



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

# 2006

## 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, 2006.

All of which is respectfully submitted.



John Baird, P.C., M.P.,  
President of the Treasury Board

Ottawa, September 19, 2006

To The Honourable John Baird, P.C., M.P.  
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, 2006, to be laid by you before the House of Commons.

Respectfully submitted,



Michael M Fortier,  
Receiver General for Canada

Ottawa, September 19, 2006

To The Honourable Michael M Fortier,  
Receiver General for Canada

Sir:

I have the honour to submit the *Public Accounts of Canada* for the year ended March 31, 2006.

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 19, 2006

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# VOLUME I

**2005-2006**

***PUBLIC ACCOUNTS OF CANADA***

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# 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

2005-2006

*PUBLIC ACCOUNTS OF CANADA*

## Financial Statements Discussion and Analysis

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#### **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 2005-2006*, 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 for

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.

During 2005-2006, the Government adopted the new recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants regarding the government reporting entity. This change has resulted in a restatement of prior years' results and accumulated deficits presented for comparative purposes. In addition, certain comparative figures have been reclassified to conform to the current year's presentation.

### 2005-2006 Financial Highlights

- A budgetary surplus of \$13.2 billion was achieved in 2005-2006, marking the ninth consecutive year the Government has recorded a surplus.
- The surplus was \$9.2 billion higher than projected in the February 2005 Budget. Budgetary revenues were \$7.9 billion higher than forecast in the 2005 Budget, primarily attributable to stronger-than-expected economic growth, while public debt charges were \$1.3 billion lower. Program expenses were \$18 million higher than planned in the 2005 Budget.
- The surplus was \$5.2 billion higher than estimated in the May 2006 Budget. Revenues were \$1.3 billion higher than forecast, while program expenses were \$3.9 billion lower than forecast. Public debt charges were \$0.1 billion higher than estimated.
- The accumulated deficit (the difference between total liabilities and financial and non-financial assets) stood at \$481.5 billion as of March 31, 2006, down \$81.4 billion from its peak of \$562.9 billion as of March 31, 1997. The accumulated deficit-to-GDP (gross domestic product) ratio was 35.1 percent, down sharply from its peak of 68.4 percent as of March 31, 1996, and is now at its lowest level since March 31, 1982.
- Net debt, a subcomponent of the accumulated deficit recording the difference between total liabilities and financial assets, stood at \$536.9 billion at the end of 2005-2006, down \$72.1 billion from its peak of \$609.0 billion at the end of 1996-1997.
- Budgetary revenues totalled \$222.2 billion in 2005-2006, an increase of \$10.3 billion or 4.8 percent from 2004-2005. The revenue-to-GDP ratio stood at 16.2 percent, down slightly from 2004-2005.
- Program expenses amounted to \$175.2 billion in 2005-2006, a decrease of \$1.1 billion or 0.7 percent from 2004-2005. The decrease was attributable to a number of one-time expenses related to environmental liabilities and transfers to other levels of government recorded in 2004-2005, as well as developments in 2005-2006 which depressed spending, most notably the dissolution of Parliament in November 2005 and the change in government. The program expenses-to-GDP ratio decreased to 12.8 percent, from 13.7 percent in 2004-2005.
- Public debt charges, at \$33.8 billion in 2005-2006, declined by \$0.3 billion from 2004-2005. As a percentage of total budgetary revenues, they stood at 15.2 percent, down from the peak of 37.6 percent in 1990-1991 and are at their lowest ratio since the mid-1970s.

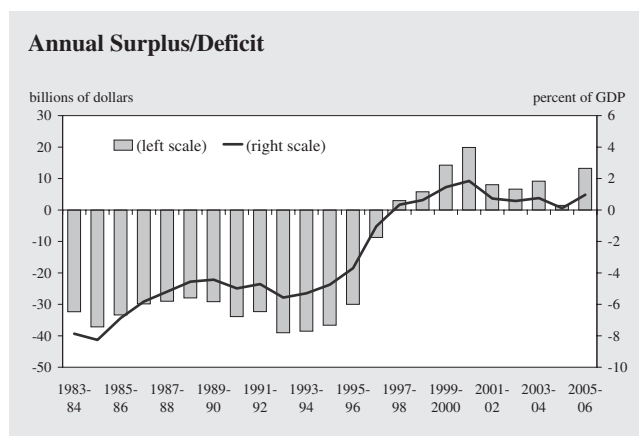
### Discussion and Analysis

#### The Budgetary Balance

The following graph illustrates the Government's budgetary balance since 1983-1984. The budgetary balance reflects economic developments and policy decisions. To enhance the comparability of results over time and across jurisdictions, the budgetary balance and its components are often presented as a percentage of GDP. On this basis, the budgetary balance improved from its most recent low, a deficit of 5.6 percent of GDP in 1992-1993, to a surplus of 1.0 percent

in 2005-2006. Program expenses as a percentage of GDP declined from 17.4 percent to 12.8 percent over this period; budgetary revenues, meanwhile, fell from 17.8 percent to 16.2 percent. Public debt charges declined from 5.9 percent to 2.5 percent over this period, reflecting the decline in interest-bearing debt, due to the improvement in the budgetary balance, and a decline in interest rates.





### 2005-2006 Financial Highlights

	2005-2006		2004-2005
	Budget <sup>(1)</sup>	Actual	Actual
(in billions of dollars)			
<b>Statement of Operations</b>			
Revenues .....	214.3	222.2	211.9
Expenses—			
Program expenses .....	-175.2	-175.2	-176.4
Public debt charges .....	-35.1	-33.8	-34.1
Total expenses .....	-210.3	-209.0	-210.5
<b>Annual surplus .....</b>	<b>4.0</b>	<b>13.2</b>	<b>1.5</b>
<b>Statement of Financial Position <sup>(2)</sup></b>			
Liabilities—			
Interest-bearing debt .....	612.3	601.1	607.2
Other .....	97.6	101.4	97.7
Total liabilities .....	709.9	702.5	705.0
Financial Assets .....	151.8	165.6	155.4
<b>Net debt .....</b>	<b>558.1</b>	<b>536.9</b>	<b>549.6</b>
Non-financial assets .....	56.6	55.4	54.9
<b>Accumulated deficit .....</b>	<b>501.5</b>	<b>481.5</b>	<b>494.7</b>

Note: Totals may not add due to rounding.

<sup>(1)</sup> Budget 2005 forecast adjusted to gross basis.

<sup>(2)</sup> Budget 2005 forecast was based on final results for 2003-2004 as those for 2004-2005 were not available at that time.

The surplus of \$13.2 billion in 2005-2006 was \$11.7 billion higher than the surplus of \$1.5 billion recorded in 2004-2005. Budgetary revenues advanced by \$10.3 billion due to solid growth among the various tax bases, as well as strong growth in personal income taxes relative to growth in personal income, which in turn reflects strong real income gains and the progressivity of the personal tax system. Program expenses, meanwhile, were down \$1.1 billion. The decrease in program expenses was attributable to a number of one-time expenses related to environmental liabilities and transfers to other levels of government recorded in 2004-2005, as well as developments in 2005-2006 which depressed spending, most notably the dissolution of Parliament in November 2005 and the change in government. Public debt charges declined by \$0.3 billion.

The surplus of \$13.2 billion was \$9.2 billion higher than the February 2005 Budget forecast of \$4.0 billion. The Budget 2005 forecast for 2005-2006 was prepared before the final results for the 2004-2005 fiscal year were known. Budgetary revenues were \$7.9 billion higher than projected, primarily reflecting stronger-than-expected economic growth, which affected the applicable tax bases, particularly corporate profits. Budgetary revenues in 2005-2006 would have been up more considerably from the Budget 2005 outlook if not for the \$5.0 billion in personal income tax reductions pertaining to 2005-2006 that were announced during the year and confirmed in the 2006 Budget. Program expenses were \$18 million higher than planned in the 2005 Budget. Public debt charges were \$1.3 billion lower than projected in the 2005 Budget due to lower-than-expected interest rates and a higher-than-expected reduction in the stock of interest bearing debt.

### Comparison of Outcomes to May 2006 Budget

	Budget	Actual	Difference
	(in millions of dollars)		
Revenues .....	220.9	222.2	1.3
Expenses—			
Program expenses .....	-179.2	-175.2	3.9
Public debt charges .....	-33.7	-33.8	-0.1
Total expenses .....	-212.9	-209.0	3.9
<b>Annual surplus .....</b>	<b>8.0</b>	<b>13.2</b>	<b>5.2</b>

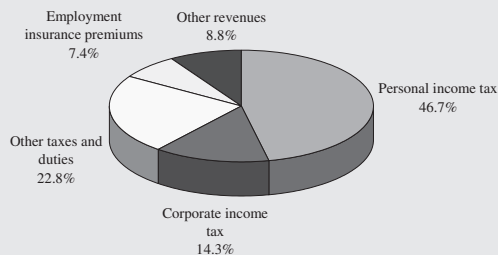
Note: Totals may not add due to rounding.

The 2005-2006 surplus was \$5.2 billion higher than the \$8.0 billion surplus forecast in Budget 2006 due largely to lower-than-expected program expenses. Program expenses were \$3.9 billion lower than estimated in Budget 2006 due to lower-than-anticipated departmental spending and year-end accrual adjustments related to bad debt expense and provisions for certain liabilities such as pensions and employee benefits. Budgetary revenues were \$1.3 billion higher than forecast, while public debt charges were \$0.1 billion higher than forecast.

### Budgetary Revenues

The largest source of federal revenues is personal income tax revenues, which as a share of total revenues has been relatively stable over the last 15 years, averaging about 47 percent. In contrast, corporate income tax revenues have increased from a low of 5.7 percent of total revenues in 1992-1993 to 14.3 percent in 2005-2006, reflecting the run-up in the corporate profits share of GDP to its current historically high level of about 14 percent. Employment Insurance premium revenues have declined significantly as a share of total revenue in recent years, from their peak of 15.6 percent in 1993-1994 to 7.4 percent in 2005-2006, reflecting ongoing annual reductions in Employment Insurance premium rates. Although excise taxes and duties have averaged about 20 percent of total revenue over the last 15 years, there has been a shift towards goods and services tax (GST) revenues and away from other excise taxes and duties.

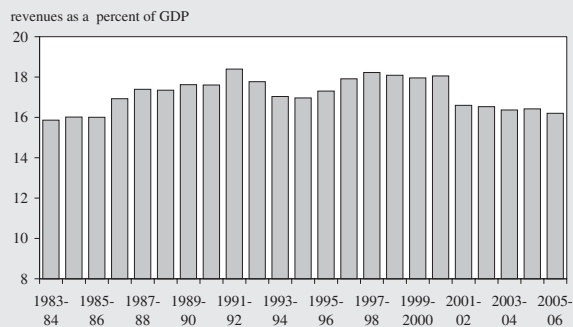
**Composition of Revenues for 2005-2006**



The revenue-to-GDP ratio 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, 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 16.2 percent of GDP in 2005-2006. It has been relatively stable since 2001-2002, but is down significantly from an average ratio of 18 percent over the period 1996-1997 to 2000-2001. This decline is primarily due to tax reduction measures since 2000.

**Revenue Ratio**



**Revenues Compared to 2004-2005**

The following table compares the actual results for budgetary revenues for 2005-2006 to 2004-2005.

**Revenues**

	2005-06	2004-05	Change	
			Absolute	Percent
	(in millions of dollars)			
				%
<b>Income tax revenues—</b>				
Personal income tax .....	103,691	98,521	5,170	5.2
Corporate income tax .....	31,724	29,956	1,768	5.9
Other income tax revenues .....	4,529	3,560	969	27.2
<b>Total .....</b>	<b>139,944</b>	<b>132,037</b>	<b>7,907</b>	<b>6.0</b>
<b>Other taxes and duties—</b>				
Goods and services tax .....	33,020	29,758	3,262	11.0
Customs import duties .....	3,330	3,091	239	7.7
Energy taxes .....	5,076	5,054	22	0.4
Other excise taxes and duties .....	4,730	4,954	-224	-4.5
<b>Total .....</b>	<b>46,156</b>	<b>42,857</b>	<b>3,299</b>	<b>7.7</b>
<b>Employment insurance premiums ..</b>	<b>16,535</b>	<b>17,307</b>	<b>-772</b>	<b>-4.5</b>
<b>Other revenues—</b>				
Crown corporation revenues .....	7,198	6,825	373	5.5
Foreign exchange revenues .....	2,014	1,175	839	71.4
Other program revenues .....	10,356	11,742	-1,386	-11.8
<b>Total .....</b>	<b>19,568</b>	<b>19,742</b>	<b>-174</b>	<b>-0.9</b>
<b>Budgetary revenues.....</b>	<b>222,203</b>	<b>211,943</b>	<b>10,260</b>	<b>4.8</b>

Total budgetary revenues increased \$10.3 billion in 2005-2006, due mainly to higher income tax and GST revenues. Personal income tax revenues, the largest component of budgetary revenues, were up \$5.2 billion, or 5.2 percent. Corporate income tax revenues were \$1.8 billion, or 5.9 percent, higher than in 2004-2005. This gain was lower than the 10.6 percent growth in corporate profits in 2005. Other income tax receipts – largely withholding taxes levied on non-residents – were \$1.0 billion, or 27.2 percent, higher in 2005-2006 than in the previous year, reflecting strong growth in dividend payments to non-residents recorded in the latter months of 2005.

The increase in other excise taxes and duties was primarily attributable to higher GST revenues, which were up \$3.3 billion or 11.0 per cent. Growth in GST revenues was significantly higher than growth in the applicable tax base. In recent years, there has been substantial variation between growth in GST revenues and growth in the underlying tax base, with GST revenue growth both exceeding growth in the tax base in some years, as in 2005-2006, and falling short of growth in the tax base in others. The \$0.2 billion, or 4.5 per cent, decline in other excise taxes and duties principally reflects declining revenues from tobacco duties.

Employment Insurance premiums revenues declined \$0.8 billion, or 4.5 percent, from the previous year, reflecting reductions in premium rates on January 1, 2005 and January 1, 2006, which more than offset the impact of higher employment and wages and salaries. The decline also reflects the implementation of the Quebec Parental Insurance Plan in January 2006, under which the responsibility for delivering parental benefits in Quebec, along with collection of the associated premium revenue, was transferred to the province. Foreign exchange revenues were up \$0.8 billion in 2005-2006, largely reflecting a \$1.0 billion one-time adjustment recorded in 2005-2006 resulting from a change in the Government's accounting treatment of Canada's subscriptions in the International Monetary Fund (IMF). This change was made to reflect the impact

of currency fluctuations in a more timely manner. The decline in other revenues reflects the one-time gain (\$2.6 billion) from the sale of the Government's remaining shares in Petro-Canada in 2004-2005, partially offset by growth in other program revenues, including sales of goods and services and return on investments.

### Revenues Compared to February 2005 Budget Plan

For the 2005-2006 fiscal year, revenues were \$7.9 billion higher than forecast in the February 2005 Budget. This was largely the result of economic conditions in 2005, which turned out to be much stronger than predicted by private sector economists. Commodity prices were also considerably higher than projected in the 2005 Budget, leading to much higher-than-expected corporate profitability and corporate tax revenues, particularly among firms in the energy sector. Non-tax revenues were higher than projected, a significant portion of which is due to higher Crown corporation revenues, particularly at Export Development Canada. In addition, many other smaller non-tax revenue categories were higher than projected, further lifting actual receipts above the level projected in the 2005 Budget.

### Revenues Compared to February 2005 Budget

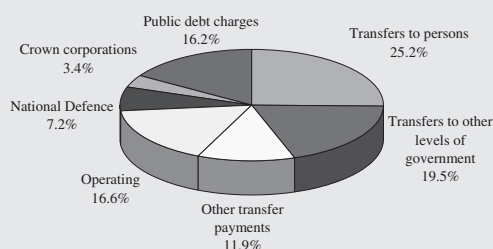
	Budget	Actual	Difference
	(in millions of dollars)		
<b>Income tax revenues—</b>			
Personal income tax .....	103,417	103,691	274
Corporate income tax .....	29,170	31,724	2,554
Other income tax revenues .....	3,523	4,529	1,006
Total .....	136,110	139,944	3,834
<b>Other taxes and duties—</b>			
Goods and services tax .....	31,544	33,020	1,476
Customs import duties .....	3,061	3,330	269
Energy taxes .....	4,679	5,076	397
Other excise taxes and duties .....	5,620	4,730	-890
Total .....	44,904	46,156	1,252
<b>Employment insurance premiums .....</b>	17,218	16,535	-683
<b>Other revenues—</b>			
Crown corporation revenues .....	5,419	7,198	1,779
Foreign exchange revenues .....	1,597	2,014	417
Other program revenues .....	9,035	10,356	1,321
Total .....	16,051	19,568	3,517
<b>Budgetary revenues .....</b>	<b>214,283</b>	<b>222,203</b>	<b>7,920</b>

### Total Expenses

Major transfers to persons, consisting of elderly benefits, Employment Insurance benefits and the Canada Child Tax Benefit, at 25.2 percent, represent the largest major component of total federal expenses. This is followed by major transfers to other levels of government (Canada Health Transfer and Canada Social Transfer, fiscal arrangements and Alternative Payments for Standing Programs), at 19.5 percent, and other departmental and agency operating expenses and public debt charges, at approximately 16 percent each. There has been a shift in the composition of total

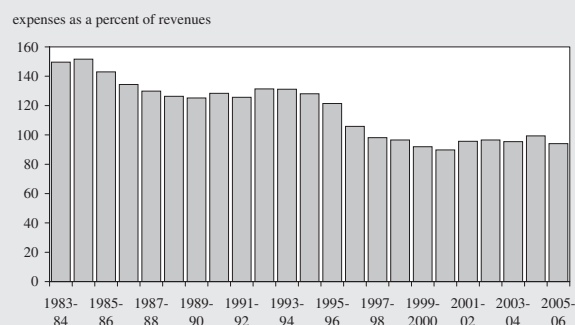
expenses since the early 1990s. Public debt charges was the largest component for most of the 1990s, given the increase in the stock of interest-bearing debt and high average effective interest rates on that stock. With the elimination of the annual deficit, nine consecutive annual surpluses and a reduction in interest rates, its share has fallen from nearly 30 percent of total expenses in 1996-1997 to 16.2 percent in 2005-2006.

### Composition of Expenses for 2005-2006



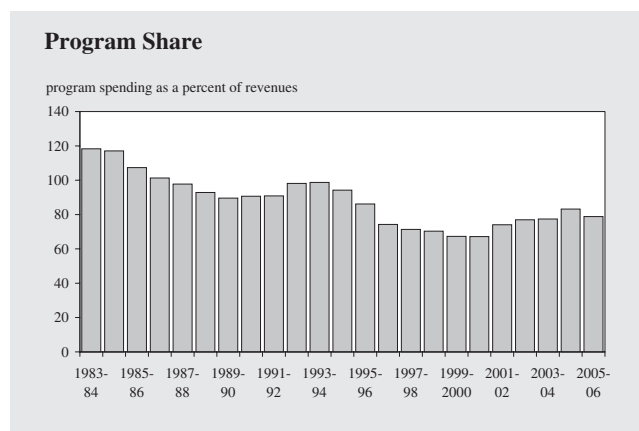
The expense ratio (total expenses as a percentage of total revenues) stood at 94.1 percent in 2005-2006. An expense ratio of less than 100 means that revenues exceed expenses, resulting in a surplus. Since the federal government first recorded a surplus in 1997-1998, the expense ratio has been less than 100. This is in sharp contrast to the previous 27 years, in which revenues did not cover expenses, resulting in deficits.

### Expense Ratio

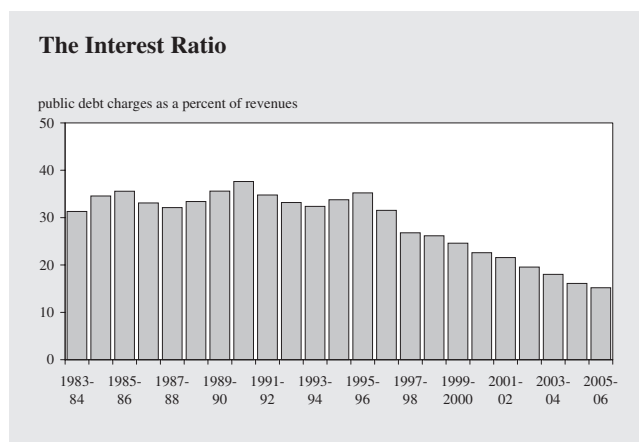


Total expenses include public debt charges and program expenses. The former are required to meet the Government's ongoing

debt-financing costs. The Government has more discretion with respect to program expenses. Program expenses amounted to 78.9 percent of revenues in 2005-2006, compared to 83.2 percent in 2004-2005.



The interest ratio (public debt charges as a percentage of budgetary revenues) has been decreasing in recent years, falling from 37.6 percent in 1990-1991 to 15.2 percent in 2005-2006. This ratio means that, in 2005-2006, the Government spent about 15 cents of every revenue dollar on interest on the public debt. This is money that is required to meet the Government's ongoing debt-financing obligations. The lower the ratio, the more flexibility the Government has to address the key priorities of Canadians.



### Expenses Compared to 2004-2005

The following table compares the actual results for total expenses for 2005-2006 to 2004-2005.

### Expenses

	2005-06	2004-05	Change	
			Absolute	Percent
	(in millions of dollars)			%
<b>Transfer payments—</b>				
Major transfers to persons—				
Elderly benefits . . . . .	28,992	27,871	1,121	4.0
Employment insurance benefits . . . . .	14,417	14,748	-331	-2.2
Canada child tax benefits . . . . .	9,200	8,688	512	5.9
<b>Total . . . . .</b>	<b>52,609</b>	<b>51,307</b>	<b>1,302</b>	<b>2.5</b>
Major transfers to other levels of government—				
Federal transfer support for health and other social programs . . . . .	27,225	28,531	-1,306	-4.6
Fiscal arrangements and other transfers . . . . .	16,321	16,170	151	0.9
Alternative payments for standing programs . . . . .	-2,731	-2,746	15	-0.5
<b>Total . . . . .</b>	<b>40,815</b>	<b>41,955</b>	<b>-1,140</b>	<b>-2.7</b>
Other transfer payments . . . . .	24,893	25,453	-560	-2.2
<b>Total transfer payments . . . . .</b>	<b>118,317</b>	<b>118,715</b>	<b>-398</b>	<b>-0.3</b>
<b>Other program expenses—</b>				
Crown corporations . . . . .	7,195	8,907	-1,712	-19.2
National Defence . . . . .	15,034	14,318	716	5.0
All other departments and agencies . . . . .	34,667	34,422	245	0.7
<b>Total other program expenses . . . . .</b>	<b>56,896</b>	<b>57,647</b>	<b>-751</b>	<b>-1.3</b>
<b>Program expenses . . . . .</b>	<b>175,213</b>	<b>176,362</b>	<b>-1,149</b>	<b>-0.7</b>
Public debt charges . . . . .	33,772	34,118	-346	-1.0
<b>Total expenses . . . . .</b>	<b>208,985</b>	<b>210,480</b>	<b>-1,495</b>	<b>-0.7</b>

Total expenses amounted to \$209.0 billion in 2005-2006, down \$1.5 billion, or 0.7 percent, from 2004-2005. Program expenses decreased by \$1.1 billion, while public debt charges were \$0.3 billion lower, reflecting a decrease in the stock of interest-bearing debt.

Major transfers to persons increased by \$1.3 billion, reflecting higher elderly benefits and Canada Child Tax Benefit payments. 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 Canada Child Tax Benefit payments reflected scheduled increases in benefits. Improved labour market conditions and the accompanying decline in the number of unemployed resulted in lower Employment Insurance benefits.

Major transfers to other levels of government decreased by \$1.1 billion over the previous year, reflecting \$8.3 billion in one-time transfers to provinces and territories recorded in 2004-2005, partially offset by legislated increases in the Canada Health Transfer and the Canada Social Transfer in 2005-2006, as well as the inclusion in 2005-2006 of \$3.3 billion in transfers under Bill C-48, *An Act to Authorize the Minister of Finance to Make Certain Payments*. The Act authorizes the Minister of Finance to make payments for specified purposes, totalling no more than \$4.5 billion, from any surplus above \$2 billion in 2005-2006 and/or 2006-2007. Provinces and territories were notified in writing of the Government's intention to make these transfers, contingent on sufficient funds being available from the 2005-2006 surplus. Related trust arrangements were also put in place by March 31, 2006. Accordingly, the full \$3.3 billion transfer was expensed in 2005-2006, in line with the Government's accounting policy for transfer payments.

Other transfer payments, which include transfers to First Nations and Aboriginal peoples, assistance to farmers and students, support for research and development and foreign aid and international assistance, decreased by \$0.6 billion over the prior year, due in part to the dissolution of Parliament in November 2005. An additional \$0.3 billion in foreign aid was also expensed under Bill C-48 in 2005-2006, and is reflected in other transfer payments.

Other program expenses decreased by \$0.8 billion over the prior year, primarily reflecting a decrease in Crown corporation expenses resulting from a \$2.3 billion one-time expense recorded by Atomic Energy of Canada Limited for environmental liabilities in 2004-2005. Policy initiatives announced in previous Budgets and higher operating costs, such as incremental costs of the Canadian Forces' mission in Afghanistan, explain the increases in the other components.

### Expenses Compared to February 2005 Budget Plan

For 2005-2006, total expenses were \$1.3 billion lower than forecast in the February 2005 Budget, with program expenses being \$18 million higher and public debt charges \$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 as well as a lower than expected effective interest rate on that debt, resulting in lower financing costs.

Within program expenses, transfer payments were \$0.2 billion higher than forecast. Decreases in Employment Insurance benefits and subsidies and other transfers were offset by the inclusion of \$3.3 billion in transfers to provinces and territories under Bill C-48. Other program expenses were \$0.2 billion lower than expected.

### Expenses Compared to February 2005 Budget

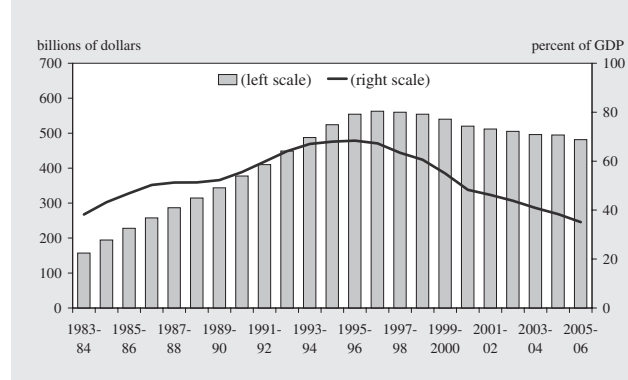
	Budget	Actual	Difference
	(in millions of dollars)		
<b>Transfer payments—</b>			
Major transfers to persons—			
Elderly benefits . . . . .	29,113	28,992	-121
Employment insurance benefits . . . . .	15,741	14,417	-1,324
Canada child tax benefits . . . . .	9,165	9,200	35
Total . . . . .	54,019	52,609	-1,410
Major transfers to other levels of government—			
Federal transfer support for health and other social programs . . . . .	27,225	27,225	0
Fiscal arrangements and other transfers	13,145	16,321	3,176
Alternative payments for standing programs . . . . .	-2,874	-2,731	143
Total . . . . .	37,496	40,815	3,319
Other transfer payments . . . . .	26,626	24,893	-1,733
<b>Total transfer payments . . . . .</b>	<b>118,141</b>	<b>118,317</b>	<b>176</b>
<b>Other program expenses—</b>			
Crown corporations . . . . .	6,967	7,195	228
National Defence . . . . .	14,812	15,034	222
All other departments and agencies . . . . .	35,275	34,667	-608
Total other program expenses . . . . .	57,054	56,896	-158
<b>Program expenses . . . . .</b>	<b>175,195</b>	<b>175,213</b>	<b>18</b>
Public debt charges . . . . .	35,088	33,772	-1,316
<b>Total expenses . . . . .</b>	<b>210,283</b>	<b>208,985</b>	<b>-1,298</b>

## Accumulated Deficit

The accumulated deficit is the net accumulation of annual surpluses and deficits since Confederation. Given nine 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 \$81.4 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 35.1 percent at March 31, 2006. The Government's objective, as announced in the May 2006 Budget, is to reduce this ratio to 25 percent by 2013-2014, 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.

During 2005-2006, the Government retroactively adopted the new recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants regarding the government reporting entity. This change resulted in a \$5.1 billion decrease in the opening balance of the current year's accumulated deficit. Further details of this change in accounting policy can be found in Note 2 of the Financial Statements reported in Section 2 of this volume.

### Accumulated Deficit



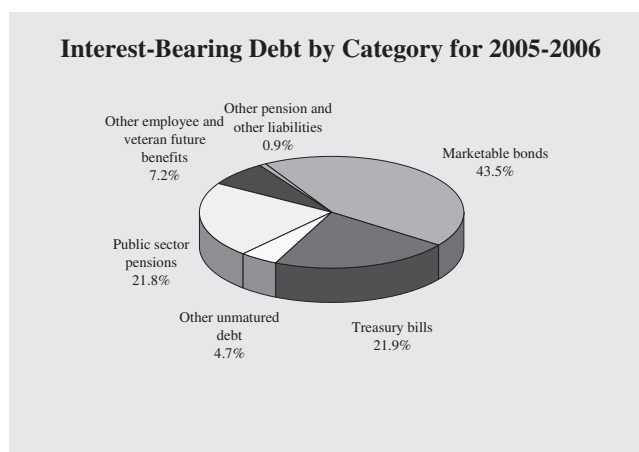
The accumulated deficit is also the difference between the Government's total liabilities and its assets. Total liabilities include interest-bearing debt and accounts payable and accrued liabilities. Assets include both financial and non-financial assets, the latter consisting primarily of tangible capital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

Statement of Financial Position

	2005-2006	2004-2005	Difference
	(in millions of dollars)		
<b>Liabilities</b>			
Accounts payable and accrued liabilities . . . . .	101,432	97,740	3,692
Interest-bearing debt—			
Unmatured debt . . . . .	421,149	427,424	-6,275
Pension and other liabilities . . . . .	179,924	179,808	116
Total . . . . .	601,073	607,232	-6,159
<b>Total liabilities . . . . .</b>	<b>702,505</b>	<b>704,972</b>	<b>-2,467</b>
<b>Financial Assets</b>			
Cash and accounts receivable . . . . .	82,843	76,346	6,497
Foreign exchange accounts . . . . .	40,827	40,871	-44
Loans, investments and advances . . . . .	41,889	38,168	3,721
Total financial assets . . . . .	165,559	155,385	10,174
<b>Net debt . . . . .</b>	<b>536,946</b>	<b>549,587</b>	<b>-12,641</b>
<b>Non-financial assets . . . . .</b>	<b>55,447</b>	<b>54,870</b>	<b>577</b>
<b>Accumulated deficit . . . . .</b>	<b>481,499</b>	<b>494,717</b>	<b>-13,218</b>

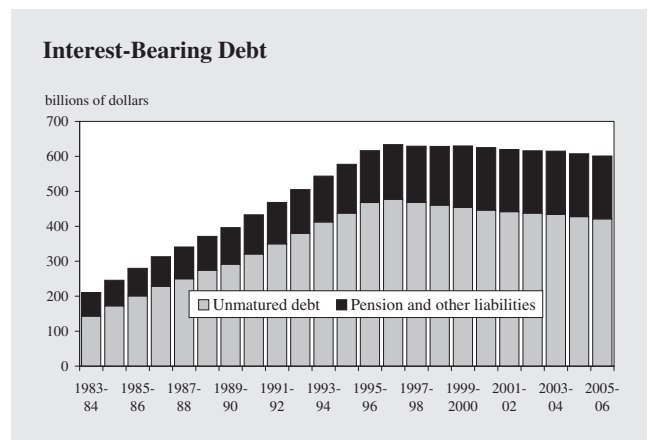
Interest-Bearing Debt

Interest-bearing debt includes unmaturing debt, or debt issued on the credit markets, and liabilities for pensions and other accounts. The latter primarily includes obligations to federal employee pension and other benefit plans. Unmatured 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 and obligations related to capital leases, amounted to 70.1 percent of interest-bearing debt, with obligations to federal public service pension plans accounting for an additional 21.8 percent and other employee and veteran future benefits and other liabilities accounting for the remaining 8.1 percent, as shown in the following graph. The share of unmaturing debt has been declining since the mid-1990s, as the Government has been able to retire some of this debt.

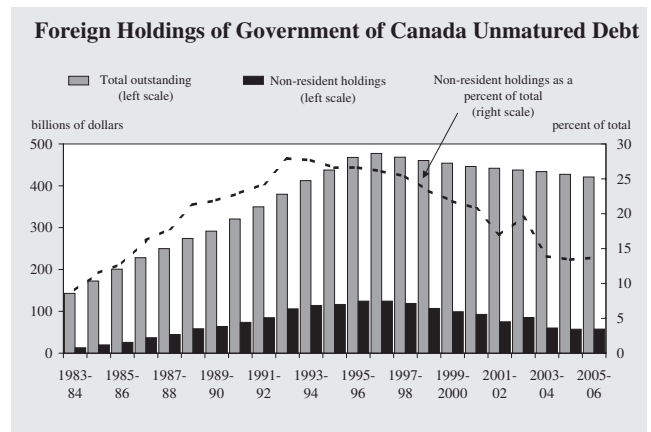


At March 31, 2006, interest-bearing debt amounted to \$601.1 billion, down \$6.2 billion from 2004-2005 and down \$32.4 billion from its peak of \$633.5 billion at March 31, 1997. Within interest-bearing debt, unmaturing debt declined \$56.0 billion

between March 31, 1997 and March 31, 2006, while obligations related to pension and other accounts increased by \$23.6 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.



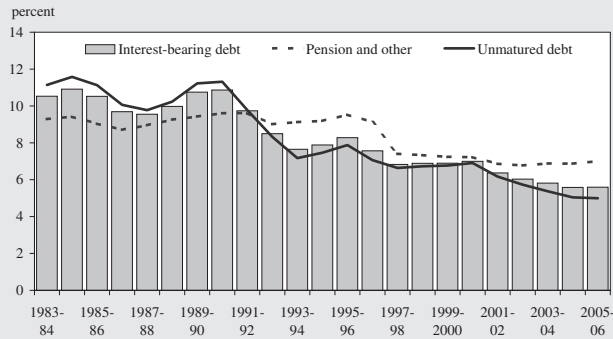
Foreign holdings of the Government's unmaturing debt were estimated at \$57.7 billion at the end of March 2006. This represents 13.7 percent of the Government's total unmaturing debt, about half of what it was in the mid-1990s.



The average effective interest rate on the Government's interest-bearing debt was 5.6 percent in 2005-2006, unchanged from 2004-2005. It was 5.0 percent on unmaturing debt and 6.9 percent on pension and other accounts. The average effective interest rate was higher on pension and other accounts than on unmaturing debt because the unfunded pension liability 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, whereas the average effective rate on unmatured debt is based on a fixed-rate portion of debt (that is, the share of debt that does not need to be refinanced within one year) of approximately two-thirds, and a floating rate portion of approximately one-third. In general, borrowing long-term debt is less risky, but more costly, than borrowing short-term debt. In the 2006-2007 *Debt Management Strategy*, the Government indicated that it would continue to reduce the share of fixed-rate unmatured debt to 60 percent by 2007-2008 to reduce future debt costs.

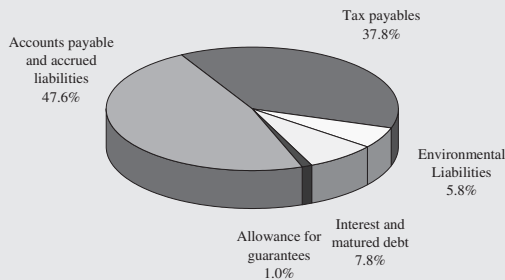
### Average Effective Interest Rate on Interest-Bearing Debt



### Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include the following:

#### Accounts Payable and Accrued Liabilities by Category for 2005-2006

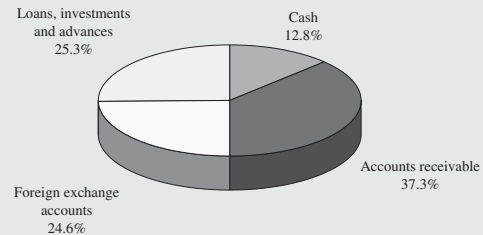


At March 31, 2006, these liabilities amounted to \$101.4 billion, up \$3.7 billion from March 31, 2005, and up \$25.5 billion from March 31, 1997. The increase since 2004-2005 primarily reflects increases in tax payables (refunds), which grow broadly in line with the growth in the economy.

### 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. Proceeds of the Government's foreign currency borrowings 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 on the Management of Canada's Official International Reserves*. 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.

#### Financial Assets for 2005-2006



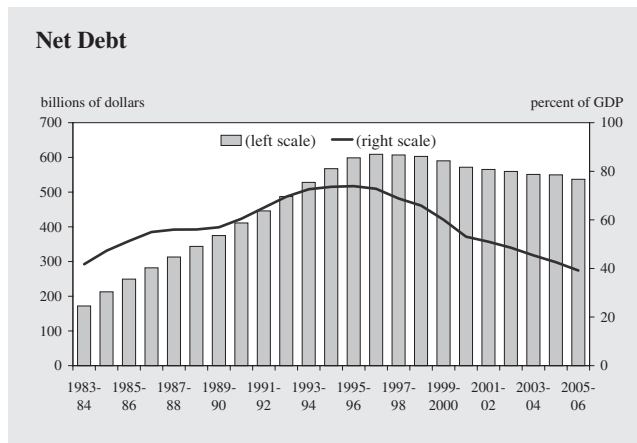
At March 31, 2006, financial assets amounted to \$165.6 billion, up \$10.2 billion from March 31, 2005, primarily due to an increase in tax receivables and investments in enterprise Crown corporations. The increase in the latter is largely due to higher net gains by Export Development Canada and Canada Mortgage and Housing Corporation. Since March 31, 1997, financial assets have increased by \$65.2 billion due to higher levels of cash and accounts receivables (up \$30.1 billion), an increase in the foreign exchange accounts (up \$14.0 billion) and an increase in loans, investments and advances (up \$21.1 billion). The increase in cash (up \$11.0 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 the section entitled "Cash Flow" below. The increase in tax receivables is broadly in line with the growth in the applicable tax bases. The increase in foreign exchange accounts reflects 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 Government taking over the financing of the Canada Student Loans Program from the chartered banks in 2000.

**Net Debt**

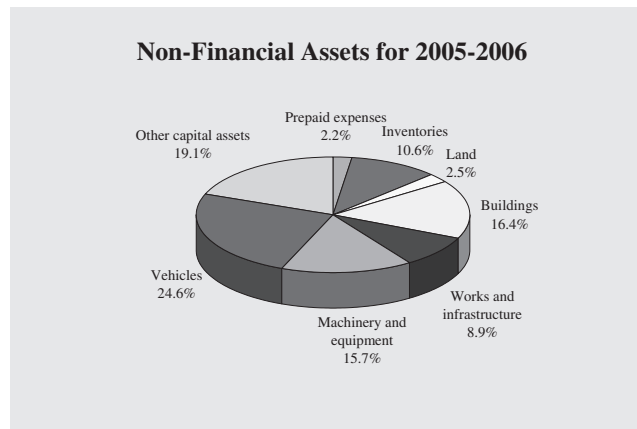
The Government’s net debt – its total liabilities less financial assets – declined to \$536.9 billion at March 31, 2006, from a peak of \$609.0 at March 31, 1997. As a share of GDP, net debt was 39.2 percent, down 34.7 percentage points from its peak of 73.9 percent at March 31, 1996. This is the 10th 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 reduced only by financial assets as non-financial assets cannot normally be converted to cash to pay off the debt, without disrupting government operations.



**Non-Financial Assets**

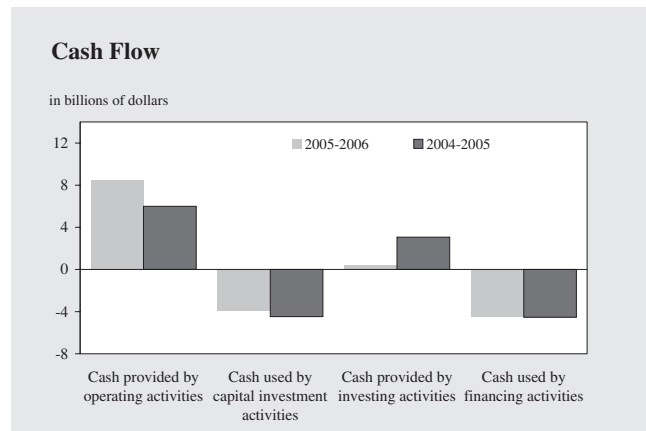
Non-financial assets include the net book value of the Government’s tangible capital assets, which includes land, buildings, works and infrastructure such as roads and bridges, machinery and equipment, ships, aircraft and other vehicles. Non-financial assets also include inventories and prepaid expenses.



At March 31, 2006, non-financial assets stood at \$55.4 billion, up \$0.6 billion from the prior year. Since March 31, 1997, non-financial assets have increased by \$9.3 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 investment activities. In addition, cash is usually received from the Government’s investing activities. Since 1997-1998, net cash cash has been used to pay off debt or change the level of the cash balances.



**Risks and Uncertainties**

As noted in the Budget and related documents, the Government’s revenues and expenses are highly sensitive to changes in economic conditions – particularly to changes in real economic growth, inflation and interest rates.

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 increase in real GDP growth for one year would raise the budgetary balance by about \$2.7 billion in the first year and \$2.3 billion in the second year.
- A 1 percent increase in inflation would raise the budgetary balance by about \$2.0 billion in the first year and \$1.5 billion in the second year.
- A sustained 100 basis point increase in interest rates would lower the budgetary balance by \$1.0 billion in the first year and \$1.5 billion in the second year.



Not only can economic growth differ from forecast 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 of nominal GDP. These are subject to ongoing revisions. Furthermore, the concepts employed in the calculation of nominal GDP are not entirely consistent with the definition of income for taxation purposes.

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. As announced in the *Federal Accountability Action Plan*, tabled in Parliament on April 11, 2006, starting in 2006-2007 the Government will also provide quarterly updates of its fiscal forecast for the current year in the March and June *Fiscal Monitors*, published in May and August. These updates are largely based on the monitoring of the monthly financial results as published in the *Fiscal Monitors*, and in the case of the fall Economic and Fiscal Update 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, on the revenue side, up to 45 per cent 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. Furthermore, monthly cash receipts are used as a proxy for accruals. However, accruals available at year-end can differ significantly from the cash results, especially for personal and corporate income tax and other revenues – and these are not received until well after the end of the fiscal year. On the expense side, a number of accounting adjustments are made at year-end to incorporate the cost of liabilities incurred during the fiscal year for which no payments have been made, and to reflect the impact of the most up-to-date information related to the valuation of items such as pension liabilities, liabilities for litigation and loans and investments. The amount of these adjustments can be significant.

## 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 <sup>(1)</sup>									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues—</b>										
<b>Tax revenues—</b>										
<b>Income tax—</b>										
Personal .....	67,796	74,949	77,894	85,070	92,662	86,972	89,530	92,957	98,521	103,691
Corporate .....	16,235	21,179	21,213	22,115	28,293	24,242	22,222	27,431	29,956	31,724
Other income tax revenues .....	2,671	1,999	2,208	2,646	2,982	2,925	3,291	3,142	3,560	4,529
	<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>	<i>139,944</i>
<b>Other taxes and duties—</b>										
Goods and services tax .....	18,159	19,717	20,936	23,121	24,759	25,292	28,248	28,286	29,758	33,020
Energy taxes .....	4,467	4,638	4,716	4,757	4,792	4,848	4,935	4,952	5,054	5,076
Customs import duties .....	2,676	2,766	2,359	2,105	2,784	3,040	3,278	2,887	3,091	3,330
Other excise taxes and duties .....	3,902	4,025	3,706	3,315	3,434	3,953	4,896	5,240	4,954	4,730
	<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>	<i>46,156</i>
<b>Total tax revenues .....</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>186,100</b>
<b>Employment insurance premiums .....</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>16,535</b>
<b>Other revenues—</b>										
Crown corporation revenues .....	3,969	4,368	4,496	4,696	5,458	4,751	5,301	5,917	6,825	7,198
Other program revenues .....	8,609	6,439	7,077	7,870	7,851	7,817	7,620	8,142	11,742	10,356
Foreign exchange revenues .....	1,456	1,542	1,851	2,085	2,679	2,453	3,379	2,090	1,175	2,014
<b>Total other revenues .....</b>	<b>14,034</b>	<b>12,349</b>	<b>13,424</b>	<b>14,651</b>	<b>15,988</b>	<b>15,021</b>	<b>16,300</b>	<b>16,149</b>	<b>19,742</b>	<b>19,568</b>
<b>Total revenues .....</b>	<b>149,889</b>	<b>160,864</b>	<b>165,520</b>	<b>176,408</b>	<b>194,349</b>	<b>183,930</b>	<b>190,570</b>	<b>198,590</b>	<b>211,943</b>	<b>222,203</b>
<b>Expenses—</b>										
<b>Transfer payments—</b>										
Old age security benefits, guaranteed income supplement and spouse's allowance .....	21,207	21,758	22,285	22,856	23,668	24,641	25,692	26,902	27,871	28,992
Other levels of government—										
Canada health and social transfer <sup>(2)</sup> .....	14,911	12,421	16,018	14,891	13,500	17,300	21,100	22,341	28,031	27,225
Fiscal arrangements .....	9,418	10,000	11,645	10,721	12,467	11,603	10,879	9,409	12,863	12,381
Canada Assistance Plan .....	105	24	8	56						
Education support .....	-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	-2,731
Other .....	-217	162	2		1,217	375	987	342	3,807	3,940
<b>Total other levels of government .....</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>	<b>40,815</b>
Employment insurance benefits .....	12,380	11,842	11,884	11,301	11,444	13,726	14,496	15,058	14,748	14,417
Canada child tax benefits .....	5,239	5,352	5,715	6,000	6,783	7,471	7,823	8,062	8,688	9,200
Other transfer payments .....	16,011	20,236	14,343	17,212	21,575	17,546	20,673	22,945	25,453	24,893
<b>Total transfer payments .....</b>	<b>76,999</b>	<b>79,692</b>	<b>79,750</b>	<b>80,612</b>	<b>88,194</b>	<b>90,000</b>	<b>99,329</b>	<b>102,359</b>	<b>118,715</b>	<b>118,317</b>
<b>Other program expenses—</b>										
Crown corporation expenses .....	5,204	4,441	5,790	5,246	5,402	6,085	6,551	6,566	8,907	7,195
National Defence .....	8,807	9,087	9,308	10,113	9,744	10,443	11,803	12,869	14,318	15,034
All other departments and agencies .....	20,317	21,565	21,590	22,795	27,226	29,703	28,996	31,882	34,422	34,667
<b>Total other program expenses .....</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>56,896</b>
<b>Total program expenses .....</b>	<b>111,327</b>	<b>114,785</b>	<b>116,438</b>	<b>118,766</b>	<b>130,566</b>	<b>136,231</b>	<b>146,679</b>	<b>153,676</b>	<b>176,362</b>	<b>175,213</b>
<b>Public debt charges .....</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>33,772</b>
<b>Total expenses .....</b>	<b>158,608</b>	<b>157,905</b>	<b>159,741</b>	<b>162,150</b>	<b>174,458</b>	<b>175,882</b>	<b>183,949</b>	<b>189,445</b>	<b>210,480</b>	<b>208,985</b>
<b>Annual surplus or deficit (-) .....</b>	<b>-8,719</b>	<b>2,959</b>	<b>5,779</b>	<b>14,258</b>	<b>19,891</b>	<b>8,048</b>	<b>6,621</b>	<b>9,145</b>	<b>1,463</b>	<b>13,218</b>
Accumulated deficit, beginning of year .....	554,162	562,881	559,922	554,143	539,885	519,994	511,946	505,325	496,180	494,717
<b>Accumulated deficit, end of year .....</b>	<b>562,881</b>	<b>559,922</b>	<b>554,143</b>	<b>539,885</b>	<b>519,994</b>	<b>511,946</b>	<b>505,325</b>	<b>496,180</b>	<b>494,717</b>	<b>481,499</b>

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in Note 2 of the financial statements in Section 2 of this volume.

<sup>(2)</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>									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>LIABILITIES</b>										
<b>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES—</b>										
Accounts payable and accrued liabilities . . . . .	30,562	35,929	37,393	36,424	37,206	31,424	32,909	36,905	46,045	48,263
Tax payables . . . . .	25,076	27,579	28,843	29,809	33,030	34,284	33,549	33,040	35,650	38,402
Environmental liabilities . . . . .	3,014	3,014	3,014	3,014	3,014	3,051	3,378	3,564	5,624	5,861
Interest and matured debt . . . . .	12,023	11,029	10,331	10,709	11,278	10,409	9,558	8,933	8,104	7,875
Allowance for guarantees . . . . .	5,253	4,188	4,090	3,920	3,951	4,076	3,802	2,770	2,317	1,031
<b>Total accounts payable and accrued liabilities . . . . .</b>	<b>75,928</b>	<b>81,739</b>	<b>83,671</b>	<b>83,876</b>	<b>88,479</b>	<b>83,244</b>	<b>83,196</b>	<b>85,212</b>	<b>97,740</b>	<b>101,432</b>
<b>INTEREST-BEARING DEBT—</b>										
<b>Unmatured debt—</b>										
Payable in Canadian currency—										
Marketable bonds . . . . .	282,498	294,084	293,017	291,739	293,441	292,500	287,133	277,780	265,798	261,134
Treasury bills . . . . .	135,400	112,300	96,950	99,850	88,700	94,039	104,411	113,378	127,199	131,597
Canada savings, Canada premium and Canada investment bonds . . . . .	32,470	29,769	27,662	26,489	26,099	23,966	22,584	21,330	19,080	17,342
Non-marketable bonds and notes . . . . .	3,468	3,456	4,063	3,552	3,473	3,391	3,371	3,427	3,393	3,102
	<b>453,836</b>	<b>439,609</b>	<b>421,692</b>	<b>421,630</b>	<b>411,713</b>	<b>413,896</b>	<b>417,499</b>	<b>415,915</b>	<b>415,470</b>	<b>413,175</b>
Payable in foreign currencies . . . . .	23,016	27,183	36,000	32,588	33,158	27,032	21,141	20,542	16,286	14,085
Cross-currency swap revaluation account . . . . .	31	82	536	-467	867	865	1,495	363	-922	-2,258
Unamortized discounts, premiums and commissions on market debt . . . . .	-1,621	-610	-540	-2,356	-2,171	-2,602	-5,256	-5,610	-6,342	-6,780
Obligations related to capital leases . . . . .	1,935	1,924	2,614	2,601	2,591	2,619	2,664	2,774	2,932	2,927
	<b>477,197</b>	<b>468,188</b>	<b>460,302</b>	<b>453,996</b>	<b>446,158</b>	<b>441,810</b>	<b>437,543</b>	<b>433,984</b>	<b>427,424</b>	<b>421,149</b>
<b>Pension and other liabilities—</b>										
Public sector pensions . . . . .	114,205	117,457	122,407	128,346	129,185	126,921	125,708	127,560	129,579	131,062
Other employee and veteran future benefits . . . . .	33,396	34,152	35,135	35,714	37,668	38,280	38,844	39,367	41,549	43,369
Due to Canada Pension Plan . . . . .	3,718	4,205	5,427	6,217	6,391	6,770	7,093	7,483	2,771	151
Other liabilities . . . . .	4,959	5,060	5,222	5,474	5,729	5,971	6,642	6,488	5,909	5,342
	<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>179,924</b>
<b>Total interest-bearing debt . . . . .</b>	<b>633,475</b>	<b>629,062</b>	<b>628,493</b>	<b>629,747</b>	<b>625,131</b>	<b>619,752</b>	<b>615,830</b>	<b>614,882</b>	<b>607,232</b>	<b>601,073</b>
<b>TOTAL LIABILITIES . . . . .</b>	<b>709,403</b>	<b>710,801</b>	<b>712,164</b>	<b>713,623</b>	<b>713,610</b>	<b>702,996</b>	<b>699,026</b>	<b>700,094</b>	<b>704,972</b>	<b>702,505</b>
<b>FINANCIAL ASSETS</b>										
<b>CASH AND ACCOUNTS RECEIVABLE—</b>										
Cash . . . . .	10,175	11,691	10,695	15,416	15,818	11,398	16,528	20,572	20,615	21,149
Tax receivables . . . . .	39,383	40,679	41,838	43,321	48,572	45,605	43,597	47,953	53,477	59,113
Other accounts receivable . . . . .	3,213	2,925	3,369	3,209	2,681	2,939	2,603	2,476	2,254	2,581
<b>Total cash and accounts receivable . . . . .</b>	<b>52,771</b>	<b>55,295</b>	<b>55,902</b>	<b>61,946</b>	<b>67,071</b>	<b>59,942</b>	<b>62,728</b>	<b>71,001</b>	<b>76,346</b>	<b>82,843</b>
<b>FOREIGN EXCHANGE ACCOUNTS—</b>										
International reserves held in the Exchange Fund Account . . . . .	26,726	28,198	31,855	38,630	47,845	48,667	44,849	41,247	39,114	40,936
International Monetary Fund—Subscriptions . . . . .	8,295	8,194	13,048	12,390	12,814	12,821	12,942	12,185	11,240	10,673
Less: International Monetary Fund—Notes payable and special drawing rights allocations . . . . .	8,208	7,424	10,235	9,526	10,389	9,442	8,841	9,119	9,483	10,782
<b>Total net foreign exchange accounts . . . . .</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>40,827</b>
<b>LOANS, INVESTMENTS AND ADVANCES—</b>										
Enterprise Crown corporations and other government business enterprises . . . . .	13,438	13,309	11,531	11,796	12,633	11,952	12,858	14,594	17,625	20,584
Other loans, investments and advances . . . . .	7,385	6,072	7,197	8,271	11,899	13,744	14,920	19,184	20,543	21,305
<b>Total loans, investments and advances . . . . .</b>	<b>20,823</b>	<b>19,381</b>	<b>18,728</b>	<b>20,067</b>	<b>24,532</b>	<b>25,696</b>	<b>27,778</b>	<b>33,778</b>	<b>38,168</b>	<b>41,889</b>
<b>TOTAL FINANCIAL ASSETS . . . . .</b>	<b>100,407</b>	<b>103,644</b>	<b>109,298</b>	<b>123,507</b>	<b>141,873</b>	<b>137,684</b>	<b>139,456</b>	<b>149,092</b>	<b>155,385</b>	<b>165,559</b>
<b>NET DEBT . . . . .</b>	<b>608,996</b>	<b>607,157</b>	<b>602,866</b>	<b>590,116</b>	<b>571,737</b>	<b>565,312</b>	<b>559,570</b>	<b>551,002</b>	<b>549,587</b>	<b>536,946</b>
<b>NON-FINANCIAL ASSETS</b>										
Tangible capital assets . . . . .	39,253	40,174	41,501	42,855	44,215	45,727	47,037	47,748	48,210	48,355
Inventories . . . . .	5,972	6,160	6,310	6,451	6,591	6,438	6,113	6,134	5,525	5,875
Prepaid expenses . . . . .	890	901	912	925	937	1,201	1,095	940	1,135	1,217
<b>TOTAL NON-FINANCIAL ASSETS . . . . .</b>	<b>46,115</b>	<b>47,235</b>	<b>48,723</b>	<b>50,231</b>	<b>51,743</b>	<b>53,366</b>	<b>54,245</b>	<b>54,822</b>	<b>54,870</b>	<b>55,447</b>
<b>ACCUMULATED DEFICIT . . . . .</b>	<b>562,881</b>	<b>559,922</b>	<b>554,143</b>	<b>539,885</b>	<b>519,994</b>	<b>511,946</b>	<b>505,325</b>	<b>496,180</b>	<b>494,717</b>	<b>481,499</b>

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in Note 2 of the financial statements in Section 2 of this volume.

