisions are established as necessary. These provisions are charged to expenses and credited to the allowance for conditional benefits account. This account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the *Veterans' Land Act*. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

### **Other departments—Miscellaneous**

This account represents amounts outstanding in the hands of agencies and individuals, at year end. This group records loans, investments and advances not classified elsewhere.

### **Allowance for Valuation**

In accordance with the comprehensive policy on valuation, assets are subject to an annual valuation to reflect reductions from the recorded value to the estimated realizable value.

The allowance for valuation, for loans, investments and advances, represents the estimated losses on the realization of the loans, investments and advances included in the accounts of Canada at year end.

# SECTION 10

2004-2005

*PUBLIC ACCOUNTS OF CANADA*

## Non-Financial Assets

### CONTENTS

	<i>Page</i>
Non-financial assets .....	10.2
Tangible capital assets .....	10.4
Vehicles .....	10.6
Assets under capital leases .....	10.6

## NON-FINANCIAL ASSETS

Non-financial assets are assets that have an economic life that extends beyond the accounting period and that are intended for consumption in the normal course of operations. They are converted into expense in future periods and include tangible capital assets, inventories, and prepaid expenses.

Tangible capital assets consist of acquired, built, developed or improved tangible assets, which are intended to be used on a continuous basis and are not intended for sale in the ordinary course of business. For financial reporting purposes, tangible capital assets are grouped in the following categories: land, buildings, works and infrastructure, machinery and equipment,

vehicles, leasehold improvements, assets under construction, and assets under capital leases.

Inventories are items of tangible property that are to be used in the delivery of program outputs. Some revolving funds and a few departments may have inventories held for resale to parties outside the Government.

Prepaid expenses are disbursements made, pursuant to a contract, before the completion of the work, delivery of the goods or rendering of the service or advance payments under the terms of contribution agreements.

Table 10.1 presents the non-financial assets by category.

**TABLE 10.1**

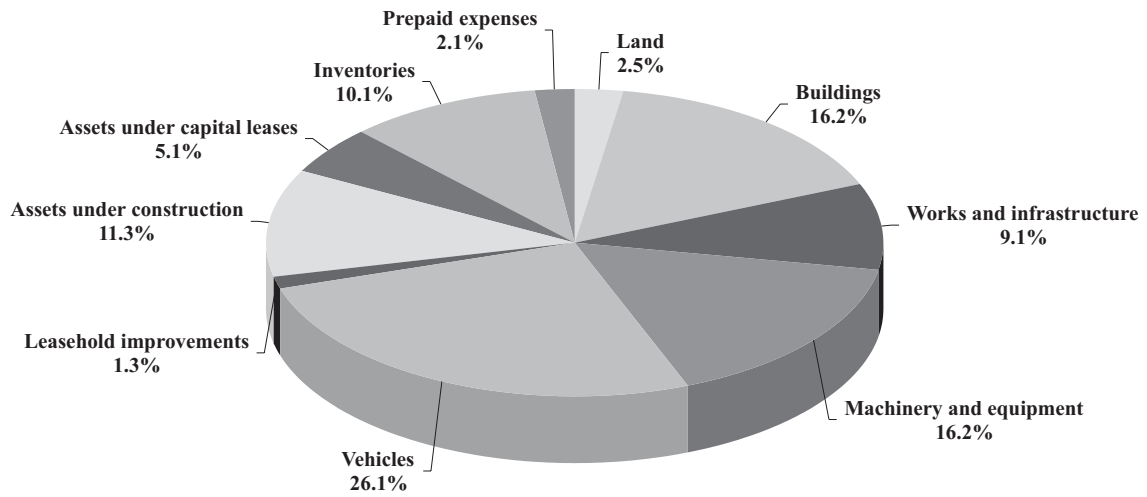
### NON-FINANCIAL ASSETS BY CATEGORY

(in thousands of dollars)

	March 31/2005	March 31/2004
Net tangible capital assets, Table 10.2—		
Land .....	1,387,364	1,398,150
Buildings .....	8,902,316	8,819,686
Works and infrastructure .....	4,972,358	5,147,007
Machinery and equipment .....	8,884,121	8,386,739
Vehicles, Table 10.3 .....	14,333,936	14,682,241
Leasehold improvements .....	743,131	646,436
Assets under construction .....	6,194,640	6,017,679
Assets under capital leases, Table 10.4 .....	2,788,862	2,646,584
	<i>48,206,728</i>	<i>47,744,522</i>
Inventories .....	5,525,536	6,133,671
Prepaid expenses .....	1,133,916	938,577
Total .....	54,866,180	54,816,770

**CHART 10A**

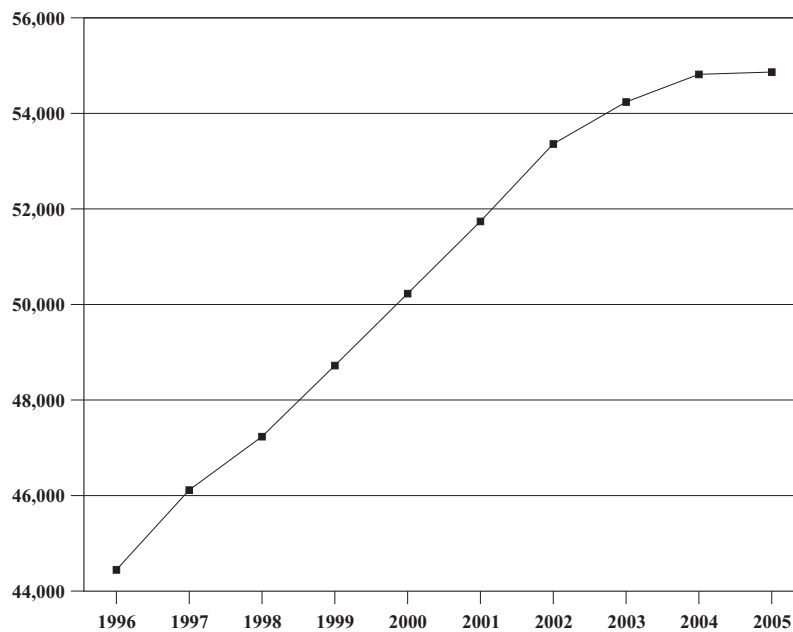
NON-FINANCIAL ASSETS BY CATEGORY AT MARCH 31, 2005



**CHART 10B**

NON-FINANCIAL ASSETS AT MARCH 31

(in millions of dollars)



## Tangible Capital Assets

Table 10.2 presents tangible capital assets by main custodian ministries.

**TABLE 10.2**

### TANGIBLE CAPITAL ASSETS BY MAIN CUSTODIAN MINISTRIES

(in thousands of dollars)

	Land	Buildings	Works and infrastructure	Machinery and equipment
Capital assets at cost —				
Environment .....	178,036	805,830	2,204,582	647,787
Fisheries and Oceans .....	19,781	417,150	1,711,110	463,843
Foreign Affairs .....	195,029	924,052	1,147	127,955
Industry .....	12,362	504,571	35,718	2,366,991
National Defence .....	76,462	5,190,444	1,437,873	10,444,120
Public Works and Government Services .....	264,773	3,322,229	740,731	188,634
Solicitor General .....	57,637	2,354,272	389,612	672,191
Transport .....	202,588	1,127,480	3,022,982	132,092
Other ministries .....	28,836	1,210,033	48,990	1,773,714
	<i>1,035,504</i>	<i>15,856,061</i>	<i>9,592,745</i>	<i>16,817,327</i>
Consolidated Crown corporations .....	351,860	1,453,391	1,042,559	2,210,502
Gross total capital assets .....	1,387,364	17,309,452	10,635,304	19,027,829
Accumulated amortization —				
Environment .....		492,245	1,358,242	438,671
Fisheries and Oceans .....		247,828	811,492	335,506
Foreign Affairs .....		392,012		94,237
Industry .....		257,260	14,295	1,271,427
National Defence .....		2,231,935	925,204	4,898,353
Public Works and Government Services .....		1,833,915	258,198	115,433
Solicitor General .....		848,059	220,837	384,439
Transport .....		619,238	1,488,411	74,346
Other ministries .....		665,853	21,538	1,104,989
		<i>7,588,345</i>	<i>5,098,217</i>	<i>8,717,401</i>
Consolidated Crown corporations .....		818,791	564,729	1,426,307
Total accumulated amortization .....		8,407,136	5,662,946	10,143,708
Total net capital assets —				
Environment .....	178,036	313,585	846,340	209,116
Fisheries and Oceans .....	19,781	169,322	899,618	128,337
Foreign Affairs .....	195,029	532,040	1,147	33,718
Industry .....	12,362	247,311	21,423	1,095,564
National Defence .....	76,462	2,958,509	512,669	5,545,767
Public Works and Government Services .....	264,773	1,488,314	482,533	73,201
Solicitor General .....	57,637	1,506,213	168,775	287,752
Transport .....	202,588	508,242	1,534,571	57,746
Other ministries .....	28,836	544,180	27,452	668,725
	<i>1,035,504</i>	<i>8,267,716</i>	<i>4,494,528</i>	<i>8,099,926</i>
Consolidated Crown corporations .....	351,860	634,600	477,830	784,195
Total net capital assets .....	1,387,364	8,902,316	4,972,358	8,884,121

Comparative figures have been reclassified to conform to the current years' presentation

(1) Details in Table 10.3.

(2) Details in Table 10.4.



Vehicles <sup>(1)</sup>	Leasehold improvements	Assets under construction	Assets under capital leases <sup>(2)</sup>	Total March 31/2005	Total March 31/2004
127,376	33,938	154,965	18,199	4,170,713	4,070,576
1,706,751	536,982	329,533	280	5,185,430	5,125,786
31,645	75,831	175,358		1,531,017	1,432,372
26,152	17,668	472,100	1,237	3,436,799	3,333,984
26,527,619	11,945	3,193,262	1,123,528	48,005,253	45,556,754
9,766	255,699	677,690	1,208,719	6,668,241	6,151,268
463,017	11,970	407,889	111	4,356,699	4,127,603
796,531	7,389	61,282	818,820	6,169,164	6,306,699
133,808	209,789	309,089	31,704	3,745,963	3,414,079
29,822,665	1,161,211	5,781,168	3,202,598	83,269,279	79,519,121
1,180,660	98,772	413,472	549,780	7,300,996	6,640,931
31,003,325	1,259,983	6,194,640	3,752,378	90,570,275	86,160,052
91,380	16,366		2,183	2,399,087	2,329,733
1,147,518	279,900			2,822,244	2,691,706
16,639	21,497			524,385	472,132
19,229	4,518		658	1,567,387	1,408,919
13,855,315	881		210,836	22,122,524	19,703,242
5,393	55,838		468,096	2,736,873	2,421,598
224,821	2,376		47	1,680,579	1,522,603
535,015	4,233		64,141	2,785,384	2,733,319
80,758	98,919		21,662	1,993,719	1,753,057
15,976,068	484,528		767,623	38,632,182	35,036,309
693,321	32,324		195,893	3,731,365	3,379,220
16,669,389	516,852		963,516	42,363,547	38,415,529
35,996	17,572	154,965	16,016	1,771,626	1,740,843
559,233	257,082	329,533	280	2,363,186	2,434,080
15,006	54,334	175,358		1,006,632	960,240
6,923	13,150	472,100	579	1,869,412	1,925,065
12,672,304	11,064	3,193,262	912,692	25,882,729	25,853,512
4,373	199,861	677,690	740,623	3,931,368	3,729,670
238,196	9,594	407,889	64	2,676,120	2,605,000
261,516	3,156	61,282	754,679	3,383,780	3,573,380
53,050	110,870	309,089	10,042	1,752,244	1,661,022
13,846,597	676,683	5,781,168	2,434,975	44,637,097	44,482,812
487,339	66,448	413,472	353,887	3,569,631	3,261,711
14,333,936	743,131	6,194,640	2,788,862	48,206,728	47,744,523

## Vehicles

Table 10.3 presents the details of vehicles by sub-category.

**TABLE 10.3**

### VEHICLES BY SUB-CATEGORY

(in thousands of dollars)

	Cost	Accumulated amortization	March 31/2005	March 31/2004
Ships and boats .....	14,194,376	6,235,638	7,958,738	8,234,929
Aircraft .....	12,447,011	7,725,086	4,721,925	4,880,595
Motor vehicles .....	1,730,267	1,041,889	688,378	736,329
Military vehicles .....	1,254,278	862,679	391,599	305,358
Other vehicles .....	1,377,393	804,097	573,296	525,030
Total .....	31,003,325	16,669,389	14,333,936	14,682,241

## Assets under Capital Leases

Table 10.4 presents the details of assets under capital leases by main category.

**TABLE 10.4**

### ASSETS UNDER CAPITAL LEASES BY MAIN CATEGORY

(in thousands of dollars)

	Cost	Accumulated amortization	March 31/2005	March 31/2004
Land .....	47,305		47,305	44,996
Buildings .....	1,808,474	685,020	1,123,454	993,328
Works and infrastructure .....	818,820	64,141	754,679	762,867
Machinery and equipment .....	44,591	26,158	18,433	21,992
Vehicles .....	1,033,188	188,197	844,991	823,401
Total .....	3,752,378	963,516	2,788,862	2,646,584

# SECTION 11

2004-2005

*PUBLIC ACCOUNTS OF CANADA*

## **Contractual Obligations and Contingent Liabilities**

### CONTENTS

	<i>Page</i>
Contractual obligations .....	11.2
Contingent liabilities .....	11.17

## CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

This section contains detailed information related to contractual obligations and contingent liabilities.

