Prepared by the Receiver General for Canada

Public Accounts of Canada

Volume I

Summary Report and Financial Statements

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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, 2007.

All of which is respectfully submitted.

Vic Toews, P.C., Q.C., M.P. President of the Treasury Board

Ottawa, September 19, 2007

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To The Honourable Vic Toews, P.C., Q.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, 2007, to be laid by you before the House of Commons.

Respectfully submitted,

Michael M Fortier, Receiver General for Canada

Ottawa, September 19, 2007

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, 2007.

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;

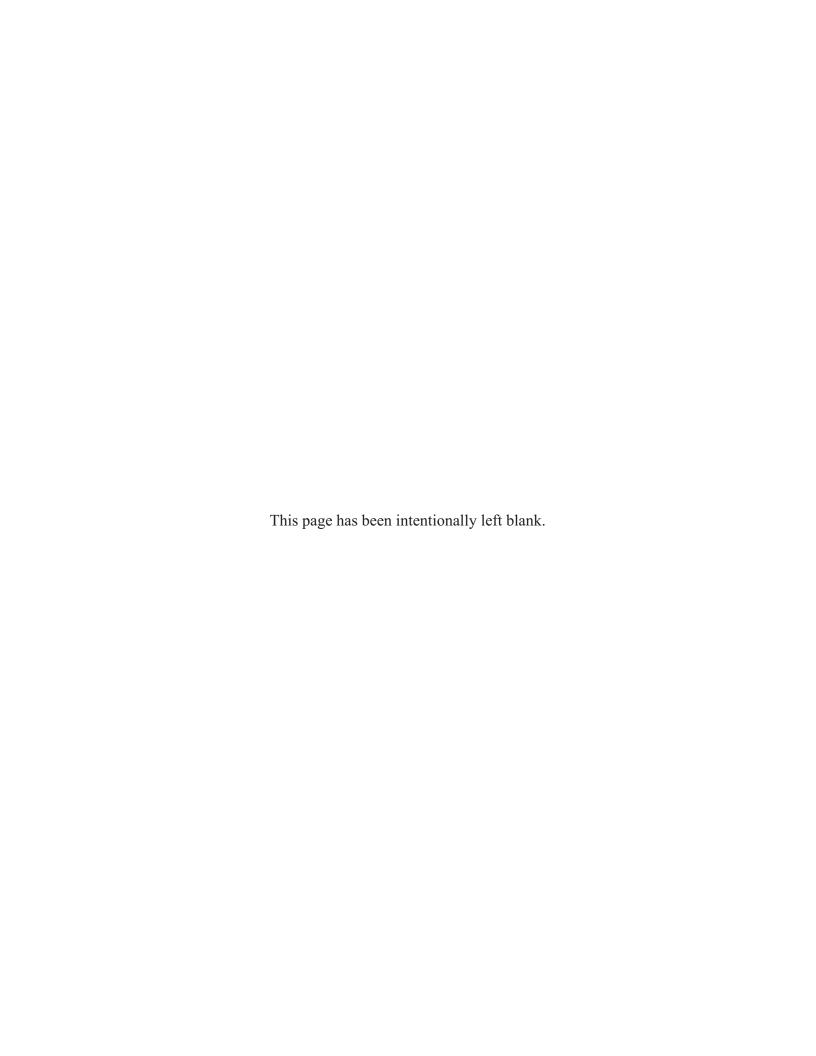
Volume II—Details of the financial operations of the Government, segregated by ministry; and

Volume III—Additional information and analyses.

Respectfully submitted,

François Guimont Deputy Receiver General for Canada

Ottawa, September 19, 2007



VOLUME I

2006-2007

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

2006-2007

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 2006-2007*, 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.

2006-2007 Financial Highlights

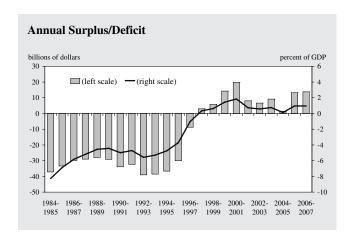
- A budgetary surplus of \$13.8 billion was achieved in 2006–2007, marking the tenth consecutive year the Government has recorded a surplus.
- The surplus was \$10.2 billion higher than projected in the May 2006 Budget. Budgetary revenues were \$8.8 billion, or 3.9 percent, higher than forecast, reflecting a higher-than-expected average effective tax yield and stronger-than-expected growth in non-tax revenues. Program expenses were \$0.5 billion lower than forecast while public debt charges were \$0.8 billion lower than planned in the 2006 Budget.
- The surplus was \$4.6 billion higher than estimated in the March 2007 Budget. Revenues were \$3.7 billion higher than forecast, while program expenses were \$0.7 billion lower than forecast. Public debt charges were \$0.2 billion lower than estimated.
- The accumulated deficit (the difference between total liabilities and financial and non-financial assets) stood at \$467.3 billion as of March 31, 2007, a decline of \$95.6 billion from its peak of \$562.9 billion as of March 31, 1997. The accumulated deficit-to-GDP (gross domestic product) ratio was 32.3 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 (which records the difference between total liabilities and financial assets) stood at \$523.9 billion at the end of 2006-2007, down \$85.1 billion from its peak of \$609.0 billion at the end of 1996-1997.
- Budgetary revenues totalled \$236.0 billion in 2006-2007, an increase of \$13.8 billion or 6.2 percent from 2005-2006. The revenue-to-GDP ratio stood at 16.3 percent, up slightly from 2005-2006.
- Program expenses amounted to \$188.3 billion in 2006-2007, an increase of \$13.1 billion or 7.5 percent from 2005-2006. The rise in program expenses was attributable to an increase in both transfer payments and operating expenses in 2006-2007, as well as developments in 2005-2006 which depressed spending in that year, most notably the dissolution of Parliament in November 2005 and the change in government in February 2006. The program expenses-to-GDP ratio increased to 13 percent in 2006-2007, up from 12.7 percent in 2005-2006.
- Public debt charges totalled \$33.9 billion in 2006-2007, up \$0.2 billion, or 0.5 percent, from 2005-2006. As a percentage of total budgetary revenues, they stood at 14.4 percent, down from the peak of 37.6 percent in 1990-1991. The ratio is now at its lowest level since the mid-1970s.

Discussion and Analysis

The Budgetary Balance

The following graph illustrates the Government's budgetary balance since 1984-1985. 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 per

cent in 2006-2007. Program expenses as a percentage of GDP declined from 17.4 percent to 13 percent over this period; budgetary revenues, meanwhile, fell from 17.8 percent to 16.3 percent. Public debt charges declined from 5.9 percent to 2.3 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



2006-2007 Financial Highlights

	2006-2	2005-2006		
_	Budget Actual		Actual	
_	(in billi	ars)		
Statement of Operations Revenues Expenses—	227.2	236.0	222.2	
Program expenses	-188.8 -34.8	-188.3 -33.9	-175.2 -33.8	
Total expenses	-223.6	-222.2	-209.0	
Annual surplus	3.6	13.8	13.2	
Statement of Financial Position (1) Liabilities—				
Interest-bearing debt	603.3	599.3	601.1	
Other	96.9	106.5	101.4	
Total liabilities	700.2	705.8	702.5	
Financial Assets	166.2	181.9	165.6	
Net debt	534.0	523.9	536.9	
Non-financial assets	56.1	56.6	55.4	
Accumulated deficit	477.9	467.3	481.5	

The surplus of \$13.8 billion in 2006-2007 was \$0.5 billion higher than the surplus of \$13.2 billion recorded in 2005-2006. Budgetary revenues advanced by \$13.8 billion, reflecting strong growth in income tax revenues, partially offset by a decrease in goods and services tax (GST) revenues due to the impact of the July 1, 2006, GST rate reduction.

Program expenses rose by \$13.1 billion in 2006-2007, due to both higher transfers and other program expenses. Transfer payments grew by \$6.6 billion over the prior year, largely reflecting legislated increases in the Guaranteed Income Supplement, transfers under the new Universal Child Care Benefit, increased federal transfer support for health and other social programs, as well as the impact of other recent budget measures. Other program expenses increased by \$6.4 billion in 2006-2007, due to increased operating expenses of departments and agencies as well as developments in 2005-2006 which depressed spending, most notably the dissolution of Parliament in November 2005 and the change in government in February 2006. Public debt charges increased by \$0.2 billion due to higher average effective interest rates.

The surplus of \$13.8 billion was \$10.2 billion higher than the May 2006 Budget projection of \$3.6 billion. The Budget 2006 projection for 2006-2007 was prepared before the final results for the 2005-2006 fiscal year were known. Budgetary revenues were \$8.8 billion higher than projected, reflecting a higher-than-projected average effective tax yield and stronger-than-projected growth in non-tax revenues. Program expenses were \$0.5 billion, or 0.3 percent, lower than planned in the 2006 Budget. Public debt charges were \$0.8 billion lower than projected in the 2006 Budget, due to a higher-than-expected decrease in the stock of interestbearing debt.

Comparison of Outcomes to March 2007 Budget

	Budget	Budget Actual						
_	(in billions of dollars)							
Revenues Expenses—	232.3	236.0	3.7					
Program expenses	-189.0	-188.3	0.7					
Public debt charges	-34.1	-33.9	0.2					
Total expenses	-223.1	-222.2	0.9					
Annual surplus	9.2	13.8	4.6					

Note: Totals may not add due to rounding.

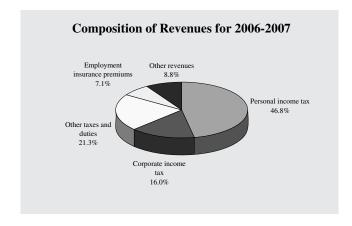
The 2006-2007 surplus was \$4.6 billion higher than the \$9.2 billion surplus forecast in the March 2007 Budget, due largely to higher-than-expected revenues, reflecting a higher-than-projected average effective tax yield combined with stronger-than-expected economic activity. Program expenses were \$0.7 billion lower than estimated in Budget 2007, due largely to a higher-than-anticipated lapse in departmental spending authorities. Public debt charges were \$0.2 billion lower than forecast.

Budgetary Revenues

The largest source of federal revenues is personal income tax revenues, which as a share of total revenues have been relatively stable since 1990-1991, 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 16 percent in 2006-2007, due in part to the run-up in the share of corporate profits in GDP to its current historically high level of about 14 percent. Employment Insurance premium revenues have declined significantly as a share of total revenues in recent years, from their peak of 15.6 percent in 1993-1994 to 7.1 percent in 2006-2007, reflecting ongoing annual reductions in Employment Insurance premium rates. Although excise taxes and duties have averaged about 20 percent of total revenues over the last 17 years, there has been a shift towards GST revenues and away from other excise taxes and duties. This trend reversed somewhat in 2006-2007 due to the impact of a 1 - percentage point decrease in the GST rate effective July 1, 2006.

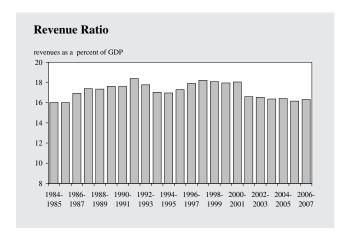
Note: Totals may not add due to rounding.

(1) Budget 2006 forecast was based on final results for 2004-2005 as those for 2005-2006 were not available at that time.



The revenue-to-GDP ratio represents a measure of the overall federal tax burden in that it compares the total 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 trusteed 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 16.3 percent of GDP in 2006-2007. 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.



Revenues Compared to 2005-2006

The following table compares the results for budgetary revenues in 2006-2007 and 2005-2006.

Revenues

			Chang	ge
	2006-07	2005-06	Absolute	Percent
	(in mi	illions of d	ollars)	%
Income tax revenues—				
Personal	110,477	103,691	6,786	6.5
Corporate	37,745	31,724	6,021	19.0
Other income tax revenues	4,877	4,529	348	7.7
Total	153,099	139,944	13,155	9.4
Other taxes and duties—				
Goods and services tax	31,296	33,020	-1,724	-5.2
Energy taxes	5,128	5,076	52	1.0
Customs import duties	3,704	3,330	374	11.2
Other excise taxes and duties	5,189	4,730	459	9.7
Total	45,317	46,156	-839	-1.8
Employment insurance premiums	16,789	16,535	254	1.5
Other revenues—				
Crown corporation revenues	7,503	7,198	305	4.2
Other program revenues	11,544	10,356	1,188	11.5
Foreign exchange revenues	1,714	2,014	-300	-14.9
Total	20,761	19,568	1,193	6.1
Budgetary revenues	235,966	222,203	13,763	6.2

Total budgetary revenues increased \$13.8 billion in 2006-2007, due primarily to higher income tax revenues. Personal income tax revenues were up \$6.8 billion, or 6.5 percent. This reflected solid growth in employment and wages and salaries, combined with the progressive nature of the personal income tax system. These factors pushing up revenues were partially offset by tax relief measures announced in the March 2007 Budget and the October 2006 Tax Fairness Plan. Corporate income tax revenues were \$6.0 billion, or 19 percent, higher than in 2005-2006. This significant gain was attributable to ongoing strength in profitability. Other income tax receipts - largely withholding taxes levied on non-residents - were up \$0.3 billion, or 7.7 percent, in 2006-2007.

Other taxes and duties decreased by \$0.8 billion, or 1.8 percent, over the prior year, driven by a \$1.7 billion drop in GST revenues, reflecting the impact of the July 1, 2006 GST rate reduction. This decline was partially offset by the one-time charge on duty deposit refunds under the Canada-United States Softwood Lumber Agreement, which raised other excise taxes and duties by \$0.5 billion. Other excise taxes and duties were also boosted by the introduction of an export charge on softwood lumber exports to the U.S., effective October 12, 2006, consistent with the Agreement. There is no net budgetary impact from either the charge on duty deposit refunds or the export charge: revenues from the former have been transferred to U.S. interests under the terms of the Agreement and revenues from the latter, net of the costs of administering the Agreement, will be transferred to provincial governments. In total, other excise taxes and duties rose \$0.5 billion, or 9.7 percent. Customs import duties rose \$0.4 billion, or 11.2 percent.

Employment Insurance premiums revenues rose \$0.3 billion, or 1.5 percent, from the previous year, reflecting growth in employment and wages and salaries during the year, which more than offset the reductions in premium rates on January 1, 2006 and January 1, 2007, as well as the impact of the transfer to the province of Quebec of the responsibility for delivering maternity and parental benefits

in that province along with the associated premiums, effective January 1, 2006. Other revenues rose by \$1.2 billion, or 6.1 percent, in 2006-2007, primarily reflecting growth in interest and penalties on outstanding balances of taxes receivable.

Revenues Compared to May 2006 Budget Plan

For the 2006-2007 fiscal year, revenues were \$8.8 billion, or 3.9 percent, higher than forecast in the May 2006 Budget. This was largely the result of a higher-than-projected average effective tax yield, combined with a higher-than-projected personal income tax base. Non-tax revenues were also higher than projected, due primarily to higher revenues from Crown corporations and from interest and penalties.

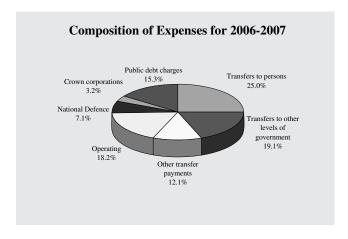
Revenues Compared to May 2006 Budget

	Budget Actual		Difference
-	(in mi	lars)	
Income tax revenues—			
Personal	109,275	110,477	1,202
Corporate	35,345	37,745	2,400
Other income tax revenues	4,370	4,877	507
Total	148,990	153,099	4,109
Other taxes and duties—			
Goods and services tax	29,845	31,296	1,451
Energy taxes	5,325	5,128	-197
Customs import duties	3,610	3,704	94
Other excise taxes and duties	4,640	5,189	549
Total	43,420	45,317	1,897
Employment insurance premiums	16,125	16,789	664
Other revenues—			
Crown corporation revenues	6,723	7,503	780
Other program revenues	10,124	11,544	1,420
Foreign exchange revenues	1,768	1,714	-54
Total	18,615	20,761	2,146
Budgetary revenues	227,150	235,966	8,816

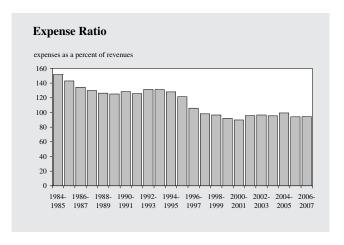
Total Expenses

Major transfers to persons, consisting of elderly benefits, Employment Insurance benefits, the Canada Child Tax Benefit and the Universal Child Care Benefit, represent the largest major component of total federal expenses, at 25 percent. This is followed by major transfers to other levels of government (Canada Health Transfer and Canada Social Transfer, fiscal arrangements and other major transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs), at 19.1 percent, and other departmental and agency operating expenses, at 18.2 percent. Public debt charges fell from 16.2 percent of total expenses in 2005-2006 to 15.3 percent in 2006-2007. There has been a dramatic shift in the composition of total expenses. In the early 1990s public debt charges was the largest

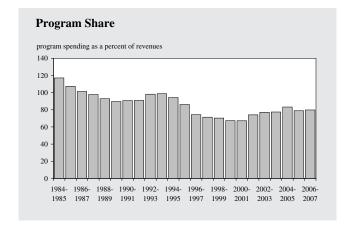
component of expenses. With the elimination of the deficit, and a reduction in interest rates, the share of debt charges has fallen close to 15 percentage points from a high of nearly 30 percent of total expenses in 1996-1997.



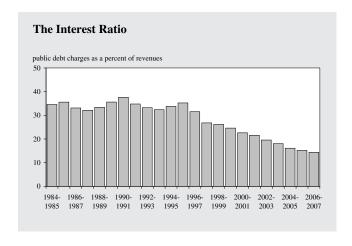
The expense ratio (total expenses as a percentage of total revenues) stood at 94.2 percent in 2006-2007. An expense ratio of less than 100 means that revenues exceed expenses, resulting in a surplus. The expense ratio has been less than 100 since the federal government first recorded a surplus in 1997-1998. This is in sharp contrast to the previous 27 years, in which revenues did not cover expenses.



Total expenses include public debt charges and program expenses. Program expenses amounted to 79.8 percent of revenues in 2006-2007, compared to 78.9 percent in 2005-2006.



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 14.4 percent in 2006-2007. This ratio means that, in 2006-2007, the Government spent just over 14 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 2005-2006

The following table compares the actual results for total expenses for 2006-2007 to 2005-2006.

Expenses

			Chang	ge
	2006-07	2005-06	Absolute	Percent
	(in mi	llions of d	ollars)	%
Transfer payments— Major transfers to persons—				
Elderly benefits	30,284	28,992	1,292	4.5
Employment insurance benefits	14,084	14,417	-333	-2.3
Children's benefits	11,214	9,200	2,014	21.9
Total	55,582	52,609	2,973	5.7
Major transfers to other levels of government— Federal transfer support for health				
and other social programs Fiscal arrangements and other	28,640	27,225	1,415	5.2
transfers	17,051	16,321	730	4.5
programs	-3,177	-2,731	-446	16.3
Total	42,514	40,815	1,699	4.2
Other transfer payments	26,844	24,893	1,951	7.8
Total transfer payments	124,940	118,317	6,623	5.6
Other program expenses—				
Crown corporations	7,211	7,195	16	0.2
National Defence	15,732	15,034	698	4.6
All other departments and agencies.	40,386	34,667	5,719	16.5
Total other program expenses	63,329	56,896	6,433	11.3
Program expenses	188,269 33,945	175,213 33,772	13,056 173	7.5 0.5
Total expenses	222,214	208,985	13,229	6.3

Total expenses amounted to \$222.2 billion in 2006-2007, up \$13.2 billion, or 6.3 percent, from 2005-2006. Program expenses increased by \$13.1 billion, while public debt charges were \$0.2 billion higher, reflecting an increase in the average effective interest rate on the stock of interest-bearing debt.

Major transfers to persons increased by \$3.0 billion, attributable to higher elderly benefits and children's benefits. The increase in the former reflects an \$18-per-month increase in the Guaranteed Income Supplement in both January 2006 and January 2007 and an increase in the number of recipients. The increase in children's benefits is due largely to transfers under the new Universal Child Care Benefit program, which began in July 2006. The \$0.3 billion decline in Employment Insurance benefits reflects a decline in maternity and parental benefits, due to the transfer to the province of Quebec of the responsibility for delivering maternity and parental benefits in that province, effective January 1, 2006.

Major transfers to other levels of government increased by \$1.7 billion over the previous year, resulting largely from legislated increases in the Canada Health Transfer, the Canada Social Transfer, Equalization and Territorial Formula Financing in 2006-2007.