TABLE 1.3

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

	Year ended March 31 <sup>(1)</sup>									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Net debt, beginning of year</b> . . . . .	<b>598,608</b>	<b>608,996</b>	<b>607,157</b>	<b>602,866</b>	<b>590,116</b>	<b>571,737</b>	<b>565,312</b>	<b>559,570</b>	<b>551,002</b>	<b>549,587</b>
Change in net debt during the year—										
Annual surplus (-) or deficit . . . . .	8,719	-2,959	-5,779	-14,258	-19,891	-8,048	-6,621	-9,145	-1,463	-13,218
Changes due to tangible capital assets—										
Acquisition of tangible capital assets . . . . .	3,970	3,425	3,819	3,851	3,880	4,487	5,051	4,535	4,619	4,046
Amortization of tangible capital assets . . . . .	-2,277	-2,320	-2,312	-2,290	-2,312	-2,583	-3,341	-3,502	-3,696	-3,904
Proceeds from disposal of tangible capital assets . . . . .	-1,575	-82	-95	-46	-111	-56	-288	-91	-144	-146
Net gain or loss (-) on disposal of tangible capital assets, including adjustments . . . . .	1,372	-102	-85	-161	-97	-336	-112	-231	-317	149
<i>Total</i> . . . . .	<i>1,490</i>	<i>921</i>	<i>1,327</i>	<i>1,354</i>	<i>1,360</i>	<i>1,512</i>	<i>1,310</i>	<i>711</i>	<i>462</i>	<i>145</i>
Changes due to inventories . . . . .	169	188	150	141	140	-153	-325	21	-609	350
Changes due to prepaid expenses . . . . .	10	11	11	13	12	264	-106	-155	195	82
<b>Net decrease (-) or increase in net debt</b> . . . . .	<b>10,388</b>	<b>-1,839</b>	<b>-4,291</b>	<b>-12,750</b>	<b>-18,379</b>	<b>-6,425</b>	<b>-5,742</b>	<b>-8,568</b>	<b>-1,415</b>	<b>-12,641</b>
<b>Net debt, end of year</b> . . . . .	<b>608,996</b>	<b>607,157</b>	<b>602,866</b>	<b>590,116</b>	<b>571,737</b>	<b>565,312</b>	<b>559,570</b>	<b>551,002</b>	<b>549,587</b>	<b>536,946</b>

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in Note 2 of the financial statements in Section 2 of this volume.

TABLE 1.4

GOVERNMENT OF CANADA  
STATEMENT OF CASH FLOW

(in millions of dollars)

	Year ended March 31 <sup>(1)</sup>									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Operating activities—</b>										
<b>Annual surplus or deficit (-)</b> .....	<b>-8,719</b>	<b>2,959</b>	<b>5,779</b>	<b>14,258</b>	<b>19,891</b>	<b>8,048</b>	<b>6,621</b>	<b>9,145</b>	<b>1,463</b>	<b>13,218</b>
Items not affecting cash—										
Share of annual profit in enterprise Crown corporations and other government business enterprises .....	-1,827	-2,280	-2,506	-2,558	-3,272	-2,479	-2,958	-3,708	-4,853	-5,041
Amortization of tangible capital assets .....	2,277	2,320	2,312	2,290	2,312	2,583	3,341	3,502	3,696	3,904
Net gain (-) or loss on disposal of tangible capital assets, including adjustments .....	-1,372	102	85	161	97	336	112	231	317	-149
Gain on disposal of investment .....									-2,562	-2
Changes in inventories and prepaid expenses .....	-179	-199	-161	-154	-152	-111	431	134	414	-431
Changes in pension and other liabilities .....	7,784	4,596	7,317	7,560	3,222	-1,031	346	2,611	-1,090	116
Changes in foreign exchange accounts .....	-7,759	-2,155	-5,700	-6,826	-8,776	-1,776	3,096	4,637	3,442	44
Net change in other accounts .....	4,219	7,560	1,721	-4,663	2,010	-1,904	553	-3,385	5,163	-3,192
<b>Cash provided or used (-) by operating activities</b> .....	<b>-5,576</b>	<b>12,903</b>	<b>8,847</b>	<b>10,068</b>	<b>15,332</b>	<b>3,666</b>	<b>11,542</b>	<b>13,167</b>	<b>5,990</b>	<b>8,467</b>
<b>Capital investment activities—</b>										
Acquisitions of tangible capital assets .....	-3,970	-3,425	-3,819	-3,851	-3,880	-4,487	-5,051	-4,535	-4,619	-4,046
Proceeds from disposal of tangible capital assets .....	1,575	82	95	46	111	56	288	91	144	146
<b>Cash used by capital investment activities</b> .....	<b>-2,395</b>	<b>-3,343</b>	<b>-3,724</b>	<b>-3,805</b>	<b>-3,769</b>	<b>-4,431</b>	<b>-4,763</b>	<b>-4,444</b>	<b>-4,475</b>	<b>-3,900</b>
<b>Investing activities—</b>										
Enterprise Crown corporations and other government business enterprise net repayments .....	2,192	2,796	4,115	2,282	2,467	2,971	2,095	2,034	1,861	2,145
Other loans, investments and advances issued .....	-2,987	-5,240	-4,679	-3,784	-7,213	-6,637	-6,216	-9,569	-8,218	-6,861
Other loans, investments and advances repayments .....	2,542	4,471	2,855	3,447	2,942	3,926	4,716	4,929	9,428	5,184
<b>Cash provided or used (-) by investing activities</b> .....	<b>1,747</b>	<b>2,027</b>	<b>2,291</b>	<b>1,945</b>	<b>-1,804</b>	<b>260</b>	<b>595</b>	<b>-2,606</b>	<b>3,071</b>	<b>468</b>
<b>Total cash generated or required (-) before financing activities</b> .....	<b>-6,224</b>	<b>11,587</b>	<b>7,414</b>	<b>8,208</b>	<b>9,759</b>	<b>-505</b>	<b>7,374</b>	<b>6,117</b>	<b>4,586</b>	<b>5,035</b>
<b>Financing activities—</b>										
Canadian currency borrowings issued .....	379,055	283,297	245,934	268,357	225,899	258,142	309,420	336,260	335,682	363,824
Canadian currency borrowings repayments .....	-377,907	-297,535	-263,161	-268,432	-235,825	-255,931	-305,773	-337,734	-335,969	-366,123
Foreign currencies borrowings issued .....	36,806	42,586	51,859	33,418	34,176	23,412	17,297	14,227	13,608	15,859
Foreign currencies borrowings repayments .....	-30,599	-38,419	-43,042	-36,830	-33,607	-29,538	-23,188	-14,826	-17,864	-18,061
<b>Cash provided or used (-) by financing activities</b> .....	<b>7,355</b>	<b>-10,071</b>	<b>-8,410</b>	<b>-3,487</b>	<b>-9,357</b>	<b>-3,915</b>	<b>-2,244</b>	<b>-2,073</b>	<b>-4,543</b>	<b>-4,501</b>
<b>Net increase or decrease (-) in cash</b> .....	<b>1,131</b>	<b>1,516</b>	<b>-996</b>	<b>4,721</b>	<b>402</b>	<b>-4,420</b>	<b>5,130</b>	<b>4,044</b>	<b>43</b>	<b>534</b>
<b>Cash at beginning of year</b> .....	<b>9,044</b>	<b>10,175</b>	<b>11,691</b>	<b>10,695</b>	<b>15,416</b>	<b>15,818</b>	<b>11,398</b>	<b>16,528</b>	<b>20,572</b>	<b>20,615</b>
<b>Cash at end of year</b> .....	<b>10,175</b>	<b>11,691</b>	<b>10,695</b>	<b>15,416</b>	<b>15,818</b>	<b>11,398</b>	<b>16,528</b>	<b>20,572</b>	<b>20,615</b>	<b>21,149</b>

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in Note 2 of the financial statements in Section 2 of this volume.

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 <sup>(1)</sup>									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Loans, investments and advances—</b>										
Enterprise Crown corporations and other government business enterprises—										
Loans and advances—										
Canada Deposit Insurance Corporation . . . . .	772	460	395							
Canada Mortgage and Housing Corporation . . . . .	325	230	410	223	224	226	218	219	190	200
Farm Credit Canada . . . . .	-197	630	836	236	226	578				
Other . . . . .	25	24	60	58	-38		63	-28	2	-67
Amount to be repaid from future appropriations . . . . .	-59	-387	169	11	-32	190	-43	-62	-39	-63
	866	957	1,870	528	380	994	238	129	153	70
Investments—										
Share of annual profit . . . . .	-1,827	-2,280	-2,506	-2,558	-3,272	-2,479	-2,958	-3,708	-4,853	-5,041
Dividends . . . . .	1,371	1,555	2,566	1,792	1,990	2,078	1,881	1,907	1,944	2,027
Capital . . . . .	-104	-103	-152	-27	65	89	-67	-64	-275	-15
	-560	-828	-92	-793	-1,217	-312	-1,144	-1,865	-3,184	-3,029
Total . . . . .	306	129	1,778	-265	-837	682	-906	-1,736	-3,031	-2,959
Other loans, investments and advances—										
Portfolio investments . . . . .		59		1					1,225	-101
National governments including developing countries . . . . .	147	215	-477	822	-177	185	828	572	171	158
International organizations . . . . .	-429	-553	-561	-303	-590	-459	-349	-72	-253	-224
Provincial and territorial governments . . . . .	155	-103	42	-368	-963	385	-249	-2,459	-673	14
Other . . . . .	-318	-387	-828	-489	-2,541	-2,822	-1,730	-2,681	-1,822	-1,524
Allowance for valuation . . . . .	340	2,082	699	-737	643	865	324	376	-6	915
Total . . . . .	-105	1,313	-1,125	-1,074	-3,628	-1,846	-1,176	-4,264	-1,358	-762
Total loans, investments and advances . . . . .	201	1,442	653	-1,339	-4,465	-1,164	-2,082	-6,000	-4,389	-3,721
<b>Pension and other liabilities—</b>										
Public sector pensions . . . . .	6,323	3,252	4,950	5,939	839	-2,264	-1,213	1,852	2,019	1,483
Other employee and veteran future benefits . . . . .	969	756	983	579	1,954	612	564	523	2,182	1,820
Due to Canada Pension Plan . . . . .	82	487	1,222	790	174	379	323	390	-4,712	-2,620
Other liabilities . . . . .	410	101	162	252	255	242	672	-154	-579	-567
Total pension and other liabilities . . . . .	7,784	4,596	7,317	7,560	3,222	-1,031	346	2,611	-1,090	116
<b>Non-financial assets—</b>										
Tangible capital assets . . . . .	-1,490	-921	-1,327	-1,354	-1,360	-1,512	-1,310	-711	-462	-145
Inventories . . . . .	-169	-188	-150	-141	-140	153	325	-21	609	-350
Prepaid expenses . . . . .	-10	-11	-11	-13	-12	-264	106	155	-195	-82
Total non-financial assets . . . . .	-1,669	-1,120	-1,488	-1,508	-1,512	-1,623	-879	-577	-48	-577
<b>Other transactions—</b>										
Tax receivables . . . . .	-773	-1,296	-1,159	-1,483	-5,251	2,967	2,008	-4,356	-5,524	-5,636
Other receivables . . . . .	1,710	288	-444	160	528	-258	336	127	223	-327
Provincial and territorial tax collection agreements account . . . . .	352	-551	1,267	-1,402	-824	-1,139	-934	2,374	1,103	2,316
Tax payables . . . . .	1,030	2,503	1,264	966	3,221	1,254	-735	-509	2,610	2,752
Other liabilities . . . . .	-361	3,859	-599	641	2,206	-5,350	1,621	151	8,813	-1,376
Total other transactions . . . . .	1,958	4,803	329	-1,118	-120	-2,526	2,296	-2,213	7,225	-2,271
<b>Net non-budgetary transactions after allowance for valuation . . . . .</b>	<b>8,274</b>	<b>9,721</b>	<b>6,811</b>	<b>3,595</b>	<b>-2,875</b>	<b>-6,344</b>	<b>-319</b>	<b>-6,179</b>	<b>1,698</b>	<b>-6,453</b>

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in Note 2 of the financial statements in Section 2 of this volume.

TABLE 1.6

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

(in millions of dollars)

	Year ended March 31 <sup>(1)</sup>									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Foreign exchange transactions—</b>										
International reserves held in the Exchange Fund										
Account .....	-7,818	-1,472	-3,657	-6,775	-9,215	-822	3,818	3,602	2,133	-1,822
International Monetary Fund—Subscriptions .....	285	101	-4,854	658	-424	-7	-121	757	945	567
	-7,533	-1,371	-8,511	-6,117	-9,639	-829	3,697	4,359	3,078	-1,255
Less: International Monetary Fund—Notes payable .....	174	766	-2,693	634	-835	947	623	-336	-453	-1,412
Special drawing rights allocations .....	52	18	-118	75	-28		-22	58	89	113
	226	784	-2,811	709	-863	947	601	-278	-364	-1,299
Total foreign exchange transactions .....	-7,759	-2,155	-5,700	-6,826	-8,776	-1,776	3,096	4,637	3,442	44
<b>Unmatured debt transactions—</b>										
Payable in Canadian currency—										
Marketable bonds .....	29,798	11,586	-1,067	-1,278	1,702	-941	-5,367	-9,354	-11,981	-4,664
Treasury bills .....	-30,700	-23,100	-15,350	2,900	-11,150	5,339	10,371	8,967	13,821	4,398
Canada savings, Canada premium and Canada										
investment bonds .....	2,010	-2,701	-2,107	-1,173	-390	-2,133	-1,382	-1,254	-2,250	-1,738
Non-marketable bonds and notes .....	-10	-12	607	-511	-79	-82	-19	56	-35	-291
	1,098	-14,227	-17,917	-62	-9,917	2,183	3,603	-1,585	-445	-2,295
Payable in foreign currencies .....	6,207	4,167	8,817	-3,412	570	-6,126	-5,891	-599	-4,256	-2,201
Cross-currency swap revaluation account .....	44	51	454	-1,003	1,334	-2	630	-1,132	-1,285	-1,336
Unamortized discounts, premiums and commissions										
on market debt .....	1,936	1,011	70	-1,816	185	-431	-2,654	-354	-732	-438
Obligations related to capital leases .....	50	-11	690	-13	-10	28	44	111	158	-5
Total unmatured debt transactions .....	9,335	-9,009	-7,886	-6,306	-7,838	-4,348	-4,268	-3,559	-6,560	-6,275
<b>Cash at end of year—</b>										
In Canadian currency .....	10,063	11,605	10,664	15,373	15,789	11,351	16,478	20,559	20,607	21,152
In foreign currencies .....	112	86	31	43	29	47	50	13	8	-3
Total cash .....	10,175	11,691	10,695	15,416	15,818	11,398	16,528	20,572	20,615	21,149

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in Note 2 of the financial statements in Section 2 of this volume.

## 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.
  - 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.
- **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

2005-2006

*PUBLIC ACCOUNTS OF CANADA*

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

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

The fundamental purpose of these 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. These 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 for the year then ended.

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 may also only borrow 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 of the Government of Canada 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 investment, 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 financial statements, which are based on Canadian generally accepted accounting principles for the public sector, and on a basis consistent with that of the preceding year, except for the change in accounting policy explained in Note 2.

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 tangible 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, other government business enterprises, and other entities 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 audit 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 the House of Commons 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*



ROBERT A. WRIGHT  
*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, 2006 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 as at March 31, 2006 and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with the stated accounting policies of the Government set out in Note 1 to the financial statements, which conform with Canadian generally accepted accounting principles. As required by section 6 of the *Auditor General Act*, I report that, in my opinion, these policies have been applied, after giving retroactive effect to the change in accounting policy as explained in Note 2 to the financial statements, 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 2006*.

*Sheila Fraser*

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
August 24, 2006

## GOVERNMENT OF CANADA

Statement of Operations and Accumulated Deficit  
for the Year Ended March 31, 2006

(in millions of dollars)

	2006		2005
	Budget (Note 3)	Actual	Actual Restated (Note 2)
<b>REVENUES</b>			
<b>TAX REVENUES —</b>			
<b>Income tax revenues —</b>			
Personal .....	103,400	103,691	98,521
Corporate .....	29,200	31,724	29,956
Other income tax revenues .....	3,500	4,529	3,560
	<b>136,100</b>	<b>139,944</b>	<b>132,037</b>
<b>Other taxes and duties —</b>			
Goods and services tax .....	31,600	33,020	29,758
Energy taxes .....	4,700	5,076	5,054
Customs import duties .....	3,100	3,330	3,091
Other excise taxes and duties .....	5,600	4,730	4,954
	<b>45,000</b>	<b>46,156</b>	<b>42,857</b>
<b>TOTAL TAX REVENUES .....</b>	<b>181,100</b>	<b>186,100</b>	<b>174,894</b>
<b>EMPLOYMENT INSURANCE PREMIUMS .....</b>	<b>17,200</b>	<b>16,535</b>	<b>17,307</b>
<b>OTHER REVENUES —</b>			
Crown corporation revenues .....	5,400	7,198	6,825
Other program revenues .....	9,000	10,356	11,742
Foreign exchange revenues .....	1,600	2,014	1,175
	<b>16,000</b>	<b>19,568</b>	<b>19,742</b>
<b>TOTAL REVENUES .....</b>	<b>214,300</b>	<b>222,203</b>	<b>211,943</b>
<b>EXPENSES (Note 4)</b>			
<b>TRANSFER PAYMENTS —</b>			
Old age security benefits, guaranteed income supplement and spouse's allowance .....	29,100	28,992	27,871
Other levels of government .....	37,500	40,815	41,955
Employment insurance benefits .....	15,700	14,417	14,748
Canada child tax benefits .....	9,200	9,200	8,688
Other transfer payments .....	26,600	24,893	25,453
	<b>118,100</b>	<b>118,317</b>	<b>118,715</b>
<b>OTHER PROGRAM EXPENSES —</b>			
Crown corporation expenses .....	7,000	7,195	8,907
National Defence .....	14,800	15,034	14,318
All other departments and agencies .....	35,300	34,667	34,422
	<b>57,100</b>	<b>56,896</b>	<b>57,647</b>
<b>TOTAL PROGRAM EXPENSES .....</b>	<b>175,200</b>	<b>175,213</b>	<b>176,362</b>
<b>PUBLIC DEBT CHARGES .....</b>	<b>35,100</b>	<b>33,772</b>	<b>34,118</b>
<b>TOTAL EXPENSES .....</b>	<b>210,300</b>	<b>208,985</b>	<b>210,480</b>
<b>ANNUAL SURPLUS .....</b>	<b>4,000</b> <sup>(1)</sup>	<b>13,218</b>	<b>1,463</b>
<b>ACCUMULATED DEFICIT, BEGINNING OF YEAR (Note 2) .....</b>	<b>494,700</b>	<b>494,717</b>	<b>496,180</b>
<b>ACCUMULATED DEFICIT, END OF YEAR (Note 5) .....</b>	<b>490,700</b>	<b>481,499</b>	<b>494,717</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> The February 2005 budget, from which these numbers are derived, 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  
as at March 31, 2006

(in millions of dollars)

	2006	2005
		Restated (Note 2)
<b>LIABILITIES</b>		
<b>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES —</b>		
Accounts payable and accrued liabilities .....	48,263	46,045
Tax payables .....	38,402	35,650
Environmental liabilities (Note 15) .....	5,861	5,624
Interest and matured debt .....	7,875	8,104
Allowance for guarantees (Note 15) .....	1,031	2,317
<b>TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES .....</b>	<b>101,432</b>	<b>97,740</b>
<b>INTEREST-BEARING DEBT —</b>		
Unmatured debt (Note 6) .....	421,149	427,424
Pension and other liabilities —		
Public sector pensions (Note 7) .....	131,062	129,579
Other employee and veteran future benefits (Note 7) .....	43,369	41,549
Due to Canada Pension Plan (Note 8) .....	151	2,771
Other liabilities .....	5,342	5,909
<i>Total pension and other liabilities .....</i>	<i>179,924</i>	<i>179,808</i>
<b>TOTAL INTEREST-BEARING DEBT .....</b>	<b>601,073</b>	<b>607,232</b>
<b>TOTAL LIABILITIES .....</b>	<b>702,505</b>	<b>704,972</b>
<b>FINANCIAL ASSETS</b>		
<b>CASH AND ACCOUNTS RECEIVABLE —</b>		
Cash .....	21,149	20,615
Tax receivables (Note 9) .....	59,113	53,477
Other accounts receivable (Note 9) .....	2,581	2,254
<b>TOTAL CASH AND ACCOUNTS RECEIVABLE .....</b>	<b>82,843</b>	<b>76,346</b>
<b>FOREIGN EXCHANGE ACCOUNTS (Note 10) .....</b>	<b>40,827</b>	<b>40,871</b>
<b>LOANS, INVESTMENTS AND ADVANCES —</b>		
Enterprise Crown corporations and other government business enterprises (Notes 11 and 15) .....	20,584	17,625
Other loans, investments and advances (Note 12) .....	21,305	20,543
<b>TOTAL LOANS, INVESTMENTS AND ADVANCES .....</b>	<b>41,889</b>	<b>38,168</b>
<b>TOTAL FINANCIAL ASSETS .....</b>	<b>165,559</b>	<b>155,385</b>
<b>NET DEBT .....</b>	<b>536,946</b>	<b>549,587</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 13) .....	48,355	48,210
Inventories .....	5,875	5,525
Prepaid expenses .....	1,217	1,135
<b>TOTAL NON-FINANCIAL ASSETS .....</b>	<b>55,447</b>	<b>54,870</b>
<b>ACCUMULATED DEFICIT (Note 5) .....</b>	<b>481,499</b>	<b>494,717</b>
<b>CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES (Notes 14 and 15)</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, 2006

(in millions of dollars)

	2006		2005
	Budget (Note 3)	Actual	Actual Restated (Note 2)
<b>NET DEBT, BEGINNING OF YEAR (Note 2)</b> .....	<b>549,600</b>	<b>549,587</b>	<b>551,002</b>
<b>CHANGE IN NET DEBT DURING THE YEAR —</b>			
<b>ANNUAL SURPLUS</b> .....	<b>-4,000</b> <sup>(1)</sup>	<b>-13,218</b>	<b>-1,463</b>
<b>CHANGES DUE TO TANGIBLE CAPITAL ASSETS —</b>			
Acquisition of tangible capital assets .....	4,800	4,046	4,619
Amortization of tangible capital assets .....	-3,900	-3,904	-3,696
Proceeds from disposal of tangible capital assets .....		-146	-144
Net gain or loss (-) on disposal of tangible capital assets, including adjustments .....		149	-317
<b>TOTAL CHANGES DUE TO TANGIBLE CAPITAL ASSETS</b> .....	<b>900</b>	<b>145</b>	<b>462</b>
<b>CHANGES DUE TO INVENTORIES</b> .....		<b>350</b>	<b>-609</b>
<b>CHANGES DUE TO PREPAID EXPENSES</b> .....		<b>82</b>	<b>195</b>
<b>NET DECREASE IN NET DEBT</b> .....	<b>-3,100</b>	<b>-12,641</b>	<b>-1,415</b>
<b>NET DEBT, END OF YEAR</b> .....	<b>546,500</b>	<b>536,946</b>	<b>549,587</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> The February 2005 budget, from which these numbers are derived, 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, 2006

(in millions of dollars)

	2006	2005
		Restated (Note 2)
<b>OPERATING ACTIVITIES —</b>		
<b>ANNUAL SURPLUS.....</b>	<b>13,218</b>	<b>1,463</b>
Items not affecting cash —		
Share of annual profit in enterprise Crown corporations and other government business enterprises.....	-5,041	-4,853
Amortization of tangible capital assets .....	3,904	3,696
Net gain (-) or loss on disposal of tangible capital assets, including adjustments .....	-149	317
Gain on disposal of investments .....	-2	-2,562
Changes in inventories and prepaid expenses .....	-431	414
Changes in pension and other liabilities .....	116	-1,090
Changes in foreign exchange accounts .....	44	3,442
Net change in other accounts .....	-3,192	5,163
<b>CASH PROVIDED BY OPERATING ACTIVITIES.....</b>	<b>8,467</b>	<b>5,990</b>
<b>CAPITAL INVESTMENT ACTIVITIES —</b>		
Acquisition of tangible capital assets .....	-4,046	-4,619
Proceeds from disposal of tangible capital assets .....	146	144
<b>CASH USED BY CAPITAL INVESTMENT ACTIVITIES .....</b>	<b>-3,900</b>	<b>-4,475</b>
<b>INVESTING ACTIVITIES —</b>		
Enterprise Crown corporation and other government business enterprise net repayments .....	2,145	1,861
Other loans, investments and advances issued.....	-6,861	-8,218
Other loans, investments and advances repayments .....	5,184	9,428
<b>CASH PROVIDED BY INVESTING ACTIVITIES .....</b>	<b>468</b>	<b>3,071</b>
<b>TOTAL CASH GENERATED BEFORE FINANCING ACTIVITIES.....</b>	<b>5,035</b>	<b>4,586</b>
<b>FINANCING ACTIVITIES —</b>		
Canadian currency borrowings issued.....	363,824	335,682
Canadian currency borrowings repayments .....	-366,123	-335,969
Foreign currencies borrowings issued.....	15,859	13,608
Foreign currencies borrowings repayments .....	-18,061	-17,864
<b>CASH USED BY FINANCING ACTIVITIES .....</b>	<b>-4,501</b>	<b>-4,543</b>
<b>NET INCREASE IN CASH.....</b>	<b>534</b>	<b>43</b>
<b>CASH AT BEGINNING OF YEAR.....</b>	<b>20,615</b>	<b>20,572</b>
<b>CASH AT END OF YEAR.....</b>	<b>21,149</b>	<b>20,615</b>
<b>SUPPLEMENTARY INFORMATION</b>		
Cash used for interest .....	19,810	21,006

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

## 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, organizations, and funds, which are controlled by the Government. For financial reporting purposes, control is defined as the power to govern the financial and operating policies of an organization with benefits from the organization's activities being expected, or the risk of loss being assumed by the Government. All organizations listed in the *Financial Administration Act* or Crown corporations as defined by the *Act* are included in the reporting entity. Other organizations not listed in the *Financial Administration Act* may also meet the definition of control and they are included in the Government's reporting entity if their revenues, expenses, assets or liabilities are significant.

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

These financial statements are prepared using the Government's accounting policies stated below, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

The Government reports all revenues and expenses on an accrual basis. 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 non-exchange transactions, which 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 and 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, for loans, investments and advances, and for 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 estimated 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 initially recorded at cost and are adjusted to reflect the concessionary terms of those loans made on a long-term, low interest or interest-free basis and the portion of the loans that are expected to be repaid from future appropriations.

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

For loans to national governments, including developing countries, the allowance is determined based on the Government's identification and evaluation of countries that have formally applied for debt service relief, on estimated probable losses that exist on the remaining portfolio, and on changes in the economic conditions of sovereign debtors.

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

### **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 reve-

nues and the related amounts receivable and payable, including the liabilities under provincial and territorial tax collection agreements, valuation allowances for loans, investments and advances, 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. Change in Accounting Policy

During 2005-2006, the Government retroactively adopted the new recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants regarding the government reporting entity. The revised standard removed the criteria of accountability to and ownership by the Government and expanded the definition of control. As a consequence, some organizations that were previously not part of the Government's reporting entity are now included in the Government's financial statements through either consolidation or the modified equity basis of accounting. This change is made pursuant to section 64(2) of the *Financial Administration Act*.

The impact of this change on the previously reported opening balances of the accumulated deficit and net debt and on the current and previous year's annual surplus and variation in the net debt of the year is presented below:

	(in millions of dollars)			
	Accumulated deficit		Net debt	
	2006	2005	2006	2005
Balance at beginning of year — Previously reported . . . . .	499,863	501,493	554,729	556,311
Impact of change in accounting policy due to:				
Government's holdings of unmatured debt . . . . .		-1,000		-1,000
Investments in enterprise Crown corporations and other government business enterprises . . . . .		49		49
Other loans, investments and advances . . . . .		-4,279		-4,279
Tangible capital assets . . . . .		-4		
Other net assets . . . . .		-79		-79
Total opening balance adjustments . . . . .	-5,146	-5,313	-5,142	-5,309
Balance at beginning of year — Restated . . . . .	494,717	496,180	549,587	551,002
Impact on annual surplus and change in net debt				
Other revenues . . . . .	215	285	-215	-285
Other transfer payments . . . . .	-726	-452	726	452
Total decrease in annual surplus or increase in net debt during the year . . . . .	-511	-167	511	167
Annual surplus or change in net debt before change in accounting policy . . . . .	13,729	1,630	-13,152	-1,582
Total annual surplus or change in net debt . . . . .	13,218	1,463	-12,641	-1,415
Balance of accumulated deficit or net debt, end of year . . . . .	481,499	494,717	536,946	549,587

Further details on the organizations that were included in the reporting entity are provided in Note 11 and in Sections 4 and 9 (unaudited) of this volume.

### 3. 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. When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. During fiscal year 2005-2006, since the dissolution of Parliament on November 29, 2005, three special warrants were issued totaling authorities to spend of \$4,178 million. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued. These amounts are therefore included in the authorities presented in the table below.

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)	
	2006	2005
Annual spending limits voted by Parliament, including special warrants . . . . .	70,379	69,593
Expenditures permitted under other legislation . . . . .	121,198	109,508
Total budgetary expenditures authorized . . . . .	191,577	179,101
Less: amounts available for use in subsequent years and amounts that have lapsed, net of overexpended amounts . . . . .	6,115	6,261
Total used . . . . .	185,462	172,840
Effect of consolidation and full accrual accounting . . . . .	23,523	37,640 <sup>(1)</sup>
Total expenses . . . . .	208,985	210,480

<sup>(1)</sup> This amount has been restated. Details can be found in Note 2.

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. The transactions of certain accounts with separate non-budgetary authorities

and of certain Crown corporations or other controlled entities are consolidated with the Government's financial statements but are not included in the budgetary expenditure authorities available for use. Transfer payments to organizations within the Government reporting entity are recorded against a budgetary expenditure authority in the year they are disbursed to the organization, but they are recorded as a consolidated expense only when they are disbursed to the ultimate recipient outside of the Government reporting entity. 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 \$86,141 million (\$63,071 million in 2005) was authorized for loans, investments and advances. A net amount of \$2,193 million was used (\$2,041 million in 2005), an amount of \$50 million lapsed (\$23 million in 2005) and an amount of \$83,897 million is available for use in subsequent years (\$61,008 million in 2005).

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 Canadian Grain Commission Vote 40, the Competition Tribunal Vote 45 and the Canadian Transportation Accident Investigation and Safety Board Vote 10 were each overspent by less than \$250,000.

During the year, Status of Women—Office of the Co-ordinator charged a contribution of \$708,332 to Vote 115—Grants.

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 the amount required to refinance market debt maturing in a year plus a \$4,000 million non-lapsing authority is available from the *Borrowing Authority Act, 1996-97*. The \$4,000 million authority was not used in fiscal year 2005-2006 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 2005-2006 in the February 2005 budget (Budget 2005). Although Budget 2005 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 2005, the corresponding amounts in the budget column were adjusted to the actual closing numbers of the previous year after taking into consideration the

impact of the change in accounting policy described in Note 2.

The following table reconciles the Budget 2005 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	Other program expenses			
				Canada child tax benefits	Crown corporation expenses	National Defence	All other departments and agencies
Presented in Budget 2005.....	94,200	3,900	5,800		5,500	14,400	32,500
Add amounts netted in Budget:							
Child tax benefit payments.....	9,200			9,200			
Crown corporation expenses.....		1,500			1,500		
Departmental revenues netted against expenses.....			3,200			400	2,800
Revised budgeted amounts.....	103,400	5,400	9,000	9,200	7,000	14,800	35,300

#### 4. 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)	
	2006	2005
Canada health and social transfer.....	27,225	28,031
Fiscal arrangements.....	12,381	12,863
Other.....	3,940	3,807
Alternative payments for standing programs <sup>(1)</sup> .....	-2,731	-2,746
Total expenses.....	40,815	41,955

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

<sup>(1)</sup> 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)	
	2006	2005
Agriculture and Agri-Food.....	2,595	2,752
Canadian Heritage.....	1,072	1,013
Foreign Affairs and International Trade.....	3,357	3,408
Health.....	2,080	2,176
Human Resources and Social Development.....	2,193	1,886
Indian Affairs and Northern Development.....	5,402	4,934
Industry.....	2,204	2,095
Transport (Transport, Infrastructure and Communities).....	1,313	562
Other ministries and provisions.....	4,677	6,627
Total expenses.....	24,893	25,453

Certain comparative figures have been restated. Details can be found in Note 2.

Details (unaudited) can be found in Section 1 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)	
	2006	2005
Agriculture and Agri-Food .....	1,599	1,342
Canada Revenue Agency .....	3,998	3,749
Environment .....	1,514	1,300
Fisheries and Oceans .....	1,489	1,353
Foreign Affairs and International Trade .....	1,800	1,738
Health .....	2,130	1,954
Human Resources and Social Development .....	3,059	3,103
Industry .....	2,145	2,093
Justice .....	1,099	1,011
Public Safety and Emergency Preparedness .....	6,647	5,981
Public Works and Government Services .....	2,484	2,326
Treasury Board .....	1,757	1,717
Other ministries and provisions .....	4,946	6,755
<b>Total expenses .....</b>	<b>34,667</b>	<b>34,422</b>

Certain 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)	
	2006	2005
Public debt charges related to unmaturing debt —		
Interest on unmaturing debt .....	15,841	17,131
Amortization of discounts on Canada and Treasury Bills .....	3,524	2,760
Amortization of premiums, discounts and commissions on all other debts .....	1,790	1,755
Servicing costs and costs of issuing new borrowings .....	77	79
<b>Total .....</b>	<b>21,232</b>	<b>21,725</b>
Interest expense related to employee pensions and other future benefits .....	12,002	11,761
Other .....	538	632
<b>Total public debt charges .....</b>	<b>33,772</b>	<b>34,118</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)	
	2006	2005
Transfer payments .....	118,317	118,715
Other program expenses —		
Crown corporations <sup>(1)</sup> .....	6,625	8,274
Personnel .....	28,967	27,835
Transportation and communications .....	2,425	2,204
Information .....	263	247
Professional and special services .....	6,173	5,215
Rentals .....	1,314	977
Repair and maintenance .....	2,136	1,606
Utilities, materials and supplies .....	2,578	2,342
Other subsidies and expenses .....	2,342	4,904
Amortization expenses .....	3,904	3,696
Loss on disposal of assets .....	169	347
<b>Total other program expenses .....</b>	<b>56,896</b>	<b>57,647</b>
<b>Total program expenses .....</b>	<b>175,213</b>	<b>176,362</b>
Public debt charges .....	33,772	34,118
<b>Total expenses .....</b>	<b>208,985</b>	<b>210,480</b>

Certain comparative figures have been restated. Details can be found in Note 2.

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*

During the year, the Government authorized transfers of up to \$3,620 million pursuant to Bill C-48, an *Act to authorize the Minister of Finance to make certain payments* that received Royal assent on July 20, 2005. The Act authorizes payments not exceeding \$4,500 million from surpluses in excess of \$2,000 million in the two fiscal years 2005-2006 and 2006-2007. The amounts authorized for 2005-2006 were charged to transfer payments to other levels of government in the amount of \$3,300 million related to post-secondary education, public transit, and affordable housing and to other transfer payments in the amount of \$320 million related to foreign aid.

5. **Accumulated Deficit**

The Government includes in its revenues and expenses, the transactions of consolidated Crown corporations and other entities controlled by the Government, 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 and other entities included in the accumulated deficit:

	(in millions of dollars)	
	2006	2005 <sup>(1)</sup>
Accumulated deficit, excluding consolidated accounts . . . . .	538,332	550,025
Consolidated accounts —		
Employment Insurance Account . . . . .	-50,816	-48,547
Other insurance accounts . . . . .	54	149
Other consolidated accounts . . . . .	-303	-287
	487,267	501,340
Consolidated Crown corporations and other entities . . . . .	-5,768	-6,623
Accumulated deficit . . . . .	481,499	494,717

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

<sup>(1)</sup> The previously reported opening balances of the accumulated deficit and certain comparative figures have been restated. Details can be found in Note 2.

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

Unmatured debt is composed of the following:

	(in millions of dollars)	
	2006	2005
Market Debt —		
Payable in Canadian currency . . . . .	413,175	415,470
Payable in foreign currencies . . . . .	14,085	16,286
Total . . . . .	427,260	431,756
Cross currency swap revaluation account . . . . .	-2,258	-922
Unamortized discounts and premiums on market debt . . . . .	-6,780	-6,342
Obligation related to capital leases . . . . .	2,927	2,932
Total . . . . .	421,149	427,424

Certain comparative figures have been restated. Details can be found in Note 2.

Unamortized discounts result from Treasury bills and Canada bills, which are issued at a discount in lieu of interest. Discounts or premiums also result from the Government's bond buy back program and from issuance of the market debt when the face value of the instrument issued differs from the proceeds received. The unamortized portion represents the amount that has not yet been recorded to public debt charges.

**PUBLIC ACCOUNTS OF CANADA, 2005-2006**

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

Maturing year	(in millions of dollars)									
	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>		
2007 . . . . .	24,185	1,168		131,600	1,087	1,360	4,734		164,134	
2008 . . . . .	30,409		372		2,209	700		87	33,777	
2009 . . . . .	22,665	2,920	2,895		3,913	519		496	33,408	
2010 . . . . .	17,254	184			944	71		1,415	19,868	
2011 . . . . .	19,651				1,328	425			21,404	
2012 and subsequent . .	147,708	62			7,861	27			155,658	
	261,872	4,334	3,267	131,600	17,342	3,102	4,734	1,998	428,249	
Less: Government's holdings of unmatured debt <sup>(6)</sup> . .	738	248		3					989	
Total market debt . . . . .	261,134	4,086	3,267	131,597	17,342	3,102	4,734	1,998	427,260	
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 . . . . .	5.26	5.38	4.81	3.52	3.84	10.02	4.63	3.85		
Range of interest rates . . . . .	2.75-14.00	4.31-9.70	4.29-4.88	2.74-4.01	1.50-8.75	3.63-11.33	4.03-4.90	1.90-4.50		

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

(1) Includes marketable bond that was issued in New Zealand dollars of \$372 million with a variable interest rate of 4.29% and bonds issued in Euros of \$2,895 million.

(2) Includes \$10,506 million of Canada savings bonds that are redeemable on demand.

(3) Includes \$3,095 million of bonds issued to the Canada Pension Plan and \$7 million of promissory notes issued to the Public Health and Immunization Trust.

(4) Includes one Canada note issued in Japanese yen of \$496 million.

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

(6) Includes \$248 million of securities held for 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 Government does not enter into swap agreements for speculative purposes.

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 in the cross currency swap revaluation account 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)			
	2006		2005	
	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$
2006 .....				4,275
2007 .....		2,347		1,259
2008 .....	30	2,983	31	3,146
2009 .....	1,401	2,654	1,451	2,807
2010 .....		3,380		3,670
2011 .....		2,571		
2012 and subsequent .....		12,282		9,324
	1,431	26,217	1,482	24,481

(b) *Credit risk related 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 counterparty 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)	
	2006	2005
AAA .....		1,490
AA+ .....	2,896	3,651
AA .....	5,855	5,397
AA- .....	13,593	9,671
A+ .....	5,304	5,654
A .....		100
	27,648	25,963

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, 2006, 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 International Monetary Fund are only partially matched, as they are denominated in Special Drawing Rights.

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, 2006, 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 loss of \$2 million due to the unmatched exposure of the US dollar portfolio and in foreign exchange losses of \$5 million and \$1 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, 2006.

iv. *Obligation related to capital leases*

The Government's total obligation related to capital leases as at March 31, 2006 is \$2,927 million (\$2,932 million in 2005). Interest on the obligation related to capital leases of \$185 million (\$164 million in 2005) is included in expenses as part of public debt charges. Future minimum lease payments are summarized as follows:

Maturing year	(in millions of dollars)
2007.....	392
2008.....	390
2009.....	343
2010.....	325
2011.....	335
2012 and subsequent .....	3,484
Total minimum lease payments .....	5,269
Less: imputed interest at the average rate of 8.0 percent .....	2,342
Obligation related to capital leases .....	2,927

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)					
	2006			2005		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Financial Assets —						
Cash and accounts receivable.....	82,843	82,843		76,346	76,346	
Foreign exchange accounts.....	40,827	40,766	-61	40,871	41,646	775
Loans, investments and advances excluding investments in enterprise Crown corporations .....	24,749	24,749		24,056	24,056	
Liabilities —						
Accounts payable and accrued liabilities.....	101,432	101,432		97,740	97,740	
Unmatured debt.....	421,149	455,905	-34,756	427,424	458,119	-30,695
Public sector pensions .....	131,062	127,585	3,477	129,579	125,451	4,128
Other employee and veteran future benefits .....	43,369	56,929	-13,560	41,549	50,468	-8,919
Other interest bearing debts .....	5,493	5,493		8,680	8,680	
Net fair value in excess of carrying value .....			-44,900			-34,711

Certain comparative figures have been restated. Details can be found in Note 2.

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, tax payables, interest and matured debt, 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)			
	2006		2005	
	Notional value	Fair value	Notional value	Fair value
Interest rate and cross currency swaps . . . . .	27,648	2,718	25,963	1,498

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.

## 7. 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)					
	2006			2005		
	Funded plans	Others	Total	Funded plans	Others	Total
Contributions —						
Employees .....	1,201	82	1,283	1,073	86	1,159
Public Service corporations .....	152	12	164	133	12	145
Government .....	2,987	214	3,201	2,769	200	2,969
Total .....	4,340	308	4,648	3,975	298	4,273
Benefits paid .....	168	6,525	6,693	103	6,293	6,396

Comparative figures have been restated to conform to the current year's presentation. 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 \$87 million in 2006 (\$85 million in 2005). 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, 2006 includes the following components:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2006	2005	2006	2005
Accrued benefit obligation .....	155,795	145,349	56,929	50,468
Less: Pension plan assets —				
Investments at market related value .....	24,854	18,287		
Contributions receivable from employees for past service .....	594	537		
Total .....	25,448	18,824		
	130,347	126,525	56,929	50,468
Unamortized estimation adjustments .....	715	3,054	-13,560	-8,919
Pension and other employee and veteran future benefit liability .....	131,062	129,579	43,369	41,549

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, 2006, the market value of the investments is \$27,616 million (\$19,361 million in 2005). 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	
	2006	2005	2006	2005
Net expense related to employee pensions and other future benefits —				
Net benefits earned .....	2,929	2,851	1,297	2,109 <sup>(1)</sup>
Amortization of estimation adjustments .....	-1,101	-947	896	598
Plan amendment costs .....			-1,899	181
Recognition of net unamortized losses .....			2,300	
Total .....	1,828	1,904	2,594	2,888
Interest expense related to employee pensions and other future benefits —				
Interest on average accrued benefit obligation .....	10,735	10,220	2,536	2,428
Expected return on average pension plan assets .....	-1,269	-887		
Total .....	9,466	9,333	2,536	2,428
Total expense related to employee pensions and other future benefits .....	11,294	11,237	5,130	5,316

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

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 various other future benefit plans and these amendments have affected the current year expense and benefit liabilities. Pursuant to the *Canadian Forces Members and Veterans Re-establishment and Compensation Act* that received Royal assent on May 13, 2005, major amendments to the veterans' future benefits are becoming effective April 1, 2006. The main changes include the introduction of a lump-sum disability award up to a maximum of \$250,000 to compensate for the effects of a service-related injury in lieu of the former monthly payments and the introduction of a new wellness package to support Canadian Forces veterans in their re-establishment to civilian life. The net impact of these changes has resulted in a one time past service cost reduction estimated at \$1,723 million. It is recorded as a reduction of the future benefit expense and of the year-end accrued benefit obligation. The amendments also resulted in the accelerated recognition of net unamortized losses of \$2,075 million, which was charged to the future benefit expense. In 2005, amendments to the plan had resulted in a one time past service cost of \$181 million.

During the year, amendments becoming effective April 1, 2006 were also approved to the health care and dental plans

pertaining to retired employees. Amongst other things, amendments to the health care plan will increase the coverage, introduce the coordination of benefits for spouses who are both members of the plan, introduce a pay-direct drug card and increase the pensioner's contributions. The dental plan amendments consist mainly of a temporary reduction of pensioners' contributions and an extension of enrolment period. These amendments resulted in an estimated past service cost reduction of \$373 million for the health care plan and a past service cost of \$197 million for the dental plan. These one time impacts are recorded to the future benefit expense and to the year-end accrued benefit obligation. The amendments further resulted in the accelerated recognition in the future benefit expense of net unamortized losses of \$373 million in the health care plan and net unamortized gains of \$148 million in the dental plan.

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 19.1 percent (7.9 percent in 2005).

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	
	2006	2005	2006	2005
Accrued benefit obligation — Beginning of year . . . . .	145,349	142,401	50,468	45,470
Benefits earned . . . . .	4,344	4,128	1,297	2,109
Interest on average accrued benefit obligation . . . . .	10,735	10,220	2,536	2,428
Benefits paid . . . . .	-6,693	-6,396	-3,274	-3,100
Administrative expenses . . . . .	-85	-76	-36	-34
Net transfers to other plans . . . . .	-252	-206		
Plan amendments . . . . .			-1,899	181
Actuarial losses or (gains) . . . . .	2,397	-4,722	7,837	3,414
Accrued benefit obligation — End of year . . . . .	155,795	145,349	56,929	50,468
Market related value of investments — Beginning of year . . . . .	18,287	13,386		
Expected return on plan assets . . . . .	1,269	887		
Contributions . . . . .	4,340	3,975		
Benefits, transfers and other . . . . .	-143	-159		
Actuarial gains . . . . .	1,101	198		
Market related value of investments — End of year . . . . .	24,854	18,287		

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

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, 2005, while the valuations for the Members of Parliament and the federally appointed judges were conducted as at March 31, 2004. At March 31, 2006, the most recent actuarial valuations for the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans were not yet tabled in Parliament.

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 actuarial 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 of all the plans are 2 percent and 2.9 percent respectively (2 percent and 2.9 percent in 2005). The assumed expected rate of return on pension investments and the average Government long-term bond rate used to value the pension liability at March 31, 2006 are 6.2 percent and 7.6 percent respectively (6.2 percent and 7.8 percent in 2005). The corresponding assumptions used in the cost of current service and in the interest expense are 6.2 percent and 7.8 percent (5.8 percent and 7.6 percent in 2005). The discount rate used to value the liability for other employee and veteran future benefits is 4.8 percent (5.1 percent in 2005), while the rate used for the cost of current service and interest expense is 5.1 percent (5.3 percent in 2005).



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	
	2006	2005	2006	2005
Possible impact on liabilities due to:				
Increase of 1 percent in discount rates . . . . .	-19,700	-17,900	-6,000	-5,500
Decrease of 1 percent in discount rates . . . . .	24,900	22,700	7,600	7,000
Increase of 1 percent in inflation . . . . .	18,800	17,600	5,400	5,400
Decrease of 1 percent in inflation . . . . .	-15,400	-14,400	-4,900	-4,300
Increase of 1 percent in general wage increases . . . . .	5,000	4,300	400	300
Decrease of 1 percent in general wage increases . . . . .	-4,200	-3,600	-400	-300

## 8. 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, 2006, the fair value of the Plan's net assets is \$101,121 million (\$83,411 million in 2005).

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 \$151 million (\$2,771 million in 2005) corresponds to the

balance in the Account and is reported as the Government's liability to the Plan at March 31, 2006.

Amendments to the *Canada Pension Plan Act* and the *Canada Pension Plan Investment Board Act* that became effective April 1, 2004 provided for the transfer of the bonds held in the Canada Pension Plan Investment Fund and of a portion of the funds on deposit with the Receiver General for Canada to the Canada Pension Plan Investment Board. The bond portfolio is being transferred over a period of three years that began in May 2004 and the balance on deposit with the Receiver General was transferred over a period of twelve months that ended in August 2005. The amended legislation provides for weekly transfers to the Canada Pension Plan Investment Board of any amounts held in the Account that exceeds the immediate obligation of the Plan. It also allows interest to be either credited to or charged to the Account based on its closing position.

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 *21st Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions.

## 9. 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 \$4,891 million (\$6,000 million in 2005) in relation to the total tax receivables. It also recorded a provision for bad debt of \$809 million (\$993 million in 2005), which is charged against other program expenses. The details of the tax receivables and allowance for doubtful accounts are as follows:

	(in millions of dollars)			
	2006		2005	
	Total tax receivables	Allowance for doubtful accounts	Net	Net
Income tax receivables —				
Individuals .....	31,010	2,083	28,927	25,657
Employers .....	13,872	376	13,496	12,502
Corporations .....	7,080	1,209	5,871	6,121
Non-residents .....	966	60	906	719
Goods and services tax receivable .....	10,263	1,108	9,155	7,717
Customs duties receivable .....	123	31	92	117
Excise taxes and duties receivable .....	690	24	666	644
Total .....	64,004	4,891	59,113	53,477

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. Total other accounts receivable amount to \$3,878 million (\$3,433 million in 2005) and are presented net

of an allowance for doubtful accounts of \$1,297 million (\$1,179 million in 2005). Further details (unaudited) can be found in Section 7 of this volume.

## 10. 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, 2006, the fair value of the marketable securities contained in the Exchange Fund Account was \$33,194 million (\$34,952 million in 2005). 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)	
	2006	2005
International reserves		
held in the Exchange Fund Account —		
Cash and short-term deposits .....	6,538	3,773
Marketable securities .....	33,321	34,226
Other assets .....	1,077	1,115
Total .....	40,936	39,114
International Monetary Fund —		
Subscriptions .....	10,673	11,240
Total .....	51,609	50,354
Less:		
International Monetary Fund —		
Notes payable .....	9,471	8,059
Special drawing rights allocations .....	1,311	1,424
Total .....	10,782	9,483
Total foreign exchange accounts .....	40,827	40,871

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

## 11. Crown Corporations and Other Entities

The Government wholly owns forty-four Crown corporations. There is also a number of not-for-profit corporations and other government business enterprises that meet the definition of control for financial reporting purposes and that are included in the reporting entity of the Government.

Some of these corporations rely on the Government for most of their financing. There are twenty-four Crown corporations and four not-for-profit 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. The major consolidated not-for-profit corporations are the Canada Foundation for Innovation and the Canada Millennium Scholarship Foundation. 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 controlled by the Government. These are referred to as other government business enterprises. The major other government business enterprises include the Canadian Wheat Board, the St. Lawrence Seaway Management Corporation, 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)	
	2006	2005
Loans and advances —		
Canada Mortgage and Housing Corporation . . . . .	4,799	4,999
Other . . . . .	131	64
Total loans and advances . . . . .	4,930	5,063
Investments —		
Export Development Canada . . . . .	4,833	3,940
Canada Mortgage and Housing Corporation . . . . .	4,666	3,656
Business Development Bank of Canada . . . . .	1,691	1,570
Canada Post Corporation . . . . .	1,392	1,270
Farm Credit Canada . . . . .	1,264	1,085
Canada Deposit Insurance Corporation . . . . .	843	788
Other . . . . .	2,451	1,803
Total investments . . . . .	17,140	14,112
Total . . . . .	22,070	19,175
Less: amount expected to be repaid from future appropriations . . . . .	1,486	1,550
Total . . . . .	20,584	17,625

Certain comparative figures have been restated. Details can be found in Note 2. Details (unaudited) can be found in Section 9 of this volume.

	(in millions of dollars)	
	2006	2005
Assets		
(including capital assets, inventories and prepaid expenses of \$5,798 (\$5,923 in 2005)) . . . . .	208,118	127,776
Liabilities . . . . .	191,038	113,601
Net equity as reported . . . . .	17,080	14,175
Elimination adjustments . . . . .	60	-63
Net equity . . . . .	17,140	14,112
Revenues . . . . .	23,406	19,394
Expenses . . . . .	18,901	14,616
Net income for the year as reported . . . . .	4,505	4,778
Elimination adjustments . . . . .	535	75
Net income . . . . .	5,040	4,853
Other changes in equity		
Dividends <sup>(1)</sup> . . . . .	-2,027	-1,944
Capital . . . . .	15	275
Opening net equity . . . . .	14,112	10,928
Closing net equity . . . . .	17,140	14,112
Contractual obligations . . . . .	5,669	5,515
Contingent liabilities . . . . .	2,521	2,750

Certain comparative figures have been restated. Details can be found in Note 2. Details (unaudited) can be found in Section 9 of this volume.

<sup>(1)</sup> Amounts reported as dividends include \$1,736 million (\$1,696 million in 2005) from the Bank of Canada.

## 12. 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)	
	2006	2005
National governments, including developing countries and international organizations —		
National governments including developing countries . . . . .	777	935
International organizations . . . . .	13,664	13,440
Total . . . . .	14,441	14,375
Other loans, investments and advances —		
Provincial and territorial governments . . . . .	4,928	4,941
Other loans, investments and advances . . . . .	18,734	17,109
Total . . . . .	23,662	22,050
Total . . . . .	38,103	36,425
Less: allowance for valuation . . . . .	16,798	15,882
Total . . . . .	21,305	20,543

Certain comparative figures have been restated. Details can be found in Note 2. 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 2044.

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 \$8,766 million (\$7,483 million in 2005), and loans for development of export trade which are administered by Export Development Canada of \$2,661 million (\$2,257 million in 2005). 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 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.

## 13. 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.

Except for land, 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 2006	Net book value 2005
	Opening balance	Acquisitions	Disposals and adjustments <sup>(1)</sup>	Closing balance	Opening balance	Amortization expense	Disposals and adjustments	Closing balance		
Land .....	1,387	32	27	1,392					1,392	1,387
Buildings .....	17,310	211	-662	18,183	8,407	686	-28	9,121	9,062	8,903
Works and infrastructure .....	10,635	50	-96	10,781	5,663	327	129	5,861	4,920	4,972
Machinery and equipment .....	19,032	720	-204	19,956	10,147	1,374	281	11,240	8,716	8,885
Vehicles (ships, aircraft and others) .....	31,003	169	22	31,150	16,669	1,197	369	17,497	13,653	14,334
Leasehold improvements .....	1,263	77	-43	1,383	518	147	8	657	726	745
Assets under construction .....	6,195	2,746	1,961	6,980					6,980	6,195
Assets under capital leases .....	3,752	41	-202	3,995	963	173	47	1,089	2,906	2,789
Total .....	90,577	4,046	803	93,820	42,367	3,904	806	45,465	48,355	48,210

Certain comparative figures have been restated. Details can be found in Note 2. Details (unaudited) can be found in Section 10 of this volume.

<sup>(1)</sup> Disposals and adjustments include assets under construction of \$1,567 million that were transferred to other categories upon completion of the assets.

## 14. 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)	
	2006	2005
Transfer payment agreements .....	46,539	40,967
Acquisition of property and equipment, and goods and services .....	17,718	14,615
Operating leases .....	2,901	3,286
International organizations .....	2,802	3,673
	69,960	62,541

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

Estimated future expenditures related to these contractual obligations are as follows:

Year	(in millions of dollars)
2007 .....	13,434
2008 .....	9,169
2009 .....	8,029
2010 .....	6,533
2011 .....	3,381
2012 and subsequent .....	29,414
	69,960

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

### i. Transfer payment agreements

The transfer payment agreements obligations include an amount of \$29,205 million (\$30,652 million in 2005) 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 2005-2006 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, 2006, total \$2,901 million (\$3,286 million in 2005).

## 15. 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, 2006 amount to \$130,180 million (\$112,774 million in 2005) for which an allowance of \$1,031 million (\$2,317 million in 2005) 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, 2006, callable share capital amounts to \$14,842 million (\$15,314 million in 2005).

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 2,700 sites (2,200 sites in 2005) where such action is possible and for which a liability of \$3,014 million (\$2,874 million in 2005) has been recorded. The Government has estimated additional clean-up costs for which it may be potentially liable of \$3,470 million (\$2,440 million in 2005). These costs are not accrued as they 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 74 (77 in 2005) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of \$3,200 million (\$3,700 million in 2005) 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, 2006, an amount of \$9,694 million (\$9,537 million in 2005) of taxes assessed was under objection at Canada Revenue Agency and an amount of \$1,742 million (\$1,360 million in 2005) 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 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 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* through the Mortgage-Backed Securities program and the bonds issued by the Canada Housing Trust through the Canada Mortgage Bond program; and Export Development Canada provides export and foreign investment insurance to help with export trade. At March 31, 2006, total insurance in force amounts to \$839,382 million (\$719,116 million in 2005). 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, 2006**

The purpose of these Observations is to explain certain elements of my Report on the Financial Statements of the Government of Canada as at and for the year ended March 31, 2006:

**AUDIT OPINION IN ACCORDANCE WITH CANADIAN GENERALLY  
ACCEPTED ACCOUNTING PRINCIPLES**

This year there has been a change in my Report on the Financial Statements of the Government of Canada. For the first time, my opinion states that “these financial statements present fairly, in all material respects, the financial position of the Government as at March 31, 2006 and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with the stated accounting policies of the Government set out in Note 1 to the financial statements, *which conform with Canadian generally accepted accounting principles*”.