### Contractual Obligations

Contractual obligations are obligations of a government to others that will become liabilities in the future when the terms of those contracts or agreements are met. The nature of Government activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenses. In the case of contractual obligations to international organizations, some will result in future budgetary expenses while others will result in non-budgetary payments.

Contractual obligations can be classified into four main categories: transfer payment agreements (grants and contributions), fixed assets and purchases, operating leases and international organizations.

Major capital assets of the Government are either purchased outright or leased. Where a lease transfers substantially all of the

benefits and risks incidental to ownership of the property to the lessee, it is considered a capital lease. All other leases are classified as operating leases. Section 6 of this volume provides information on capital leases.

All outstanding contractual obligations of \$10 million or more per project at year end are reported for fixed assets, purchases, operating leases and transfer payment agreements. For international organizations, all contractual obligations in excess of \$1 million at year end are reported.

In accordance with the Government's significant accounting policies, the contractual obligations of consolidated Crown corporations are included with those of the Government.

Table 11.1 summarizes these contractual obligations. Details of the four types of contractual obligations can be found in other tables in this section.

**TABLE 11.1**

### CONTRACTUAL OBLIGATIONS

(in millions of dollars)

	Transfer payments	Acquisition of property and purchases	Operating leases	International organizations	Total
Information from:					
Table 11.3 .....	40,967	14,615	3,286		58,868
Table 11.4 .....				3,673	3,673
Total .....	40,967	14,615	3,286	3,673	62,541

Table 11.2 summarizes the information presented in Table 11.1 to indicate the minimum amounts required to satisfy obligations under contractual obligations each year from 2006 to 2010 inclusive, and a total for amounts due in the year 2011 and subsequently.

**TABLE 11.2**

### SCHEDULE OF MINIMUM PAYMENTS

(in millions of dollars)

Minimum payments to be made in:	Transfer payment agreements	Acquisition of fixed assets and purchases	Obligations under operating lease arrangements	Obligations to international organizations	Total
2006 .....	5,787	3,640	329	1,837	11,593
2007 .....	3,948	2,463	323	655	7,389
2008 .....	3,441	1,651	307	424	5,823
2009 .....	2,875	1,784	269	86	5,014
2010 .....	2,483	871	243	35	3,632
2011 and subsequently .....	22,433	4,206	1,815	636	29,090
Total .....	40,967	14,615	3,286	3,673	62,541

### Transfer Payment Agreements, Fixed Assets, Purchases and Operating Leases

Table 11.3 provides details of contractual obligations that involve: transfer payment agreements, fixed assets, purchases and operating leases. It discloses individual contractual obligations by category and by entity. Contractual obligations are summarized in Note 13 to the audited financial statements in Section 2 of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, including military equipment and land, from which benefits are expected to be derived during their useful life.

Purchases are supported by contracts to supply goods or services. An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee.

**TABLE 11.3**

#### TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2005 (in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2006	2007	2008	2009	2010	2011 and subse- quently
<b>Transfer payment agreements—</b>										
Canada Mortgage and Housing Corporation (Government account)—										
Social Housing Program .....	57,600 <sup>(1)</sup>	57,600	26,948	30,652 <sup>(2)</sup>	1,746	1,742	1,706	1,718	1,716	22,024
Agriculture and Agri-Food—										
Province of Saskatchewan—Prairie										
Grain Roads Program .....	73	73	57	16	16					
Industry—										
Canadian Space Agency—										
European Space Agency—										
Earth Observation and Telecommunications Programs .....	239	223	128	95	27	24	21	14	8	1
Cascade Data Services Inc.—										
Cassiope Program .....	63	63	6	57	14	25	17	1		
Health—										
Control and provision of Health Services to Indian Bands, associations or groups .....	110	110	53	57	21	22	14			
First Canadian Health .....	151	151	89	62	22	24	16			
Canadian International										
Development Agency—										
Geographic Programs .....	1,672	1,672	876	796	306	226	144	60	30	30
Partnership Program .....	540	540	308	232	69	66	54	43		
Country in Transition Program .....	87	87	77	10	7	3				
Multilateral Program .....	1,373	1,373	1,187	186	139	34	13			
Citizenship and Immigration—										
Canada-Quebec Accord .....	1,071	1,071	161	910	182	182	182	182	182	
Canada-Manitoba Accord .....	42	42	7	35	7	7	7	7	7	
Canada-British Columbia Accord .....	228	228	38	190	38	38	38	38	38	
Canadian Heritage—										
Contributions—										
National Association of Friendship Center .....	79	79	64	15	15					
Corporation Katimavik—OPCAN .....	53	53	33	20	20					
The National Ballet School .....	12	12		12	4	4	4			
Corporation du conseil des ministres de l'Éducation—Bourses d'été de langues .....	15	15	1	14	14					
The Court Challenges Program of Canada .....	14	14	2	12	3	3	3	3		

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2005—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31						
					2006	2007	2008	2009	2010	2011 and subse- quently	
Multiplex contribution— 2007 Canada Winter Games.....	20	20	15	5 <sup>(3)</sup>	3	2					
Office of Infrastructure of Canada— Province of New Brunswick— Twinning of Trans Canada Highway.....	200	200	33	167	90	58	19				
Province of Saskatchewan— Twinning of the Trans Canada Highway.....	65	65	16	49	20	18	11				
Halifax Regional Municipality— Construction of sewage treatment plant.....	60	60	8	52	47	5					
Province of Manitoba— Expansion of Manitoba Red River Floodway.....	120	120	7	113	38	48	27				
Regional Municipality of York— Quick Start component of the York Region Transit Plan.....	50	50	2	48	48						
Government of the Northwest Territories—Improve three highway corridors in the Northwest Territories.....	65	65	15	50	18	12	12	8			
City of Thunder Bay—Waste water treatment project.....	25	25	23	2 <sup>(3)</sup>	2						
City of St. John's—Phase 2 of the St. John's Harbour Clean-Up Project.....	31	31	5	26	10	8	8				
Vancouver Convention Centre Expansion Project Ltd— Construction of new facility and connector for the Vancouver Convention and Exhibition Centre.....	222	222	39	183	51	49	43	40			
Government of Quebec— Phase 1 of the extension of Autoroute 30, South of Montreal.....	11	11	1	10	7	3					
Greater Toronto Transit Authority—Improve the GO Transit Rail and bus transit system in the Greater Toronto Area.....	385	385	5	380	54	82	87	75	60	22	
Government of the Yukon— Improve the Alaska Highway and rehabilitate bridges along the route.....	15	15	5	10	6	3	1				
Province of New Brunswick— Deployment of broadband services to rural New Brunswick.....	17	17	6	11	4	7					
Nunavut Housing Corporation— Provision of social housing in Nunavut.....	20	20	8	12	11	1					

11.4 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2005—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2006	2007	2008	2009	2010	2011 and subse- quently
City of Kingston—Ravensview Water Pollution Control Plant Project .....	25	25		25	1	4	14	3	3	
City of Winnipeg—Kenaston Underpass Project .....	13	13		13	8	4	1			
Province of New Brunswick— Twinning Highway 95 between Woodstock New Brunswick and Houlton, Maine .....	10	10		10	3	5	2			
Province of Alberta—Construct northwest quadrant of the Stoney Trail ring road. Calgary .....	75	75		75	41	24	10			
Ottawa Congress Centre— Expansion of existing Ottawa Congress Centre facility .....	30	30		30	8	12	10			
Province of British Columbia— Improve highway access to border crossings in Lower Mainland of British Columbia .....	88	88	15	73	29	22	18	4		
Province of Ontario—Improve highway access leading to border crossings in Sarnia and Queenston .....	133	133	16	117	34	44	30	9		
Buffalo and Fort Erie Public Bridge Authority—Projects at the Peace Bridge to improve security, safety and traffic congestion at the border crossing .....	21	21	5	16	15	1				
Province of New Brunswick— Highway twinning and construction of an international bridge in the vicinity of Stephen and Calais, Maine .....	30	30	3	27	6	12	7	2		
Province of Ontario—Municipal Rural Infrastructure Fund .....	298	298		298	75	74	74	75		
Province of New Brunswick— Municipal Rural Infrastructure Fund .....	33	33		33	3	9	9	9	3	
Government of the Northwest Territories—Municipal Rural Infrastructure Fund .....	16	16		16	6	4	4	2		
Province of Prince Edward Island— Municipal Rural Infrastructure Fund .....	18	18		18	4	4	4	3	3	
Province of Manitoba—Municipal Rural Infrastructure Fund .....	41	41		41	14	7	7	7	6	
Government of Yukon Territory— Municipal Rural Infrastructure Fund .....	16	16		16	4	4	4	4		
Province of Saskatchewan— Municipal Rural Infrastructure Fund .....	38	38		38	5	11	11	11		

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2005—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					2011 and subse- quently	
					2006	2007	2008	2009	2010		
Indian Affairs and Northern Development— Comprehensive Land Claims Agreement—											
Indian and Inuit Affairs.....	767	767	303	464	96	78	74	71	26	119	
Financial Transfer Arrangement.....	691	682	194	488	143	100	97	80	68		
Comprehensive Funding Arrangement.....	301	301	22	279	209	18	18	17	17		
Canada First Nations Funding Agreement.....	1,928	1,928	454	1,474	409	330	322	216	197		
Canada First Nations Funding Agreement (RETRO).....	25	25	10	15	5	5	5				
DIAND/First Nations Funding Arrangement.....	985	985	380	605	205	160	114	78	48		
Contribution Agreement.....	21	21	7	14	10	4					
Indian and Inuit Affairs Program.....	196	196	90	106	34	34	33	5			
Canada Infrastructure Works Agreement.....	3	3	2	1 <sup>(3)</sup>	1						
Atlantic Canada Opportunities Agency—											
Economic Development Programs—											
Canada/Newfoundland Infrastructure Program Agreement.....	51	51	27	24	24						
Canada/Nova Scotia Infrastructure Program Agreement.....	65	65	38	27	27						
Canada/New Brunswick Infrastructure Program Agreement.....	55	55	44	11	11						
Industry—											
Bioniche Life Science Inc.....	17	17	7	10	8	2					
CAE Inc. - Networked Simulation.....	39	39	31	8 <sup>(3)</sup>	8						
Pratt & Whitney Canada Inc.— Engine Technology.....	165	165	85	80	55	25					
Aventis Pasteur Ltd—Cancer Vaccines.....	60	60	37	23	6	17					
International Telecommunication Union—											
ITU operations.....	27	27	14	13	6	7					
ID Biochem Corp.— Recombinant vaccine technology.....	80	80	24	56	10	10	36				
Rolls-Royce Canada Inc.— Industrial gas turbines.....	75	75	52	23	10	13					
ATS Automation Tooling System Inc.....	25	25	24	1 <sup>(3)</sup>	1						
Cascade Data Services Inc.....	77	77	16	61	16	14	17	14			
CMC Electronics Inc.—Aeronautical sustainable technology.....	23	23	9	14	5	9					
Dupont Canada Inc.—Fuel cell components.....	19	19	9	10	10						
Ontario Ministry of Agriculture, Food and Rural Affairs— Small town and rural infrastructure.....	270	270	144	126						126	
Ontario Ministry of Tourism, Culture and Recreation—Sports, culture and tourism partnership.....	230	230	143	87	87						
Ontario Superbuild Corporation.....	92	92	45	47	47						

11.6 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES



TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2005—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2006	2007	2008	2009	2010	2011 and subse- quently
Voisey's Bay Nickel Co. Ltd— Hydrometallurgical process for Nickel Sulphides .....	60	60	20	40	12	7	9	5	2	5
Mitel Network Corporation— Development of broadband multi- media platform .....	60	60	60	(3)						
MARS Discovery District—Incubation Centre for Medicinal and Related Agencies .....	20	20	20	(3)						
Economic Development Agency of Canada for the Regions of Quebec— Contributions to the province of Quebec under the Infrastructure Canada program .....	491	491	211	280	280					
Innovation Development Entrepreneurship and Export Program (IDEA—SME) .....	594	594	526	68	54	12	2			
Community Futures Program (CFP) .....	253	253	233	20	20					
Regional Strategic Initiative .....	699	699	517	182	90	49	13	4	3	23
Contributions to the Province of Quebec under the Canada-Quebec Infrastructure Work Agreement .....	636	636	625	11	11					
Justice— Province of British Columbia— Criminal Legal Aid services and systems .....	44	43	29	14	14					
Province of Alberta—Criminal Legal Aid services and systems .....	32	32	21	11	11					
Province of Ontario—Criminal Legal Aid services and systems .....	153	145	101	44	44					
Province of Quebec—Criminal Legal Aid services and systems .....	78	76	52	24	24					
Industry— National Research Council of Canada— James Clerk Maxwell Telescope Mauna Kea, Hawaii, U.S.A. ....	36	36	31	5 <sup>(3)</sup>	1	1	1	1	1	
Gemini Twin Telescope Project— Cerro Pachon, Chile and Mauna Kea, Hawaii, U.S.A. ....	96	96	55	41	5	6	6	6	6	12
Tri-University Meson Facility (TRIUMF) Vancouver, B.C. ....	540	540	317	223	44	46	46	44	43	
Canada-France-Hawaii Telescope Corporation—Mauna Kea, Hawaii U.S.A. ....	109	109	81	28	4	4	4	4	4	8
Natural Resources— Production of electricity from wind energy resources—Vision Quest Windelectric Inc.(V12) .....	34	34	5	29	3	4	3	4	3	12