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, increased by \$2.0 billion over the prior year. This growth reflects increased agricultural assistance announced in Budget 2006, \$0.5 billion in transfers to certain U.S. interests under the Canada-U.S. Softwood Lumber Agreement, and a \$0.4 billion transfer to the Canada Health Infoway to support early movement towards patient wait times guarantees.

Other program expenses increased from \$56.9 billion in 2005-2006 to \$63.3 billion in 2006-2007. Other program expenses consist of operating expenses of Crown corporations and departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. The \$6.4 billion increase in this spending component was attributable to growth in operating costs and policy initiatives announced in previous budgets, as well as an increase in the valuation allowance for taxes receivable, reflecting a year-over-year increase in the stock of accounts receivable outstanding at year-end and a decline in the estimated creditworthiness of that stock.

Expenses Compared to May 2006 Budget Plan

For 2006-2007, total expenses were \$1.4 billion lower than forecast in the May 2006 Budget, with program expenses \$0.5 billion lower than forecast and public debt charges \$0.8 billion lower than forecast. The lower-than-forecast level of public debt charges was attributable to a larger-than-expected decline in the stock of interest-bearing debt.

Within program expenses, transfer payments were \$0.9 billion higher than forecast. Decreases in elderly benefits, Employment Insurance benefits and subsidies and other transfers over forecast amounts were more than offset by the inclusion of \$2.7 billion in transfers to provinces and territories announced in Budget 2007, including \$1.5 billion for the Clean Air and Climate Change Trust Fund, \$0.6 billion to assist provinces and territories with the implementation of patient wait times guarantees, and \$0.6 billion for outstanding provincial agreements.

Other program expenses were \$1.5 billion lower than forecast in Budget 2006, due largely to lower-than-expected departmental spending.

Expenses Compared to May 2006 Budget

	Budget	Actual	Difference
-	(in mi	llions of dol	lars)
Transfer payments—			
Major transfers to persons—			
Elderly benefits	30,625	30,284	-341
Employment insurance benefits	14,580	14,084	-496
Children's benefits	11,140	11,214	74
Total	56,345	55,582	-763
Major transfers to other levels of			
government—			
Federal transfer support for health and			
other social programs	28,640	28,640	0
Fiscal arrangements and other transfers	14,305	17,051	2,746
Alternative payments for standing			
programs	-2,870	-3,177	-307
Total	40,075	42,514	2,439
Other transfer payments	27,600	26,844	-756
Total transfer payments	124,020	124,940	920
Other program expenses—			
Crown corporations	6,875	7,211	336
National Defence	15,495	15,732	237
All other departments and agencies	42,415	40,386	-2,029
Total other program expenses	64,785	63,329	-1,456
Program expenses	188,805	188,269	-536
Public debt charges	34,788	33,945	-843
Total expenses	223,593	222,214	-1,379

Accumulated Deficit

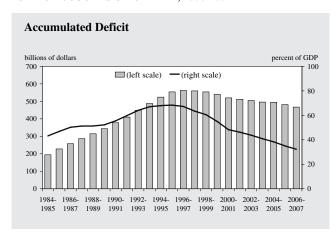
The accumulated deficit is the difference between the Government's total liabilities and its assets. Prior to 2006-2007, the accumulated deficit was also equal to the net accumulation of annual surpluses and deficits since Confederation. However, starting in 2006-2007, the accumulated deficit now also includes other comprehensive income, which is excluded from the calculation of the Government's annual surplus. Other comprehensive income represents certain unrealized gains and losses on financial instruments reported by enterprise Crown corporations and other government business enterprises as a result of their implementation of a new accounting standard in 2006-2007. In accordance with recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, other comprehensive income is not included in the Government's annual budgetary balance, but is instead recorded directly to the Government's Statement of Accumulated Deficit and Statement of Change in Net Debt. For 2006-2007 and onward, the annual change in the accumulated deficit will reflect the annual budgetary balance plus any gains or losses recognized in other comprehensive income. 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

	2006-2007	2005-2006	Difference					
	(in millions of dollars)							
Accumulated deficit, beginning of year	481,499	494,717	-13,218					
Annual surplus	13,752	13,218	534					
Other comprehensive income	479	0	479					
Accumulated deficit, end of year	467,268	481,499	-14,231					

Given ten 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 \$95.6 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 32.3 percent at March 31, 2007. The Government's objective, as announced in the March 2007 Budget, is to reduce this ratio to 25 percent by 2012-2013, bringing the ratio back to where it was in the mid-1970s. Reducing this ratio is essential to the country's long-term prosperity. Lower debt helps keep interest rates low and frees up funds currently absorbed by interest costs for more productive uses such as lower personal income taxes. Low debt levels also strengthen our financial ability to deal with economic shocks and challenges, such as the aging of the population.

PUBLIC ACCOUNTS OF CANADA, 2006-2007



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 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

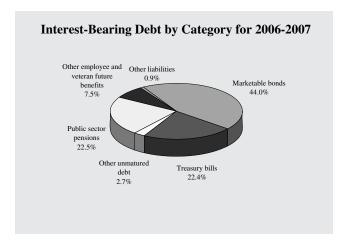
	2006-2007	2005-2006	Difference
	(in mil	lions of dolla	nrs)
Liabilities			
Accounts payable and accrued liabilities .	106,511	101,432	5,079
Interest-bearing debt—			
Unmatured debt	414,192	421,149	-6,957
Pension and other liabilities	185,060	179,924	5,136
Total	599,252	601,073	-1,821
Total liabilities	705,763	702,505	3,258
Financial Assets			
Cash and accounts receivable	92,586	82,843	9,743
Foreign exchange accounts	44,178	40,827	3,351
Loans, investments and advances (1)	45,094	41,889	3,205
Total financial assets	181,858	165,559	16,299
Net debt	523,905	536,946	-13,041
Non-financial assets	56,637	55,447	1,190
Accumulated deficit	467,268	481,499	-14,231

⁽¹⁾ Includes \$479 million in other comprehensive income reported by enterprise Crown corporations and other government business enterprises.

Interest-Bearing Debt

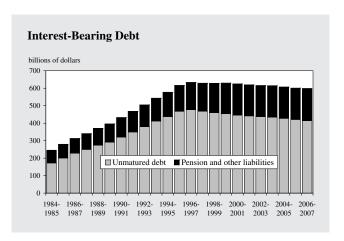
Interest-bearing debt includes unmatured debt, or debt issued on the credit markets, and liabilities for pensions and other accounts. The latter primarily includes obligations to federal employee pension and other benefit plans. Unmatured debt, consisting of fixed-coupon marketable bonds, real return 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 69 percent of interest-bearing debt, with obligations to federal public service pension plans accounting for an additional 22 percent, and other employee and

veteran future benefits and other liabilities accounting for the remaining 9 percent, as shown in the following graph. The share of unmatured debt has been declining since the mid-1990s, as the Government has been able to retire some of this debt.

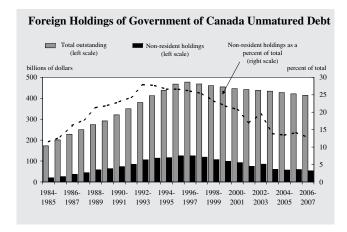


At March 31, 2007, interest-bearing debt amounted to \$599.3 billion, down \$1.8 billion from 2005-2006 and down \$34.2 billion from its peak of \$633.5 billion at March 31, 1997. Within interest-bearing debt, unmatured debt declined \$63.0 billion between March 31, 1997 and March 31, 2007, while obligations related to pension and other accounts increased by \$28.8 billion.

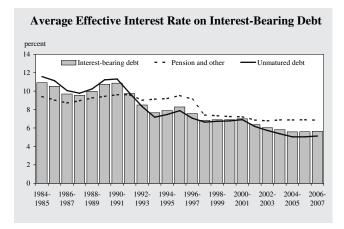
The Bank of Canada and the Department of Finance manage the Government's debt and associated risks. The fundamental objective of the debt management strategy is to provide stable, low-cost funding to meet the Government's financial obligations and liquidity needs. Details on the Government's debt management 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 unmatured debt were estimated at \$52.7 billion at the end of March 2007. This represents 12.7 percent of the Government's total unmatured debt, about half of what it was in the mid-1990s.

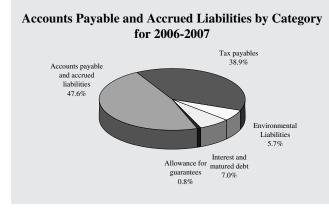


The average effective interest rate on the Government's interest-bearing debt was 5.7 percent in 2006-2007, up slightly from 2005-2006. The average effective interest rate on unmatured debt in 2006-2007 was 5.1 percent (5 percent in 2005-2006). The average effective rate on pension and other accounts was 6.9 percent (7 percent in 2005-2006). The average effective interest rate was higher on pension and other accounts than on unmatured 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 (that is, the share of debt that does not need to be refinanced within one year) of approximately 55 percent, with the remaining portion at floating rates. In general, borrowing long-term debt is less risky, but more costly, than borrowing short-term debt. In the 2007-2008 Debt Management Strategy, the Government indicated that it would complete the transition to an overall target structure of 60 percent fixed-rate debt in 2007-2008 from two-thirds in 2002-2003 in order to reduce future debt costs.



Accounts Payable and Accrued Liabilities

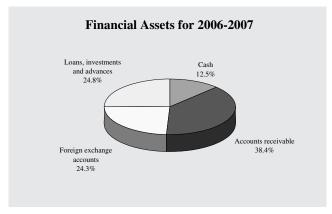
Accounts payable and accrued liabilities include the following:



At March 31, 2007, these liabilities amounted to \$106.5 billion, up \$5.1 billion from March 31, 2006, and up \$30.6 billion from March 31, 1997. The increase since 2005-2006 primarily reflects increases in tax payables (refunds), which grow broadly in line with the growth in the economy, and accounts payable, reflecting liabilities for transfers including \$1.5 billion for the Clean Air and Climate Change Trust Fund and \$0.6 billion for the Patient Wait Times Guarantee Trust announced in Budget 2007.

Financial Assets

Financial assets include cash on deposit with the Bank of Canada, chartered banks and other financial institutions, accounts receivable (including tax receivables), foreign exchange accounts, and loans, investments and advances. The Government's foreign exchange accounts include foreign currency deposits, 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.



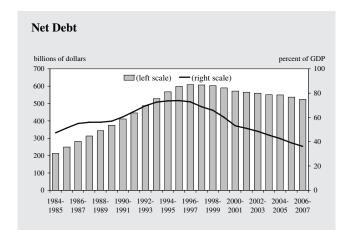
PUBLIC ACCOUNTS OF CANADA, 2006-2007

At March 31, 2007, financial assets amounted to \$181.9 billion, up \$16.3 billion from March 31, 2006, primarily due to an increase in tax receivables and investments in enterprise Crown corporations. The latter are 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 \$81.5 billion due to higher levels of cash and accounts receivable (up \$39.8 billion), an increase in the foreign exchange accounts (up \$17.4 billion) and an increase in loans, investments and advances (up \$24.3 billion). The increase in cash (up \$12.5 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

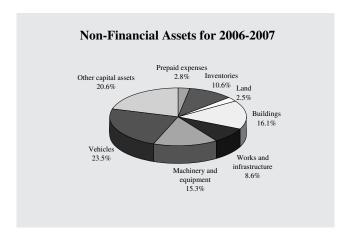
The Government's net debt – its total liabilities less financial assets – declined to \$523.9 billion at March 31, 2007, from a peak of \$609.0 at March 31, 1997. As a share of GDP, net debt was 36.2 percent, down 37.6 percentage points from its peak of 73.9 percent at March 31, 1996. This is the 11th 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

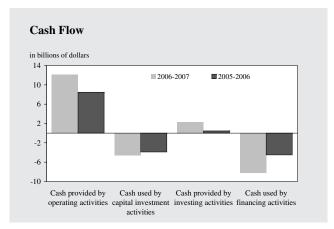
Non-financial assets include the net book value of the Government's tangible capital assets, which includes land, buildings, works and infrastructure such as roads and bridges, machinery and equipment, ships, aircraft and other vehicles. Non-financial assets also include inventories and prepaid expenses.



At March 31, 2007, non-financial assets stood at \$56.6 billion, up \$1.2 billion from a year earlier. Since March 31, 1997, non-financial assets have increased by \$10.5 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 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. As published in Budget 2007, these show, for example, that:

- A 1 percent decrease in real GDP for one year would lower the budgetary balance by about \$2.6 billion in the first year and \$2.2 billion in the second year.
- A 1 percentage point decrease in GDP inflation would lower the budgetary balance by about \$1.9 billion in the first year and \$1.8 billion in the second year.
- A sustained 100 basis point decrease in interest rates would raise the budgetary balance by \$1.0 billion in the first year and \$1.4 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. The Government also provides quarterly updates of the outlook of the budgetary balance for the current year in the March and June Fiscal Monitors, published in May and August. The Fiscal Monitor is a monthly publication of the Department of Finance that provides highlights of the federal government's fiscal performance, including monthly revenues, expenses, the budgetary balance and the financial source/requirement. The Government's forecast updates are largely based on the monitoring of the monthly financial results as published in the Fiscal Monitors. In the case of the fall Economic and Fiscal Update, the update of the fiscal forecast incorporates 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 percent of corporate income tax revenues can be received in the final three months of the fiscal year, given remittance procedures. This information is not received until after the latest Budget estimates are finalized. 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 each year 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 end	ed March	31			
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUES—	-									
TAX REVENUES—										
Income tax revenues—										
Personal	74,949	77,894	85,070	92,662	86,972	89,530	92,957	98,521	103,691	110,477
Corporate	21,179	21,213	22,115	28,293	24,242	22,222	27,431	29,956	31,724	37,745
Other income tax revenues	1,999	2,208	2,646	2,982	2,925	3,291	3,142	3,560	4,529	4,877
Other taxes and duties—	98,127	101,315	109,831	123,937	114,139	115,043	123,530	132,037	139,944	153,099
Goods and services tax	19,717	20,936	23,121	24,759	25,292	28,248	28,286	29,758	33,020	31,296
Energy taxes.	4,638	4,716	4,757	4,792	4,848	4,935	4,952	5,054	5,076	5,128
Customs import duties	2,766	2,359	2,105	2,784	3,040	3,278	2,887	3,091	3,330	3,704
Other excise taxes and duties	4,025	3,706	3,315	3,434	3,953	4,896	5,240	4,954	4,730	5,189
	31,146	31,717	33,298	35,769	37,133	41,357	41,365	42,857	46,156	45,317
Total tax revenues	129,273	133,032	143,129	159,706	151,272	156,400	164,895	174,894	186,100	198,416
EMPLOYMENT INSURANCE PREMIUMSOTHER REVENUES—	19,242	19,064	18,628	18,655	17,637	17,870	17,546	17,307	16,535	16,789
Crown corporation revenues	4,368	4,496	4,696	5,458	4,751	5,301	5,917	6,825	7,198	7,503
Other program revenues	6,439	7,077	7,870	7,851	7,817	7,620	8,142	11,742	10,356	11,544
Foreign exchange revenues	1,542	1,851	2,085	2,679	2,453	3,379	2,090	1,175	2,014	1,714
Total other revenues	12,349	13,424	14,651	15,988	15,021	16,300	16,149	19,742	19,568	20,761
TOTAL REVENUES	160,864	165,520	176,408	194,349	183,930	190,570	198,590	211,943	222,203	235,966
EXPENSES—										
TRANSFER PAYMENTS—										
Old age security benefits, guaranteed income										
supplement and spouse's allowance	21,758	22,285	22,856	23,668	24,641	25,692	26,902	27,871	28,992	30,284
Other levels of government— Canada health and social										
transfer	12,421	16,018	14,891	13,500	17,300	21,100	22,341	28,031	27,225	28,640
Fiscal arrangements	10,000 24	11,645 8	10,721 56	12,467	11,603	10,879	9,409	12,863	12,381	13,033
Education support	5	o	30							
Alternative payments for standing	5									
programs	-2,108	-2,150	-2,425	-2,460	-2,662	-2,321	-2,700	-2,746	-2,731	-3,177
Other major transfers	162	2		1,217	375	987	342	3,807	3,940	4,018
	20,504	25,523	23,243	24,724	26,616	30,645	29,392	41,955	40,815	42,514
Employment insurance benefits	11,842	11,884	11,301	11,444	13,726	14,496	15,058	14,748	14,417	14.084
Children's benefits	5,352	5,715	6,000	6,783	7,471	7,823	8,062	8,688	9,200	11,214
Other transfer payments	20,236	14,343	17,212	21,575	17,546	20,673	22,945	25,453	24,893	26,844
Total transfer payments	79,692	79,750	80,612	88,194	90,000	99,329	102,359	118,715	118,317	124,940
OTHER PROGRAM EXPENSES—		.,,,,,,	00,012	00,177	70,000	,,,,,,,	102,000	110,710	110,017	
Crown corporation expenses	4,441	5,790	5,246	5,402	6,085	6,551	6,566	8,907	7,195	7,211
National Defence	9,087	9,308	10,113	9,744	10,443	11,803	12,869	14,318	15,034	15,732
All other departments and agencies	21,565	21,590	22,795	27,226	29,703	28,996	31,882	34,422	34,667	40,386
Total other program expenses	35,093	36,688	38,154	42,372	46,231	47,350	51,317	57,647	56,896	63,329
Total program expenses	114,785	116,438	118,766	130,566	136,231	146,679	153,676	176,362	175,213	188,269
PUBLIC DEBT CHARGES	43,120	43,303	43,384	43,892	39,651	37,270	35,769	34,118	33,772	33,945
TOTAL EXPENSES	157,905	159,741	162,150	174,458	175,882	183,949	189,445	210,480	208,985	222,214
ANNUAL SURPLUS	2,959 562,881	5,779 559,922	14,258 554,143	19,891 539,885	8,048 519,994	6,621 511,946	9,145 505,325	1,463 496,180	13,218 494,717	13,752 481,499 479
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ACCUMULATED DEFICIT, END OF YEAR	559,922	554,143	539,885	519,994	511,946	505,325	496,180	494,717	481,499	467,268

TABLE 1.2GOVERNMENT OF CANADA
DETAILED STATEMENT OF FINANCIAL POSITION
(in millions of dollars)