This change reflects the issuance by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB) of its standard on generally accepted accounting principles. The issuance of this standard reflects the consensus view of the Canadian public sector accounting community that standards issued by PSAB have been acknowledged as generally accepted and are seen to be a suitable primary source of generally accepted accounting principles.

This significant development has taken many years of diligent work by many people in the government accounting community and should lead to better financial reporting across the Canadian government community.

As a result of this development, the Canadian Institute of Chartered Accountants (CICA) has revised its auditing standards and now requires the auditors of the financial statements of senior levels of government to report on fair presentation in accordance with Canadian generally accepted accounting principles for the public sector.

However, recognizing the importance of following our legislative mandate, which requires me to opine as to whether the Government’s financial statements “...present fairly information in accordance with stated accounting policies of the federal government...,” my opinion refers to both bases.

I would also like to note, that as a result of this change the Government has chosen to amend its accounting policy note to indicate that its stated accounting policies are based on Canadian generally accepted accounting principles for the public sector. They further elaborate that the presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles for the public sector. While I would prefer that the Government had indicated its commitment to conforming to Canadian generally accepted accounting principles, the fact that there are no significant differences between the two bases of accounting allows me to issue an unqualified opinion for this year. However, should any significant differences arise in the future, I would seriously consider issuing an opinion with qualification.

## **GOVERNMENT REPORTING ENTITY**

This year, the Government has applied the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants revised standard on the government reporting entity. This revised standard 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 the government. This differs from the previous standard, which also considered ownership and accountability.

The standard defines control for accounting purposes 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.

Organizations that are determined to be controlled by the government are treated as part of the government reporting entity. The summary 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 uses these funds for their intended purposes.

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

The Government has determined that, starting in 2005-06, a number of organizations will be included within the government reporting entity, including the following key entities:

- Canada Foundation for Innovation
- Canada Millennium Scholarship Foundation
- Canada Foundation for Sustainable Development Technology
- Aboriginal Healing Foundation
- St. Lawrence Seaway Management Corporation

The implementation of this new standard has reduced the Government’s opening accumulated deficit at April 1, 2005 by some \$5.1 billion. A complete description of the impact of this accounting policy change is included in Note 2 to the financial statements.

In undertaking the analysis required to implement this standard, the Government has focussed on the more significant entities and those considered most likely to be controlled. In my view, this is a reasonable approach. I should note, however, that it does present the possibility that the accounting treatment of some entities, which currently are not significant, may need to be revisited in the future.

Given the Government’s review of all significant entities, I am satisfied that its interpretation of this new standard and its presentation in the financial statements is in accordance with Canadian generally accepted accounting principles for the public sector.

I am pleased that the Government has addressed this difficult issue. The implementation of this standard enhances the Government’s summary financial statements in two ways. First, it gives a more complete picture of the Government by including organizations that, while not owned, are controlled by the Government and deliver government programs using public money, such as the Canada Foundation for Innovation and the Canada Millennium Scholarship Foundation. Second, by including these entities, the Government’s summary financial statements reflect expenses related to these organizations, when funds are used for their ultimate purposes, rather than when they were transferred to these organizations. Together, this results in a financial statement that provides a more complete and fair presentation of the Government’s financial position and results.



## YEAR-END TRANSACTIONS

The 2005-06 Statement of Operations includes \$3.6 billion in expenses that were entered into pursuant to authority given to the Government through *An Act to authorize the Minister of Finance to make certain payments* (Bill C-48). These transactions include \$320 million for payments for foreign aid as well as \$3.3 billion in transfers to the provinces and territories.

The latter obligations were created prior to March 31, 2006 by the Government's communication to the provinces and territories of its intention to transfer these funds to provinces through irrevocable trust agreements.

The letter indicated that the amount of the transfer would depend on the size of the federal government's surplus, which would be determined upon close of the Government's accounting records in the summer of 2006. The terms of the letter made it clear that the Government had relinquished its discretion to avoid settlement of this obligation. Since at March 31, 2006, the only uncertainty was the amount of the obligation, and thus the Government was obligated to make a payment, these amounts were recorded as expenses in 2005-06.

As with previous arrangements, the Budget and the Schedule to the Trust Agreements anticipate that the provinces will use these funds over several years. However, the agreements allow for the provinces to ask that payments be accelerated—in effect, the provinces could access all their funds immediately.

In assessing the accounting for these transactions, I concluded that the Government's accounting treatment was acceptable because the Government:

- had agreed to make the payments (with the amounts to be determined by formula);
- had not included in the letter or trust agreements any condition to be eligible to receive these funds that would have to be met by the provinces subsequent to March 31, 2006; and
- had authorization from Parliament to make the payments.

**STATUS OF ITEMS REPORTED IN PREVIOUS YEARS**

Observation	Current Status
<p><b>Netting</b></p>	<p>In past reports I have indicated my concern that the Government did not produce its Annual Financial Report on the same basis as its summary financial statements.</p> <p>I was concerned that the Government had maintained its practice of netting certain expenses against revenue in the Annual Financial Report. (This practice was discontinued in the summary financial statements in 2004.)</p> <p>In the May 2006 Budget, the Government took action to address this issue and improve the comparability and transparency of its financial information by presenting its Budget 2006 forecast on a gross basis. It further indicated that the <i>Annual Financial Report of the Government of Canada</i> and <i>The Fiscal Monitor</i> results would also be presented on a gross basis.</p> <p>I am pleased with this development as it enhances the clarity of the Government's financial reporting by removing a potential source of confusion.</p>
<p><b>Canada Revenue Agency/ Canada Border Services Agency — Tax revenues</b></p>	<p>In the past I have indicated my view that improvements need to be implemented in the accounting systems and practices for tax revenue at the Canada Revenue Agency and the Canada Border Services Agency. The accrual of tax revenues is assessment-based and derives data primarily from the various tax program systems. These systems were never designed as accounting systems, and extensive manipulation of data is necessary to present revenues and receivables on an accrual basis of accounting. This process involves extensive manual processing and numerous reconciliations. Despite this process, unexplained differences remain between the amounts receivable in the general ledger and the various reports taken from the tax program systems to support these amounts.</p> <p>While management of both agencies have identified underlying causes of some of these differences, unexplained differences continue to exist at year-end.</p>
<p><b>National Defence inventory</b></p>	<p>In past years I have reported that improvements in the accounting systems and practices related to inventory were needed at National Defence. Historically, the Department maintained inventory systems focused primarily on keeping track of quantities. This resulted in less emphasis on cost accuracy, and errors were made in the valuation of inventory.</p> <p>While noteworthy improvements have been made in the recording of both quantities and values; issues, such as obsolescence, remain in the overall valuation of inventory, and therefore continued monitoring is recommended to ensure the cost of inventory be properly reflected in the summary financial statements.</p> <p>The Department of National Defence continues to focus effort on the proper recording of inventory, particularly as part of the year-end financial work. The Department has several initiatives underway to further address these problems, and our Office will continue to monitor these closely.</p>

Observation	Current Status
<b>Timely reporting</b>	<p>I have noted in the past that the usefulness of the Government's summary financial statements is diminished when they cannot be made public until six months after year-end. I also have noted that, in the present environment, there are significant challenges to the more timely preparation of the Government's summary financial statements.</p> <p>I understand that the Government continues to look for ways to expedite the preparation of its summary financial statements. It is important, however, that appropriate internal controls and the fairness of estimates be maintained.</p>
<b>Clarity in terminology</b>	<p>The Government continues to use the term "federal debt" rather than "accumulated deficit" in some of its publications. While I understand this term was coined to eliminate confusion about the Government's annual surplus position, I remain concerned that used in this way, it could be misinterpreted by Canadians and leave an incorrect impression about how the annual surplus is used.</p> <p>In particular, I am concerned because this use of the term could lead to a misconception that the annual surplus is used to reduce the Government's debt. While the accumulated deficit is automatically reduced at the end of the fiscal year by the amount of the annual surplus, government debt is not. The annual surplus is simply the figure that indicates the difference between the Government's revenues and its expenses at the end of the fiscal year, not an amount of cash that is free for the Government to use in any other way – including paying some of the debt it has incurred.</p> <p>I note that the Government does take care to accurately reflect this in the Annual Financial Report. However, in my view it could explain these financial results more clearly to Canadians by using correct terms consistently in all its public statements and publications.</p>

Observation	Current Status
<p><b>Departmental financial statements</b></p>	<p>In March 2004, the Government committed to having departmental financial statements audited in five years.</p> <p>In the past, I have expressed some concerns about the amount of work required before departments would be ready to prepare reliable financial statements. While much has been accomplished since I made that statement, I still believe a great deal more will need to be done to get the departments and agencies affected by this decision ready to have audits of their financial statements.</p> <p>One particular concern involves the slow progress by departments in responding to key weaknesses in internal financial controls (that is, computer information system controls, associated management and monitoring controls, and processing controls) identified in previous audits. While work to date has indicated that certain departments have dealt with these concerns about their internal financial controls, other departments have not yet satisfactorily addressed all previously identified weaknesses in their financial application systems.</p> <p>To this end, I support the initiative of the Office of the Comptroller General to have departments undergo an audit readiness assessment by an external auditing firm. I understand that this assessment is designed to ensure that departmental internal financial control processes are well documented and exist within a sound internal control environment. This initiative has the potential to identify key areas for improvement and address previously uncorrected weaknesses.</p> <p>Further, this initiative, coupled with the commitment of the Office of the Comptroller General to monitor the results and work with departments to ensure that corrective action is taken as required, has the potential to address many of my concerns.</p> <p>I will continue to work with the Government as it moves toward this goal.</p>
<p><b>Accrual appropriations</b></p>	<p>In the past, I have reported on my concern that the lack of progress on moving to full accrual-based budgeting and appropriations has had an impact on departments' and agencies' use of accrual financial information in decision making. Essentially, they are using the accrual method only to prepare information for the Government's summary financial statements and other limited Treasury Board Secretariat requirements. While the Treasury Board Secretariat has been studying departmental accrual-based budgeting and appropriations for many years, it has only recently completed a key study and has yet to make this public.</p> <p>I understand that the Treasury Board Secretariat will use the results of this study to make a recommendation to the Treasury Board as well as the Department of Finance and the Privy Council Office as to whether accrual concepts in the budgeting process and the appropriations at the government-wide and departmental levels should be adopted and if so, the extent and manner of implementation.</p> <p>At this time, I have not been informed of the nature of the recommendation that the Treasury Board Secretariat will make arising from this study.</p> <p>Given the importance of this initiative to the full use of accrual financial information, as well as the high level of interest displayed by parliamentary committees, I will continue to monitor progress.</p>

<b>Observation</b>	<b>Current Status</b>
<b>Reporting to Parliament</b>	I have recommended that the Government consider enhancements to the way it reports its financial results to parliamentarians and other interested Canadians. I note that in the current year it has reduced duplication in reporting by having the financial statements of departmental corporations presented in their departmental performance reports rather than in Volume III of the Public Accounts. I support this change and encourage the Government to continue its efforts to ensure that information is presented to Parliament in the most suitable manner.

**MY AUDIT REPORT EXPLAINED**

For readers who would like a more in-depth explanation of my audit report, I have provided that information on my Web site together with my Observations ([www.oag-bvg.gc.ca](http://www.oag-bvg.gc.ca)).

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# SECTION 3

2005-2006

*PUBLIC ACCOUNTS OF CANADA*

## Revenues, Expenses and Accumulated Deficit

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## 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)

	2005-2006	2004-2005 <sup>(1)</sup>
<b>Revenues—</b>		
Tax revenues, Table 3.2. . . . .	186,100	174,894
Employment insurance premiums . . . . .	16,535	17,307
Other revenues, Table 3.4 . . . . .	19,568	19,742
<b>Total revenues . . . . .</b>	<b>222,203</b>	<b>211,943</b>
<b>Expenses—</b>		
Transfer payments . . . . .	118,317	118,715
Other program expenses . . . . .	56,896	57,647
<b>Total program expenses . . . . .</b>	<b>175,213</b>	<b>176,362</b>
Public debt charges . . . . .	33,772	34,118
<b>Total expenses, Table 3.6 . . . . .</b>	<b>208,985</b>	<b>210,480</b>
<b>Annual surplus. . . . .</b>	<b>13,218</b>	<b>1,463</b>
<b>Accumulated deficit, beginning of year . . . . .</b>	<b>494,717</b>	<b>496,180</b>
<b>Accumulated deficit, end of year . . . . .</b>	<b>481,499</b>	<b>494,717</b>

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 2 to the financial statements in Section 2 of this volume.

## 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. Taxes are collected pursuant to their respective legislation which may be amended from time to time.

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)

	2005-2006	2004-2005
<b>Tax revenues—</b>		
Income tax—		
Personal .....	103,691	98,521
Corporate .....	31,724	29,956
Other income tax revenues .....	4,529	3,560
	<b>139,944</b>	<b>132,037</b>
Other taxes and duties—		
Goods and services tax, Table 3.3 .....	33,020	29,758
Energy taxes—		
Excise tax—Gasoline .....	4,008	4,014
Excise tax—Aviation gasoline and diesel fuel .....	1,068	1,040
	<b>5,076</b>	<b>5,054</b>
Customs import duties .....	3,330	3,091
Other excise taxes and duties—		
Excise duties .....	4,128	4,336
Air travellers security charge .....	353	383
Miscellaneous excise taxes and duties .....	249	235
	<b>4,730</b>	<b>4,954</b>
	<b>46,156</b>	<b>42,857</b>
Total tax revenues <sup>(1)</sup> .....	186,100	174,894

<sup>(1)</sup> Additional details are provided in Table 4a in Section 1 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 reduction in the GST rate was approved after year-end through the *Budget Implementation Act, 2006* that

received Royal Assent on June 22, 2006. The approved reduction from 7 percent to 6 percent in the GST rate will become effective on July 1, 2006 and will be reported in the financial statements of 2006-2007. 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)

	2005-2006	2004-2005
GST.....	37,610	34,231
Less: remission order for the GST paid and accrued by ministries on or for goods and services purchased from outside parties .....	1,189	1,163
Gross GST from outside parties.....	36,421	33,068
Less: quarterly tax credits .....	3,401	3,310
Net GST from outside parties.....	33,020	29,758

<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 passenger vehicle air conditioners. The air travellers security charges are collected by air carriers 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)

	2005-2006	2004-2005 <sup>(1)</sup>
<b>Other revenues—</b>		
Crown corporation revenues—		
Consolidated Crown corporations and other entities .....	1,708	1,506
Enterprise Crown corporations and other government business enterprises—		
Share of annual profit .....	5,041	4,853
Interest and other .....	449	466
	<i>7,198</i>	<i>6,825</i>
Other program revenues—		
Return on investments, Table 3.5 .....	680	491
Sales of goods and services—		
Rights and privileges .....	1,646	1,292
Lease and use of public property .....	533	520
Services of a regulatory nature .....	922	842
Services of a non-regulatory nature .....	2,551	2,269
Sales of goods and information products .....	250	183
Other fees and charges .....	447	358
	<i>6,349</i>	<i>5,464</i>
Miscellaneous revenues—		
Interest and penalties .....	2,524	2,562
Other .....	803	3,225
	<i>10,356</i>	<i>11,742</i>
Foreign exchange revenues—		
Exchange Fund Account .....	1,483	1,827
International Monetary Fund .....	531	(653)
Other .....	1	1
	<i>2,014</i>	<i>1,175</i>
<b>Total other revenues <sup>(2)</sup> .....</b>	<b>19,568</b>	<b>19,742</b>

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 2 to the financial statements in Section 2 of this volume.

<sup>(2)</sup> Additional details are provided in Table 4a in Section 1 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)

	2005-2006	2004-2005
Consolidated accounts—		
Atomic Energy of Canada Limited .....	(2)	(2)
Cash and accounts receivable—		
Interest on bank deposits .....	212	239
Loans, investments and advances—		
Portfolio investments .....		15
National governments including developing countries .....	136	66
International organizations .....	17	17
Provincial and territorial governments .....	2	2
Other loans, investments and advances .....	371	285
	526	385
Other accounts—		
Esso Ltd—Norman Wells Project profits .....	132	115
Other .....	16	2
	148	117
Total ministerial return on investments .....	886	741
Net gain (loss) on exchange .....	(252)	(314)
Accrual of other revenues .....	74	81
Total return on investments .....	708	508
Elimination of return on investments internal to the Government .....	(28)	(17)
Total external return on investments .....	680	491

<sup>(1)</sup> Additional details are provided in Table 4a in Section 1 of Volume II, and in Section 10 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)

	2005-2006	2004-2005 <sup>(1)</sup>
Transfer payments—		
Old age security benefits, guaranteed income supplement and spouse's allowance . . . . .	28,992	27,871
Other levels of government—		
Canada health and social transfer . . . . .	27,225	28,031
Fiscal arrangements . . . . .	12,381	12,863
Alternative payments for standing programs . . . . .	(2,731)	(2,746)
Other . . . . .	3,940	3,807
<i>Total other levels of government</i> . . . . .	<i>40,815</i>	<i>41,955</i>
Employment insurance benefits . . . . .	14,417	14,748
Canada child tax benefits . . . . .	9,200	8,688
	<i>93,424</i>	<i>93,262</i>
Other transfer payments—		
Agriculture and Agri-Food . . . . .	2,595	2,752
Canadian Heritage . . . . .	1,072	1,013
Foreign Affairs and International Trade . . . . .	3,357	3,408
Health . . . . .	2,080	2,176
Human Resources and Social Development . . . . .	2,193	1,886
Indian Affairs and Northern Development . . . . .	5,402	4,934
Industry . . . . .	2,204	2,095
Transport (Transport, Infrastructure and Communities) . . . . .	1,313	363
Other . . . . .	4,677	6,826
<i>Total other transfer payments</i> . . . . .	<i>24,893</i>	<i>25,453</i>
Total transfer payments . . . . .	<i>118,317</i>	<i>118,715</i>
Other program expenses—		
Crown corporation expenses . . . . .	7,195	8,907
Agriculture and Agri-Food . . . . .	1,599	1,342
Canada Revenue Agency . . . . .	3,998	3,749
Environment . . . . .	1,514	1,300
Fisheries and Oceans . . . . .	1,489	1,353
Foreign Affairs and International Trade . . . . .	1,800	1,738
Health . . . . .	2,130	1,954
Human Resources and Social Development . . . . .	3,059	3,103
Industry . . . . .	2,145	2,093
Justice . . . . .	1,099	1,011
National Defence . . . . .	15,034	14,318
Public Safety and Emergency Preparedness . . . . .	6,647	5,981
Public Works and Government Services . . . . .	2,484	2,326
Treasury Board . . . . .	1,757	1,717
Other ministries . . . . .	4,946	6,755
Total other program expenses . . . . .	<i>56,896</i>	<i>57,647</i>
Total program expenses . . . . .	<i>175,213</i>	<i>176,362</i>
Public debt charges, Table 3.8 . . . . .	33,772	34,118
Total expenses <sup>(2)</sup> . . . . .	<i>208,985</i>	<i>210,480</i>

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 2 to the financial statements in Section 2 of this volume.

<sup>(2)</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 are 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, expenses of other consolidated entities, 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 . . . . .	589	912	863		463	2,062		4,889
	<i>568</i>	<i>895</i>	<i>791</i>		<i>462</i>	<i>14</i>		<i>2,730</i>
Prince Edward Island . . . . .	149	203	277		124	15		768
	<i>144</i>	<i>209</i>	<i>282</i>		<i>123</i>	<i>4</i>		<i>762</i>
Nova Scotia . . . . .	989	689	1,363		843	936		4,820
	<i>958</i>	<i>674</i>	<i>1,363</i>		<i>840</i>	<i>27</i>		<i>3,862</i>
New Brunswick . . . . .	815	765	1,350		676	85		3,691
	<i>786</i>	<i>744</i>	<i>1,382</i>		<i>674</i>	<i>21</i>		<i>3,607</i>
Quebec . . . . .	7,925	4,227	4,207	(2,731)	6,826	1,036		21,490
	<i>7,580</i>	<i>4,336</i>	<i>3,358</i>	<i>(2,746)</i>	<i>6,765</i>	<i>212</i>		<i>19,505</i>
Ontario . . . . .	10,730	4,302	8		10,242	1,406		26,688
	<i>10,240</i>	<i>4,351</i>	<i>8</i>		<i>10,130</i>	<i>350</i>		<i>25,079</i>
Manitoba . . . . .	1,136	406	1,603		1,058	156		4,359
	<i>1,107</i>	<i>413</i>	<i>1,643</i>		<i>1,047</i>	<i>33</i>		<i>4,243</i>
Saskatchewan . . . . .	1,076	321	91		960	130		2,578
	<i>1,051</i>	<i>338</i>	<i>682</i>		<i>895</i>	<i>27</i>		<i>2,993</i>
Alberta . . . . .	2,379	911	4		2,110	393		5,797
	<i>2,271</i>	<i>1,001</i>	<i>4</i>		<i>2,511</i>	<i>90</i>		<i>5,877</i>
British Columbia . . . . .	3,881	1,602	593		3,822	600		10,498
	<i>3,695</i>	<i>1,670</i>	<i>818</i>		<i>3,765</i>	<i>118</i>		<i>10,066</i>
Total provinces . . . . .	29,669	14,338	10,359	(2,731)	27,124	6,819		85,578
	<i>28,400</i>	<i>14,631</i>	<i>10,331</i>	<i>(2,746)</i>	<i>27,212</i>	<i>896</i>		<i>78,724</i>
Northwest Territories . . . . .	16	29	714		39	117		915
	<i>16</i>	<i>29</i>	<i>713</i>		<i>28</i>	<i>2</i>		<i>788</i>
Nunavut . . . . .	7	16	799		32	265		1,119
	<i>7</i>	<i>15</i>	<i>771</i>		<i>31</i>			<i>824</i>
Yukon Territory . . . . .	16	26	487		30	107		666
	<i>14</i>	<i>68</i>	<i>478</i>		<i>29</i>	<i>2</i>		<i>591</i>
International . . . . .	195	8						203
	<i>179</i>	<i>5</i>						<i>184</i>
Sub-total . . . . .	29,903	14,417	12,359	(2,731)	27,225	7,308		88,481
	<i>28,616</i>	<i>14,748</i>	<i>12,293</i>	<i>(2,746)</i>	<i>27,300</i>	<i>900</i>		<i>81,111</i>
Accrual and other adjustments . . . . .			22			(3,368)		(3,346)
			<i>570</i>		<i>731</i>	<i>2,907</i>		<i>4,208</i>
Total (Net) . . . . .	29,903	14,417	12,381	(2,731)	27,225	3,940		85,135
	<i>28,616</i>	<i>14,748</i>	<i>12,863</i>	<i>(2,746)</i>	<i>28,031</i>	<i>3,807</i>		<i>85,319</i>
Add: tax credits and repayments . . . . .	(911)						9,200	8,289
	<i>(745)</i>						<i>8,688</i>	<i>7,943</i>
Total (Gross) . . . . .	28,992	14,417	12,381	(2,731)	27,225	3,940	9,200	93,424
	<i>27,871</i>	<i>14,748</i>	<i>12,863</i>	<i>(2,746)</i>	<i>28,031</i>	<i>3,807</i>	<i>8,688</i>	<i>93,262</i>

Amounts in roman type are 2005-2006 transfer payments.

Amounts in *italic* type are 2004-2005 transfer payments.

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

<sup>(2)</sup> Includes payments to the Public Transit Capital Trust for \$900 million, the Post Secondary Education Infrastructure Trust for \$1,000 million, the Affordable Housing Trust for \$800 million, the Off-Reserve Aboriginal Housing Trust for \$300 million, the Northern Housing Trust for \$300 million, the Northern Strategy Trust for \$120 million and Transfer Payments to the Territorial Governments—Data Revisions for \$29 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)

	2005-2006	2004-2005
Unmatured debt—		
Interest on:		
Marketable bonds .....	14,784	15,955
Canada savings and Canada premium bonds .....	652	741
Bonds for Canada Pension Plan .....	323	338
Promissory Note - TD Trust Company .....	(2)	1
Promissory notes - Montreal Trust Company .....	(2)	(2)
Promissory notes - Computershare Trust Company .....	(2)	(2)
Canada notes .....	13	15
Euro medium term notes .....	69	81
	<u>15,841</u>	<u>17,131</u>
Amortization of premiums, discounts and commissions on:		
Treasury bills .....	3,444	2,727
Marketable bonds .....	1,766	1,729
Canada bills .....	80	33
Canada savings and Canada premium bonds .....	24	26
	<u>5,314</u>	<u>4,515</u>
Servicing costs and costs of issuing new borrowings .....	77	79
Total public debt charges related to unmatured debt .....	<u>21,232</u>	<u>21,725</u>
Pension and other liabilities—		
Interest on:		
Public sector pensions—Superannuation accounts .....	10,614	10,696
Less: Provision for pension adjustment .....	(1,148)	(1,363)
	<u>9,466</u>	<u>9,333</u>
Other employee and veteran future benefits—		
Health and dental care plans .....	571	497
Severance benefits .....	205	224
Worker's compensation .....	34	33
Veteran benefit plan .....	1,655	1,619
RCMP benefit plan .....	71	55
	<u>2,536</u>	<u>2,428</u>
Canada Pension Plan .....	21	129
Government Annuities Account .....	24	26
Deposit and trust accounts .....	55	64
Other specified purpose accounts .....	215	219
Capital lease obligations .....	185	164
Other liabilities .....	38	30
Total public debt charges related to pension and other liabilities .....	<u>12,540</u>	<u>12,393</u>
Consolidated specified purpose accounts—		
Interest on:		
Employment Insurance Account .....	1,323	968
Other .....	13	13
Total public debt charges related to consolidated specified purpose accounts .....	<u>1,336</u>	<u>981</u>
Total public debt charges before consolidation adjustments .....	35,108	35,099
Less: consolidation adjustments .....	1,336	981
Total public debt charges <sup>(1) (3)</sup> .....	<u>33,772</u>	<u>34,118</u>
Comprised of:		
Total public debt charges under statutory authorities before accrual and other adjustments and consolidation adjustments .....	33,535	33,870
Accrual and other adjustments .....	1,573	1,229
Consolidation adjustments .....	(1,336)	(981)
Total public debt charges .....	<u>33,772</u>	<u>34,118</u>

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

(2) Less than \$500,000.

(3) Additional details are provided in Section 7 of Volume III.

### 3.10 REVENUES, EXPENSES AND ACCUMULATED DEFICIT



## 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 . . . . .	118,317	(16,827)	101,489
Other program expenses—			
Crown corporations and other program expenses . . . . .	6,625	(6,625)	
Personnel . . . . .	28,967	219	29,186
Transportation and communications . . . . .	2,425	146	2,571
Information . . . . .	263	14	277
Professional and special services . . . . .	6,173	1,068	7,241
Rentals . . . . .	1,314	320	1,634
Repair and maintenance . . . . .	2,136	476	2,612
Utilities . . . . .	2,578	60	2,637
Amortization expenses . . . . .	3,904	(3,904)	
Loss on disposal of assets . . . . .	169	(169)	
Other subsidies and expenses . . . . .	2,342	4,830	7,172
Acquisition of land, buildings and works . . . . .		786	786
Acquisition of machinery and equipment . . . . .		3,773	3,773
	56,896	994	57,890
Public debt charges . . . . .	33,772	(237)	33,535
Total . . . . .	208,985	(16,070)	192,915

<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)

	2005-2006	2004-2005 <sup>(1)</sup>
Public debt charges.....	33,535	33,870
Old age security payments ( <i>Old Age Security Act</i> ).....	22,044	21,364
Canada health transfer (Part V.1— <i>Federal-Provincial Fiscal Arrangements Act</i> ).....	19,000	13,650
Fiscal equalization (Part I— <i>Federal-Provincial Fiscal Arrangements Act</i> ).....	10,900	10,762
Canada social transfer (Part V.1— <i>Federal-Provincial Fiscal Arrangements Act</i> ).....	8,225	7,900
Guaranteed income supplement payments ( <i>Old Age Security Act</i> ).....	6,476	6,038
Transfer payments to the territorial governments.....	2,000	88
Payment to Newfoundland and Labrador.....	2,000	
Housing Trusts.....	1,400 <sup>(2)</sup>	
Contributions in support of business risk management programs under the agricultural policy framework—Canadian agricultural income stabilization program.....	1,069	804
The Post-Secondary Education Infrastructure Trust.....	1,000	
The Public Transit Capital Trust.....	900	
Payment to Nova Scotia related to equalization.....	847	21
Grants in support of the Grain and Oilseed Payment Program.....	713	
Early learning and child care.....	700	
Gas Tax Fund.....	582	
Net loss on exchange.....	542	734
Allowance payments ( <i>Old Age Security Act</i> ).....	472	469
Payments to the Newfoundland Offshore Petroleum Resource Revenue Fund.....	428	175
Public Transit Fund.....	381	
Contributions in support of business risk management programs under the agricultural policy framework—Production insurance.....	346	401
Wait times reduction transfer.....		4,250
Health Reform Transfer (Part VI— <i>Federal-Provincial Fiscal Arrangements Act</i> ).....		1,500
Superannuation, supplementary retirement benefits, death benefits and other pensions— <sup>(3)</sup>		
Public Service—		
Government's contributions to the Public Service pension plan and the Retirement Compensation Arrangements Account.....	2,235	2,046
Government's contribution as employer to the Employment Insurance Account.....	297	252
Government's contributions to the Canada and the Quebec Pension Plans.....	445	465
Government's contributions to the Death Benefit Account.....	10	9
	2,987	2,772
Less: recoveries from revolving funds.....	121	114
	2,866	2,658
Canadian Forces—		
Government's contribution to the Canadian Forces pension plan and the Retirement Compensation Arrangements Account.....	685	650
Statutory payments under the <i>Supplementary Retirement Benefits Act</i> .....	7	8
Government's contribution as employer to the Employment Insurance Account.....	67	76
Government's contribution to the Canada and the Quebec Pension Plans.....	127	138
Government's contribution to the Death Benefit Account.....	3	2
	889	874
Royal Canadian Mounted Police—		
Government's contribution to the Royal Canadian Mounted Police pension plan and the Retirement Compensation Arrangements Account.....	223	210
Statutory payments under the <i>Supplementary Retirement Benefits Act</i> .....	17	16
Government's contribution as employer to the Employment Insurance Account.....	18	19
Government's contribution to the Canada and the Quebec Pension Plans.....	36	37
	294	282
All other statutory expenditures.....	2,644	2,782
<b>Total ministerial expenditures under statutory authorities <sup>(4)</sup></b> .....	<b>120,253</b>	<b>108,622</b>

<sup>(1)</sup> Comparative figures have been reclassified to conform to the current year's presentation.<sup>(2)</sup> Includes payments to the Affordable Housing Trust for \$800 million, the Off-Reserve Aboriginal Housing Trust for \$300 million and the Northern Housing Trust for \$300 million.<sup>(3)</sup> Details related to other pension accounts, such as the Members of Parliament Retiring Allowances Account, are not included.<sup>(4)</sup> Additional information on the ministerial expenditures under statutory authorities are provided in Table 7 in Section I of Volume II.**3.12 REVENUES, EXPENSES AND ACCUMULATED DEFICIT**

# SECTION 4

2005-2006

*PUBLIC ACCOUNTS OF CANADA*

## Consolidated Accounts

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## CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES

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

Consolidation involves the combination of the accounts of these corporations and other entities 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 and other entities' accounts must be adjusted to the Government basis of accounting. Most corporations and other entities follow generally accepted accounting principles (GAAP) used by private sector companies.

### Summary Financial Statements of Consolidated Crown Corporations and Other Entities

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

For those corporations and other entities 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 and other entities.

Financial assets include cash, receivables, loans and investments. Financial assets are segregated between third parties and Government, Crown corporations and other entities. The financial assets reported under Government, Crown corporations and other entities represent receivables, 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, Crown corporations and other entities. Borrowings from third parties represent long-term debts payable of the corporations and other entities. Other third party liabilities are amounts due for purchases, employee benefits, various accruals, capital leases and like items. The liabilities reported under Government, Crown corporations and other entities represent payables and borrowings between related parties.

Revenues are segregated between third parties and Government, Crown corporations and other entities. Government, Crown corporations and other entities' 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, Crown corporations and other entities. 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 and other entities. 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 and other entities' 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, 2006. Contingent liabilities of consolidated corporations and other entities are presented in Table 4.3.

A summary of financial assistance under Government budgetary appropriations to consolidated Crown corporations and other entities for the year ended March 31, 2006 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  
AND OTHER ENTITIES—ASSETS, LIABILITIES AND EQUITY  
AS AT MARCH 31, 2006

(in thousands of dollars)

	Assets			Total assets
	Financial	Government, Crown corporations and other entities	Non-financial	
Consolidated Crown corporations and other entities (1)	Third parties			
<b>Crown corporations<sup>(1)</sup></b>				
Atomic Energy of Canada Limited . . . . .	497,616	6,667	550,178	1,054,461
Canada Council for the Arts . . . . .	303,760	506	24,133	328,399
Canada Lands Company Limited— Old Port of Montreal Corporation Inc. . . . .	4,543		16,690	21,233
Canada Mortgage and Housing Corporation— Minister's Account. . . . .				
Canadian Air Transport Security Authority . . . . .	100,052		530,830	630,882
Canadian Broadcasting Corporation . . . . .	324,272	93,696	1,186,936	1,604,904
Canadian Dairy Commission— Dairy Support Operation Financed by the Government of Canada . . . . .				
Canadian Museum of Civilization . . . . .	40,948	206	321,698	362,852
Canadian Museum of Nature . . . . .	27,325	3,983	101,197	132,505
Canadian Race Relations Foundation . . . . .	25,600		46	25,646
Canadian Tourism Commission . . . . .	15,825	8,345	6,044	30,214
Cape Breton Development Corporation <sup>(2)</sup> . . . . .	8,536	11,905	2,424	22,865
Cape Breton Growth Fund Corporation . . . . .	53,213			53,213
Defence Construction (1951) Limited. . . . .	7,731	7,212	1,483	16,426
Enterprise Cape Breton Corporation. . . . .	12,766	5,004	2,752	20,522
Federal Bridge Corporation Limited, The <sup>(3)</sup> . . . . .	25,273	6,528	168,680	200,481
International Development Research Centre. . . . .	46,125	1,314	7,344	54,783
Marine Atlantic Inc. . . . .	8,451		164,070	172,521
National Arts Centre Corporation . . . . .	10,477	423	25,068	35,968
National Capital Commission . . . . .	130,921	2,432	520,289	653,642
National Gallery of Canada. . . . .	10,812	215	102,273	113,300
National Museum of Science and Technology . . . . .	2,715	260	56,699	59,674
Queens Quay West Land Corporation. . . . .				
Standards Council of Canada . . . . .	3,326	1,263	1,688	6,277
Telefilm Canada . . . . .	6,095	39,894	10,808	56,797
VIA Rail Canada Inc. . . . .	106,793	14,899	580,776	702,468
<b>Total . . . . .</b>	<b>1,773,175</b>	<b>204,752</b>	<b>4,382,106</b>	<b>6,360,033</b>
Conversion to the Government accounting basis for consolidation purposes . . . . .	(12,265)		(78,692)	(90,957)
<b>Net Crown Corporations on the Government accounting basis. . . . .</b>	<b>1,760,910</b>	<b>204,752</b>	<b>4,303,414</b>	<b>6,269,076</b>
<b>Other<sup>(4)</sup></b>				
Aboriginal Healing Foundation . . . . .	18,609	52,814	507	71,930
Canada Foundation for Innovation . . . . .	1,940,755	774,172	1,806	2,716,733
Canada Foundation for Sustainable Development Technology . . . . .	494,212	45,144	300	539,656
Canada Millennium Scholarship Foundation . . . . .	645,833	709,676	1,962	1,357,471
<b>Total—Other . . . . .</b>	<b>3,099,409</b>	<b>1,581,806</b>	<b>4,575</b>	<b>4,685,790</b>
Conversion to the Government accounting basis for consolidation purposes . . . . .			(309)	(309)
<b>Net other on the Government accounting basis. . . . .</b>	<b>3,099,409</b>	<b>1,581,806</b>	<b>4,266</b>	<b>4,685,481</b>
<b>Total . . . . .</b>	<b>4,860,319</b>	<b>1,786,558</b>	<b>4,307,680</b>	<b>10,954,557</b>

(1) All Crown corporations listed in this table are parent Crown corporations except for the Old Port of Montreal Corporation Inc. and the Cape Breton Growth Fund Corporation.

(2) During the year, Cape Breton Development Corporation was reclassified from an enterprise Crown corporation presented in Section 9 of this volume to a consolidated Crown corporation.

Liabilities								
Third parties		Government, Crown corporations and other entities	Total liabilities	Accumulated profits (losses)	Contributed surplus	Capital stock	Equity of Canada	Total liabilities and equity
Borrowings	Other							
	3,266,194	39,415	3,305,609	(2,770,594)	504,446	15,000	(2,251,148)	1,054,461
	101,240	2,734	103,974	154,834	19,591	50,000	224,425	328,399
	6,960	15,142	22,102	(869)			(869)	21,233
	104,017	509,959	613,976	14,230	2,676		16,906	630,882
	962,732	607,187	1,569,919	30,985	4,000		34,985	1,604,904
	18,306	277,004	295,310	67,542			67,542	362,852
	45,417	92,869	138,286	(5,781)			(5,781)	132,505
	40		40	1,606	24,000		25,606	25,646
	27,537	5,410	32,947	(2,733)			(2,733)	30,214
	330,003	183,276	513,279	(490,414)			(490,414)	22,865
	4,292	109	4,401	48,812			48,812	53,213
	10,305	802	11,107	5,319			5,319	16,426
	7,239	227	7,466	13,056			13,056	20,522
	12,056	132,133	144,189	2,628	53,664		56,292	200,481
	26,768	14,672	41,440	13,343			13,343	54,783
	(5,412)	161,678	156,266	(242,275)		258,530	16,255	172,521
	16,669	22,006	38,675	(2,707)			(2,707)	35,968
	51,497	1,939	53,436	6,059	594,147		600,206	653,642
	9,156	100,093	109,249	1,075	2,976		4,051	113,300
	6,296	46,128	52,424	7,250			7,250	59,674
	3,230	600	3,830	2,447			2,447	6,277
	4,339	9,160	13,499	43,298			43,298	56,797
	(36,423)	596,101	559,678	128,527	4,963	9,300	142,790	702,468
	4,972,458	2,818,644	7,791,102	(2,974,362)	1,210,463	332,830	(1,431,069)	6,360,033
	(1,517)	(2,608,538)	(2,610,055)	4,062,391	(1,210,463)	(332,830)	2,519,098	(90,957)
	4,970,941	210,106	5,181,047	1,088,029			1,088,029	6,269,076
	706	71,224	71,930					71,930
	761	2,715,972	2,716,733					2,716,733
	942	538,714	539,656					539,656
	3,833	1,353,638	1,357,471					1,357,471
	6,242	4,679,548	4,685,790					4,685,790
		(4,679,548)	(4,679,548)	4,679,239			4,679,239	(309)
	6,242		6,242	4,679,239			4,679,239	4,685,481
	4,977,183	210,106	5,187,289	5,767,268			5,767,268	10,954,557

<sup>(3)</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, the Seaway International Bridge Corporation Limited and the St. Mary's River Bridge Company.

<sup>(4)</sup> Effective April 1, 2005, these entities have been retroactively included in the government reporting entity as the result of the application of a revised accounting standard as discussed in note 2 to the financial statements in Section 2 of this volume.

TABLE 4.2

## REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES FOR THE YEAR ENDED MARCH 31, 2006

(in thousands of dollars)

Consolidated Crown corporations and other entities	Revenues			
	Third parties	Government, Crown corporations and other entities		Total
		Financial assistance	Other	
<b>Crown corporations<sup>(1)</sup></b>				
Atomic Energy of Canada Limited.....	533,349	160,349	10,206	703,904
Canada Council for the Arts.....	28,444	151,683	2,064	182,191
Canada Lands Company Limited—				
Old Port of Montreal Corporation Inc.....	12,235	13,700	255	26,190
Canada Mortgage and Housing Corporation—				
Minister's Account.....		2,119,279		2,119,279
Canadian Air Transport Security Authority.....	1,417	290,145	56,341	347,903
Canadian Broadcasting Corporation.....	531,841	1,006,231	122,433	1,660,505
Canadian Dairy Commission—				
Dairy Support Operation Financed by the Government of Canada.....		3,494		3,494
Canadian Museum of Civilization.....	19,625	61,122	13,285	94,032
Canadian Museum of Nature.....	3,454	28,760	936	33,150
Canadian Race Relations Foundation.....	1,577			1,577
Canadian Tourism Commission.....	7,120	90,167	1,698	98,985
Cape Breton Development Corporation.....	2,618	56,905		59,523
Cape Breton Growth Fund Corporation.....	1,267			1,267
Defence Construction (1951) Limited.....	165		42,481	42,646
Enterprise Cape Breton Corporation.....	2,068	8,645		10,713
Federal Bridge Corporation Limited, The.....	11,097	24,586	3,628	39,311
International Development Research Centre.....	10,105	131,955	10,723	152,783
Marine Atlantic Inc.....	68,297	61,993	21,482	151,772
National Arts Centre Corporation.....	23,653	32,547	4,920	61,120
National Capital Commission.....	47,115	93,093	10,059	150,267
National Gallery of Canada.....	9,454	52,168		61,622
National Museum of Science and Technology.....	3,030	27,408	757	31,195
Queens Quay West Land Corporation.....	1,963	4,000		5,963
Standards Council of Canada.....	6,025	6,929	1,185	14,139
Telefilm Canada.....	40,746	122,476	68,870	232,092
VIA Rail Canada Inc.....	295,206	169,001	58,610	522,817
Total.....	1,661,871	4,716,636	429,933	6,808,440
Conversion to the Government accounting basis for consolidation purposes.....	40,419	252,744	(279,556)	13,607
Total on the Government accounting basis.....	1,702,290	4,969,380	150,377	6,822,047
Consolidation adjustments.....	5,752	(4,969,380)	(150,377)	(5,114,005)
Net amount Crown Corporations.....	1,708,042			1,708,042
<b>Other</b>				
Aboriginal Healing Foundation.....	2,884		40,138	43,022
Canada Foundation for Innovation.....	103,051		44,797	147,848
Canada Foundation for Sustainable Development Technology.....	4,220		563	4,783
Canada Millennium Scholarship Foundation.....	29,931		40,062	69,993
Total.....	140,086		125,560	265,646
Conversion to the Government accounting basis for consolidation purposes.....	17,977	40,000	(388)	57,589
Total on the Government accounting basis.....	158,063	40,000	125,172	323,235
Consolidation adjustments.....	49,676	(40,000)	(125,172)	(115,496)
Net amount Other.....	207,739			207,739
Total.....	1,915,781			1,915,781

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

<sup>(1)</sup> 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 \$219 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, Crown corporations and other entities	Total				Dividends	Capital	
647,449	50,964	698,413	5,491	(2,231,021)	(25,618)			(2,251,148)
162,362		162,362	19,829	205,068	(472)			224,425
28,486		28,486	(2,296)	891	536			(869)
2,119,279		2,119,279						
349,182		349,182	(1,279)	18,185				16,906
1,671,959	32,733	1,704,692	(44,187)	75,172		4,000		34,985
3,494		3,494						
78,270	11,413	89,683	4,349	44,995	18,198			67,542
28,492	5,148	33,640	(490)	(5,291)				(5,781)
1,330		1,330	247	25,359				25,606
99,835		99,835	(850)	(1,436)	(447)			(2,733)
26,972	76,328	103,300	(43,777)		(446,637)			(490,414)
19,610	361	19,971	(18,704)	67,516				48,812
41,187		41,187	1,459	3,860				5,319
8,691	67	8,758	1,955	11,101				13,056
38,320		38,320	991	55,301				56,292
150,880		150,880	1,903	11,440				13,343
148,309		148,309	3,463	12,792				16,255
60,413	1,791	62,204	(1,084)	(1,623)				(2,707)
123,026	8,058	131,084	19,183	607,966	(26,943)			600,206
51,471	9,865	61,336	286	3,765				4,051
28,328	5,217	33,545	(2,350)	9,600				7,250
4,901		4,901	1,062	(27,569)	26,507			
14,000	36	14,036	103	2,344				2,447
221,762	3,516	225,278	6,814	36,484				43,298
492,470	7,443	499,913	22,904	119,886				142,790
6,620,478	212,940	6,833,418	(24,978)	(955,215)	(454,876)	4,000		(1,431,069)
469,795	(143,824)	325,971	(312,364)	2,380,586	454,876	(4,000)		2,519,098
7,090,273	69,116	7,159,389	(337,342)	1,425,371				1,088,029
(114,430)	(69,116)	(183,546)	(4,930,459)		4,930,459			
6,975,843		6,975,843	(5,267,801)	1,425,371	4,930,459			1,088,029
56,838		56,838	(13,816)		13,816			
437,103	90	437,193	(289,345)		289,345			
8,789		8,789	(4,006)		4,006			
338,460	24	338,484	(268,491)		268,491			
841,190	114	841,304	(575,658)		575,658			
(263)	(35)	(298)	57,887	5,197,010	(575,658)			4,679,239
840,927	79	841,006	(517,771)	5,197,010				4,679,239
(76,462)	(79)	(76,541)	(38,955)		38,955			
764,465		764,465	(556,726)	5,197,010	38,955			4,679,239
7,740,308		7,740,308	(5,824,527)	6,622,381	4,969,414			5,767,268

## Contingent Liabilities of Consolidated Crown Corporations and Other Entities

Table 4.3 summarizes the contingent liabilities of the consolidated Crown corporations and other entities. 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 AND OTHER ENTITIES

(in thousands of dollars)

	March 31, 2006
<i>Agent Crown corporations</i>	
National Capital Commission—Environmental, miscellaneous litigations and agreements .....	327,825
<i>Non-agent Crown corporations</i>	
International Development Research Centre—Miscellaneous litigations.....	500
Marine Atlantic Inc.—Site contamination lawsuit, miscellaneous litigations .....	2,019
<b>Total .....</b>	<b>330,344</b>

## 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.

Payments to other entities are recorded as transfer payments and are disclosed in Volume II.

**TABLE 4.4**

### FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2006

(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 . . . . .	158,849		158,849
Canada Mortgage and Housing Corporation <sup>(2)</sup> . . . . .	2,119,279		2,119,279
Canadian Air Transport Security Authority . . . . .	428,766		428,766
Canadian Broadcasting Corporation . . . . .	1,006,231	91,510	1,097,741
Canadian Dairy Commission . . . . .	3,494		3,494
Canadian Tourism Commission . . . . .	99,147		99,147
Canadian Museum of Civilization . . . . .	61,043		61,043
Canadian Museum of Nature . . . . .	56,150		56,150
Cape Breton Development Corporation . . . . .	56,905		56,905
Enterprise Cape Breton Corporation . . . . .	8,645		8,645
Federal Bridge Corporation Limited, The . . . . .	31,288		31,288
National Capital Commission . . . . .	70,195	22,898	93,093
National Gallery of Canada . . . . .	38,126	8,000	46,126
National Museum of Science and Technology . . . . .	26,921		26,921
Telefilm Canada <sup>(3)</sup> . . . . .	124,671		124,671
	<u>4,289,710</u>	<u>122,408</u>	<u>4,412,118</u>
<u>Non-agent Crown corporations</u>			
Canada Council for the Arts . . . . .	150,378		150,378
International Development Research Centre . . . . .	128,174		128,174
Marine Atlantic Inc. . . . .	70,233		70,233
National Arts Centre Corporation . . . . .	32,547		32,547
Standards Council of Canada . . . . .	6,929		6,929
VIA Rail Canada Inc. . . . .	169,001		169,001
	<u>557,262</u>		<u>557,262</u>
<b>Total . . . . .</b>	<b>4,846,972</b>	<b>122,408</b>	<b>4,969,380</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 1/2005	Revenues and other credits		Expenses and other debits		March 31/2006
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Insurance accounts—						
Agriculture and Agri-Food—						
Crop Reinsurance Fund . . . . .	64,048,669	88,301,554		5,570,542	27,620,000	119,159,681
Less: interest-bearing loans . . . . .	553,714,751 (489,666,082)	88,301,554		5,570,542	27,620,000	526,094,751 (406,935,070)
Agricultural Commodities Stabilization						
Accounts . . . . .	638,456 (489,027,626)	19,765 88,321,319		5,570,542		658,221 (406,276,849)
Finance—						
Investors' Indemnity						
Account . . . . .	45,303					45,303
Health—						
Health Insurance Supplementary Account . .	28,387					28,387
Human Resources and Social Development—						
Department—						
Human Resources and Skills						
Development—						
Employment Insurance Account,						
Table 4.6 . . . . .	48,547,419,382	16,614,714,893	1,705,186,233	14,564,493,378	1,486,565,018	50,816,262,112
Natural Resources—						
Canadian Nuclear Safety Commission—						
Nuclear Liability Reinsurance						
Account . . . . .	832,799	274,754				1,107,553
Transport—						
Ship-Source						
Oil Pollution						
Fund . . . . .	339,108,935	6,800	12,308,953	412,996	168,974	350,842,718
Total insurance accounts . . . . .	48,398,407,180	16,703,317,766	1,717,495,186	14,570,476,916	1,486,733,992	50,762,009,224

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	Revenues and other credits			Expenses and other debits		March 31/2006
	April 1/2005	External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Other consolidated specified purpose accounts—						
Canadian Heritage—						
National Battlefields Commission—						
Trust Fund . . . . .	390,023	600	10,267			400,890
Environment—						
Environmental Damages Fund . . . . .	1,353,443	355,632		249,141		1,459,934
Parks Canada Agency—						
New Parks and Historic Sites						
Account . . . . .	14,887,206	817,379	3,030,592	2,300,085	3,763,135	12,671,957
	16,240,649	1,173,011	3,030,592	2,549,226	3,763,135	14,131,891
Finance—						
Canadian Commercial Bank and						
Northland Bank Holdback Account . . . . .	246,223,464					246,223,464
Fisheries and Oceans—						
Supplementary Fines Fish						
Account . . . . .	637,099	252,660	3,000	214,636		678,123
Indian Affairs and Northern Development—						
Environmental Studies Research Fund . . . . .	553,884		459,905		493,000	520,789
Natural Resources—						
Environmental Studies Research Fund . . . . .	2,561,870	2,499,607			2,510,000	2,551,477
Public Works and Government Services—						
Seized Property Proceeds						
Account . . . . .	15,595,728	26,474,711		9,225,754		32,844,685
Transport—						
Fines for the Transportation of						
Dangerous Goods . . . . .	610,690	43,500		55,593		598,597
Total other consolidated specified purpose accounts . . . . .	282,813,407	30,444,089	3,503,764	12,045,209	6,766,135	297,949,916
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 . . . . .	4,038,972	38,214				4,077,186
Social Sciences and Humanities						
Research Council—						
Queen's Fellowship Fund . . . . .	250,000					250,000
Total endowment principal . . . . .	4,654,239	38,214				4,692,453
Total . . . . .	48,685,874,826	16,733,800,069	1,720,998,950	14,582,522,125	1,493,500,127	51,064,651,593

## Insurance Accounts

For the following Insurance Accounts, revenues and other credits from outside parties totalled \$16,703 million (\$17,472 million in 2005) while expenses and other debits to outside parties totalled \$14,570 million (\$15,033 million in 2005) and are reported as expenses in the Statement of Operations.

Revenues and other credits of \$1,717 million (\$1,329 million in 2005) and expenses and other debits of \$1,487 million (\$1,453 million in 2005) 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 rate for each \$100 of insurable earnings was \$1.95 from April 1, 2005 to December 31, 2005. From January 1, 2006 to March 31, 2006, the rate was \$1.87 for employees without a Provincial Parental Insurance Plan and \$1.53 for the others.

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)

	2005-2006	2004-2005
<b>REVENUES AND OTHER CREDITS—</b>		
Premiums—		
Employers and employees <sup>(1)</sup> . . . . .	16,917	17,655
Penalties and interest revenue . . . . .	80	79
Interest earned. . . . .	1,323	968
	<u>18,320</u>	<u>18,702</u>
<b>EXPENSES AND OTHER DEBITS—</b>		
Benefits . . . . .	13,526	13,856
Transfers to the provinces—		
Part II . . . . .	891	892
Administration costs. . . . .	1,486	1,452
Administration cost		
transferred to provinces . . . . .	92	92
Bad debts. . . . .	56	95
	<u>16,051</u>	<u>16,387</u>
Net change . . . . .	2,269	2,315
Balance at beginning of year . . . . .	48,547	46,232
Balance at end of year . . . . .	<u>50,816</u>	<u>48,547</u>

<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 \$382 million (\$348 million in 2005).

**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 \$30 million (\$32 million in 2005) are reported while expenses and other debits to outside parties of \$12 million (\$33 million in 2005) are reported in the Statement of Operations.

Revenues and other credits of \$4 million (\$2 million in 2005), and expenses and other debits of \$7 million (\$5 million in 2005) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

**Trust Fund—National Battlefields Commission**

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 \$38,000 (\$51,000 in 2005) 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 in accordance with Canadian generally accepted accounting principles for the public sector, by the management of Service Canada with the concurrence of the management of the Canada Employment Insurance Commission (the Commission).

Management is responsible for the integrity and objectivity of the information in the financial statements, including the amounts which must, of necessity, be based on best estimates and judgement. The significant accounting policies are identified in Note 2 to the financial statements.

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 Social 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.

SYLVIE C. LAFONTAINE, CA  
*Chief Financial Officer*  
*Service Canada*

SHERRY HARRISON, CMA  
*Comptroller*  
*Human Resources and Social*  
*Development Canada*

MARYANTONETT FLUMIAN  
*Deputy Head*  
*Service Canada*

JANICE CHARETTE  
*Chairperson of the Canada*  
*Employment Insurance Commission*

August 18, 2006

#### AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND  
SOCIAL DEVELOPMENT

I have audited the balance sheet of the Employment Insurance Account as at March 31, 2006 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, 2006 and the results of its operations 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 18, 2006

**Employment Insurance Account—Continued**

BALANCE SHEET AS AT MARCH 31

(in thousands of dollars)

ASSETS	2006	2005	LIABILITIES	2006	2005
Balance of the account with Receiver			Unredeemed warrants .....	57,829	88,492
General for Canada (Note 7).....	49,432,552	47,379,278	Benefits payable .....	551,368	532,532
Premiums receivable .....	1,317,023	1,439,331	Amounts payable (Note 5) .....	17,471	135,384
Due from claimants				626,668	756,408
(Note 3) .....	496,209	474,591			
Amounts receivable (Note 4) .....	183,703		ACCUMULATED SURPLUS.....	50,817,763	48,549,164
Advances—Employment benefits					
and support measures.....	14,944	12,372			
	51,444,431	49,305,572		51,444,431	49,305,572

Contingencies (Note 11)

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

Approved by:

SYLVIE C. LAFONTAINE, CA  
*Chief Financial Officer*  
*Service Canada*

SHERRY HARRISON, CMA  
*Comptroller*  
*Human Resources and Social*  
*Development Canada*

MARYANTONETT FLUMIAN  
*Deputy Head*  
*Service Canada*

JANICE CHARETTE  
*Chairperson of the Canada*  
*Employment Insurance Commission*

**Employment Insurance Account—Continued**STATEMENT OF OPERATIONS AND  
ACCUMULATED SURPLUS  
FOR THE YEAR ENDED MARCH 31  
(in thousands of dollars)

	2006	2005
<b>Revenue</b>		
Premiums (Note 6) .....	16,916,659	17,654,806
Interest on the balance of the account with Receiver General for Canada (Note 7) .....	1,323,562	967,996
Penalties .....	50,422	51,228
Interest on overdue accounts receivable (Note 3) .....	28,284	26,601
	<u>18,318,927</u>	<u>18,700,631</u>
<b>Expenses</b>		
Benefits and support measures (Note 8 and Schedule) .....	14,418,416	14,748,446
Administration costs (Note 9) .....	1,576,244	1,541,659
Bad debts .....	55,668	94,509
	<u>16,050,328</u>	<u>16,384,614</u>
Surplus for the year .....	2,268,599	2,316,017
Accumulated surplus at the beginning of the year .....	48,549,164	46,233,147
Accumulated surplus at the end of the year .....	50,817,763	48,549,164

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)

	2006	2005
<b>Operating activities</b>		
<b>Cash receipts:</b>		
Premiums .....	17,038,966	17,372,049
Interest received .....	1,323,562	967,996
Recoveries of benefit overpayments and penalties .....	291,117	289,044
	<u>18,653,645</u>	<u>18,629,089</u>
<b>Cash payments:</b>		
Benefits and support measures .....	(14,882,946)	(14,974,550)
Administration costs .....	(1,686,762)	(1,399,542)
	<u>(16,569,708)</u>	<u>(16,374,092)</u>
Net increase in cash and cash equivalents .....	2,083,937	2,254,997
<b>Cash and cash equivalents</b>		
Beginning of year .....	47,290,786	45,035,789
End of year .....	<u>49,374,723</u>	<u>47,290,786</u>
<b>Cash and cash equivalents at end of year are represented by</b>		
Balance of the account with Receiver General for Canada .....	49,432,552	47,379,278
Unredeemed warrants .....	(57,829)	(88,492)
	<u>49,374,723</u>	<u>47,290,786</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## 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. During the year, an agreement has been entered into with the province of Ontario and will be implemented in January 2007. Agreements with all other provinces and territories have already been entered into and implemented.