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2005—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2006	2007	2008	2009	2010	2011 and subse- quently
Production of electricity from wind energy resources—Vision Quest Windelectric Inc.(15).....	25	25	1	24	3	2	3	2	3	11
Ethanol Expansion Program— Commercial Alchols Inc. ....	18	18		18	18					
Ethanol Expansion Program— Okanagan Biofuels Inc. ....	10	10		10	10					
Ethanol Expansion Program— Seaway Grain Processors Inc.....	11	11		11	11					
Transport— Province of Quebec Road Agreement .....	271	271	212	59	4	4	4	4	4	39
Western Economic Diversification— Rick Hansen Man In Motion Foundation .....	15	15	4	11	2	2	2	2	2	1
Infrastructure Canada .....	557	553	289	264	251	13				
<b>Subtotal</b> .....	<b>76,742</b>	<b>76,702</b>	<b>35,883</b>	<b>40,819</b>	<b>5,674</b>	<b>3,913</b>	<b>3,441</b>	<b>2,875</b>	<b>2,483</b>	<b>22,433</b>
Consolidated Crown Corporations— The Canada Council for the Arts— Future year grants .....	90	90		90	55	35				
Telefilm Canada— Financial assistance to producers and distributors.....	58	58		58	58					
<b>Subtotal</b> .....	<b>148</b>	<b>148</b>		<b>148</b>	<b>113</b>	<b>35</b>				
<b>Total transfer payment agreements</b> .....	<b>76,890</b>	<b>76,850</b>	<b>35,883</b>	<b>40,967</b>	<b>5,787</b>	<b>3,948</b>	<b>3,441</b>	<b>2,875</b>	<b>2,483</b>	<b>22,433</b>
<b>Fixed assets and purchases—</b>										
Fixed assets— Fisheries and Oceans— Bedford Institute of Oceanography (BIO)— Construction of new Level II Laboratory Facility .....	19	19	9	10	10					
Renovation and conversion of Van Steelburg building to scientific support .....	15	15	1	14	1	6	7			
St. Andrew's Biological Station (SABS)— Construction of new science and administration building .....	17	17	2	15		8	7			
St. Andrew's Biological Station (SABS)— Construction of wet laboratory facility ..	15	15	2	13	4	7	2			
National Defence— Canadian Search and Rescue Helicopter—Agustawestland International Ltd.....	774	774	756	18	18					
Maritime Helicopter Implementation— Sikorsky International Inc. and Indal Technologies .....	5,078	5,078	84	4,994	326	330	369	705	510	2,754
Medium Range Air to Air Missiles— U.S. Air Force .....	138	83	30	53	24	19	7	2	1	
CP140 Imaging Radar Acquisition, MacDonald-Dettwiler and Associates Ltd .....	122	122	56	66	36	30				
Weapons Effects Simulation— Cubic Defence Applications Inc. ....	129	81	35	46	43	2	1			

**11.8 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES**

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2005—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2006	2007	2008	2009	2010	2011 and subse- quently
M113 Life Extension—Dew Engineering & Development .....	365	235	213	22	22					
Armoured Personnel Carrier Replacement .....	1,746	1,746	1,523	223	104	47	42	30		
Light Wheeled Utility Vehicle .....	307	198	107	91	54	37				
O113 Advanced Distributed Combat Training System.....	188	161	98	63	33	11	14	5		
Other fixed assets (DND) .....	209	194	46	148	77	46	20	5		
Environment— Parks Canada Agency— Banff National Park— Trans Canada highway twining .....	58	58	3	55	12	23	12	8		
Industry— Canadian Space Agency— Scientific activities—MSS operations—McDonald Dettwiler Space and Advanced Robotics Ltd. ....	109	109	56	53	27	24	2			
National Research Council of Canada— Westpro Contractors Group Ltd.— NCR Innovation Centre Relocation .....	15	15	2	13	13					
Public Works and Government Services— Laurier-Taché Garage Repairs .....	62	62	33	29	15	13	1			
Library of Parliament— Renovations .....	128	128	98	30	18	12				
GOCB joint venture—PCL Maxum, Regina .....	20	20	5	15	11	4				
Decarel Westmount Montreal Que. 740 Belair Montreal, Que.....	37	37	17	20	20					
Solicitor General— Royal Canadian Mounted Police— Development of CFIS II— CGI Group Inc. ....	297	297	74	223	15	15	15	15	15	148
Veterans Affairs— Ste. Anne's Hospital Modernization Project, Quebec.....	98	37	23	14	13	1				
<i>Subtotal</i> .....	<i>9,946</i>	<i>9,501</i>	<i>3,273</i>	<i>6,228</i>	<i>896</i>	<i>635</i>	<i>499</i>	<i>770</i>	<i>526</i>	<i>2,902</i>
Consolidated Crown Corporations— Canadian Museum of Nature— Renovations .....	168	39		39	39					
<i>Subtotal</i> .....	<i>168</i>	<i>39</i>		<i>39</i>	<i>39</i>					
Total fixed assets .....	10,114	9,540	3,273	6,267	935	635	499	770	526	2,902
Purchases— Privy Council— Chief Electoral Officer— IBM Canada—Facilities Management Support Services .....	21	21	14	7	6	1				
Foreign Affairs and International Trade— Canadian Bank Note Company Ltd ...	42	42	18	24	9	9	6			
Citizenship and Immigration— Canadian Bank Note Company Ltd— Supply and produce Permanent Resident cards .....	45	18	6	12	6	6				

CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES

11.9

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2005—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					2011 and subse- quently
					2006	2007	2008	2009	2010	
Purchase of Software licenses and maintenance—Accenture Corporation . . .	77	55	23	32	24	3	1	1	1	2
Administration of Interim Federal Health program—FAS Benefit Administrator . . . . .	18	12	2	10	2	2	2	2	2	
Solicitor General— Correctional Service— NAV Canada—Management Training . . . . .	23	23	7	16	2	2	2	3	3	4
Industry— Canadian Space Agency— Radarsat-2 construction— MacDonald Dettwiler Ltd. . . . .	378	378	341	37	14	23				
National Research Council of Canada— Atco Frontec Corporation— Construction services . . . . .	23	23	5	18	5	5	5	3		
National Defence— CF-18 Modernization—The Boeing Company . . . . .	1,009	634	585	49	41	8				
CF-18 Modernization—The Boeing Company (Phase 2). . . . .	423	119	1	118	38	36	24	17	3	
CF-18 F404 Engine Repair and Overhaul—Orenda Aerospace Corporation . . . . .	142	142	117	25	16	9				
Victoria Class in Service Support—BAE Systems Canada . . . . .	444	291	189	102	60	42				
CF188 CATEF Support— Harris Aerospace . . . . .	205	205	122	83	15	16	16	16	20	
CF-18 SES (System Engineering Support)—L-3 MAS Communications . . . . .	225	225	70	155	85	70				
CH146 Spares— Bell Helicopter . . . . .	135	83	69	14	8	6				
CC130 Aircraft Repair and Overhaul— Spar Aerospace . . . . .	196	186	136	50	50					
Bundled contact to support CH124— IMP Group . . . . .	118	118	42	76	24	26	26			
Project 0192 Aurora Data Management System— General Dynamics Canada Ltd. . . . .	374	328	101	227	55	52	51	42	14	13
Military Satellite Communications U.S. Department of Defence . . . . .	552	311	227	84	44	24	10	4	2	
Support to the IRIS Communications System—General Dynamics Canada Ltd. . . . .	200	200	74	126	45	81				
Optimized Weapon System Contract— General Dynamics Land Systems Corporation Canada . . . . .	198	86	20	66	24	13	14	15		
DEW Line Clean-up— Kudlik Construction Ltd., Iqaluit, Nun SNC—Lavalin Inc. . . . .	583	78	14	64	13	15	13	12	8	3
Telecommunication Service Renewal—Bell Canada . . . . .	143	143	90	53	25	28				

11.10 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2005—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2006	2007	2008	2009	2010	2011 and subse- quently
Contracted Flying Training and Support—Bombardier Inc. . . . .	441	425	382	43	43					
North Warning System support . . . . .	641	388	201	187	55	68	64			
Bombardier—NATO Flying Training Centre . . . . .	2,536	1,826	432	1,394	84	86	88	90	92	954
Serco Ltd.—Goose Bay ASD . . . . .	483	483	65	418	44	46	47	46	47	188
IMP Group Ltd—Cormorant Integrated Services (CH149). . . . .	160	160	72	88	49	39				
Provision of Health Care Services— Santé Montfort . . . . .	185	185	1	184	12	12	30	30	30	70
Health Care Providers Ottawa, Ontario . . . . .	449	449		449	85	87	89	92	96	
Ammunition . . . . .	105	105	18	87	87					
Other purchases (DND). . . . .	1,820	1,595	704	891	412	222	93	68	26	70
Human Resources and Skills Development— Canada Student Financial Assistance Act— Service providers—Private Institutions . . . . .	326	319	191	128	128					
Human Resources —Social Development— Replacement of support hardware and software—Unisys Canada . . . . .	15	15	5	10	5	5				
Telecommunications equipment and services—Sprint Canada Inc. . . . .	53	53	41	12	12					
Printing, warehousing and distribution—Revolve Corporation . . . . .	16	16	5	11	6	5				
Software maintenance—Oracle Corporation Canada . . . . .	20	20	4	16	4	4	4	4		
Mobile Wireless Services—Telus Mobility . . . . .	22	9		9 <sup>(3)</sup>		1	8			
Canada Customs and Revenue Agency— Bell Canada—Contract for Toll-Free Services . . . . .	22	22	4	18	4	6	5	3		
Sita Advanced Travel Solutions—Informatic System Integration . . . . .	38	38	18	20	13	7				
Bell Nexxia—National Hardware Maintenance Contract . . . . .	16	16	5	11	4	3	2	2		
AMS Management Systems— IT Professional Services Supply Chain . . . . .	40	40	2	38	38					
Solicitor General— Royal Canadian Mounted Police— Bell Canada—NPSNET Wide area network requirement . . . . .	24	24	4	20	10	10				
M/A-COM Radio Systems Encrypted Mobile Radio Communications Systems . . . . .	29	29	13	16	8	8				
Public Works and Government Services— Professional Services—BCE Nexxia Inc . . . . .	326	326	314	12	12					
Brookfield LePage Johnson Controls Property Management Services— Ottawa, Ont. (NCA-1, 2 and 3) . . . . .	870	870	787	83	83					

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2005—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					2011 and subse- quently
					2006	2007	2008	2009	2010	
National Contract—SNC Lavalin										
ProFac Inc. ....	1,891	1,891	1	1,890	458	468	477	487		
EDS Canada .....	27	27	8	19	3	5	5	5	1	
TPG Technology .....	189	189	151	38	29	9				
IBM Canada Ltd. ....	18	18	7	11	3	3	3	2		
IBM Canada Ltd. ....	101	101	76	25	14	11				
<i>Subtotal</i> .....	<i>16,437</i>	<i>13,360</i>	<i>5,784</i>	<i>7,576</i>	<i>2,316</i>	<i>1,582</i>	<i>1,085</i>	<i>944</i>	<i>345</i>	<i>1,304</i>
Consolidated Crown Corporations—										
Canadian Broadcasting Corporation—										
Sports Rights .....	531	531	269	262	62	69	61	70		
Canadian Air Transport Security Authority—										
Screening services .....	682	682	190	492	314	172	6			
National Capital Commission—										
Other service contracts .....	34	34	16	18	13	5				
<i>Subtotal</i> .....	<i>1,247</i>	<i>1,247</i>	<i>475</i>	<i>772</i>	<i>389</i>	<i>246</i>	<i>67</i>	<i>70</i>		
Total purchases .....	17,684	14,607	6,259	8,348	2,705	1,828	1,152	1,014	345	1,304
<b>Total fixed assets and purchases .....</b>	<b>27,798</b>	<b>24,147</b>	<b>9,532</b>	<b>14,615</b>	<b>3,640</b>	<b>2,463</b>	<b>1,651</b>	<b>1,784</b>	<b>871</b>	<b>4,206</b>
<b>Operating leases—</b>										
Environment—										
Lease of land—Capilano Indian Reserve No. 5 Vancouver, B.C. ....	488	488	90	398	10	10	10	10	10	348
I.B.M. Canada Ltd.— Rental and maintenance of supercomputer system .....	40	40	9	31	8	8	8	7		
Foreign Affairs and International Trade—										
Mitsui Fudosan, New York .....	52	52	21	31	3	3	3	3	4	15
Solicitor General—										
Canada Border Services Agency—										
Provision of services—Low Risk Detention Centre, Toronto .....	19	19	3	16	3	4	4	5		
Public Works and Government Services—										
BTC Properties II Ltd and 3160343 Canada Inc., Toronto .....	18	18	4	14	2	2	2	2	2	4
Elron Development, Toronto .....	18	18	4	14	1	1	1	1	1	9
160 Elgin Street, Portfolio Inc. ....	60	54		54			4	5	5	40
Canada Life Assurance Company/Great West Life Assurance Company—										
Toronto .....	240	240		240	2	8	8	8	8	206
1138 Melville St., Oxford Management Services, Vancouver, B.C. ....	44	44	20	24	5	4	4	4	4	3
Lord Realty Ltd. Partnership— 555 West Hastings, Vancouver .....	19	19	3	16	2	2	2	2	1	7
Holdings 1506 Enterprises Ltd.— 4321 Still Creek Drive, Burnaby .....	13	13	1	12	1	1	2	1	1	6
Ivanhoe Cambridge 1 Inc. 4720 Kingsway Street, Burnaby .....	13	13	3	10	2	2	2	2	2	
SITQ—5 Place Ville-Marie, Montreal .....	21	21	5	16	2	2	2	2	2	6
160 Elgin Street, Portfolio Inc. ....	30	26	14	12	6	6				