	As at March 31									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
LIABILITIES										
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES—	_									
Accounts payable and accrued liabilities	35,929	37,393	36,424	37,206	31,424	32,909	36,905	46,045	48,263	50,730
Tax payables	27,579	28,843	29,809	33,030	34,284	33,549	33,040	35,650	38,402	41,388
Environmental liabilities	3,014	3,014	3,014	3,014	3,051	3,378	3,564	5,624	5,861	6,062
Interest and matured debt	11,029	10,331	10,709	11,278	10,409	9,558	8,933	8,104	7,875	7,516
Allowance for guarantees	4,188	4,090	3,920	3,951	4,076	3,802	2,770	2,317	1,031	815
Total accounts payable and accrued liabilities.	81,739	83,671	83,876	88,479	83,244	83,196	85,212	97,740	101,432	106,511
INTEREST- BEARING DEBT— Unmatured debt—										
Payable in Canadian currency—										
Marketable bonds	294,084	293,017	291,739	293,441	292,500	287,133	277,780	265,798	261,134	257,482
Treasury bills	112,300	96,950	99,850	88,700	94,039	104,411	113,378	127,199	131,597	134,074
investment bonds	29,769	27,662	26,489	26,099	23,966	22,584	21,330	19,080	17,342	15,175
Non-marketable bonds and notes	3,456	4,063	3,552	3,473	3,391	3,371	3,427	3,393	3,102	1,743
D 11 ' C '	439,609	421,692	421,630	411,713	413,896	417,499	415,915	415,470	413,175	408,474
Payable in foreign currencies	27,183	36,000	32,588	33,158 867	27,032	21,141	20,542 363	16,286	14,085	10,372
Unamortized discounts and premiums on	82	536	-467	80/	865	1,495	303	-922	-2,258	-1,091
market debt	-610	-540	-2,356	-2,171	-2,602	-5,256	-5,610	-6,342	-6,780	-6,659
Obligation related to capital leases	1,924	2,614	2,601	2,591	2,619	2,664	2,774	2,932	2,927	3,096
	468,188	460,302	453,996	446,158	441,810	437,543	433,984	427,424	421,149	414,192
Pension and other liabilities—	117 457	122 407	120 246	120 105	126 021	125 700	127.560	120 570	121.062	124 726
Public sector pensions Other employee and veteran future	117,457	122,407	128,346	129,185	126,921	125,708	127,560	129,579	131,062	134,726
benefits	34,152	35,135	35,714	37,668	38,280	38,844	39,367	41,549	43,369	45,123
Due to Canada Pension Plan	4,205	5,427	6,217	6,391	6,770	7,093	7,483	2,771	151	54
Other liabilities	5,060	5,222	5,474	5,729	5,971	6,642	6,488	5,909	5,342	5,157
Total interest-bearing debt	160,874 629,062	168,191 628,493	175,751 629,74 7	178,973 625,131	177,942 619,752	178,287 615,830	180,898 614,882	179,808 607,232	179,924 601,073	185,060 599,252
TOTAL LIABILITIES	710,801	712,164	713,623	713,610	702,996	699,026	700,094	704,972	702,505	705,763
FINANCIAL ASSETS	710,001	712,104	713,023	713,010	702,770	0,5,020	700,074	704,572	702,505	705,705
CASH AND ACCOUNTS RECEIVABLE—										
Cash	11,691	10,695	15,416	15,818	11,398	16,528	20,572	20,615	21,149	22,696
Tax receivables	40,679	41,838	43,321	48,572	45,605	43,597	47,953	53,477	59,113	66,492
Other accounts receivable	2,925	3,369	3,209	2,681	2,939	2,603	2,476	2,254	2,581	3,398
Total cash and accounts receivable	55,295	55,902	61,946	67,071	59,942	62,728	71,001	76,346	82,843	92,586
FOREIGN EXCHANGE ACCOUNTS—										
International reserves held in the Exchange Fund	20 100	21.055	20.620	47.045	40.667	44.040	41.247	20.114	40.026	44 (72
Account	28,198 8,194	31,855 13,048	38,630 12,390	47,845 12,814	48,667 12,821	44,849 12,942	41,247 12,185	39,114 11,240	40,936 10,673	44,673 11,106
Less: International Monetary Fund—Notes payable	0,194	13,040	12,390	12,014	12,021	12,942	12,103	11,240	10,073	11,100
and special drawing rights allocations	7,424	10.235	9,526	10,389	9,442	8,841	9,119	9,483	10,782	11,601
Total foreign exchange accounts	28,968	34,668	41,494	50,270	52,046	48,950	44,313	40,871	40,827	44,178
LOANS, INVESTMENTS AND ADVANCES—	.,	,	. ,	,	,,,,,,	,	,.		,	
Enterprise Crown corporations and other government										
business enterprises	13,309	11,531	11,796	12,633	11,952	12,858	14,594	17,625	20,584	23,683
Other loans, investments and advances	6,072	7,197	8,271	11,899	13,744	14,920	19,184	20,543	21,305	21,411
Total loans, investments and advances	19,381	18,728	20,067	24,532	25,696	27,778	33,778	38,168	41,889	45,094
TOTAL FINANCIAL ASSETS	103,644	109,298	123,507	141,873	137,684	139,456	149,092	155,385	165,559	181,858
NET DEBT	607,157	602,866	590,116	571,737	565,312	559,570	551,002	549,587	536,946	523,905
NON-FINANCIAL ASSETS										
Tangible capital assets	40,174	41,501	42,855	44,215	45,727	47,037	47,748	48,210	48,355	49,036
Inventories	6,160	6,310	6,451	6,591	6,438	6,113	6,134	5,525	5,875	5,988
		0.10	025	027	1,201	1,095	940	1,135	1,217	1,613
Prepaid expenses.	901	912	925	937	1,201	1,075	710	1,100	1,217	,
	901 47,235	48,723	50,231	51,743	53,366	54,245	54,822	54,870	55,447	56,637

PUBLIC ACCOUNTS OF CANADA, 2006-2007

TABLE 1.3
GOVERNMENT OF CANADA
STATEMENT OF CHANGE IN NET DEBT
(in millions of dollars)

	Year ended March 31									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
NET DEBT, BEGINNING OF YEAR	608,996	607,157	602,866	590,116	571,737	565,312	559,570	551,002	549,587	536,946
CHANGE IN NET DEBT DURING THE YEAR—										
ANNUAL SURPLUS	-2,959	-5,779	-14,258	-19,891	-8,048	-6,621	-9,145	-1,463	-13,218	-13,752
CHANGE DUE TO TANGIBLE CAPITAL										
ASSETS—										
Acquisition of tangible capital assets	3,425	3,819	3,851	3,880	4,487	5,051	4,535	4,619	4,046	4,789
Amortization of tangible capital assets	-2,320	-2,312	-2,290	-2,312	-2,583	-3,341	-3,502	-3,696	-3,904	-3,807
Proceeds from disposal of tangible capital assets	-82	-95	-46	-111	-56	-288	-91	-144	-146	-202
Net loss (-) or gain on disposal of tangible										
capital assets, including adjustments	-102	-85	-161	-97	-336	-112	-231	-317	149	-99
capital assets	921	1,327	1,354	1,360	1,512	1,310	711	462	145	681
CHANGE DUE TO INVENTORIES	188	150	141	140	-153	-325	21	-609	350	113
CHANGE DUE TO PREPAID										
EXPENSES	11	11	13	12	264	-106	-155	195	82	396
NET DECREASE IN NET DEBT DUE TO										
OPERATIONS	-1,839	-4,291	-12,750	-18,379	-6,425	-5,742	-8,568	-1,415	-12,641	-12,562
OTHER COMPREHENSIVE INCOME										-479
NET DECREASE IN NET DEBT	-1,839	-4,291	-12,750	-18,379	-6,425	-5,742	-8,568	-1,415	-12,641	-13,041
NET DEBT, END OF YEAR	607,157	602,866	590,116	571,737	565,312	559,570	551,002	549,587	536,946	523,905

TABLE 1.4GOVERNMENT OF CANADA STATEMENT OF CASH FLOW

(in millions of dollars)

					Year end	ed March	31			
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
OPERATING ACTIVITIES—										
ANNUAL SURPLUS	2,959	5,779	14,258	19,891	8,048	6,621	9,145	1,463	13,218	13,752
Share of annual profit in enterprise Crown corporations										
and other government business enterprises	-2,280	-2,506	-2,558	-3,272	-2,479	-2,958	-3,708	-4,853	-5,041	-5,336
Amortization of tangible capital assets	2,320	2,312	2,290	2,312	2,583	3,341	3,502	3,696	3,904	3,807
Net loss or gain (-) on disposal of tangible capital										
assets, including adjustments	102	85	161	97	336	112	231	317	-149	99
Change in inventories and prepaid expenses	-199	-161	-154	-152	-111	431	134	414	-431	-509
Change in pension and other liabilities	4,596	7,317	7,560	3,222	-1,031	346	2,611	-1,090	116	5,136
Change in foreign exchange accounts	-2,155	-5,700	-6,826	-8,776	-1,776	3,096	4,637	3,442	44	-3,351
Net change in other accounts	7,560	1,721	-4,663	2,010	-1,904	553	-3,385	5,163	-3,192	-1,508
Cash provided by operating										
activities	12,903	8,847	10,068	15,332	3,666	11,542	13,167	8,552	8,469	12,090
CAPITAL INVESTMENT ACTIVITIES—										
Acquisition of tangible capital assets	-3,425	-3,819	-3,851	-3,880	-4,487	-5,051	-4,535	-4,619	-4,046	-4,789
Proceeds from disposal of tangible capital assets	82	95	46	111	56	288	91	144	146	202
Cash used by capital investment										
activities	-3,343	-3,724	-3,805	-3,769	-4,431	-4,763	-4,444	-4,475	-3,900	-4,587
INVESTING ACTIVITIES—										
Enterprise Crown corporations and other government	2.707	4 1 1 5	2 202	2.467	2.071	2.005	2.024	1.071	2 145	2 702
business enterprise net repayments	2,796	4,115	2,282	2,467	2,971	2,095	2,034	1,861	2,145	2,783
Other loans, investments and advances issued	-5,240	-4,679	-3,784	-7,213	-6,637	-6,216	-9,569	-8,218	-6,861	-16,969
Other loans, investments and advances repayments	4,471	2,855	3,447	2,942	3,926	4,716	4,929	6,866	5,182	16,475
Cash provided or used (-) by investing										
activities	2,027	2,291	1,945	-1,804	260	595	-2,606	509	466	2,289
TOTAL CASH GENERATED OR REQUIRED (-)										
BEFORE FINANCING ACTIVITIES	11,587	7,414	8,208	9,759	-505	7,374	6,117	4,586	5,035	9,792
FINANCING ACTIVITIES—	11,507	/,-11-1	0,200	,,,,,,	505	7,574	0,117	4,500	3,033	2,122
	202 207	245 024	260 257	225 800	250 142	200 420	226 260	225 602	262 024	260.254
Canadian currency borrowings issued	283,297	245,934	268,357	225,899	258,142	309,420	336,260	335,682	363,824	369,354
Canadian currency borrowings repayments	-297,535 42,586	-263,161	-268,432		-255,931	-305,773 17,297	-337,734 14,227	-335,969	-366,123	-373,886
Foreign currencies borrowings issued	-38,419	51,859 -43,042	33,418 -36,830	34,176 -33,607	23,412 -29,538	-23,188	-14,826	13,608 -17,864	15,859 -18,061	11,586 -15,299
0 1,7	-30,419	-43,042	-30,830	-33,00/	-29,338	-23,188	-14,620	-1/,004	-10,001	-13,299
Cash used by financing										
activities	-10,071	-8,410	-3,487	-9,357	-3,915	-2,244	-2,073	-4,543	-4,501	-8,245
NET INCREASE OR DECREASE (-)										
IN CASH	1,516	-996	4,721	402	-4,420	5,130	4,044	43	534	1,547
CASH AT BEGINNING OF YEAR.	10,175	11,691	10,695	15,416	15,818	11,398	16,528	20,572	20,615	21,149
CASH AT END OF YEAR	11,691	10,695	15,416	15,818	11,398	16,528	20,572	20,615	21,149	22,696

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
LOANS, INVESTMENTS AND ADVANCES—										
Enterprise Crown corporations and other government business enterprises—										
Loans and advances—	460	395								
Canada Deposit Insurance Corporation	230	410	223	224	226	218	219	190	200	148
Farm Credit Canada	630	836	236	226	578	210	217	1,0	200	1.0
Other	24	60	58	-38		63	-28	2	-67	33
	1,344	1,701	517	412	804	281	191	192	133	181
Investments—	2 200	2.506	2.550	2 252	2 450	2 0 5 0	2.700	4.053	5.041	5 00 C
Share of annual profit	-2,280	-2,506	-2,558	-3,272	-2,479	-2,958	-3,708	-4,853	-5,041	-5,336 -479
Dividends	1,555	2,566	1,792	1,990	2,078	1,881	1,907	1,944	2,027	2,604
Capital	-103 -828	-152 -92	-27 -793	65 -1,217	89 -312	-67 -1,144	-64 -1,865	-275 -3,184	-15 -3,029	-3 -3,214
Total	516	1,609	-276	-805	492	-863	-1,674	-2,992	-2,896	-3,033
appropriations	387	-169	-11	32	-190	43	62	39	63	66
Total	129	1,778	-265	-837	682	-906	-1,736	-3,031	-2,959	-3,099
Other loans, investments and advances— Portfolio investments	59		1					1,225	-101	
National governments, including developing										
countries	215	-477	822	-177	185	828	572	171	158	80
International organizations	-553 -103	-561 42	-303 -368	-590 -963	-459 385	-349 -249	-72 -2,459	-253 -673	-224 14	-491 285
Other loans, investments and advances	-387	-828	-489	-2,541	-2,822	-1,730	-2,439	-1,822	-1,524	-367
Total	-769		-337	-		-1,500	-4,640	-	-1,677	-493
Less: allowance for valuation	-2,082	-1,824 -699	737	-4,271 -643	-2,711 -865	-324	-376	-1,352 6	-915	-387
Total	1,313	-1,125	-1,074	-3,628	-1,846	-1,176	-4,264	-1,358	-762	-106
Total loans, investments and advances	1,442	653	-1,339	-4,465	-1,164	-2,082	-6,000	-4,389	-3,721	-3,205
PENSION AND OTHER LIABILITIES—										
Public sector pensions Other employee and veteran future	3,252	4,950	5,939	839	-2,264	-1,213	1,852	2,019	1,483	3,664
benefits.	756	983	579	1,954	612	564	523	2,182	1,820	1,754
Due to Canada Pension Plan	487	1,222	790	174	379	323	390	-4,712	-2,620	-97
Other liabilities	101	162	252	255	242	672	-154	-579	-567	-185
Total pension and other liabilities	4,596	7,317	7,560	3,222	-1,031	346	2,611	-1,090	116	5,136
NON-FINANCIAL ASSETS—										
Tangible capital assets	-921	-1,327	-1,354	-1,360	-1,512	-1,310	-711	-462	-145	-681
Inventories	-188	-150	-141	-140	153	325	-21	609	-350	-113
Prepaid expenses	-11	-11	-13	-12	-264	106	155	-195	-82	-396
Total non-financial assets	-1,120	-1,488	-1,508	-1,512	-1,623	-879	-577	-48	-577	-1,190
OTHER TRANSACTIONS—										
Tax receivables	-1,296	-1,159	-1,483	-5,251	2,967	2,008	-4,356	-5,524	-5,636	-7,379
Other accounts receivable Provincial and territorial tax collection agreements	288	-444	160	528	-258	336	127	223	-327	-817
account	-551	1,267	-1,402	-824	-1,139	-934	2,374	1,103	2,316	410
Tax payables Other liabilities	2,503 3,859	1,264 -599	966 641	3,221 2,206	1,254 -5,350	-735 1,621	-509 151	2,610 8,813	2,752 -1,376	2,986 1,683
Total other transactions	4,803	329	-1,118	-120	-2,526	2,296	-2,213	7,225	-2,271	-3,117
TOTAL NON-BUDGETARY TRANSACTIONS AND NON-FINANCIAL ASSETS	9,721	6,811	3,595	-2,875	-6,344	-319	-6,179	1,698	-6,453	-2,376
HOR-FINANCIAL ABSETS	2,741	0,011	3,373	-4,073	-0,344	-317	-0,1/9	1,070	-0,433	-2,3/0

TABLE 1.6GOVERNMENT OF CANADA
DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS
(in millions of dollars)

	Year ended March 31									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
FOREIGN EXCHANGE ACCOUNTS—										
International reserves held in the Exchange Fund										
Account	-1,472	-3,657	-6,775	-9,215	-822	3,818	3,602	2,133	-1,822	-3,737
International Monetary Fund—Subscriptions	101	-4,854	658	-424	-7	-121	757	945	567	-433
	-1,371	-8,511	-6,117	-9,639	-829	3,697	4,359	3,078	-1,255	-4,170
Less: International Monetary Fund—Notes payable	766	-2,693	634	-835	947	623	-336	-453	-1,412	-771
Special drawing rights allocations	18	-118	75	-28		-22	58	89	113	-48
	784	-2,811	709	-863	947	601	-278	-364	-1,299	-819
Total foreign exchange accounts	-2,155	-5,700	-6,826	-8,776	-1,776	3,096	4,637	3,442	44	-3,351
UNMATURED DEBT—										
Payable in Canadian currency—										
Marketable bonds	11,586	-1,067	-1,278	1,702	-941	-5,367	-9,354	-11,981	-4,664	-3,652
Treasury bills	-23,100	-15,350	2,900	-11,150	5,339	10,371	8,967	13,821	4,398	2,477
Canada savings, Canada premium and Canada										
investment bonds	-2,701	-2,107	-1,173	-390	-2,133	-1,382	-1,254	-2,250	-1,738	-2,167
Non-marketable bonds and notes	-12	607	-511	-79	-82	-19	56	-35	-291	-1,359
	-14,227	-17,917	-62	-9,917	2,183	3,603	-1,585	-445	-2,295	-4,701
Payable in foreign currencies	4,167	8,817	-3,412	570	-6,126	-5,891	-599	-4,256	-2,201	-3,713
Cross-currency swap revaluation account	51	454	-1,003	1,334	-2	630	-1,132	-1,285	-1,336	1,167
Unamortized discounts and premiums on										
market debt	1,011	70	-1,816	185	-431	-2,654	-354	-732	-438	121
Obligation related to capital leases	-11	690	-13	-10	28	44	111	158	-5	169
Total unmatured debt	-9,009	-7,886	-6,306	-7,838	-4,348	-4,268	-3,559	-6,560	-6,275	-6,957
CASH AT END OF YEAR—										
In Canadian currency	11,605	10,664	15,373	15,789	11,351	16,478	20,559	20,607	21,152	22,701
In foreign currencies	86	31	43	29	47	50	13	8	-3	-5
Total cash	11,691	10,695	15,416	15,818	11,398	16,528	20,572	20,615	21,149	22,696

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.

• Other comprehensive income:

Other comprehensive income holds any unrealized gains and losses resulting from the change in market value on assets that are classified as available-for-sale or derivative instruments used in hedging activities.

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 -

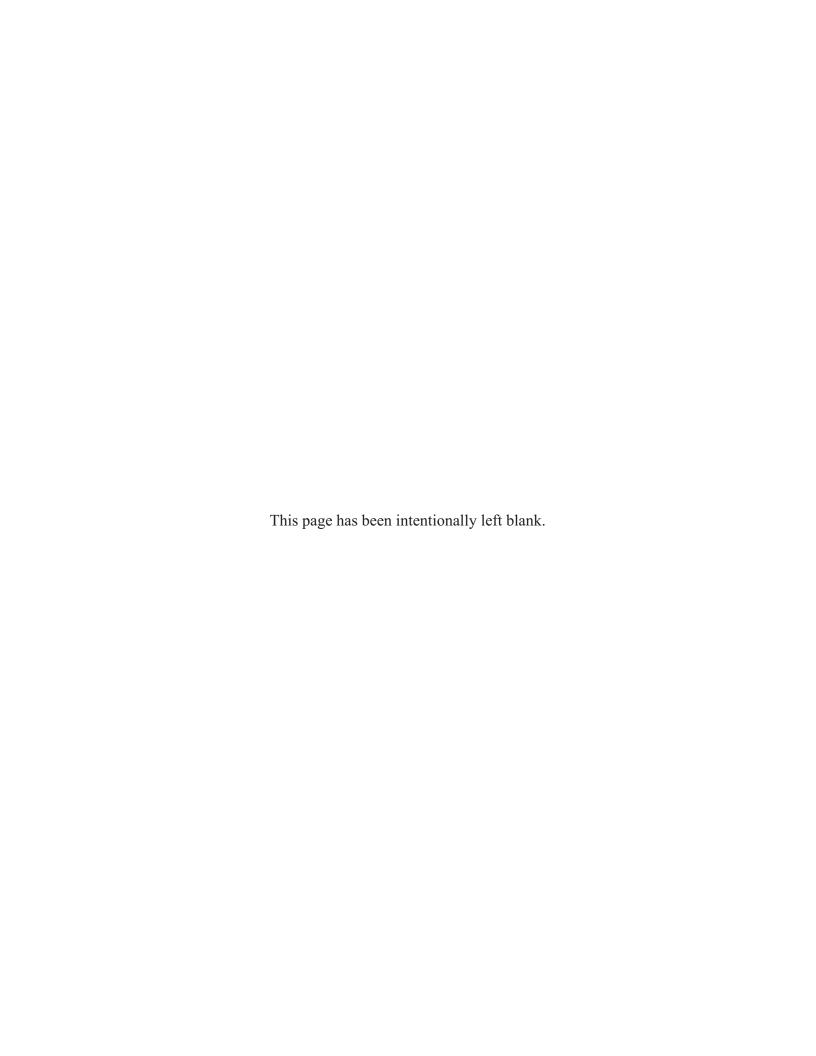
A non-financial asset having physical substance that:

- (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.



section 2

2006-2007

PUBLIC ACCOUNTS OF CANADA

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

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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, surplus, and other comprehensive income 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 balance 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 of Canada 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 of Canada in that respect are contained in section 6 of the Auditor General Act. Additional information is provided in the observations of the Auditor General of Canada 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 FRANÇOIS GUIMONT Deputy Receiver General for 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, 2007 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, 2007 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, except for 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 2007*.