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006—Continued

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.

The Act also authorizes the Government of Canada to enter into a premium reduction agreement with a province, to allow for a regulatory scheme to make the necessary adjustments and modifications to the Act. This is required to harmonize it with a provincial law that has the effect of reducing or eliminating the special benefits payable under the *Employment Insurance Act*. An agreement with the province of Quebec has been entered into and implemented in January 2006 for that province's parental insurance plan.

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 the public sector.

(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 Revenue Agency (CRA) 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, including self-employed fishers, while they look for work. This includes work-sharing agreements for temporary work shortages. It also includes special benefits such as maternity, parental, sickness and compassionate care benefits. 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 and employed persons if they are facing a loss of their employment. These expenses include the direct 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 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.

(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 for the public sector 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.

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006—Continued

## 3. Due from claimants

	2006	2005
	(in thousands of dollars)	
Benefit overpayments receivable.....	479,077	469,690
Amount of penalties receivable.....	196,080	219,635
	675,157	689,325
Less: allowance for doubtful accounts.....	363,000	397,917
	312,157	291,408
Estimated benefit repayments receivable from higher income claimants.....	184,052	183,183
	496,209	474,591

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 \$289 million were established (\$254 million in 2004-2005). Interest charges on overpayments totalled \$18 million (\$16 million in 2004-2005).

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 \$51 million (\$52 million in 2004-2005). Interest charges on penalties totalled \$10 million (\$11 million in 2004-2005).

During 2005-2006, the Commission recovered \$291 million (\$289 million in 2004-2005) of benefit overpayments and penalties. Uncollectible benefit overpayments and penalties written off during the year amounted to \$91 million (\$48 million in 2004-2005).

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 receivable

	2006	2005
	(in thousands of dollars)	
From Canada		
Administration costs.....	14,929	
Amount to be recovered for the social insurance number registry.....	1,415	
	16,344	
From provinces		
Benefits to be recovered under Quebec provincial Insurance Plan.....	167,359	
	183,703	

The Canada-Quebec agreement relative to the new Quebec Parental Insurance Plan (QPIP) signed in March 2005 has been implemented on January 1, 2006. During the transition period of the QPIP (January 1 to December 31, 2006), Canada continues to pay active maternity, parental and adoption (MPA) claims whose benefit period started before the implementation of the QPIP or for births or adoptions that took place before the implementation of the QPIP. As per the agreement, at the end of the transition period, Quebec will reimburse Canada for these MPA benefits paid out by Canada to Quebec residents. Therefore, an account receivable from Quebec has been recorded in the financial statements for the benefits paid from January to March 2006. The account receivable has been reduced by overpayments established for benefits paid during this period.

## 5. Amounts payable

	2006	2005
	(in thousands of dollars)	
To Canada		
Administration costs.....	9,243	103,417
Tax deductions from warrants.....	3,956	24,570
Recoupments from warrants.....	1,941	2,507
	15,140	130,494
To provinces		
Recoupments from warrants.....	1,889	2,014
Quebec tax deductions from warrants.....	424	2,856
Amounts payable related to Labour Market Development Agreements.....	18	20
	2,331	4,890
	17,471	135,384

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006—Continued

6. Premiums

Premiums for the year are measured by the CRA 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 2005 and 2006 will only be known once the CRA 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.

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 2005, the total amount of reductions is estimated at \$566 million (\$535 million in 2004). Actual reductions for the calendar year 2004 were \$549 million (\$522 million in 2003). 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 per the Act, the premium rate for the year 2004 was set at 1.98 percent. The 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 2006, the premium rate was determined under a new rate-setting mechanism. Pursuant to section 66(1) of the Act, the rate for the year 2006 was set by the Commission. In setting the rate, the Commission relied 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, took into account the report of the chief actuary to the Commission and any public input.

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

	2006	2005	2004
	(in dollars)		
For employees.....	1.87	1.95	1.98
For employers (calculated at 1.4 times the employee rate).....	2.62	2.73	2.77

7. 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 2.21 percent and 3.40 percent during the year (1.78 percent and 2.39 percent in 2004-2005). The rate for March 2006 was 3.40 percent (2.25 percent for March 2005).

8. 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, 2006, these undetected overpayments and underpayments are estimated to be \$529 million and \$170 million respectively (\$400 million and \$191 million for the 12 months ended March 31, 2005). 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.

9. Administration costs

	2006	2005
	(in thousands of dollars)	
Administration costs .....	1,493,892	1,458,432
Add: Administration costs incurred by provinces and territories .....	91,637	91,636
Less: Recovery of costs for maintaining the social insurance number registry and issuing replacement cards .....	(9,285)	(8,409)
	1,576,244	1,541,659

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006—Concluded

## 10. 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 at exchange value, 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 \$105 million (\$110 million in 2004-2005) charged by Public Works and Government Services Canada for accommodation and rental costs, and \$103 million (\$103 million in 2004-2005) by the Canada 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 \$382 million (\$348 million in 2004-2005).

## 11. 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 was heard in February 2006 and a decision is expected before the end of 2006. 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.

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

	2006	2005
Part I—Income benefits		
Regular .....	8,410,587	8,668,593
Fishing .....	285,353	313,047
Worksharing .....	12,989	11,201
	8,708,929	8,992,841
Special benefits		
Parental .....	2,036,911	2,081,156
Maternity .....	903,038	924,837
Sickness .....	835,432	796,618
Adoption .....	27,093	31,291
Compassionate care .....	7,612	7,219
	3,810,086	3,841,121
	12,519,015	12,833,962
Part II—Employment benefits and support measures		
Employment benefits		
Skills development .....	409,833	428,909
Self-employment .....	106,723	115,443
Job creation partnerships .....	53,735	70,620
Targeted wage subsidies .....	42,077	47,551
	612,368	662,523
Support measures		
Employment assistance .....	321,887	323,683
Labour market partnerships .....	177,293	173,410
Research and innovation .....	15,474	16,576
	514,654	513,669
Transfer payments to provinces and territories .....	889,349	890,945
	2,016,371	2,067,137
Benefits and support measures .....	14,535,386	14,901,099
Less: Benefit repayments received or receivable from higher income claimants .....	116,970	152,653
	14,418,416	14,748,446

**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

2005-2006

*PUBLIC ACCOUNTS OF CANADA*

## Accounts Payable and Accrued Liabilities

### CONTENTS

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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.

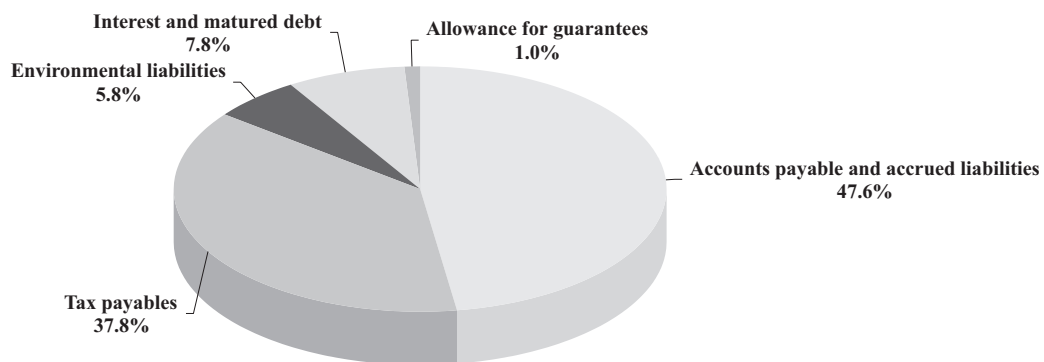
Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 5.1**  
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31/2006	March 31/2005 <sup>(1)</sup>
	\$	\$
Accounts payable and accrued liabilities, Table 5.2 .....	48,263,241,092	46,044,586,391
Tax payables, Table 5.6 .....	38,401,820,114	35,649,729,478
Environmental liabilities, Table 5.7 .....	5,861,104,000	5,624,000,000
Interest and matured debt, Table 5.8 .....	7,874,889,793	8,103,925,577
Allowance for guarantees, Table 5.9 .....	1,031,263,180	2,317,500,000
<b>Total .....</b>	<b>101,432,318,179</b>	<b>97,739,741,446</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, 2006



## 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 31/2006	March 31/2005 <sup>(1)</sup>
	\$	\$
Accounts payable .....	35,706,886,851	35,893,719,072
Add: consolidation adjustment <sup>(2)</sup> .....	1,534,516,000	1,161,635,000
	<i>37,241,402,851</i>	<i>37,055,354,072</i>
Accrued salaries and benefits .....	2,325,502,319	2,478,158,412
Notes payable to international organizations, Table 5.3 .....	536,315,122	540,732,742
Provincial and territorial tax collection agreements account, Table 5.4 .....	6,012,377,628	3,695,983,617
Miscellaneous payroll deductions .....	142,184,329	137,208,408
Cross-currency swap revaluation account <sup>(3)</sup> .....		
Other .....	219,672,676	141,284,322
Deferred revenues, Table 5.5 .....	1,785,786,167	1,995,864,818
<b>Total .....</b>	<b>48,263,241,092</b>	<b>46,044,586,391</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 and other entities is provided in Section 4 of this volume.

<sup>(3)</sup> This account is now reported in Table 6.1 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 and other entities.

### 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, 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 1/2005	Receipts and other credits		Payments and other charges		March 31/2006
		Note issuances	Revaluation <sup>(1)</sup>	Note encashment	Revaluation <sup>(1)</sup>	
	\$	\$	\$	\$	\$	\$
Finance—						
European Bank for Reconstruction and Development . . . . .	17,629,190	9,063,817		9,157,095	513,018	17,022,894
International Bank for Reconstruction and Development (World Bank) . . . . .	29,009,682				997,687	28,011,995
International Development Association . . . . .	239,741,000	78,529,000				318,270,000
Multilateral Investment Guarantee Agency . . . . .	3,880,555				133,458	3,747,097
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
Asian Development Bank . . . . .	3,079,684		729,590	3,809,274		
Caribbean Development Bank . . . . .	7,888,771				86,943	7,801,828
Inter-American Development Bank . . . . .	21,755				21,755	
International financial institutions—						
Asian Development Fund . . . . .	116,456,361			53,140,001		63,316,360
Caribbean Development Bank—Special . . . . .	54,711,943	13,585,000		18,723,796		49,573,147
Global Environment Facility Trust Fund . . . . .	68,313,801	70,318,566		90,060,566		48,571,801
	<i>239,482,105</i>	<i>83,903,566</i>		<i>161,924,363</i>		<i>161,461,308</i>
Total . . . . .	540,732,742	171,496,383	729,590	174,890,732	1,752,861	536,315,122

<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 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Total Personal Income Tax administered by				
Canada Revenue Agency .....	2,543,140,819	43,610,613,722		46,153,754,541
Less: payments to provinces and territories—				
Newfoundland and Labrador .....			841,751,573	841,751,573
Prince Edward Island .....			198,533,026	198,533,026
Nova Scotia .....			1,539,015,997	1,539,015,997
New Brunswick .....			1,085,880,882	1,085,880,882
Ontario .....			23,545,157,267	23,545,157,267
Manitoba .....			1,823,264,268	1,823,264,268
Saskatchewan .....			1,439,383,356	1,439,383,356
Alberta .....			5,879,571,771	5,879,571,771
British Columbia .....			5,780,116,602	5,780,116,602
Yukon .....			42,132,192	42,132,192
Northwest Territories .....			45,823,494	45,823,494
Nunavut .....			15,066,194	15,066,194
First Nations .....			9,850,049	9,850,049
			42,245,546,671	42,245,546,671
<b>Total personal income tax on hand .....</b>	<b>2,543,140,819</b>	<b>43,610,613,722</b>	<b>42,245,546,671</b>	<b>3,908,207,870</b>

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Concluded*

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Total Corporate Income Tax administered by Canada Revenue Agency .....	1,114,723,090	3,913,989,899		5,028,712,989
Less: payments to provinces and territories—				
Newfoundland and Labrador .....			184,747,881	184,747,881
Prince Edward Island .....			35,215,555	35,215,555
Nova Scotia .....			419,876,020	419,876,020
New Brunswick .....			186,602,936	186,602,936
Ontario .....			109,027,041	109,027,041
Quebec .....			30,183,386	30,183,386
Manitoba .....			367,157,183	367,157,183
Saskatchewan .....			387,810,613	387,810,613
Alberta .....			27,270,164	27,270,164
British Columbia .....			1,432,094,910	1,432,094,910
Yukon .....			1,998,175	1,998,175
Northwest Territories .....			27,398,065	27,398,065
Nunavut .....			7,017,019	7,017,019
			<i>3,216,398,948</i>	<i>3,216,398,948</i>
<b>Total corporate income tax on hand .....</b>	<b>1,114,723,090</b>	<b>3,913,989,899</b>	<b>3,216,398,948</b>	<b>1,812,314,041</b>
Total Harmonized Sales Tax administered by Canada Revenue Agency .....	37,589,806	2,544,206,652		2,581,796,458
Less: payments to provinces and territories—				
Newfoundland and Labrador .....			539,266,726	539,266,726
Nova Scotia .....			976,989,514	976,989,514
New Brunswick .....			774,448,928	774,448,928
			<i>2,290,705,168</i>	<i>2,290,705,168</i>
<b>Total harmonized sales tax on hand .....</b>	<b>37,589,806</b>	<b>2,544,206,652</b>	<b>2,290,705,168</b>	<b>291,091,290</b>
Total First Nations' Sales Tax administered by Canada Revenue Agency .....	361,233	6,173,435		6,534,668
Less: payments to First Nations .....			6,111,517	6,111,517
<b>Total First Nations' Sales Tax on hand .....</b>	<b>361,233</b>	<b>6,173,435</b>	<b>6,111,517</b>	<b>423,151</b>
Total First Nations' Goods and Services Sales Tax administered by Canada Revenue Agency .....	168,669	2,705,004		2,873,673
Less: payments to First Nations .....			2,532,397	2,532,397
<b>Total First Nations' Goods and Services Sales Tax on hand .....</b>	<b>168,669</b>	<b>2,705,004</b>	<b>2,532,397</b>	<b>341,276</b>
<b>Total .....</b>	<b>3,695,983,617</b>	<b>50,077,688,712</b>	<b>47,761,294,701</b>	<b>6,012,377,628</b>

**Miscellaneous payroll deductions**

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

**Other**

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

## 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 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Deferred revenues—				
Citizenship and Immigration—				
Service fees for immigration and citizenship . . . . .	337,957,661	210,347,344	265,429,343	282,875,662
Industry—				
Spectrum licence fees and other fees . . . . .	1,426,831,402	241,536,967	385,037,402	1,283,330,967
Public Safety and Emergency Preparedness—				
Royal Canadian Mounted Police—				
Provincial arrangement on capital assets . . . . .	100,269,009		25,185,306	75,083,703
Other departments . . . . .	74,440,907	29,866,835	11,665,479	92,642,263
<b>Total . . . . .</b>	<b>1,939,498,979</b>	<b>481,751,146</b>	<b>687,317,530</b>	<b>1,733,932,595</b>
Other deferred revenues—Specified purpose accounts—				
Donation and bequest accounts—				
Agriculture and Agri-Food—				
Shared-cost agreements—Research . . . . .	19,752,455	14,421,465	16,908,139	17,265,781
Canadian Heritage—				
Library and Archives of Canada—				
Special operating account . . . . .	206,679	679,064	447,747	437,996
Environment—				
Endangered species—Donations . . . . .	4,111	40,500		44,611
Parks Canada Agency—				
Pacific Rim Mitigation Fund . . . . .	2,375,000		125,000	2,250,000
	2,379,111	40,500	125,000	2,294,611
Fisheries and Oceans—				
Restricted donations . . . . .	264,067	24,500	101,658	186,909
Foreign Affairs and International Trade—				
Department—				
Foreign Affairs—				
Canadian Landmine Action Fund . . . . .	772			772
Governor General—				
Dotations—Rideau Hall . . . . .	4,450	10,000		14,450
Health—				
Canadian Institutes of Health Research—				
Donations for research . . . . .	9,097,250	14,745,814	9,499,208	14,343,856
Human Resources and Social Development—				
Canadian Centre for Occupational Health and Safety—				
Donations . . . . .	90,427			90,427
Industry—				
Prime Minister's Awards and other deposits . . . . .	2,209,576	1,991,644	1,750,548	2,450,672
Canadian Space Agency—				
Space training project . . . . .	61,215	77,370	68,827	69,758
National Research Council of Canada—				
Trust fund . . . . .	19,992,203	30,982,778	38,945,332	12,029,649
Natural Sciences and Engineering Research Council—				
Trust fund . . . . .	250			250
Social Sciences and Humanities Research Council—				
Trust fund . . . . .	401,021	6,535	10,000	397,556
	22,664,265	33,058,327	40,774,707	14,947,885
National Defence—				
Corporate sponsorships and donations . . . . .	99,579	62,913	50,301	112,191

TABLE 5.5

DEFERRED REVENUES—*Concluded*

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Public Safety and Emergency Preparedness—				
Royal Canadian Mounted Police—				
Mounted Police Foundation .....		75,000	75,000	
Royal Canadian Mounted Police Pipe Band (NCR) .....	11,110	19,442	10,057	20,495
Sponsorship Agreement—Contributions .....	520,329	55,090	151,529	423,890
	531,439	149,532	236,586	444,385
Treasury Board—				
Canada School of Public Service—				
Donations .....	13,787			13,787
Total—Donation and bequest accounts .....	55,104,281	63,192,115	68,143,346	50,153,050
Endowment interest accounts—				
Environment—				
Parks Canada Agency—				
Laurier House—Interest (Mackenzie King trust account) .....		9,743	9,743	
Health—				
Canadian Institutes of Health Research—				
Endowments for health research .....	2,245	1,702		3,947
Industry—				
National Research Council of Canada—				
H.L. Holmes Fund .....	31,953	50,000	80,120	1,833
Social Sciences and Humanities Research Council—				
Queen's Fellowship Fund .....	65,862	8,291		74,153
	97,815	58,291	80,120	75,986
Transport (Transport, Infrastructure and Communities)—				
Shared-cost agreements—Transportation research and development .....	1,161,498	971,438	512,347	1,620,589
Total—Endowment interest accounts .....	1,261,558	1,041,174	602,210	1,700,522
Total—Other deferred revenues—Specified purpose accounts .....	56,365,839	64,233,289	68,745,556	51,853,572
Total—Deferred revenues .....	1,995,864,818	545,984,435	756,063,086	1,785,786,167

**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.

**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 and other deposits**

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 and amounts deposited by customers to be used for payments of services provided by Industry Canada.

**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.

**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.

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

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

**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**

This account was established under the authority provided by section 5(h) of the *Canada School of Public Service Act* in order to account for funds provided to the Canada School of Public Service as a gift to further the objects of the School.

**Laurier House—Interest (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 31/2006	March 31/2005
	\$	\$
Personal and non-resident income tax .....	23,194,843,200	20,246,505,961
Corporate income tax .....	7,922,379,844	8,724,474,418
Goods and services tax .....	7,203,655,462	6,562,211,935
Customs and excise .....	80,941,608	116,537,164
<b>Total .....</b>	<b>38,401,820,114</b>	<b>35,649,729,478</b>

### 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 2,700 contaminated sites (2,200 contaminated sites in 2005) for which a liability of \$3,014 million (\$2,874 million in 2005) has been recorded. The contingent liabilities associated with contaminated sites are disclosed in Section 11 of this volume.

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

**TABLE 5.7**  
**ENVIRONMENTAL LIABILITIES**

	March 31/2006	March 31/2005
	\$	\$
Contaminated sites .....	3,014,348,000	2,874,000,000
Atomic Energy of Canada Limited's nuclear facility decommissioning .....	2,846,756,000	2,750,000,000
Total .....	5,861,104,000	5,624,000,000

## Interest and Matured Debt

Interest and matured debt includes interest due, interest accrued and matured 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 31/2006	March 31/2005
	\$	\$
Interest due .....	3,250,826,889	3,295,022,776
Interest accrued .....	4,497,888,204	4,655,217,678
Matured debt .....	126,174,700	153,685,123
<b>Total .....</b>	<b>7,874,889,793</b>	<b>8,103,925,577</b>

Note: Unamortized discounts, premiums and commissions on market debt are now reported in Table 6.9 of this volume.

### 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.

### 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 31/2006	March 31/2005
	\$	\$
Allowance for loan guarantees .....	597,400,000	578,000,000
Allowance for borrowings of Crown corporations .....	433,863,180	1,739,500,000
<b>Total .....</b>	<b>1,031,263,180</b>	<b>2,317,500,000</b>

### 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

2005-2006

*PUBLIC ACCOUNTS OF CANADA*

## Interest-Bearing Debt

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## 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 1/2005 <sup>(1)</sup>	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Unmatured debt <sup>(2)</sup> —				
Payable in Canadian currency—				
Marketable bonds, Table 6.2	265,798,244,615	51,991,810,379	56,655,905,000	261,134,149,994
Treasury bills, Table 6.3	127,198,634,000	309,900,000,000	305,501,966,000	131,596,668,000
Canada savings, Canada premium and Canada investment bonds, Table 6.4	19,080,010,233	1,839,544,196	3,577,368,620	17,342,185,809
Non-marketable bonds and notes, Table 6.5	3,392,623,537		290,436,050	3,102,187,487
	<i>415,469,512,385</i>	<i>363,731,354,575</i>	<i>366,025,675,670</i>	<i>413,175,191,290</i>
Payable in foreign currencies—				
Marketable bonds, Table 6.2	9,638,518,145	9,747,685	2,295,348,772	7,352,917,058
Canada bills, Table 6.6	3,861,924,999	15,849,742,488	14,977,882,623	4,733,784,864
Canada notes, Table 6.7	1,128,000,000		631,850,000	496,150,000
Euro medium-term notes, Table 6.8	1,657,464,038		155,873,366	1,501,590,672
	<i>16,285,907,182</i>	<i>15,859,490,173</i>	<i>18,060,954,761</i>	<i>14,084,442,594</i>
Total—Market debt	431,755,419,567	379,590,844,748	384,086,630,431	427,259,633,884
Cross-currency swap revaluation account <sup>(3)</sup>	(922,244,937)		1,336,182,542	(2,258,427,479)
Unamortized discounts, premiums and commissions on market debt, Table 6.9 <sup>(3)</sup>	(6,341,829,809)	3,524,495,696	3,962,811,715	(6,780,145,828)
Obligation related to capital leases, Table 6.14	2,932,047,293	92,824,469	97,555,728	2,927,316,034
Total—Unmatured debt	427,423,392,114	383,208,164,913	389,483,180,416	421,148,376,611
Pension and other liabilities—				
Public sector pensions, Table 6.17—				
Superannuation accounts	139,086,325,651	15,301,090,646	11,364,298,377	143,023,117,920
Allowance for pension adjustments	(9,507,000,000)	499,000,000	2,953,000,000	(11,961,000,000)
	<i>129,579,325,651</i>	<i>15,800,090,646</i>	<i>14,317,298,377</i>	<i>131,062,117,920</i>
Other employee and veteran future benefits, Table 6.29	41,549,000,000	3,596,000,000	1,776,000,000	43,369,000,000
Due to Canada Pension Plan, Table 6.30—				
Canada Pension Plan Account	2,771,043,576	55,319,600,091	57,939,792,919	150,850,748
Other liabilities—				
Government Annuities Account	377,265,704	24,726,150	54,654,621	347,337,233
Deposit and trust accounts, Table 6.31	1,636,643,975	2,305,798,861	2,461,492,327	1,480,950,509
Other specified purpose accounts, Table 6.34	3,895,132,135	2,000,010,701	2,381,549,985	3,513,592,851
	<i>50,229,085,390</i>	<i>63,246,135,803</i>	<i>64,613,489,852</i>	<i>48,861,731,341</i>
Total—Pension and other liabilities	179,808,411,041	79,046,226,449	78,930,788,229	179,923,849,261
Total	607,231,803,155	462,254,391,362	468,413,968,645	601,072,225,872

(1) The comparative figures have been restated to reflect the current year's presentation.

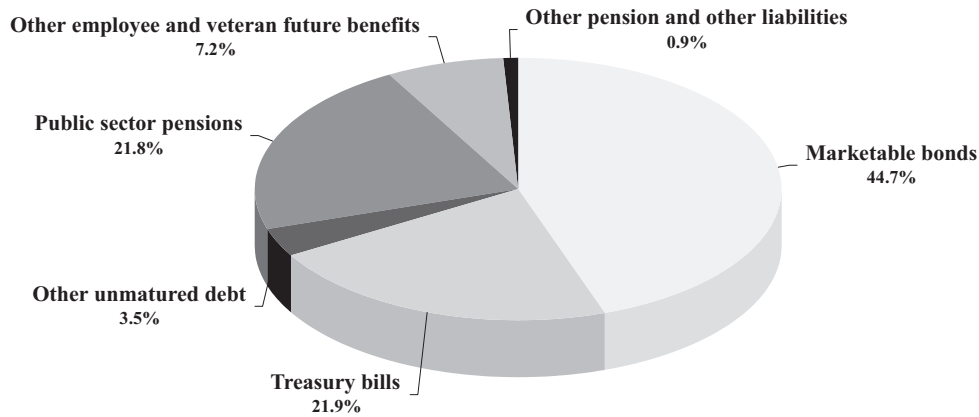
(2) This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.13.

(3) In 2004-2005, these accounts were reported in Section 5 of this Volume.



**CHART 6A**

INTEREST-BEARING DEBT BY CATEGORY AT MARCH 31, 2006

**UNMATURED DEBT**

Unmatured debt represents financial obligations resulting from certificates of indebtedness issued by the Government of Canada that have not yet become due, cross-currency swap re-valuation, unamortized discounts, premiums and commissions on market debt and obligations related to capital leases.

The Government's holdings of its own securities have been deducted from unmaturred 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, 2006.

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

	April 1/2005	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2006
	\$	\$	\$	\$
Payable in Canadian currency—				
Matured 2005-2006 .....	25,639,694,000		25,639,694,000	
Maturing 2006-2007 .....	29,392,039,000		5,206,260,000	24,185,779,000
2007-2008 .....	23,401,062,000	7,007,164,000		30,408,226,000
2008-2009 .....	19,982,121,000	3,000,000,000	317,000,000	22,665,121,000
2009-2010 .....	19,119,588,000		1,866,400,000	17,253,188,000
2010-2011 .....	15,948,719,000	5,100,000,000	1,398,205,000	19,650,514,000
2011-2012 .....	13,261,635,000	4,127,862,000	619,604,000	16,769,893,000
2012-2013 .....	11,415,042,000		381,727,000	11,033,315,000
2013-2014 .....	12,996,385,000		1,092,746,000	11,903,639,000
2014-2015 .....	10,867,437,000			10,867,437,000
2015-2016 .....	5,683,005,000	5,100,000,000		10,783,005,000
2016-2017 .....		4,900,000,000		4,900,000,000
2020-2021 .....	1,001,261,000		219,567,000	781,694,000
2021-2022 .....	7,167,638,131	181,859,291	5,025,000	7,344,472,422
2022-2023 .....	550,448,000			550,448,000
2023-2024 .....	7,181,642,000		375,546,000	6,806,096,000
2025-2026 .....	7,936,586,000		1,625,579,000	6,311,007,000
2026-2027 .....	6,294,379,409	174,519,604		6,468,899,013
2027-2028 .....	8,761,181,000		556,206,000	8,204,975,000
2029-2030 .....	13,769,000,000		78,000,000	13,691,000,000
2031-2032 .....	6,683,136,371	185,298,380		6,868,434,751
2033-2034 .....	13,410,295,000			13,410,295,000
2036-2037 .....	2,862,671,704	1,602,929,104		4,465,600,808
2037-2038 .....	3,349,343,000	3,199,746,000		6,549,089,000
	266,674,308,615	34,579,378,379	39,381,559,000	261,872,127,994
Less: Government's holdings—				
Government's holdings .....		17,224,346,000	17,274,346,000	50,000,000
Consolidation adjustment <sup>(2) (3)</sup> .....	876,064,000	188,086,000		687,978,000
	876,064,000	17,412,432,000	17,274,346,000	737,978,000
Total marketable bonds payable in Canadian currency .....	265,798,244,615	51,991,810,379	56,655,905,000	261,134,149,994
Payable in foreign currencies—				
Matured 2005-2006 .....	1,814,400,000		1,814,400,000	
Maturing 2006-2007 .....	1,209,600,000		41,600,000	1,168,000,000
2007-2008 .....	385,862,400		13,270,400	372,592,000
2008-2009 .....	6,231,027,196		416,501,598	5,814,525,598
2009-2010 .....	190,989,792		6,568,432	184,421,360
2016-2017 .....	40,211,942		1,382,950	38,828,992
2018-2019 .....	19,450,368		668,928	18,781,440
2019-2020 .....	4,233,600		145,600	4,088,000
	9,895,775,298		2,294,537,908	7,601,237,390
Less: Government's holdings and securities held for the retirement of unmatu- red debt <sup>(4)</sup> .....	257,257,153	9,747,685	810,864	248,320,332
Total marketable bonds payable in foreign currencies .....	9,638,518,145	9,747,685	2,295,348,772	7,352,917,058
Total .....	275,436,762,760	52,001,558,064	58,951,253,772	268,487,067,052

(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 and other entities is provided in Section 4 of this volume.

(3) The comparative figures have been restated to reflect the current year's presentation.

(4) 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 unmatu- red 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, 2006 consists of \$14,600 million in odd issue bills; \$36,200 million in three-month bills; \$27,600 million in six-month bills; and, \$53,200 million in 364-day bills.

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

**TABLE 6.3**  
TREASURY BILLS

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Three-month bills.....	38,900,000,000	140,200,000,000	142,900,000,000	36,200,000,000
Six-month bills.....	28,200,000,000	55,400,000,000	56,000,000,000	27,600,000,000
Other bills.....	60,100,000,000	114,300,000,000	106,600,000,000	67,800,000,000
	127,200,000,000	309,900,000,000	305,500,000,000	131,600,000,000
Less: Government's holdings— Consolidation adjustment <sup>(1)</sup> .....	1,366,000		1,966,000	3,332,000
Total.....	127,198,634,000	309,900,000,000	305,501,966,000	131,596,668,000

<sup>(1)</sup> Additional information on consolidated Crown corporations and other entities 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 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
<b>Canada Savings Bonds—</b>				
Maturing 2006-2007 .....	1,182,568,234		177,449,824	1,005,118,410
2007-2008 .....	2,715,912,385		522,012,069	2,193,900,316
2008-2009 .....	2,989,838,014		154,152,489	2,835,685,525
2009-2010 .....	359,537,192		52,525,748	307,011,444
2010-2011 .....	362,630,917		62,969,032	299,661,885
2011-2012 .....	463,216,766		82,433,783	380,782,983
2012-2013 .....	626,934,198		141,760,063	485,174,135
2013-2014 <sup>(1)</sup> .....	1,088,816,730		339,078,927	749,737,803
2014-2015 <sup>(2)</sup> .....	1,295,671,101	852,493,581	970,298,853	1,177,865,829
2015-2016 <sup>(3)</sup> .....	872,132,364	747,245,274	548,143,877	1,071,233,761
	<i>11,957,257,901</i>	<i>1,599,738,855</i>	<i>3,050,824,665</i>	<i>10,506,172,091</i>
<b>Canada Premium Bonds—</b>				
Maturing 2006-2007 .....	76,278,944		878,774	75,400,170
2007-2008 .....	16,006,477		1,890,250	14,116,227
2008-2009 .....	1,199,031,619		121,735,076	1,077,296,543
2009-2010 .....	664,968,679		28,086,639	636,882,040
2010-2011 .....	1,145,830,499		117,084,478	1,028,746,021
2011-2012 .....	822,444,144		83,344,482	739,099,662
2012-2013 .....	1,594,789,223		59,369,440	1,535,419,783
2013-2014 .....	1,234,493,313		81,462,402	1,153,030,911
2014-2015 .....	361,087,916		32,692,414	328,395,502
2015-2016 .....	191,018	239,805,341		239,996,359
	<i>7,115,121,832</i>	<i>239,805,341</i>	<i>526,543,955</i>	<i>6,828,383,218</i>
<b>Canada Investment Bonds—</b>				
Maturing 2006-2007 .....	6,463,800			6,463,800
2007-2008 .....	1,166,700			1,166,700
	<i>7,630,500</i>			<i>7,630,500</i>
<b>Total .....</b>	<b>19,080,010,233</b>	<b>1,839,544,196</b>	<b>3,577,368,620</b>	<b>17,342,185,809</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.

(3) Ten years maturity extension to CSB Series 48 until November 1, 2015.

## 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, 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 Supplement Trust for Health Care, 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 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Canada Pension Plan Investment Fund—				
Matured 2005-2006 .....	239,955,000		239,955,000	
Maturing 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>3,334,581,000</i>		<i>239,955,000</i>	<i>3,094,626,000</i>
Canada Health and Social Transfer Supplement Trust for Health Care—				
Matured 2005-2006 .....	29,614,847		29,614,847	
Diagnostic/Medical Equipment Trust—				
Matured 2005-2006 .....	15,248,362		15,248,362	
2004 Public Health and Immunization Trust—				
Maturing 2006-2007 .....	13,179,328		5,617,841	7,561,487
Total .....	<i>3,392,623,537</i>		<i>290,436,050</i>	<i>3,102,187,487</i>

## 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, 2006.

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

**TABLE 6.6**  
CANADA BILLS

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Canada bills before revaluation.....	4,000,426,132	15,849,742,488	15,001,741,379	4,848,427,241
Exchange valuation adjustment.....	(138,501,133)		(23,858,756)	(114,642,377)
<b>Total.....</b>	<b>3,861,924,999</b>	<b>15,849,742,488</b>	<b>14,977,882,623</b>	<b>4,733,784,864</b>

## 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, 2006.

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

**TABLE 6.7**  
CANADA NOTES

	April 1/2005	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2006
	\$	\$	\$	\$
Payable in foreign currencies—				
Matured 2005-2006.....	564,000,000		564,000,000	
Maturing 2008-2009.....	564,000,000		67,850,000	496,150,000
<b>Total.....</b>	<b>1,128,000,000</b>		<b>631,850,000</b>	<b>496,150,000</b>

<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, 2006.

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 1/2005	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2006
	\$	\$	\$	\$
Payable in foreign currencies—				
Maturing 2007-2008 .....	89,364,038		3,073,366	86,290,672
2009-2010 .....	1,568,100,000		152,800,000	1,415,300,000
Total .....	1,657,464,038		155,873,366	1,501,590,672

<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.

## 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.

## Unamortized Discounts, Premiums and Commissions on Market Debt

The unamortized discounts, premiums and commissions on market debt have the following characteristics:

- unamortized discounts on Canada bills 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 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 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; and,

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

Table 6.9 presents a summary of the balances and transactions for the unamortized discounts, premiums and commissions on market debt.

**TABLE 6.9**  
UNAMORTIZED DISCOUNTS, PREMIUMS AND COMMISSIONS ON MARKET DEBT<sup>(1)</sup>

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
Unamortized discounts on Canada Bills .....	(8,164,899)	79,959,481	102,173,936	(30,379,354)
Unamortized discounts on Treasury Bills .....	(1,045,877,609)	3,443,820,728	3,767,652,699	(1,369,709,580)
Unamortized discounts and premiums on marketable bonds .....	(5,287,071,814)		92,985,080	(5,380,056,894)
Unamortized commissions on Canada savings, Canada premium and Canada investment bonds .....	(715,487)	715,487		
Total .....	(6,341,829,809)	3,524,495,696	3,962,811,715	(6,780,145,828)

<sup>(1)</sup> In 2004-2005, these accounts were reported in Section 5 of this volume.

## Interest Rates

Table 6.10 sets out unmatured debt as at March 31, for each of the years 2001-2002 to 2005-2006 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, Diagnostic/Medical Equipment Trust and 2004 Public Health and Immunization Trust), Canada bills and Foreign currency notes.

**TABLE 6.10**

UNMATURED DEBT AS AT MARCH 31, FROM 2002 TO 2006, 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 market 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)	%
2006	268,487	5.26	131,597	3.52	17,342	3.84	3,102	10.02	4,734	4.63	1,998	3.85	427,260	4.73
2005	275,437	5.62	127,199	2.62	19,080	2.85	3,393	9.99	3,862	2.63	2,785	3.14	431,756	4.61
2004	290,677	5.96	113,378	2.52	21,330	3.37	3,427	9.96	3,364	0.92	4,281	2.37	436,457	4.90
2003	301,152	6.26	104,411	3.04	22,584	3.43	3,371	10.14	2,603	1.12	4,519	2.36	438,640	5.32
2002	311,772	6.61	94,039	2.64	23,966	3.23	3,391	10.16	3,355	1.75	4,405	2.46	440,928	5.56

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

(1) The comparative figures have been restated to reflect the current year's presentation.

Table 6.11 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 2001-2002 to 2005-2006 inclusively.

**TABLE 6.11**

TREASURY BILLS AVERAGE YIELDS AT TENDER

Year ended	High	Low	Last issue
	%	%	%
Three-month bills—			
2006	3.79	2.25	3.79
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
Six-month bills—			
2006	3.89	2.55	3.89
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
Other bills—			
2006	4.01	2.43	3.99
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



## Maturity of Government Debt

Table 6.12 presents total unmatured debt arranged in order of maturity.

**TABLE 6.12**  
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 market 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)	%
2007 . . . . .	25,353	5.20	131,600	3.52	1,087	3.15	1,360	9.56	4,734	4.63			164,134	3.86
2008 . . . . .	30,781	4.74			2,209	2.75	700	10.01			87	4.40	33,777	4.72
2009 . . . . .	28,480	5.38			3,913	6.20	519	10.20			496	1.90	33,408	5.50
2010 . . . . .	17,438	5.11			944	4.12	71	9.98			1,415	4.50	19,868	5.04
2011 . . . . .	19,651	5.36			1,328	2.97	425	11.29					21,404	5.33
2012/2016 . . .	61,357	5.28			7,861	3.18	27	9.69					69,245	5.04
2017/2021 . . .	5,743	4.94											5,743	4.94
2022/2026 . . .	21,012	7.18											21,012	7.18
2027/2031 . . .	28,365	6.06											28,365	6.06
2032/2036 . . .	20,278	5.16											20,278	5.16
2037/2041 . . .	11,015	3.00											11,015	3.00
	269,473	5.26	131,600	3.52	17,342	3.84	3,102	10.02	4,734	4.63	1,998	3.85	428,249	4.74
Less: Gov- ernment's hold- ings . . . . .	986	9.29	3	3.52									989	9.27
Total . . . . .	268,487	5.26	131,597	3.52	17,342	3.84	3,102	10.02	4,734	4.63	1,998	3.85	427,260	4.73

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 6.13.

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

Table 6.13 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 6.13**

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

(in millions of dollars)

	April 1/2005 <sup>(1)</sup>	Issues/ Borrowings	Retirements	March 31/2006
Market debt of the Government of Canada <sup>(2)</sup> .....	431,756	379,591	384,087	427,260
Cross-currency swap revaluation account .....	(922)		1,336	(2,258)
Unamortized discounts and premiums on .....				
market debt <sup>(2)</sup> .....	(6,342)	3,525	3,963	(6,780)
Obligations related to capital leases <sup>(2)</sup> .....	2,932	93	98	2,927
	427,424	383,209	389,484	421,149
Borrowings of enterprise Crown corporations designated as agents of Her Majesty <sup>(3)</sup> .....	101,051	102,459	83,813	119,697
<b>Total</b> .....	<b>528,475</b>	<b>485,668</b>	<b>473,297</b>	<b>540,846</b>

(1) The comparative figures have been restated to reflect the current year's presentation.

(2) Details can be found in this section.

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

## Obligation related to capital leases

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

Table 6.14 presents the obligation related to capital lease agreements by asset type.

**TABLE 6.14**

### OBLIGATION RELATED TO CAPITAL LEASES

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Land .....	13,184,198	211,782		13,395,980
Buildings .....	1,364,631,081	92,462,126		1,457,093,207
Works and infrastructure .....	696,140,954		13,480,950	682,660,004
Machinery and equipment .....	20,654,521	90,496	2,013,175	18,731,842
Vehicles .....	837,436,539	60,065	82,061,603	755,435,001
<b>Total</b> .....	<b>2,932,047,293</b>	<b>92,824,469</b>	<b>97,555,728</b>	<b>2,927,316,034</b>

## Capital Leases

Table 6.15 provides details of obligation under capital lease arrangements.

**TABLE 6.15**

### DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES

(in thousands of dollars)

	Inception date	Lease term in years	Implicit interest rate (%) <sup>(1)</sup>	Balances at March 31, 2006		
				Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
Canada Revenue Agency—						
IBM-Computer hardware .....	Jan 6/2006	3	3.86	1,247	58	1,189
IBM-Computer hardware .....	Jan 6/2006	3	3.86	1,247	57	1,190
				2,494	115	2,379
Environment—						
National Wildlife Research Centre, Carleton University, Ottawa .....	May 1/2002	25	5.63	27,300	11,520	15,780
Human Resources and Social Development—						
Social Development—						
Canon Canada .....	May 4/2001	5	15.00	29	1	28
Rogers Telecom Inc .....	Jan 1/2002	5	7.00	6,076	25	6,051
				6,105	26	6,079
National Defence—						
Edmonton Armoury North .....	Dec 31/2000	20	5.62	20,694	6,631	14,063
Edmonton Armoury South .....	May 1/2001	20	6.09	30,202	10,950	19,252
Hawks and Harvards .....	Oct/2003	17	5.87	104,383	34,748	69,635
HMCS Chicoutimi .....	Oct/2004	4		57,857		57,857
HMCS Corner Brook .....	Feb/2003	6		32,144		32,144
HMCS Windsor Submarine .....	Oct/2001	6		11,572		11,572
IBM (DES) .....	Nov/2003	3	3.29	759	9	750
Longue Pointe Supply Depot .....	Nov 30/1994	35	5.29	66,476	28,522	37,954
Milit-Air (NFTC) .....	Dec/1999	20	5.78	849,238	265,071	584,167
Shawinigan Armoury .....	May 12/1999	20	5.46	7,319	2,101	5,218
				1,180,644	348,032	832,612
Public Works and Government Services—						
1040 Boulevard St-Joseph, Gatineau .....	Feb 1/2003	5	8.00	878	63	815
1130 Morrison Drive, Ottawa .....	Apr 1/2003	10	6.10	1,321	249	1,072
135 Hunter Street East, Hamilton .....	June 1/2003	10	5.66	3,079	553	2,526
1600 Star Top, Gloucester .....	July 1/2004	15	7.20	40,534	14,391	26,143
1741 Brunswick Street, Halifax .....	July 1/2002	5	11.50	623	54	569
18 Corporation Drive, Brampton .....	Apr 1/2004	9	4.37	3,193	446	2,747
181 Queen Street, Ottawa .....	Mar 1/2004	20	10.65	63,580	36,099	27,481
2204 Walkley Road, Ottawa .....	Sept 1/2004	5	11.70	3,949	708	3,241
236 Bronlow Avenue, Dartmouth .....	Aug 1/2004	7	8.70	1,188	239	949
269 Laurier Avenue West, Ottawa .....	Sept 1/2005	15	71.38	84,223	76,039	8,184
280 St-Dominique, Quebec .....	Dec 1/2003	5	4.20	699	39	660
285 Coventry Road, Ottawa .....	Apr 1/2002	10	6.10	12,034	1,976	10,058
2920 Highway 4, Antigonish .....	Feb 15/2006	10	7.76	1,611	487	1,124
31 Hyperion Court, Kingston .....	Dec 1/2003	10	24.53	6,436	3,545	2,891
365 Hargrave Street, Winnipeg .....	July 1/2003	10	4.65	3,659	558	3,101
400 Cooper Street, Ottawa .....	Apr 1/2002	7	6.80	1,809	176	1,633
400 City Hall Square Est, Windsor .....	Jan 1/2006	10	9.89	6,740	2,426	4,314
4455 12e Avenue, Shawinigan-Sud .....	Sept 1/2003	10	8.90	3,107	835	2,272
50 King Street, Moncton .....	June 1/2002	10	6.40	1,560	274	1,286
55 Bay Street, Hamilton .....	July 1/2003	15	12.99	96,827	48,468	48,359
550 Bld. de la Cité, Gatineau .....	Dec 1/2003	15	9.80	49,453	21,151	28,302
65 John Savage Avenue, Dartmouth .....	Oct 15/2004	10	5.93	3,548	767	2,781

TABLE 6.15

## DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—Continued

(in thousands of dollars)

	Inception date	Lease term in years	Implicit interest rate (%) <sup>(1)</sup>	Balances at March 31, 2006		
				Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
6900 Airport Road, Mississauga .....	Oct 1/2005	5	24.19	4,486	1,816	2,670
78 Richmond Road, Oshawa .....	July 1/2004	5	34.04	3,287	1,314	1,973
985 McGill PI, Kamloops .....	June 1/2002	15	13.50	3,427	1,661	1,766
Archives St-Augustin de Desmaures, Montreal .....	Oct 1/1999	15	14.60	8,962	3,845	5,117
Bank of Canada, Ottawa .....	Sept 1/2002	10	6.00	10,329	1,773	8,556
Bell Tower, Edmonton .....	Jan 1/2004	10	31.05	5,035	3,137	1,898
Boyd Warehouse, Complex No 2, Ottawa .....	Apr 1/2002	10	31.30	2,611	1,439	1,172
C. D. Howe, 240 Sparks Street, Ottawa .....	Sept 1/1977	35	9.20	39,142	9,651	29,491
Canada Building & Entreprise Building, Ottawa .....	Apr 30/2004	9	5.90	50,643	9,292	41,351
Centennial Towers, Ottawa .....	Dec 31/2003	10	6.70	81,637	18,180	63,457
Commerce Tower, Sydney .....	Dec 16/2004	7	4.20	2,036	228	1,808
Complexe Guy Favreau, Montreal .....	Jan 1/2004	15	5.80	116,896	41,165	75,731
Cour Fédérale, Montreal .....	Feb 9/ 1994	20	23.50	13,401	7,302	6,099
Government of Canada Building, Cornwall .....	Dec 1/2004	15	6.10	10,813	3,478	7,335
Hamilton Centre, Regina .....	June 1/2002	10	15.90	5,039	1,839	3,200
Heritage Court, Moncton .....	July 1/2002	10	31.20	4,467	2,512	1,955
Hitachi Canada, Ottawa .....	Apr 3/2003	4	4.40	656	14	642
IBM Canada, Ottawa .....	Sept 1/2004	3	3.84	1,206	34	1,172
IBM Canada, Ottawa .....	Fev 1/2005	3	3.30	1,040	36	1,004
Immigration Case Processing Centre, Vegreville .....	Mar 1/2004	10	22.10	3,439	1,820	1,619
Jean Edmonds Tower North, Ottawa .....	Jan 1/2005	10	4.50	79,353	13,940	65,413
Judy Lamarsh, Chatam (GOCB) .....	Jun 1/1995	25	8.70	6,637	2,829	3,808
Killeany Place Complex, Ottawa .....	Aug 1/2002	7	5.10	2,161	176	1,985
Labelle, Ottawa .....	Apr 1/2002	10	5.60	6,030	916	5,114
L'Esplanade Laurier, Ottawa .....	Oct 1/2000	10	6.90	40,329	7,588	32,741
Library Square (Block 56), Vancouver .....	May 1/1995	25	9.70	93,893	42,730	51,163
Louis Saint Laurent, Gatineau .....	Nov 1/2001	15	6.40	79,702	24,652	55,050
Mc Arthur, Ottawa .....	Sept 1/2002	10	23.50	2,764	1,344	1,420
Metropolitan Place, Dartmouth .....	Apr 1/2002	8	13.30	2,464	562	1,902
Montcalm Phase II, Gatineau .....	Apr 1/2002	10	22.70	5,561	2,535	3,026
O.A.C.I., Montreal .....	Nov 1/1996	20	9.90	141,519	60,412	81,107
Place Bell Canada, Ottawa .....	May 30/2003	15	10.90	11,412	5,076	6,336
Place Bonaventure, Montreal .....	May 1/2005	10	16.43	7,999	3,857	4,142
Place du Centre, Gatineau .....	Feb 17/1978	30	11.20	11,262	1,561	9,701
Place Montcalm, Phase III, Gatineau .....	Dec 1/2003	15	8.70	51,547	20,290	31,257
Place Vincent Massey, Gatineau .....	Aug 1/2001	10	6.20	11,749	1,769	9,980
Place Wellington, Sherbrooke .....	Fev 1/2005	8	6.30	1,955	370	1,585
Purdy's Wharf Tower II, Halifax .....	Oct 1/2003	8	4.50	3,273	377	2,896
Queensway Corporate Campus, Phase II, Ottawa .....	Apr 1/2002	9	16.9	4,583	1,503	3,080
Royal Bank Building, Toronto .....	May 1/2002	10	12.50	31,567	9,607	21,960
Sir Wilfrid Laurier, Ottawa .....	Mar 1/2001	10	10.40	18,600	4,076	14,524
Smith's Home Plaza, St. John's .....	July 1/2004	5	4.39	1,571	109	1,462
Terrasses de la Chaudière, Gatineau .....	Jan 1/ 1993	20	10.00	164,695	59,231	105,464
Tour Iberville IV, Sainte-Foy .....	Apr 1/2005	10	4.68	1,593	295	1,298
Urbandale Building, Ottawa .....	June 1/2002	10	4.40	3,261	410	2,851
Willet building, Ottawa .....	Oct 1/2001	7	5.10	5,865	369	5,496
Leases less than \$1,000,000 .....				49,006	22,007	26,999
				1,598,954	608,670	990,284
Transport (Transport, Infrastructure and Communities)—						
Confederation Bridge .....	May 31/1997	35	6.16	1,649,045	966,385	682,660
Other departments—						
Leases less than \$1,000,000 .....				5,493	500	4,993
				4,470,035	1,935,248	2,534,787

TABLE 6.15

DETAILS OF OBLIGATION 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, 2006		
				Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
Consolidated Crown corporations and other entities—						
Canadian Broadcasting Corporation—						
Canadian Broadcasting Centre, 250 Front St W, Toronto .....	Oct 14/1988	30	7.53	710,334	350,220	360,114
Canadian Museum of Nature—						
Natural Heritage Building Gatineau, Quebec .....	Sept 30/1996	35	9.88	89,250	56,835	32,415
				799,584	407,055	392,529
Total .....				5,269,619	2,342,303	2,927,316

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

## Maturity of obligation related to capital leases

Table 6.16 presents upcoming minimum leases payments for the next five years by ministry.

TABLE 6.16

## MATURITY OF OBLIGATION RELATED TO CAPITAL LEASES

(in thousands of dollars)

	Payments due in						Total
	2007	2008	2009	2010	2011	2012 and subsequent years	
Canada Revenue Agency—							
Remaining payments .....	1,032	1,032	430				2,494
Imputed interest .....	75	37	3				115
	957	995	427				2,379
Environment—							
Remaining payments .....	1,300	1,300	1,300	1,300	1,300	20,800	27,300
Imputed interest .....	888	865	841	815	788	7,322	11,520
	412	435	459	485	512	13,478	15,780
Human Resources and Social Development—							
Social Development—							
Remaining payments .....	6,105						6,105
Imputed interest .....	26						26
	6,079						6,079
National Defence—							
Remaining payments .....	119,780	122,877	89,454	76,593	76,597	695,343	1,180,644
Imputed interest .....	41,570	39,508	37,336	35,033	32,598	161,987	348,032
	78,210	83,369	52,118	41,560	43,999	533,356	832,612
Public Works and Government Services—							
Remaining payments .....	170,453	173,674	161,262	156,247	165,286	772,032	1,598,954
Imputed interest .....	92,797	85,479	76,899	68,669	59,389	225,437	608,670
	77,656	88,195	84,363	87,578	105,897	546,595	990,284

**TABLE 6.16**

**MATURITY OF OBLIGATION RELATED TO CAPITAL LEASES—*Concluded***  
(in thousands of dollars)

	Payments due in						Total
	2007	2008	2009	2010	2011	2012 and subsequent years	
Transport (Transport, Infrastructure and Communities)—							
Remaining payments.....	54,265	52,558	53,352	54,158	54,976	1,379,736	1,649,045
Imputed interest.....	40,170	37,822	37,945	38,049	38,134	774,265	966,385
	<i>14,095</i>	<i>14,736</i>	<i>15,407</i>	<i>16,109</i>	<i>16,842</i>	<i>605,471</i>	<i>682,660</i>
Other departments—							
Leases less than \$1,000,000—							
Remaining payments.....	2,148	2,058	874	319	94		5,493
Imputed interest.....	286	170	34	9	1		500
	<i>1,862</i>	<i>1,888</i>	<i>840</i>	<i>310</i>	<i>93</i>		<i>4,993</i>
	179,271	189,618	153,614	146,042	167,343	1,698,900	2,534,787
Consolidated Crown corporations and other entities—							
Canadian Broadcasting Corporation—							
Remaining payments.....	33,039	33,039	33,039	33,039	33,039	545,139	710,334
Imputed interest.....	27,117	26,671	26,191	25,675	25,121	219,445	350,220
	<i>5,922</i>	<i>6,368</i>	<i>6,848</i>	<i>7,364</i>	<i>7,918</i>	<i>325,694</i>	<i>360,114</i>
Canadian Museum of Nature—							
Remaining payments.....	3,500	3,500	3,500	3,500	3,500	71,750	89,250
Imputed interest.....	3,203	3,173	3,141	3,105	3,066	41,147	56,835
	<i>297</i>	<i>327</i>	<i>359</i>	<i>395</i>	<i>434</i>	<i>30,603</i>	<i>32,415</i>
	6,219	6,695	7,207	7,759	8,352	356,297	392,529
Total.....	185,490	196,313	160,821	153,801	175,695	2,055,197	2,927,316
Summary—							
Remaining payments.....	391,622	390,038	343,211	325,156	334,792	3,484,800	5,269,619
Imputed interest.....	206,132	193,725	182,390	171,355	159,097	1,429,603	2,342,303
Net obligation.....	185,490	196,313	160,821	153,801	175,695	2,055,197	2,927,316

## 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.

In calendar year 2006 plan members contribute 4.3 percent (4 percent in calendar year 2005) on salary up to the Yearly Maximum Pensionable Earnings (YMPE) for the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) purposes and 7.8 percent (7.5 percent in 2005) 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. Up to December 31, 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. Effective January 1, 2006, these rates now average about 2.2, 3.0 and 2.5.

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, are credited with interest at rates that are based on the Government of Canada long-term bond rate. The interest rate credited to the accounts was about 7.8 percent in 2006 and 8.0 percent in 2005. 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:

	2006	2005
Members of Parliament		
House of Commons		
Retiring allowances account . . . . .	3.45	3.51
Retirement compensation arrangements . . . . .	6.67	6.64
The Senate		
Retiring allowances account . . . . .	3.10	3.12
Retirement compensation arrangements . . . . .	4.25	4.09

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 \$78 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, 2005;
- Canadian Forces—March 31, 2005;
- Royal Canadian Mounted Police—March 31, 2005;
- Members of Parliament—March 31, 2004;
- Federally appointed judges—March 31, 2004.

As at March 31, 2006, the most recent valuations for the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans were not yet tabled in Parliament.

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, \$6 million, \$14 million and \$10 million (\$3.5 million, \$10 million, \$14 million and \$10 million in 2005) 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 excesses 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 \$nil, nil, and \$49 million (\$770 million, nil and nil in 2005) were made respectively to the Public Service, the Canadian Forces and the Royal Canadian Mounted Police Superannuation Accounts during the year.



