

CANADIAN INTERNATIONAL TRADE TRIBUNAL
Management Responsibility for Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2006, and for all information contained in these statements rests with the Tribunal's management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Tribunal's financial transactions. Financial information submitted to the Public Accounts of Canada and included in the Tribunal's Departmental Performance Report is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide a reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within parliamentary authorities, and are properly recorded to maintain accountability of government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by the careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Tribunal.

The Tribunal's financial statements have not been audited.

Pierre Gosselin

Pierre Gosselin
Chairman

Julia Ginley

Julia Ginley
Senior Financial Officer

Ottawa, Canada

August 11, 2006
Date

CANADIAN INTERNATIONAL TRADE TRIBUNAL**Statement of Operations** (unaudited)

For the Year Ended March 31

(in thousands of dollars)

	2006	2005
Expenses (note 4)		
Salaries and Employee Benefits	9,514	8,911
Operating and Maintenance	3,690	3,450
Amortization	<u>27</u>	<u>31</u>
Total Expenses	<u>13,231</u>	<u>12,392</u>
Revenues		
Gains on Disposal of Assets	0	1
Other Revenue	<u>1</u>	<u>0</u>
Total Revenues	<u>1</u>	<u>1</u>
Net Cost of Operations	<u>13,230</u>	<u>12,391</u>

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

CANADIAN INTERNATIONAL TRADE TRIBUNAL**Statement of Financial Position** (unaudited)

At March 31

(in thousands of dollars)

	2006	2005
Assets		
Financial Assets		
Accounts Receivable (note 7b)	59	297
Non-financial Assets		
Tangible Capital Assets (note 5)	49	76
Total	<u>108</u>	<u>373</u>
Liabilities		
Accounts Payable and Accrued Liabilities	726	891
Vacation Pay and Compensatory Leave	470	384
Employee Severance Benefits (note 6)	1,325	1,282
Total	2,521	2,557
Equity of Canada	<u>(2,413)</u>	<u>(2,184)</u>
Total	<u>108</u>	<u>373</u>

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

CANADIAN INTERNATIONAL TRADE TRIBUNAL

Statement of Equity of Canada (unaudited)

For the year ended March 31

(in thousands of dollars)

	2006	2005
Equity of Canada, Beginning of Year	(2,184)	(1,789)
Net Cost of Operations	(13,230)	(12,391)
Current Year Appropriations Used (note 3)	10,581	10,068
Revenue Not Available for Spending	(1)	(1)
Services Received Without Charge From Other Government Departments (note 7a)	2,500	2,300
Change in Net Position in the Consolidated Revenue Fund (note 3)	<u>(79)</u>	<u>(371)</u>
Equity of Canada, End of Year	<u>(2,413)</u>	<u>(2,184)</u>

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

CANADIAN INTERNATIONAL TRADE TRIBUNAL**Statement of Cash Flow** (unaudited)

For the Year Ended March 31

(in thousands of dollars)

	2006	2005
Operating Activities		
Net Cost of Operations	13,230	12,391
Non-cash Items		
Amortization of Tangible Capital Assets	(27)	(31)
Services Received Without Charge From Other Government Departments (note 7a)	(2,500)	(2,300)
Variations in Statement of Financial Position		
Increase (decrease) in Liabilities	36	(421)
Increase (decrease) in Receivables	<u>(238)</u>	<u>51</u>
Cash Used by Operating Activities	10,501	9,690
Capital Investment Activities		
Acquisition of Tangible Capital Assets	0	6
Financing Activities		
Net Cash Provided by Government	(10,501)	(9,696)

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

CANADIAN INTERNATIONAL TRADE TRIBUNAL

Notes to the Financial Statements (unaudited)

(1) Authority and Objectives

The Tribunal's objectives are to ensure that Canada can rely on a fair and efficient trade remedies system and that the Government of Canada, through the Tribunal's fact-finding inquiries and standing references, can formulate strategies aimed at making Canadian producers more competitive in the global trade environment.

The Tribunal operates under the authority of the *Canadian International Trade Tribunal Act*. It is also governed by the following statutes, regulations and rules: *Customs Act*, *Excise Tax Act*, *Special Import Measures Act*, *Energy Administration Act*, *Canadian International Trade Tribunal Regulations*, *Canadian International Trade Tribunal Procurement Inquiry Regulations* and *Canadian International Trade Tribunal Rules*.

(2) Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

The significant accounting policies are as follows:

- (a) Parliamentary appropriations—The Tribunal is financed by the Government through Parliamentary appropriations. Appropriations provided to the Tribunal do not parallel financial reporting according to generally accepted accounting principles. They are based, in large part, on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.
- (b) Net cash provided by the Government—The Tribunal operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Tribunal is put into the CRF, and all cash disbursements made by the Tribunal are paid from the CRF. The net cash provided by the Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the federal government.
- (c) The change in net position in the CRF is the difference between the net cash provided by the Government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the Tribunal. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.
- (d) Revenues—These are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

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- (e) Expenses—These are recorded when the underlying transaction or expense occurred, subject to the following:
- (i) Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment; and
 - (ii) services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, and legal services are recorded as operating expenses at their estimated cost.
- (f) Future employee benefits
- (i) Pension benefits—Eligible employees participate in the Public Service Superannuation Plan, a multi-employer plan administered by the Government. The Tribunal's contributions to the plan are charged to expenses incurred in the year and represent the Tribunal's total obligation to the plan. Current legislation does not require the Tribunal to make contributions for any actuarial deficiencies of the plan.
 - (ii) Severance benefits—Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.
- (g) Accounts receivables are amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.
- (h) Foreign currency transactions—Transactions involving foreign currencies are converted to Canadian dollar equivalents using rates of exchange in effect at the time of those transactions.
- (i) Tangible capital assets—All tangible capital assets having an initial cost of \$5,000 or more are recorded at their acquisition costs. The Tribunal does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, or assets located on Indian reserves and museum collections.