Sheila Fraser, FCA Auditor General of Canada

Therea Fraser

Ottawa, Canada August 24, 2007

Statement of Operations and Accumulated Deficit for the Year Ended March 31, 2007

(in millions of dollars)

	2007		2006
	Budget	Actual	Actual
	(Note 3)		
REVENUES			
TAX REVENUES —			
Income tax revenues —			
Personal	109,275	110,477	103,691
Corporate	35,345	37,745	31,724
Other income tax revenues	4,370	4,877	4,529
Total income tax revenues	148,990	153,099	139,944
Other taxes and duties —			
Goods and services tax	29,845	31,296	33,020
Energy taxes	5,325	5,128	5,076
Customs import duties	3,610	3,704	3,330
Other excise taxes and duties	4,640	5,189	4,730
Total other taxes and duties	43,420	45,317	46,156
TOTAL TAX REVENUES	192,410	198,416	186,100
EMPLOYMENT INSURANCE PREMIUMS	16,125	16,789	16,535
OTHER REVENUES —			
Crown corporation revenues	6,723	7,503	7,198
Other program revenues	10,124	11,544	10,356
Foreign exchange revenues	1,768	1,714	2,014
TOTAL OTHER REVENUES	18,615	20,761	19,568
TOTAL REVENUES	227,150	235,966	222,203
EXPENSES (Note 4)	<u></u>	· · · · · · · · · · · · · · · · · · ·	-
TRANSFER PAYMENTS —			
Old age security benefits, guaranteed income			
supplement and spouse's allowance	30,625	30,284	28,992
Other levels of government	40,075	42,514	40,815
Employment insurance benefits.	14,580	14,084	14,417
Children's benefits	11,140	11,214	9,200
Other transfer payments	27,600	26,844	24,893
TOTAL TRANSFER PAYMENTS	124,020	124,940	118,317
OTHER PROGRAM EXPENSES —	,	1,,, , ,	
Crown corporation expenses	6,875	7,211	7,195
National Defence	15,495	15,732	15,034
All other departments and agencies.	42,415	40,386	34,667
TOTAL OTHER PROGRAM EXPENSES	*	*	
	64,785	63,329	56,896
TOTAL PROGRAM EXPENSES	188,805	188,269	175,213
PUBLIC DEBT CHARGES	34,788	33,945	33,772
TOTAL EXPENSES	223,593	222,214	208,985
ANNUAL SURPLUS	3,557	13,752	13,218
ACCUMULATED DEFICIT, BEGINNING OF YEAR	481,499	481,499	494,717
OTHER COMPREHENSIVE INCOME (Notes 2 and 5)		479	
ACCUMULATED DEFICIT, END OF YEAR (Notes 2 and 5)	477,942	467,268	481,499

Statement of Financial Position as at March 31, 2007

(in millions of dollars)

	2007	2006
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES —		
Accounts payable and accrued liabilities	50,730	48,263
Tax payables	41,388	38,402
Environmental liabilities (Note 15)	6,062	5,861
Interest and matured debt.	7,516	7,875
Allowance for guarantees (Note 15).	815	1,031
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	106,511	101,432
INTEREST-BEARING DEBT —	100,311	101,432
Unmatured debt (Note 6)	414,192	421,149
Public sector pensions (Note 7)	134,726	131,062
Other employee and veteran future benefits (Note 7).	45,123	43,369
Other liabilities (Note 8)	5,211	5,493
Total pension and other liabilities	185,060	179,924
TOTAL INTEREST-BEARING DEBT	599,252	601,073
TOTAL LIABILITIES	705,763	702,505
CASH AND ACCOUNTS RECEIVABLE — Cash	22,696 66,492 3,398	21,149 59,113 2,581
TOTAL CASH AND ACCOUNTS RECEIVABLE	92,586	82,843
FOREIGN EXCHANGE ACCOUNTS (Note 10).	44,178	40,827
LOANS, INVESTMENTS AND ADVANCES —	44,1/0	40,027
	22 (82	20.504
Enterprise Crown corporations and other government business enterprises (Notes 2, 5, 11 and 15)	23,683	20,584
Other loans, investments and advances (Note 12)	21,411	21,305
	45,094	41,889
TOTAL LOANS, INVESTMENTS AND ADVANCES		
TOTAL LOANS, INVESTMENTS AND ADVANCES TOTAL FINANCIAL ASSETS	181,858	165,559
TOTAL FINANCIAL ASSETS	181,858 523,905	165,559 536,946
TOTAL FINANCIAL ASSETS		
TOTAL FINANCIAL ASSETS NET DEBT NON-FINANCIAL ASSETS		536,946
NET DEBT NON-FINANCIAL ASSETS Tangible capital assets (Note 13)	523,905 49,036	536,946 48,355
TOTAL FINANCIAL ASSETS NET DEBT NON-FINANCIAL ASSETS	523,905	536,946
NET DEBT NON-FINANCIAL ASSETS Tangible capital assets (Note 13) Inventories	523,905 49,036 5,988	536,946 48,355 5,875
TOTAL FINANCIAL ASSETS NET DEBT NON-FINANCIAL ASSETS Tangible capital assets (Note 13) Inventories. Prepaid expenses	523,905 49,036 5,988 1,613	536,946 48,355 5,875 1,217

Statement of Change in Net Debt for the Year Ended March 31, 2007

(in millions of dollars)

	2	007	2006
	Budget	Actual	Actual
	(Note 3)		
NET DEBT, BEGINNING OF YEAR	536,946	536,946	549,587
CHANGE IN NET DEBT DURING THE YEAR —			
ANNUAL SURPLUS	-3,557	-13,752	-13,218
CHANGE DUE TO TANGIBLE CAPITAL ASSETS —			
Acquisition of tangible capital assets	4,885	4,789	4,046
Amortization of tangible capital assets	-4,092	-3,807	-3,904
Proceeds from disposal of tangible capital assets	-100	-202	-146
Net loss (-) or gain on disposal of tangible capital assets, including adjustments		-99	149
TOTAL CHANGE DUE TO TANGIBLE			
CAPITAL ASSETS	693	681	145
CHANGE DUE TO INVENTORIES		113	350
CHANGE DUE TO PREPAID EXPENSES		396	82
NET DECREASE IN NET DEBT DUE TO OPERATIONS	-2,864	-12,562	-12,641
OTHER COMPREHENSIVE INCOME (Notes 2, 5 and 11)		-479	
NET DECREASE IN NET DEBT.	-2,864	-13,041	-12,641
NET DEBT, END OF YEAR	534,082	523,905	536,946

Statement of Cash Flow for the Year Ended March 31, 2007

(in millions of dollars)

	2007	2006
OPERATING ACTIVITIES —		
ANNUAL SURPLUS Items not affecting cash —	13,752	13,218
Share of annual profit in enterprise Crown corporations and other government business enterprises	-5,336	-5,041
Amortization of tangible capital assets	3,807	3,904
Net loss or gain (-) on disposal of tangible capital assets, including adjustments	99	-149
Change in inventories and prepaid expenses.	-509	-431
Change in pension and other liabilities	5,136	116
Change in foreign exchange accounts	-3,351	44
Net change in other accounts	-1,508	-3,192
CASH PROVIDED BY OPERATING ACTIVITIES	12,090	8,469
CAPITAL INVESTMENT ACTIVITIES —		
Acquisition of tangible capital assets	-4,789	-4,046
Proceeds from disposal of tangible capital assets	202	146
CASH USED BY CAPITAL INVESTMENT ACTIVITIES	-4,587	-3,900
INVESTING ACTIVITIES —		
Enterprise Crown corporation and other government business enterprise net repayments	2,783	2,145
Other loans, investments and advances issued.	-16,969	-6,861
Other loans, investments and advances repayments	16,475	5,182
CASH PROVIDED BY INVESTING ACTIVITIES	2,289	466
TOTAL CASH GENERATED BEFORE FINANCING ACTIVITIES	9,792	5,035
FINANCING ACTIVITIES —		
Canadian currency borrowings issued.	369,354	363,824
Canadian currency borrowings repayments	-373,886	-366,123
Foreign currencies borrowings issued.	11,586	15,859
Foreign currencies borrowings repayments	-15,299	-18,061
CASH USED BY FINANCING ACTIVITIES	-8,245	-4,501
NET INCREASE IN CASH	1,547	534
CASH AT BEGINNING OF YEAR	21,149	20,615
CASH AT END OF YEAR	22,696	21,149
SUPPLEMENTARY INFORMATION		
Cash used for interest	20,026	19,810

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 defined as departments and as Crown corporations in the *Financial Administration 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 changes to the Plan require the agreement of two thirds of participating provinces and it is therefore not controlled by the Government.

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 carried 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. Other comprehensive income resulting from the accounting of enterprise Crown corporations under the modified equity basis is excluded from the

calculation of the Government's annual surplus and is recorded directly to the Government's accumulated deficit and net debt.

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.

PUBLIC ACCOUNTS OF CANADA, 2006-2007

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.

Tangible capital assets do not include immovable assets located on Indian reserves, the cost of works of art and museum collections and Crown land to which no acquisition cost is attributable. Intangible assets are also not recognized in the Government's financial statements.

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, including provisions for losses on loan guarantees, 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.

For loan guarantees, the amount of the allowance is estimated by taking into consideration the nature of the loan guarantee, loss experience and current conditions at the date of the preparation of the financial statements. The allowance is reviewed on an ongoing basis. Changes in the allowance are recorded as expense in the year.

Environmental liabilities

Environmental liabilities consist of the estimated costs related to the management and remediation of environmentally contaminated sites and unexploded explosive ordnance affected sites, as well as the estimated costs of decommissioning nuclear facilities. For contaminated sites and unexploded explosive ordnance affected sites, a liability is accrued and an expense recorded based on management's best estimates when the contamination occurs or when the Government becomes aware of the contamination and is obligated, or is likely obligated to incur such costs. If the likelihood of the Government's obligation to incur these costs is

either not determinable or unlikely, or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

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

Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using rates at March 31. Gains and losses resulting from foreign currency translation are reported on the Statement of Operations and Accumulated Deficit according to the activities to which they relate. Net gains and losses relating to the foreign exchange accounts, foreign debt and swap revaluations are presented with investment revenues from foreign exchange accounts under foreign exchange revenues. Net gains and losses related to sovereign loans are presented with the return on investments from these loans under other program revenues. Net gains and losses relating to departmental sale or purchase of goods or services in foreign currency are presented against departmental program expenses under other program expenses.

Use of estimates and measurement uncertainty

The preparation of financial statements requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported. By their nature, these estimates are subject to measurement uncertainty. The effect of changes to such estimates and assumptions in future periods could be significant to the financial statements, although, at the time of their preparation, the Government believes the estimates and assumptions to be reasonable. Some of the more significant estimates used in these financial statements affect the accrual of tax revenues and the related amounts receivable and payable, including the liabilities under provincial and territorial tax collection agreements, valuation allowances for loans, investments and advances, 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 2006-2007, the Government adopted the new recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants regarding the recording of other comprehensive income resulting from the accounting of certain unrealized gains and losses on financial instruments by enterprise Crown corporations.

Other comprehensive income is excluded from the corporations' net income. Under the modified equity basis of accounting, it is consequently excluded from the calculation of the Government's annual surplus. It is instead recorded directly to the Government's Statement of Accumulated Deficit and Statement of Change in Net Debt.

This accounting policy change has resulted in an increase of \$479 million in loans, investments and advances in enterprise Crown corporations and other government business enterprises presented on the Statement of Financial Position and in a corresponding decrease in the balances of the accumulated deficit and of the net debt of the Government.

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. Special warrants were used between November 29, 2005 and May 15, 2006 following the dissolution of Parliament for the purposes of a general election. In 2006-2007, one special warrant amounting to \$11,470 million was issued for the period April 1, 2006 to May 15, 2006. Three special warrants totaling authorities to spend of \$4,178 million were issued in 2005-2006. 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		
	2007	2006	
Annual spending limits voted by Parliament, including special warrants	75,825	70,379	
Expenditures permitted under other legislation	117,242	121,198	
Total budgetary expenditures authorized	193,067	191,577	
Less: amounts available for use in subsequent years and amounts that have lapsed, net of			
overexpended amounts	7,150	6,115	
Total used	185,917	185,462	
full accrual accounting	36,297	23,523	
Total expenses	222,214	208,985	

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 \$104,859 million (\$86,141 million in 2006) was authorized for loans, investments and advances. A net amount of \$1,311 million was used (\$2,193 million in 2006), an amount of \$58 million lapsed (\$50 million in 2006) and an amount of \$103,490 million is available for use in subsequent years (\$83,897 million in 2006).

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 National Energy Board Vote 30 was overspent by less than \$850,000.

The Correctional Service's grant–Penitentiary inmates accident compensation and the Royal Canadian Mounted Police's grant–Payments, in the nature of worker's compensation, to survivors of members of the Royal Canadian Mounted police killed while on duty were each overspent by less than \$500,000.

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. Parliamentary authority is available to borrow up to the amount required to refinance market debt maturing in a year. There is also a \$4,000 million non-lapsing authority available from the *Borrowing Authority Act*, 1996-97. The \$4,000 million authority was not used in fiscal year 2006-2007 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 2006-2007 in the May 2006 budget (Budget 2006). Starting with Budget 2006, the budgeted amounts are presented on the same gross basis as that of the financial statements of the Government, therefore, a reconciliation to present the original budgeted amounts to those reported in these financial statements is no longer required. Since actual opening numbers of the accumulated deficit and net debt were not available at the time of preparation of Budget 2006, the corresponding amounts in the budget column were adjusted to the actual closing numbers of the previous year.

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		
	2007	2006	
Canada health and social			
transfer	28,640	27,225	
Fiscal arrangements	13,033	12,381	
Other major transfers	4,018	3,940	
Alternative payments for			
standing programs (1)	-3,177	-2,731	
Total expenses	42,514	40,815	

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

ii. Other transfer payments by ministry

	(in millions of dollars)		
	2007	2006	
Agriculture and Agri-Food	3,122	2,595	
Canadian Heritage	1,158	1,026	
Foreign Affairs and International Trade	4,004	3,357	
Health	2,514	2,080	
Human Resources and Skills Development	1,918	2,193	
Indian Affairs and Northern Development	5,161	5,448	
Industry	2,388	2,204	
Transport	1,068	1,313	
Other ministries and provisions	5,511	4,677	
Total expenses	26,844	24,893	

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.

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

	(in millions	of dollars)
	2007	2006
Agriculture and Agri-Food	1,618	1,599
Canada Revenue Agency (1)	6,769	3,998
Environment	1,440	1,514
Fisheries and Oceans	1,560	1,489
Foreign Affairs and International Trade	1,959	1,800
Health	3,313	2,130
Human Resources and Skills Development	3,223	3,059
Indian Affairs and Northern Development	1,171	911
Industry	2,259	2,145
Justice	1,148	1,099
Natural Resources	1,042	819
Public Safety and Emergency Preparedness .	7,367	6,647
Public Works and Government Services	2,724	2,484
Treasury Board	1,911	1,757
Other ministries and provisions	2,882	3,216
Total expenses	40,386	34,667

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 $Public\ Accounts\ of\ Canada$.

(1) Includes a provision for bad debts of \$3,529 million (\$809 million in 2006).

iv. Public debt charges

	(in millions of dollars		
	2007	2006	
Public debt charges related to unmatured debt —			
Interest on unmatured debt	15,027	15,841	
Treasury Bills	4,797	3,524	
other debts	1,359	1,790	
borrowings	95	77	
Total	21,278	21,232	
Interest expense related to employee pensions and other			
future benefits	12,137	12,002	
Other	530	538	
Total public debt charges	33,945	33,772	

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

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

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:

	(in million	s of dollars)
Objects of expense	2007	2006
Transfer payments	124,940	118,317
Other program expenses —		
Crown corporations (1)	6,851	6,625
Personnel	32,923	28,967
Transportation and communications	2,749	2,425
Information	284	263
Professional and special services	6,712	6,173
Rentals	1,471	1,314
Repair and maintenance	2,311 2,136	
supplies	2,671	2,578
Other subsidies and expenses	3,282	2,342
Amortization expenses	3,807	3,904
Loss on disposal of assets	268	169
Total other program expenses	63,329	56,896
Total program expenses	188,269	175,213
Public debt charges	33,945	33,772
Total expenses	222,214	208,985

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*.

vi. Significant transactions

Transfer payments

In Budget 2007, the Government announced various one-time transfers to support a number of initiatives including health care, post-secondary education and training, and the environment. The more significant transfers included the creation of the Clean Air and Climate Change Trust Fund with a transfer of \$1,519 million and trusts with provinces and territories related to patient wait time guarantees, post-secondary education and training totaling \$1,226 million, which were charged to transfer payments to other levels of government. The *Budget Implementation Act* authorizing the payment to the trusts and transfer payment recipients received parliamentary approval in June 2007.

Softwood Lumber Agreement

During the year, the Government entered into the Canada-United States Softwood Lumber Agreement (SLA) and the *Softwood Lumber Products Export Charge Act, 2006* (SLPECA) received Royal Assent. As a result of the agreement, the United States refunded duty deposits and accrued interest income to Canadian exporters. There are various components to the SLA and the SLPECA which came into effect in the current fiscal year, including a payment to certain parties in the United States (US interests) of US\$1,000 million, and a charge on refunds of duty deposits to fund the payment of this amount to US interests.

To expedite the payment to Canadian exporters of the refunded duty deposits, a mechanism was set up whereby the exporter could elect to receive an advance payment from the Government of Canada and the Government was assigned, and received, the refunded duty deposit. The exporter then received a portion of the amount, with the balance being remitted to the US interests. The exporters who received their refunds directly from the Government of the United States were assessed a charge by the Government of Canada to fund the payment of the balance owing to the US interests. All amounts were received from the Government of the United States by March 31, 2007.

As well, the SLPECA introduced an export charge to be levied upon exports of softwood lumber to the United States, and the payment to provinces of the net export charge revenues after deducting amounts as specified in the SLPECA.

⁽¹⁾ 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.

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		
	2007	2006	
Accumulated deficit, excluding consolidated accounts and accumulated other comprehensive income.	527,070	538,332	
Consolidated accounts — Employment Insurance Account	-54,119 -25 -301	-50,816 54 -303	
0 114 10	472,625	487,267	
Consolidated Crown corporations and other entities	-4,878	-5,768	
income	-479		
Accumulated deficit	467,268	481,499	

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

During the year, enterprise Crown corporations that are recorded under the modified equity basis implemented a new accounting standard whereby certain unrealized gains and losses on financial instruments are recorded as other comprehensive income. Accumulated other comprehensive income holds any unrealized gains and losses resulting from the change in market value of assets that are classified as available-for-sale or derivative instruments used in hedging activities. These unrealized gains and losses are recognized in other comprehensive income, but are excluded from the calculation of net income of the corporations. As a result of implementing the new standard, the financial statements of these enterprise Crown corporations include a transitional adjustment that represents the adjustment of the previous carrying amount of the available-for-sale financial instruments held by the corporations.

Under the modified equity basis of accounting, the enterprise Crown corporations' other comprehensive income is therefore excluded from the calculation of the Government's annual surplus. It is instead recorded directly against the Government's accumulated deficit. Upon realization of these gains and losses, the associated amounts will be brought into the current period's Statement of Operations. The following table presents the changes in accumulated other comprehensive income:

	(in millions of dollars)
	2007
Transitional adjustment	527
Net change in unrealized gains and	
losses (-) on available-for-sale financial instruments	-48
Other comprehensive income	479
Accumulated other comprehensive income	
at end of year	479

6. Unmatured Debt and Other Financial Instruments

i. Unmatured debt

Unmatured debt is composed of the following:

	(in millions of dollars)		
	2007	2006	
Market Debt —			
Payable in Canadian currency	408,474	413,175	
Payable in foreign currencies	10,372	14,085	
Total	418,846	427,260	
Cross currency swap revaluation			
account	-1,091	-2,258	
Unamortized discounts and premiums			
on market debt	-6,659	-6,780	
Obligation related to capital			
leases	3,096	2,927	
Total	414,192	421,149	

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.