**11.12 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES**

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2005—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					2011 and subse- quently
					2006	2007	2008	2009	2010	
Standard Life Assurance Co.—										
280 Slater Street . . . . .	51	46	7	39	5	5	5	5	5	14
2932 & 2936 Baseline Road, Ottawa . . . . .	28	11		11		1	1	1	1	7
333 Laurier Street . . . . .	35	34	2	32	5	5	5	5	5	7
Orlando Corporation, Mississauga, Ont. . . . .	48	48	21	27	5	5	5	5	5	2
National Capital Commission—										
40 Elgin Street, Ottawa . . . . .	28	19	8	11	2	2	2	2	2	1
1258898 Ontario Ltd.—400 Cumberland Street, Ottawa . . . . .	35	27	12	15	3	3	3	3	3	
Société de Gestion Cogir Inc.—										
Brossard, Quebec . . . . .	66	66	19	47	7	7	7	7	7	12
Société en commandite Redbourne Brossard et Immeubles Régime XI . . . . .	24	24	4	20	2	2	2	2	2	10
Fonds de Placement immobilier Cominar, 3400 Jean-Beraud, Laval . . . . .	39	39	10	29	4	4	4	4	4	9
Bona Building & Management Co.—										
333-335 River Road, Ottawa . . . . .	113	84	39	45	7	7	7	7	7	10
285 Coventry Road, Ottawa . . . . .	79	39	15	24	3	3	3	3	3	9
295 Coventry Road, Ottawa . . . . .	73	34	11	23	3	3	3	3	3	8
Kidinks Holdings Inc.—										
200 Laurier Avenue, Ottawa . . . . .	18	17	7	10	2	2	2	2	2	
Urbandale Corporation—										
100 Metcalfe Street, Ottawa . . . . .	23	21	5	16	2	2	2	2	2	6
Capital City Shopping Centre, Billings Bridge Tower, Ottawa . . . . .	44	42	13	29	4	4	4	4	4	9
O & Y Enterprise National—										
320 Queen Street, Ottawa . . . . .	43	39	25	14	4	4	4	2		
O & Y Properties Inc.—										
330 Sparks Street, Ottawa . . . . .	227	227	192	35	10	10	10	5		
3840743 Canada Inc.—										
975 St. Joseph Boulevard, Gatineau . . . . .	19	14	4	10	2	2	2	2	2	
Omers Realty Corporation—										
350/360 Albert Street, Ottawa . . . . .	39	39	13	26	4	4	4	4	4	6
350 Albert Street, Ottawa . . . . .	25	22	1	21	3	3	3	3	3	6
360 Albert Street, Ottawa . . . . .	18	12		12		1	1	1	1	8
Canada Post Corporation—										
750 Heron Road, Ottawa . . . . .	19	19	7	12	2	2	2	2	2	2
Oxford MRC Inc. and 735832 Alberta Ltd- 800 Burrard Street, Vancouver . . . . .	64	64	11	53	6	6	6	7	7	21
Lehndorff Consolidated—										
25 Fitzgerald Road . . . . .	30	25	7	18	4	4	4	4	2	
Bentall Real Estate Services—										
130 Colonnade Road . . . . .	25	22	4	18	2	2	2	2	2	8
103-106 Counter Street Corp.—										
Hamilton, Ont. . . . .	11	11	1	10	1	1	1	1	1	5
725844 Alberta Inc.—										
Barclay Centre, Calgary, Alta. . . . .	36	36	24	12	4	4	4			
Blue Capital Canada Real Estate Ltd. Partnership—										
Toronto . . . . .	16	16	3	13	2	2	2	2	2	3
Cadillac Fairview Corp. Ltd.—										
191 Laurier Avenue West . . . . .	43	30	2	28	5	5	5	5	5	3
Great West Life Assurance Co. and London Life Insurance Co.—										
269 Laurier Street . . . . .	196	168		168	6	11	11	11	11	118
255 Albert Street, Ottawa . . . . .	27	27	2	25	2	2	2	2	2	15
Morguard Corporation and 3683249 Canada Inc.—										
350 Sparks Street, Ottawa . . . . .	129	127	20	107	5	5	5	5	5	82

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2005—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					2011 and subse- quently
					2006	2007	2008	2009	2010	
Morguard Corporation and 131 Queen Street Ltd— 131 Queen Street, Ottawa .....	145	145		145		4	7	7	7	120
Saskpen Properties Ltd— Hamilton Centre, Regina .....	14	14	4	10	2	2	2		2	2
WPBI Property Management Inc.— 800 La Gauchetière Montreal-West .....	40	40	5	35	3	3	3	3	3	20
The Hi-Rise Group, Hamilton .....	182	182	21	161	12	12	12	12	12	101
Smithe Street Holdings— 858 Beatty Street, Vancouver .....	23	23	4	19	2	3	2	3	2	7
1550 Carling Inc .....	29	21	7	14	2	2	2	2	2	4
325843 B.C. Ltd— 1166 West Pender Street, Vancouver .....	29	29	4	25	4	4	4	4	4	5
Lite Stage/Pilot Project— Accenture Inc., Ottawa .....	24	24	10	14	12	2				
Exchange Tower Ltd., HRI Exchange Inc. and PFS Exchange Inc.—Toronto .....	58	58		58	6	8	8	8	8	20
GWL Realty Advisors Inc.— 840 Howe Street, Vancouver .....	34	34	1	33	3	3	3	3	4	17
Pensionfund Realty Ltd., Toronto .....	58	58	2	56	4	4	4	4	4	36
Quantum Management Services Ltd.— Ottawa .....	32	32	18	14	10	4				
Solicitor General— Royal Canadian Mounted Police— Dispatch radio service—Manitoba Telecom Services Inc (MTS)— Mobility .....	60	60	37	23	6	6	6	5		
<i>Subtotal</i> .....	<i>3,474</i>	<i>3,234</i>	<i>779</i>	<i>2,455</i>	<i>229</i>	<i>233</i>	<i>228</i>	<i>216</i>	<i>192</i>	<i>1,357</i>
Consolidated Crown Corporations— Canadian Air Transport Security Authority— Equipment and Office Space .....	25	25	3	22	3	3	3	3	3	7
National Capital Commission— Chalmers Building, 40 Elgin St., Ottawa .....	183	183	55	128	6	6	6	6	7	97
VIA Rail Canada Inc.— Central Station—Montreal .....	49	49	33	16	4	4	4	4		
Union Station—Toronto .....	151	151	9	142	2	2	2	2	2	132
VIAnet Service Agreement IBM Canada Ltd. ....	27	27		27	2	3	2	3	3	14
Canadian Broadcasting Corporation— Satellite lease (Telesat) .....	202	159	14	145	14	14	13	13	13	78
Profac Facility and Property Management .....	92	92	23	69	22	23	24			
Morguard Investments .....	138	138	5	133	6	6	6	6	6	103
Telus .....	15	15		15	2	3	3	3	3	1
Bell Canada .....	59	59	7	52	8	9	8	9	8	10
Socan .....	39	21	8	13	8	5				
Sirius Satellite Radio Inc. ....	13	13		13	13					
Telefilm Canada— Office leases .....	13	13		13	2	2	1	1	2	5
International Development Research Centre— Pension Realty Limited— Office Space and Maintenance Lease ..	93	21	5	16	5	7	4			

11.14 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES



TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2005—*Concluded*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2006	2007	2008	2009	2010	2011 and subse- quently
Canada Council for the Arts—										
Operating leases.....	33	31	4	27	3	3	3	3	4	11
<i>Subtotal</i> .....	<i>1,132</i>	<i>997</i>	<i>166</i>	<i>831</i>	<i>100</i>	<i>90</i>	<i>79</i>	<i>53</i>	<i>51</i>	<i>458</i>
<b>Total operating leases .....</b>	<b>4,606</b>	<b>4,231</b>	<b>945</b>	<b>3,286</b>	<b>329</b>	<b>323</b>	<b>307</b>	<b>269</b>	<b>243</b>	<b>1,815</b>
<b>Grand total .....</b>	<b>109,294</b>	<b>105,228</b>	<b>46,360</b>	<b>58,868</b>	<b>9,756</b>	<b>6,734</b>	<b>5,399</b>	<b>4,928</b>	<b>3,597</b>	<b>28,454</b>

<sup>(1)</sup> The amount shown under "Total estimated cost" is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this obligation were first reported in the *Public Accounts of Canada*, plus the outstanding obligation reported at fiscal year end.

<sup>(2)</sup> This figure reflects the total estimated remaining contractual obligations which extend for periods up to 35 years.

<sup>(3)</sup> Particulars of this obligation, shown for continuity purposes, will not be reported in future years since it has either been retired in full or the outstanding obligation is now less than \$10 million.

## Contractual Obligations to International Organizations

Table 11.4 summarizes the contractual obligations to international organizations according to whether they would result in the disbursement of funds for non-budgetary share capital and loans, or for budgetary loans and advances.

Contractual obligations reported in this table include loans and advances to international organizations and developing countries, which Canada has agreed to disburse in the future.

Future paid-in share capital represents commitments made by Canada for future purchases of non-budgetary share capital in international organizations. The amounts reported in Table 11.4 as undisbursed loans and advances and as future paid-in share capital exclude notes that have been issued and that are still unpaid as at March 31, 2005.

Table 11.4 presents information that is summarized in Note 13 to the financial statements.

**TABLE 11.4**

### CONTRACTUAL OBLIGATIONS TO INTERNATIONAL ORGANIZATIONS

(in millions of dollars)<sup>(1)</sup>

	Undisbursed loans and advances	Future paid-in share capital	Total
<b>NON BUDGETARY SHARE CAPITAL AND LOANS—</b>			
African Development Bank .....		7	7
European Bank for Reconstruction and Development .....		15	15
International Monetary Fund .....	84		84
Developing countries—Canada Account .....	2,336		2,336
	2,420	22	2,442
<b>BUDGETARY LOANS AND ADVANCES—</b>			
African Development Fund .....			
Asian Development Fund .....	155		155
International Fund for Agricultural Development .....	15		15
Montreal Protocol Fund .....	6		6
Caribbean Development Bank—Special .....			
International Development Association .....	954		954
International Monetary Fund .....	7		7
Global Environment Facility (GEF) Trust Fund .....	79		79
Developing countries—Canada Account .....	15		15
	1,231		1,231
<b>Total .....</b>	<b>3,651</b>	<b>22</b>	<b>3,673</b>

<sup>(1)</sup> Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2005 (1\$US = \$1.2096 Cdn; 1SDR = \$1.82750 Cdn).

Note: Canada has agreed to lend the Poverty Reduction and Growth Facility special drawing rights (SDR) 700 million of which SDR 648 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 186 million has been paid-in.

## Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. Contingent liabilities are recorded in the accounts when it becomes likely that a payment will be made and the amount of that payment can be reasonably estimated. The contingent liabilities of the Government are classified into five categories: Guarantees, International Organizations, Contaminated Sites, Claims and Pending and Threatened Litigation, and Insurance Programs. Additional information regarding each category is provided below.

For details of contingent liabilities of consolidated Crown corporations, refer to Table 4.3 "Contingent Liabilities of Consolidated Crown Corporations" in Section 4 of this volume. Particulars of contingent liabilities of enterprise Crown corporations and other government business enterprises are not consolidated with those of the Government but details of these contingencies may be found in Table 9.8 "Contingent Liabilities of Enterprise Crown Corporations and other Government Business Enterprises" in Section 9 of this volume.

## Guarantees

Guarantees of the Government include:

- guarantees of the borrowings of agent enterprise Crown corporations and other government business enterprises;
- guarantees of certain loans made by agent enterprise Crown corporations;
- guarantees, either collective or specific, of the loans of certain individuals and companies obtained from the private sector;
- insurance programs of the Government; and
- other explicit guarantees.

Losses on loan guarantees are recorded in the accounts when it is likely that a payment will be made to honour a guarantee and where the amount of the anticipated loss can be reasonably estimated. The amount of the allowance is determined by taking into consideration the nature of the loan guarantee, loss experience and the use of other measurement techniques. Borrowings of agent enterprise Crown corporations and other government business enterprises are recorded as liabilities for the portion not expected to be repaid directly by these corporations.

Table 11.5 lists the outstanding guarantees and is summarized in Note 14 to the financial statements of the Government in Section 2 of this volume.