Table 6.17 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 6.17**  
**PUBLIC SECTOR PENSIONS**

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Public Service Superannuation Account,				
Table 6.19 .....	84,501,259,414	6,541,901,055	4,064,787,174	86,978,373,295
Allowance for pension adjustments .....	(8,349,000,000)		1,519,000,000	(9,868,000,000)
	<i>76,152,259,414</i>	<i>6,541,901,055</i>	<i>5,583,787,174</i>	<i>77,110,373,295</i>
Public Service Pension Fund Account,				
Table 6.20 .....	149,639,730	3,258,618,229	3,267,007,378	141,250,581
Allowance for pension adjustments .....	137,000,000	128,000,000	154,000,000	111,000,000
	<i>286,639,730</i>	<i>3,386,618,229</i>	<i>3,421,007,378</i>	<i>252,250,581</i>
Canadian Forces Superannuation Account,				
Table 6.21 .....	41,350,713,360	3,158,617,740	2,146,558,787	42,362,772,313
Allowance for pension adjustments .....	(3,174,000,000)		868,000,000	(4,042,000,000)
	<i>38,176,713,360</i>	<i>3,158,617,740</i>	<i>3,014,558,787</i>	<i>38,320,772,313</i>
Canadian Forces Pension Fund Account,				
Table 6.22 .....	88,851,152	827,503,055	885,481,303	30,872,904
Allowance for pension adjustments .....	81,000,000	49,000,000	28,000,000	102,000,000
	<i>169,851,152</i>	<i>876,503,055</i>	<i>913,481,303</i>	<i>132,872,904</i>
Royal Canadian Mounted Police Superannuation Account,				
Table 6.23 .....	10,890,475,666	837,939,730	472,934,458	11,255,480,938
Allowance for pension adjustments .....	(750,000,000)	49,000,000	262,000,000	(963,000,000)
	<i>10,140,475,666</i>	<i>886,939,730</i>	<i>734,934,458</i>	<i>10,292,480,938</i>
Royal Canadian Mounted Police Pension Fund Account,				
Table 6.24 .....	17,508,663	297,416,295	298,362,030	16,562,928
Allowance for pension adjustments .....	1,000,000	15,000,000	15,000,000	1,000,000
	<i>18,508,663</i>	<i>312,416,295</i>	<i>313,362,030</i>	<i>17,562,928</i>
Members of Parliament Retiring Allowances Account,				
Table 6.25 .....	422,525,376	50,212,438	19,477,434	453,260,380
Allowance for pension adjustments .....	(86,000,000)	1,000,000	18,000,000	(103,000,000)
	<i>336,525,376</i>	<i>51,212,438</i>	<i>37,477,434</i>	<i>350,260,380</i>
Members of Parliament Retirement Compensation				
Arrangements Account, Table 6.26 .....	125,508,575	38,585,058	23,318,158	140,775,475
Allowance for pension adjustments .....	101,000,000	25,000,000	10,000,000	116,000,000
	<i>226,508,575</i>	<i>63,585,058</i>	<i>33,318,158</i>	<i>256,775,475</i>
Retirement Compensation Arrangements (RCA)				
Account, Table 6.27 .....	1,429,941,275	281,485,245	186,350,056	1,525,076,464
Allowance for pension adjustments .....	1,245,000,000	124,000,000	71,000,000	1,298,000,000
	<i>2,674,941,275</i>	<i>405,485,245</i>	<i>257,350,056</i>	<i>2,823,076,464</i>
Supplementary Retirement Benefits Account,				
Table 6.28 .....	109,902,440	8,811,801	21,599	118,692,642
Allowance for pension adjustments .....	1,287,000,000	108,000,000	8,000,000	1,387,000,000
	<i>1,396,902,440</i>	<i>116,811,801</i>	<i>8,021,599</i>	<i>1,505,692,642</i>
<b>Total .....</b>	<b>129,579,325,651</b>	<b>15,800,090,646</b>	<b>14,317,298,377</b>	<b>131,062,117,920</b>
<b>SUMMARY—</b>				
Superannuation accounts .....	139,086,325,651	15,301,090,646	11,364,298,377	143,023,117,920
Allowance for pension adjustments .....	(9,507,000,000)	499,000,000	2,953,000,000	(11,961,000,000)
<b>Total .....</b>	<b>129,579,325,651</b>	<b>15,800,090,646</b>	<b>14,317,298,377</b>	<b>131,062,117,920</b>

Table 6.18 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 \$121 million (\$476 million in 2005) and of \$1,269 million (\$887 million in 2005) in expected return on pension plan assets.

**TABLE 6.18****SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENSES**

(in millions of dollars)

	2005-2006									2004-2005
	Government contributions	Statutory pay-ments <sup>(1)</sup>	Current service cost adjust-ments	Net current service costs	Funding of actuarial liability adjustment	Amorti-zation of estima-tion adjust-ments	Net pension expenses	Net pension interest expenses	Total	
Public Service Superannuation Account .....	35		(84)	(49)		(642)	(691)	5,664	4,973	4,875
Public Service Pension Fund Account .....	2,126		(151)	1,975	3	67	2,045	61	2,106	2,081
Canadian Forces Superannuation Account .....	4		(8)	(4)		(462)	(466)	2,749	2,283	2,231
Canadian Forces Pension Fund Account .....	639		(28)	611		26	637	23	660	620
Defence Services Pension Continuation Act .....		9		9			9		9	10
Royal Canadian Mounted Police Superannuation Account .....	1		(3)	(2)		(149)	(151)	725	574	610
Royal Canadian Mounted Police Pension Fund Account .....	220		(15)	205		9	214	6	220	225
Royal Canadian Mounted Police Continuation Act .....		22		22			22		22	16
Members of Parliament Retiring Allowances Account .....	5			5		1	6	26	32	32
Members of Parliament Retirement Compensation Arrangements Account .....	17			17	6	7	30	10	40	40
Retirement Compensation Arrangements (RCA) Account .....	119		(41)	78	24	23	125	109	234	380
Supplementary Retirement Benefits Account .....	2			2			2		2	4
Judges Act .....		78	(8)	70		19	89	93	182	158
Other (diplomatic services, lieutenant governors, etc.) .....		1		1			1		1	1
Subtotal .....	3,168	110	(338)	2,940	33	(1,101)	1,872	9,466	11,338	11,283
Less: costs already recorded in the allowance for pension adjustments of previous years .....					(33)		(33)		(33)	(37)
Less: contributions from the Judges plan recorded to revenues .....		(11)		(11)			(11)		(11)	(9)
Total .....	3,168	99	(338)	2,929		(1,101)	1,828	9,466	11,294	11,237

(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 6.19**  
PUBLIC SERVICE SUPERANNUATION ACCOUNT

	2005-2006	2004-2005
	\$	\$
Opening balance .....	84,501,259,414	82,568,940,165
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions—		
Government employees .....	11,767,103	14,139,916
Retired employees .....	33,367,386	35,986,796
Public Service corporations employees .....	1,018,048	795,432
Employer contributions—		
Government .....	35,245,815	39,358,048
Public Service corporations .....	2,184,092	584,320
Transfers from other pension funds .....	601,094	1,259,203
Interest .....	6,457,717,517	6,529,162,618
	<u>6,541,901,055</u>	<u>6,621,286,333</u>
	91,043,160,469	89,190,226,498
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities .....	3,832,829,255	3,696,750,519
Minimum benefits .....	14,179,858	10,347,997
Pension division payments .....	29,540,769	35,903,746
Pension—Transfer value payments .....	46,412,923	64,359,565
Returns of contributions—		
Government employees .....	175,385	304,948
Public Service corporation employees .....	33,719	90,822
Transfers to other pension funds .....	85,934,811	57,708,532
Transfers to Canada Post Corporation pension plan .....		
Administrative expenses .....	55,680,454	53,500,955
Actuarial liability adjustment .....		770,000,000
	<u>4,064,787,174</u>	<u>4,688,967,084</u>
Closing balance .....	86,978,373,295	84,501,259,414

### 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 6.20**  
PUBLIC SERVICE PENSION FUND ACCOUNT

	2005-2006	2004-2005
	\$	\$
Opening balance .....	149,639,730	143,167,778
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions—		
Government employees .....	854,142,287	749,209,162
Retired employees .....	11,533,255	10,250,079
Public Service corporations employees .....	70,663,613	64,150,498
Employer contributions—		
Government .....	2,125,202,061	1,928,133,677
Public Service corporations .....	151,982,298	133,419,564
Actuarial liability adjustment .....	3,500,000	3,500,000
Transfers from other pension funds .....	41,594,715	63,206,922
	<u>3,258,618,229</u>	<u>2,951,869,902</u>
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities .....	100,323,704	59,186,404
Minimum benefits .....	3,341,863	1,947,638
Pension division payments .....	2,990,785	2,288,691
Pension—Transfer value payments .....	43,328,613	37,754,454
Returns of contributions—		
Government employees .....	5,416,292	6,081,707
Public Service corporation employees .....	1,138,123	1,593,838
Transfers to other pension funds .....	12,098,880	3,920,666
Transfers to Canada Post Corporation pension plan .....		
Administrative expenses .....	10,582,136	7,538,354
	<u>179,220,396</u>	<u>120,311,752</u>
Receipts and other credits less payments and other charges .....	3,079,397,833	2,831,558,150
Transfers to Pension Investment Board .....	3,087,786,982	2,825,086,198
Closing balance .....	141,250,581	149,639,730

**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 6.21**  
CANADIAN FORCES SUPERANNUATION ACCOUNT

	2005-2006	2004-2005 <sup>(1)</sup>
	\$	\$
Opening balance .....	41,350,713,360	40,251,700,228
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel .....	3,938,886	4,084,357
Contributions by the Government .....	3,901,771	4,358,321
Interest .....	3,146,782,399	3,171,683,205
Other .....	3,994,684	3,552,477
	3,158,617,740	3,183,678,360
	44,509,331,100	43,435,378,588
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments .....	2,084,494,540	2,029,919,497
Pension division payments .....	45,942,476	42,195,434
Cash termination allowances and returns of contributions .....	4,411,589	3,466,333
Transfers to Public Service Superannuation Account .....	677,219	463,200
Administrative expenses .....	11,032,963	8,620,764
Actuarial liability adjustment .....		
	2,146,558,787	2,084,665,228
Closing balance .....	42,362,772,313	41,350,713,360

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

**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 6.22**  
CANADIAN FORCES PENSION FUND ACCOUNT

	2005-2006	2004-2005
	\$	\$
Opening balance .....	88,851,152	37,578,628
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel .....	188,525,824	179,244,399
Contributions by the Government .....	638,783,009	629,836,393
Transfers from other pension funds .....	194,222	237,332
	827,503,055	809,318,124
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments .....	40,560,273	25,531,691
Pension division payments .....	5,148,556	2,962,818
Cash termination allowances and returns of contributions .....	10,535,532	7,976,803
Transfers to Public Service Superannuation Account .....	108,943	87,383
Administrative expenses .....	1,393,500	821,475
	57,746,804	37,380,170
Receipts and other credits less payments and other charges .....	769,756,251	771,937,954
Transfers to Pension Investment Board .....	827,734,499	720,665,430
Closing balance .....	30,872,904	88,851,152

### 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 6.23**

#### ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	2005-2006	2004-2005
	\$	\$
Opening balance .....	10,890,475,666	10,453,724,135
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel (current and arrears) .....	1,427,039	1,430,319
Contributions by the Government .....	1,386,573	1,358,469
Transfers from other pension funds .....	286,230	357,321
Interest .....	834,839,888	829,464,936
	837,939,730	832,611,045
	11,728,415,396	11,286,335,180
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities and allowance payments .....	402,729,374	374,807,907
Pension division payments .....	10,987,456	12,712,462
Returns of contributions .....	20,381	50,605
Cash termination allowance and gratuities .....	22,115	250,818
Commuted value payments .....	4,852,141	2,727,090
Transfers to other pension funds .....	131,256	96,372
Interest on returns of contributions .....	11,510	13,746
Administrative expenses .....	5,180,225	5,200,514
Actuarial liability adjustment .....	49,000,000	
	472,934,458	395,859,514
Closing balance .....	11,255,480,938	10,890,475,666

### 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 6.24**

#### ROYAL CANADIAN MOUNTED POLICE PENSION FUND ACCOUNT

	2005-2006	2004-2005
	\$	\$
Opening balance .....	17,508,663	20,337,853
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel (current and arrears) .....	76,485,818	69,888,028
Contributions by the Government .....	219,651,489	207,039,064
Transfers from other pension funds .....	1,278,988	1,146,316
	297,416,295	278,073,408
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities and allowance payments .....	12,713,052	7,810,706
Minimum benefits .....	32,309	74,221
Pension division payments .....	827,129	711,775
Returns of contributions .....	52,449	98,895
Cash termination allowance and gratuities .....		12,666
Commuted value payments .....	2,260,098	1,082,749
Transfers to other pension funds .....	44,024	77,598
Interest on returns of contributions .....	8,098	7,997
Administrative expenses .....	851,004	764,607
	16,788,163	10,641,214
Receipts and other credits less payments and other charges .....	280,628,132	267,432,194
Transfers to Pension Investment Board .....	281,573,867	270,261,384
Closing balance .....	16,562,928	17,508,663

**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 6.25**  
MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	2005-2006	2004-2005
	\$	\$
Opening balance .....	422,525,376	394,555,828
<b>RECEIPTS AND OTHER CREDITS—</b>		
Members' contributions—		
Current .....	1,531,607	1,358,819
Arrears of principal, interest and mortality insurance .....	69,096	2,290
Government contributions—		
Current .....	5,226,747	4,780,613
Interest .....	43,384,988	40,502,434
	50,212,438	46,644,156
	472,737,814	441,199,984
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annual allowances .....	18,977,081	18,108,177
Withdrawal allowances .....	165,289	172,402
Interest on withdrawals .....	6,695	5,729
Pension division payments .....	139,793	388,300
Transfers to other pension funds .....	188,576	
	19,477,434	18,674,608
Closing balance .....	453,260,380	422,525,376

**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 6.26**  
MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

	2005-2006	2004-2005
	\$	\$
Opening balance .....	125,508,575	106,872,584
<b>RECEIPTS AND OTHER CREDITS—</b>		
Members' contributions—		
Current .....	2,685,345	2,580,301
Arrears of principal, interest and mortality insurance .....	70,262	49,484
Government contributions—		
Current .....	16,529,339	16,297,793
Interest .....	13,591,352	11,702,344
Actuarial liability adjustment .....	5,708,760	9,645,766
	38,585,058	40,275,688
	164,093,633	147,148,272
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annual allowances .....	4,113,948	3,254,354
Refundable tax remitted to Canada		
Customs and Revenue Agency .....	18,223,501	17,944,084
Withdrawals .....	406,397	366,766
Interest on withdrawals .....	13,249	9,586
Pension division payments .....	561,063	64,907
	23,318,158	21,639,697
Closing balance .....	140,775,475	125,508,575

## 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 6.27**  
RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

	RCA No.1						RCA No.2			
	Public Service		Canadian Forces <sup>(1)</sup>		Royal Canadian Mounted Police		Public Service		Total	
	2005-2006	2004-2005	2005-2006	2004-2005	2005-2006	2004-2005	2005-2006	2004-2005	2005-2006	2004-2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening 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
RECEIPTS AND OTHER CREDITS—										
Contributions—										
Government										
employees.....	8,614,364	9,673,579	2,455,831	1,900,561	255,512	288,927			11,325,707	11,863,067
Retired employees.....	145,161	264,183							145,161	264,183
Public Service										
corporation										
employees.....	1,149,512	1,272,443							1,149,512	1,272,443
Employer										
contributions—										
Government.....	74,942,546	78,984,352	42,368,105	16,204,430	1,965,066	1,664,479			119,275,717	96,853,261
Public Service										
corporations.....	10,244,816	10,862,035							10,244,816	10,862,035
Transfers from other										
pension funds.....	4,119								4,119	
Refundable tax.....							2,080,587	833,122	2,080,587	833,122
Interest.....	40,261,137	36,389,184	8,650,530	6,313,831	1,588,360	1,505,998	62,659,599	64,933,033	113,159,626	109,142,046
Actuarial liability										
adjustment.....	2,400,000	2,400,000	11,400,000	11,400,000			10,300,000	10,300,000	24,100,000	24,100,000
	137,761,655	139,845,776	64,874,466	35,818,822	3,808,938	3,459,404	75,040,186	76,066,155	281,485,245	255,190,157
	618,927,739	555,997,643	159,781,930	108,625,241	23,264,315	21,615,415	909,452,536	911,490,020	1,711,426,520	1,597,728,319
PAYMENTS AND OTHER CHARGES—										
Annuities.....	5,721,952	4,529,484	808,849	480,624	188,960	150,159	78,026,272	77,077,670	84,746,033	82,237,937
Minimum benefits.....	687	29							687	29
Pension division.....	324,424	598,590	10,152	7,896					334,576	606,486
Transfer value										
and interest.....	428,995	247,245							428,995	247,245
Returns of										
contributions—										
Government										
employees.....	26,003	16,432	27,357	14,469		1,557			53,360	32,458
Public Service										
corporation										
employees.....	10,743	8,684							10,743	8,684
Transfers.....	2,043	990,991	3,983			3,098			6,026	994,089
Refundable tax.....	69,457,454	68,440,104	29,261,751	13,214,788	2,050,431	2,005,224			100,769,636	83,660,116
	75,972,301	74,831,559	30,112,092	13,717,777	2,239,391	2,160,038	78,026,272	77,077,670	186,350,056	167,787,044
Closing balance.....	542,955,438	481,166,084	129,669,838	94,907,464	21,024,924	19,455,377	831,426,264	834,412,350	1,525,076,464	1,429,941,275

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

**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 6.28**  
SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

	Judges		Others <sup>(1)</sup>		Total	
	2005-2006	2004-2005	2005-2006	2004-2005	2005-2006	2004-2005
	\$	\$	\$	\$	\$	\$
Opening balance .....	109,446,070	97,931,211	456,370	459,216	109,902,440	98,390,427
<b>RECEIPTS AND OTHER CREDITS—</b>						
Employee contributions—						
Government .....	2,357,751	3,692,269	29,881	14,942	2,387,632	3,707,211
Matching contributions—						
Government .....	2,357,751	3,727,575	29,666	14,942	2,387,417	3,742,517
Interest .....	4,021,642	4,095,015	15,110	17,117	4,036,752	4,112,132
	8,737,144	11,514,859	74,657	47,001	8,811,801	11,561,860
	118,183,214	109,446,070	531,027	506,217	118,714,241	109,952,287
<b>PAYMENTS AND OTHER CHARGES—</b>						
Annuities .....			21,599	49,847	21,599	49,847
Returns of contributions .....			21,599	49,847	21,599	49,847
Closing balance .....	118,183,214	109,446,070	509,428	456,370	118,692,642	109,902,440

<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 \$1,101 million (\$947 million in 2005) 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 \$33 million (\$37 million in 2005) 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 \$338 million (\$173 million in 2005) 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 \$49 million (\$770 million in 2005) 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 \$121 million was credited to this account (\$476 million debited in 2005) to adjust for the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts and an amount of \$1,269 million (\$887 million in 2005) was recorded in this account to record the expected return on the pension plan assets.

As well, a consolidation adjustment of \$117 million (\$101 million in 2005) 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 \$715 million in net gains (\$3,054 million in 2005) 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 \$12,676 million (\$12,561 million in 2005) 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)	
	2006	2005
Public Service Pension Plan—		
Public Service Superannuation		
Account .....	9,222	9,993
Public Service Pension Fund .....	3	(655)
	<u>9,225</u>	<u>9,338</u>
Canadian Forces Pension Plan—		
Canadian Forces Superannuation		
Account .....	4,955	5,014
Canadian Forces Pension Fund .....	(289)	(301)
	<u>4,666</u>	<u>4,713</u>
Royal Canadian Mounted Police		
Pension Plan—		
Royal Canadian Mounted Police		
Superannuation Account .....	1,511	1,373
Royal Canadian Mounted		
Police Pension Fund .....	(11)	(83)
	<u>1,500</u>	<u>1,290</u>
Members of Parliament Retiring Allowances .....	105	86
Retirement Compensation Arrangements .....	(1,381)	(1,483)
Pension plan for federally appointed		
judges .....	(1,439)	(1,383)
Total .....	<u>12,676</u>	<u>12,561</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-employment 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 6.29 presents the balance of these liabilities at year-end.

**TABLE 6.29**  
OTHER EMPLOYEE AND VETERAN FUTURE BENEFITS

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Veterans' disability and other future benefits .....	27,608,000,000	1,099,000,000	405,000,000	28,302,000,000
Royal Canadian Mounted Police disability and other future benefits .....	980,000,000	175,000,000	51,000,000	1,104,000,000
Public Service Health Care Plan .....	6,758,000,000	1,429,000,000	643,000,000	7,544,000,000
Pensioners' Dental Services Plan .....	1,520,000,000	304,000,000	200,000,000	1,624,000,000
Severance benefits .....	4,054,000,000	483,000,000	387,000,000	4,150,000,000
Workers' compensation .....	629,000,000	106,000,000	90,000,000	645,000,000
<b>Total .....</b>	<b>41,549,000,000</b>	<b>3,596,000,000</b>	<b>1,776,000,000</b>	<b>43,369,000,000</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)

	2006		2005	
	Accrued benefit obligation	Unamortized estimation adjustments	Future benefit liability	Future benefit liability
Veterans' disability and other future benefits .....	35,727	(7,425)	28,302	27,608
Royal Canadian Mounted Police disability and other future benefits .....	1,848	(744)	1,104	980
Public Service Health Care Plan .....	12,276	(4,732)	7,544	6,758
Pensioners' Dental Services Plan .....	1,870	(246)	1,624	1,520
Severance benefits .....	4,508	(358)	4,150	4,054
Workers' compensation .....	700	(55)	645	629
<b>Total .....</b>	<b>56,929</b>	<b>(13,560)</b>	<b>43,369</b>	<b>41,549</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 various other future benefit plans, which have affected the current year expense and benefit liabilities. Pursuant to the *Canadian Forces Members and Veterans Re-establishment and Compensation Act* that received Royal assent on May 13, 2005, major amendments to the veteran future benefits are becoming effective April 1, 2006. The main changes include the introduction of a lump-sum disability award up to a maximum of \$250,000 to compensate for the effects of a service-related injury in lieu of the former monthly payments and the introduction of a new wellness package to support Canadian Forces veterans in their re-establishment to civilian life. The net impact of these changes has resulted in a one time past service cost reduction estimated at \$1,723 million. It is recorded in reduction of the future benefit expense and of the year-end accrued benefit obligation. The amendments also resulted in the accelerated recognition of net unamortized losses of \$2,075 million, which was charged to the future benefit expense. In 2005, amendments to the plan had resulted in a one time past service cost of \$181 million.

During the year, amendments becoming effective April 1, 2006 were also approved to the health care and dental plans pertaining to retired employees. Amongst other things, amendments to the health care plan will increase the coverage, introduce the coordination of benefits for spouses who are both members of the plan, extend the benefits to certain former Canadian Forces members not previously covered, introduce a pay-direct drug card and increase the pensioner's contributions. The dental plan amendments consist mainly of a temporary reduction of pensioners' contributions and an extension of enrolment period. These amendments resulted in an estimated past service cost reduction of \$ 373 million for the health care plan and a past service cost of \$197 million for the dental plan. These one-time impacts are recorded to the future benefit expense and to the year-end accrued benefit obligation. The amendments further resulted in the accelerated recognition of net unamortized losses of \$373 million in the health care plan and net unamortized gains of \$148 million in the dental plan, which are recorded to the future benefit expense.

During the year, the expense relating to these benefits was as follows:

(in millions of dollars)

	2006					2005	
	Benefits earned	Plan amendment costs	Amortization of estimation adjustments	Net benefit expense	Interest cost	Total	Total
Veterans' disability and other future benefits .....	602	(1,723)	2,640	1,519	1,655	3,174	2,698
Royal Canadian Mounted Police disability and other future benefits .....	73		31	104	71	175	1,023 <sup>(1)</sup>
Public Service Health Care Plan .....	247	(373)	680	554	502	1,056	815
Pensioners' Dental Services Plan .....	38	197	(168)	67	69	136	92
Severance benefits .....	270		8	278	205	483	539
Workers' compensation .....	67		5	72	34	106	149
Total .....	1,297	(1,899)	3,196	2,594	2,536	5,130	5,316

<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 \$101,1 billion (\$83,4 billion in 2005).

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.

Amendments to the *Canada Pension Plan Act* and the *Canada Pension Plan Investment Board Act* that became effective April 1, 2004 provided for the transfer of the bonds held in the Fund and a portion of the funds on deposit with the Receiver General for Canada to the Board. The bond portfolio is being transferred over a period of three years that began in May 2004 and the balance on deposit with the Receiver General was transferred over a period of twelve months that ended in August 2005. The amended legislation provides for weekly transfers to the Board of any amounts held in the Account that exceeds the immediate obligation of the Plan. It also allows interest to be either credited to or charged to the Account based on its closing position.

Table 6.30 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 6.30**  
DUE TO CANADA PENSION PLAN

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Canada Pension Plan balance per audited financial statements—				
Net assets per audited financial statements .....	83,411,375,807	43,093,820,247	25,385,210,817	101,119,985,237
Less: Receivables, net of liabilities .....	2,726,204,144	3,273,438,240	2,726,204,144	3,273,438,240
Unrealized gain/loss on investment fund .....	2,060,008,143		1,250,955,080	809,053,063
Accumulated net income from Canada Pension Plan Investment Board's operations .....	7,952,988,000	12,138,803,000		20,091,791,000
	<i>70,672,175,520</i>	<i>27,681,579,007</i>	<i>21,408,051,593</i>	<i>76,945,702,934</i>
Less: transfers to Canada Pension Plan Investment Board .....	50,626,791,139	18,321,170,280	36,134,504,800	68,440,125,659
Subtotal .....	20,045,384,381	46,002,749,287	57,542,556,393	8,505,577,275
Less: securities held by the Canada Pension Plan Investment Fund —				
Canada .....	2,315,681,252	1,198,177,419		1,117,503,833
Newfoundland and Labrador .....	439,624,388	236,198,649	15,579,528	219,005,267
Nova Scotia .....	749,550,000	392,916,667		356,633,333
Prince Edward Island .....	97,457,634	50,985,696	2,061,389	48,533,327
New Brunswick .....	579,387,787	300,328,718	12,495,333	291,554,402
Quebec <sup>(1)</sup> .....	66,491,009	34,797,682	1,780,249	33,473,576
Ontario .....	7,106,393,058	4,005,965,636	364,186,694	3,464,614,116
Manitoba .....	612,982,639	339,717,583		273,265,056
Saskatchewan .....	678,676,389	366,911,641	1,133,333	312,898,081
Alberta .....	2,002,265,972	1,063,500,223		938,765,749
British Columbia .....	2,623,243,177	1,326,108,890		1,297,134,287
Yukon Territory .....	2,587,500	1,242,000		1,345,500
	<i>17,274,340,805</i>	<i>9,316,850,804</i>	<i>397,236,526</i>	<i>8,354,726,527</i>
Deposit with the Receiver General for Canada .....	2,771,043,576	55,319,600,091	57,939,792,919	150,850,748

<sup>(1)</sup> 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 2005 and 2006 calendar years, subject to maximum combined contributions of \$3,722 and \$3,821 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, 2006, over 68,823 annuitants held 74,545 active contracts, each annuitant receiving an average payment of \$658.20. During the year, 371 deferred annuities came into payment and another 144 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 2006, there were 2,400 outstanding deferred annuities, the last of which will come into payment around the year 2030.

During the 2005-2006 fiscal year, 5,630 annuities were terminated or adjusted as a result of annuitant deaths: 3,553 group certificates and 2,077 individual contracts. The average age at death for males was 84.7 while the female age at death averaged 88.7.

Total income amounted to \$24.5 million, \$24.4 million of which represented interest of 7 percent credited to the Account. Premiums received totaled \$8,200. Total disbursements of \$51.0 million originated mainly from the \$50.5 million in payments made under matured annuities. An amount of \$98,379 was used to refund premiums at death before maturity or when the annuity would have been too small, and \$202,346 was transferred to the Consolidated Revenue Fund as a result of unclaimed annuities.

The opening balance of \$377.2 million was reduced due to a surplus as at April 1, 2005 of \$0.3 million, transferred to the Consolidated Revenue Fund, and disbursements exceeding income by \$26.5 million during 2005-2006. Since the actuarial reserves required as of March 31, 2006 were only \$347.3 million, a surplus of \$3.5 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 6.31 presents a summary of the balances and transactions in deposit and trust accounts.

**TABLE 6.31**  
DEPOSIT AND TRUST ACCOUNTS

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Deposit accounts—				
Agriculture and Agri-Food—				
Canadian Dairy Commission—				
Canadian Dairy Commission account .....	(218,403)	57,187,641	56,478,301	490,937
Canada Revenue Agency—				
Guarantee deposits .....	41,887,872	21,163,269	11,772,217	51,278,924
Less: securities held in trust .....	1,691,000	60,000	2,000	1,633,000
	40,196,872	21,223,269	11,774,217	49,645,924
Finance—				
Canada Development Investment Corpora- tion—				
Holdback—Privatization .....	59,000,000		5,500,000	53,500,000
Canada Hibernia Holding Corporation—				
Abandonment reserve fund .....	60,000,000	14,740,000		74,740,000
Swap collateral deposits.....		140,261,000	62,950,000	77,311,000
	119,000,000	155,001,000	68,450,000	205,551,000
Human Resources and Social Development— Department—				
Human Resources and Skills Development—				
Canada Labour Code—Other .....	112,011	346,105	300,710	157,406
Canada Labour Code—Wage Recovery Appeals.....	994,210	511,265	377,145	1,128,330
Fair wages deposit account .....	910		910	
	1,107,131	857,370	678,765	1,285,736
Indian Affairs and Northern Development—				
Agent administered Indian minors account.....	7,740			7,740
Less: securities held in Peace Hills Trust .....	7,740			7,740
Field British Columbia and Yukon Operations of the Northern Canada Power Commission .....	992,588			992,588
Guarantee deposits .....	90,785,370	199,167,427	34,640,354	255,312,443
Less: securities held in trust .....	66,358,333	4,129,131	174,742,740	236,971,942
	24,427,037	203,296,558	209,383,094	18,340,501
Guarantee deposits—Oil and gas .....	148,069,013	27,534,332	30,868,490	144,734,855
Less: securities held in trust .....	122,268,034	370,273,656	364,287,134	116,281,512
	25,800,979	397,807,988	395,155,624	28,453,343
Guarantee deposits—Reserve resources .....	766,953			766,953
Special accounts—Section 63, Indian Act.....	300,304	3,595,127	3,530,561	364,870
Less: deposits in special bank accounts .....	300,304	3,520,561	3,585,127	364,870
		7,115,688	7,115,688	
	51,987,557	608,220,234	611,654,406	48,553,385
Industry—				
Trustee Performance Securities—Bankruptcy and Insolvency Act.....	15,000		15,000	
Justice—				
Courts Administration Service—				
Security for costs.....	17,506	6,579	8,651	15,434
Supreme Court of Canada—				
Security for costs.....	394,391	10,311	10,611	394,091
	411,897	16,890	19,262	409,525

**TABLE 6.31**  
**DEPOSIT AND TRUST ACCOUNTS—Concluded**

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Natural Resources—				
Guarantee deposits—Oil and gas .....	491,729,751	519,988,930	656,659,357	355,059,324
Less: securities held in trust .....	482,287,739	482,287,739	343,488,794	343,488,794
	9,442,012	1,002,276,669	1,000,148,151	11,570,530
Privy Council—				
Chief Electoral Officer—Candidates' and committees' deposits —Election and referendum .....	112,000	1,640,000	86,000	1,666,000
Public Safety and Emergency Preparedness—				
Canada Border Services Agency—				
Guarantee deposits <sup>(1)</sup> .....	3,770,781	7,083,573	5,207,113	5,647,241
Less: securities held in trust .....	286,800	286,800		
	3,483,981	7,370,373	5,207,113	5,647,241
General security deposits .....	4,154,597	260,310	77,980	4,336,927
Immigration guarantee fund .....	29,506,230	5,783,967	5,607,684	29,682,513
Seized monetary assets .....	3,600			3,600
Temporary deposits received from importers <sup>(1)</sup> .....	833,605		833,605	
	37,982,013	13,414,650	11,726,382	39,670,281
Public Works and Government Services—				
Contractors' security deposits (departments and agencies)—				
Bonds .....	706,204	792,037	250,000	1,248,241
Less: securities held in trust .....	706,204	250,000	792,037	1,248,241
		1,042,037	1,042,037	
Cash .....	10,602,500	224,958	2,505,099	8,322,359
Certified cheques .....	29,573	25,720	22,523	32,770
Deposits on disposals and rents .....	912,061	5,322,309	5,797,363	437,007
Seized property—Cash .....	46,155,497	50,001,399	29,820,923	66,335,973
	57,699,631	56,616,423	39,187,945	75,128,109
<b>Total deposit accounts .....</b>	<b>317,735,710</b>	<b>1,916,454,146</b>	<b>1,800,218,429</b>	<b>433,971,427</b>
Trust accounts—				
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.32 .....	1,056,208,153	259,589,911	535,843,130	779,954,934
Revenue accounts, Table 6.33 .....	195,104,266	82,523,383	78,251,591	199,376,058
	1,251,312,419	342,113,294	614,094,721	979,330,992
Indian estate accounts .....	11,776,284	3,399,292	4,012,311	11,163,265
Indian savings accounts .....	36,449,574	4,596,998	4,851,331	36,195,241
	1,299,538,277	350,109,584	622,958,363	1,026,689,498
National Defence—				
Estates—Armed services .....	121,732	1,666,524	1,574,303	213,953
Public Safety and Emergency Preparedness—				
Canadian Security Intelligence Service—				
Scholastic awards .....	29,399	738	2,000	28,137
Correctional Service—				
Inmates' trust fund .....	10,740,303	36,312,608	35,593,251	11,459,660
Royal Canadian Mounted Police—				
Benefit trust fund .....	2,163,430	161,801	96,308	2,228,923
	12,933,132	36,475,147	35,691,559	13,716,720
Veterans Affairs—				
Administered accounts .....	2,640,221	506,042	922,161	2,224,102
Estates fund .....	3,072,390	502,799	888	3,574,301
Veterans administration and welfare trust fund .....	602,513	84,619	126,624	560,508
	6,315,124	1,093,460	1,049,673	6,358,911
<b>Total trust accounts .....</b>	<b>1,318,908,265</b>	<b>389,344,715</b>	<b>661,273,898</b>	<b>1,046,979,082</b>
<b>Total deposit and trust accounts .....</b>	<b>1,636,643,975</b>	<b>2,305,798,861</b>	<b>2,461,492,327</b>	<b>1,480,950,509</b>

<sup>(1)</sup> During the year, "Temporary deposits received from importers" was combined with "Guarantee deposits".

### **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*.

### **Guarantee deposits—Canada 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.

### **Swap collateral deposits**

This account was established to record cash received as credit support under a collateral agreement with a financial institution.

### **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.

During the year, the account was closed.

### **Security for costs—Courts Administration Service**

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.

### **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.

**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.

**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 6.32****INDIAN BAND FUNDS—CAPITAL ACCOUNTS**

	2005-2006	2004-2005
	\$	\$
Opening balance .....	1,056,208,153	1,045,330,156
RECEIPTS AND OTHER CREDITS—		
Oil royalties .....	26,026,076	24,073,408
Gas royalties .....	217,867,994	176,307,885
Land and other claim settlements .....		918,100
Sundries .....	15,695,841	9,704,823
	259,589,911	211,004,216
	1,315,798,064	1,256,334,372
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution .....	19,683,070	23,855,096
Transfer pursuant to section 64 of the Indian Act .....	516,124,306	176,270,044
Sundries .....	35,754	1,079
	535,843,130	200,126,219
Closing balance .....	779,954,934	1,056,208,153

**TABLE 6.33****INDIAN BAND FUNDS—REVENUE ACCOUNTS**

	2005-2006	2004-2005
	\$	\$
Opening balance .....	195,104,266	186,138,055
RECEIPTS AND OTHER CREDITS—		
Government interest .....	51,732,204	61,171,984
Court awards and settlements .....		4,365,862
Land and other claim settlements .....	1,725,000	5,145,000
Sundries .....	29,066,179	25,268,437
	82,523,383	95,951,283
	277,627,649	282,089,338
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution .....	13,452,290	8,154,818
Transfer pursuant to section 69 of the Indian Act .....	62,699,633	76,280,593
Sundries .....	2,099,668	2,549,661
	78,251,591	86,985,072
Closing balance .....	199,376,058	195,104,266

**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 officers and non-commissioned members who die during their service in 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 6.34 presents a summary of the balances and transactions for all other specified purpose accounts.

**TABLE 6.34**  
OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Insurance and death benefit accounts—				
Finance—				
Office of the Superintendent of Financial Institutions—				
Insurance company liquidation . . . . .		1,773,293	756,514	1,016,779
Human Resources and Social Development—				
Department—				
Human Resources and Skills Development—				
Civil service insurance fund . . . . .	6,755,143	2,691	474,188	6,283,646
National Defence—				
Regular force death benefit account,				
Table 6.35 . . . . .	196,098,360	31,315,172	30,181,172	197,232,360
Treasury Board—				
Public Service death benefit account,				
Table 6.36 . . . . .	2,211,866,798	249,157,215	138,082,453	2,322,941,560
Veterans Affairs—				
Returned soldiers' insurance fund . . . . .	31,388		13,848	17,540
Veterans insurance fund . . . . .	8,186,044	202,845	811,459	7,577,430
	8,217,432	202,845	825,307	7,594,970
Total insurance and death benefit accounts . . . . .	2,422,937,733	282,451,216	170,319,634	2,535,069,315
Pension accounts—				
Human Resources and Social Development—				
Department—				
Human Resources and Skills Development—				
Annuities agents' pension account . . . . .	6,173	188	2,813	3,548
Public Safety and Emergency Preparedness—				
Royal Canadian Mounted Police—				
Dependants' pension fund . . . . .	30,493,751	2,289,383	3,038,015	29,745,119
Total pension accounts . . . . .	30,499,924	2,289,571	3,040,828	29,748,667
Other accounts—				
Agriculture and Agri-Food—				
Canadian Agricultural Income Stabilization	1,196,068,510	347,475,743	837,590,452	705,953,801
Canadian Food Inspection Agency—				
Shared-cost agreements . . . . .	1,244,635	917,225	792,083	1,369,777
Canadian Grain Commission—				
Automated Quality Testing—Private sector . . . . .	52,410		52,410	
	1,197,365,555	348,392,968	838,434,945	707,323,578
Atlantic Canada Opportunities Agency—				
Federal/provincial agreement—Advance account . . . . .	677,769	273,393	541,164	409,998
Canada Revenue Agency—				
Deposits/Disbursements—Worker's				
Compensation Board . . . . .		202,709,085	202,709,085	
Canadian Heritage—				
Miscellaneous projects deposits . . . . .	903,562	239,664	866,360	276,866
Library and Archives of Canada—				
Special Operating Account . . . . .	569,250	285,530	469,527	385,253
Telefilm Canada—				
Advance account . . . . .	14,783,418	266,123,180	245,668,770	35,237,828
	16,256,230	266,648,374	247,004,657	35,899,947

TABLE 6.34

## OTHER SPECIFIED PURPOSE ACCOUNTS—Continued

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Citizenship and Immigration—				
Immigrant investor program .....	25,600,000	34,400,000	32,000,000	28,000,000
Environment—				
Miscellaneous projects deposits .....	4,808,510	5,292,495	4,681,754	5,419,251
Parks Canada Agency—				
Miscellaneous projects deposits .....	615,881	388,259	547,644	456,496
	5,424,391	5,680,754	5,229,398	5,875,747
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 .....	928,648	940,946	724,237	1,145,357
Miscellaneous projects deposits .....	10,851,180	20,456,707	20,559,610	10,748,277
Sales of seized assets .....	955,702	623,231	867,450	711,483
	12,735,530	22,020,884	22,151,297	12,605,117
Foreign Affairs and International Trade—				
Departments—				
Foreign Affairs—				
Canada Foundation account .....	388,747		30,225	358,522
Less: securities held in trust .....	386,644	35,274		351,370
deposits in a special bank account .....	2,103		5,049	7,152
		35,274	35,274	
Financial assistance to Canadians abroad .....	82,169	1,281,428	1,265,210	98,387
Funds from non-governmental organizations .....	3,186,084	16,366,090	16,365,462	3,186,712
Shared-cost projects .....	887,491	9,265,074	8,142,512	2,010,053
International Trade—				
Funds from non-governmental organizations .....	42,197	428,394	331,394	139,197
Shared-cost projects .....	294,231	874,661	1,119,515	49,377
Canadian International Development Agency—				
Shared-cost projects—International conferences .....	1,145,414	221,452	445,114	921,752
NAFTA Secretariat, Canadian Section—				
Shared-cost agreements .....	1,099			1,099
	5,638,685	28,472,373	27,704,481	6,406,577
Health—				
Collaborative research projects .....	1,784,272	569,509	1,135,275	1,218,506
Miscellaneous federal/provincial projects .....	1,367,497	24,768	159,777	1,232,488
World Health Organization .....	104,515			104,515
Public Health Agency of Canada—				
Collaborative research projects .....	778,440	691,690	646,412	823,718
Miscellaneous federal/provincial projects .....	499,725	636,039	452,736	683,028
	4,534,449	1,922,006	2,394,200	4,062,255
Human Resources and Social Development—				
Departments—				
Human Resources and Skills Development—				
Federal/provincial shared-cost project .....	66,048	2,702,040	2,768,088	
Federal/provincial shared-cost project—				
Interprovincial Computerized Examination				
Management System (ICEMS) .....	1,084,418	866,488	681,689	1,269,217
Labour standards suspense account .....	1,368,189	15,974		1,384,163
Social Development—				
Federal/provincial shared-cost project .....	2,635,079	12,671,773	12,669,174	2,637,678
	5,153,734	16,256,275	16,118,951	5,291,058
Indian Affairs and Northern Development—				
Indian special accounts .....	383,842	6,092	6,092	383,842
Indian band funds—				
Shares and certificates .....	20,000			20,000
Less: securities held in trust .....	20,000			20,000

TABLE 6.34

## OTHER SPECIFIED PURPOSE ACCOUNTS—Continued

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Indian compensation funds .....	222,340			222,340
Indian moneys suspense account .....	44,622,564	31,611,436	31,056,015	45,177,985
Non-Indian moneys .....	469,355	11,004,781	10,872,427	601,709
	<i>45,698,101</i>	<i>42,622,309</i>	<i>41,934,534</i>	<i>46,385,876</i>
Industry—				
Canada/Provinces Business Service Centre .....	75,000	400,000	377,284	97,716
Income from securities in trust—Bankruptcy and Insolvency Act .....	52,031			52,031
Petro-Canada Enterprises Inc—Unclaimed shares .....	961,014	1,802		962,816
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 .....	80,721		10,760	69,961
Shared-cost projects .....	2,337,855	585,426	2,457,382	465,899
Unclaimed dividends and undistributed assets—				
Bankruptcy and Insolvency Act .....	11,648,511	2,822,271	1,111,238	13,359,544
Canada Business Corporations Act .....	3,891,574	205,849	97,519	3,999,904
Winding-up Act .....	529,659			529,659
Canadian Space Agency—				
Radarsat .....	107,458		1,201	106,257
Natural Sciences and Engineering Research Council—				
Trust fund .....	242,105	6,672	95,448	153,329
Social Sciences and Humanities Research Council—				
Trust fund .....		75,100	2,192	72,908
Statistics Canada—				
Project deposits .....	8,632,623	6,839,183		15,471,806
	<i>28,558,551</i>	<i>10,936,303</i>	<i>4,153,024</i>	<i>35,341,830</i>
Justice—				
Courts Administration Service—				
Special account .....	9,947,272	5,046,036	5,825,924	9,167,384
National Defence—				
Foreign governments—				
United Kingdom—				
British Army—Suffield, Alberta .....	30,651,568	67,560,018	76,426,284	21,785,302
Wainwright, Alberta .....	571,193	218,856	790,048	1
Other activities .....	5,018,233	(694,893)	3,918,621	404,719
Federal Republic of Germany—				
German Army—Shilo, Manitoba .....	198,004	17,934		215,938
Other activities .....	6,636,043	14,368,477	19,488,790	1,515,730
Netherlands .....	1,453,385	99,484	99,943	1,452,926
Italian Air Force Training .....	1,263,793	9,270,000	10,533,793	
Air projects .....	1,652,903	1,960,143		3,613,046
Security .....	1,580,873	(24,884)		1,555,989
NATO Flying Training Centre .....	12,278,972	1,603,033		13,882,005
	<i>61,304,967</i>	<i>94,378,168</i>	<i>111,257,479</i>	<i>44,425,656</i>
Joint research and development projects .....	7,093,926	3,019,247	1,530,663	8,582,510
Non-government agencies .....	1,732,418	3,865,530	3,450,547	2,147,401
North Atlantic Treaty Organization (NATO)—				
Infrastructure projects .....	6,618,109			6,618,109
	<i>76,749,420</i>	<i>101,262,945</i>	<i>116,238,689</i>	<i>61,773,676</i>
Natural Resources—				
Market development incentive payments—Alberta .....	4,943,467	4,960,101	5,125,813	4,777,755
Newfoundland Offshore Revenue Account .....		378,404,250	378,404,250	
Nova Scotia Offshore Revenue Account .....		217,755,661	217,755,661	
Shared-cost agreements—Research .....	2,625,404	8,401,776	9,748,961	1,278,219
Shared-cost projects .....	7,053,624	11,805,456	9,608,835	9,250,245
Canadian Nuclear Safety Commission—				
Security equipment purchases .....	105,240	237,602		342,842
Joint projects (formerly Installation of specialized monitoring equipment) .....	192,845	426,226	474,336	144,735
	<i>14,920,580</i>	<i>621,991,072</i>	<i>621,117,856</i>	<i>15,793,796</i>

TABLE 6.34

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/2005	Receipts and other credits	Payments and other charges	March 31/2006
	\$	\$	\$	\$
Privy Council—				
Shared-cost projects—Media travel expenses .....	586,420	459,219	269,323	776,316
Public Safety and Emergency Preparedness—				
Joint research and development projects .....	1,964,622	4,454,437	3,176,128	3,242,931
Royal Canadian Mounted Police—				
Joint research and development projects .....	127,724	906,295		1,034,019
Seized assets—Canadian funds .....	653,967		6,251	647,716
	2,746,313	5,360,732	3,182,379	4,924,666
Public Works and Government Services—				
Credit card—Special project fund .....	1,000,000			1,000,000
Francophone Summits .....	5,497	200,025	195,350	10,172
Military purchases excess funds deposit .....	69,234,907		529,856	68,705,051
Less: securities held in trust .....	69,234,907	529,856	529,856	68,705,051
	1,005,497	729,881	725,206	1,010,172
Transport (Transport, Infrastructure and Communities)—				
Office of Infrastructure of Canada—				
Crown Corporation Trusts—Donations .....	15,100			15,100
Veterans Affairs—				
Shared-cost agreements .....	3,272	85,151		88,423
Western Economic Diversification—				
Jobs and economic restoration initiative .....		154		154
Total .....	1,456,477,896	1,715,269,914	2,187,735,113	984,012,697
Less: consolidation adjustment <sup>(1)</sup> .....	14,783,418		20,454,410	35,237,828
Total other accounts .....	1,441,694,478	1,715,269,914	2,208,189,523	948,774,869
Total other specified purpose accounts .....	3,895,132,135	2,000,010,701	2,381,549,985	3,513,592,851

(1) Additional information on consolidated Crown corporations and other entities 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 Social Development (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, 2006 was 1,424 and the average age of the policyholders was 87.0 years. During the year, premiums of \$2,691 were received. Death benefits, settlement annuities and premium refunds of \$390,734 were paid during 2005-2006.

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 \$6,283,646 as at March 31, 2006. The assets as at March 31, 2006 are \$6,367,101. The surplus as at March 31, 2006 is therefore \$83,454. Pursuant to subsection 16(3) of the Civil Service Insurance Regulations, an amount of \$83,454 has therefore been transferred in the Account to the Consolidated Revenue Fund in 2005-2006.

### 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 6.35**  
REGULAR FORCE DEATH BENEFIT ACCOUNT

	2005-2006	2004-2005
	\$	\$
Opening balance . . . . .	196,098,360	192,898,346
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions by personnel . . . . .	13,863,023	13,056,123
Government's contribution . . . . .	2,000,374	1,792,319
Single premiums payable by the Government in respect of regular force participants who became entitled to a basic benefit of \$5,000 without contribution . . . . .	609,738	618,089
Interest . . . . .	14,842,037	15,149,273
	31,315,172	30,615,804
	227,413,532	223,514,150
<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 . . . . .	30,181,172	27,415,790
Closing balance . . . . .	197,232,360	196,098,360



### 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 6.36**  
PUBLIC SERVICE DEATH BENEFIT ACCOUNT

	2005-2006	2004-2005
	\$	\$
Opening balance .....	2,211,866,798	2,100,375,954
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions—		
Employees—		
Government and Public Service corporations .....	68,449,378	63,750,919
Government—		
General .....	8,175,834	7,397,981
Single premium for \$10,000 .....	1,392,467	1,343,749
Public Service corporations .....	935,241	835,829
Interest .....	170,204,295	167,449,737
	249,157,215	240,778,215
	2,461,024,013	2,341,154,169
<b>PAYMENTS AND OTHER CHARGES—</b>		
Benefit payments—		
General .....	98,020,926	88,676,074
Life coverage for \$10,000 .....	39,998,565	40,537,332
Other death benefit payments .....	62,962	73,965
	138,082,453	129,287,371
Closing balance .....	2,322,941,560	2,211,866,798

### 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, 2005 of \$12,247 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, 2005 of \$194,285 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

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.

During the year, the account was closed.

#### **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 Revenue Agency Act* and the *Worker's Compensation Act*, to enable the Canada 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**

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.

**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 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.

**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.

**Collaborative research projects—Health**

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.

**World Health Organization**

This account was established to record funds received from the World Health Organization, for scientific projects.

**Collaborative research projects—Public Health Agency of Canada**

This account was established to record funds received from client groups for cost shared and joint project research agreements.

**Miscellaneous federal/provincial projects—Public Health Agency of Canada**

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.

**Federal/provincial shared-cost project—Human Resources and Social Development—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.

**Federal/provincial shared-cost project—Human Resources and Social 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. Monies 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.

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

This account was established to record funds available for social sciences and humanities research activities, as well as receipts of private donations for the purpose of special projects.

### **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**

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. Through statutory provisions of the Act, an amount equal to 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. Through statutory provisions of the Act, an amount equal to 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*.

**Joint projects (formerly 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 joint Canadian Nuclear Safety Commission (CNSC) and International Atomic Energy Agency (IAEA) project, pursuant to the *Nuclear Safety and Control Act* and Canada's International Obligations under Safeguards.

**Shared-cost projects—Media travel expenses**

This account record medias' (non-governmental organizations) reimbursements for travel arrangement services rendered to them.

**Joint research and development projects—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.

**Credit card—Special project fund**

This account was established to record funds received from American Express (AMEX) to improve the Travel Card Program.

**Francophone Summits**

This account was established to record moneys granted since 1994 by the «Agence intergouvernementale de la Francophonie (Paris), called since 2006 the «Organisation internationale de la Francophonie», for completing projects involving the development of French and partner languages the scientific and technical modernity.

**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.

**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 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 and other projects at Sainte Anne's Hospital.

**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 consolidated financial statements of the Canada Pension Plan have been prepared in accordance with Canadian generally accepted accounting principles for the public sector, by the management of Service Canada with the concurrence of the management of Human Resources and Social Development Canada (the Department).

Management is responsible for the integrity and objectivity of the information in the 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 Act* 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 their 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 consolidated financial statements in accordance with Canadian generally accepted auditing standards and has reported to the Minister of Human Resources and Social Development.

SYLVIE C LAFONTAINE, CA  
*Chief Financial Officer  
Service Canada*

SHERRY HARRISON, CMA  
*Comptroller  
Human Resources and  
Social Development Canada*

MARYANTONETT FLUMIAN  
*Deputy Head  
Service Canada*

JANICE CHARETTE  
*Deputy Minister  
Human Resources and  
Social Development Canada*

August 18, 2006

#### AUDITOR'S REPORT

TO THE MINISTER OF SOCIAL DEVELOPMENT

I have audited the consolidated statement of net assets of the Canada Pension Plan as at March 31, 2006 and the consolidated statement of changes in net assets for the year then ended. These financial statements are the responsibility of the management of Human Resources and Social Development. 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 consolidated financial statements present fairly, in all material respects, the net assets of the Canada Pension Plan as at March 31, 2006 and the changes in its net assets and for the year then ended in accordance with Canadian generally accepted accounting principles.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
August 18, 2006



**Canada Pension Plan—Continued**

## CANADA PENSION PLAN

## CONSOLIDATED STATEMENT OF NET ASSETS

AS AT MARCH 31

(in millions of dollars)

	2006	2005
<b>Assets</b>		
Cash—Deposit with Receiver General for Canada .....	151	2,771
Receivables (Note 7) .....	3,439	2,363
Investments (Schedule, Note 3) .....	99,196	78,885
Other assets .....	12	7
	102,798	84,026
<b>Liabilities</b>		
Accounts payable .....	41	53
Pensions and benefits payable .....	62	52
Tax deductions due to Canada Revenue Agency .....	96	84
Investment liabilities (Schedule, Note 3) .....	775	279
Due to brokers (Note 3) .....	703	147
	1,677	615
Net assets .....	101,121	83,411

## Contingencies (Note 13)

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

Approved by :

SYLVIE C LAFONTAINE, CA  
*Chief Financial Officer*  
*Service Canada*

SHERRY HARRISON, CMA  
*Comptroller*  
*Human Resources and*  
*Social Development Canada*

MARYANTONETT FLUMIAN  
*Deputy Head*  
*Service Canada*

JANICE CHARETTE  
*Deputy Minister*  
*Human Resources and*  
*Social Development Canada*

Canada Pension Plan—Continued

CANADA PENSION PLAN

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31  
(in millions of dollars)

	2006	2005
Net assets, beginning of year .....	83,411	72,511
Increase		
Contributions .....	30,117	28,941
Investment income (Note 9)		
Interest income .....	2,185	2,431
Realised gains .....	6,448	1,742
Unrealised gains .....	3,239	1,212
Dividend income .....	1,031	736
Other income .....	165	38
Investment management fees .....	(36)	(20)
	13,032	6,139
	43,149	35,080
Decrease		
Pensions and benefits		
Retirement .....	17,698	16,822
Survivors .....	3,466	3,333
Disability .....	3,111	2,926
Disabled contributor's child .....	269	258
Death .....	264	249
Orphan .....	218	216
Net overpayments .....	(49)	(41)
	24,977	23,763
Operating expenses (Note 10) .....	462	417
	25,439	24,180
Net increase in net assets .....	17,710	10,900
Net assets, end of year .....	101,121	83,411

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

## Canada Pension Plan—Continued

## CANADA PENSION PLAN

## CONSOLIDATED SCHEDULE OF INVESTMENTS

FOR THE YEAR ENDED MARCH 31

(in millions of dollars)

	2006	2005
Equities		
Canadian equities		
Public markets .....	20,003	21,044
Private markets .....	628	512
	20,631	21,556
Non-Canadian equities		
Public markets .....	27,743	12,646
Private markets .....	3,822	2,394
	31,565	15,040
Total equities (Cost 2006 - \$43,994; 2005 - \$32,141)	52,196	36,596
Real return assets		
Public markets real estate .....	1,178	384
Private markets real estate .....	3,676	638
Inflation-linked bonds .....	3,837	
Private markets infrastructure .....	350	230
Total real return assets (Cost 2006 - \$8,635; 2005 - \$1,222)	9,041	1,252
Nominal fixed income		
Bonds (Note 3) .....	26,452	27,841
Money market securities .....	10,356	12,067
Total nominal fixed income	36,808	39,908
(Cost 2006 - \$34,634; 2005 - \$36,954) .....		
Total investments .....	98,045	77,756
Investment receivables		
Accrued interest .....	764	803
Derivatives receivables .....	259	240
Dividends receivables .....	128	86
Total investment receivables	1,151	1,129
(Cost 2006 \$641; 2005 - \$340) .....		
Total investments and investments receivable .....	99,196	78,885
Investments liabilities		
Debt on real estate properties .....	(664)	(242)
Derivatives liabilities .....	(111)	(37)
Total investments liabilities (Cost 2006 - \$666; 2005 - \$234) .....	(775)	(279)
Total net investments .....	98,421	78,606

Canada Pension Plan—Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006

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 Human Resources and 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 CPP Investment Board is responsible for managing amounts that are transferred to it under Section 108.1 of the *Canada Pension Plan*, and its interest in any debt securities transferred to it, in the best interests of the beneficiaries and contributors under that Act.