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

	(in millions of dollars)								
	Mark	etable bond	s			_	Canada bills	Notes	
Maturing year	Canadian \$	US\$	Other (1)	Treasury bills	Canada savings, Canada premium and Canada investment bonds (2)	Non-marketable bonds and notes (3)		Canada notes ⁽⁴⁾ and Euro medium- term notes ⁽⁵⁾	Total
2008	26,728 29,025 19,882 17,881 20,569 143,824	2,887 182	368 3,154	134,100	1,909 2,954 870 1,186 962 7,294	700 520 71 425 16	1,847	86 490 1,542	165,738 39,030 22,547 19,492 21,547 151,190
Less: Government's holdings of unmatured debt (6)	257,909 427	3,130	3,522	134,100	15,175	1,743	1,847	2,118	419,544 698
Total market debt Nature of interest rate (7)		2,885 Fixed	3,522 Fixed (1)	134,074 Variable	15,175 Variable	1,743 Fixed	1,847 Variable	2,118 Fixed (9)	418,846
Effective weighted average annual interest rates including swaps	5.24	5.39	4.91	4.20	3.54	10.37	5.11	3.92	
Range of interest rates	2.75-13.00	4.96-9.70	4.87-5.11	4.10-4.55	2.30-8.50	9.12-11.33	4.98-5.18	1.90-5.07	

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

- (1) Includes marketable bond that was issued in Euros of \$3,154 million.
- (2) Includes \$8,764 million of Canada savings bonds that are redeemable on demand.
- (3) Represents \$1,743 million of bonds issued to the Canada Pension Plan.
- (4) Includes one Canada note issued in Japanese yen of \$490 million.
- (5) Includes Euro medium-term notes issued in Euro, US dollar and Japanese yen.
- (6) Includes \$245 million of securities held for the retirement of unmatured debt.
- (7) Debt with maturity terms of less than one year is considered to have a variable interest rate. For marketable bonds and foreign currency notes, some of the fixed interest rates were converted into variable interest rates through swap agreements.
- (8) Includes real return bonds which have a variable component based on the consumer price index.
- (9) Includes medium-term notes which have variable rates.

ii. Derivative financial instruments

(a) Swap agreements

Government debt is issued at both fixed and variable interest rates and is denominated in Canadian dollars, US dollars and other currencies. The Government has entered into interest rate and cross currency swap agreements to facilitate management of its debt structure. In the case of interest rate swap agreements, fixed interest rate funding has been converted to variable rates tied to the Banker's Acceptance rates or London Interbank Offered Rates (LIBOR). In the case of

cross currency swap agreements, Canadian dollar and other foreign currency debt has been converted into US dollars or other foreign currencies with either fixed interest rates or variable interest rates. As a normal practice, the Government's swap positions are held to maturity. The 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:

	(in millions of dollars)			
	2007		2006	
Maturing year	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$
2007	29 1,386	5,453 2,705 3,578 2,744 2,262 16,314	30 1,401	2,347 2,983 2,654 3,380 2,571 1,400 10,882
	1,415	33,056	1,431	26,217

(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 Standard & Poor's or Moody'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:

	(in millions	of dollars
Standard & Poor's	2007	2006
AA+	9,649	2,896
AA	6,170	5,855
AA	16,086	13,593
A+	2,393	5,304
A	173	
	34,471	27.648

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, 2007, 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, 2007, 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 \$19 million due to the unmatched exposure of the US dollar portfolio and in a foreign exchange loss of \$4 million to the unmatched exposure of the Euro portfolio. The Japanese yen portfolio was matched in terms of currency exposure at March 31, 2007.

iv. Obligation related to capital leases

The Government's total obligation related to capital leases as at March 31, 2007 is \$3,096 million (\$2,927 million in 2006). Interest on the obligation related to capital leases of \$187 million (\$185 million in 2006) is included in expenses as part of public debt charges. Future minimum lease payments are summarized as follows:

Maturing year	(in millions of dollars)
2008	408
2009	378
2010	368
2011	363
2012	336
2013 and subsequent	3,531
Total minimum lease payments	5,384
Less: imputed interest at the average rate of 6.9 percent	
Obligation related to capital	
leases	3,096

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)		
		2007			2006	
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Financial Assets —						
Cash and accounts receivable	92,586	92,586		82,843	82,843	
Foreign exchange accounts	44,178	44,059	-119	40,827	40,766	-61
Loans, investments and advances						
excluding investments in						
enterprise Crown corporations	24,740	24,740		24,749	24,749	
Liabilities —						
Accounts payable and accrued liabilities	106,511	106,511		101,432	101,432	
Unmatured debt	414,192	446,605	-32,413	421,149	455,905	-34,756
Public sector pensions	134,726	132,685	2,041	131,062	127,585	3,477
Other employee and						
veteran future benefits	45,123	62,830	-17,707	43,369	56,929	-13,560
Other liabilities	5,211	5,211		5,493	5,493	
Net fair value in excess of						
carrying value			-48,198			-44,900

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 and allowances to reduce carrying values. These include cash, tax and other accounts receivable, accounts payable and accrued liabilities, tax payables and interest and matured debt.

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 their carrying value 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. The fair value of bonds issued to the Canada Pension Plan are established using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketability and rollover provisions on the bonds. 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)					
	2007 2006			6		
	Notional value	Fair value	Notional value	Fair value		
Interest rate and cross currency swaps	34,471	1,734	27,648	2,718		

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 its employees of the Public Service, as well as Public Service corporations, members of the Canadian Forces, members of the Royal Canadian Mounted Police, federally appointed judges and Members of Parliament. In this Note, the term "employee benefits" is used in a general manner to apply to plan members of all of these groups.

The Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans represent the three main public sector pension plans. For these 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/Quebec 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 these three main plans is invested in capital markets. The plans are generally funded from plan members' 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.

Pursuant to the budget of May 2006 and the ensuing *Budget Implementation Act 2006* that received Royal Assent on June 22, 2006, amendments were made to the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannu-*

ation Act to improve the integration of the pension benefits with the benefits provided under the Canada/Quebec Pension Plans. As a result of this change, the pension benefit reductions due to the Canada/Quebec Pension Plans' integration factors will be decreased over a five-year period starting in 2008.

Also through regulations issued during the year, certain provisions of the *Canadian Forces Superannuation Act* were authorized to come into force on March 1, 2007 to amend the Canadian Forces pension plan and to establish the Canadian Reserve Force pension plan. The changes to the Canadian

Forces pension plan amend the pension service period and minimum eligibility age of retirement and include amongst other things, a decrease of the vesting period to two years and the coverage of full time members of the Reserve Force. The new Canadian Reserve Force pension plan will cover part-time reservists and will offer a range of benefits similar to those offered through the Canadian Forces pension plan. Both plans also offer to reservists joining the plans an option to buy back past service for a limited period of time.

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

	(in millions of dollars)					
		2007				
	Funded plans	Others	Total	Funded plans	Others	Total
Contributions —						
Employees	1,317	81	1,398	1,201	82	1,283
Public Service corporations	167	10	177	152	12	164
Government	2,880	170	3,050	2,987	214	3,201
Total	4,364	261	4,625	4,340	308	4,648
Benefits paid	256	6,790	7,046	168	6,525	6,693

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 \$109 million in 2007 (\$87 million in 2006). 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, 2007 includes the following components:

	(in millions of dollars)				
	Pensions		Other future benef		
	2007	2006	2007	2006	
Accrued benefit obligation	168,255	155,795	62,830	56,929	
Investments at market related value Contributions receivable from employees for past service	31,620 602	24,854 594			
Total	32,222	25,448			
Unamortized estimation adjustments	136,033 -1,307	130,347 715	62,830 -17,707	56,929 -13,560	
Pension and other employee and veteran future benefit liability	134,726	131,062	45,123	43,369	

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, 2007, the market value of the investments is \$34,968 million (\$27,616 million in 2006). 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 bene	
	2007	2006	2007	2006
Net expense related to employee pensions and				
other future benefits —				
Net benefits earned	2,915	2,929	1,243	1,297
Amortization of estimation adjustments	-509	-1,101	1,318	896
Plan amendment costs	2,138		119	-1,899
Recognition of net unamortized gains (-) or losses	-518			2,300
Total	4,026	1,828	2,680	2,594
interest expense related to employee pensions and				
other future benefits —				
Interest on average accrued benefit				
obligation	11,148	10,735	2,648	2,536
Expected return on average pension plan assets.	-1,659	-1,269	2,0.0	2,000
			2 (10	2.526
Total	9,489	9,466	2,648	2,536
Total expense related to employee pensions				
and other future benefits	13,515	11,294	5,328	5,130

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

The amendments made to the pension plans during the year resulted in a one-time estimated past service cost of \$1,347 million for the Public Service pension plan, \$503 million for the Canadian Forces pension plan, \$161 million for the Royal Canadian Mounted Police pension plan and \$127 million for the Canadian Reserve Force pension plan. These one time impacts are recorded to the future benefit expense and to the year-end accrued benefit obligation. These amendments further resulted in the accelerated recognition to expense of net unamortized gains of \$48 million in the Public Service pension plan, \$335 million in the Canadian Forces pension plan and \$135 million in the Royal Canadian Mounted Police pension plan.

The provisions of the *Canadian Forces Superannuation Act* that were brought into force extended the pension benefits to full-time and part-time Canadian Forces reservists. These amendments consequently extended the coverage of the health care and dental retirement benefits to the reservists covered by the new provisions of the Act. The changes in the pension service period and minimum eligibility age of retirement of Canadian Forces members also affected the period of attribution used in the calculation of the retirement health care and dental benefits for these members. These amend-

ments resulted in a one-time estimated past service cost of \$103 million for the health care plan and of \$16 million for the dental plan. These one time impacts are recorded to the future benefit expense and to the year-end accrued benefit obligation.

In 2006, amendments to these plans had resulted in a past service cost reduction of \$373 million for the health care plan and a past service cost of \$197 million for the dental plan and in the accelerated recognition to expense of net unamortized losses of \$373 million in the health care plan and net unamortized gains of \$148 million in the dental plan. In 2006, amendments to the veteran's future benefits had also resulted in a one time past service cost reduction of \$1,723 million and in the accelerated recognition of net unamortized losses of \$2,075 million.

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 11.3 percent (19.1 percent in 2006).

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 ber		
	2007	2006	2007	2006	
Accrued benefit obligation at beginning of year	155,795	145,349	56,929	50,468	
Benefits earned	4,460	4,344	1,243	1,297	
Interest on average accrued benefit obligation	11,148	10,735	2,648	2,536	
Benefits paid	-7,046	-6,693	-3,528	-3,274	
Administrative expenses	-91	-85	-46	-36	
Net transfers to other plans	-268	-252			
Plan amendments	2,138		119	-1,899	
Actuarial losses	2,119	2,397	5,465	7,837	
Accrued benefit obligation at end of year	168,255	155,795	62,830	56,929	
Market related value of investments at beginning of year	24,854	18,287			
Expected return on plan assets	1,659	1,269			
Contributions	4,364	4,340			
Benefits, transfers and other	-373	-143			
Actuarial gains	1,116	1,101			
Market related value of investments at end of year	31,620	24,854			

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.

The valuations for pensions and other future benefits, except for the veterans' benefits, are updated annually for accounting purposes based on the most recent or any in-progress triennial valuation. 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 16 years (7 to 14 years in 2006).

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 2006). The discount rates used to value the liabilities at March 31, 2007 and the corresponding assumptions used in the cost of current service and in the interest expense are as follows:

		2007			2006																					
	Liability valuation		Liability valuation		Liability valuation		Liability valuation		Liability valuation		Liability valuation		Liability valuation		Liability valuation		Liability valuation		Liability valuation		Liability valuation		Expense Liability valuation valuation Liability valuation		valuation	Expense valuation
	Short-term	Long-term		Short-term	Long-term																					
Discount rates - pension liabilities — Expected rate of return on																										
pension investments Expected weighted average of long-term	6.0%	6.3%	6.2%	6.2%	6.3%	6.2%																				
bond rates	7.3%	5.0%	7.6%	7.6%	5.0%	7.8%																				
Discount rates - other employee future benefits — Expected long-term bonds rates	4.4%	5.0%	4.8%	4.8%	5.0%	5.1%																				

Changes in assumption 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 benef	
	2007	2006	2007	2006
Possible impact on liabilities due to:				
Increase of 1 percent in discount rate	-21,300	-19,700	-7,300	-6,000
Decrease of 1 percent in discount rate	27,000	24,900	9,300	7,600
Increase of 1 percent in inflation rate	20,700	18,800	7,100	5,400
Decrease of 1 percent in inflation rate	-17,000	-15,400	-5,500	-4,900
Increase of 1 percent in general wage increase	5,200	5,000	400	400
Decrease of 1 percent in general wage increase	-4,300	-4,200	-400	-400

8. Other Liabilities

Other liabilities are comprised of the following:

	(in millions	of dollars)
	2007	2006
Due to Canada Pension Plan	54	151
Others —		
Government Annuities Account	319	347
Deposit and trust accounts	1,359	1,481
Other specified purpose accounts	3,479	3,514
	5,157	5,342
Total other liabilities	5,211	5,493

i. 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, 2007, the fair value of the Plan's net assets is \$119,831 million (\$101,121 million in 2006).

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 \$54 million (\$151 million in 2006) corresponds to the balance in the Account and is reported as the Government's liability to the Plan at March 31, 2007.

Details (unaudited) and the audited financial statements of the Plan can be found in Section 6 of this volume.

ii. Others

The Government Annuities Account, the deposit and trust accounts and the other specified purpose accounts are liability accounts that are used to record transactions made under authorities obtained from Parliament through either the *Financial Administration Act* or other specific legislation. Details (unaudited) on these accounts can be found in Section 6 of this volume.

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 \$6,548 million (\$4,891 million in 2006) in relation to the total tax receivables. It also recorded a provision for bad debts of \$3,529 million (\$809 million in 2006), 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)				
	2007			2006	
	Total tax receivables	Allowance for doubtful accounts	Net	Net	
Income tax receivables —					
Individuals	34,920	3,490	31,430	28,927	
Employers	14,562	555	14,007	13,496	
Corporations	9,665	1,055	8,610	5,871	
Non-residents	1,081	66	1,015	906	
Goods and services tax receivable	11,508	1,326	10,182	9,155	
Customs duties receivable	220	26	194	92	
Excise taxes and duties receivable	1,084	30	1,054	666	
Total	73,040	6,548	66,492	59,113	

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 \$4,581 million (\$3,878 million in 2006) and are presented net

of an allowance for doubtful accounts of \$1,183 million (\$1,297 million in 2006). 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, 2007, the fair value of the marketable securities contained in the Exchange Fund Account was \$38,860 million (\$33,194 million in 2006). 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	s of dollars)
	2007	2006
International reserves		
held in the Exchange		
Fund Account —		
Cash and short-term deposits	4,484	6,538
Marketable securities	39,055	33,321
Other assets	1,134	1,077
Total	44,673	40,936
International Monetary Fund —		
Subscriptions	11,106	10,673
Total	55,779	51,609
Less:		
International Monetary Fund —		
Notes payable	10,242	9,471
Special drawing rights allocations	1,359	1,311
Total	11,601	10,782
Total foreign exchange accounts	44,178	40,827

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

11. Crown Corporations and Other Entities

The Government wholly owns forty-three 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 and other comprehensive income from enterprise Crown corporations is recorded directly to the Government's accumulated deficit and net debt. 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 table presents the Government's recorded investment in significant enterprise Crown corporations and other government business enterprises:

	(in millions	(in millions of dollars)	
	2007	2006	
Loans and advances — Canada Mortgage and Housing			
Corporation	4,651	4,799	
Other	98	131	
Total loans and advances	4,749	4,930	
Investments —			
Export Development Canada	5,749	4,833	
Corporation	6,342	4,666	
Business Development Bank of Canada	1,808	1,691	
Canada Post Corporation	1,440	1,392	
Farm Credit Canada	1,462	1,264	
Canada Deposit Insurance Corporation	948	843	
Other	2,605	2,451	
Total investments	20,354	17,140	
Total	25,103	22,070	
Less: amount expected to be repaid from future appropriations	1,420	1,486	
Total	23,683	20,584	

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

The following table presents the summary financial position and results of enterprise Crown corporations and other government business enterprises:

	(in millions of dollars)	
	2007	2006
Assets (including capital assets, inventories and prepaid expenses of \$6,464 (\$5,798 in 2006))	237,433	208,118
Liabilities	217,159	191,038
Net equity as reported	20,274	17,080 60
Net equity	20,354	17,140
Revenues	25,278 20,149	23,406 18,901
Net income for the year as reported Elimination adjustments	5,129 207	4,505 535
Net income	5,336	5,040
Other changes in equity Other comprehensive income (1) Dividends (2) Capital	479 -2,604 3	-2,027 15
Opening net equity	3,214 17,140	3,028 14,112
Closing net equity	20,354	17,140
Contractual obligations	8,763 3,006	5,669 2,521

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

Non Public Property (NPP), as defined under the National Defence Act, consists of money and property contributed by Canadian Forces members and is administered for their benefit by the Canadian Forces Personnel Support Agency (CFPSA). The CFPSA is responsible for delivering selected morale and welfare programs, services and activities through three operational divisions, Canadian Forces Exchange System (CANEX), Personnel Support Programs and Service Income Security Insurance Plan (SISIP) Financial Services. Under the National Defence Act, NPP is explicitly excluded from the Financial Administration Act. The Government provides some services related to NPP activities such as accommodation and security for which no charge is made. The cost of providing these services is included in the financial statements of the Government of Canada. CFPSA administered estimated revenues and expenses of \$330 million and \$295 million respectively for 2006-2007 and net equity of \$540 million at March 31, 2007 which are excluded from the financial statements of the Government 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)		
	2007	2006	
National governments, including			
developing countries and			
international organizations —			
National governments including			
developing countries	697	777	
International organizations	14,155	13,664	
Total	14,852	14,441	
Other loans, investments and advances —			
Provincial and territorial	4.642	4.029	
governments	4,643	4,928	
Other loans, investments and advances	19,101	18,734	
Total	23,744	23,662	
Total	38,596	38,103	
Less: allowance for valuation	17,185	16,798	
Total	21,411	21,305	

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 9 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 \$9,876 million (\$8,766 million in 2006), and loans for development of export trade which are administered by Export Development Canada of \$2,321 million (\$2,661 million in 2006). 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 per-

⁽¹⁾ As a result of a new accounting standard adopted by enterprise Crown corporations during the year, this amount also corresponds to their accumulated other comprehensive income as at March 31, 2007.

⁽²⁾ Amounts reported as dividends include \$1,984 million (\$1,736 million in 2006) from the Bank of Canada.

cent 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 (1)	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

(1) 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 o	f dollars)				
_		Со	st		A	ccumulate	ed amortiza	tion		
	Opening balance	Acqui- sitions	Disposals and adjust ments (1)		Opening balance		Disposals and adjust- ments		Net book value 2007	Net book value 2006
Land	1,392	19	12	1,399					1,399	1,392
Buildings	18,183	165	-358	18,706	9,121	675	201	9,595	9,111	9,062
Works and infrastructure	10,781	49	-172	11,002	5,861	349	54	6,156	4,846	4,920
Machinery and equipment	19,956	713	-160	20,829	11,240	1,295	375	12,160	8,669	8,716
Vehicles (ships, aircraft and others)	31,150	477	-96	31,723	17,497	1,159	266	18,390	13,333	13,653
Leasehold improvements	1,383	67	-191	1,641	657	141	-85	883	758	726
Assets under construction	6,980	3,006	2,173	7,813					7,813	6,980
Assets under capital leases	3,995	293	-79	4,367	1,089	188	17	1,260	3,107	2,906
Total	93,820	4,789	1,129	97,480	45,465	3,807	828	48,444	49,036	48,355

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

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)	
	2007	2006
Transfer payment agreements	44,949	46,539
and goods and services	18,623	17,718
Operating leases	2,178	2,901
International organizations (1)	2,204	2,802
	67,954	69,960

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
2008	14,365
2009	10,363
2010	8,218
2011	4,574
2012	3,726
2013 and subsequent	26,708
	67,954
	67,954

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

⁽¹⁾ Disposals and adjustments include assets under construction of \$1,886 million that were transferred to other categories upon completion of the assets.

⁽¹⁾ Includes an amount of \$1,469 million for which the obligation was cancelled after year end, in June 2007.

⁽¹⁾ Includes an amount of \$1,469 million for which the obligation was cancelled after year end, in June 2007.

i. Transfer payment agreements

The transfer payment agreements obligations include an amount of \$28,121 million (\$29,205 million in 2006) 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 2006-2007 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, 2007, total \$2,178 million (\$2,901 million in 2006).

15. Contingent Liabilities

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

i. Guarantees by the Government

The guarantees of the Government includes the guarantees of the borrowings of agent enterprise Crown corporations, of certain other government business enterprises and of non-agent enterprise Crown corporations, guarantees of certain loans made by agent enterprise Crown corporations, guarantees, either collective or specific, of the loans of certain individuals and businesses obtained from private sector and guarantees of Government insurance programs. At March 31, 2007, these guarantees amount to \$151,446 million (\$130,180 million in 2006) for which an allowance of \$815 million (\$1,031 million in 2006) 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, 2007, callable share capital amounts to \$14,690 million (\$14,842 million in 2006).

iii. Contaminated sites

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites and unexploded explosive ordnance affected sites where the Government is obligated or likely obligated to incur such costs. The Government has identified

approximately 2,630 sites (2,700 sites in 2006), where such action is possible and for which a liability of \$3,134 million (\$3,014 million in 2006) has been recorded. A liability of \$2,928 million (\$2,847 million in 2006) was also recorded for decommissioning nuclear facilities bringing the recorded environmental liability to \$6,062 million (\$5,861 million in 2006).

The Government has estimated additional clean-up costs for which it may be potentially liable of \$3,243 million (\$3,470 million in 2006). These costs are not accrued as they are not considered likely to be incurred. The Government's ongoing efforts to assess contaminated sites and unexploded explosive ordnance affected sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These 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: Comprehensive land claims are negotiated in areas where aboriginal title has not been dealt with by treaty or by other legal methods. In such cases, the claim is based on an aboriginal group's traditional use and occupancy of that land. There are currently 71 (74 in 2006) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of \$3,200 million (\$3,200 million in 2006) 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, 2007, an amount of \$10,027 million (\$9,694 million in 2006) of taxes assessed was under objection at Canada Revenue Agency and an amount of \$2,164 million (\$1,742 million in 2006) 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, 2007, total insurance in force amounts to \$897,490 million (\$839,382 million in 2006). 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.