**TABLE 11.5**

### GUARANTEES BY THE GOVERNMENT AS AT MARCH 31, 2005

	Authorized limit (where applicable) <sup>(1)</sup>	Contingent liability
	\$	\$
GUARANTEES BY THE GOVERNMENT—		
Borrowings by enterprise Crown corporations which are agents of Her Majesty.....		43,489,965,000 <sup>(2)</sup>
Borrowings by other than enterprise Crown corporations		
From agents		
Loans to Indians by the Canada Mortgage and Housing Corporation for on-reserve housing.....	1,700,000,000 <sup>(3)</sup>	539,597,744
From other than agents		
Guarantee programs of the Government		
Canada Student Loans Act.....	10,781,963,150	321,845,948
Small Business Loans.....	2,990,655,675	874,114,986
Farm Improvement Loans Act and Farm Improvement and Marketing		
Cooperatives Loans Act.....	3,000,000,000	236,283,224
Advance Payments for Crops Act.....	1,900,000,000	330,626,825
Enterprise Development Program.....	1,200,000,000	212,300
Loans to Indians by approved lenders for on-reserve housing.....	<sup>(3)</sup>	766,976,910
Financial obligations incurred by air carriers regarding purchase of The Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft.....	927,400,000	185,391,375
Indian economic development.....	60,000,000 <sup>(4)</sup>	1,077,701
Aboriginal Economic Program.....		1,890,500
Time Air (1982) Ltd.....	10,000,000	471,238
Other explicit loan guarantees		
Loans to NewGrade Energy Inc to finance construction of a heavy oil upgrader.....	275,000,000	23,203,606 <sup>(5)</sup>

TABLE 11.5

GUARANTEES BY THE GOVERNMENT  
AS AT MARCH 31, 2005—*Concluded*

	Authorized limit (where applicable) <sup>(1)</sup>	Contingent liability
	\$	\$
Insurance programs of the Government		
Accounts administered for the Government by the Export Development Canada—Insurance and related guarantees .....	13,000,000,000 <sup>(6)</sup>	1,344,841,255
Insurance against accidents at nuclear installations under the <i>Nuclear Liability Act</i> <sup>(7)</sup> .....	1,050,000,000	583,667,201
Other explicit guarantees		
Guarantees under the <i>Prairie Grain Advance Payments Act</i> .....	1,900,000,000	258,665,183
Guarantees under the <i>Spring Credit Advance Program</i> .....	1,500,000,000	24,483,332
Guarantees to holders of mortgages insured by the Mortgage Insurance Company of Canada and GE Capital Mortgage Insurance Co. (Canada) .....		827,489,134
Guarantees under Section 19 of the <i>Canadian Wheat Board Act</i> .....		5,377,642,000 <sup>(8)</sup>
Guarantees under the <i>Agricultural Marketing Programs Act</i> .....		24,151,294
Total gross guarantees .....	<u>40,295,018,825</u>	55,212,596,756
Less: allowance for losses .....		<u>2,317,900,000</u>
Total net exposure under guarantees .....		<u>52,894,696,756</u>

<sup>(1)</sup> The authorized limits indicated in the above statement represent the aggregate total of various types of authorities of Government bodies as stipulated in legislation, legal agreements or other documents that may be in force at any one time.

<sup>(2)</sup> For details, see Table 9.6 in Section 9 of this volume.

<sup>(3)</sup> Department of Indian Affairs and Northern Development authorized a limit of \$1,700 million by Parliament (as shown above), to issue guarantees on loans made by the Canada Mortgage and Housing Corporation (CMHC) and other approved lenders, for housing purposes, and to issue guarantees on loans made by the Farm Credit Canada (FCC) for farming purposes. The contingent liability amounts related to guaranteed loans for On-Reserve Housing include \$540 million by CMHC and \$767 million by other approved lenders.

<sup>(4)</sup> The maximum aggregate amount that may be paid out of the Consolidated Revenue Fund and/or outstanding as a contingent liability in the current and subsequent years in respect of all guarantees authorized under Vote L53b shall be \$60 million. As at March 31, 2005, \$28 million had been disbursed in cumulative defaults as well there were outstanding contingent liabilities totaling \$1 million leaving a free balance of \$31 million available to issue further guarantees.

<sup>(5)</sup> Should the borrower default on this obligation, the Government of Canada would be liable for payment but would be, in turn, indemnified by the Province of Saskatchewan.

<sup>(6)</sup> The *Export Development Act* specifies that Export Development Canada (EDC) may enter into contracts of insurance, re-insurance, related guarantees, financing and other agreements up to the authorized limit of \$13 billion. In total, EDC has \$7.6 billion outstanding against this limit, consisting of \$1.4 billion in contingent liabilities, \$3.7 billion in financing, \$1 billion in undisbursed loan guarantees and \$2.4 billion in undisbursed loan contractual obligations.

<sup>(7)</sup> There have been no claims under the *Nuclear Liability Act* since its inception in 1970.

<sup>(8)</sup> The Government guarantees the payment of present and future liabilities, indebtedness, or other obligations of the Canadian Wheat Board.

## International Organizations

Within contingent liabilities, callable share capital represents the portion of Canada's capital subscriptions that has not yet been paid-in. Callable capital is subject to call by offshore banks in the event that they were unable to meet their obligations.

Table 11.6 details the contingent liabilities for international organizations and is summarized in Note 14 to the financial statements.

**TABLE 11.6**

### INTERNATIONAL ORGANIZATIONS CONTINGENT LIABILITIES

(in millions of dollars)<sup>(1)</sup>

	Callable share capital
NON-BUDGETARY SHARE CAPITAL AND LOANS—	
African Development Bank .....	1,199
Asian Development Bank .....	2,452
Caribbean Development Bank .....	59
International Bank for Reconstruction and Development (World Bank) .....	6,131
Multilateral Investment Guarantee Agency .....	55
European Bank for Reconstruction and Development .....	741
Inter-American Development Bank .....	4,677
Total .....	15,314

<sup>(1)</sup> Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2005 (1\$US = \$1.2096 Cdn; 1\$DR = \$1.82750 Cdn).

## Contaminated Sites

Based on management's best estimates, a liability for the estimated costs related to the management and remediation of contaminated sites is accrued when the contamination occurs, or when the Government becomes aware of the contamination, and is obligated or likely obligated to incur such costs. As at March 31, 2005, the Government has recorded a liability of \$2,874 million for approximately 2,200 sites (\$3,133 million in 2004 for approximately 2,400 sites).

The Government has estimated additional clean-up costs of \$2,440 million (\$1,045 million in 2004) that are not accrued as these are not considered likely to be incurred at this time. The increase in contingent liabilities related to contaminated sites is due to the additional information gathered during 2004-05 which enabled the potential liability for certain sites to be estimated. The Government's ongoing efforts to assess contaminated sites may result in additional liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued in the year in which they become known.

## Claims and Pending and Threatened Litigation

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. The total amount claimed in these actions, including a number where an amount is not specified, and their outcomes are not determinable.

The Government records an allowance for those cases identified as likely to be lost and which can be reasonably estimated. All other cases, excluding those assessed as unlikely to be lost, are considered contingent liabilities. As at March 31, 2005, contingent liabilities for claims and pending and threatened litigation have been estimated to approximate \$9,900 million (\$9,500 million in 2004). This estimate of possible loss covers only a portion of all claims against the Government. The total contingency relating to pending claims is not determinable. Certain large and significant claims not included in the estimate of contingent liabilities, are described below:

**Comprehensive land claims:** There are currently 77 (78 in 2004) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of \$3,700 million (\$3,700 in 2004), is estimated for claims that have progressed to a point where quantification is possible. The remaining claims are still in the early stages of negotiations and cannot yet be quantified.

**Assessed taxes under objection or appeal:** As at March 31, 2005, an amount of \$9,537 million (\$7,615 million in 2004) of taxes assessed was under objection at Canada Customs and Revenue Agency and an amount of \$1,360 million (\$986 million in 2004) was being appealed to either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

**Other:** In September 1999, the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act* were amended to enable the federal government to deal with excess amounts in the superannuation accounts and pension funds governed by these Acts. The legal validity of these provisions has since been challenged in the courts. The outcome of these lawsuits and the estimated financial impact, which could be significant, is not determinable at this time.

## Insurance Programs

An insurance program is a program where the insured, an outside party, pays an insurance fee which is credited to an insurance fund or provision operated by the corporation. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. Insurance programs operated by private corporations such as employee group insurance, dental plans, etc., are not included in this definition. Three Crown corporations currently operate insurance programs as agents of Her Majesty.

The insurance programs are intended to operate on a self-sustaining basis. However, in the event the corporations have insufficient funds, the Government will have to provide financing. The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

Information presented in Table 11.7 has not been audited since the information presented therein is derived from interim financial statements. Additional financial information relating to these corporations may be found in the "President of the Treasury Board's Annual Report to Parliament - Crown Corporations and Other Corporate Interests of Canada".

In Table 11.7, a minus "-" sign preceding the amount reported indicates a fund deficit, an expense recovery or adjustment, or a decrease or loss during the year. Information contained in this table is summarized in Note 14 to the financial statement of the Government in Section 2 of this volume.

**TABLE 11.7**

**SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS  
FOR THE YEAR ENDED MARCH 31, 2005**

(in millions of dollars)

	Canada Deposit Insurance Corporation <sup>(1)</sup>		Canada Mortgage and Housing Corporation <sup>(2)</sup>				Export Development Canada <sup>(3)</sup>	
	2004-2005	2003-2004	Mortgage Insurance Fund		Mortgage-Backed Securities Guarantee Fund		2004-2005	2003-2004
			2004-2005	2003-2004	2004-2005	2003-2004		
Insurance in force as at reporting date.....	375,563	375,563	247,140	234,891	84,544	64,879	11,869	12,877
Opening balance of Fund/Allowance.....	680	539	2,425	1,768	130	98	(3)	(3)
Revenues for the period—								
Premiums and fees.....	93	109	1,110	866	42	27	151	156
Investment income.....	34	35	407	364	13	10		
Other revenues.....		16	1	79	2	9		
Total revenues.....	127	160	1,518	1,309	57	46	151	156
Expenses for the period—								
Loss on/provision for claims.....	-9	-8	41	165			100	124
Administrative and tax.....	27	26	134	132	5	6		
Other expenses.....	1	1	439	355	19	8	-37 <sup>(4)</sup>	-47 <sup>(4)</sup>
Total expenses.....	19	19	614	652	24	14	63	77
Net income/loss (-) for the period.....	108	141	904	657	33	32	88	79
Closing balance of Fund/Allowance.....	788	680	3,329	2,425	163	130	(3)	(3)
Net claims during the period <sup>(5)</sup> .....	14	1	153	172	*	*	39	24
Five year average of net claims paid.....			214	232	*	*	65	81

\* Not applicable.

<sup>(1)</sup> The Canada Deposit Insurance Corporation (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to \$100,000 per depositor, per institution. This limit was increased from \$60,000 during the fiscal year. The Corporation is funded by premiums assessed against its member institutions.

<sup>(2)</sup> Canada Mortgage and Housing Corporation (CMHC) administers two funds: the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund (MBSGF). The MIF provides insurance for a fee, to lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by lending institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF is produced as of 30 September each year. The Corporation determines provisions for claims and unearned premiums at 31 December using valuation factors taking into account new business, claims and interest for the last quarter. The Mortgage-Backed Securities Guarantee Fund (MBSGF) supports two CMHC guarantee products: *National Housing Act* (NHA) Mortgage Backed Securities and Canada Mortgage Bonds.

The Mortgage Backed Securities (MBS) program was implemented in 1987. For a guarantee fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of monthly principal and interest to MBS investors who participate in a pool of insured residential mortgages which have been repackaged by the financial institution into investments which can be sold to investors in denominations as low as \$1,000. The Canada Mortgage Bond (CMB) program was implemented in 2001. Under this program, bonds are issued by a special purpose trust known as Canada Housing Trust and sold to investors in denominations as low as \$1,000. The proceeds of the bonds are used to purchase mortgages packaged into newly issued NHA MBS. Canada Mortgage Bonds of \$57,800 million issued by the Trust carry the full faith and credit of the Government of Canada and the timely payment of semi-annual interest and principal at maturity is guaranteed by the Government of Canada through CMHC.

<sup>(3)</sup> Export Development Canada (EDC) provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance program has been adequate to provide for the full cost of claims experienced to date and for the cost of future claims established based on previous claims experience. The Corporation does not maintain a separate fund for its insurance program and therefore the balance of the fund is not available. EDC maintains an allowance for claims on insurance which is based on an actuarial review of net loss experience and potential net losses. The balance of the allowance is \$564 million (\$589 million in 2004). Comparative figures have been restated to conform to the current year's presentation.

<sup>(4)</sup> For Export Development Canada, other expenses represent the foreign exchange gain or loss on the allowance for claims as well as claim expenses incurred.