In accordance with the *CPP Act*, the financial activities of the Canada Pension Plan are recorded in the CPP Account (Note 8). The Plan's investments are held by the CPP Investment Fund (Note 4) and the CPP Investment Board (CPPIB). 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. The CPP Investment Board's assets are to be invested with a view to achieving a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day.

The CPP Investment Board and its subsidiaries are exempt from Part I under paragraphs 149(I)(d) and 149 (I) (d.2) of the *Income Tax Act* (Canada) on the basis that all of the shares of the CPP Investment Board and its subsidiaries are owned by Her Majesty the Queen in right of Canada or by a corporation whose shares are owned by Her Majesty the Queen in right of Canada, respectively.

The CPP Investment 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. It provides regular reports of its activities and the results achieved.

As stated in the *CPP* and *CPPIB Acts*, changes to these Acts 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

The CPP is financed by contributions and investment returns. Employers and employees pay contributions equally to CPP. Self-employed workers pay the full amount.

The 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 are expected to provide a capitalization level of 25 percent of the Plan's liability by the year 2012.

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 report concluded that 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 twenty first 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, bonds and other net assets held on behalf of the CPP by the Government of Canada (GoC) and investments held by the CPPIB. They represent funds accumulated for the payment of pensions, benefits and operating expenses. This amount does not cover the actuarial present value of accrued pensions and benefits.

As at March 31, 2006, the value of net assets of the Plan is \$101.1 billion (2005 - \$83.4 billion). This amount represents approximately 4 times the total of pensions and benefits in 2006 (2005 - 3.5 times). According to the twenty first actuarial report, this is expected to grow to 5.6 times by 2021.

**Canada Pension Plan —Continued**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006—Continued

*(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 2006 is \$844.58 (2005 - \$828.75).

**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 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 2006 is \$1,031.05 (2005 - \$1,010.23).

**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 2006 is \$506.75 (2005 - \$497.25).

**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 a child of contributor who is deceased 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 2006 is \$200.47 (2005 - \$195.96).

**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 2006 is \$2,500 (2005 - \$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 2006 is 2.3 percent (2005 - 1.7 percent).

## 2. Significant accounting policies

*(a)* Basis of presentation

These consolidated financial statements are presented on a consolidated basis. They include the consolidated financial position and the consolidated changes in net assets of the CPP Investment Board and CPP. These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector and conform to the disclosure and accounting requirements of the *CPP Act*.

These consolidated 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, investment receivables and investment liabilities

Investments, investment receivables and investment liabilities are recorded on a trade date basis and 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.

Fair value is determined as follows :

- (i)* Quoted market prices for publicly traded equities and unit values for public equity funds are used to represent fair value for these investments. Unit values reflect the quoted market prices of the underlying securities. In the case where quoted market prices are not reliable, such as those for securities that are not sufficiently liquid to be used as a basis for fair value, fair value is determined using accepted industry valuation methods.
- (ii)* In the case of private equity and infrastructure investments, where quoted market prices are not available, fair value is determined based on carrying values and other relevant information reported by external managers of the investments. These carrying values are determined by the external managers using accepted industry valuation methods. These methods include considerations such as earnings multiples of comparable publicly traded

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006—Continued

companies, discounted cash flows and third party transactions, or other events which would suggest a significant change 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 and infrastructure investments unless there is evidence of a significant change in value.

- (iii) The fair value of private markets real estate investments is determined using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions. Debt on real estate investments is valued using discounted cash flows based on current market yields for instruments with similar characteristics. 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 real estate investments unless there is evidence of a significant change in value.
- (iv) Fair value for over-the-counter derivatives such as swaps and forward contracts is determined based on the quoted market prices for underlying assets. Fair value for exchange-traded futures is based on quoted market prices.
- (v) Quoted market prices are used to represent the fair value for inflation-linked bonds.
- (vi) Quoted market prices are used to represent the fair value for public markets real estate.
- (vii) Fair value for non-marketable federal, provincial and territorial bonds is calculated using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketable and rollover provisions of the bonds.
- (viii) 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 Revenue Agency (CRA or the 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

Investment income is recorded on the accrual basis and includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the year, dividend income (recognized on ex-dividend date), interest income and net operating income from private markets 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 the difference between the fair value and cost of the investments at the end of the year. 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) Tax deductions due to Canada Revenue Agency

Tax deductions due to CRA consists primarily of voluntary and non resident taxes withheld from pensions and benefit payments to CPP beneficiaries.

(h) Net overpayments

Net overpayments are composed of overpayments of pensions and benefits that were established during the year less remissions of debts granted.

(i) Operating expenses

Operating expenses are recorded in the year to which they relate.

(j) Use of estimates

The preparation of consolidated financial statements in accordance with the Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported values of assets and liabilities as at the date of the financial statements, and income and expenses during the reporting period. Significant estimates and judgments are required principally in determining the reported estimated contributions, allowance for doubtful accounts and fair values of investments since these determinations include estimates of expected future cash flows, rates of return and the impact of future

**Canada Pension Plan —Continued**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006—Continued

events. Actual results could differ significantly from those estimates.

*(k)* Cash flow statement

It is management's opinion that a cash flow statement for the CPP Account is not necessary since information concerning operating activities, and their effects on the balance of the account with the Receiver General for Canada, are readily apparent in the Consolidated Statement of Changes in Net Assets.

## 3. Investments, investment receivables and investment liabilities

The CPP Investment Board has established investment policies in accordance with the CPPIB regulations which set out the manner in which their assets shall be invested. In setting the policies, the CPP Investment Board takes into consideration certain assets which are held outside of the CPP Investment Board and which are in the process of being transferred to the CPP Investment Board as set out in the following paragraph.

The *CPP Act* and an administrative agreement between Her Majesty the Queen in right of Canada and the CPP Investment Board (the "Agreement") together provide for the transfer of certain specified CPP assets, currently administered by the federal government, to the CPP Investment Board. These assets, totalling \$9.4 billion at fair market value as at March 31, 2006, consist of a portfolio of non-marketable federal, provincial and territorial bonds to be transferred to the CPP Investment Board in 36 instalments over a period that began May 1, 2004 and ends on

April 1, 2007 (see Note 3d). The assets also included a cash operating reserve which was transferred to the CPP Investment Board in 12 equal installments over a period that began in September 2004 and ended in August 2005.

*(a)* 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 to replicate the returns of Canadian equities, Non-Canadian equities and Non-Canadian inflation-linked bonds, and to manage asset weights and currency exposure. The CPP Investment Board has swaps outstanding to exchange money market interest payments for equity and inflation-linked bond payments. The CPP Investment Board also uses exchange-traded futures contracts and foreign exchange forwards to either increase or reduce exposure to underlying equity market or currency movements.

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 the Consolidated Statement of Net Assets.

The notional amounts and fair value of derivative contracts held as at March 31 are as follows:

	2006		2005	
	Notional amount	Fair value	Notional amount	Fair value
Equity swaps .....	8,874	169	5,918	206
Equity futures .....	1,047	(2)	6,061	(6)
Foreign exchange forwards .....	6,184	(14)	2,094	3
Inflation-linked bond swaps .....	126	(5)		
Total .....	16,231	148	14,073	203

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006—Continued

(b) Private equity investments

Private equity investments are generally made through ownership in limited partnership arrangements with a typical term of 10 years. The private equity 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 the general partners to select and provide ongoing management support to the underlying companies. Management fees generally vary between 1 and 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, 2006, management fees of \$87 million (2005 – \$70 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 quarterly and any resulting adjustments are reflected as unrealized gains or losses in investment income (see Note 9).

(c) Real return assets

The CPP Investment Board obtains exposure to real estate through investments in publicly traded securities and privately held real estate. Private markets real estate investments are held by a wholly-owned subsidiary and are managed on behalf of the CPP Investment Board by external advisors and managers through co-ownership arrangements. As at March 31, 2006, the

subsidiary's share of these investments includes assets of \$3,676 million (March 31, 2005 – \$638 million) and \$664 million of liabilities related to mortgage debt (March 31, 2005 – \$242 million), with a weighted average fixed interest rate of 6.94 percent and terms to maturity of one to 21 years.

Included in the private markets real estate are investments in joint ventures. The CPP Investment Board's proportionate share of the fair value of assets and liabilities in joint ventures at March 31, 2006 is \$3,312 million (March 31, 2005 – \$481 million) and \$664 million (March 31, 2005 – \$242 million), respectively. The proportionate share of the revenues and expenses in joint ventures for the year ended March 31, 2006 is included in investment income (see Note 9) and totals \$273 million (March 31, 2005 – \$63 million) and \$183 million (March 31, 2005 – \$44 million), respectively.

Infrastructure investments are generally made directly or through limited partnership arrangements. The investments represent ownerships in entities that invest in infrastructure assets. Management fees for limited partnership infrastructure investments are treated similarly to private equity management fees as discussed in Note 3b. During the year ended March 31, 2006, management fees included in the capital advanced to the limited partnerships were \$5.4 million (March 31, 2005 – \$1.8 million).

Inflation-linked bonds provide for an average effective yield of 4.8 percent and the terms to maturity are as follows:

TERMS TO MATURITY  
(in millions of dollars)

	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Inflation-linked bonds .....		429	623	2,785	3,837



**Canada Pension Plan —Continued**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006—Continued

*(d) Bonds*

The following table provides information on disposals, re-investments, unrealized gains (losses) of bonds :

PROVINCIAL, TERRITORIAL AND CANADA BONDS  
(in millions of dollars)

	March 31, 2005 at cost	Disposals	Re-investments	March 31, 2006 at cost	March 31, 2006 at fair value	March 31, 2005 at fair value
Newfoundland and Labrador .....	633	51	24	606	662	698
Prince Edward Island .....	140	8	10	142	154	155
Nova Scotia .....	1,079	92	92	1,079	1,168	1,196
New Brunswick .....	834	46	46	834	906	921
Quebec .....	96	6	7	97	106	108
Ontario .....	10,233	1,214	1,372	10,391	11,287	11,377
Manitoba .....	883	126		757	821	997
Saskatchewan .....	978	113	20	885	964	1,095
Alberta .....	2,883	283	141	2,741	2,983	3,253
British Columbia .....	3,778	185	75	3,668	4,043	4,234
Yukon Territory .....	4			4	4	4
Canada .....	21,541	2,124	1,787	21,204	23,098	24,038
Provincial, territorial and Canada bonds .....	3,335	240		3,095	3,354	3,803
CPP Investment Fund's share .....	24,876	2,364	1,787	24,299	26,452	27,841
CPP Investment Board's share .....	17,275	1,289	397	8,355	9,164	19,334
CPP Investment Board's share .....	* 7,601	1,075	1,390	15,944	17,288	8,507
	24,876	2,364	1,787	24,299	26,452	27,841

\* CPP transferred to CPP Investment Board bonds with a cost of \$8,028 million during the year ending March 31, 2006 (\$7,697 million – 2005)

The transfer to the CPP Investment Board of the CPP portfolio of non-marketable federal, provincial and territorial bonds began on May 1, 2004. Bonds of \$9.2 billion based on fair market value at the time of transfer were transferred during the year ended March 31, 2006.

The non-marketable bonds issued by the provinces and territories and purchased by the CPP prior to 1998 contained a rollover provision which will permit these issuers, at their option, to roll over the bonds for a further 20-year term at a rate based on capital markets borrowing rates existing at the time of rollover. The non-marketable bonds are also redeemable at the option of the issuers for redemption amounts calculated in accordance with Section 110 of the *Canada Pension Plan*.

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. 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, 2006 (2005 – none).

Effective June 2005, the Agreement was amended to permit the CPP Investment Board to purchase replacement bonds directly from a province or territory upon the maturity of the non-marketable bonds issued by the provinces and territories prior to 1998, subject to the relevant province or territory having entered into an agreement with the CPP Investment Board. The maximum term of such securities is 30 years including rollover periods. The issuer may elect to have the CPP Investment Board purchase a replacement debt security or securities in a total principal amount not exceeding the principal amount of the maturing security for a

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006—Continued

term of not less than five years and not greater than 30 years. Such replacement bonds contain rollover provisions which will permit the issuer, at its option, to roll over the debt security for successive terms of not less than five years and subject in all cases to the maximum 30 years outside maturity date. The replacement bonds are also redeemable at the option of the provinces or territories prior to maturity. Agreements between the

CPP Investment Board and the relevant provinces or territories were effective commencing July 1, 2005.

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:

	2006		2005	
	Investments at fair value	Effective yield	Investments at fair value	Effective yield
	(in millions of dollars)			
Investments maturing				
Within 1 year.....	2,837	4.71%	2,332	5.26%
1 to 5 years.....	11,965	5.02%	10,467	5.01%
Over 5 years.....	11,650	5.17%	15,042	5.54%
Total—Investments.....	26,452		27,841	
Average effective yield on investments.....		5.05%		5.32%

(e) Commissions

Commissions are paid to brokers on purchases and sales of publicly traded equities. Commissions on purchases are included as part of the cost of publicly traded equities. Commissions on sales are deducted from realized gains and added to losses as a cost of disposition. During the year ended March 31, 2006, the CPP Investment Board paid total brokerage commissions of \$28 million (2005 – \$11 million).

(f) 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, 2006, the CPP Investment Board's investments include securities loaned with an estimated fair value of \$1,847 million (March 31, 2005 – \$1,423 million). The fair value of collateral received in respect of the securities loaned is \$1,942 million (March 31, 2005 – \$1,496 million).

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.

In accordance with the amended legislation and the related administrative agreement, the bonds held by the CPP Investment Fund are transferred to the CPP Investment Board. As at March 31, 2006, 23/36<sup>th</sup> of the Investment Fund has been transferred for approximately \$18 billion (2005 – 11/36<sup>th</sup> for approximately \$8.8 billion). Once all the bonds are transferred to the CPP Investment Board in April 2007, the CPP Investment fund will cease to exist.

For further bond details see Note 3d.

**Canada Pension Plan —Continued**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006—Continued

## 5. Investment risks

Investments, investment receivables and investment liabilities may be exposed to one or more of the following risks:

## Currency Risk

The CPP is exposed to currency risk through holdings of investments, investment receivables and investment liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against foreign currencies can result in a positive or negative effect on the fair value of investments. The net underlying currency exposures, after allocating foreign currency derivatives, are as follows:

Currency	2006		2005	
	Net exposure	% of total	Net exposure	% of total
	(in millions of dollars)			
Canadian dollar . . . . .	65,326	66	62,223	79
United States dollar . . . . .	17,353	18	7,804	10
Euro . . . . .	5,900	6	3,464	4
Japanese Yen . . . . .	3,370	4	1,256	2
British Pound Sterling . . . . .	3,269	3	2,086	3
Swiss Franc . . . . .	1,090	1	340	
Australian dollar . . . . .	895	1	462	1
Other . . . . .	1,218	1	971	1
	98,421	100	78,606	100

## Interest Rate Risk

Interest rate risk refers to the effect on the fair value of investments and investment liabilities due to fluctuations in interest rates. The fair value of the bonds and debt on real estate investments is directly affected 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 the individual investment or factors affecting all securities traded in the market. The CPP Investment Board manages market risk by investing across a wide spectrum of asset classes and investment strategies to earn a diversified risk premium at the total fund, based on asset mix and risk limits established in the investment policies.

## Credit Risk

The CPP 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 is exposed to liquidity risk through its responsibility to pay benefits on a timely basis.

## 6. Credit facilities

The CPP Investment Board maintains \$1.5 billion (March 31, 2005 - \$1.6 billion) of unsecured credit facilities to meet potential liquidity requirements. As at March 31, 2006, the total amount drawn on the credit facilities is \$nil (March 31, 2005 - \$nil).

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006—Continued

7. Receivables

	2006	2005
	(in millions of dollars)	
Receivables		
Contributions .....	3,085	2,278
Régime des rentes du Québec .....	49	30
Beneficiaries		
Balance of pensions and benefits overpayments .....	86	82
Allowance for doubtful accounts .....	(50)	(46)
Due from brokers .....	255	19
Other .....	14	
	3,439	2,363

The Department has procedures to detect overpayments. During the year, overpayments totalling \$53 million (2005 – \$46 million) were established and remissions of debts totalling \$4 million (2005 – \$5 million) were granted. A further \$45 million was recovered (2005 – \$41 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 operating expenses 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 have been transferred to the CPP Investment Board on a monthly basis as explained in Note 3. As at March 31, 2006, all of the funds have been transferred (approximately \$6.5 billion). As at March 31, 2006, the Deposit with the Receiver General for Canada is \$151 million (2005 - \$2,771 million).

9. Investment income

Investment income is reported net of external investment management fees. Investment management fees in respect of public markets investments are expensed as incurred. These fees include an incentive portion that fluctuates with investment performance. Investment management fees for private market real estate investments are deducted by the asset manager before the CPP Investment Board receives its share of net operating income from the properties. For a discussion of private equity and infrastructure management fees, see Notes 3b and 3c.

## Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006—Continued

Investment income by asset class, net of external investment management fees and after giving effect to derivative contracts and investment receivables and liabilities, is as follows:

	2006	2005
	(in millions of dollars)	
Canadian equities <sup>(1)(7)</sup>		
Public markets.....	7,567	3,827
Private markets <sup>(2)</sup> .....	(25)	70
	7,542	3,897
Non-Canadian equities		
Public markets.....	3,054	398
Private markets <sup>(2)</sup> .....	597	311
	3,651	709
Less : Public markets external investment management fees.....	(30)	(16)
	11,163	4,590
Real return assets		
Public markets real estate <sup>(3)</sup> .....	298	53
Private markets real estate <sup>(4)</sup> .....	183	48
Less : Private markets real estate external investment management fees.....	(6)	(4)
	177	44
Inflation-linked bonds.....	57	
Private markets infrastructure.....	(8)	(2)
	524	95
Nominal fixed income <sup>(5)</sup> .....		
Bonds.....	1,283	1,315
Money market securities.....	41	10
	1,324	1,325
Interest on operating balance.....	21	129
Total investment income, net of external investment management fees <sup>(6)</sup> .....	13,032	6,139

(1) Includes unrealized gains of \$3,715 million (2005 – unrealized gains of \$2,141 million), realized gains of \$6,449 million net of external investment management fees (2005 – realized gains of \$1,729 million net of external investment management fees), dividends of \$993 million (2005 – \$717 million) and securities lending income of \$6 million (2005 – \$3 million).

(2) As described more fully in Note 2b, the carrying values of private equity investments are reviewed quarterly and any resulting adjustments are reflected as unrealized gains or losses in investment income.

(3) Includes unrealized gains of \$260 million (2005 – unrealized gains of \$30 million), realized losses of \$0.3 million (2005 – realized gains of \$3.7 million) and dividends of \$38 million (2005 – \$19.6 million).

(4) Includes private markets real estate operating income of \$110 million (2005 – \$37 million), which is net of debt interest of \$42 million (2005 – \$23 million), and unrealized gains of \$73 million (2005 – unrealized gains of \$11 million).

(5) Includes interest income of \$2,185 million (2005 – \$2,431 million), realized losses of \$31 million (2005 – realized losses of \$7 million) and unrealized losses of \$809 million (2005 – unrealized losses of \$970 million).

(6) Includes foreign exchange losses of \$1,679 million (2005 – foreign exchange losses of \$867 million).

(7) In fiscal 2006, as a result of the removal of the foreign property restrictions under the *Income Tax Act* (Canada), the CPP Investment Board elected to change its method of accounting for the cost of public markets equity investments from a total portfolio average cost basis to an individual portfolio-based approach. The change resulted in a reclassification of \$443 million from realized gains to unrealized gains in fiscal 2006.

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006—Continued

10. Operating expenses

	2006	2005
	(in millions of dollars)	
General operating expenses .....	222	205
Salaries and benefits .....	232	206
Professional and consulting fees .....	8	6
Total operating expenses .....	462	417

11. Net assets and changes in net assets for accountability purposes

The administration of the Canada Pension Plan's assets and activities is split between various federal departments and the Canada Pension Plan Investment Board. The CPPIB is now responsible for managing the majority of the Plan's assets, while the Government of Canada, through

various federal departments, manages the remainder of the assets, as well as the collection of the CPP contributions and the administration and payments of the CPP benefits. For accountability purposes, the following table presents summary information on the levels of assets and liabilities and sources of income and expenses managed by each the GoC and the CPPIB.

(in millions of dollars)

	2006			2005		
	Government of Canada	CPP Investment Board	Total	Government of Canada	CPP Investment Board	Total
Assets .....	12,750	90,048	102,798	24,998	59,028	84,026
Liabilities .....	161	1,516	1,677	167	448	615
Net assets .....	12,589	88,532	101,121	24,831	58,580	83,411
Income :						
Contributions .....	30,117		30,117	28,941		28,941
Investment income .....	839	12,193	13,032	1,125	5,014	6,139
	30,956	12,193	43,149	30,066	5,014	35,080
Expenses :						
Pensions and benefits .....	24,977		24,977	23,763		23,763
Operating expenses .....	408	54	462	386	31	417
	25,385	54	25,439	24,149	31	24,180
Increase in net assets .....	5,571	12,139	17,710	5,917	4,983	10,900

Pursuant to Section 108.1 of the *CPPIB Act* and the Agreement dated as of April 1, 2004, amounts not required to meet specified obligations of the CPP are transferred to the CPPIB. The funds originate from employer and employee contributions to the CPP, proceeds of maturing and redeemed government bonds held by the GoC on behalf of the CPP and interest income generated from this portfolio.

CPP transfers include an interest in the bond portfolio administered by the GoC for the CPP and a portion of the amount on deposit with the Receiver General. In September 2004, the CPPIB assumed responsibility for providing cash management services to the CPP, including periodic return, on at least a monthly basis of funds required to meet expenses and benefits. In accordance with the Agreement dated April 1, 2004, the 12 monthly payments to the CPPIB of a portion of the amount on deposit with the Receiver General were used to reduce the payments to the CPP for expenses and benefits as noted previously.

**Canada Pension Plan —Continued**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006—Continued

During the year ended March 31, 2006, the total of \$34.5 billion transferred to the CPPIB includes bonds of \$9.2 billion based on fair market value at the time of transfer and cash of \$25.3 billion. During the same year a total of \$16.7 billion (net of the amount on deposit with Receiver General transferred to CPPIB of \$2.7 billion) was returned to the CPP to meet its liquidity requirements.

TRANSACTION TOTAL FOR THE YEAR  
(in millions of dollars)

	2006	2005
Canada Pension Plan Investment Board		
Accumulated transfers to CPPIB, beginning of year .....	57,296	29,824
Transfers of bonds titles and accrued interest .....	9,201	8,804
Transfers of funds to CPPIB .....	25,298	18,668
Accumulated transfers to CPPIB, end of year .....	91,795	57,296
Accumulated transfers from CPPIB, beginning of year .....	(6,669)	
Transfers of funds from CPPIB .....	(16,686)	(6,669)
Accumulated transfers from CPPIB, end of year .....	(23,355)	(6,669)
Accumulated net transfers to CPPIB .....	68,440	50,627

## 12. 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, 2006, the remaining commitments total \$8.3 billion (March 31, 2005 – \$5.4 billion).

As at March 31, 2006, the CPPIB has made lease commitments of \$26.0 million (March 31, 2005 – \$20 million) over the next eight years.

## 13. Contingencies

## (a) Appeals relating to the payment of pensions and benefits

At March 31, 2006, there were 8,226 (8,331 in 2005) appeals relating to the payment of CPP pensions and benefits. These contingencies are estimated at an amount of \$36 million (\$33 million in 2005). Any award made in favor of beneficiaries will be accounted for as an expense of the period in which the amount becomes determinable.

## (b) Class action

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. On May 16, 2006, the case was heard by the Supreme Court of Canada. The decision of the Supreme Court is expected later this year.

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 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 estimated at an amount between \$71 and \$132 million.

**Canada Pension Plan —Continued**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2006—Continued

(c) Guarantees and indemnifications

The CPP Investment Board provides indemnifications to its officers, directors and, in certain circumstances, to various counterparties. The CPP Investment Board may be required to compensate these parties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The contingent nature of the indemnification agreements prevents the CPP Investment Board from making a reasonable estimate of the maximum potential payments the CPP Investment Board could be required to make. To date, the CPP Investment Board has not received any claims nor made any payments for such indemnifications.

14. Related party transactions

In addition to the information already disclosed in the other notes to the consolidated financial statements, the CPP has \$3,085 million (2005 - \$2,278 million) of contributions receivable from the Canada Revenue Agency and accounts receivable of \$14 million (2005 – accounts payable of \$32 million) from 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. The costs are based on estimated allocations of costs and are charged to the CPP in accordance with the memoranda of understanding.

TRANSACTION TOTAL FOR THE YEAR  
(in millions of dollars)

	2006	2005
Pension and benefit delivery, accommodation and corporate services		
Social Development Canada .....	269	263
Human Resources and Skills Development Canada .....	21	10
	290	273
Collection of contributions		
Canada Revenue Agency .....	101	96
Cheque issue and computer services		
Public Works and Government Services Canada .....	16	16
Actuarial services		
Office of the Superintendent of Financial Institutions .....	1	1
	408	386

15. Comparative figures

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



## Government Annuities Account

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Government Annuities Account have been prepared in accordance with Canadian generally accepted accounting principles, by the management of Service Canada with the concurrence of the management of Human Resources and Social Development Canada (the Department). Service Canada is responsible for providing financial management and reporting services to the Department. Management of the Department and Service Canada 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 of Service Canada has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance that transactions comply with relevant authorities, assets are safeguarded and proper records are maintained. The financial statements have been reviewed and approved by the Department and Service Canada.

The management of Human Resources and Social Development Canada and Service Canada recognises the responsibility of conducting its affairs in compliance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

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.

SYLVIE C LAFONTAINE, CA  
*Chief Financial Officer*  
*Service Canada*

SHERRY HARRISON, CMA  
*Comptroller*  
*Human Resources and*  
*Social Development Canada*

MARYANTONETT FLUMIAN  
*Deputy Head*  
*Service Canada*

JANICE CHARETTE  
*Deputy Minister*  
*Human Resources and*  
*Social Development Canada*

June 30, 2006

### REPORT OF THE ACTUARY

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account as at March 31, 2006 and their change in the Account's statement of operations and actuarial liabilities 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 Social Development Canada

Gatineau, Canada  
June 30, 2006

**Government Annuities Account—Continued**

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND SOCIAL DEVELOPMENT

I have audited the balance sheet of the Government Annuities Account as at March 31, 2006 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 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 Account as at March 31, 2006 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.

John O'Brien, CA  
Principal  
for the Auditor General of Canada

Halifax, Canada  
June 30, 2006

BALANCE SHEET AS AT MARCH 31, 2006  
(in thousands of dollars)

ASSETS	2006	2005	LIABILITIES	2006	2005
Deposit with Receiver General for Canada (Note 3) . . . . .	326,099	351,187	Actuarial surplus due to Canada . . . . .	3,514	261
Accrued interest due from Canada . . . . .	24,456	26,164	Actuarial liabilities (Note 4) . . . . .	347,239	377,229
Accounts receivable . . . . .	198	139			
	350,753	377,490		350,753	377,490

Contingency (Note 7)

See accompanying notes to the financial statements.

Approved by the Department:

SYLVIE C LAFONTAINE, CA  
*Chief Financial Officer*  
*Service Canada*

SHERRY HARRISON, CMA  
*Comptroller*  
*Human Resources and*  
*Social Development Canada*

MARYANTONETT FLUMIAN  
*Deputy Head*  
*Service Canada*

JANICE CHARETTE  
*Deputy Minister*  
*Human Resources and*  
*Social Development Canada*

## Government Annuities Account—Continued

STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES  
FOR THE YEAR ENDED MARCH 31, 2006  
(in thousands of dollars)

	2006	2005
Payments and other charges		
Annuity payments . . . . .	50,694	54,095
Premium refunds . . . . .	98	156
Unclaimed annuities . . . . .	148	239
	50,940	54,490
Income		
Interest from		
Canada (Note 3) . . . . .	24,456	26,164
Premiums (Note 3) . . . . .	8	72
	24,464	26,236
Excess of payments and other charges over income for the year . . . . .	26,476	28,254
Actuarial liabilities, beginning of year . . . . .	377,229	405,744
	350,753	377,490
Actuarial surplus due to Canada . . . . .	3,514	261
Actuarial liabilities, end of year (Note 4) . . . . .	347,239	377,229
Actuarial liabilities are comprised of:		
Deferred annuities, present value . . . . .	18,827	20,027
Matured annuities, present value . . . . .	328,412	357,202
	347,239	377,229

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2006  
(in thousands of dollars)

	2006	2005
Cash flows from (used in) operations:		
Payments to annuitants . . . . .	(50,792)	(54,251)
Unclaimed annuities paid to Consolidated Revenue Fund . . . . .	(148)	(239)
Interest received . . . . .	26,164	28,454
Premiums received from annuitants . . . . .	8	72
Other recoverable payments . . . . .	(59)	(117)
	(24,827)	(26,081)
Actuarial surplus remitted to Consolidated Revenue Fund . . . . .	(261)	(2,532)
Decrease in Deposit with Receiver General for Canada . . . . .	(25,088)	(28,613)
Deposit with Receiver General for Canada, beginning of year . . . . .	351,187	379,800
Deposit with Receiver General for Canada, end of year . . . . .	326,099	351,187

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

## 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 Social Development Canada and Service 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, 2006—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 respect to the financial statements. Their respective roles are as follows:

(a) Human Resources and Social 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 is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The value of administrative services, including actuarial services, entered into in the normal course of business under the same terms and conditions that would apply to unrelated parties and received without charge from Human Resources and Social Development Canada and other government entities, is not recorded. For the year ended March 31, 2006, the estimated exchange amount of the administrative services received from Human Resources and Social Development Canada amounted to \$2.7 million (2005 - \$2.6 million).

7. Lawsuit

On March 1, 2006, the Federal Court approved the settlement of a lawsuit 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 settlement will be paid from Human Resources and Social Development Canada's operating funds and will not be recovered from or credited to the Account. The settlement has no impact on the assets or liabilities of the Account, therefore no provision has been made in the financial statements.

8. Reclassification of comparative figures

Certain 2005 comparative figures have been reclassified to conform to the presentation of the 2006 financial statements.

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**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 judgments 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 28, 2006

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC SAFETY

I have audited the statement of net assets available for benefits of the Royal Canadian Mounted Police (Dependants) Pension Fund as at March 31, 2006 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, 2006 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Fund that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of the *Financial Administration Act* and the *Royal Canadian Mounted Police Pension Continuation Act*.

Douglas G. Timmins, CA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
July 28, 2006

**Royal Canadian Mounted Police (Dependants)  
Pension Fund—Continued**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
AS AT MARCH 31

	2006	2005
	\$	\$
Net assets available for benefits		
Due from the Consolidated Revenue Fund .....	29,745,119	30,493,751

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

STATEMENT OF CHANGES IN NET ASSETS  
AVAILABLE FOR BENEFITS  
YEAR ENDED MARCH 31

	2006	2005
	\$	\$
Net assets available for benefits, beginning of year .....	30,493,751	30,805,139
Increase in net assets:		
Interest income on amount due from the Consolidated Revenue Fund .....	2,281,869	2,404,210
Contributions .....	7,514	8,906
Total increase in net assets .....	2,289,383	2,413,116
Decrease in net assets:		
Benefit payments .....	(3,038,015)	(2,724,504)
Decrease in net assets .....	748,632	311,388
Net assets available for benefits, end of year .....	29,745,119	30,493,751

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.

The carrying value of Due from the Consolidated Revenue Fund 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 7.9 percent per annum (8.2 percent in 2005) is consistent with the estimated yield (7.79 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, 2006. 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:

	2006	2005
	\$	\$
Actuarial present value of accrued pension benefits, beginning of year .....	27,456,000	26,785,000
Net interest accrued on benefits .....	2,023,000	2,135,000
Net adjustment arising from experience gains and losses and from valuation changes .....	(233,000)	152,000
Benefits increases .....		1,100,000
Contributions from participants (instalment payments) .....	8,000	9,000
Benefit payments .....	(3,038,000)	(2,725,000)
Actuarial present value of accrued pension benefits, end of year .....	<u>26,216,000</u>	<u>27,456,000</u>



# SECTION 7

2005-2006

*PUBLIC ACCOUNTS OF CANADA*

## Cash and Accounts Receivable

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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 31/2006	March 31/2005
	\$	\$
Cash, Table 7.2.....	21,148,870,830	20,614,687,314
Tax receivables, Table 7.3.....	59,113,438,002	53,477,070,032
Other accounts receivable, Table 7.5.....	2,580,993,737	2,253,679,979
Total cash and accounts receivable.....	82,843,302,569	76,345,437,325

### 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 and other entities. 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 31/2006	March 31/2005
	\$	\$
Cash in bank—		
Canadian currency.....	17,931,065,988	17,121,709,779
Foreign currencies <sup>(1)</sup> .....	(3,469,018)	7,863,861
Special deposits <sup>(2)</sup> .....	32,907,111	31,762,559
Total cash in bank.....	17,960,504,081	17,161,336,199
Cash in transit—		
Cash in hands of collectors and in transit.....	7,481,458,011	7,135,066,517
Other cash—Consolidated Crown corporations and other entities <sup>(3)(4)</sup> .....	454,993,000	608,476,000
Total cash in transit.....	7,936,451,011	7,743,542,517
Less: Outstanding cheques and warrants—		
Outstanding cheques <sup>(5)</sup> .....	4,745,056,162	4,286,536,963
Imprest account cheques <sup>(6)</sup> .....	3,028,100	3,654,439
Total outstanding cheques and warrants.....	4,748,084,262	4,290,191,402
Total cash.....	21,148,870,830	20,614,687,314

<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 and other entities.

<sup>(4)</sup> The comparative figure have been restated to reflect the current year's presentation.

<sup>(5)</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 \$31,057,344 (\$32,909,471 in 2005) was transferred to non-tax revenues. Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

<sup>(6)</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 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

	2006			2005
	Gross tax receivables	Allowance for doubtful accounts	Net tax receivables	Net tax receivables
	\$	\$	\$	\$
Tax receivables—				
Income tax receivables—				
Individuals .....	31,009,700,463	2,082,980,577	28,926,719,886	25,657,192,585
Employers .....	13,872,164,720	375,527,564	13,496,637,156	12,501,725,967
Corporations .....	7,079,906,130	1,209,115,873	5,870,790,256	6,121,209,308
Non-residents .....	966,369,476	60,067,651	906,301,825	718,881,331
Goods and services tax receivable .....	10,262,633,433	1,107,559,058	9,155,074,375	7,717,023,045
Customs duties receivable .....	122,710,917	31,399,914	91,311,003	117,443,752
Excise taxes and duties receivable .....	690,551,503	23,948,001	666,603,502	643,594,044
Total .....	64,004,036,640	4,890,598,638	59,113,438,002	53,477,070,032

Table 7.4 presents the aging for tax receivables for the period over which claims at March 31, 2006 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	
	2006	2005
	\$	\$
Tax receivables		
Less than one year .....	54,494,633,780	50,152,327,779
1-2 .....	2,890,015,118	2,967,222,113
2-3 .....	1,811,089,117	1,913,095,580
3-4 .....	1,422,580,878	1,294,237,661
4-5 .....	935,870,898	835,666,086
Over 5 years .....	2,449,846,849	2,314,852,033
Total .....	64,004,036,640	59,477,401,252

## 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, 2006.

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

	2006		2005	
	Gross receivables	Allowance for doubtful accounts	Net receivables	Net receivables
	\$	\$	\$	\$
Other receivables <sup>(1)</sup> .....	3,402,432,146	1,297,025,410	2,105,406,737	1,958,645,979
Accounts receivable of consolidated Crown corporations and other entities <sup>(2)(3)</sup> .....	475,587,000		475,587,000	295,034,000
Total .....	3,878,019,146	1,297,025,410	2,580,993,737	2,253,679,979

<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 and other entities.

<sup>(3)</sup> The comparative figure has been restated to reflect the current year's presentation.

Table 7.6 presents the aging of other accounts receivables for the period over which claims at March 31, 2006 have been outstanding.

**TABLE 7.6**  
AGING OF OTHER ACCOUNTS RECEIVABLE

	Year ended March 31	
	2006	
	\$	
Outstanding days		
0-30 .....	834,758,685	
31-60 .....	57,712,427	
61-90 .....	38,987,340	
91-365 .....	277,332,728	
Over 365 .....	2,193,640,966	
Total .....	3,402,432,146	
Accounts receivable of consolidated Crown corporations and other entities ..	475,587,000	
Total .....	3,878,019,146	

# SECTION 8

2005-2006

*PUBLIC ACCOUNTS OF CANADA*

## Foreign Exchange Accounts

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## 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 \$14,084 million as at March 31, 2006 (\$16,286 million as at March 31, 2005); 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 1/2005	Payments and other charges	Receipts and other credits	March 31/2006
	\$	\$	\$	\$
International reserves held in the Exchange Fund Account, Table 8.2.....	39,114,457,640	28,779,706,258	26,957,957,330	40,936,206,568
International Monetary Fund—Subscriptions .....	11,239,451,373		566,558,605	10,672,892,768
	50,353,909,013	28,779,706,258	27,524,515,935	51,609,099,336
Less:				
International Monetary Fund—Notes payable.....	8,058,738,373	1,232,635,977	2,645,000,000	9,471,102,396
Special drawing rights allocations .....	1,424,152,475	112,677,541		1,311,474,934
	9,482,890,848	1,345,313,518	2,645,000,000	10,782,577,330
Total.....	40,871,018,165	30,125,019,776	30,169,515,935	40,826,522,006

### 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 year. The financial statements as at March 31, 2006, 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, 2006. Gold held by the Account is valued at 35 SDRs per fine ounce (\$58.90 Cdn as at March 31, 2006 and \$63.96 Cdn as at March 31, 2005).

In 2005-2006, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$27,046 million and an adjustment of \$1,734 million to recognize the net income of the Exchange Fund Account for the period January 1, 2005 to March 31, 2006. Receipts and other credits consisted of repayments of advances of \$24,577 million and a net valuation adjustment of \$2,381 million.

**TABLE 8.2****INTERNATIONAL RESERVES HELD IN  
THE EXCHANGE FUND ACCOUNT**

(in millions of dollars)

	March 31/2006	March 31/2005
US dollar cash on deposits .....	241	127
US dollar short-term deposits .....	6,123	3,519
US dollar marketable securities .....	17,449	16,929
Euro cash on deposits .....	34	34
Euro short-term deposits .....	57	
Euro marketable securities .....	15,376	16,168
Japanese yen cash deposits .....	83	93
Japanese yen marketable securities .....	496	1,129
Special drawing rights .....	1,071	1,108
Gold .....	6	7
<b>Total .....</b>	<b>40,936</b>	<b>39,114</b>
<b>Advances by the Consolidated Revenue Fund were denominated as follows:</b>		
US dollars (2006, \$21,146 million US; (2005, \$19,644 million US) .....	24,698	23,761
Euro .....	14,606	15,352
Japanese yen .....	576	1,218
Special drawing rights (2006, SDR 610 million; 2005, SDR 610 million) .....	(1,027)	(1,115)
Canadian dollars .....	349	(441)
<b>Total advances from the Consolidated Revenue Fund .....</b>	<b>39,202</b>	<b>38,775</b>
<b>Total net income from January 1 to March 31 .....</b>	<b>1,734</b>	<b>339</b>
<b>Total .....</b>	<b>40,936</b>	<b>39,114</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 2005-2006, receipts and other credits consisted of a valuation adjustment of \$567 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 2005-2006, notes payable to the IMF increased by \$1,412 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 2005-2006, payments and other charges consisted of a valuation adjustment of \$113 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 except, as a result of amendments to the *Currency Act*, the year-end for the Account changed to March 31<sup>st</sup>.

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.

DAVID A. DODGE  
*Governor*  
*Bank of Canada*

ROB WRIGHT  
*Deputy Minister*  
*Department of Finance*

SHEILA VOKEY, CA  
*Chief Accountant*  
*Bank of Canada*

Ottawa, Canada  
June 12, 2006

#### AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at March 31, 2006 and the statement of revenue for the 15 month period 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 March 31, 2006 and its revenues and its cash flows for the 15 month period 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  
June 12, 2006



**Exchange Fund Account—Continued**BALANCE SHEET AS AT MARCH 31, 2006  
(in millions of Canadian dollars)

ASSETS	March 31, 2006	December 31, 2004	LIABILITIES	March, 31 2006	December 31, 2004
Cash and short-term deposits (Note 4) .....	4,239	2,668	Due to the Consolidated Revenue Fund		
Deposits held under repurchase agreements (Note 5) .....	2,278		Advances (Note 8) .....	39,202	34,382
Marketable securities (Note 6) .....	32,855	31,761	Net revenue for the year .....	1,734	1,798
	<u>39,372</u>	<u>34,429</u>			
Other assets					
Special drawing rights .....	1,065	1,107			
Gold .....	6	7			
Accrued interest and other receivables (Note 7) .....	493	637			
	<u>1,564</u>	<u>1,751</u>			
	<u>40,936</u>	<u>36,180</u>		<u>40,936</u>	<u>36,180</u>

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

Approved:

DAVID A. DODGE

*Governor  
Bank of Canada*

ROB WRIGHT

*Deputy Minister  
Department of Finance*

SHEILA VOKEY, CA

*Chief Accountant  
Bank of Canada*STATEMENT OF REVENUE  
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2006  
(in millions of Canadian dollars)

	March 31, 2006 (15 months)	December 31, 2004 (12 months)
Revenue from investments		
Marketable securities .....	1,840	1,588
Cash and short-term deposits .....	104	32
Deposits held under repurchase agreements .....	46	3
Special drawing rights .....	37	21
	<u>2,027</u>	<u>1,644</u>
Other revenue		
Net gain (loss) on foreign exchange ....	(293)	154
	<u>(293)</u>	<u>154</u>
Net revenue for the year .....	1,734	1,798

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

**Exchange Fund Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
15 MONTH PERIOD ENDED MARCH 31, 2006

(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 foreign currency liquidity for the Government and to provide a source of funds, if required, to help promote orderly conditions for the Canadian dollar in the foreign exchange market. 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 Minister of Finance 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) Change in year-end

Amendments to the *Currency Act* came into effect on December 30, 2005 and included changing the reporting year of the Account, which had been the calendar year, to a fiscal year ending March 31. The amendments include a transitional provision stipulating that the 15 month period that ends March 31, 2006 is deemed to be the first fiscal year.

(b) 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 reporting entity of the Account is limited to those transactions permitted by a policy established by the Minister of Finance. 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 Minister of Finance.

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.

(c) 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 significantly from those estimates.

(d) 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:

	March 31, 2006	December 31, 2004
US dollars .....	1.1680	1.2020
Euros .....	1.4153	1.6287
Japanese yen .....	0.009923	0.011727
SDRs .....	1.68291	1.86050

Gains or losses resulting from the translation of assets and advances denominated in foreign currencies and SDRs, as well as transactions throughout the fiscal year, are recorded as net foreign exchange gains or losses and are included in the category *Other revenue* in the *Statement of Revenue*.

**Exchange Fund Account—Continued**

## NOTES TO THE FINANCIAL STATEMENTS

15 MONTH PERIOD ENDED MARCH 31, 2006—Continued

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.

**(e) 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, deposits held under repurchase agreements marketable securities, and special drawing rights. Accrued interest is recorded in the category *Other assets* on the *Balance sheet*.

**(f) 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.

**Deposits held under repurchase agreements**

Deposits held under repurchase agreements are money market transactions where the Account invests funds on a secured basis with designated counterparties at prevailing market rates based on tri-party reverse repurchase agreements. The collateral on these transactions is held by a tri-party custodian. Deposits held under repurchase agreements are recorded at the amount originally invested.

**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* in the *Statement of Revenue*.

**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 fiscal 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.

**(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 97 percent (90 percent as at December 31, 2004) 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**

	March 31, 2006	December 31, 2004
	Carrying value	Carrying value
US dollar.....	4,065	2,529
Euro.....	91	42
Japanese yen.....	83	97
	<u>4,239</u>	<u>2,668</u>

**5. Deposits held under repurchase agreements**

	March 31, 2006	December 31, 2004
	Carrying value	Carrying value
US dollar.....	2,278	
	<u>2,278</u>	

At March 31, 2006, the term to maturity of deposits held under repurchase agreements was less than 3 months.

## Exchange Fund Account—Continued

NOTES TO THE FINANCIAL STATEMENTS

15 MONTH PERIOD ENDED MARCH 31, 2006—Continued

## 6. Marketable securities

	Term to maturity									
	March 31, 2006								December 31, 2004	
	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										
Sovereign .....	4,181	4.27%	147	3.72%	352	4.44%	1,572	4.28%	6,252	6,357
Supra National .....	1,820	4.11%	147	4.05%	1,032	4.49%	978	4.53%	3,977	2,709
Agencies and other .....	3,768	4.42%	210	4.34%	1,753	4.59%	1,382	4.70%	7,113	5,285
Carrying value .....	9,769		504		3,137		3,932		17,342	14,351
Euro										
Sovereign .....	282	2.38%	163	3.97%	7,396	3.89%	2,420	3.44%	10,261	11,643
Supra National .....					716	4.61%	284	3.35%	1,000	989
Agencies and other .....	143	4.54%	75	2.64%	2,126	3.76%	1,412	3.70%	3,756	3,605
Carrying value .....	425		238		10,238		4,116		15,017	16,237
Japanese yen										
Sovereign .....					496	1.91 %			496	1,173
Carrying value .....					496				496	1,173
Total securities										
Carrying value .....	10,194		742		13,871		8,048		32,855	31,761

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 \$193 million (\$230 million at December 31, 2004).

At March 31, 2006, a portion of the Account's holdings of US government securities, consisting of US\$1,815 million (par value) in Treasury Bills (US\$1,830 million at December 31, 2004) and US\$1,130 million (par value) in Treasury Notes (US\$1,165 million at December 31, 2004), is being used in securities-lending operations with financial institutions.

## 7. Accrued interest and other receivables

	March 31, 2006	December 31, 2004
Accrued interest		
Cash and short-term deposits .....	12	4
Deposits held under repurchase agreements .....	9	
Marketable securities		
US dollar .....	107	164
Euro .....	359	461
Japanese yen .....		4
SDRs .....	6	4
Other receivables .....		
	493	637

The fair value of the accrued interest and other receivables is deemed equal to their carrying value given their maturity date.

**Exchange Fund Account—Continued**

## NOTES TO THE FINANCIAL STATEMENTS

15 MONTH PERIOD ENDED MARCH 31, 2006—Continued

## 8. 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 of the Minister of Finance dated December 30, 2005. At fiscal year-end, advances from (deposits with) the CRF consisted of:

	March 31, 2006	December 31, 2004
US dollars .....	24,698	20,332
Canadian dollars .....	349	(2,108)
Euro .....	14,606	16,027
Japanese yen .....	576	1,266
SDRs .....	(1,027)	(1,135)
	39,202	34,382

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.

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.

## 9. 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 policy and 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 policy and 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

	March 31, 2006		December 31, 2004	
	Carrying value and accrued interest	Fair value	Carrying value and accrued interest	Fair value
Investments				
Cash and short-term deposits .....	4,251	4,251	2,672	2,672
Deposits held under repurchase agreements .....	2,287	2,287		
Marketable securities				
US dollar .....	17,449	17,235	14,514	14,685
Euro .....	15,376	15,448	16,698	17,552
Japanese yen .....	496	511	1,178	1,218
	39,859	39,732	35,062	36,127
SDRs .....	1,071	1,071	1,111	1,111
Gold .....	6	74	7	57

The estimated fair value of cash, short-term deposits, deposits held under repurchase agreements and SDRs is deemed equal to their carrying value given their maturity date.

**Exchange Fund Account—Concluded**

NOTES TO THE FINANCIAL STATEMENTS  
15 MONTH PERIOD ENDED MARCH 31, 2006—Concluded

Estimated fair values of marketable securities are based on quoted market prices. Prevailing market conditions at March 31, 2006 reduced fair values on US dollar marketable securities below carrying values. As it is uncertain that these conditions reflect other than temporary impairment in the fair value, these securities have not been written-down to fair value.

The estimated fair value of gold is based on London fixings of \$679.78 (\$526.48 at December 31, 2004) per fine ounce.

10. 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 during the 15 month period ended March 31, 2006 or during the year ended December 31, 2004, and there were no commitments outstanding as at March 31, 2006.

(b) Foreign currency contracts

In the normal course of operations, the Account enters into foreign currency contracts. As at March 31, 2006, the Account was under contract to sell \$25 million (\$8 thousand at December 31, 2004) of foreign currency. Unrealized gains (losses) are calculated using the March 31, 2006 exchange rates. As of that date, there were no unrealized net gains (losses) included in net revenue (nil at December 31, 2004). Outstanding foreign currency contracts were settled by April 3, 2006.

(c) Investment contracts

In the normal course of operations, the Account enters into investment contracts. The following table presents the fair value of investment contracts with contractual amounts outstanding at March 31, 2006. Outstanding investment contracts were settled by April 6, 2006.

	March 31, 2006		December 31, 2004	
	Contractual value	Fair value	Contractual value	Fair value
Marketable securities				
US dollar				
-Purchases .....	(663)	(663)		
-Sales .....	82	82		
Euro				
-Purchases .....	(94)	(94)		
-Sales .....	93	93		

11. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

# SECTION 9

2005-2006

*PUBLIC ACCOUNTS OF CANADA*

## Loans, Investments and Advances

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## 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 1/2005 <sup>(1)</sup>	Payments and other charges	Receipts and other credits	March 31/2006
	\$	\$	\$	\$
Enterprise Crown corporations and other government business enterprises, Table 9.2	17,624,857,349	5,317,345,313	2,358,491,900	20,583,710,762
Portfolio investments, Table 9.11	15,087,506	102,691,006	1,635,760	116,142,752
National governments including developing countries, Table 9.12	934,896,927	86,912,889	244,717,181	777,092,635
International organizations, Table 9.13	13,439,938,721	623,909,296	399,755,125	13,664,092,892
Provincial and territorial governments, Table 9.14	4,941,210,571	1,377,149,340	1,390,840,822	4,927,519,089
Other loans, investments and advances, Table 9.15	17,094,289,723	4,670,736,623	3,146,951,807	18,618,074,539
	54,050,280,797	12,178,744,467	7,542,392,595	58,686,632,669
Less: allowance for valuation	15,882,432,944	930,617,489	1,846,236,671	16,798,052,126
Total	38,167,847,853	13,109,361,956	9,388,629,266	41,888,580,543

<sup>(1)</sup> Certain comparative figures have been restated and reclassified to conform to the current year's presentation. Details of the restatement can be found in note 2 of the financial statements in Section 2 of this volume.



## 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 controlled by the Government and in most cases 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 1/2005	Payments and other charges	Receipts and other credits	March 31/2006
	\$	\$	\$	\$
<b>Investments—</b>				
Investments and accumulated profits/losses (Table 9.5).....	14,111,731,949 <sup>(1)</sup>	5,055,711,002	2,027,153,000	17,140,289,951
<b>Loans and advances<sup>(2)</sup>—</b>				
Canada Mortgage and Housing Corporation—				
Housing .....	3,431,784,785		82,132,688	3,349,652,097
Real estate .....	58,123,446		4,350,265	53,773,181
Joint projects.....	966,187,051		41,289,846	924,897,205
Student housing projects .....	218,703,760		10,647,583	208,056,177
Sewage treatment projects .....	309,085,654		55,719,802	253,365,852
Assisted home ownership .....	14,878,188		5,481,316	9,396,872
	4,998,762,884		199,621,500	4,799,141,384
Other—				
Canada Lands Company Limited .....	32,673,516	10,514,311	2,719,400	40,468,427
Canadian Dairy Commission .....	31,947,000	187,747,000	128,998,000	90,696,000
	64,620,516	198,261,311	131,717,400	131,164,427
Total—Loans and advances .....	5,063,383,400	198,261,311	331,338,900	4,930,305,811
Subtotal .....	19,175,115,349	5,253,972,313	2,358,491,900	22,070,595,762
Less: amount to be repaid from future appropriations <sup>(3)</sup> .....	1,550,258,000	63,373,000		1,486,885,000
Total .....	17,624,857,349	5,317,345,313	2,358,491,900	20,583,710,762

(1) The comparative figure has been restated. Details can be found in note 2 to the financial statements in Section 2 of this volume.

(2) These loans are recorded at cost.

(3) In previous years, the amount to be repaid from future appropriations was reported within the allowance for valuation of assets. In the current year, this amount is presented as a reduction to the asset value balances in Table 9.2.

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, 2006 or 2005.

### 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 the final instalment on 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 the final instalment on 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 the final instalment on April 1, 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 the final instalment on 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 the final instalment on 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 \$8.8 million. An amount of \$0.5 million was repaid during the year and an amount of \$1.7 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 in accordance with the *Canadian Dairy Commission Act*. Currently, the Minister of Finance has authorized \$120,000,000 for borrowings from the Consolidated Revenue Fund and \$50,000,000 for a line of credit with members of the Canadian Payments Association.

The loans bear interest at rates from 2.5765 percent to 3.9130 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, 2006 and 2005 is as follows:

	2005-2006	2004-2005
	(in millions of dollars)	
Corporation—		
Canada Mortgage and Housing Corporation .....	447.0	464.0
Canadian Dairy Commission .....	1.7	1.3
<b>Total .....</b>	<b>448.7</b>	<b>465.3</b>

## Summary Financial Statements of Enterprise Crown Corporations and Other Government Business Enterprises

The following tables display details of the assets, liabilities, equity, revenues and expenses of enterprise Crown corporations and other government business enterprises.