16. Subsequent Event

On August 20, 2007, the Government of Canada announced that it has entered into an agreement for the sale of nine office buildings and their subsequent lease-back for a period of twenty-five years. The office complexes and land that are located in six major cities across Canada will be sold for an amount approximating \$1,600 million. The impact of this agreement, once finalized, will be reflected in the 2007-2008 financial statements.

SUPPLEMENTARY INFORMATION OBSERVATIONS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA FOR THE YEAR ENDED MARCH 31, 2007

The purpose of these Observations is to comment on and explain certain elements of my Report on the Financial Statements of the Government of Canada as at and for the year ended March 31, 2007.

YEAR-END TRANSACTIONS

In Budget 2007, the government announced various one-time transfers to support a number of initiatives regarding such areas as health care, post-secondary education and training, and the environment. Related to these announcements, the 2006-07 Statement of Operations includes \$4.5 billion of expenses for agreements that were entered into under the authority of the government with various parties before March 31, 2007. Payment authority for these expenses was given to the government by the passing of an *Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007*, (Bill C-52); this act received royal assent on June 22, 2007.

Specifically, I would like to highlight the following items:

- \$1.5 billion paid to a trust (Clean Air and Climate Change Trust Fund) for provinces and territories to support projects designed to achieve reductions in greenhouse gas emissions and air pollutants;
- \$.6 billion paid to a trust for Ontario, Manitoba and Saskatchewan relating to post-secondary education and training; and
- \$.6 billion paid to a trust for provinces and territories in support of patient wait times guarantees.

We focused on such agreements that were entered into at or near year-end to ensure that the expense was recognized in the proper period and that transactions have been entered into with appropriate authority. The above-noted obligations were created prior to March 31, 2007 by the government's communication of its intention to transfer these funds to the provinces and territories for these purposes, and the provinces and territories acceptance of these arrangements.

The agreements anticipate that the provinces and territories will use these funds over several years. However, the agreements allow for the provinces and territories to ask that payments be accelerated – in effect, the provinces and territories could access all their funds immediately. The terms of the communications of the government's intention to transfer these funds and the establishment of the agreements make it clear that the government had relinquished its discretion to avoid settlement of these obligations.

In accordance with Public Sector Accounting Standards, government transfers are recognized in a government's financial statements as an expense in the period that the events giving rise to the transfer occur, as long as:

- the transfer is authorized:
- eligibility criteria, if any, have been met by the recipient; and
- a reasonable estimate of the amount can be made.

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

- had entered into agreements with appropriate authorities;
- had authorization from Parliament, to make the payments through trusts, with the passing of the *Budget Implementation Act* before the financial statements were finalized;
- had not included in the trust agreements or letters to the provinces and territories any condition to be eligible to receive these funds that would have to be met by the province or territory, subsequent to March 31, 2007; and
- had known the amount of the transfer.

DEPARTMENTAL FINANCIAL STATEMENTS

As announced in 2004, part of the government's plan to transform and strengthen public sector management included measures to strengthen comptrollership and oversight. As part of this plan, one of the initiatives was to have all annual financial statements of departments audited. The Office of the Comptroller General's strategy to implement this initiative is to focus on 22 large departments. I understand that in the near future, the government will be examining its priorities and strategies for matters related to financial management, including departmental financial statements.

In the past, I have expressed support for this ambitious undertaking as a component of the Office of the Comptroller General's plan for strengthening financial management in the government. I believe the process of preparing for audited departmental financial statements should result in the strengthening of controls and accounting environments.

This year, I reviewed the progress that these 22 departments have made toward meeting this objective and have identified key areas where work needs to be done – by departments and by the central agencies – in order to be ready for audited departmental financial statements. My Office had discussions with the representatives in departments and reviewed documentation, where available.

Departmental level - status

In 2005-06, the Office of the Comptroller General, after consultation with my Office, requested that these 22 large departments undergo an audit readiness assessment. Departments have been contracting with external auditing firms to conduct these assessments. The assessment was designed to determine whether departmental internal financial control processes were well documented and existed within a sound internal control environment; by focusing on whether systems are in place to provide all of the information needed to prepare the financial statements; whether controls are adequate and documented; and whether there are appropriate financial staff in place in the departments to support an efficient audit. The intent was to identify key areas for improvement and address any previously uncorrected weaknesses that may have been reported by my Office.

I observed that progress in departments is varied. Specifically:

- Five departments are still in the process of having the external audit firm conduct the assessment or are selecting the audit firm for the assessment.
- Of the remaining seventeen, twelve departments have prepared an action plan that involves addressing specific deficiencies identified, setting time frames for resolution, and assigning responsibilities.
- Estimated time frames to have the deficiencies addressed and departments ready for an external audit range from 2007 to beyond 2010.
- Some departments have engaged the external audit firm to assist in preparing documentation, whereas other departments are using their internal audit function for this activity.

While I expected to see some variation in time frames to address deficiencies, I would have expected to see an action plan in place by now for each department so that the status can be monitored by senior departmental management and the Office of the Comptroller General.

My Office also had the opportunity to review the 17 readiness assessment reports. Common themes arising from these reports included:

- lack of documentation to support balances, policies, procedures and controls for key business processes; and
- challenges with information technology, such as the difficulties in transferring information arising from the manual adjustments required in many of the legacy systems.

I am also concerned with systems that were never designed as accounting systems being used as accounting subledgers and, as a result, requiring extensive manipulation of data in order to prepare financial statements. This manual processing, which by its nature has a higher inherent risk of error, often results in unexplained differences. We have noted in previous years' Observations these types of concerns with Canada Border Services Agency, Canada Revenue Agency and National Defence.

Government level - status

The Office of the Comptroller General has committed to monitoring the results of the readiness assessments and to working with departments to ensure that corrective action is taken as required. In meetings my Office held with the departments, many indicated they would like to have more involvement by the Office of the Comptroller General. Departments have expressed support for a recent initiative by the Office of the Comptroller General whereby all 22 departments meet on a monthly basis to share best practices.

In 2005-06, the Office of the Comptroller General issued revised guidance to departments through Treasury Board Accounting Standards that illustrated a set of financial statements and accompanying notes. At that time, the Office of the Comptroller General committed to resolving a few accounting and reporting issues. It was agreed that my Office and the Office of the Comptroller General would work together in researching and analyzing these significant issues. While discussions have occurred with my Office and external consultants, I am concerned that final resolution of these issues remains outstanding.

The Office of the Comptroller General needs to assume a more proactive role in order to advance this initiative. In my view, the Office of the Comptroller General should increase its efforts to:

- centrally monitor key issues arising from readiness assessments and provide additional advice and guidance to departments;
- ensure that departments address the control weaknesses that my Office has previously reported and those issues arising from the readiness assessments;
- require and monitor departmental action plans; and
- provide direction to departments on key issues such as accounting matters.

When departments are ready for an audit, my Office will gladly play our part in the process. In my view, it is not appropriate to proceed with these audits if the likelihood of a qualified audit opinion or non controls-based audit is high. The focus of this initiative needs to be on the ultimate objective of improving internal controls and providing better financial information.

Summary

Based on the information provided to us, many departments have a long way to go before achieving the goal of readiness for an efficient audit of their financial statements. In addition, the Office of the Comptroller General needs to re-evaluate the overall strategy, including the expected deadlines for audited departmental financial statements, and reinforce with the departments the original objective of this initiative. I will continue to work with the government as it moves toward this goal.

ACCRUAL-BASED BUDGETING AND APPROPRIATIONS BY DEPARTMENTS AND AGENCIES

In the past, I have reported my concern that after years of studying the accrual-based budgeting and appropriations issue for departments and agencies, the government had not yet taken a position on this matter. Moving to full accrual-based budgeting and appropriations will have an impact on departments' and agencies' use of accrual financial information in decision making. Currently, departments and agencies use the accrual method of accounting to prepare information for the government's summary financial statements, unaudited financial statements for departmental performance reports and to address the requirements to include such information in Treasury Board submissions and memorandums to Cabinet. However, departmental budgets and appropriations are still not presented on an accrual basis.

The Treasury Board of Canada Secretariat engaged a consultant to study the issue and presented its final report to the Standing Committee of Government Operations and Estimates during the fall of 2006. The Standing Committee of Government Operations and Estimates issued its own report on accrual budgeting and appropriations in the federal government and made numerous recommendations; the first one being that the government adopt full accrual accounting for budgeting and appropriations. The Standing Committee on Public Accounts also issued a report and recommended that the government present to Parliament for discussion and debate a model, including projected costs and benefits, on extending full accrual accounting to budgeting and appropriations to departments and agencies, within the next year.

The government responded that the Treasury Board of Canada Secretariat is currently developing a model for full accrual-based budgeting and appropriations. Once developed, this model, including information on implementation requirements, is to be presented to Parliament for further discussion and debate. The government has committed to presenting this model to Parliament by March 2008.

I am pleased that the government is moving forward on the issue of full accrual budgeting and appropriations for departments and agencies; and I am encouraged by the attention that two parliamentary committees have placed on this important issue. It will be important for the government to maintain its momentum on advancing this issue and meeting its commitment.

MANAGEMENT ESTIMATES – TAX REVENUES

Accrual accounting for tax revenues is intended to ensure that tax revenues reported in the government's financial statements reflect more accurately the underlying economic activity during the fiscal period, and that the tax amounts owed to the government are reported in the financial statements. In other words, tax revenues are recognized in the period when the taxable activity occurs, rather than when the government receives the cash.

In 2003, the government introduced full accrual accounting resulting in a change from the cash basis of accounting to an accrual method of recognizing tax revenues. The government developed a methodology to accrue tax revenues, based on a combination of taxes assessed as at a certain date, and estimates of amounts earned but not yet assessed, based on cash received. The same methodology has remained in place, with few significant modifications since that time.

As the largest and most significant management estimate affecting the Government of Canada's financial statements, it is important that the government regularly monitor the reliability of its estimation process and modify it, where necessary, to improve the accuracy of its estimates. Since the introduction of accrual accounting in 2003, my Office has regularly expressed to the government the need to do this.

Annually, the Canada Revenue Agency conducts analyses of actual tax results in comparison with previous estimates. These results show evidence of a continued understatement of tax revenues when compared to actual results, particularly in the area of corporate tax revenues. However, these analyses have not prompted modifications that have significantly improved the tax estimation methodology.

The issue is not significant enough to conclude that the financial statements do not fairly present the government's financial position and results of operations as the amount of misstatement is consistent from year to year. However, in my view, the government needs to address this weakness in the tax financial reporting process. While I recognize the complexity of the process and the time it continues to demand, identifying and implementing improvements to this management estimate should be a priority. With more than four years experience in identifying causes of variances between actual and estimated amounts, it is time to implement improvements.

PAYABLES AT YEAR-END POLICY

During discussions in prior years, it became apparent that my Office and the Office of the Treasury Board Secretariat had different interpretations of Section 37.1 of the *Financial Administration Act* and the government's policy on Payables at Year-End (PAYE). The difference involves whether debts per Section 37.1 of the *Financial Administration Act* includes all items that would be recognized as liabilities. This difference results in a lack of clarity on the nature of items to be appropriately charged to an appropriation.

The Treasury Board Secretariat is currently revisiting many of its policies in its "Policy Suite Renewal" project. We indicated to the Office of the Comptroller General that, in our view, there needs to be greater clarity regarding charges to appropriations. We are concerned that it remains highly possible that the departments will not charge amounts against their appropriation nor record a liability because they do not meet this legally binding definition, but they are in substance liabilities. I continue to encourage the government to clarify its position with respect to the substance of these transactions, and ensure that expenditures are properly and consistently charged to appropriations, and recognized as liabilities at year-end.

Given the importance of ensuring that expenditures are properly and consistently charged to appropriations, it is important that the Office of the Comptroller General resolve this matter.

STATUS OF ITEMS REPORTED IN PREVIOUS YEARS

Observation	Current Status
Audit opinion in accordance with Canadian generally accepted accounting principles	Under auditing standards of the Canadian Institute of Chartered Accountants, we are required 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.
	The government's accounting policy indicates that its stated accounting policies are based on Canadian generally accepted accounting principles for the public sector, and that the presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles. I would prefer that the government indicate its commitment to conforming to Canadian generally accepted accounting principles.
Canada Revenue Agency/ Canada Border Services Agency — tax revenue system deficiencies	In the past, I have indicated my view that improvements need to be implemented in the accounting systems and practices for tax revenues 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.
	For 2006-07, Canada Revenue Agency's net amount of unreconciled differences has decreased to an insignificant amount. I acknowledge the efforts made by management in addressing this issue. Management of Canada Border Services Agency continue to identify
	underlying causes of some of these differences, however, unexplained differences continue to exist at year-end.
National Defence inventory, repairable spare parts and realty asset records	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.
	While noteworthy improvements have been made in past years 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 that the cost of inventory is properly reflected in the summary financial statements.
	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.
	Accrual accounting also requires the recording and amortizing of costs of capital assets of the Department. The capital asset subledger system used to capture the data for land, buildings, and works has not been reconciled to the general ledger in a timely and accurate manner. It is important that National Defence ensures that the information in the subledger is accurate, complete and reconciled to the amounts recorded in the general ledger.

Observation	Current Status
Timely reporting	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 have also noted that, in the present environment, there are significant challenges to the more timely preparation of the government's summary financial statements.
	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.
Clarity in terminology	The government continues to use the term "federal debt" rather than "accumulated deficit" in some of its publications. While I understand that 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.
	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 adjusted by the amount of the annual surplus and the change in other comprehensive income, 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.
	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.

EXPLANATION OF MY AUDIT REPORT

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

section 3

2006-2007

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

2006-2007 2005-2006 Revenues-Tax revenues, Table 3.2. 198,416 186,100 16,789 16,535 Employment insurance premiums Other revenues, Table 3.4. 20.761 19,568 235,966 222,203 Total revenues Expenses— 118 317 124,940 63,329 56,896 175,213 188,269 Total program expenses..... 33,945 33,772 Total expenses, Table 3.6 222,214 208,985 13,752 13,218 Annual surplus..... Accumulated deficit, beginning of year..... 481,499 494,717 Other comprehensive income 479 Accumulated deficit, end of year 467,268 481,499

REVENUES

(in millions of dollars)

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)

	2006-2007	2005-2006
Tax revenues—		
Income tax revenues—		
Personal	110,477	103,691
Corporate	37,745	31,724
Other income tax revenues	4,877	4,529
	153,099	139,944
Other taxes and duties—		
Goods and services tax, Table 3.3	31,296	33,020
Energy taxes—		
Excise tax—Gasoline	4,003	4,008
Excise tax—Aviation gasoline and diesel fuel	1,125	1,068
	5,128	5,076
Customs import duties	3,704	3,330
Other excise taxes and duties—		
Excise duties	3,916	4,128
Air travellers security charge	357	353
Softwood lumber products export charge	229	
Charge on refunds of softwood lumber duty deposits	494	
Other miscellaneous excise taxes and duties	193	249
	5,189	4,730
	45,317	46,156
Total tax revenues (1)	198,416	186,100

 $^{^{(1)}}$ 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, Customs Tariff (Act) and other acts 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 6 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 from 7 percent to 6 percent was approved through the *Budget Implementation Act, 2006* and became effective on July 1, 2006. A comparative analysis of the GST is presented in Table 3.3.

TABLE 3.3GOODS AND SERVICES TAX (GST) (1)

(in millions of dollars)

	2006-2007	2005-2006
SST	35,897	37,610
ess: remission order for the GST paid and accrued by ministries on or for goods and services		
purchased from outside parties	1,137	1,189
Gross GST from outside parties	34,760	36,421
ess: quarterly tax credits	3,464	3,401
Net GST from outside parties.	31,296	33,020

⁽¹⁾ 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 travelers security charges are collected by air carriers at the time of payment for the air travel by the purchaser of an air transportation service.

The Softwood Lumber Products export charge is assessed on exports of softwood lumber products to the United States after September 30, 2006. The charge on refunds of softwood lumber duty deposits is assessed on amounts refunded to Canadian companies on amounts related to a United States duty order related to the importation of softwood lumber products into the United States between May 22, 2002 and September 30, 2006.

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.

3.4 REVENUES, EXPENSES AND ACCUMULATED DEFICIT

Other Revenues

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

TABLE 3.4 OTHER REVENUES

(in millions of dollars)

	2006-2007	2005-2006
Other revenues—		
Crown corporation revenues—		
Consolidated Crown corporations and other entities	1,735	1,708
Enterprise Crown corporations and other government business enterprises—		
Share of annual profit	5,335	5,041
Interest and other.	433	449
	7.503	7,198
Other program revenues—	7,303	7,170
Return on investments, Table 3.5	1,160	680
Sales of goods and services—	1,100	080
g .	1.500	1 646
Rights and privileges	1,500 524	1,646 533
Lease and use of public property	954	922
Services of a regulatory nature		
Services of a non-regulatory nature.	2,517	2,551
Sales of goods and information products	304	250
Other fees and charges	326	447
	6,125	6,349
Miscellaneous revenues—		
Interest and penalties	3,463	2,524
Other.	796	803
	11.544	10.356
Foreign exchange revenues—	11,577	10,550
Exchange Fund Account	1,728	1,483
e	1,728	531
International Monetary Fund. Other	(43)	331
Outer	(43) 1.714	2.014
	1,/14	2,014
Fotal other revenues (1)	20,761	19,568

⁽¹⁾ 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 (1)

(in millions of dollars)

	2006-2007	2005-2006 (2)
Consolidated accounts— Atomic Energy of Canada Limited	(3)	(3)
Cash and accounts receivable—		
Interest on bank deposits	351	212
oans, investments and advances—		
Portfolio investments	(3)	(3)
National governments including developing countries	8	4
International organizations	14	17
Provincial and territorial governments	(3)	2
Other loans, investments and advances	589	503
	611	526
Other accounts—		
Esso Ltd—Norman Wells Project profits	123	132
Other.	10	16
	133	148
otal ministerial return on investments	1,095	886
Net gain (loss) on exchange	73	(252)
Accrual of other revenues.	38	74
otal return on investments	1,206	708
limination of return on investments internal to the Government	(46)	(28)
Total external return on investments	1,160	680

⁽¹⁾ Additional details are provided in Table 4a in Section 1 of Volume II, and in Section 10 of Volume III.
(2) Certain comparative figures have been reclassified to conform to the current year's presentation.
(3) 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)

	2006-2007	2005-2006 (1)
Fransfer payments—		
Old age security benefits, guaranteed income supplement and spouse's allowance Other levels of government—	30,284	28,992
Canada health and social transfer	28,640	27,225
Fiscal arrangements	13,033	12,381
Alternative payments for standing programs	(3,177)	(2,731)
Other major transfers	4,018	3,940
Total other levels of government	42,514	40,815
Employment insurance benefits.	14,084	14,417
Children's benefits	11,214	9,200
Cinidren's benefits	98.096	93,424
Other transfer payments—	90,090	93,424
Agriculture and Agri-Food.	3,122	2,595
Canadian Heritage.	1,158	1,026
Foreign Affairs and International Trade	4,004	3,357
Health.	2,514	2.080
Human Resources and Skills Development		2,193
1	1,918	,
Indian Affairs and Northern Development	5,161	5,448
Industry	2,388	2,204
Transport	1,068	1,313
Other	5,511	4,677
Total other transfer payments	26,844	24,893
Total transfer payments.	124,940	118,317
Other program expenses—		
Crown corporation expenses	7,211	7,195
Agriculture and Agri-Food	1,618	1,599
Canada Revenue Agency	6,769	3,998
Environment	1,440	1,514
Fisheries and Oceans	1,560	1,489
Foreign Affairs and International Trade	1,959	1,800
Health	3,313	2,130
Human Resources and Skills Development	3,223	3,059
Indian Affairs and Northern Development	1,171	911
Industry	2,259	2,145
Justice	1,148	1,099
National Defence.	15,732	15,034
Natural Resources	1,042	819
Public Safety and Emergency Preparedness	7,367	6,647
Public Works and Government Services.	2,724	2,484
Treasury Board	1,911	1,757
Other ministries	2,882	3,216
Total other program expenses.	63,329	56,896
Fotal program expenses	188,269	175,213
Public debt charges, Table 3.8	33,945	33,772
—		
Total expenses (2)	222,214	208,985

Certain comparative figures have been reclassified to conform to the current year's presentation.
 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 (1)	Employment insurance benefits	Fiscal arran- gements	Alternative payments for standing programs	Canada health and social transfer	Other major transfers (2)	Children's benefits	Total
Newfoundland and Labrador	619 589	914 912	688 863		479 463	30 2,062		2,730 4,889
Prince Edward Island	155 149	215 203	291 277		131 124	5 15		797 768
Nova Scotia	1,032 989	706 689	1,388 1,363		881 843	36 936		4,043 4,820
New Brunswick	858 815	774 765	1,453 1,350		707 676	22 85		3,814 3,691
Quebec	8,379 7,925	3,765 4,227	4,838 4,207	(3,177) (2,731)	7,216 6,826	291 1,036		21,312 21,490
Ontario	11,258 10,730	4,426 4,302	8		10,881 10,242	476 1,406		27,049 26,688
Manitoba	1,173 1,136	400 406	1,712 1,603		1,108 1,058	44 156		4,437 4,359
Saskatchewan	1,103 1,076	328 <i>321</i>	15 91		1,042 960	38 130		2,526 2,578
Alberta	2,492 2,379	930 <i>911</i>	4		2,052 2,110	123 393		5,601 5,797
British Columbia	4,072 3,881	1,528 1,602	463 593		4,067 3,822	162 600		10,292 10,498
Total provinces	31,141 29.669	13,986	10,860	(3,177)	28,564	1,227		82,601
Northwest Territories	29,009 17 16	14,338 39 29	10,359 757 714	(2,731)	27,124 13 39	6,819 3 117		85,578 829 915
Nunavut	8 7	23 16	844 799		33 32	5 265		913 1,119
Yukon Territory	17 16	25 26	517 487		30 30	5 107		594 666
International	188 195	11 8	, , ,		20	10,		199 203
Sub-total	31,371 29,903	14,084 14,417	12,978 12,359	(3,177) (2,731)	28,640 27,225	1,240 7,308		85,136 88,481
Accrual and other adjustments	ŕ		55 22		ŕ	2,778 (3,368)		2,833 (3,346)
Total (Net)	31,371 29,903	14,084	13,033 12,381	(3,177)	28,640	4,018 3,940		87,969
Add: tax credits and repayments	(1,087) (911)	14,417	12,381	(2,731)	27,225	3,940	11,214 9,200	85,135 10,127 8,289
Total (Gross)	30,284 28,992	14,084 14,417	13,033 12,381	(3,177) (2,731)	28,640 27,225	4,018 3,940	11,214 9,200	98,096 93,424

Amounts in roman type are 2006-2007 transfer payments.