Amortization of capital assets is done on a straight-line basis over the estimated useful life of the capital asset as follows:

Asset Class	Amortization Period
(1) Computer Equipment	5 Years
(2) Machinery and Equipment	5 Years

- (j) Measurement uncertainty—The Tribunal prepares its financial statements in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector, that require management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believed the estimates and assumptions to be reasonable. The most significant items where estimates are

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Notes to the Financial Statements (unaudited)

used are the liability for employee severance benefits, vacation pay and compensatory leave and the useful life of tangible capital assets. Actual results could differ from those estimated. The estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year in which they become known.

(3) Parliamentary Appropriations

The Tribunal receives most of its funding through annual parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through parliamentary appropriations in prior, current or future years. Accordingly, the Tribunal has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables.

(a) Reconciliation of Net Cost of Operations to Current Year Appropriations Used

	2006	2005
	(in thousands of dollars)	
Net Cost of Operations	13,230	12,391
Adjustments for Items Affecting Net Cost of Operations but not Affecting Appropriations:		
Add (less):		
Services Provided Without Charge	(2,500)	(2,300)
Amortization of Tangible Capital Assets	(27)	(31)
Revenue not Available for Spending	1	1
Vacation Pay and Compensatory Leave	(86)	1
Employee Severance Benefits	(43)	0
Adjustments of Previous Year Expenses	6	0
Adjustments for Items not Affecting Net Cost of Operations but Affecting Appropriations		
Add (less):		
Tangible Capital Acquisitions	<u>0</u>	<u>6</u>
Current Year Appropriations Used	<u>10,581</u>	<u>10,068</u>

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Notes to the Financial Statements (unaudited)

(b) Appropriations Provided and Used

Appropriations Provided	2006	2005
	(in thousands of dollars)	
Vote 25—Operating Expenditures	9,600	8,820
Statutory Amounts	1,349	1,272
Less:		
Appropriations Available for Future Years	0	0
Lapsed Appropriations: Operating	<u>(368)</u>	<u>(24)</u>
Current Year Appropriations Used	<u>10,581</u>	<u>10,068</u>

(c) Reconciliation of Net Cash Provided by Government to Current Year Appropriations Used

	2006	2005
	(in thousands of dollars)	
Net Cash Provided by Government	10,501	9,696
Revenue not Available for Spending	1	1
Change in Net Position in the CFR		
Increase (decrease) in Accounts Receivable and Advances	238	(51)
Increase (decrease) in Accounts Payable and Accrued Liabilities	(165)	422
Adjustments of Previous Year Expenses	<u>6</u>	<u>0</u>
Subtotal	79	371
Current Year Appropriations Used	<u>10,581</u>	<u>10,068</u>

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Notes to the Financial Statements (unaudited)

(4) Expenses

The following table presents details of expenses by category.

	2006	2005
	(in thousands of dollars)	
Salary and Employee Benefits	9,514	8,911
Accommodation	1,900	1,800
Professional and Special Services	897	831
Acquisition of Machinery	247	161
Transportation and Telecommunications	212	182
Materiel and Supplies	184	175
Repairs and Maintenance	123	193
Information	101	95
Amortization	27	31
Other	26	13
Total Expenses	<u>13,231</u>	<u>12,392</u>

(5) Tangible Capital Assets

(in thousands of dollars)

Capital Asset Class	Cost				Accumulated Amortization				2006 Net Book Value	2005 Net Book Value
	Opening Balance	Acquisitions	Disposals and Write-offs	Closing Balance	Opening Balance	Amortization	Disposals and Write-offs	Closing Balance		
Machinery and Equipment	58	-	-	58	31	9	-	40	18	27
Computer Equipment	225	-	-	225	176	18	-	194	31	49
Total	283	-	-	283	207	27	-	234	49	76

Amortization expense for the year ended March 31, 2006, is \$26,742 (2005—\$30,855).

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(6) Employee Benefits

Severance benefits: The Tribunal provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows.

	2006	2005
	(in thousands of dollars)	
Accrued Benefit Obligation, Beginning of Year	1,282	1,400
Cost for the Year	337	235
Benefits Paid During the Year	<u>(294)</u>	<u>(353)</u>
Accrued Benefit Obligation, End of Year	<u><u>1,325</u></u>	<u><u>1,282</u></u>

(7) Related Party Transactions

The Tribunal is related, as a result of common ownership, to all Government of Canada departments, agencies and Crown corporations. The Tribunal enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the Tribunal received services which were obtained without charge from other government departments, as presented below.

(a) Services Provided Without Charge

During the year, the Tribunal received, without charge from other departments, accommodation and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the Tribunal's Statement of Operations as follows.

	2006	2005
	(in thousands of dollars)	
Accommodation	1,900	1,800
Employer's Contribution to the Health and Dental Insurance Plans	<u>600</u>	<u>500</u>
Total	<u><u>2,500</u></u>	<u><u>2,300</u></u>

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by the Department of Public Works and Government Services, are not included as an expense in the Tribunal's Statement of Operations.

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(b) Payables and Receivables Outstanding at Year End With Related Parties

	2006	2005
	(in thousands of dollars)	
Accounts Receivable With Other Government Departments and Agencies	59	297
Accounts Payable to Other Government Departments and Agencies	19	115