Tables 9.3 to 9.5 present the assets, liabilities, equity, revenues, expenses and other changes in 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 third parties and Government, Crown corporations and other entities. The financial assets reported under Government, Crown corporations and other entities represent receivables, 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, Crown corporations and other entities. 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, Crown corporations and other entities 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, Crown corporations and other entities. 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 to enterprise Crown corporations and other government business enterprises for the year ended March 31, 2006 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, LIABILITIES AND EQUITY</b>						
<b>AS AT MARCH 31, 2006</b>						
Assets						
Financial—						
Third parties . . . . .	1,590,160	159,125	141,841,995	4,252,425	40,664	147,884,369
Government and Crown corporations . . . . .	1,259,643	45,175,077	7,930,176	22,669	49,243	54,436,808
Total financial assets . . . . .	2,849,803	45,334,202	149,772,171	4,275,094	89,907	202,321,177
Non-financial assets . . . . .	4,169,363	227,567	554,655	820,365	25,671	5,797,621
Total assets as reported . . . . .	7,019,166	45,561,769	150,326,826	5,095,459	115,578	208,118,798
Elimination adjustments . . . . .	127,923		(68,145)		5	59,783
Total assets . . . . .	7,147,089	45,561,769	150,258,681	5,095,459	115,583	208,178,581
Liabilities						
Third parties—						
Borrowings . . . . .	328,118		119,553,765	3,946,473	3,217	123,831,573
Bank of Canada notes in circulation and amounts owing to depositors . . . . .		43,736,733				43,736,733
Other liabilities . . . . .	2,530,400	453,120	12,035,683	1,014,662	76,570	16,110,435
Government and Crown corporations . . . . .	401,662	1,341,916	5,440,356	93,789	81,827	7,359,550
Total liabilities . . . . .	3,260,180	45,531,769	137,029,804	5,054,924	161,614	191,038,291
Equity of Canada as reported . . . . .	3,758,986	30,000	13,297,022	40,535	(46,036)	17,080,507
Elimination adjustments . . . . .	127,923		(68,145)		5	59,783
Equity of Canada . . . . .	3,886,909	30,000	13,228,877	40,535	(46,031)	17,140,290
Total liabilities and equity . . . . .	7,147,089	45,561,769	150,258,681	5,095,459	115,583	208,178,581
Contingent liabilities . . . . .						
	49,640		2,471,114			2,520,754
Contractual obligations . . . . .						
	701,258		4,953,802	14,265		5,669,325
<b>REVENUES, EXPENSES AND OTHER</b>						
<b>CHANGES IN EQUITY</b>						
<b>FOR THE YEAR ENDED MARCH 31, 2006</b>						
Revenues						
Third parties . . . . .	7,967,543		8,317,630	3,993,439	211,937	20,490,549
Government and Crown corporations—						
Financial assistance . . . . .	194,053			16,181	28,000	238,234
Other . . . . .	635,999	1,735,610	229,179	51,899	24,756	2,677,443
Total revenues . . . . .	8,797,595	1,735,610	8,546,809	4,061,519	264,693	23,406,226
Expenses						
Third parties . . . . .	7,769,264		5,340,127	4,041,135	238,431	17,388,957
Government and Crown corporations . . . . .	538,646		941,965	7,779	23,555	1,511,945
Total expenses . . . . .	8,307,910		6,282,092	4,048,914	261,986	18,900,902
Net income/loss(-) for the year . . . . .	489,685	1,735,610	2,264,717	12,605	2,707	4,505,324
Equity of Canada, beginning of the year as						
reported . . . . .	3,559,510	30,000	11,039,088	41,666	(495,380)	14,174,884
Adjustments . . . . .	466			(13,736)	446,637	433,367
Elimination adjustments . . . . .	127,923		(68,145)		5	59,783
Equity transactions with the						
Government—						
Dividends . . . . .	(290,675)	(1,735,610)	(21,783)			(2,048,068)
Capital . . . . .			15,000			15,000
Equity of Canada, end of the year . . . . .	3,886,909	30,000	13,228,877	40,535	(46,031)	17,140,290

TABLE 9.4

## FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES —ASSETS, LIABILITIES AND EQUITY AS AT MARCH 31, 2006

(in thousands of dollars)

Enterprise Crown corporations and other government business enterprises <sup>(1)</sup>	Assets			Total assets
	Financial		Non-financial	
	Third parties	Government, Crown corporations and other entities		
<b>Competitive, self-sustaining</b>				
Blue Water Bridge Authority	15,991	51,544	116,136	183,671
Canada Development Investment Corporation	13,880	53,766		67,646
Canada Hibernia Holding Corporation	38,564	94,043	241,020	373,627
Canada Lands Company Limited	75,758	611	272,219	348,588
Parc Downsview Park Inc.	8,830	1,460	9,002	19,292
Canada Post Corporation	1,084,168	944,603	1,883,175	3,911,946
Halifax Port Authority <sup>(2)</sup>	16,796	14,192	99,767	130,755
Montreal Port Authority <sup>(2)</sup>	52,677	52,579	213,360	318,616
Quebec Port Authority <sup>(2)</sup>	35,596	1,297	86,212	123,105
Ridley Terminals Inc.	2,882	1,099	15,562	19,543
Royal Canadian Mint	3,834	12,704	153,595	170,133
Saint John Port Authority <sup>(2)</sup>	5,685	11,769	64,546	82,000
Toronto Port Authority <sup>(2)</sup>	14,097	1,003	47,571	62,671
Vancouver Port Authority <sup>(2)</sup>	94,336	2,893	508,357	605,586
Other Canada Port Authorities <sup>(2)(3)</sup>	127,066	16,080	458,841	601,987
<i>Total—Competitive, self-sustaining</i>	<i>1,590,160</i>	<i>1,259,643</i>	<i>4,169,363</i>	<i>7,019,166</i>
<b>Bank of Canada</b>	<i>159,125</i>	<i>45,175,077</i>	<i>227,567</i>	<i>45,561,769</i>
<b>Lending and Insurance</b>				
Business Development Bank of Canada	10,193,828		117,595	10,311,423
Canada Deposit Insurance Corporation	161,490	1,292,207	1,813	1,455,510
Canada Mortgage and Housing Corporation	14,671,507	76,944	87,516	14,835,967
Canada Housing Trust <sup>(4)</sup>	74,755,058	3,518,660		78,273,718
Insurance Programs	9,694,197	2,821,964	45,668	12,561,829
Mortgage Backed Securities Guarantee Fund	240,423	117,066		357,489
Export Development Canada	19,665,640	27,857	261,044	19,954,541
Farm Credit Canada	12,459,852	75,478	41,019	12,576,349
<i>Total—Lending and insurance</i>	<i>141,841,995</i>	<i>7,930,176</i>	<i>554,655</i>	<i>150,326,826</i>
<b>Marketing</b>				
Canadian Commercial Corporation	314,712	15,061	2,238	332,011
Canadian Dairy Commission—				
Marketing operations	14,998		145,675	160,673
Canadian Wheat Board, The	3,917,250	7,608	652,366	4,577,224
Freshwater Fish Marketing Corporation	5,465		20,086	25,551
<i>Total—Marketing</i>	<i>4,252,425</i>	<i>22,669</i>	<i>820,365</i>	<i>5,095,459</i>
<b>Other</b>				
Atlantic Pilotage Authority	3,125	1,271	4,014	8,410
Cape Breton Development Corporation <sup>(5)</sup>				
Great Lakes Pilotage Authority	(745)		96	(649)
Laurentian Pilotage Authority	7,837		1,470	9,307
Pacific Pilotage Authority	5,392	1,288	3,606	10,286
St.Lawrence Seaway Management Corporation <sup>(6)</sup>	16,453	39,444	16,485	72,382
Capital Fund Trust	1,291	51		1,342
Employee Termination Benefits Trust Fund	7,311	7,189		14,500
<i>Total—Other</i>	<i>40,664</i>	<i>49,243</i>	<i>25,671</i>	<i>115,578</i>
<b>Total</b>	<b>147,884,369</b>	<b>54,436,808</b>	<b>5,797,621</b>	<b>208,118,798</b>
Elimination adjustments		59,783		59,783
<b>Total</b>	<b>147,884,369</b>	<b>54,496,591</b>	<b>5,797,621</b>	<b>208,178,581</b>

<sup>(1)</sup> All enterprise Crown corporations listed at the margin in this table are parent Crown corporations except for Canadian Dairy Commission. 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, Crown corporations and other entities	Total liabilities	Accumulated profits/ (losses)	Contributed surplus	Capital stock	Equity of Canada	Total liabilities and equity
Borrowings	Other							
103,831	4,924	50	108,805	74,866			74,866	183,671
	19,446		19,446	(694,985)	743,184	1	48,200	67,646
	115,632	19,277	134,909	238,718			238,718	373,627
40,007	24,174	41,328	105,509	97,998	145,081		243,079	348,588
	2,815	1,696	4,511	(4,219)	19,000		14,781	19,292
64,347	2,205,852	249,596	2,519,795	236,980	1,155,171		1,392,151	3,911,946
5,200	6,799	2,310	14,309	65,589	50,857		116,446	130,755
	30,040	1,107	31,147	50,206	237,263		287,469	318,616
25,579	11,416	48,563	85,558	15,271	22,276		37,547	123,105
	3,094	4,096	7,190	(187,689)	64,000	136,042	12,353	19,543
20,202	38,030	6,481	64,713	65,420		40,000	105,420	170,133
	3,957		3,957	16,384	61,659		78,043	82,000
	8,924		8,924	53,747			53,747	62,671
11,003	23,634	26,753	61,390	393,937	150,259		544,196	605,586
57,949	31,663	405	90,017	273,059	238,911		511,970	601,987
328,118	2,530,400	401,662	3,260,180	695,282	2,887,661	176,043	3,758,986	7,019,166
	44,189,853	1,341,916	45,531,769		25,000	5,000	30,000	45,561,769
7,897,374	711,455	11,317	8,620,146	625,099	27,778	1,038,400	1,691,277	10,311,423
	608,163	4,052	612,215	843,295			843,295	1,455,510
8,953,156	857,369	4,859,770	14,670,295	140,672	25,000		165,672	14,835,967
77,839,986	620	433,112	78,273,718					78,273,718
	8,141,081	130,470	8,271,551	4,290,278			4,290,278	12,561,829
	152,763	(5,164)	147,599	209,890			209,890	357,489
13,730,293	1,384,702	6,799	15,121,794	3,849,547		983,200	4,832,747	19,954,541
11,132,956	179,530		11,312,486	716,138	547,725		1,263,863	12,576,349
119,553,765	12,035,683	5,440,356	137,029,804	10,674,919	600,503	2,021,600	13,297,022	150,326,826
	289,691	1,785	291,476	12,535	28,000		40,535	332,011
665	68,807	91,201	160,673					160,673
3,928,036	648,523	665	4,577,224					4,577,224
17,772	7,641	138	25,551					25,551
3,946,473	1,014,662	93,789	5,054,924	12,535	28,000		40,535	5,095,459
	2,772		2,772	3,334	2,304		5,638	8,410
	3,672		3,672	(4,403)	82		(4,321)	(649)
3,107	14,786		17,893	(11,065)	2,479		(8,586)	9,307
110	5,090		5,200	4,280	806		5,086	10,286
	50,246	43,877	94,123	(7,613)	(14,128)		(21,741)	72,382
	2	23,452	23,454	(22,112)			(22,112)	1,342
	2	14,498	14,500					14,500
3,217	76,570	81,827	161,614	(37,579)	(8,457)		(46,036)	115,578
123,831,573	59,847,168	7,359,550	191,038,291	11,345,157	3,532,707	2,202,643	17,080,507	208,118,798
				59,783			59,783	59,783
123,831,573	59,847,168	7,359,550	191,038,291	11,404,940	3,532,707	2,202,643	17,140,290	208,178,581

(4) As a result of the application of a new accounting standard, the Canada Housing Trust is now consolidated with the results of the Canada Mortgage and Housing Corporation.

(5) During the year, Cape Breton Development Corporation was reclassified as a consolidated Crown corporation and is now presented in Section 4 of this volume.

(6) The St. Lawrence Seaway Management Corporation has been included in the government reporting entity effective April 1, 2005 as a result of the application of a revised accounting standard as discussed in note 2 to the financial statements in Section 2 of this volume.

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, 2006

(in thousands of dollars)

Enterprise Crown corporations and other government business enterprises	Revenues			
	Third parties	Government, Crown corporations and other entities <sup>(1)</sup>		Total
		Financial assistance	Other	
<b>Competitive, self-sustaining</b>				
Blue Water Bridge Authority	25,703			25,703
Canada Development Investment Corporation	335		199,000	199,335
Canada Hibernia Holding Corporation	381,952			381,952
Canada Lands Company Limited	136,352			136,352
Parc Downsview Park Inc.	1,812		600	2,412
Canada Post Corporation	6,749,015	190,727	304,730	7,244,472
Halifax Port Authority	27,356		358	27,714
Montreal Port Authority	69,870		10,208	80,078
Quebec Port Authority	17,942		536	18,478
Ridley Terminals Inc.	6,911	3,326		10,237
Royal Canadian Mint	348,442		118,521	466,963
Saint John Port Authority	10,361		394	10,755
Toronto Port Authority	12,925			12,925
Vancouver Port Authority	100,841		656	101,497
Other Canada Port Authorities	77,726		996	78,722
<i>Total—Competitive, self-sustaining</i>	<i>7,967,543</i>	<i>194,053</i>	<i>635,999</i>	<i>8,797,595</i>
<b>Bank of Canada</b>				
			<i>1,735,610</i>	<i>1,735,610</i>
<b>Lending and insurance</b>				
Business Development Bank of Canada	736,608			736,608
Canada Deposit Insurance Corporation	88,468		36,336	124,804
Canada Mortgage and Housing Corporation	833,768		58,053	891,821
Canada Housing Trust	2,793,376			2,793,376
Insurance Programs	1,552,870		127,481	1,680,351
Mortgage Backed Securities Guarantee Fund	68,145		4,641	72,786
Export Development Canada	1,515,219		138	1,515,357
Farm Credit Canada	729,176		2,530	731,706
<i>Total—Lending and insurance</i>	<i>8,317,630</i>		<i>229,179</i>	<i>8,546,809</i>
<b>Marketing</b>				
Canadian Commercial Corporation	1,015,063	16,181	51,899	1,083,143
Canadian Dairy Commission—				
Marketing operations	256,187			256,187
Canadian Wheat Board, The	2,668,086			2,668,086
Freshwater Fish Marketing Corporation	54,103			54,103
<i>Total—Marketing</i>	<i>3,993,439</i>	<i>16,181</i>	<i>51,899</i>	<i>4,061,519</i>
<b>Other</b>				
Atlantic Pilotage Authority	16,219			16,219
Cape Breton Development Corporation				
Great Lakes Pilotage Authority	15,512			15,512
Laurentian Pilotage Authority	57,394			57,394
Pacific Pilotage Authority	47,892			47,892
St. Lawrence Seaway Management Corporation	74,572		24,554	99,126
Capital Fund Trust	144	28,000	202	28,346
Employee Termination Benefits Trust Fund	204			204
<i>Total—Other</i>	<i>211,937</i>	<i>28,000</i>	<i>24,756</i>	<i>264,693</i>
<b>Total</b>	<b>20,490,549</b>	<b>238,234</b>	<b>2,677,443</b>	<b>23,406,226</b>
Elimination adjustments				
<b>Total net results</b>	<b>20,490,549</b>	<b>238,234</b>	<b>2,677,443</b>	<b>23,406,226</b>
Less equity adjustments				
Share of annual profit				

The accompanying notes for Table 9.4 are an integral part of this table.

(1) 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.



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, Crown corporations and other entities	Total				Dividends	Capital	
20,446		20,446	5,257	69,609				74,866
3,750		3,750	195,585	51,615		(199,000)		48,200
99,410	267,692	367,102	14,850	223,868				238,718
117,519	5,357	122,876	13,476	240,603		(11,000)		243,079
4,145	(152)	3,993	(1,581)	16,362				14,781
6,848,299	194,294	7,042,593	201,879	1,269,845	42	(79,615)		1,392,151
19,032	1,171	20,203	7,511	108,935				116,446
64,096	4,361	68,457	11,621	275,848				287,469
16,548	553	17,101	1,377	36,324	(154)			37,547
10,148	456	10,604	(367)	13,107	(387)			12,353
401,860	58,446	460,306	6,657	100,235	(472)	(1,000)		105,420
9,803	224	10,027	728	77,315				78,043
16,207		16,207	(3,282)	57,029				53,747
67,391	5,818	73,209	28,288	515,908				544,196
70,610	426	71,036	7,686	502,907	1,437	(60)		511,970
7,769,264	538,646	8,307,910	489,685	3,559,510	466	(290,675)		3,758,986
			1,735,610	30,000		(1,735,610)		30,000
595,342	3,085	598,427	138,181	1,569,569		(16,473)		1,691,277
61,156	8,843	69,999	54,805	788,490				843,295
439,923	449,983	889,906	1,915	163,757				165,672
2,793,376		2,793,376						
274,370	444,708	719,078	961,273	3,329,005				4,290,278
4,356	21,848	26,204	46,582	163,308				209,890
612,769	10,251	623,020	892,337	3,940,410				4,832,747
558,835	3,247	562,082	169,624	1,084,549		(5,310)	15,000	1,263,863
5,340,127	941,965	6,282,092	2,264,717	11,039,088		(21,783)	15,000	13,297,022
1,076,117	5,604	1,081,721	1,422	41,666	(2,553)			40,535
242,829	2,175	245,004	11,183		(11,183)			
2,668,086		2,668,086						
54,103		54,103						
4,041,135	7,779	4,048,914	12,605	41,666	(13,736)			40,535
16,377		16,377	(158)	5,796				5,638
				(446,637)	446,637			
16,239		16,239	(727)	(3,594)				(4,321)
60,964		60,964	(3,570)	(5,016)				(8,586)
47,771		47,771	121	4,965				5,086
96,840	(1,060)	95,780	3,346	(25,087)				(21,741)
238	24,413	24,651	3,695	(25,807)				(22,112)
2	202	204						
238,431	23,555	261,986	2,707	(495,380)	446,637			(46,036)
17,388,957	1,511,945	18,900,902	4,505,324	14,174,884	433,367	(2,048,068)	15,000	17,080,507
				(63,152)	102,020	20,915		59,783
17,388,957	1,511,945	18,900,902	4,505,324	14,111,732	535,387	(2,027,153)	15,000	17,140,290
			535,387		(535,387)			
			5,040,711	14,111,732		(2,027,153)	15,000	17,140,290

## 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, 2006, an allowance for borrowings of enterprise Crown corporations and other government business enterprises was established at \$434 million.

**TABLE 9.6**  
BORROWINGS BY ENTERPRISE CROWN CORPORATIONS  
AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	Balance April 1/2005	Borrowings and other credits	Repayments and other charges	Balance March 31/2006
<u>Borrowings by agent enterprise Crown corporations</u>				
Business Development Bank of Canada	7,432,511	18,509,014	18,044,151	7,897,374
Canada Lands Company Limited	43,340	527	3,860	40,007
Canada Mortgage and Housing Corporation	9,572,764	5,930,715	6,550,323	8,953,156
Canada Housing Trust <sup>(1)</sup>	57,517,893	20,322,093		77,839,986
Canada Post Corporation	70,635	381	6,669	64,347
Canadian Dairy Commission (Marketing)	689	23,624	23,648	665
Canadian Wheat Board, The <sup>(2)</sup>	6,378		6,378	
Export Development Canada	16,190,518	38,892,657	41,352,882	13,730,293
Farm Credit Canada	10,180,897	18,755,598	17,803,539	11,132,956
Freshwater Fish Marketing Corporation	18,434	17,772	18,434	17,772
Royal Canadian Mint	17,139	6,500	3,437	20,202
	101,051,198	102,458,881	83,813,321	119,696,758
<u>Borrowings by non-agent enterprise Crown corporations and other government business enterprises</u>				
Blue Water Bridge Authority	106,034	2,762	4,965	103,831
Canadian Wheat Board, The <sup>(2)</sup>	5,377,642	13,796,495	15,246,101	3,928,036
Halifax Port Authority <sup>(3)</sup>	5,600		400	5,200
Laurentian Pilotage Authority	2,982	969	844	3,107
Pacific Pilotage Authority	272	110	272	110
Quebec Port Authority <sup>(3)</sup>	27,867		2,288	25,579
Vancouver Port Authority <sup>(3)</sup>	5,919	5,249	165	11,003
Other Canada Port Authorities <sup>(3)</sup>	68,801	4,100	14,952	57,949
	5,595,117	13,809,685	15,269,987	4,134,815
Total	106,646,315	116,268,566	99,083,308	123,831,573
Borrowings expected to be repaid by enterprise Crown corporations and other government business enterprises	104,906,815	116,268,566	97,777,671	123,397,710
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	1,739,500		1,305,637	433,863

<sup>(1)</sup> As a result of the application of a new accounting standard, the Canada Housing Trust is now consolidated with the results of the Canada Mortgage and Housing Corporation. These borrowings were not reported in this table previously.

<sup>(2)</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>(3)</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, 2006.

**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 .....	24,672,957	2,387,234	27,060,191
2007 .....	16,831,268	45,438	16,876,706
2008 .....	21,984,379	32,589	22,016,968
2009 .....	20,310,554	80,775	20,391,329
2010 .....	24,105,106	181,817	24,286,923
Subsequent years .....	11,792,494	1,406,962	13,199,456
Total .....	119,696,758	4,134,815	123,831,573 <sup>(1)</sup>

<sup>(1)</sup> The borrowings are composed of \$12,791,486 US, ¥ 2,130,544, Euro 185,162, NZ dollar \$506,516, AU \$922,846, NOK 177,565, HK dollar 75,824 and \$107,041,630 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, 2006
<u>Enterprise Crown corporations and other government business enterprises</u>	
Export Development Canada—Loan guarantees and loans with recourse .....	2,468,267
Farm Credit Canada—Loan guarantees .....	2,847
Montreal Port Authority—Miscellaneous litigations .....	22,290
Vancouver Port Authority—Miscellaneous litigations .....	27,350
Total .....	2,520,754

## 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, 2006

(in thousands of dollars)

	Loans	Capital expenditures	Operating leases	Total
<u>Enterprise Crown corporations and other government business enterprises</u>				
Business Development Bank of Canada . . . . .	1,043,600		158,895	1,202,495
Canada Hibernia Holding Corporation . . . . .			11,564	11,564
Canada Mortgage and Housing Corporation . . . . .	54,636			54,636
Canada Post Corporation . . . . .			632,000	632,000
Canadian Wheat Board, The . . . . .			14,265	14,265
Export Development Canada . . . . .	2,878,000			2,878,000
Farm Credit Canada . . . . .	791,400		27,271	818,671
Halifax Port Authority . . . . .			2,334	2,334
Montreal Port Authority . . . . .		5,192	5,729	10,921
Royal Canadian Mint . . . . .		7,439		7,439
Vancouver Port Authority . . . . .		5,700	31,300	37,000
<b>Total . . . . .</b>	<b>4,767,636</b>	<b>18,331</b>	<b>883,358</b>	<b>5,669,325</b>

## Financial Assistance to Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.10 summarizes financial assistance 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 is segregated between: (a) amounts recorded as operating transactions and (b) amounts used for the acquisition of capital assets.

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.

**TABLE 9.10**  
FINANCIAL ASSISTANCE TO ENTERPRISE CROWN CORPORATIONS  
AND OTHER GOVERNMENT BUSINESS ENTERPRISES  
FOR THE YEAR ENDED MARCH 31, 2006

(in thousands of dollars)

	Operating	Capital	Financial assistance
<u>Enterprise Crown corporations and other government business enterprises</u>			
Canada Post Corporation <sup>(1)</sup> .....	213,110		213,110
Canadian Commercial Corporation .....	16,187		16,187
Canadian Wheat Board, The <sup>(2) (3)</sup> .....	536,543		536,543
Export Development Canada <sup>(3)</sup> .....	123,909		123,909
Halifax Port Authority .....		411	411
Ridley Terminals Inc. ....	3,118		3,118
St. Lawrence Seaway Management Corporation .....		29,736	29,736
Toronto Port Authority .....		276	276
Vancouver Port Authority .....		1,486	1,486
Other Canada Port Authorities .....		515	515
<b>Total</b> .....	<b>892,867</b>	<b>32,424</b>	<b>925,291<sup>(4)</sup></b>

<sup>(1)</sup> Includes a payment of \$40,900 from the Department of Indian Affairs and Northern Development for the purpose of providing Norther Air Stage Parcel Service.

<sup>(2)</sup> Includes a payment of \$12,411 for the acquisition and leasing of hopper cars for the transportation of grain in Western Canada.

<sup>(3)</sup> Includes payments of \$524,132 to The Canadian Wheat Board and \$123,909 to Export Development Canada from the Department of Finance for grants and contributions to meet the commitments made by Canada under multilateral debt reduction agreements.

<sup>(4)</sup> Of this amount, \$219,416 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 transfer payments.

## 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 1/2005	Payments and other charges	Receipts and other credits	March 31/2006
	\$	\$	\$	\$
Lower Churchill Development Corporation Limited— Natural Resources .....	14,750,000			14,750,000
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
Canada Investment Fund for Africa— Foreign Affairs and International Trade—Canadian International Development Agency .....		101,635,760	1,635,760	100,000,000
Equity Ownership—Industry—National Research Council of Canada .....		1,055,246		1,055,246
North Portage Development Corporation— Western Economic Diversification .....				
	337,506	102,691,006	1,635,760	101,392,752
Total .....	15,087,506	102,691,006	1,635,760	116,142,752

### 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).

### 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 Government of Canada will receive in May 2006 a payment of \$70,934 for the redemption of 400 common shares and for its portion of bank account balances of the Corporation at the dissolution date.

### 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.

### Canada Investment Fund for Africa

The Canada Investment Fund for Africa (CIFA) is a joint public-private sector initiative designed to provide risk capital for private investments in Africa that generate growth. The CIFA is a direct response to the New Partnership for Africa's Development (NEPAD) and the G8 Africa Action Plan. The main objectives of the CIFA are to optimize public-private investment in the Fund, to confer a beneficial development impact on Africa by way of increased foreign direct investment and to optimize the beneficial impact of the Fund's activities on Canadian interests.

The Government of Canada is a limited partner in the CIFA and its commitment towards the Fund is composed of a total commitment of \$100 million for a period of ten years, which will be used to provide an equivalent amount to all investments committed by private investors as well as other governments, at a ratio 1:1. The investments in the CIFA are authorized by Foreign Affairs and International Trade Vote L35, *Appropriation Act No. 2, 2005-2006*. Payments to the CIFA are made upon receipt of a draw down notice. During the fiscal year 2005-2006, the payments made to the CIFA totalled approximately \$25 million. The balance represents the Government's commitment to advance funds based on investments that have been committed by private investors.

### Equity Ownership

In order to help fulfill its mandate to promote industrial innovation in Canada, the National Research Council of Canada (NRC) has taken equity interests in several new firms based on NRC technology. NRC provides financial assistance at better than market conditions to firms through access to equipment, intellectual property and incubation space in laboratories and in the organization's Industry Partnership Facilities.

Since these companies often cannot afford to pay the full cost of the assistance received from the NRC, the NRC takes an equity position in a company in order to help the firms survive the critical development stage. In turn, it allows NRC to earn a return that somewhat reflects the risk taken should the company become successful.

This investment in equity is authorized under subsection 92(1)(b) of the *Financial Administration Act* which allows for the acquisition or the sale or other disposal of shares or assets in the ordinary course of a business of providing financial assistance to publicly and privately held companies and are recorded at cost.

The Government's holdings of shares represents a minority interest in six publically traded companies and nineteen privately held companies.

### 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 1/2005	Payments and other charges	Receipts and other credits	March 31/2006
	\$	\$	\$	\$
Finance—				
United Kingdom .....	22,985,308		22,985,308	
Foreign Affairs and International Trade—				
Department—				
International Trade—				
Development of export trade (loans administered by Export Development Canada) .....	587,999,062	62,442,417	205,882,153	444,559,326
Foreign Affairs and International Trade—				
Canadian International Development Agency—				
Developing countries—International development assistance .....	323,902,976	24,423,319	15,831,140	332,495,155
National Defence—				
North Atlantic Treaty Organization—Damage claims recoverable .....	9,581	47,153	18,580	38,154
<b>Total .....</b>	<b>934,896,927</b>	<b>86,912,889</b>	<b>244,717,181</b>	<b>777,092,635</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, provided 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 was repaid on December 31, 2005 and the account was closed.

### Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Minister for 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 Minister is of the opinion it is in the national interest and where the Corporation has advised the Minister that it will not enter into such transactions. Such transactions could not be supported under the Corporation’s Corporate Account for reasons, one of which would be on the basis of the Corporation’s risk management practices. Funding for such transactions is provided 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 31/2006
	April 1/2005	Payments or other charges <sup>(1)</sup>	Revaluation	Receipts or other credits <sup>(2)</sup>		
				Revaluation		
\$	\$	\$	\$	\$	\$	
<b>NON-BUDGETARY LOANS<sup>(3)</sup>—</b>						
(a) 1 to 5 year term, 0 percent to 3.5 percent interest per annum, with final repayments between March 2008 and December 2010:						
Madagascar .....	19,244,040				676,151	18,567,889
Mexico .....	4,848,077			1,566,727	162,859	3,118,491
Tanzania .....	3,693,298				129,766	3,563,532
	27,785,415			1,566,727	968,776	25,249,912
(b) 6 to 10 year term, 4.69 percent (London Interbank Offered Rate (LIBOR)) to 9 percent interest per annum, with final repayments between July 2002 and December 2010:						
Algeria .....	21,199,318			21,061,112	135,341	2,865
Argentina .....	31,589,114				1,109,901	30,479,213
Cameroun .....	5,002,267		361,638			5,363,905
Congo .....	3,096,354				108,792	2,987,562
Ecuador .....	296,606	134,218	24,843	438,484	17,183	
Jamaica .....	653,266			485,719	10,161	157,386
Romania .....	44,152,249			28,726,456	1,236,067	14,189,726
Sudan .....	4,671,485				164,136	4,507,349
	110,660,659	134,218	386,481	50,711,771	2,781,581	57,688,006
(c) 11 to 15 year term, 3.53 percent (LIBOR) to 5.07 percent (LIBOR) interest per annum, with final repayments between November 2008 and November 2024:						
Argentina .....	500,157					500,157
Brazil .....		3,355,111		3,243,095	112,016	
Kenya .....	604,824		172,826			777,650
Pakistan .....	8,162,481			66,835	284,917	7,810,729
Peru .....	79,990	1,032,207		1,112,197		
Russia .....	51,234,727	12,446,830	3,941,428	64,948,492	2,674,493	
Rwanda .....	2,500,640				563,411	1,937,229
Venezuela .....	108,334,855	4,107,416		8,498,223	3,461,957	100,482,091
Zambia .....	8,354,221				1,449,148	6,905,073
	179,771,895	20,941,564	4,114,254	77,868,842	8,545,942	118,412,929
Insurance claims paid during the year:						
Cuba .....	30,235,402					30,235,402
Haiti .....	373,129					373,129
Russia .....	13,616,125				267,597	13,348,528
	44,224,656				267,597	43,957,059
<b>Total—Non-budgetary loans .....</b>	<b>362,442,625</b>	<b>21,075,782</b>	<b>4,500,735</b>	<b>130,147,340</b>	<b>12,563,896</b>	<b>245,307,906</b>
<b>BUDGETARY LOANS<sup>(3)</sup>—</b>						
(a) 16 to 20 year term, 0 percent to 5.07 percent (LIBOR) interest per annum, with final repayments between March 2011 and March 2022:						
Cameroun .....	731,943				27,977	703,966
Thailand .....	10,761,633			1,917,123	211,245	8,633,265
	11,493,576			1,917,123	239,222	9,337,231
(b) 21 to 25 year term, 0 percent to 4.75 percent (LIBOR) interest per annum, with final repayments between November 2015 and April 2018:						
Algeria .....	8,583,685			631,475	70,459	7,881,751
Indonesia .....	36,371,306			485,010	792,917	35,093,379
	44,954,991			1,116,485	863,376	42,975,130

	Payments and other charges			Receipts and other credits		March 31/2006
	April 1/2005	Payments or other charges <sup>(1)</sup>	Revaluation	Receipts or other credits <sup>(2)</sup>	Revaluation	
		\$		\$		
(c) 31 to 55 year term, 0 percent to 4.69 percent (LIBOR) interest per annum, with final repayment between December 2033 and December 2044:						
Cameroun .....	14,571,689			1,781,938	932,166	11,857,585
China .....	561,641,829	11,758,458		9,249,882	19,164,649	544,985,756
Egypt .....	11,155,172			340,134	117,658	10,697,380
Gabon .....	10,654,123			298,280	365,630	9,990,213
India .....	59,825,923			1,501,451	2,097,543	56,226,929
Jamaica .....	7,414,591			213,253	260,818	6,940,520
Kenya .....	7,366,151				499,256	6,866,895
Morocco.....	104,608,239			3,033,162	3,637,899	97,937,178
Turkey .....	123,721,619			3,237,328	4,293,026	116,191,265
	<i>900,959,336</i>	<i>11,758,458</i>		<i>19,655,428</i>	<i>31,368,645</i>	<i>861,693,721</i>
Total—Budgetary loans .....	957,407,903	11,758,458		22,689,036	32,471,243	914,006,082
Subtotal .....	1,319,850,528	32,834,240	4,500,735	152,836,376	45,035,139	1,159,313,988
Less: portion expensed due to concessionary terms.....	731,851,466	25,107,442		8,010,638		714,754,662
Total .....	587,999,062	57,941,682	4,500,735	160,847,014	45,035,139	444,559,326

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.

### 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. No new loans have been issued since April 1, 1986.

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 1/2005	Payments and other charges	Receipts and other credits <sup>(1)</sup>	March 31/2006
	\$	\$	\$	\$
(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 .....	3,048,211		1,290,975	1,757,236
Cuba .....	9,547,012			9,547,012
Malaysia.....	489,083		489,083	
Turkey .....	210,870		210,870	
	<i>13,295,176</i>		<i>1,990,928</i>	<i>11,304,248</i>

	April 1/2005	Payments and other charges	Receipts and other credits <sup>(1)</sup>	March 31/2006
	\$	\$	\$	\$
(c) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:				
Salvador, El .....	65,715		65,715	
(d) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand .....	61,654		33,334	28,320
(e) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria .....	9,414,407		573,133	8,841,274
Argentina .....	224,000		18,667	205,333
Bolivia .....	720,716		42,395	678,321
Brazil .....	292,735		20,858	271,877
Chile .....	1,176,742		98,061	1,078,681
Colombia .....	341,995		26,300	315,695
Dominican Republic .....	4,449,980		236,046	4,213,934
Ecuador .....	5,066,852		304,904	4,761,948
Guatemala .....	2,181,403		100,000	2,081,403
Indonesia .....	208,658,443		3,461,240	205,197,203
Malaysia .....	1,671,558		62,935	1,608,623
Malta .....	474,980		25,000	449,980
Mexico .....	33,256		2,771	30,485
Morocco .....	8,966,400		586,001	8,380,399
Myanmar (Burma) .....	8,306,202			8,306,202
Pakistan .....	447,507,534			447,507,534
Paraguay .....	239,954		19,997	219,957
Peru .....	48,472		3,729	44,743
Philippines .....	1,937,745		97,159	1,840,586
Sri Lanka .....	99,213,594		2,162,699	97,050,895
Thailand .....	20,567,293		933,380	19,633,913
Tunisia .....	61,773,742		3,295,739	58,478,003
	883,268,003		12,071,014	871,196,989
(f) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria .....	26,843,957		1,670,149	25,173,808
Subtotal .....	968,530,438		15,831,140	952,699,298
Less: portion expensed due to concessionary terms .....	644,627,462	24,423,319		620,204,143
Total .....	323,902,976	24,423,319	15,831,140	332,495,155

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.

### 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 11.6 (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/\$1.1680 Cdn).

Tables 11.4 and 11.6 (Section 11 of this volume) present additional information on contractual obligations and contingent liabilities 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 \$536,315,122 (\$540,732,742 in 2005) 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 31/2006
	Participation or other charges	Revaluation	Reimbursements or other credits	Revaluation	
April 1/2005					
	\$	\$	\$	\$	\$
Capital subscriptions <sup>(1)</sup> —					
Finance—					
European Bank for Reconstruction and Development .....	246,821,707	15,106,363		9,409,194	252,518,876
International Bank for Reconstruction and Development (World Bank) .....	403,033,325			13,296,774	389,736,551
International Finance Corporation .....	98,391,283			3,383,827	95,007,456
Multilateral Investment Guarantee Agency .....	12,981,730			446,462	12,535,268
	<i>761,228,045</i>	<i>15,106,363</i>		<i>26,536,257</i>	<i>749,798,151</i>
Foreign Affairs and International Trade—					
Canadian International Development Agency—					
African Development Bank .....	110,882,264	3,492,100		1,831,680	112,542,684
Asian Development Bank .....	186,002,446			5,315,004	180,687,442
Caribbean Development Bank .....	22,696,561			598,801	22,097,760
Inter-American Development Bank .....	217,261,467			7,357,829	209,903,638
	<i>536,842,738</i>	<i>3,492,100</i>		<i>15,103,314</i>	<i>525,231,524</i>
	<i>1,298,070,783</i>	<i>18,598,463</i>		<i>41,639,571</i>	<i>1,275,029,675</i>

**TABLE 9.13**  
**INTERNATIONAL ORGANIZATIONS—Concluded**

	Payments and other charges			Receipts and other credits		
	April 1/2005	Participation or other charges		Reimbursements or other credits		March 31/2006
			Revaluation	other credits	Revaluation	
	\$	\$	\$	\$	\$	\$
Loans and advances—						
Finance—						
Global Environment Facility <sup>(2)</sup> .....	10,000,000					10,000,000
International Development Association <sup>(2)</sup> .....	6,856,838,061	318,270,000				7,175,108,061
International Monetary Fund—Poverty Reduction and Growth Facility <sup>(1)</sup> .....	622,337,205	89,956,066		295,124,473	48,626,023	368,542,775
	7,489,175,266	408,226,066		295,124,473	48,626,023	7,553,650,836
Foreign Affairs and International Trade—						
Department—						
Foreign Affairs—						
International organizations and associations—						
Berne Union of the World Intellectual Property Organization .....	44,216			5,024		39,192
Customs Co-operation Council .....	10,706			1,044		9,662
Food and Agriculture Organization .....	1,088,640			37,440		1,051,200
General Agreement on Tariffs and Trade .....	55,062			6,256		48,806
International Maritime Organization .....	2,480			278		2,202
International Atomic Energy Agency .....	463,034			15,924		447,110
International Civil Aviation Organization .....	207,567			7,138		200,429
Paris Union of the World Intellectual Property Organization .....	113,935			12,946		100,989
United Nations Educational, Scientific and Cultural Organization .....	904,079			31,092		872,987
United Nations organizations .....	3,761,856			129,376		3,632,480
World Health Organization .....	187,572			6,450		181,122
	6,839,147			252,968		6,586,179
Canadian International Development Agency—						
International financial institutions <sup>(2)</sup> —						
African Development Bank .....	2,031,396			187,500		1,843,896
African Development Fund .....	1,662,587,292	88,846,035		3,119,997		1,748,313,330
Andean Development Corporation .....	2,312,500			125,000		2,187,500
Asian Development Bank—Special .....	27,027,000					27,027,000
Asian Development Fund .....	1,817,102,408					1,817,102,408
Caribbean Development Bank—						
Agricultural Development Fund .....	2,000,000					2,000,000
Caribbean Development Bank—						
Commonwealth Caribbean Regional .....	4,838,400			166,400		4,672,000
Caribbean Development Bank—Special .....	162,475,854	13,585,000		522,079		175,538,775
Central American Bank for Economic Integration .....	918,030			76,500		841,530
Global Environment Facility Trust Fund .....	312,670,000	70,318,566				382,988,566
Inter-American Development Bank—Fund for Special Operations .....	367,307,847	2,948,701		7,516,212		362,740,336
Multilateral Investment Fund .....	11,388,294					11,388,294
International Bank for Reconstruction and Development .....	24,192,000			832,000		23,360,000
International Fund for Agriculture Development .....	177,572,610	14,533,866				192,106,476
International Monetary Fund .....	13,268,625			456,328		12,812,297
Montreal Protocol Fund .....	61,514,420	6,216,533		1,110,074		66,620,879
	4,649,206,676	196,448,701		389,000	13,723,090	4,831,543,287
	12,145,221,089	604,674,767		295,513,473	62,602,081	12,391,780,302
Subtotal .....	13,443,291,872	623,273,230		295,513,473	104,241,652	13,666,809,977
Less: portion expensed due to concessionary terms .....	3,353,151	636,066				2,717,085
Total .....	13,439,938,721	623,909,296		295,513,473	104,241,652	13,664,092,892

(1) Loans and investments made prior to April 1, 1986 which were authorized by non-budgetary authorities.

(2) 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 26 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, 2006, Canada had paid-in shares valued at \$216,197,668 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, 2006, 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, 2006, 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, 2006, 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 Vote L30, *Appropriation Act No. 2, 2005-2006*).

At year-end, authority had been granted for subscriptions of 7,940 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, 2006, Canada's participation to the paid-in capital is \$112,542,684 Cdn for 7,940 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 \$1,192,043,116 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, 2006, Canada's participation to the paid-in capital is \$180,687,442 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 \$2,387,766,122 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, 2006, Canada's participation to the paid-in capital is \$22,097,760 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 \$57,234,167 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, 2006, Canada's participation to the paid-in capital is \$209,903,638 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 \$4,515,731,738 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, 2006, 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 (including Finance Vote L15, *Appropriation Act No. 2, 2005-2006*). 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, 2006, Canada's total participation in IDA amounted to \$7,175,108,061 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, 2006, Canada has lent a total of 700,000,000 SDR to the Poverty Reduction and Growth Facility. Of this amount, 481,008,625 SDR has been repaid. The outstanding balance of 218,991,375 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR/\$1.68291 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 188,397,586 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 Vote L25, *Appropriation Act No. 2, 2005-2006*).

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 1/2005 <sup>(1)</sup>	Payments and other charges	Receipts and other credits	March 31/2006
	\$	\$	\$	\$
<b>NEWFOUNDLAND AND LABRADOR—</b>				
Atlantic Canada Opportunities Agency—				
Loans to enterprises in Newfoundland and Labrador .....				
	456,680			456,680
Finance—				
Federal-provincial fiscal arrange- ments .....				
	499,761,785	68,004,215	1,999,500	565,766,500
Municipal Development and Loan Board .....				
	759,781		232,501	527,280
Winter capital projects fund .....				
	2,836,758			2,836,758
	<i>503,358,324</i>	<i>68,004,215</i>	<i>2,232,001</i>	<i>569,130,538</i>
Industry—				
Atlantic Development Board carry-over projects .....				
	75,892	7,112	44,223	38,781
Atlantic Provinces Power Development Act .....				
	12,857,795	942,931	13,800,726	
	<i>12,933,687</i>	<i>950,043</i>	<i>13,844,949</i>	<i>38,781</i>
Total Newfoundland and Labrador .....	516,748,691	68,954,258	16,076,950	569,625,999
<b>NOVA SCOTIA—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....				
	331,749,000	1,449,000	3,633,000	329,565,000
Municipal Development and Loan Board .....				
	26,799		16,740	10,059
Total Nova Scotia .....	331,775,799	1,449,000	3,649,740	329,575,059
<b>PRINCE EDWARD ISLAND—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....				
	37,775,750	212,250	533,250	37,454,750
Municipal Development and Loan Board .....				
	100,811		8,502	92,309
Winter capital projects fund .....				
	63,079			63,079
Total Prince Edward Island .....	37,939,640	212,250	541,752	37,610,138
<b>NEW BRUNSWICK—</b>				
Atlantic Canada Opportunities Agency— Special areas and highways agreement .....				
	296,750		296,750	
Finance—				
Federal-provincial fiscal arrange- ments .....				
	207,161,750	1,160,250	2,916,000	205,406,000
Municipal Development and Loan Board .....				
	392,646		203,963	188,683
	<i>207,554,396</i>	<i>1,160,250</i>	<i>3,119,963</i>	<i>205,594,683</i>
Industry—				
Atlantic Provinces Power Development Act .....				
	4,125,016	54,461	1,317,802	2,861,675
Total New Brunswick .....	211,976,162	1,214,711	4,734,515	208,456,358



**TABLE 9.14**  
**PROVINCIAL AND TERRITORIAL GOVERNMENTS—Continued**

	April 1/2005 <sup>(1)</sup>	Payments and other charges	Receipts and other credits	March 31/2006
	\$	\$	\$	\$
<b>QUEBEC—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....	3,110,781,182	382,559,430	880,119,432	2,613,221,180
Municipal Development and Loan Board .....	2,840,494		1,938,176	902,318
<b>Total Quebec .....</b>	<b>3,113,621,676</b>	<b>382,559,430</b>	<b>882,057,608</b>	<b>2,614,123,498</b>
<b>ONTARIO—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....	(9,322,500)	9,322,500	76,956,750	(76,956,750)
Mutual fund capital gain refund over- payments .....	1,196,961,852		132,995,761	1,063,966,091
<b>Total Ontario .....</b>	<b>1,187,639,352</b>	<b>9,322,500</b>	<b>209,952,511</b>	<b>987,009,341</b>
<b>MANITOBA—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....	45,176,500	1,798,500	4,530,000	42,445,000
Mutual fund capital gain refund over- payments .....	81,859,700		9,095,522	72,764,178
<b>Total Manitoba .....</b>	<b>127,036,200</b>	<b>1,798,500</b>	<b>13,625,522</b>	<b>115,209,178</b>
<b>SASKATCHEWAN—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....	631,893,578		237,431,078	394,462,500
Municipal Development and Loan Board .....	5,296		4,729	567
<b>Total Saskatchewan .....</b>	<b>631,898,874</b>		<b>237,435,807</b>	<b>394,463,067</b>
<b>ALBERTA—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....	(434,226,262)	602,344,512		168,118,250
Municipal Development and Loan Board .....	166,748		84,538	82,210
<b>Total Alberta .....</b>	<b>(434,059,514)</b>	<b>602,344,512</b>	<b>84,538</b>	<b>168,200,460</b>
<b>BRITISH COLUMBIA—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....	541,198,250	59,772,750	16,247,250	584,723,750
Municipal Development and Loan Board .....	102,946		97,129	5,817
<b>Total British Columbia .....</b>	<b>541,301,196</b>	<b>59,772,750</b>	<b>16,344,379</b>	<b>584,729,567</b>
<b>YUKON TERRITORY—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....	(10,673,328)	10,673,328	191,250	(191,250)
<b>Total Yukon Territory .....</b>	<b>(10,673,328)</b>	<b>10,673,328</b>	<b>191,250</b>	<b>(191,250)</b>
<b>NORTHWEST TERRITORIES—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....	(22,736,107)	23,890,357	5,843,250	(4,689,000)
<b>Total Northwest Territories .....</b>	<b>(22,736,107)</b>	<b>23,890,357</b>	<b>5,843,250</b>	<b>(4,689,000)</b>

**TABLE 9.14**  
**PROVINCIAL AND TERRITORIAL GOVERNMENTS—Concluded**

	April 1/2005 <sup>(1)</sup>	Payments and other charges	Receipts and other credits	March 31/2006
	\$	\$	\$	\$
NUNAVUT—				
Finance—				
Federal-provincial fiscal arrange- ments .....	(6,084,070)	6,084,070	303,000	(303,000)
Total Nunavut .....	(6,084,070)	6,084,070	303,000	(303,000)
Subtotal .....	6,226,384,571	1,168,275,666	1,390,840,822	6,003,819,415
Less: portion expensed due to concessionary terms .....	1,285,174,000	208,873,674		1,076,300,326
Total .....	4,941,210,571	1,377,149,340	1,390,840,822	4,927,519,089

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

### 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 deemed unrecoverable and parliamentary authority is required to write off the balance.

### 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, 2006 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.

### 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.

During the year, loans were repaid in full and the account was closed.

### 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 which started in 2004-2005.

## 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 1/2005 <sup>(1)</sup>	Payments and other charges	Receipts and other credits	March 31/2006
	\$	\$	\$	\$
Unconditionally repayable contributions—				
Atlantic Canada Opportunities Agency .....	398,399,780	34,196,576	57,318,603	375,277,753
Economic Development Agency of Canada for the Regions of Quebec .....	278,238,607	47,505,176	37,920,284	287,823,499
Industry .....	84,494,211	146,683,595	31,110,678	200,067,128
Natural Resources.....	39,978,402			39,978,402
Western Economic Diversification .....	44,284,860	439,335	6,511,568	38,212,627
Subtotal .....	845,395,860	228,824,682	132,861,133	941,359,409
Less: portion expensed due to concessionary terms.....	62,815,941	12,648,837		50,167,104
Total—Unconditionally repayable contributions .....	782,579,919	241,473,519	132,861,133	891,192,305
Loans and accountable advances—				
Foreign Affairs and International Trade— Department—				
Foreign Affairs—				
Missions abroad .....	21,020,429	633,973,569	630,995,535	23,998,463
Personnel posted abroad .....	15,034,513	4,537,379	3,956,076	15,615,816
	36,054,942	638,510,948	634,951,611	39,614,279
National Defence—				
Imprest accounts, standing advances and authorized loans .....	26,172,616	555,599,310	551,867,910	29,904,016
Other departments—				
Miscellaneous accountable advances .....	14,176,034		56,202	14,119,832
Miscellaneous accountable imprest and standing advances .....	20,760,746	839,690		21,600,436
	34,936,780	839,690	56,202	35,720,268
Total—Loans and accountable advances.....	97,164,338	1,194,949,948	1,186,875,723	105,238,563
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings.....	73,019		10,805	62,214
National Marketing Programs .....	118,032,113		2,055,935	115,976,178
	118,105,132		2,066,740	116,038,392
Canadian Heritage—				
Cultural property .....				
Citizenship and Immigration—				
Immigration loans .....	41,942,973	13,573,606	15,245,408	40,271,171
Finance—				
Canadian Commercial Bank .....	47,092,429		3,960,000	43,132,429
Financial Consumer Agency of Canada—				
Advances .....	1,500,000	4,500,000	6,000,000	
Ottawa Civil Service Recreational Association.....	14,548		14,548	
	48,606,977	4,500,000	9,974,548	43,132,429

TABLE 9.15

## OTHER LOANS, INVESTMENTS AND ADVANCES—Continued

	April 1/2005 <sup>(1)</sup>	Payments and other charges	Receipts and other credits	March 31/2006
	\$	\$	\$	\$
Fisheries and Oceans—				
Canadian producers of frozen groundfish .....	128,315			128,315
Haddock fishermen .....	1,343,337			1,343,337
	1,471,652			1,471,652
Foreign Affairs and International Trade—				
Department—				
International Trade—				
Development of export trade (loans administered by Export Development Canada) .....	2,257,023,912	627,216,187	223,313,883	2,660,926,216
Human Resources and Social Development—				
Department—				
Human Resources and Skills Development—				
Canada Student Loans Program .....	7,482,999,103	2,380,394,258	1,097,708,768	8,765,684,593
Provincial workers' compensation boards .....	13,013,001			13,013,001
	7,496,012,104	2,380,394,258	1,097,708,768	8,778,697,594
Indian Affairs and Northern Development—				
Council of Yukon First Nations—Elders .....	10,352,011		856,626	9,495,385
Farm Credit Canada Guarantee				
Loans Program .....	123,646			123,646
First Nations in British Columbia .....	309,268,754	28,726,748		337,995,502
Indian Economic Development Fund .....	69,501		18,201	51,300
Indian Economic Development Guarantee				
Loans Program .....	7,344,340		420,767	6,923,573
Inuit Loan Fund .....	82,836			82,836
Native Claimants .....	373,221,997	30,016,043	11,918,638	391,319,402
On Reserve Housing Guarantee				
Loans Program .....	6,272,422	1,757,849	148,246	7,882,025
Stoney Band Perpetual Loan .....	389,615			389,615
	707,125,122	60,500,640	13,362,478	754,263,284
Industry—				
Company stock option .....				
Manufacturing, processing and service industries in Canada .....	110,000,000			110,000,000
Small Business loans .....	130,059,540	78,223,312	90,910,522	117,372,330
National Research Council of Canada—				
H. L. Holmes Fund .....	4,038,972	38,214		4,077,186
	244,098,512	78,261,526	90,910,522	231,449,516
National Defence—				
Canadian Forces housing projects .....	47,558	302	47,860	
Natural Resources—				
Hibernia Development Project .....	36,800,000		9,200,000	27,600,000
Nordion International Inc. ....	82,000,000		4,000,000	78,000,000
	118,800,000		13,200,000	105,600,000
Public Safety and Emergency Preparedness—				
Correctional Service—				
Parolees .....	6,952	3,359	5,614	4,697
Public Works and Government Services—				
Seized Property Working Capital Account .....	(7,002,285)	58,018,171	35,470,186	15,545,700
Transport (Transport, Infrastructure and Communities)—				
Canadian Airport Authorities .....	21,399,699	2,930,682		24,330,381
Saint John Harbour Bridge Authority .....	22,646,108			22,646,108
St. Lawrence Seaway Management Corporation .....	179,397			179,397
	44,225,204	2,930,682		47,155,886
Veterans Affairs—				
Commonwealth War Graves Commission .....	68,574		7,695 <sup>(2)</sup>	60,879
Veterans' Land Act Fund—				
Advances .....	37,714		20,770	16,944
	106,288		28,465	77,823

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/2005 <sup>(1)</sup>	Payments and other charges	Receipts and other credits	March 31/2006
	\$	\$	\$	\$
Other departments— Miscellaneous .....	283,791	12,324		296,115
Subtotal—Other .....	11,070,853,892	3,225,411,055	1,501,334,472	12,794,930,475
Less: portion expensed due to concessionary terms <sup>(3)</sup> .....	104,187,426	8,902,101	633,479	95,918,804
	10,966,666,466	3,234,313,156	1,501,967,951	12,699,011,671
Add: consolidation adjustment <sup>(4)</sup> .....	5,247,879,000		325,247,000	4,922,632,000
Total—Other .....	16,214,545,466	3,234,313,156	1,827,214,951	17,621,643,671
Total .....	17,094,289,723	4,670,736,623	3,146,951,807	18,618,074,539

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

<sup>(2)</sup> This amount represents a revaluation adjustment.

<sup>(3)</sup> In previous years, the portion expensed due to the concessionary terms of certain loans was reported within the allowance for valuation of assets. In the current year, this amount is presented as a reduction to the asset value balances in Table 9.15.

<sup>(4)</sup> The comparative figure has been restated. Details can be found in note 2 of the financial statements in Section 2 of this volume. Additional information on consolidated Crown corporations is also 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 concessionary 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, \$11,898,176; advances for medical expenses, \$844,114; advances for workmen's compensation, \$16,919; security and other deposits under Foreign Service Directives, \$907,044 and, school and club debentures, \$1,949,563.

The loans to employees bear interest at rates from 2.75 percent to 4.0 percent per annum, and are repayable over 1 to 4 years, with final instalments between April 1, 2006 and March 1, 2010.

### 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 8.511 percent to 9.351 percent per annum, and are repayable over 20 to 30 years, with final instalments between April 1, 2006 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, 2005-2006*, 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, 2006 and April 1, 2013, \$39,680,756; 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, \$590,415.

### 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*.

During the year, the advances were repaid in full.

### Ottawa Civil Service Recreational Association

Loans were made to the Ottawa Civil Service Recreational Association, to assist in the building and development of the W Clifford Clark Memorial Centre.

During the year, the remaining loan was repaid in full and the account was closed.

### 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 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 Minister is of the opinion it is in the national interest and where the Corporation has advised the Minister that it will not enter into such transactions. Such transactions could not be supported under the Corporation's Corporate Account for reasons, one of which would be on the basis of the Corporation's risk management practices. Funding for such transactions is provided 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		
	April 1/2005	Payments or other charges <sup>(1)</sup>	Revaluation	Receipts or other credits <sup>(2)</sup>	Revaluation	March 31/2006
	\$	\$	\$	\$	\$	\$
(a) 1 to 5 year term, 8.44 percent to 8.5 percent interest per annum, with final repayments between February 1995 and April 2005:						
Brazil .....	3,999,729				140,533	3,859,196
South Africa .....	19,914,192		636,096	20,550,288		
	23,913,921		636,096	20,550,288	140,533	3,859,196
(b) 6 to 10 year term, 8.28 percent to 9.68 percent interest per annum, with final repayments between November 2006 and February 2008:						
Antigua .....	28,514,604				1,001,878	27,512,726
Jordan .....	2,152,542			1,293,169	46,823	812,550
	30,667,146			1,293,169	1,048,701	28,325,276
(c) 11 to 15 year term, 4.63 percent (LIBOR) to 5.86 percent interest per annum, with final repayments between November 2006 and October 2020:						
China .....	4,370,554			2,432,561	792,776	1,145,217
United States .....	2,198,820,935	616,530,899		81,183,665	112,417,926	2,621,750,243
	2,203,191,489	616,530,899		83,616,226	113,210,702	2,622,895,460
(d) 16 to 20 year term, 0 percent interest per annum, with final repayments between June 2012 and November 2014:						
Spain .....	21,117,279			700,874	2,025,323	18,391,082
Thailand .....	4,445,280			587,412	140,655	3,717,213
	25,562,559			1,288,286	2,165,978	22,108,295
Subtotal .....	2,283,335,115	616,530,899	636,096	106,747,969	116,565,914	2,677,188,227
Less: portion expensed due to concessionary terms .....	26,311,203	10,049,192				16,262,011
Total .....	2,257,023,912	626,580,091	636,096	106,747,969	116,565,914	2,660,926,216

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 Social Development (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 Social Development (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, 2006 amounts to \$8,199,048,672 (\$6,867,748,629 as at March 31, 2005).

### *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, 2006 amounts to \$566,635,921 (\$615,250,475 as at March 31, 2005).

## 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 L30, *Appropriation Act No. 2, 2005-2006*.

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 estab-

lished 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, 2006, 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. The last active loan guarantee has expired and no future loan guarantees will be given under this program.

As of March 31, 2006, 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 L35, *Appropriation Act No. 2, 2005-2006*.

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 \$49,551,175 and \$288,444,327 respectively. Rates are from 2.2787 percent to 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 L30, *Appropriation Act No. 2, 2005-2006*.

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 \$148,499,426 and \$242,819,976 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 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 not exceeding \$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.

### 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, 2005-2006*.

### 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, 2005-2006*.

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.

During the year, the remaining loan was repaid in full and the account was closed.

### 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.

### 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 \$3,188 were forgiven pursuant to Solicitor General Vote L103b, *Appropriation Act No. 1, 1969*.

### 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.

### 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. Due to a change in policy practices, a decision was made to forgive the remaining repayments owed and an authority approval will be requested.

### 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 2007.

### 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.

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# SECTION 10

2005-2006

*PUBLIC ACCOUNTS OF CANADA*

## Non-Financial Assets

### CONTENTS

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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.