Amounts in *italic* type are 2005-2006 transfer payments.

(1) Includes the guaranteed income supplement and the spouse's allowance.

(2) Includes payments to the Clean Air and Climate Change Trust Fund of \$1,519 million, the Patient Wait Times Guarantee Trust of \$612 million, the Transition Trust of \$614 million, the Early Learning and Child Care Program of \$650 million and transfers to provinces on behalf of Canada's cities and communities of \$590 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 ⁽¹⁾

(in millions of dollars)

	2006-2007	2005-2006
Jnmatured debt—		
Interest on:		
Marketable bonds	14,010	14,784
Canada savings and Canada premium bonds	720	652
Bonds for Canada Pension Plan	215	323
Promissory Note - TD Trust Company		(2)
Promissory notes - Montreal Trust Company	(2)	(2)
Promissory notes - Computershare Trust Company	(2)	(2)
Canada notes	9	13
Euro medium term notes.	73	69
	15,027	15,841
Amortization of premiums, discounts and commissions on:	,	,
Treasury bills	4,692	3,444
Marketable bonds	1,094	1,766
Consumer price index adjustments on real return bonds	265	1,700
Canada bills	106	80
		24
Canada savings and Canada premium bonds	21	
	6,178	5,314
Servicing costs and costs of issuing new borrowings	73	77
Capital lease obligations.	187	185
al public debt charges related to unmatured debt	21,465	21,417
nsion and other liabilities—		
Interest on:		
Public sector pensions—Superannuation accounts	10,561	10,614
Less: Provision for pension adjustment	(1,072)	(1,148)
	9,489	9,466
Other employee and veteran future benefits—		
Health and dental care plans	674	571
Severance benefits.	211	205
Worker's compensation.	32	34
Veteran benefit plan	1,643	1.655
RCMP benefit plan	88	71
Kewir benefit plan	2,648	2,536
Canada Pension Plan.	9	2,330
Government Annuities Account	22	24
Deposit and trust accounts	44	55
Other specified purpose accounts	216	215
Other liabilities	52	38
tal public debt charges related to pension and other liabilities	12,480	12,355
nsolidated specified purpose accounts—		
Interest on:		
Employment Insurance Account	1,912	1,323
Other	15	13
al public debt charges related to consolidated specified purpose accounts	1,927	1,336
tal public debt charges before consolidation adjustments.	35,872	35,108
ss: consolidation adjustments	1,927	1,336
<u> </u>		
al public debt charges (1) (3)	33,945	33,772
mprised of:		
Total public debt charges under statutory authorities before accrual and other adjustments		
and consolidation adjustments	34,109	33,535
Accrual and other adjustments	1,763	1,573
Consolidation adjustments	(1,927)	(1,336)
and mark the date share as		
al public debt charges	33,945	33,772

⁽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.

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 ⁽¹⁾

(in millions of dollars)

	Total expenses	Reconciliation	Total expenditures
Transfer payments	124,940	(25,980)	98,960
Other program expenses—			
Crown corporations and other program expenses	6,851	(6,851)	
Personnel	32,923	(2,287)	30,636
Transportation and communications	2,749	128	2,877
Information	284	15	299
Professional and special services	6,712	1,135	7,847
Rentals	1,471	381	1,852
Repair and maintenance	2,311	528	2,839
Utilities	2,671	82	2,753
Amortization expenses	3,807	(3,807)	
Loss on disposal of assets	268	(268)	
Other subsidies and expenses	3,282	3,582	6,864
Acquisition of land, buildings and works		681	681
Acquisition of machinery and equipment		3,931	3,931
	63,329	(2,750)	60,579
Public debt charges.	33,945	164	34,109
Total	222,214	(28,566)	193,648

⁽¹⁾ 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)

		2006-2007			2005-2006	
Public debt charges.			34,109			33,535
Old age security payments (Old Age Security Act)			22,879			22,044
Act)			20,140			19,000
Canada social transfer (Part V.1—Federal-Provincial Fiscal Arrangements			11,535			10,900
Act)			8,500 6,901			8,225 6,476
and Budget Implementation Act, 2006)			2,118			2,000
Act) Contributions in support of business risk management programs under the agricultural policy framework—Canadian agricultural income stabilization			1,784			
program			933			1,069
Implementation Act, 2006)			650			
secondary education for their children			505			367
Allowance payments (Old Age Security Act)			504			472
Softwood Lumber Products Export Charge Act, 2006 Contributions payments for the Canadian agricultural income stabilization program			503			
inventory transition initiative			442			
transition initiative . Superannuation, supplementary retirement benefits, death benefits and other pensions—(2) Public Service—			431			
Government's contributions to the Public Service pension plan and the Retirement Compensation Arrangements Account	2.119			2,249		
Government's contribution as employer to the Employment Insurance Account Government's contributions to the Canada and the Quebec Pension	236			297		
Plans	512 10			445 10		
Less: recoveries from revolving funds		2,877 103	2.774		3,001	2 000
Canadian Forces—			2,774			2,880
Government's contribution to the Canadian Forces pension plan and the						
Retirement Compensation Arrangements Account		693			696	
Statutory payments under the Supplementary Retirement Benefits Act		7 67			7 67	
Plans		143			127	
			913			900
Royal Canadian Mounted Police— Government's contribution to the Royal Canadian Mounted Police pension plan and			7.20			, , ,
the Retirement Compensation Arrangements Account		213			223	
Statutory payments under the Supplementary Retirement Benefits Act		15 18			17 18	
Government's contribution to the Canada and the Quebec Pension Plans		40			36	
All other statutory expenditures			286 377			294 12,091

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

section 4

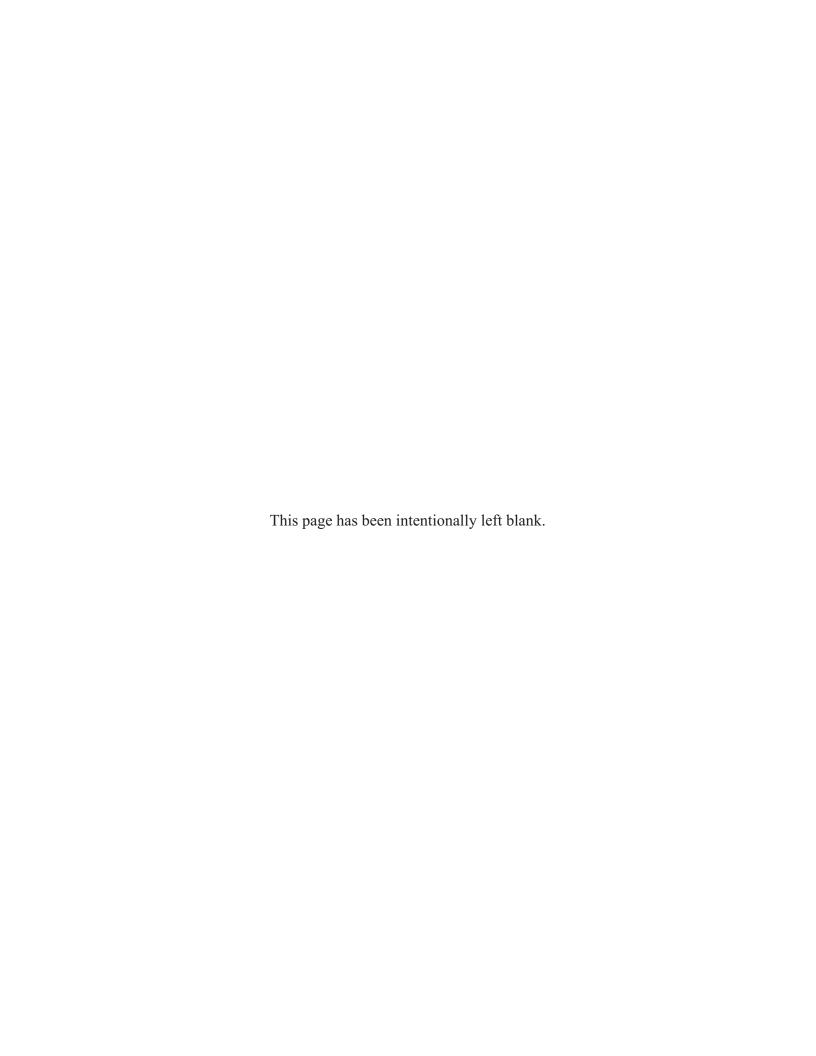
2006-2007

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 entites' 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, other comprehensive income and transactions with the Government. Equity adjustments and other include prior period adjustments and other miscellaneous items recorded by the corporations and other entities. Other comprehensive income comprises unrealized gains and losses that are recognized in comprehensive income, but excluded from net income. Upon realization, these gains and losses are included in net income. 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, 2007. 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, 2007 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 ENTITES—ASSETS, LIABILITIES AND EQUITY AS AT MARCH 31, 2007

(in thousands of dollars)

_	Assets					
	Fin	ancial				
		Government, Crown				
Consolidated Crown corporations and other entities	Third parties	corporations and other entities	Non-financial	Total assets		
Crown corporations ⁽¹⁾						
Atomic Energy of Canada Limited	506,550	10,484	614,585	1,131,619		
Canada Council for the Arts	348,362	1,742	23,702	373,806		
Canada Lands Company Limited—	· ·	,	,	Í		
Old Port of Montreal Corporation Inc.	6,542		16,610	23,152		
anada Mortgage and Housing Corporation— Minister's Account						
Canadian Air Transport Security Authority	129,778		524,795	654,573		
Canadian Broadcasting Corporation.	324,535	32,108	1,235,234	1,591,877		
Canadian Dairy Commission—	321,333	32,100	1,233,231	1,571,077		
Dairy Support Operation Financed by the Government of Canada						
Canadian Museum of Civilization	45,752	682	310,192	356,626		
Canadian Museum of Nature	17,765	3,598	131,331	152,694		
Canadian Race Relations Foundation ⁽²⁾	25,600	3,370	46	25,646		
Canadian Tourism Commission	16,480	662	8,854	25,996		
Cape Breton Development Corporation	11,404	11,211	1,801	24,416		
ape Breton Growth Fund Corporation	42,511	11,211	1,001	42,511		
Defence Construction (1951) Limited.	8,344	7,351	1,595	17,290		
nterprise Cape Breton Corporation.	15,661	4,679	3,233	23,573		
ederal Bridge Corporation Limited, The ⁽³⁾	15,029	17,671	168,644	201,344		
nternational Development Research Centre.	55,533	8,462	7,767	71,762		
farine Atlantic Inc.	7,106	0,402	150,237	157,343		
fational Arts Centre Corporation	8,930	362	26,139	35,431		
ational Capital Commission	134,180	4.113	522,593	660.886		
lational Gallery of Canada.	16,225	806	97,955	114,986		
lational Museum of Science and Technology	2,578	5,611	54,769	62,958		
tandards Council of Canada	4,016	1,401	1,564	6,981		
elefilm Canada	14,219	30,559	10,539	55,317		
'IA Rail Canada Inc.	86,738	1,580	539,371	627,689		
-						
otal	1,843,838	143,082	4,451,556	6,438,476		
basis for consolidation purposes	(6,965)		(53,351)	(60,316)		
Net Crown Corporations on the Government						
accounting basis	1,836,873	143,082	4,398,205	6,378,160		
Other						
Aboriginal Healing Foundation	424	35,937	511	36,872		
anada Foundation for Innovation	1,598,291	876,432	1,300	2,476,023		
anada Foundation for Sustainable						
Development Technology	466,390	57,149	698	524,237		
Foundation	496,689	540,052	655	1,037,396		
Total—Other	2,561,794	1,509,570	3,164	4,074,528		
basis for consolidation purposes						
Net other on the Government						
accounting basis.	2,561,794	1,509,570	3,164	4,074,528		
Total	4,398,667	1,652,652	4,401,369	10,452,688		

⁽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

4.4 CONSOLIDATED ACCOUNTS

Corporation.

(2) The figures reported are those as at March 31,2006.

(3) 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.

	Liabili	ities		_				
Third _l Borrowings	Other	Government, Crown corporations and other entities	Total liabilities	Accumulated profits (losses)	Contributed surplus	Capital stock	Equity of Canada	Total liabilities and equity
	3,508,991	42,037	3,551,028	(2,913,817)	479,408	15,000	(2,419,409)	1,131,619
	129,025	1,772	130,797	173,262	19,747	50,000	243,009	373,806
	9,875	12,917	22,792	360			360	23,152
	133,559	503,784	637,343	14,554	2,676		17,230	654,573
	972,228	649,893	1,622,121	(34,244)	4,000		(30,244)	1,591,877
	21.122	260.021	200.162	CC 100			66.460	256.626
	21,132	269,031	290,163	66,463			66,463	356,626
	44,185	114,988	159,173	(6,479)	24.000		(6,479)	152,694
	40	17 404	40	1,606	24,000		25,606	25,646
	9,928	17,494	27,422	(1,426)			(1,426)	25,996
	437,266	2,561	439,827	(415,411)			(415,411)	24,416
	11,763	2	11,765	30,746			30,746	42,511
	12,825	373	13,198	4,092			4,092	17,290
	9,126	921	10,047	13,526	50.664		13,526	23,573
	14,432	130,427	144,859	2,821	53,664		56,485	201,344
	34,776	18,616	53,392	18,370		250 520	18,370	71,762
	(4,303)	141,967	137,664	(238,851)		258,530	19,679	157,343
	13,006	21,469	34,475	956	600.255		956	35,431
	50,706	3,356	54,062	6,469	600,355		606,824	660,886
	12,520	98,032	110,552	1,458	2,976		4,434	114,986
	6,243	45,617	51,860	11,098			11,098	62,958
	3,479	515	3,994	2,987			2,987	6,981
	4,897	9,405	14,302	41,015	4.062	0.200	41,015	55,317
	(85,388) 5,350,311	2,629,551	458,986 7,979,862	(3,066,005)	4,963 1,191,789	9,300	(1,541,386)	627,689 6,438,476
	(918)	(2,421,120)	(2,422,038)	3,886,341	(1,191,789)	(332,830)	2,361,722	(60,316)
	5,349,393	208,431	5,557,824	820,336			820,336	6,378,160
	10.411	22.461	26.052					26072
	13,411	23,461	36,872					36,872
	423	2,475,600	2,476,023					2,476,023
	832	523,405	524,237					524,237
	2,988	1,034,408	1,037,396					1,037,396
	17,654	4,056,874	4,074,528					4,074,528
		(4,056,874)	(4,056,874)	4,056,874			4,056,874	
	17,654		17,654	4,056,874			4,056,874	4,074,528
	5,367,047	208,431	5,575,478	4,877,210			4,877,210	10,452,688

TABLE 4.2REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES FOR THE YEAR ENDED MARCH 31, 2007

(in thousands of dollars)

	Revenues				
			Crown corporations her entities	-	
Consolidated Crown corporations and other entities	Third parties	Financial assistance	Other	Total	
Crown corporations					
Atomic Energy of Canada Limited.	586,715	105,491	72,667	764,873	
Canada Council for the Arts.	27,683	172,507	1,659	201,849	
Canada Lands Company Limited—					
Old Port of Montreal Corporation Inc.	13,989	13,641	2,189	29,819	
Canada Mortgage and Housing Corporation—					
Minister's Account		2,101,900		2,101,900	
Canadian Air Transport Security Authority	1,903	347,449	88,921	438,273	
Canadian Broadcasting Corporation	555,875	974,324	96,552	1,626,751	
Canadian Dairy Commission—					
Dairy Support Operation Financed by the Government of Canada		3,660	225	3,885	
Canadian Museum of Civilization	18,710	61,961	13,411	94,082	
Canadian Museum of Nature	3,691	34,226	1,089	39,006	
Canadian Race Relations Foundation	-,	,	-,	,	
Canadian Tourism Commission	7,514	82,881	1,713	92,108	
Cape Breton Development Corporation.	24,617	66,211	,	90,828	
Cape Breton Growth Fund Corporation	1,264	**,=**		1,264	
Defence Construction (1951) Limited	265		47,826	48,091	
Interprise Cape Breton Corporation	1,043	8,655	17,020	9,698	
Sederal Bridge Corporation Limited, The	13,634	28,535	4,741	46,910	
nternational Development Research Centre	15,687	140,340	9,619	165,646	
Marine Atlantic Inc.	68,928	83,464	17,226	169,618	
National Arts Centre Corporation	29,754	33,494	4,441	67,689	
National Capital Commission	33,158	95,133	7,424	135,715	
National Gallery of Canada	9,452	49,312	7,424	58,764	
National Museum of Science and Technology.	4,272	32,891	35	37,198	
Standards Council of Canada.	6,130	7,529	1,444	15,103	
	42,129	103,008	18,807	163,944	
Felefilm Canada	,	,			
VIA Rail Canada Inc	290,208	169,001	60,892	520,101	
Total	1,756,621	4,715,613	450,881	6,923,115	
Conversion to the Government accounting basis for consolidation purposes	(22,863)	278,601	(286,124)	(30,386	
Total on the Government accounting basis	1,733,758	4,994,214	164,757	6,892,729	
Consolidation adjustments	1,022	(4,994,214)	(164,757)	(5,157,949	
Net amount Crown Corporations	1,734,780			1,734,780	
Other					
Aboriginal Healing Foundation	1,966		47,857	49,823	
Canada Foundation for Innovation	82,738		43,534	126,272	
Canada Foundation for Sustainable Development Technology	17,348		2,420	19,768	
Canada Millennium Scholarship Foundation	18,103		32,861	50,964	
	120,155		126,672	246,827	
Conversion to the Government accounting basis for consolidation purposes	(42,447)		(5,627)	(48,074	
-					
Fotal on the Government accounting basis	77,708		121,045	198,753	
Consolidation adjustments	53,818		(121,045)	(67,227	
Net amount Other	131,526			131,526	
Total	1,866,306			1,866,306	

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

⁽¹⁾ The difference between this amount and the Crown corporations expenses presented in the Statement of Operations and Accumulated Deficit in Section 2 of this volume consists of \$203 million in financial assistance to Enterprise Crown corporations.