<sup>(5)</sup> Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

# SECTION 12

2004-2005

*PUBLIC ACCOUNTS OF CANADA*

**Index**

## INDEX

### A

Accounting for expenses, 3.7  
 Accounting for revenues, 3.2  
 Accounts payable, 5.3  
     and accrued liabilities, 1.9, 1.13, 2.6, 5.2, 5.3  
     by category, 5.2  
 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES, 5  
 Accounts receivable of consolidated Crown corporations, 7.4  
 Accrued salaries and benefits, 5.3  
 Accumulated deficit, 1.7, 1.13, 2.6, 2.14  
     beginning of year, 1.12, 2.5, 3.2  
     end of year, 1.12, 2.5, 3.2  
 ACQUISITION OF LAND, BUILDINGS AND WORKS,  
     *see Volume III, Section 5*  
 ACQUISITION OF MACHINERY AND EQUIPMENT,  
     *see Volume III, Section 6*  
 Actuarial valuations, 6.18  
 Administered accounts, 6.34, 6.37  
 Advance account—Telefilm Canada, 6.38, 6.44  
 African Development Bank, 5.4, 9.22, 9.23, 9.24  
 African Development Fund, 5.4, 9.23  
 Agent administered Indian minors account, 6.32, 6.34  
 Aging of other accounts receivable, 7.4  
 Aging of tax receivables, 7.3  
 Agricultural Commodities Stabilization Accounts, 4.10, 4.12  
 Agricultural service centres, 9.27, 9.29  
 Air travellers security charge, 3.3  
 Allowance for borrowings of Crown corporations, 5.14  
 Allowance for guarantees, 1.13, 2.6, 5.2, 5.14  
 Allowance for loan guarantees, 5.14  
 Allowance for pension adjustments, 6.2, 6.19, 6.27  
 Allowance for valuation, 1.13, 1.16, 2.6, 9.2, 9.38  
 Andean Development Corporation, 9.23  
 Annual surplus, 2.5, 2.7, 2.8, 3.2  
 Annual surplus or deficit (-), 1.12, 1.14, 1.15  
 Annuities agents' pension account, 6.38, 6.43  
 Armed services—Estates, 6.33, 6.37  
 Asian Development Bank, 5.4, 9.22, 9.24  
     Special, 9.23  
 Asian Development Fund, 5.4, 9.23  
 Assets under capital leases, 10.6  
     by main category, 10.6  
 Atlantic Development Board carry-over projects, 9.26, 9.29  
 Atlantic Provinces Power Development Act, 9.26, 9.27, 9.29  
 Atomic Energy of Canada Limited's nuclear facility  
     decommissioning, 5.12  
 Authorities available from previous years,  
     *see Volume II, Section 1*  
 Authorities for the spending of proceeds from the disposal of  
     surplus Crown assets, *see Volume II, Section 1*  
 Authorities granted by statutes other than Appropriation Acts,  
     *see Volume II, Section 1*  
 Authorities granted in current year Appropriation Acts, *see*  
     *Volume II, Section 1*  
 Automated Quality Testing—Private sector, 6.38, 6.44  
 Aviation gasoline and diesel fuel—Excise tax, 3.3

### B

Benefit trust fund, 6.33, 6.37  
 Borrowings by enterprise Crown corporations and other  
     Government Business Enterprises, 9.12  
 Budgetary balance, The, 1.3  
 Budgetary revenues, 1.3

### C

Canada bills, 6.2, 6.8  
 Canada child tax benefits, 1.12, 2.5  
 Canada Deposit Insurance Corporation, 1.16  
 Canada Development Investment Corporation,  
     Holdback—Privatization, 6.32, 6.34  
 Canada Foundation account, 6.39, 6.45  
 Canada Hibernia Holding Corporation,  
     Abandonment reserve fund, 6.32, 6.34  
 Canada Investment Bonds, 6.6  
 Canada Labour Code—  
     Other, 6.32, 6.34  
     Wage Recovery Appeals, 6.32, 6.34  
 Canada Lands Company Limited, 9.4, 9.5  
 Canada Mortgage and Housing Corporation, 1.16, 9.4, 9.5  
 Canada notes, 6.2, 6.8  
 Canada Pension Plan, 6.50  
     Due to, 1.13, 1.16, 2.6, 2.21, 6.2, 6.30  
 Canada Pension Plan Account, 6.2  
 Canada Pension Plan Investment Board, 6.30  
 Canada Pension Plan Investment Fund, 6.30  
 Canada Premium Bonds, 6.6  
 Canada/Provinces Business Service Centre, 6.40, 6.47  
 Canada savings bonds, 6.6  
 Canada savings, Canada premium and Canada investment bonds,  
     1.17, 6.2, 6.6  
 Canada School of Public Service (Canadian Centre for  
     Management Development)—Donations, 5.8, 5.10  
 Canada Student Loans, Program, 9.30, 9.34  
 Canadian Agricultural Income Stabilization, 6.38, 6.43  
 Canadian Airport Authorities, 9.31, 9.38  
 Canadian Centre for Occupational Health and Safety—  
     Donations, 5.7, 5.9  
 Canadian Commercial Bank, 9.30, 9.33  
 Canadian Commercial Bank and Northland Bank Holdback  
     Account, 4.11, 4.13  
 Canadian currency borrowings,  
     issued, 1.15, 2.8  
     repayments, 1.15, 2.8  
 Canadian currency—Cash in bank, 7.2  
 Canadian Dairy Commission, 9.4, 9.5  
     account, 6.32, 6.34  
 Canadian Forces housing projects, 9.31, 9.37  
 Canadian Forces Pension Fund Account, 6.19, 6.20, 6.22  
 Canadian Forces Superannuation Account, 6.19, 6.20, 6.22  
 Canadian Institutes of Health Research—  
     Donations for research, 5.7, 5.9  
     Endowment for Health Research, 5.8, 5.10



**C—Continued**

Canadian Landmine Action Fund, 5.7, 5.9  
 Canadian producers of frozen groundfish, 9.30, 9.33  
 Canadian Sports Pool Corporation—Other outstanding liabilities, 6.39, 6.46  
 Candidates' and committees' deposits—Election and referendum, 6.33, 6.35  
 Capital investment activities, 1.15, 2.8  
 Capital leases, 6.14  
 Caribbean Development Bank, 5.4, 9.22, 9.23, 9.24 Special, 5.4, 9.23  
 Cash, 1.13, 2.6, 7.2  
   at beginning of year, 1.15, 2.8  
   at end of year, 1.15, 1.17, 2.8  
   generated or required (-) before:  
     financing activities, 1.15, 2.8  
   in Canadian currency, 1.17  
   in foreign currencies, 1.17  
   net increase in, 2.8  
   net increase or decrease in, 1.15  
   provided or used (-) by:  
     capital investment activities, 1.15, 2.8  
     financing activities, 1.15, 2.8  
     investing activities, 1.15, 2.8  
     operating activities, 1.15, 2.8  
   used for interest, 2.8  
 CASH AND ACCOUNTS RECEIVABLE, 7  
 Cash and accounts receivable, 1.13, 2.6, 3.6, 7.2  
 Cash flow, 1.10  
 Cash in bank, 7.2  
   Canadian currency, 7.2  
   Foreign currencies, 7.2  
   Special deposits, 7.2  
 Cash in hands of collectors and in transit, 7.2  
 Cash in transit, 7.2  
 Change in net debt,  
   during the year, 1.14, 2.7  
 Changes due to,  
   inventories, 1.14, 2.7  
   prepaid expenses, 1.14, 2.7  
   tangible capital assets, 1.14, 2.7  
 Changes in,  
   foreign exchange accounts, 1.15, 2.8  
   inventories and prepaid expenses, 1.15, 2.8  
   pension and other liabilities, 1.15, 2.8  
 Civil service insurance fund, 6.38, 6.42  
 Claims and pending and threatened litigation, 11.19  
 Collaborative research projects, 6.39, 6.46  
 Common school funds—Ontario and Quebec, 6.39, 6.45  
 Commonwealth War Graves Commission, 9.31, 9.38  
 Company stock option, 9.31, 9.37  
 Compared to 2003-2004,  
   Revenues, 1.4  
 Comprehensive development plan agreement, 9.26, 9.29  
 CONSOLIDATED ACCOUNTS, 4  
 Consolidated accounts, 3.6  
 Consolidated Crown corporations, 3.5, 4.3  
   amounts receivable, 7.4  
 Consolidated specified purpose accounts, 3.10, 4.10  
   Other, 4.11, 4.13  
 Construction of multi-purpose exhibition buildings, 9.30, 9.32  
 Contaminated sites, 5.12, 11.19  
 Contingent liabilities, 2.25, 11.17  
   of consolidated Crown corporations, 4.8  
   of enterprise Crown corporations and other Government Business Enterprises, 9.13

**C—Concluded**

Contractors' security deposits, 6.33, 6.35  
 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES, 11  
 Contractual obligations, 2.25, 11.2  
   and contingent liabilities, 2.6, 11.2  
   of enterprise Crown corporations and other Government Business Enterprises, 9.14  
   Schedule of minimum payments, 11.2  
   to International Organizations, 11.16  
 Co-operative Housing Project, 9.16, 9.17  
 Corporate income tax, 3.3, 5.11  
 Corporate sponsorships and donations, 5.8, 5.9  
 Council of Yukon First Nations—Elders, 9.31, 9.35  
 Courts Administration Service, (Federal Court and Federal Court of Appeal),  
   Special account, 6.40, 6.48  
 Courts Administration Service, (Tax Court of Canada),  
   Security for costs, 6.32, 6.35  
 Credit card—Special project fund, 6.41, 6.49  
 Crop Reinsurance Fund, 4.10, 4.12  
 Cross-currency swap revaluation account, 5.3, 5.6  
 Crown corporation expenses, 1.12, 2.5  
 Crown corporation revenues, 1.12, 2.5, 3.5  
 Crown Corporation Trusts—Donations, 6.41, 6.49  
 Crown corporations and Other Government Business Enterprises, 2.23  
 Cultural property, 9.30, 9.32  
 Customs and excise, 5.11  
 Customs duties receivable, 7.3  
 Customs import duties, 1.12, 2.5, 3.3, 3.4

**D**

Deferred revenues—Specified purpose accounts,  
   Other, 5.7  
 Deferred revenues, 5.3, 5.7  
 Dependants' pension fund, 6.38, 6.43, 6.68  
 Deposit accounts, 6.32  
 Deposit and trust accounts, 6.2, 6.32  
 Deposit/Disbursements—Worker's Compensation Board, 6.38, 6.44  
 Deposits on disposals and rents, 6.33, 6.35  
 Detailed statement of  
   financial position, 1.13  
   foreign exchange, unmatured debt and cash transactions, 1.17  
   non-budgetary transactions and of non-financial assets, 1.16  
   operations and accumulated deficit, 1.12  
 Details of other program expenses of other ministries,  
   *see Volume II, Section 1*  
 Details of other transfer payments, *see Volume II, Section 1*  
 Details of spendable amounts, *see related ministerial section in Volume II*  
 Developing countries—International development assistance,  
   9.17, 9.18  
 Development of export trade, 9.17, 9.20, 9.30, 9.33  
 Discussion and Analysis, 1.3  
 Donation and bequest accounts, 5.7  
 Donations—  
   Canada School of Public Service (Canadian Centre for Management Development, 5.8, 5.10  
   Canadian Centre for Occupational Health and Safety, 5.7, 5.9  
   Canadian Institutes for Health Research,  
     for research, 5.7, 5.9  
   Rideau Hall, 5.7, 5.9  
 Due to Canada Pension Plan, 1.13, 1.16, 2.6, 2.21, 6.2, 6.30

**E**

Election and referendum—Candidates' and committees' deposits, 6.33, 6.35

Employee pension plans, 6.17

Employment Insurance Account, 4.10, 4.12, 4.15

Employment insurance benefits, 1.12, 2.5, 3.7

Employment insurance premiums, 1.12, 2.5, 3.2, 3.4

Endangered species—Donations, 5.7, 5.8

Endowment interest accounts, 5.8

Endowment principal, 4.11, 4.14

Endowments for health research, 4.11, 4.14, 5.8, 5.10

Energy taxes, 1.12, 2.5, 3.3, 3.4

Enterprise Crown corporations and other government business enterprises, 1.13, 1.15, 1.16, 2.6, 9.2, 9.3, 9.4

    borrowings by, 9.12

    interest and other, 3.5

    interest paid to the Government, 9.5

    net repayments, 1.15, 2.8

    share of annual profit, 1.15, 2.8, 3.5

Environmental Damages Fund, 4.11, 4.13

Environmental liabilities, 1.13, 2.6, 5.2, 5.12

Environmental Studies Research Fund, Indian Affairs and Northern Development, 4.11, 4.14

    Natural Resources, 4.11, 4.14

Estates—Armed services, 6.33, 6.37

Estates fund, 6.34, 6.37

Euro medium term-notes, 6.2, 6.9

European Bank for Reconstruction and Development, 5.4, 9.22, 9.24

Exchange Fund Account, 3.5, 8.4

Excise duties, 3.3

Excise tax—

    aviation gasoline and diesel fuel, 3.3

    gasoline, 3.3

Excise taxes and duties, miscellaneous, 3.3

    other, 1.12, 2.5, 3.3, 3.4

    receivable, 7.3

Expenditures under statutory authorities, 3.11, 3.12

Expenses, 1.5, 1.6, 1.12, 2.5, 2.12, 3.2, 3.7

    by object, 3.11

    compared to 2003-2004, 1.6

    compared to March 2004 Budget Plan, 1.7

    comparison Actual to March 2004 Budget, 1.7

External expenses by type, 3.7

**F**

Fair wages deposit account, 6.32, 6.34

Farm Credit Canada, 1.16

Farm Credit Canada Guarantee Loans Program, 9.31, 9.35

Federal/provincial agreement—Advance account, 6.38, 6.44

Federal/provincial cost-sharing agreements, 6.39, 6.45

Federal-provincial fiscal arrangements, 9.26, 9.27, 9.28

FEDERAL-PROVINCIAL SHARED-COST PROGRAMS, *see Volume III, Section 10*

Federal/provincial shared-cost project, Human Resources and Skills Development, 6.39, 6.46

    Human Resources Development (Social Development), 6.40, 6.46

    Interprovincial Computerized Examination Management System (ICEMS), 6.39, 6.46

Fees and charges, other, 3.5

**F—Concluded**

Field British Columbia and Yukon Operations of the Northern Canada Power Commission, 6.32, 6.35

Financial assets, 1.9, 1.13, 2.6

Financial assistance to Canadians abroad, 6.39, 6.45

Financial assistance under budgetary appropriations to consolidated Crown corporations, 4.9

    enterprise Crown corporations and other Government Business Enterprises, 9.15

Financial Consumer Agency of Canada—Advances, 9.30, 9.33

Financial highlights, 1.2, 1.3

Financial position of consolidated Crown corporations—

    Assets and liabilities, 4.4

Financial position of enterprise Crown corporations and other Government Business Enterprises—Assets and liabilities, 9.8

FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS, 1

Financial Statements Discussion and Analysis, Discussion and Analysis, 1.3

    Introduction, 1.2

FINANCIAL STATEMENTS OF DEPARTMENTAL CORPORATIONS, *see Volume III, Section 2*

FINANCIAL STATEMENTS OF REVOLVING FUNDS, *see Volume III, Section 1*

FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA AND REPORT AND OBSERVATIONS OF THE AUDITOR GENERAL, 2

Financing activities, 1.15, 2.8

Fines for the Transportation of Dangerous Goods, 4.11, 4.14

First Nations in British Columbia, 9.31, 9.35

Fixed assets, purchases and operating leases, Transfer payment agreements, 11.3

Foreign claims fund, 6.39, 6.45

Foreign currencies, Cash in bank, 7.2

Foreign currency borrowings, issued, 1.15, 2.8

    repayments, 1.15, 2.8

FOREIGN EXCHANGE ACCOUNTS, 8

Foreign exchange accounts, 1.13, 2.6, 2.22, 8.2

    changes in, 1.15, 2.8

Foreign exchange revenues, 1.12, 2.5, 3.5

    Other, 1.12, 2.5, 3.5

Foreign exchange transactions, 1.17

Foreign governments, 6.40, 6.48

Francophone Summits, 6.41, 6.49

Funds from non-governmental organizations, Foreign Affairs and International Trade (Foreign Affairs), 6.39, 6.45

    Foreign Affairs and International Trade (International Trade), 6.39, 6.45

**G**

Gain on disposal of investment, 1.15, 2.8

Gasoline—Excise tax, 3.3

General security deposits, 6.33, 6.36

Global Environment Facility, 9.23, 9.25

    Trust Fund, 5.4, 9.23

Glossary of terms, 1.18

Goods and services tax, 1.12, 2.5, 3.3, 3.4, 5.11

    receivable, 7.3

Government Annuities Account, 6.2, 6.31, 6.64

Government's cost of operations, 3.8

**G—Concluded**

Guarantee deposits  
 Canada Border Services Agency, 6.33, 6.36  
 Canada Customs and Revenue Agency, 6.32, 6.34  
 Indian Affairs and Northern Development, 6.32, 6.35  
   oil and gas, 6.32, 6.35  
   reserve resources, 6.32, 6.35  
 Natural Resources—Oil and gas, 6.33, 6.35  
 Guarantees, 11.17  
 Guarantees by the Government, 11.17

**H**

Haddock fishermen, 9.30, 9.33  
 Health Insurance Supplementary Account, 4.10, 4.12  
 Hibernia Development Project, 9.31, 9.37  
 H.L. Holmes Fund, 4.11, 4.14, 5.8, 5.10, 9.31, 9.37  
 Holdback—Privatization, 6.32, 6.34

**I**

Immigrant investor program, 6.39, 6.44  
 Immigration guarantee fund, 6.33, 6.36  
 Immigration loans, 9.30, 9.32  
 Imprest account cheques, 7.2  
 Imprest accounts, standing advances and authorized loans, 9.30, 9.32  
 Income from securities in trust—Bankruptcy and Insolvency Act, 6.40, 6.47  
 Income tax, 2.5, 3.3  
   corporate, 1.12, 2.5, 3.3  
   personal, 1.12, 2.5, 3.3  
   receivables, 7.3  
   revenues, other, 1.12, 2.5, 3.3  
 Indian  
   band funds, 6.33, 6.36  
   capital accounts, 6.33, 6.36  
   revenue accounts, 6.33, 6.36  
   shares and certificates, 6.40, 6.47  
   compensation funds, 6.40, 6.47  
   economic development fund, 9.31, 9.35  
   Economic Development Guarantee Loans Program, 9.31, 9.35  
   estate accounts, 6.33, 6.37  
   moneys suspense account, 6.40, 6.47  
   savings accounts, 6.33, 6.37  
   special accounts, 6.40, 6.46  
 Inmates' trust fund, 6.33, 6.37  
 Installation of specialized monitoring equipment, 6.41, 6.49  
 Insurance accounts, 4.10, 4.12  
 Insurance and death benefit accounts, 6.38  
 Insurance company liquidation, 6.38, 6.42  
 Insurance programs, 11.19  
 Insurance programs of agent enterprise Crown corporations, 11.20  
   Summary of, 11.20  
 Inter-American Development Bank, 5.4, 9.22, 9.25  
   Fund for Special Operations, 5.4, 9.23  
 Interest,  
   accrued, 5.13  
   and penalties, 3.5  
   due, 5.13  
   other, 3.5  
   paid to the Government, 9.5  
   rates, unmatured debt, 6.10

**I —Concluded**

Interest and matured debt, 1.13, 2.6, 5.2, 5.13  
 INTEREST-BEARING DEBT, 6  
 Interest-bearing debt, 1.8, 1.13, 2.6, 6.2  
   by category, 6.3  
 International Bank for Reconstruction and Development, 9.23  
   (World Bank), 5.4, 9.22, 9.24  
 International development assistance, 9.17, 9.18  
 International Development Association, 5.4, 9.23, 9.25  
 International Finance Corporation, 9.22, 9.24  
 International financial institutions, 5.4, 9.23, 9.25  
 International Fund for Agriculture Development, 5.4, 9.23  
 International Monetary Fund, 3.5, 9.23  
   notes payable, 1.13, 1.17, 8.2, 8.3  
   Poverty Reduction and Growth Facility, 9.23, 9.25  
   special drawing rights allocations, and, 1.13, 1.17  
   subscriptions, 1.13, 1.17, 8.2, 8.3  
 International organizations, 1.16, 9.2, 9.22, 11.19  
   contingent liabilities, 11.19  
 International organizations and associations, 9.23, 9.25  
 International reserves held in the Exchange Fund Account, 1.13, 1.17, 8.2, 8.3  
 Inuit loan fund, 9.31, 9.36  
 Inventories, 1.13, 1.16, 2.6, 10.2  
   and prepaid expenses, 1.15, 2.6  
   changes due to, 1.14, 2.8  
   changes in, 2.8  
 Investing activities, 1.15, 2.8  
 Investments, 1.16, 9.4  
 Investments and accumulated profits/losses, 9.4  
 Investors' Indemnity Account, 4.10, 4.12

**J**

Jobs and economic restoration initiative, 6.41, 6.49  
 Joint research and development projects,  
   National Defence, 6.40, 6.48  
   Royal Canadian Mounted Police, 6.41, 6.49  
   Solicitor General (Public Safety and Emergency Preparedness), 6.41, 6.49  
 Judges Act, 6.20

**L**

Labour standards suspense account, 6.39, 6.46  
 Laurier House—Interest, *see* Mackenzie King trust account  
 Lease and use of public property, 3.5  
 Liabilities, 1.13, 2.6  
 Loans and accountable advances, 9.30  
 Loans and advances, 1.16, 9.4  
   Other, 1.16  
 LOANS, INVESTMENTS AND ADVANCES, 9  
 Loans, investments and advances, 1.13, 1.16, 2.6, 3.6, 9.2  
   Other, 2.24  
 Loans to enterprises in Newfoundland and Labrador, 9.26, 9.28  
 Lower Churchill Development Corporation Limited, 9.16, 9.17

**M**

Mackenzie King trust account, 4.11, 4.14, 5.8, 5.10  
 Manufacturing, processing and service industries in Canada, 9.31, 9.37  
 Market development incentive payments—Alberta, 6.41, 6.48

**M—Concluded**

Marketable bonds, 1.17, 6.2, 6.3  
 payable in Canadian currency, 6.2, 6.4  
 payable in foreign currencies, 6.2, 6.4  
 Matured debt, 5.13  
 Maturity and currency of borrowings by enterprise Crown corporations and other Government Business Enterprises, 9.13  
 Maturity of Government Debt, 6.11  
 Media travel expenses—Share-cost projects, 6.41, 6.49  
 Members of Parliament Retirement Compensation Arrangements Account, 6.19, 6.20, 6.24  
 Members of Parliament Retiring Allowances, 6.18  
 Account, 6.19, 6.20, 6.24  
 Military purchases excess funds deposit, 6.41, 6.49  
 Ministerial expenditures by standard object, *see Volume II, Section 1*  
 Ministerial expenditures by type, *see Volume II, Section 1*  
 Ministerial revenues, *see Volume II, Section 1*  
 Ministry summary (of source and disposition of authorities), *see related ministerial section in Volume II*  
 Miscellaneous accountable advances, 9.30, 9.32  
 Miscellaneous accountable imprest and standing advances, 9.30, 9.32  
 Miscellaneous excise taxes and duties, 3.3  
 Miscellaneous federal/provincial projects, 6.39, 6.46  
 Miscellaneous payroll deductions, 5.3, 5.6  
 Miscellaneous projects deposits—  
     Canadian Heritage, 6.38, 6.44  
     Environment, 6.39, 6.44  
     Fisheries and Oceans, 6.39, 6.45  
     Parks Canada Agency, 6.39, 6.45  
 Miscellaneous revenues, 3.5  
 Missions abroad, 9.30, 9.32  
 Montreal Protocol Fund, 5.4, 9.23  
 Mounted Police Foundation, 5.8, 5.10  
 Multilateral Investment Guarantee Agency, 5.4, 9.22, 9.24  
 Municipal Development and Loan Board, 9.26, 9.27, 9.28  
 Mutual fund capital gain refund overpayments, 9.27, 9.29

**N**

National Battlefields Commission—Trust Fund Account, 4.11, 4.13  
 National governments including developing countries, 1.16, 9.2, 9.17  
     and international organizations, 1.13, 2.6  
 National Marketing Programs, 9.30, 9.32  
 National Research Council of Canada—Trust Fund, 5.7, 5.9  
 Native claimants, 9.31, 9.36  
 NATO *see* North Atlantic Treaty Organization  
 Natural Sciences and Engineering Research Council—  
     Trust Fund, 5.7, 5.9  
 Net debt, 1.10, 1.13, 2.6  
     beginning of year, 1.14, 2.7  
     end of year, 1.14, 2.7  
 Net decrease in net debt, 2.7  
 Net decrease (-) or increase in net debt, 1.14  
 Net increase in cash, 2.8  
 Net increase or decrease (-) in cash, 1.15  
 Net tangible capital assets, 10.2  
 Newfoundland Offshore Revenue Account, 6.41, 6.48

**N—Concluded**

New Parks and Historic Site Account, 4.11, 4.13  
 NON-FINANCIAL ASSETS, 10  
 Non-financial assets, 1.10, 1.13, 1.16, 2.6, 10.2, 10.3  
     by category, 10.2, 10.3  
 Non-government agencies, 6.40, 6.48  
 Non-Indian moneys, 6.40, 6.47  
 Non-lapsing authorities granted/revoked in the current year, *see Volume II, Section 1*  
 Non-marketable bonds and notes, 1.17, 6.2, 6.7  
 Nordion International Inc., 9.31, 9.37  
 North Atlantic Treaty Organization (NATO),  
     damage claims recoverable, 9.17, 9.21  
     infrastructure projects, 6.40, 6.48  
 North Portage Development Corporation, 9.16, 9.17  
 Notes payable to international organizations, 5.3, 5.4  
 Notes to the financial statements of the Government of Canada, 2.9  
 Nova Scotia Offshore Revenue Account, 6.41, 6.48  
 Nuclear Liability Reinsurance Account, 4.10, 4.13

**O**

Obligations related to capital leases, 1.17, 6.2, 6.13  
     Details of, 6.14  
     Maturity of, 6.16  
 Observations of the Auditor General, 2.27  
 Old age security benefits, guaranteed income supplement and spouse's allowance, 1.12, 2.5  
 On Reserve Housing Guarantee Loans Program, 9.31, 9.36  
 Operating activities, 1.15, 2.8  
 Other accounts payable and accrued liabilities, 5.3, 5.6  
 Other accounts receivable, 1.13, 2.6, 7.2, 7.4  
 Other cash—Consolidated Crown corporations, 7.2  
 Other consolidated specified purpose accounts, 4.11, 4.13  
 Other departments—Miscellaneous, 9.31, 9.38  
 Other employee and veteran future benefits, 1.13, 1.16, 2.6, 2.18, 6.2, 6.28  
 Other excise taxes and duties, 1.12, 2.5, 3.3, 3.4  
 OTHER GOVERNMENT-WIDE INFORMATION, *see Volume III, Section 11*  
 Other levels of Government, 1.12, 2.5  
 Other liabilities, 1.13, 1.16, 2.6, 6.2  
 Other loans, investments and advances, 1.13, 1.16, 2.6, 2.24, 9.2, 9.30  
     issued, 1.15, 2.8  
     repayments, 1.15, 2.8  
 OTHER MISCELLANEOUS INFORMATION, *see Volume III Section 12*  
 Other outstanding liabilities—Canadian Sports Pool Corporation, 6.39, 6.46  
 Other program expenses, 1.12, 2.5, 3.2, 3.7, 3.8, 3.11  
 Other program revenues, 1.12, 2.5, 3.5  
 Other receivables, 1.16, 7.4  
 Other revenues, 1.12, 2.5, 3.2, 3.5  
 Other specified purpose accounts, 6.2, 6.38  
 Other taxes and duties, 1.12, 2.5, 3.3  
 Ottawa Civil Service Recreational Association, 9.30, 9.33  
 Outstanding cheques, 7.2  
 Outstanding cheques and warrants, 7.2