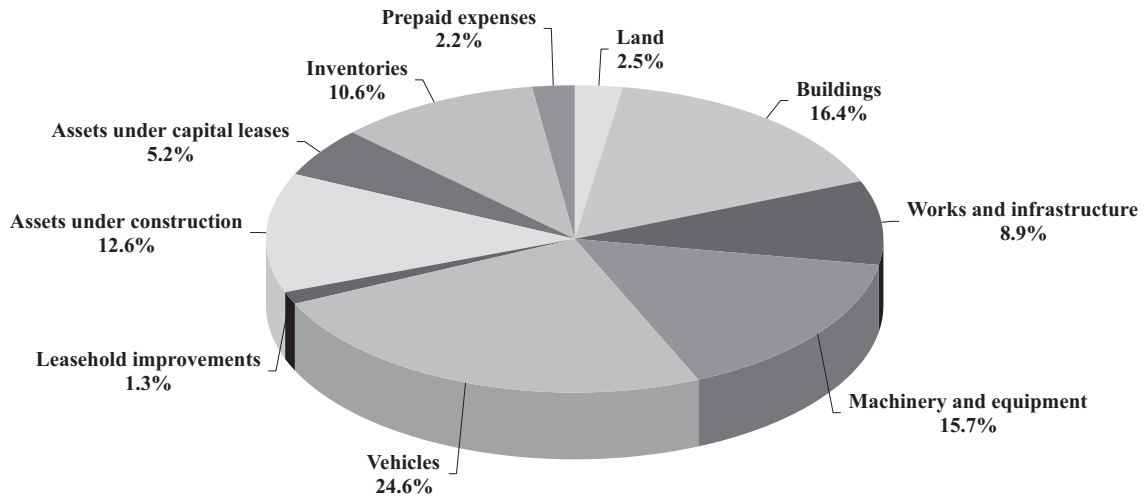
**TABLE 10.1**  
NON-FINANCIAL ASSETS BY CATEGORY  
(in thousands of dollars)

	March 31/2006	March 31/2005
Net tangible capital assets, Table 10.2—		
Land . . . . .	1,392,542	1,387,364
Buildings . . . . .	9,061,230	8,902,316
Works and infrastructure . . . . .	4,919,687	4,972,358
Machinery and equipment . . . . .	8,717,774	8,885,613
Vehicles, Table 10.3 . . . . .	13,652,964	14,333,936
Leasehold improvements . . . . .	725,773	744,422
Assets under construction . . . . .	6,979,014	6,194,640
Assets under capital leases, Table 10.4 . . . . .	2,906,375	2,788,862
	<i>48,355,359</i>	<i>48,209,511</i>
Inventories . . . . .	5,874,836	5,525,536
Prepaid expenses . . . . .	1,216,992	1,135,143
Total . . . . .	55,447,187	54,870,190

Comparative figures have been restated to reflect the current year's presentation.

**CHART 10A**

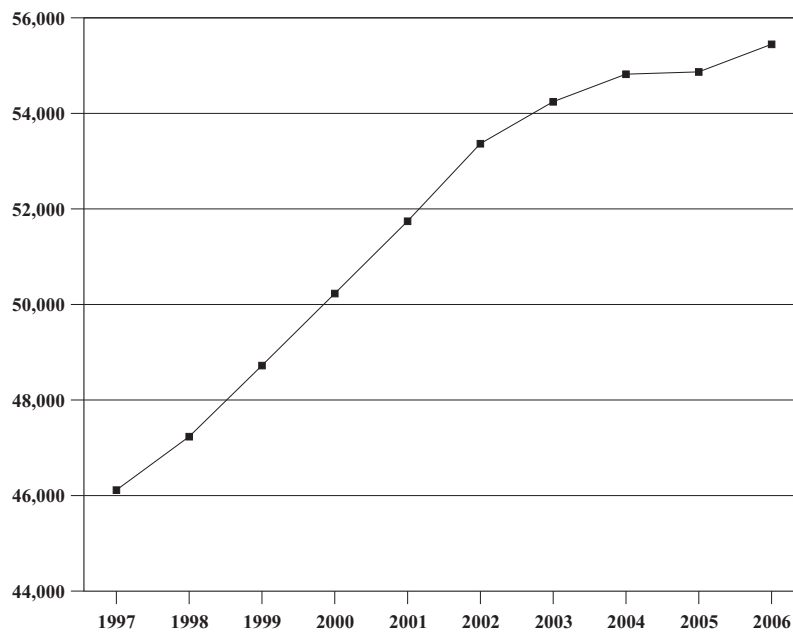
NON-FINANCIAL ASSETS BY CATEGORY AT MARCH 31, 2006



**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 . . . . .	177,577	819,368	2,238,352	679,037
Fisheries and Oceans . . . . .	19,703	438,000	1,781,649	451,248
Industry . . . . .	12,362	636,461	26,642	2,389,088
National Defence . . . . .	76,462	5,513,407	1,521,221	10,641,741
Public Safety and Emergency Preparedness . . . . .	60,108	2,398,570	403,660	804,109
Public Works and Government Services . . . . .	265,005	3,351,303	842,312	200,091
Transport (Transport, Infrastructure and Communities) . . . . .	198,585	1,123,228	2,911,706	138,553
Other ministries . . . . .	230,004	2,231,981	47,828	2,058,475
	<i>1,039,806</i>	<i>16,512,318</i>	<i>9,773,370</i>	<i>17,362,342</i>
Consolidated Crown corporations and other entities . . . . .	352,736	1,670,044	1,007,806	2,593,943
Gross total capital assets . . . . .	1,392,542	18,182,362	10,781,176	19,956,285
Accumulated amortization —				
Environment . . . . .		498,456	1,407,769	466,893
Fisheries and Oceans . . . . .		264,647	862,900	338,021
Industry . . . . .		359,035	15,228	1,347,316
National Defence . . . . .		2,401,537	970,350	5,344,307
Public Safety and Emergency Preparedness . . . . .		923,787	238,454	437,517
Public Works and Government Services . . . . .		1,966,567	304,228	134,795
Transport (Transport, Infrastructure and Communities) . . . . .		638,867	1,510,585	89,083
Other ministries . . . . .		1,144,786	22,879	1,360,428
		<i>8,197,682</i>	<i>5,332,393</i>	<i>9,518,360</i>
Consolidated Crown corporations and other entities . . . . .		923,450	529,096	1,720,151
Total accumulated amortization . . . . .		9,121,132	5,861,489	11,238,511
Total net capital assets —				
Environment . . . . .	177,577	320,912	830,583	212,144
Fisheries and Oceans . . . . .	19,703	173,353	918,749	113,227
Industry . . . . .	12,362	277,426	11,414	1,041,772
National Defence . . . . .	76,462	3,111,870	550,871	5,297,434
Public Safety and Emergency Preparedness . . . . .	60,108	1,474,783	165,206	366,592
Public Works and Government Services . . . . .	265,005	1,384,736	538,084	65,296
Transport (Transport, Infrastructure and Communities) . . . . .	198,585	484,361	1,401,121	49,470
Other ministries . . . . .	230,004	1,087,195	24,949	698,047
	<i>1,039,806</i>	<i>8,314,636</i>	<i>4,440,977</i>	<i>7,843,982</i>
Consolidated Crown corporations and other entities . . . . .	352,736	746,594	478,710	873,792
Total net capital assets . . . . .	1,392,542	9,061,230	4,919,687	8,717,774

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

(<sup>1</sup>) Details in Table 10.3.

(<sup>2</sup>) Details in Table 10.4.



Vehicles <sup>(1)</sup>	Leasehold improvements	Assets under construction	Assets under capital leases <sup>(2)</sup>	Total March 31/2006	Total March 31/2005
130,564	35,681	129,396	18,199	4,228,174	4,171,378
1,735,327	535,881	318,930		5,280,738	5,185,430
26,199	26,871	509,473	1,689	3,628,785	3,436,799
26,576,490	13,149	3,830,957	1,258,529	49,431,956	48,005,253
499,165	12,317	427,787		4,605,716	4,356,698
9,741	295,542	826,462	1,323,477	7,113,933	6,668,242
797,089	13,635	69,604	818,820	6,071,220	6,169,372
178,211	345,590	499,473	24,718	5,616,280	5,276,107
29,952,786	1,278,666	6,612,082	3,445,432	85,976,802	83,269,279
1,197,348	104,491	366,932	549,780	7,843,080	7,307,481
31,150,134	1,383,157	6,979,014	3,995,212	93,819,882	90,576,760
94,698	18,067		2,911	2,488,794	2,399,499
1,192,926	297,096		56	2,955,646	2,822,244
19,673	6,696		643	1,748,591	1,567,387
14,528,307	1,880		263,748	23,510,129	22,122,525
251,401	3,513			1,854,672	1,680,579
5,211	110,119		520,463	3,041,383	2,736,873
554,323	5,345		72,329	2,870,532	2,785,415
102,318	173,803		16,345	2,820,559	2,517,660
16,748,857	616,519		876,495	41,290,306	38,632,182
748,313	40,865		212,342	4,174,217	3,735,067
17,497,170	657,384		1,088,837	45,464,523	42,367,249
35,866	17,614	129,396	15,288	1,739,380	1,771,879
542,401	238,785	318,930	(56)	2,325,092	2,363,186
6,526	20,175	509,473	1,046	1,880,194	1,869,412
12,048,183	11,269	3,830,957	994,781	25,921,827	25,882,728
247,764	8,804	427,787		2,751,044	2,676,119
4,530	185,423	826,462	803,014	4,072,550	3,931,369
242,766	8,290	69,604	746,491	3,200,688	3,383,957
75,893	171,787	499,473	8,373	2,795,721	2,758,447
13,203,929	662,147	6,612,082	2,568,937	44,686,496	44,637,097
449,035	63,626	366,932	337,438	3,668,863	3,572,414
13,652,964	725,773	6,979,014	2,906,375	48,355,359	48,209,511

## 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 31/2006	March 31/2005
Ships and boats .....	14,589,713	6,948,411	7,641,302	7,958,738
Aircraft .....	12,433,800	7,963,957	4,469,843	4,721,925
Motor vehicles .....	1,796,835	1,105,982	690,853	688,378
Military vehicles .....	1,311,779	896,043	415,736	391,599
Other vehicles .....	1,018,007	582,777	435,230	573,296
<b>Total .....</b>	<b>31,150,134</b>	<b>17,497,170</b>	<b>13,652,964</b>	<b>14,333,936</b>

## 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 31/2006	March 31/2005
Land .....	48,215		48,215	47,305
Buildings .....	1,920,394	756,082	1,164,312	1,123,454
Works and infrastructure .....	818,820	72,329	746,491	754,679
Machinery and equipment .....	39,886	23,679	16,207	18,433
Vehicles .....	1,167,897	236,747	931,150	844,991
<b>Total .....</b>	<b>3,995,212</b>	<b>1,088,837</b>	<b>2,906,375</b>	<b>2,788,862</b>

# SECTION 11

2005-2006

*PUBLIC ACCOUNTS OF CANADA*

## **Contractual Obligations and Contingent Liabilities**

### CONTENTS

	<i>Page</i>
Contractual obligations .....	11.2
Contingent liabilities .....	11.20

## CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

This section contains detailed information related to contractual obligations and contingent liabilities.

### Contractual Obligations

Contractual obligations are obligations of the 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 .....	46,539	17,718	2,901		67,158
Table 11.4 .....				2,802	2,802
Total .....	46,539	17,718	2,901	2,802	69,960

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 2007 to 2011 inclusive, and a total for amounts due in the year 2012 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
2007 .....	7,797	4,773	306	558	13,434
2008 .....	5,470	2,573	294	832	9,169
2009 .....	4,755	2,372	259	643	8,029
2010 .....	5,065	1,227	241		6,533
2011 .....	2,309	854	218		3,381
2012 and subsequently .....	21,143	5,919	1,583	769	29,414
Total .....	46,539	17,718	2,901	2,802	69,960

### 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 14 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, 2006

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
<b>Transfer payment agreements—</b>										
Canada Mortgage and Housing Corporation (Government account)—										
Social Housing Program . . . . .	58,272 <sup>(1)</sup>	58,272	29,067	29,205 <sup>(2)</sup>	1,748	1,723	1,721	1,720	1,695	20,598
<b>Industry—</b>										
Canadian Space Agency—										
European Space Agency—										
Earth Observation and Telecommunications Programs . . . . .	200	187	30	157	36	39	33	25	10	14
Cascade Data Services Inc.—										
Cassiope Program . . . . .	63	63	34	29	18	8	3			
<b>Health—</b>										
Control and provision of Health Services to Indian Bands, associations or groups . . . . .	73	73	28	45	14	14	8	9		
National Aboriginal Health Organization . . . . .	25	25	5	20	5	5	5	5		
Territorial Health										
Access Fund . . . . .	65	65	13	52	13	13	13	13		
Medical Travel Fund . . . . .	67	67	13	54	14	13	14	13		
Quebec Primary Health Care										
Transition Transfer . . . . .	135	135	116	19	19					
Ontario Primary Health Care										
Transition Transfer . . . . .	213	213	189	24	24					
Health Council of Canada . . . . .	28	28	8	20	10	10				
Canadian Coordinating Office for Health Technology										
Assessment . . . . .	40	40	5	35	18	17				
<b>Health—</b>										
Public Health Agency of Canada—										
Province of Ontario—										
Contribution—Hepatitis C . . . . .	132	132	88	44				22		22
Province of Alberta—										
Contribution—Hepatitis C . . . . .	31	31	21	10				5		5
Province of British Columbia—										
Contribution—Hepatitis C . . . . .	66	66	44	22				11		11
Province of Quebec—										
Contribution—Hepatitis C . . . . .	45	45	30	15				7		8

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2006—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
Canadian International										
Development Agency—										
Geographic Programs .....	1,708	1,708	756	952	392	299	139	80	23	19
Partnership Program .....	479	479	270	209	82	64	53	8	2	
Country in Transition Program .....	219	219	136	83	34	19	16	10	4	
Multilateral Program .....	671	671	547	124	99	19	6			
Citizenship and Immigration—										
Canada-Quebec Accord .....	1,168	1,168	188	980	196	196	196	196	196	
Canada-Manitoba Accord .....	53	53	8	45	9	9	9	9	9	
Canada-British Columbia Accord .....	273	273	38	235	47	47	47	47	47	
Canadian Heritage—										
Contributions—										
National Association of Friendship Center — Aboriginal People's Program .....	77	77		77	29	16	16	16		
Canada - Newfoundland and Labrador Agreement on Minority Language Education and Second Official Language Instruction .....	16	16	4	12	4	4	4			
Canada - Nova Scotia Agreement on Minority Minority Language Education and Second Official Language Instruction .....	30	30	7	23	7	8	8			
Canada - New Brunswick Agreement on French First-Language Education and French Second-Language Instruction .....	86	86	21	65	21	22	22			
Canada - Quebec Agreement on Minority Language Education and Second Language Instruction .....	256	256	64	192	64	64	64			
Canada - Ontario Agreement on Minority Language Education and Second Official Language Instruction .....	301	301	73	228	76	76	76			
Canada - Manitoba Agreement on Minority Language Education and Second Official Language Instruction .....	48	48	12	36	12	12	12			
Canada - Saskatchewan Agreement on Minority Language Education and Second Official Language Instruction .....	26	26	6	20	6	7	7			
Canada - Alberta Agreement on Minority Language Education and Second Official Language Instruction .....	53	53	13	40	13	13	14			

11.4 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2006—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
Canada - British Columbia										
Agreement on Minority- Language Education and Second Official Language Instruction . . . . .	60	60	15	45	15	15	15			
La Fondation Musicaction Canada Music Fund . . . . .	16	16		16	4	4	4	4		
The Foundation assisting Canadian Talent on Recordings (FACTOR) Canada Music Fund . . . . .	24	24		24	6	6	6	6		
Office of Infrastructure of Canada—										
Province of New Brunswick—										
Twinning of Trans Canada Highway . . . . .	200	200	53	147	128	19				
Province of Saskatchewan—										
Twinning of Trans Canada Highway . . . . .	65	65	35	30	20	10				
Halifax Regional Municipality—										
Construction of sewage treatment plant . . . . .	60	60	20	40	38	2				
Province of Manitoba—										
Expansion of Manitoba Red River Floodway . . . . .	120	120	35	85	73	12				
Regional Municipality of York—										
Quick Start component of the York Region Transit Plan . . . . .	50	50	17	33	33					
Government of the Northwest Territories—Improve three highway corridors in the Northwest Territories . . . . .	65	65	30	35	15	12	8			
City of St. John's—Phase 2 of the St. John's Harbour Clean-Up Project . . . . .	31	31	9	22	11	11				
Vancouver Convention Centre Expansion Project Ltd—										
Construction of new facility and connector for the Vancouver Convention and Exhibition Centre . . . . .	223	223	79	144	60	43	41			
Greater Toronto Transit Authority—Improve the GO Transit Rail and bus transit system in the Greater Toronto Area . . . . .	385	385	26	359	115	87	75	60	22	
Province of New Brunswick—										
Deployment of broadband services to rural New Brunswick . . . . .	17	17	6	11	11					
Nunavut Housing Corporation—										
Provision of social housing in Nunavut . . . . .	20	20	8	12	12					
City of Kingston—Ravensview Water Pollution Control Plant Project . . . . .	25	25	3	22	2	14	3	3		

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2006—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
Province of New Brunswick— Twinning Highway 95 between Woodstock, New Brunswick and Houlton, Maine . . . . .	10	10		10	7	3				
Province of Alberta—Construct northwest quadrant of the Stoney Trail ring road, Calgary . . . . .	75	75	19	56	46	10				
Province of British Columbia— Improve highway access to border crossings in Lower Mainland of British Columbia . . . . .	88	88	43	45	23	18	4			
Province of Ontario—Improve highway access leading to border crossings in Sarnia and Queenston . . . . .	133	133	45	88	49	30	9			
Province of New Brunswick— Highway twinning and construction of an international bridge in the vicinity of St. Stephen and Calais, Maine . . . . .	30	30	6	24	14	8	2			
Province of Ontario—Municipal Rural Infrastructure Fund . . . . .	298	298	4	294	145	74	75			
Province of New Brunswick— Municipal Rural Infrastructure Fund . . . . .	33	33		33	12	9	9	3		
Government of the Northwest Territories—Municipal Rural Infrastructure Fund . . . . .	16	16		16	8	4	4			
Province of Prince Edward Island— Municipal Rural Infrastructure Fund . . . . .	18	18		18	6	4	4	4		
Province of Manitoba—Municipal Rural Infrastructure Fund . . . . .	41	41	5	36	15	7	7	7		
Government of Yukon Territory— Municipal Rural Infrastructure Fund . . . . .	16	16		16	8	4	4			
Province of Saskatchewan— Municipal Rural Infrastructure Fund . . . . .	38	38	2	36	14	11	11			
Province of Newfoundland and Labrador—Municipal Rural Infrastructure Fund . . . . .	28	28		28	7	7	7	7		
Province of Nova Scotia— Municipal Rural Infrastructure Fund . . . . .	37	37		37	6	10	10	7	4	
Government of Nunavut— Municipal Rural Infrastructure Fund . . . . .	16	16		16	5	5	4	2		
Province of British Columbia— Contribution under the Gas Tax Fund . . . . .	636	636	76	560	77	102	127	254		
Province of Alberta— Contribution under the Gas Tax Fund . . . . .	477	477	57	420	58	76	95	191		
Province of Saskatchewan— Contribution under the Gas Tax Fund . . . . .	148	148	18	130	17	24	30	59		

11.6 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES



TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2006—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
Province of Manitoba—										
Contribution under the										
Gas Tax Fund . . . . .	167	167	20	147	20	27	33	67		
Province of Ontario—										
Contribution under the										
Gas Tax Fund . . . . .	1,866	1,866	223	1,643	226	298	373	746		
Province of Quebec—										
Contribution under the										
Gas Tax Fund . . . . .	1,151	1,151	138	1,013	139	184	230	460		
Province of Nova Scotia—										
Contribution under the										
Gas Tax Fund . . . . .	145	145	17	128	18	23	29	58		
Province of New Brunswick—										
Contribution under the										
Gas Tax Fund . . . . .	116	116	14	102	14	19	23	46		
Province of Prince Edward Island—Contribution under										
the Gas Tax Fund . . . . .	38	38	5	33	4	6	8	15		
Government of Yukon Territory—										
Contribution under the										
Gas Tax Fund . . . . .	38	38	5	33	4	6	8	15		
Government of the Northwest Territories—Contribution under										
the Gas Tax Fund . . . . .	38	38	4	34	5	6	8	15		
Government of Nunavut—										
Contribution under the										
Gas Tax Fund . . . . .	38	38	4	34	5	6	8	15		
Province of British Columbia—										
Contributions under the										
Public Transit										
Fund . . . . .	105	105	53	52	52					
Province of Alberta—										
Contribution under the										
Public Transit Fund . . . . .	80	80	40	40	40					
Province of Saskatchewan—										
Contribution under the										
Public Transit Fund . . . . .	25	25	13	12	12					
Province of Manitoba—										
Contribution under the										
Public Transit Fund . . . . .	29	29	15	14	14					
Province of Ontario—										
Contribution under the										
Public Transit Fund . . . . .	310	310	155	155	155					
Province of Quebec—										
Contribution under the										
Public Transit Fund . . . . .	189	189	95	94	94					
Province of New Brunswick—										
Contribution under the										
Public Transit Fund . . . . .	19	19	9	10	10					
RAV Project Management Ltd.—										
Contribution to build										
a rapid transit										
line to connect										
central Richmond,										
Vancouver										
International										
Airport and downtown										
Vancouver . . . . .	450	450	150	300	220	40	20	20		

**TABLE 11.3**

**TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2006—Continued**

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
Province of Alberta—										
Contribution to construct the Southeast quadrant of Anthony Henday Drive ring road in Edmonton .....	75	75	25	50	25	25				
Province of Nova Scotia—										
Contribution for the twinning and improvement of Highways 101 and 104 .....	31	31	5	26	3	11	7	5		
Province of British Columbia—										
Contribution to twin 5.8 km of the Trans-Canada Highway and to replace the 10 mile bridge in the Kicking Horse Canyon .....	63	63	12	51	51					
City of Saskatoon—										
Contribution towards Phase II of the River Landing Project as part of an initiative to promote urban revitalization .....	14	14		14	9	5				
Indian Affairs and Northern Development—										
Comprehensive Land Claims Agreement—										
Indian and Inuit Affairs .....	991	991	348	643	102	106	64	66	62	243
Financial Transfer Arrangement .....	718	718	140	578	146	141	126	120	45	
Comprehensive Funding Arrangement .....	408	408	118	290	237	18	18	17		
Canada First Nations Funding Agreement .....	2,302	2,295	817	1,478	479	411	292	263	33	
Canada First Nations Funding Agreement (RETRO) .....	60	59	15	44	12	12	6	7	7	
DIAND/First Nations Funding Arrangement .....	981	981	388	593	206	142	121	87	37	
Contribution Agreement .....	198	198	106	92	48	29	15			
Indian and Inuit Affairs Program .....	283	283	144	139	48	48	24	19		
Grant Agreement .....	35	35	9	26	8	9	9			
Atlantic Canada Opportunities Agency—										
Economic Development Programs—										
Canada/Newfoundland Infrastructure Program Agreement .....	51	51	36	15	15					
Canada/Nova Scotia Infrastructure Program Agreement .....	65	65	48	17	17					

**11.8 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES**

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2006—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
Industry—										
CAE Inc. - Simulation technologies.....	189	189	15	174	35	38	39	32	24	6
Pratt & Whitney Canada Inc.—										
Engine Technology .....	165	165	150	15	15					
Sanofi Pasteur Ltd—Cancer										
Vaccines .....	60	60	43	17	6	6	5			
Bell Helicopter Textron Canada Ltd—										
modular affordable product line .....	115	115	21	94	20	14	13	9	6	32
ID Biochem Corp.—										
Recombinant vaccine technology.....	80	80	24	56	2	54				
Rolls-Royce Canada Inc.—										
Industrial gas turbines .....	30	30	10	20	20					
Ford Motor Company of Canada Ltd—										
Flexible manufacturing production										
process .....	100	100	25	75	25	24	20	6		
General Motors of Canada Ltd.—										
Beacon Project .....	200	200	138	62	8	22	22	10		
International Truck and Engine										
Corporation—Advanced transportation										
equipment manufacturing .....	30	30	4	26	8	6	4	8		
Cascade Data Services Inc. ....	77	77	27	50	14	20	16			
Dupont Canada Inc.—Fuel cell										
components .....	19	19	9	10	10					
Ontario Ministry of Agriculture,										
Food and Rural Affairs—										
Small town and rural										
infrastructure .....	267	267	196	71	42	29				
Ontario Ministry of Tourism, Culture										
and Recreation—Sports, culture and										
tourism partnership .....	223	223	183	40	31	9				
Ontario Superbuild Corporation .....	101	101	68	33	26	7				
Voisey's Bay Nickel Co. Ltd—										
Hydrometallurgical process										
for Nickel Sulphides .....	60	60	32	28	7	8	5	2	1	5
Economic Development Agency of										
Canada for the Regions of										
Quebec—										
Contributions to the province										
of Quebec under the Infrastructure										
Canada program .....	515	515	296	219	208	11				
Innovation Development										
Entrepreneurship and Export										
Program (IDEA—SME) .....	661	661	587	74	59	11	4			
Regional Strategic										
Initiative (RSI) Program.....	788	788	621	167	86	39	11	6	12	13
Grant to the Quebec Port Authority										
to commemorate the 400th										
anniversary of Quebec City										
in 2008 .....	45	45		45	19	22	4			
Industry—										
National Research Council										
of Canada—										
Gemini Twin Telescope Project—										
Cerro Pachon, Chile and										
Mauna Kea, Hawaii, U.S.A. ....	99	99	60	39	9	6	6	6	6	6
Tri-University Meson										
Facility (TRIUMF)										
Vancouver, B.C. ....	540	540	361	179	46	45	44	44		

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2006—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
Canada-France-Hawaii Telescope Corporation—Mauna Kea, Hawaii, U.S.A.....	109	109	85	24	4	4	4	4	4	4
Natural Resources—										
Production of electricity from wind energy resources—Vision Quest										
Windelectric Inc. (V12).....	34	34	8	26	3	4	3	4	4	8
Production of electricity from wind energy resources—Vision Quest										
Windelectric Inc. (15).....	25	25	3	22	3	2	3	2	3	9
Commercial Alcohols Inc.....	18	18		18	18					
Husky BPU Operations.....	10	10		10	10					
Énergie Écolienne du Mont Copper Inc. (M22).....	17	17	1	16	2	2	1	2	2	7
Énergie Écolienne du Mont Miller Société en Commandite (M32).....	20	20	1	19	2	2	2	2	2	9
St. Leon Wind Energy LP (S81).....	30	30		30	3	3	3	3	3	15
Saskatchewan Power International (S12) ..	54	54		54	5	6	5	6	5	27
Canadian Hydro Developers (C15).....	19	19		19	2	2	2	2	2	9
Erie Shores Wind Farm LP (A22).....	22	22		22	2	2	2	2	3	11
Transport—										
Province of Quebec										
Outaouais Road Agreement.....	259	259	226	33	9	13	3	3	3	2
Strategic Highway Infrastructure Program (SHIP).....	480	480	406	74	74					
Action Plan 2000 for Climate Change (UTSP & FIP).....	35	35	12	23	23					
Jacques Cartier and Champlain Bridges Inc. ....	481	481	355	126	31	29	27	25	7	7
Grade Crossing Improvement Program.....	88	88	63	25	4	7	7	7		
Marine Security Contribution Program.....	509	509	450	59	44	15				
Grant to British Columbia Ferries.....	364	364	186	178	25	25	25	25	25	53
Contribution to Northumberland Ferries Limited and CTMA Traversier Limitée ..	98	98	64	34	8	8	9	9		
Western Economic Diversification—										
Rick Hansen Man In Motion Foundation.....	15	15	6	9 <sup>(3)</sup>	2	2	2	2	1	
Infrastructure Canada.....	557	552	426	126	119	7				
The Edmonton Art Gallery.....	10	10		10	5	5				
Alberta Infrastructure and Transportation—Royal Alberta Museum.....	30	30		30	21	9				
Prince Rupert Port Authority.....	30	30		30	30					
Subtotal.....	87,175	87,149	40,778	46,371	7,653	5,448	4,753	5,065	2,309	21,143
Consolidated Crown Corporations and Other Entities—										
The Canada Council for the Arts— Future year grants.....	81	81		81	67	14				
Telefilm Canada— Financial assistance to producers and distributors.....	63	63		63	63					

11.10 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES

TABLE 11.3

## TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2006—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
Foundation for Sustainable Development Technology—										
Contracted Projects .....	24	24		24	14	8	2			
<i>Subtotal</i> .....	<i>168</i>	<i>168</i>		<i>168</i>	<i>144</i>	<i>22</i>	<i>2</i>			
<b>Total transfer payment agreements</b> .....	<b>87,343</b>	<b>87,317</b>	<b>40,778</b>	<b>46,539</b>	<b>7,797</b>	<b>5,470</b>	<b>4,755</b>	<b>5,065</b>	<b>2,309</b>	<b>21,143</b>
<b>Fixed assets and purchases—</b>										
Fixed assets—										
National Defence—										
Armoured Patrol Vehicle, General Dynamics Land Systems Canada Corporation .....	120	56	27	29	29					
Wheeled Light Armoured Vehicles, Optimized Systems Support— General Dynamics Land Systems Canada Corporation .....	198	73	51	22	22					
Protected Military Satellite Communications—										
Procurement of Transportable Terminals— U.S. Department of Defence .....	54	54	33	21	12	7	1	1		
Procurement of Navy Terminals— United States Department of Defence .....	123	123	40	83	40	24	18	1		
Advance Electro-Optic Sensor (SIRIUS)— DRS Technology Co. ....	136	132	8	124	32	38	23	15	9	7
CF-18 Modernization- Phase II— The Boeing Co. ....	196	195	41	154	48	46	35	15	5	5
Aurora Data Management System—General Dynamics .....	335	335	124	211	53	43	42	39	27	7
CP140 Imaging Radar Acquisition (IRS)— MacDonald Dettwiler and Associates .....	123	123	98	25	25					
Maritime Helicopter Implementation— Sikorsky International Inc. and Indal Technologies .....	5,090	5,090	343	4,747	364	316	680	485	233	2,669
Weapons Effects Simulation— Cubic Defence Applications Inc. ....	129	99	59	40	40					
Armoured Personnel Carrier Replacement .....	1,765	1,765	1,637	128	58	39	31			
Light Wheeled Utility Vehicle .....	207	207	170	37	33	4				
O113 Advanced Distributed Combat Training System .....	188	177	132	45	23	15	7			
Other fixed assets (DND) .....	658	547	280	267	125	90	32	13	5	2

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2006—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
Environment—										
Parks Canada Agency—										
Banff National Park—										
Trans Canada highway twinning .....	58	58	13	45	33	12				
Gulf Islands National Park, B.C. Land acquisition, Developments and Operations .....	31	31	19	12	3	3	2	2	2	
Industry—										
Canadian Space Agency—										
Scientific activities—MSS operations—McDonald Dettwiler Space and Advanced Robotics Ltd. ....	117	117	88	29	28	1				
Public Works and										
Government Services—										
Laurier-Taché Garage Repairs .....	62	62	46	16	13	3				
Library of Parliament—										
Renovations .....	128	128	116	12	12					
Herve Pomerleu Inc., Charlottetown .....	30	30	13	17	17					
Laniel Dam—Reconstruction .....	22	14	2	12	8	4				
Public Safety and Emergency Preparedness—										
Veterans Affairs—										
Ste. Anne's Hospital Modernization Project, Quebec .....	104	43	37	6 <sup>(3)</sup>	5	1				
Subtotal .....	9,874	9,459	3,377	6,082	1,023	646	871	571	281	2,690
Consolidated Crown Corporations and Other Entities—										
Canadian Museum of Nature—										
Renovations .....	217	61		61	61					
Subtotal .....	217	61		61	61					
Total fixed assets .....	10,091	9,520	3,377	6,143	1,084	646	871	571	281	2,690
Purchases—										
Foreign Affairs and International Trade—										
Canadian Bank Note Company Ltd . . .	37	37	23	14	9	5				
Citizenship and Immigration—										
Canadian Bank Note Company Ltd—										
Supply and produce Permanent Resident cards .....	45	45	39	6 <sup>(3)</sup>	6					
Purchase of Software licenses and maintenance—Accenture Corporation. ....	85	85	67	18	18					
Public Safety and Emergency Preparedness—										
Canada Border Services Agency—										
Construction services— low risk detention centre—Corbel Corporation. ....	15	15	3	12	4	4	4			
Public Safety and Emergency Preparedness—										
Correctional Service—										
NAV Canada—Management Training .....	23	23	9	14	3	3	3	3	2	

11.12 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2006—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31						
					2007	2008	2009	2010	2011	2012 and subse- quently	
Public Safety and Emergency Preparedness—											
Canadian Firearms Centre Centre—											
CGI Group Inc.—Development CFIS II .....	297	297	81	216	6	15	15	15	15	150	
Industry—											
Canadian Space Agency—											
Radarsat-2 construction—											
MacDonald Dettwiler Ltd. ....	378	378	356	22	22						
COM DEV International Ltd— Scientific Activities Construction											
JWST—FGS. ....	53	32	11	21	17	4					
National Research Council of Canada—											
Atco Frontec Corporation— Construction services .....	23	23	10	13	5	5	3				
National Defence—											
Maritime Coastal Defence Vessel Support—											
SNC Lavalin Inc. ....	290	122	81	41	32	9					
Combat System and Engineering Support—Lockheed											
Martin Canada .....	178	121	96	25	25						
Maritime Systems and Engineering—Weir Canada. ....	121	121	90	31	31						
Close-in Weapon System Repair and Overhaul—											
Raytheon. ....	120	120	86	34	12	12	10				
CC130 Aircraft Repair and Overhaul—Cascade Aerospace .....	423	423	2	421	65	75	70	70	76	65	
Support Services A310 Airbus—											
Air Canada .....	188	188	123	65	37	28					
Primary Rotary Wing and Multi-Engine Pilot Training—											
Allied Wings. ....	1,666	1,666	36	1,630	49	59	74	75	76	1,297	
Alternative Service Delivery Meaford ASD— Canadian Base Operations Inc. ....	126	126		126	8	9	9	9	9	82	
CF-18 F404 Engine Repair and Overhaul—Orenda Aerospace Corporation .....	161	161	136	25	25						
Victoria Class in Service Support—BAE Systems Canada .....	444	390	279	111	55	56					
CF188 CATEF Support— Harris Aerospace .....	220	220	136	84	14	15	18	18	19		
CF-18 SES (System Engineering Support)—L-3 MAS Communications .....	240	240	168	72	45	27					

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2006—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31						
					2007	2008	2009	2010	2011	2012 and subse- quently	
CH146 Spares—											
Bell Helicopter . . . . .	135	95	84	11	11						
CC130 Aircraft Repair and Overhaul—											
Spar Aerospace . . . . .	241	241	215	26	26						
Bundled contracts to support CH124—											
IMP Group . . . . .	118	118	71	47	24	23					
Support to the IRIS Communications System—General Dynamics Canada Ltd. . . . .	200	200	118	82	82						
DEW Line Clean-up—Kudlik Construction Ltd., Iqaluit, Nun. and SNC Lavalin Inc. . . . .	583	78	29	49	17	16	10	6			
Telecommunication Service Renewal—Bell Canada . . . . .	200	165	131	34	27	7					
North Warning System operation and support . . . . .	641	388	253	135	55	68	12				
CP-140 Optimized Weapon Systems Support—L3 Communications Electronic Systems Inc. . . . .	344	343	13	330	31	32	33	34	35	165	
CP-140 Optimized Weapons Systems Support Prime Air Vehicle— I.M.P. Group Ltd . . . . .	493	493	30	463	44	45	47	48	50	229	
Bombardier—NATO Flying Training Centre . . . . .	2,536	1,893	521	1,372	90	93	96	98	95	900	
Sercio Ltd.—Goose Bay ASD . . . . .	483	483	102	381	46	47	46	47	47	148	
IMP Group Ltd—Cormorant Integrated Services (CH149) . . . . .	160	160	106	54	53	1					
Provision of Health Care Services— Montfort Hospital . . . . .	185	185	2	183	1	54	8	8	8	104	
Health Care Providers Ottawa, Ontario . . . . .	449	449	57	392	67	70	73	73	71	38	
Ammunition . . . . .	28	28	2	26	26						
Other purchases (DND) . . . . .	1,045	988	498	490	309	104	45	17	3	12	
Health— First Canadian Health . . . . .	151	151	111	40	24	16					
Human Resources and Skills Development— Canada Student Financial Assistance Act— Service providers—Private Institutions . . . . .	462	385	257	128	91	37					
Social Development— Replacement of support hardware and software—Unisys Canada . . . . .	15	15	5	10	10						
Telecommunications equipment and services—Rogers Telecom Inc. . . . .	92	92	58	34	9	13	12				
Bell Canada—Local telephone services. . . . .	15	15		15	5	5	5				
Canada Revenue Agency— Bell Canada—Contract for Toll-Free Services . . . . .	23	23	12	11	5	5	1				
Kromar Printing Ltd., Winnipeg . . . . .	14	14		14	4	5	5				
Relizon Canada Inc., Gloucester Ont. . . . .	24	24	8	16	8	8					
CGI - IT Professional Services Supply Chain, Ottawa . . . . .	63	47	36	11	11						
CA Canada Company, Software maintenance / support, Ottawa . . . . .	20	20	4	16	8	7	1				

11.14 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES



TABLE 11.3

## TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2006—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31						
					2007	2008	2009	2010	2011	2012 and subse- quently	
Public Safety and Emergency Preparedness— Royal Canadian Mounted Police— Cogent Systems Inc.—Automated Finger Print Information System (AFIS) . . . . .	13	13	2	11	11						
Public Works and Government Services— Professional Services—BCE Nexxia Inc., Ottawa . . . . .	447	447	410	37	37						
National Contract—SNC Lavalin ProFac Inc. . . . .	1,891	1,891	318	1,573	468	478	627				
EDS Canada, Toronto . . . . .	27	27	12	15	4	4	4	3			
TPG Technology, Ottawa . . . . .	189	189	179	10	10						
IBM Canada Ltd., Toronto . . . . .	128	128	91	37	37						
<b>Subtotal . . . . .</b>	<b>16,548</b>	<b>14,621</b>	<b>5,567</b>	<b>9,054</b>	<b>2,139</b>	<b>1,464</b>	<b>1,231</b>	<b>524</b>	<b>506</b>	<b>3,190</b>	
Consolidated Crown Corporations and Other Entities— Canadian Broadcasting Corporation— Sports Rights . . . . .	531	531	331	200	69	61	70				
Canadian Air Transport Security Authority— Screening services . . . . .	682	682	244	438	424	10	3	1			
Canadian Commercial Corporation— Contracts with Foreign Customers . . . . .	1,861	1,861		1,861	1,051	389	194	128	64	35	
National Capital Commission— Lafleur de la Capitale Inc . . . . .	32	32	10	22	6	3	3	3	3	4	
<b>Subtotal . . . . .</b>	<b>3,106</b>	<b>3,106</b>	<b>585</b>	<b>2,521</b>	<b>1,550</b>	<b>463</b>	<b>270</b>	<b>132</b>	<b>67</b>	<b>39</b>	
<b>Total purchases . . . . .</b>	<b>19,654</b>	<b>17,727</b>	<b>6,152</b>	<b>11,575</b>	<b>3,689</b>	<b>1,927</b>	<b>1,501</b>	<b>656</b>	<b>573</b>	<b>3,229</b>	
<b>Total fixed assets and purchases . . . . .</b>	<b>29,745</b>	<b>27,247</b>	<b>9,529</b>	<b>17,718</b>	<b>4,773</b>	<b>2,573</b>	<b>2,372</b>	<b>1,227</b>	<b>854</b>	<b>5,919</b>	
<b>Operating leases— Environment— Lease of land—Capilano Indian Reserve No. 5 Vancouver, B.C. . . . .</b>	<b>488</b>	<b>488</b>	<b>100</b>	<b>388</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>338</b>	
I.B.M. Canada Ltd— Rental and maintenance of supercomputer system . . . . .	44	44	17	27	8	8	8	3			
Foreign Affairs and International Trade— Mitsui Fudosan, New York . . . . .	42	42	23	19	3	3	3	3	3	4	
SIP North Stetson Venture LLC, Chicago . . . . .	11	11		11		1	1	1	1	7	
National Defence— 1600 Startup Road—Great West Life Assurance (ARNON) Ottawa . . . . .	16	16	5	11	3	3	4	1			
1258898 Ontario— 400 Cumberland Road, Ottawa . . . . .	17	17	2	15	3	3	4	4	1		
Public Works and Government Services— BTC Properties II Ltd and 3160343 Canada Inc., Toronto . . . . .	17	17	5	12	2	2	2	2	2	2	

**CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES 11.15**

**TABLE 11.3**

**TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2006—Continued**

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
3352200 Canada Inc., Vancouver, B.C. . . .	34	34	4	30	3	3	3	4	4	13
74 Victoria Street, Toronto . . . . .	53	53	31	22	4	4	5	4	5	
160 Elgin Street, Portfolio Inc. . . . .	60	54		54		4	5	5	5	35
171 Slater Street Limited										
171 Slater Street, Ottawa . . . . .	13	12		12	2	2	2	2	2	2
Canada Life Assurance Company, Toronto . . . . .	239	233	12	221	15	9	9	9	10	169
Historic Properties Ltd. Halifax . . . . .	11	11		11	1	1	1	1	1	6
1138 Melville St., Oxford Management Services, Vancouver, B.C. . . . .	44	44	25	19	4	4	4	4	3	
Lord Realty Ltd. Partnership— 555 West Hastings, Vancouver . . . . .	19	19	5	14	2	2	1	2	2	5
Holdings 1506 Enterprises Ltd.— 4321 Still Creek Drive, Burnaby . . . . .	14	14	3	11	1	2	1	2	1	4
SITQ—5 Place Ville-Marie, Montreal . . . . .	21	21	6	15	2	2	2	2	2	5
Standard Life Assurance Co.— 280 Slater Street . . . . .	52	46	12	34	5	5	5	5	5	9
2932 & 2936 Baseline Road, Ottawa . . . . .	28	11		11	1	1	1	1	1	6
333 Laurier Street . . . . .	35	34	6	28	5	5	5	5	5	3
Orlando Corporation, Mississauga, Ont. . . . .	48	48	26	22	5	5	5	5	2	
National Capital Commission— 40 Elgin Street, Ottawa . . . . .	28	22	10	12	2	2	2	2	2	2
1258898 Ontario Ltd.—400 Cumberland Street, Ottawa . . . . .	35	27	15	12	3	3	3	3		
Société en commandite Redbourne Brossard et Immeubles Régime XI . . . . .	24	19	6	13	2	2	2	2	2	3
Fonds de Placement immobilier Cominar, 3400 Jean-Beraud, Laval . . . . .	34	34	12	22	3	3	3	3	3	7
Bona Building & Management Co.— 333-335 River Road, Ottawa . . . . .	113	84	46	38	7	7	7	7	7	3
355 North River Road . . . . .	18	13	2	11	1	1	1	1	1	6
295 Coventry Road, Ottawa . . . . .	73	30	10	20	3	3	3	3	3	5
Urbandale Corporation— 100 Metcalfe Street, Ottawa . . . . .	23	21	8	13	2	2	2	2	2	3
Capital City Shopping Centre, Billings Bridge Tower, Ottawa . . . . .	44	42	17	25	4	4	4	4	4	5
O & Y Enterprise Commercial— 320 Queen Street, Ottawa . . . . .	43	39	29	10	4	4	2			
O & Y Properties Inc.— 330 Sparks Street, Ottawa . . . . .	227	227	202	25	10	10	5			
Omers Realty Corporation— 350/360 Albert Street, Ottawa . . . . .	39	39	17	22	4	4	4	4	4	2
350 Albert Street, Ottawa . . . . .	26	23	5	18	3	3	3	3	3	3
360 Albert Street, Ottawa . . . . .	18	12		12		1	1	1	1	8
Canada Post Corporation— 750 Heron Road, Ottawa . . . . .	347	82	8	74	6	6	6	6	6	44
Oxford MRC Inc. and 735832 Alberta Ltd- 800 Burrard Street, Vancouver . . . . .	64	64	17	47	7	6	7	6	7	14
Lehndorff Consolidated— 25 Fitzgerald Road . . . . .	30	25	11	14	4	4	4	2		
Bentall Real Estate Services— 130 Colonnade Road . . . . .	25	22	6	16	2	2	2	2	2	6
Blue Capital Canadian Real Estate Ltd. Partnership— Toronto . . . . .	17	17	6	11	2	2	3	2	2	
Cadillac Fairview Corp. Ltd.— 191 Laurier Avenue West . . . . .	43	30	7	23	5	5	5	5	3	
Great West Life Assurance Co. 255 Albert Street, Ottawa . . . . .	27	25	4	21	2	2	2	2	2	11

**11.16 CONTRACTUAL OBLIGATIONS  
AND CONTINGENT LIABILITIES**

TABLE 11.3

## TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2006—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
Morguard Corporation and 131 Queen Street Ltd.— 131 Queen Street, Ottawa . . . . .	392	278		278	8	8	8	8	8	238
WPBI Property Management Inc.— 800 La Gauchetière Montreal-West . . . . .	42	28	8	20	3	3	3	3	3	5
Smithe Street Holdings— 858 Beatty Street, Vancouver . . . . .	23	23	6	17	3	2	3	2	3	4
1550 Carling Inc., Ottawa . . . . .	29	22	9	13	3	3	3	3	1	
325843 B.C. Ltd.— 1166 West Pender Street, Vancouver . . . . .	29	29	8	21	4	4	4	5	4	
Exchange Tower Ltd., HRI Exchange Inc. and PFS Exchange Inc.—Toronto . . . . .	56	56	6	50	8	8	8	8	8	10
Pensionfund Realty Ltd., Toronto . . . . .	36	36	5	31	4	4	4	4	4	11
Quantum Management Services Ltd., Ottawa . . . . .	42	42	26	16	16					
Clarica Centre, 50 O'Connor Street, Ottawa . . . . .	41	30		30	3	3	3	3	3	15
YRC (MCEG) Ltd. BPO (ONTARIO CORE) Ltd., Toronto . . . . .	19	19	3	16	4	4	4	3	1	
White Bear Industries Ltd, Alaska Highway, B.C. . . . .	29	29	13	16	4	4	4	4		
Z.V. Holdings Corporation 2 Constellation Drive . . . . .	29	24		24	2	2	2	2	2	14
Public Safety and Emergency Preparedness— Royal Canadian Mounted Police— Dispatch radio service—Manitoba Telecom Services Inc (MTS)— Mobility . . . . .	60	59	48	11	5	5	1			
<i>Subtotal</i> . . . . .	<i>3,431</i>	<i>2,841</i>	<i>852</i>	<i>1,989</i>	<i>222</i>	<i>205</i>	<i>199</i>	<i>180</i>	<i>156</i>	<i>1,027</i>
Consolidated Crown Corporations and Other Entities— Canadian Air Transport Security Authority— Equipment and Office Space . . . . .	25	25	4	21	4	3	3	3	3	5
National Capital Commission— Chambers Building, 40 Elgin St., Ottawa . . . . .	193	193	63	130	6	7	6	7	9	95
VIA Rail Canada Inc.— Central Station—Montreal . . . . .	49	49	37	12	4	4	4			
Union Station—Toronto . . . . .	175	175	12	163	2	2	2	3	3	151
VIAnet Service Agreement IBM Canada Ltd. . . . .	26	26	2	24	2	3	2	3	3	11
Canadian Broadcasting Corporation— Satellite lease (Telesat) . . . . .	197	197	54	143	13	13	13	13	13	78
Profac Facility and Property Management . . . . .	70	70	23	47	23	24				
Morguard Investments . . . . .	142	142	6	136	6	6	6	7	7	104
Telus . . . . .	24	24	3	21	3	4	3	4	3	4
Bell Canada . . . . .	60	60	16	44	8	9	8	9	9	1
Edifice le 888 Inc. . . . .	12	12	1	11	1	1	1	1	1	6
Canadian Commercial Corporation— Office Lease . . . . .	24	24		24	1	1	2	1	1	18

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2006—*Concluded*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2007	2008	2009	2010	2011	2012 and subse- quently
Telefilm Canada—										
Office										
Leases .....	13	13		13	2	2	2	1	1	5
International Development										
Research Centre—										
Pension Realty Limited—										
Office Space and										
Maintenance Lease .....	93	15	5	10	6	4				
Omers Realty Corporation										
Office Space and										
Maintenance Lease .....	86	86		86		2	5	5	5	69
Canada Council for the Arts—										
Operating leases .....	33	30	3	27	3	4	3	4	4	9
<i>Subtotal</i> .....	<i>1,222</i>	<i>1,141</i>	<i>229</i>	<i>912</i>	<i>84</i>	<i>89</i>	<i>60</i>	<i>61</i>	<i>62</i>	<i>556</i>
<b>Total operating</b>										
<b>leases</b> .....	<b>4,653</b>	<b>3,982</b>	<b>1,081</b>	<b>2,901</b>	<b>306</b>	<b>294</b>	<b>259</b>	<b>241</b>	<b>218</b>	<b>1,583</b>
<b>Grand total</b> .....	<b>121,741</b>	<b>118,546</b>	<b>51,388</b>	<b>67,158</b>	<b>12,876</b>	<b>8,337</b>	<b>7,386</b>	<b>6,533</b>	<b>3,381</b>	<b>28,645</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, 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, 2006.

Table 11.4 presents information that is summarized in Note 14 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 . . . . .		3	3
International Development Association . . . . .	636		636
International Monetary Fund . . . . .	3		3
Development of export trade (administered by Export Development Canada) . . . . .	1,763		1,763
	<u>2,402</u>	3	<u>2,405</u>
<b>BUDGETARY LOANS AND ADVANCES—</b>			
African Development Fund . . . . .	178		178
Asian Development Fund . . . . .	155		155
Caribbean Development Bank—Special . . . . .	41		41
Global Environment Facility (GEF) Trust Fund . . . . .	9		9
Development of export trade (administered by Export Development Canada) . . . . .	14		14
	<u>397</u>		<u>397</u>
<b>Total . . . . .</b>	<u>2,799</u>	3	<u>2,802</u>

<sup>(1)</sup> Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2006 (1\$US = \$1.1680 Cdn; 1SDR = \$1.68291 Cdn).

Note: Canada has agreed to lend the Poverty Reduction and Growth Facility special drawing rights (SDR) 700 million of which SDR 700 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 188 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 15 to the financial statements of the Government in Section 2 of this volume.

**TABLE 11.5**  
**GUARANTEES BY THE GOVERNMENT**  
**AS AT MARCH 31, 2006**

	Authorized limit (where applicable) <sup>(1)</sup>	Contingent liability
	\$	\$
GUARANTEES BY THE GOVERNMENT—		
Borrowings by enterprise Crown corporations which are agents of Her Majesty . . . . .		119,696,758,000 <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>	595,050,268
From other than agents		
Guarantee programs of the Government		
<i>Canada Student Loans Act</i> . . . . .	10,781,963,150	240,524,283
<i>Small Business Loans Act</i> . . . . .	2,936,000,676	890,996,429
<i>Farm Improvement Loans Act and Farm</i>		
<i>Improvement and Marketing</i>		
<i>Cooperatives Loans Act</i> . . . . .	3,000,000,000	216,537,319
<i>Advance Payments for Crops Act</i> . . . . .	1,900,000,000	364,642,884
Enterprise Development Program . . . . .	1,200,000,000	212,300
Loans to Indians by approved lenders for on-reserve		
housing . . . . .	<sup>(3)</sup>	751,866,923
Financial obligations incurred by air carriers regarding purchase of The		
Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft . . . . .	931,350,000	179,015,481
Regional Aircraft Credit Facility . . . . .	1,500,000,000	112,853,982
Indian economic development . . . . .	60,000,000 <sup>(4)</sup>	853,626
Aboriginal Economic Program . . . . .		1,465,500
Other explicit loan guarantees		
Loans to NewGrade Energy Inc to finance construction of a heavy		
oil upgrader . . . . .	275,000,000	13,478,738 <sup>(5)</sup>

**TABLE 11.5**  
**GUARANTEES BY THE GOVERNMENT**  
**AS AT MARCH 31, 2006—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>	1,289,357,287
Insurance against accidents at nuclear installations under		
the <i>Nuclear Liability Act</i> <sup>(7)</sup> . . . . .	1,050,000,000	583,932,447
Other explicit guarantees		
Guarantees under the <i>Prairie Grain Advance Payments Act</i> . . . . .	1,900,000,000	320,031,661
Guarantees under the <i>Spring Credit Advance Program</i> . . . . .	1,500,000,000	2,892,352
Guarantees to holders of mortgages insured by the Mortgage Insurance Company of		
Canada and GE Capital Mortgage Insurance Co. (Canada) . . . . .		962,254,705
Guarantees under Section 19 of the Canadian		
Wheat Board Act. . . . .		3,928,036,000 <sup>(8)</sup>
Guarantees under the <i>Agricultural Marketing</i>		
<i>Programs Act</i> . . . . .		29,563,145
Total gross guarantees . . . . .	<u>41,734,313,826</u>	130,180,323,330
Less: allowance for losses . . . . .		<u>1,031,263,180</u>
Total net exposure under guarantees . . . . .		129,149,060,150

<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 \$595 million by CMHC and \$752 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, 2006, \$27 million had been disbursed in cumulative defaults as well there were outstanding contingent liabilities totaling \$1 million leaving a free balance of \$32 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 \$6.9 billion outstanding against this limit, consisting of \$1.3 billion in contingent liabilities, \$4 billion in financing, \$0.1 billion in undisbursed loan guarantees and \$1.5 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 15 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 .....	1,192
Asian Development Bank .....	2,388
Caribbean Development Bank .....	57
International Bank for Reconstruction and Development (World Bank).....	5,920
Multilateral Investment Guarantee Agency .....	54
European Bank for Reconstruction and Development .....	715
Inter-American Development Bank .....	4,516
Total .....	14,842

<sup>(1)</sup> Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2006 (1\$US = \$1.1680 Cdn; 1SDR = \$1.68291 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, 2006, the Government has recorded a liability of \$3,014 million for approximately 2,700 sites (\$2,874 million in 2005 for approximately 2,200 sites).

The Government has estimated additional clean-up costs of \$3,470 million (\$2,440 million in 2005) 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 2005-06 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, 2006, contingent liabilities for claims and pending and threatened litigation have been estimated to approximate \$9,800 million (\$9,900 million in 2005). 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 74 (77 in 2005) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of \$3,200 million (\$3,700 in 2005), 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, 2006, an amount of \$9,694 million (\$9,537 million in 2005) of taxes assessed was under objection at Canada Revenue Agency and an amount of \$1,742 million (\$1,360 million in 2005) 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 15 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, 2006  
(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>	
	2005-2006	2004-2005	Mortgage Insurance Fund		Mortgage-Backed Securities Guarantee Fund		2005-2006	2004-2005
			2005-2006	2004-2005	2005-2006	2004-2005		
Insurance in force as at reporting date.....	437,251	375,563	278,937	247,140	109,829	84,544	13,365	11,869
Opening balance of Fund/Allowance.....	788	680	3,329	2,425	163	130	(3)	(3)
Revenues for the period—								
Premiums and fees.....	64	93	1,185	1,110	55	42	148	151
Investment income.....	43	34	493	407	16	13		
Other revenues.....			2	1	2	2		
Total revenues.....	107	127	1,680	1,518	73	57	148	151
Expenses for the period—								
Loss on/provision for claims.....	24	-9	136	41			59	100
Administrative and tax.....	27	27	138	134	5	5		
Other expenses.....	1	1	445	439	21	19	-22 <sup>(4)</sup>	-37 <sup>(4)</sup>
Total expenses.....	52	19	719	614	26	24	37	63
Net income/loss (-) for the period.....	55	108	961	904	47	33	111	88
Closing balance of Fund/Allowance.....	843	788	4,290	3,329	210	163	(3)	(3)
Net claims during the period <sup>(5)</sup> .....	16	14	148	153	*	*	12	39
Five year average of net claims paid.....			243	214	*	*	57	65

\* 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 September 30 of each year. The Corporation determines provisions for claims and unearned premiums at December 31 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 \$77,840 million (\$57,800 million in 2005) 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 \$568 million (\$564 million in 2005). 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.

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# SECTION 12

2005-2006

*PUBLIC ACCOUNTS OF CANADA*

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