**P**

Pacific Rim Mitigation Fund, 5.7, 5.9  
 Pan American Health Organization, 6.39, 6.46  
 Pan Asia Research and Development Grants Program, 6.39, 6.46  
 Parolees, 9.31, 9.38  
 PAYMENTS OF CLAIMS AGAINST THE CROWN, EX GRATIA  
 PAYMENTS AND COURT AWARDS, *see Volume III, Section 9*  
 Pension accounts, 6.38  
 Pension and other liabilities, 1.13, 1.16, 2.6, 3.10, 6.2, 6.17  
 changes in, 1.15, 2.8  
 Pension plans, 6.17  
 for federally appointed judges, 6.18  
 Pensioners' Dental Services Plan, 6.28, 6.29  
 Personal and non-resident income tax, 5.11  
 Personal income tax, 3.3  
 Personnel posted abroad, 9.30, 9.32  
 Petro-Canada, 9.16  
 Petro-Canada Enterprises Inc—Unclaimed shares, 6.40, 6.47  
 Portfolio investments, 1.16, 9.2, 9.16  
 Preface to the financial statements of the Government  
 of Canada, 2.2  
 Prepaid expenses, 1.13, 1.16, 2.6, 10.2  
 changes due to, 1.14, 2.7  
 Prime Minister Awards, 5.7, 5.9  
 Proceeds from sales, *see Sales of goods and information products*  
 PROFESSIONAL AND SPECIAL SERVICES, *see Volume III, Section 4*  
 Program objectives and business line description, *see related ministerial section in Volume II*  
 Programs by business line, *see related ministerial section in Volume II*  
 Project deposits—Statistics Canada, 6.40, 6.48  
 Provincial and territorial governments, 1.16, 9.2, 9.26  
 Provincial and territorial tax collection agreements account,  
 1.16, 5.3, 5.5  
 Provincial arrangement on capital assets, 5.7, 5.8  
 Provincial workers' compensation boards, 9.30, 9.35  
 PUBLIC DEBT CHARGES, *see Volume III, Section 8*  
 Public debt charges, 1.12, 2.5, 3.2, 3.7, 3.10, 3.11  
 Public sector pensions, 1.13, 1.16, 2.6, 6.2, 6.17, 6.19  
 and other employment veteran future benefits, 2.18  
 Public Service death benefit account, 6.38, 6.43  
 Public Service Health Care Plan, 6.28, 6.29  
 Public Service Pension Fund Account, 6.19, 6.20, 6.21  
 Public Service Superannuation Account, 6.19, 6.20, 6.21

**Q**

Queen's Fellowship fund—Social Sciences and Humanities  
 Research Council, 4.11, 4.14, 5.8, 5.10

**R**

Radarsat, 6.40, 6.48  
 Recapitulation of external expenses by type,  
*see Volume II, Section 1*  
 Recapitulation of external revenues,  
*see Volume II, Section 1*  
 Reconciliation of external expenditures by standard object  
 to expenses, *see Volume II, Section 1*

**R—Concluded**

Regular forces death benefit account, 6.38, 6.42  
 Report of the Auditor General on the financial statements  
 of the Government of Canada, 2.4  
 Restricted donations, 5.7, 5.9  
 Retirement Compensation Arrangements (RCA) Account,  
 6.19, 6.20, 6.25  
 Return on investments, 3.5, 3.6  
 internal to the Government, 3.6  
 Returned soldiers' insurance fund, 6.38, 6.43  
 Revenues, *see related ministerial section in Volume II*  
 Revenues, 1.4, 1.12, 2.5, 3.2  
 compared to 2003-2004, 1.4  
 compared to March 2004 Budget Plan, 1.5  
 comparison Actual to March 2004 Budget, 1.5  
 other income tax, 1.12, 2.5, 3.3  
 REVENUES, EXPENSES AND ACCUMULATED DEFICIT, 3  
 Revenues, expenses and accumulated deficit, 3.2  
 Revenues, expenses and other changes in equity of,  
 consolidated Crown corporations, 4.6  
 enterprise Crown corporations and other Government  
 Business Enterprises, 9.10  
 Rideau Hall—Donations, 5.7, 5.9  
 Rights and privileges, 3.5  
 Risks and uncertainties, 1.11  
 Royal Canadian Mounted Police,  
 Benefit Trust Fund, 6.33, 6.37  
 Dependants' Pension Fund, 6.38, 6.43, 6.68  
 Disability and other future benefits, 6.28, 6.29  
 Pension Fund Account, 6.19, 6.20, 6.23  
 Pipe Band (NCR), 5.8, 5.9  
 Superannuation Account, 6.19, 6.20, 6.23

**S**

Saint John Harbour Bridge Authority, 9.31, 9.38  
 St-Lawrence Seaway Dredging, 5.7, 5.9  
 St. Lawrence Seaway Management Corporation, 9.31, 9.38  
 Sales of goods and information products, 3.5  
 Sales of goods and services, 3.5  
 Sales of goods and services, *see Volume II, Section 1*  
 Sales of seized assets, 6.39, 6.45  
 Schedule of minimum payments, 11.2  
 Scholastic awards, 6.33, 6.37  
 Securities held by the Canada Pension Plan Investment Fund, 6.30  
 Securities in trust—Bankruptcy and Insolvency Act, 6.40, 6.47  
 Security equipment purchases, 6.41, 6.49  
 Security for costs,  
 Courts Administration Service (Tax Court of Canada),  
 6.32, 6.35  
 Supreme Court of Canada, 6.32, 6.35  
 Seized assets, Canadian funds, 6.41, 6.49  
 Seized monetary assets, 6.33, 6.36  
 Seized property—Cash, 6.33, 6.36  
 Seized Property Proceeds Account, 4.11, 4.14  
 Seized Property Working Capital Account, 9.31, 9.37  
 Service fees for immigration and citizenship, 5.7, 5.8  
 Services of a non-regulatory nature, 3.5  
 Services of a regulatory nature, 3.5  
 Severance benefits, 6.28, 6.29

S—Continued

Shared-cost agreements,  
     Canadian Centre for Occupational Health  
     and Safety, 6.39, 6.46  
     Canadian Food Inspection Agency, 6.38, 6.44  
     NAFTA Secretariat, Canadian Section, 6.39, 6.46  
     research, 5.7, 5.8, 6.41, 6.48  
     Transportation research and development, 5.8, 5.10  
     Veterans Affairs, 6.41, 6.49  
 Shared-cost/joint project agreements—research, 6.40, 6.47  
 Shared-cost projects,  
     Canadian International Development Agency  
     International conferences, 6.39, 6.45  
     Foreign Affairs and International Trade,  
     (Foreign Affairs), 6.39, 6.45  
     Foreign Affairs and International Trade,  
     (International Trade), 6.39, 6.45  
     Industry, 6.40, 6.47  
     Natural Resources, 6.41, 6.48  
     Privy Council, Media travel expenses, 6.41, 6.49  
 Ship-Source Oil Pollution Fund, 4.10, 4.13  
 Small Business loans, 9.31, 9.37  
 Social Sciences and Humanities Research Council—  
     Trust Fund, 5.7, 5.9  
 Société du parc industriel et portuaire Québec-Sud, 9.16  
 Source and disposition of authorities by type (voted and  
 statutory), *see Volume I, Section 1*  
 Source and disposition of budgetary authorities by ministry,  
*see Volume II, Section 1*  
 Source and disposition of non-budgetary authorities by ministry,  
*see Volume II, Section 1*  
 Space training project, 5.7, 5.9  
 Special account—Courts Administration Service (Federal  
 Court and Federal Court of Appeal), 6.40, 6.48  
 Special accounts—Section 63, Indian Act, 6.32, 6.35  
 Special areas and highways agreement, 9.27, 9.29  
 Special drawing rights allocations, 8.2, 8.3  
 Special Operating Account—  
     Library and Archives Canada, 5.7, 5.9, 6.38, 6.44  
 Special project fund—Credit card, 6.41, 6.49  
 Specified purpose accounts,  
     other, 6.2, 6.38  
 Spectrum licence fees and other fees, 5.7, 5.8  
 Spending and borrowing authorities, 2.11  
 Sponsorship Agreement—Contributions, 5.8, 5.10  
 Statement of all borrowing transactions on behalf of  
     Her Majesty, 6.12  
 Statement of cash flow, 1.15, 2.8  
 Statement of change in net debt, 1.14, 2.7  
 Statement of financial position, 1.8, 1.13, 2.6  
 Statement of foreign exchange, unmatured debt  
 and cash transactions, 1.17  
 Statement of non-budgetary transactions and  
 of non-financial assets, 1.16  
 Statement of operations and accumulated deficit, 1.12, 2.5  
 Statement of responsibility, 2.3  
 Statement of revenues and expenses, *see Volume II, Section 1*  
 Stoney Band Perpetual Loan, 9.31, 9.36  
 Summary combined financial statements of enterprise  
     Crown corporations and other Government Business  
     Enterprises by segment, 9.7  
 Summary financial statements of,  
     consolidated Crown corporations, 4.3  
     enterprise Crown corporations and other Government  
     Business Enterprises, 9.6

S—Concluded

Summary of insurance programs of agent enterprise Crown  
 corporations, 11.20  
 Summary of significant accounting policies, 2.9  
 Summary of transactions in public sector pensions that  
 resulted in charges to expenses, 6.20  
 Superannuation accounts, 6.2, 6.19  
 Supplementary financial information, 1.9  
 Supplementary Fines Fish Account, 4.11, 4.13  
 SUPPLEMENTARY INFORMATION REQUIRED BY THE  
*FINANCIAL ADMINISTRATION ACT, see Volume III, Section 3*  
 Supplementary Retirement Benefits Account, 6.19, 6.20, 6.26

T

Tangible capital assets, 1.13, 1.16, 2.6, 2.24, 10.4  
 acquisitions of, 1.14, 1.15, 2.7, 2.8  
 amortization of, 1.14, 1.15, 2.7, 2.8  
 by main custodian ministries, 10.4  
 changes due to, 1.14, 2.7  
 loss on disposal of, 2.7, 2.8  
 loss (-) or gain on disposal of, 1.14, 1.15  
 net, 10.2  
 proceeds from disposal of, 1.14, 1.15, 2.7, 2.8  
 Tax and other accounts receivable, 2.22  
 Tax payables, 1.13, 1.16, 2.6, 5.2, 5.11  
 Tax receivables, 1.13, 1.16, 2.6, 7.2, 7.3  
 Tax revenues, 1.12, 2.5, 3.2, 3.3  
 Telefilm Canada—Advance account, 6.38, 6.44  
 Temporary deposits received from importers, 6.33, 6.36  
 Ten year comparative financial information, 1.12  
 Transactions in the Employment Insurance Account, 4.13  
 Transfer payment agreements, fixed assets, purchases and  
 operating leases, 11.3  
 Transfer payments, *see related ministerial section in  
 Volume II*  
 TRANSFER PAYMENTS, *see Volume III, Section 7*  
 Transfer payments, 1.12, 2.5, 3.2, 3.7, 3.8, 3.11  
     by province, certain, 3.9  
     other, 1.12, 2.5  
 Treasury bills, 1.17, 6.2, 6.5  
     average yields at tender, 6.10  
 Trust accounts, 6.33  
 Trust fund account—National Battlefields Commission, 4.11, 4.13  
 Trust fund,  
     National Research Council of Canada, 5.7, 5.9  
     Natural Sciences and Engineering Research Council,  
     5.7, 5.9, 6.40, 6.48  
     Social Sciences and Humanities Research Council,  
     5.7, 5.9  
 Trustee Performance Securities—Bankruptcy and Insolvency Act,  
 6.32, 6.35

U

Unamortized commissions on Canada savings, Canada premium  
 and Canada investment bonds, 5.13  
 Unamortized discounts and premiums on marketable bonds, 5.13  
 Unamortized discounts on  
     Canada bills, 5.13  
     Treasury bills, 5.13

**U—Concluded**

- Unclaimed dividends and undistributed assets—
  - Bankruptcy and Insolvency Act, 6.40, 6.47
  - Canada Business Corporations Act, 6.40, 6.47
  - Winding-up Act, 6.40, 6.48
- Unconditionally repayable contributions, 9.30, 9.32
- United Kingdom, 9.17, 9.18
  - Deferred principal, 9.18
  - United Kingdom Financial Agreement Act, 1946, 9.18
- Unmatured debt, 1.13, 2.6, 3.10, 6.2, 6.3
  - and other financial instruments, 2.14
  - as at March 31, from 2001 to 2005, with the average rate of interest thereon, 6.10
  - payable in Canadian currency, 6.2, 6.4
  - payable in foreign currencies, 6.2, 6.4
- Unmatured debt transactions, 1.17

**V**

- Vehicles, 10.6
  - by sub-category, 10.6
- Veterans administration and welfare trust fund, 6.34, 6.37
- Veterans' disability and other future benefits, 6.28, 6.29
- Veterans insurance fund, 6.38, 6.43
- Veterans' Land Act Fund—
  - Advances, 9.31, 9.39

**W**

- War claims fund—World War II, 6.39, 6.45
- Winter capital projects fund, 9.26, 9.29
- Workers' compensation, 6.28, 6.29
- World Health Organization, 6.39, 6.46

**Y**

- Yukon Energy Corporation, 9.31, 9.36

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