	Expenses						Equity tran																
	Government, Crown		Net	Equity	Equity	Other	with Govern		Equity														
Third parties	corporations and other entities	Total	income/or loss(-)	beginning of year	adjustments and other															comprehensive income	Dividends	Capital	end of year
853,658	54,438	908,096	(143,223)	(2,251,148)	(25,038)				(2,419,409)														
183,055		183,055	18,794	224,425	(210)				243,009														
30,083		30,083	(264)	(869)	1,493				360														
2,101,900		2,101,900																					
437,949		437,949	324	16,906					17,230														
1,665,728	30,252	1,695,980	(69,229)	34,985				4,000	(30,244)														
3,885		3,885																					
81,069	12,284	93,353	729	67,542	(1,808)				66,463														
36,607	3,097	39,704	(698)	(5,781)					(6,479)														
				25,606					25,606														
88,885	1,916	90,801	1,307	(2,733)					(1,426)														
11,300	4,525	15,825	75,003	(490,414)					(415,411)														
12,921	99	13,020	(11,756)	48,812	(6,310)				30,746														
49,318		49,318	(1,227)	5,319					4,092														
8,541	100	8,641	1,057	13,056	(587)				13,526														
46,717		46,717	193	56,292					56,485														
160,619		160,619	5,027	13,343					18,370														
166,194		166,194	3,424	16,255					19,679														
62,272	1,754	64,026	3,663	(2,707)					956														
120,029	10,578	130,607	5,108	600,206	1,510				606,824														
49,188	9,193	58,381	383	4,051					4,434														
31,688	1,662	33,350	3,848	7,250					11,098														
14,459	104	14,563	540	2,447					2,987														
162,472	3,755	166,227	(2,283)	43,298					41,015														
489,268	4,920	494,188	25,913	142,790					168,703														
6,867,805	138,677	7,006,482	(83,367)	(1,431,069)	(30,950)			4,000	(1,541,386)														
(26,297)	180,237	153,940	(184,326)	2,519,098	30,950			(4,000)	2,361,722														
6,841,508	318,914	7,160,422	(267,693)	1,088,029	5 005 070				820,336														
166,035	(318,914)	(152,879)	(5,005,070)		5,005,070																		
7,007,543		7,007,543 (1)	(5,272,763)	1,088,029	5,005,070				820,336														
49,820		49,820	3		(3)																		
366,573	118	366,691	(240,419)		240,419																		
35,078		35,078	(15,310)		15,310																		
370,170		370,170	(319,206)		319,206																		
821,641 (309)	118 (332)	821,759 (641)	(574,932) (47,433)	4,679,239	574,932 (574,932)				4,056,874														
					(5,17,752)																		
821,332 (67,952)	(214) 214	821,118 (67,738)	(622,365) 511	4,679,239	(511)				4,056,874														
753,380		753,380	(621,854)	4,679,239	(511)				4,056,874														
,5 0 0		7,760,923	(5,894,617)	5,767,268	5,004,559				4,877,210														

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 4.3CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES (in thousands of dollars)

_	March 31, 2007
Agent Crown corporations	
Canadian Broadcasting Corporation—Miscellaneous litigations.	14,845
Defence Construction (1951) Limited—Miscellaneous litigations	14,704
National Capital Commission—Environmental, miscellaneous litigations and agreements Non-agent Crown corporations	350,123
International Development Research Centre—Miscellaneous litigations.	1,000
Marine Atlantic Inc.—Site contamination lawsuit, miscellaneous litigations	1,691
	382,363

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, 2007

(in thousands of dollars)

	Operating expenditures vote	Capital expenditures vote	Financial assistance under budgetary appropriations ⁽¹⁾
Agent Crown corporations			
Atomic Energy of Canada Limited.	109,033		109.033
Canada Mortgage and Housing Corporation ⁽²⁾	2,097,371		2.097.371
Canadian Air Transport Security Authority	441,068		441,068
Canadian Broadcasting Corporation	974,323	139,730	1,114,053
Canadian Dairy Commission	3,660	*	3,660
Canadian Tourism Commission	76,534		76,534
Canadian Museum of Civilization	61,961		61,961
Canadian Museum of Nature	59,761		59,761
Cape Breton Development Corporation.	66,211		66,211
Enterprise Cape Breton Corporation	8,655		8,655
Federal Bridge Corporation Limited, The	32,307		32,307
National Capital Commission	77,198	17,936	95,134
National Gallery of Canada	39,142	8,000	47,142
National Museum of Science and Technology	30,995		30,995
Old Port of Montréal Inc.	15,226		15,226
Telefilm Canada	104,994		104,994
	4,198,439	165,666	4,364,105
Non-agent Crown corporations			
Canada Council for the Arts.	171,418		171,418
International Development Research Centre	143,616		143,616
Marine Atlantic Inc.	82,080		82,080
National Arts Centre Corporation	56,465		56,465
Standards Council of Canada	7,529		7,529
VIA Rail Canada Inc	169,001		169,001
	630,109		630,109
Total	4,828,548	165,666	4,994,214

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

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

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

		Revenues and	other credits	Expenses and	d other debits	
	April 1/2006	External transactions	Internal transactions	External transactions	Internal transactions	March 31/2007
	\$	\$	\$	\$	\$	\$
Insurance accounts—						
Agriculture and Agri-Food—						
Crop Reinsurance Fund	119,159,681	65,942,641			27,620,000	157,482,322
Less: interest-bearing loans.	526,094,751 (406,935,070)	65,942,641			27,620,000	498,474,751 (340,992,429)
Agricultural Commodities Stabilization						
Accounts	658,221 (406,276,849)	65,942,641		11,711 <i>11,711</i>		646,510 (340,345,919)
Finance—	, , , ,					
Investors' Indemnity						
AccountHealth—	45,303					45,303
Health Insurance Supplementary Account.	28,387					28,387
Human Resources and Skills	20,307					20,307
Development—						
Department—						
Human Resources and Skills Development—						
Employment Insurance Account,						
Table 4.6	50,816,262,112	16,885,891,386	2,232,505,094	14,282,003,885	1,534,000,100	54,118,654,607
Natural Resources—						
Canadian Nuclear Safety Commission—						
Nuclear Liability Reinsurance						
Account	1,107,553	282,192				1,389,745
Transport—						
Ship-Source Oil Pollution						
Fund	350,842,718	16,200	14,075,986	843,594	308,699	363,782,611
Total insurance accounts	50,762,009,224	16,952,132,419	2,246,581,080	14,282,859,190	1,534,308,799	54,143,554,734

TABLE 4.5CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—Concluded

		Revenues and	other credits	Expenses and	d other debits	
	April 1/2006	External transactions	Internal transactions	External transactions	Internal transactions	March 31/2007
	\$	\$	\$	\$	\$	\$
Other consolidated specified purpose accounts— Canadian Heritage— National Battlefields Commission—						
Trust Fund	400,890					400,890
Environmental Damages Fund	1,459,934	903,313		320,458		2,042,789
Account	12,671,957 <i>14,131,891</i>	490,081 1,393,394	3,159,097 3,159,097	1,560,603 1,881,061	482,840 482,840	14,277,692 16,320,481
Finance—						
Canadian Commercial Bank and Northland Bank Holdback Account Fisheries and Oceans— Supplementary Fines Fish	246,223,464					246,223,464
Account	678,123	315,449		142,301		851,271
Environmental Studies Research Fund Natural Resources—	520,789		25,730			546,519
Environmental Studies Research Fund Public Works and Government Services— Seized Property Proceeds	2,551,477		2,467,528		2,538,000	2,481,005
AccountTransport—	32,844,685	22,007,469		26,382,366		28,469,788
Fines for the Transportation of Dangerous Goods	598,596	15,825				614,421
Total other consolidated specified purpose accounts	297,949,915	23,732,137	5,652,355	28,405,728	3,020,840	295,907,839
Endowment principal— Environment—						
Parks Canada Agency— Mackenzie King trust account Health—	225,000					225,000
Canadian Institutes of Health Research— Endowments for Health research	140,267					140,267
National Research Council of Canada — H.L. Holmes Fund	4,077,186	115,031				4,192,217
Research Council— Queen's Fellowship Fund	250,000					250,000
Total endowment principal	4,692,453	115,031				4,807,484
Total	51,064,651,592	16,975,979,587	2,252,233,435	14,311,264,918	1,537,329,639	54,444,270,057

Insurance Accounts

For the following Insurance Accounts, revenues and other credits from outside parties totalled \$16,952 million (\$16,703 million in 2006) while expenses and other debits to outside parties totalled \$14,283 million (\$14,570 million in 2006) and are reported as expenses in the Statement of Operations.

Revenues and other credits of \$2,247 million (\$1,717 million in 2006) and expenses and other debits of \$1,534 million (\$1,487 million in 2006) 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 \$1.87 from April 1, 2006 to December 31, 2006 for employees without a Provincial Parental Insurance Plan and \$1.53 for the others. From January 1, 2007 to March 31, 2007, the rate was \$1.80 for employees without a Provincial Parental Insurance Plan and \$1.46 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)

_	2006-2007	2005-2006
REVENUES AND OTHER CREDITS—		
Premiums—		
Employers and employees ⁽¹⁾	17,109	16,917
Penalties and interest revenue	97	80
Interest earned	1,912	1,323
	19,118	18,320
EXPENSES AND OTHER DEBITS—		
Benefits	13,056	13,526
Transfers to the provinces—		
Part II	1,028	891
Administration costs	1,528	1,486
Administration cost		
transferred to provinces	105	92
Bad debts	99	56
	15,816	16,051
Net change	3,302	2,269
Balance at beginning of year	50,816	48,547
Balance at end of year	54,118	50,816

⁽¹⁾ 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 \$320 million (\$382 million in 2006).

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 \$24 million (\$30 million in 2006) are reported while expenses and other debits to outside parties of \$28 million (\$12 million in 2006) are reported in the Statement of Operations.

Revenues and other credits of \$6 million (\$4 million in 2006), and expenses and other debits of \$3 million (\$7 million in 2006) 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 \$115,000 (\$38,000 in 2006) 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.

JANICE CHARETTE Chairperson of the Canada Employment Insurance Commission

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

SYLVIE C. LAFONTAINE, CA Chief Financial Officer Service Canada

August 17, 2007

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, 2007 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, 2007 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 17, 2007

Employment Insurance Account—Continued

BALANCE SHEET AS AT MARCH 31

(in thousands of dollars)

ASSETS	2007	2006	LIABILITIES	2007	2006
Balance of the account with Receiver			Unredeemed warrants	62,903	57,829
General for Canada (Note 7)	52,869,190	49,432,552	Benefits payable	500,862	551,368
Premiums receivable		1,317,023	Amounts payable (Note 5)	183,086	17,471
Due from claimants				746.851	626,668
(Note 3)	504,699	496,209		7 .0,001	020,000
Amounts receivable (Note 4)	436,200	183,703			
Advances—Employment benefits and support measures	11,944	14,944	ACCUMULATED SURPLUS	54,120,095	50,817,763
	54,866,946	51,444,431		54,866,946	51,444,431

Contingent liabilities (Note 11)

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

Approved by:

JANICE CHARETTE

Chairperson of the Canada Employment Insurance Commission

SHERRY HARRISON, CMA

Comptroller Human Resources and Social Development Canada

SYLVIE C. LAFONTAINE, CA Chief Financial Officer Service Canada

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

	2007	2006
Revenue		
Premiums (Note 6)	17,109,170	16,916,659
for Canada (Note 7)	1,912,249	1,323,562
Penalties (Note 3) Interest on overdue accounts	56,118	50,422
receivable (Note 3)	39,432	28,284
	19,116,969	18,318,927
Expenses Benefits and support measures (Note 8		
and Schedule)	14,079,422	14,418,416
Administration costs (Note 9)	1,636,301	1,576,244
Bad debts	98,914	55,668
	15,814,637	16,050,328
Surplus for the year	3,302,332	2,268,599
beginning of the year	50,817,763	48,549,164
Accumulated surplus at the end of the year	54,120,095	50,817,763

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)

	2007	2006
Operating activities		
Cash receipts:		
Premiums	17,381,280	17,038,966
Interest received	1,912,249	1,323,562
Recoveries of benefit		
overpayments		
and penalties	305,436	291,117
	19,598,965	18,653,645
Cash payments:		
Benefits and support		
measures	(14,613,835)	(14,882,946)
Administration costs	(1,553,566)	(1,686,762)
	(16,167,401)	(16,569,708)
Net increase in cash and cash equivalents	3,431,564	2,083,937
Beginning of year	49,374,723	47,290,786
End of year	52,806,287	49,374,723
Cash and cash equivalents at end of year are represented by Balance of the account with Receiver		
General for Canada	52,869,190	49,432,552
Unredeemed warrants	(62,903)	(57,829)
	52,806,287	49,374,723

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

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. An agreement with the province of Ontario has been implemented on January 1st, 2007. Agreements with all other provinces and territories have already been entered into and implemented.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007—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 expense allocation 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 that management makes 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007—Continued

3. Due from claimants

	2007	2006	
-	(in thousands of dollars)		
Benefit overpayments receivable	481,792	479,077	
Amount of penalties receivable	172,741	196,080	
-	654,533	675,157	
Less: allowance for doubtful accounts	356,035	363,000	
_	298,498	312,157	
Estimated benefit repayments receivable from higher			
income claimants	206,201	184,052	
	504,699	496,209	
-			

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 \$295 million were established (\$289 million in 2005-2006). Interest charges on overpayments totalled \$26 million (\$18 million in 2005-2006).

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 \$56 million (\$51 million in 2005-2006). Interest charges on penalties totalled \$13 million (\$10 million in 2005-2006).

During 2006-2007, the Commission recovered \$305 million (\$291 million in 2005-2006) of benefit overpayments and penalties. Uncollectible benefit overpayments and penalties written off during the year amounted to \$106 million (\$91 million in 2005-2006).

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

	2007	2006	
-	(in thousands of dollars)		
From Canada Administration costs Amount to be recovered for the social insurance	86,192	14,929	
number registry	3,364	1,415	
_	89,556	16,344	
From provinces Benefits to be recovered under Quebec Provincial Insurance Plan Administration costs to be recovered under Quebec Provincial	345,223	167,359	
Insurance Plan	1,421		
	346,644	167,359	
	436,200	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 continued 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, after 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 December 2006. The account receivable has been reduced by the total overpayments established of \$2,481,610 (\$763,057 in 2005-2006) for benefits paid during this period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007—Continued

5. Amounts payable

	2007	2006	
	(in thousands of dollars)		
To Canada			
Administration costs Tax deductions from	159,888	9,243	
warrants	4,972	3,956	
Recoupments from warrants Amounts payable	1,486	1,941	
related to Labour Market Development			
Agreements	3,145		
	169,491	15,140	
To provinces			
Recoupments from warrantsQuebec tax deductions	903	1,889	
from warrants	856	424	
Market Development Agreements	11,836	18	
	13,595	2,331	
	183,086	17,471	

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 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 2006 and 2007 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 2006, the total amount of reductions is estimated at \$576 million (\$566 million in 2005). Actual reductions for the calendar year 2005 were \$600 million (\$549 million in 2004). 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.

The premium rate for the year 2005 was set by the Governor in Council on the recommendation of the Minister of Human Resources and Skills Development and the Minister of Finance.

Since the beginning of the 2006 calendar year, the premium rates have been determined under a new rate-setting mechanism. Pursuant to section 66(1) of the Act, the rates are now set by the Commission. In setting the rates, the Commission relied on the principle that the premium rate should generate just enough premium revenue to cover the payments, including administration costs, 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:

	2007	2006	2005
		(in dollars)
Residents of provinces without a Provincial Plan			
For employeesFor employers (calculated	1.80	1.87	1.95
at 1.4 times the employee rate)	2.52	2.62	2.73
with a Provincial Plan			
For employees For employers (calculated at 1.4 times the	1.46	1.53	
employee rate)	2.04	2.14	

The annual maximum insurable earnings for 2007 is \$40,000 (\$39,000 in 2006 and 2005).

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 3.54 percent and 3.83 percent during the year (2.21 percent and 3.40 percent in 2005-2006). The rate for March 2007 was 3.76 percent (3.40 percent for March 2006).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007—Concluded

8. Estimated overpayments and underpayments of benefits

Given the large number of claimants to be monitored and the need for prompt service, the Commission applies a selective approach of control procedures. 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, 2007, these undetected overpayments and underpayments are estimated to be \$367 million and \$294 million respectively (\$529 million and \$170 million for the 12 months ended March 31, 2006). 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.

The overpayments established during the year, as indicated in Note 3, are not directly linked to the above noted estimated overpayments and underpayments of benefits for the same period.

9. Administration costs

	2007	2006
	(in thousands of dollars)	
Administration costs	1,535,944	1,493,892
and territories	111,074	91,637
cards	(10,717)	(9,285)
	1,636,301	1,576,244

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 \$104 million (\$105 million in 2005-2006) charged by Public Works and Government Services Canada for accommodation and rental costs, and \$152 million (\$103 million in 2005-2006) 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 \$320 million (\$382 million in 2005-2006).

11. Contingent liabilities

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. The Government won the case at trial and the appeal filed by two Unions. In April 2007, the Supreme Court of Canada granted the Unions' leave to appeal – a final decision is not expected before the end of 2008. 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.

Employment Insurance Account—Concluded

SCHEDULE OF BENEFITS AND SUPPORT MEASURES FOR THE YEAR ENDED MARCH 31 $\,$

(in thousands of dollars)

	2007	2006
Part I—Income benefits		
Regular	8,445,694	8,410,587
Fishing	259,867	285,353
Worksharing	8,216	12,989
	8,713,777	8,708,929
pecial benefits		
Parental	1,742,712	2,036,911
Sickness	885,340	835,432
Maternity	778,390	903,038
Adoption	20,489	27,093
Compassionate care	8,859	7,612
	3,435,790	3,810,086
	12,149,567	12,519,015
art II—Employment benefits and support measures		
mployment benefits Skills development	398,071	409,833
Self-employment	87,644	106,723
Job creation partnerships	49,250	53,735
Targeted wage subsidies.	35,827	42,077
	570,792	612,368
upport measures		
Employment assistance.	286,882	321,887
Labour market partnerships	158,402	177,293
Research and innovation	14,804	15,474
	460,088	514,654
ransfer payments to provinces and territories	1,056,010	889,349
	2,086,890	2,016,371
enefits and support measures	14,236,457	14,535,386
ess: Benefit repayments received or receivable		
from higher income claimants	157,035	116,970
	14,079,422	14,418,416

Benefit rates—Income benefits

Benefits paid represent the lesser of 55 percent of average insurable earnings or \$413 per week until December 31, 2006. Starting January 1st, 2007, the maximum payment was increased to \$423 per week. The benefit rate can be increased to a maximum of 80 percent of average insurable earnings or \$423 per week as of January 1st, 2007 (\$413 per week until december 31, 2006) for claimants who are in a low-income family with children.

section 5

2006-2007

PUBLIC ACCOUNTS OF CANADA

Accounts Payable and Accrued Liabilities

CONTENTS

	Page
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.

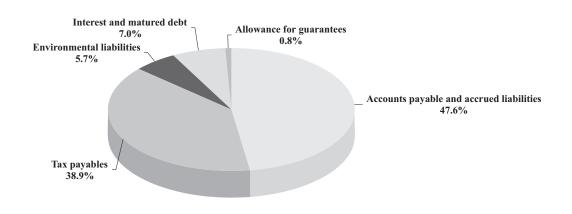
Table 5.1 presents the year-end balances of accounts payable and accrued liabilities by category. Chart 5A presents accounts payable and accrued liabilities by category at March 31.

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 31/2007	March 31/2006
	\$	\$
Accounts payable and accrued liabilities, Table 5.2	50,729,696,896	48,263,241,092
Tax payables, Table 5.6	41,387,443,604	38,401,820,114
Environmental liabilities, Table 5.7.	6,061,913,899	5,861,104,000
Interest and matured debt, Table 5.8	7,516,244,483	7,874,889,793
Allowance for guarantees, Table 5.9	815,019,283	1,031,263,180
Total	106,510,318,165	101,432,318,179

CHART 5AACCOUNTS PAYABLE AND ACCRUED LIABILITIES BY CATEGORY AT MARCH 31, 2007



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 paylist deductions, 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 31/2007	March 31/2006
	\$	\$
Accounts payable	37,581,659,435	35,706,886,851
Add: consolidation adjustment ⁽¹⁾	1,844,783,000	1,534,516,000
•	39,426,442,435	37,241,402,851
Accrued salaries and benefits	2,373,196,445	2,325,502,319
Notes payable to international organizations, Table 5.3.	475,633,843	536,315,122
Provincial and territorial tax collection agreements account, Table 5.4	6,422,332,611	6,012,377,628
Miscellaneous paylist deductions.	13,221,072	142,184,329
Other	424,737,992	219,672,676
Deferred revenues, Table 5.5	1,594,132,498	1,785,786,167
Total	50,729,696,896	48,263,241,092

⁽¹⁾ Additional information on the consolidated Crown corporations and other entities is provided in Section 4 of this volume.

Accounts payable

This account records amounts owing at 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 5.3NOTES PAYABLE TO INTERNATIONAL ORGANIZATIONS

		Receipts and other credits		Payments and other charges			
	April 1/2006	Note issuances	Revaluation ⁽¹⁾	Note encashment	Revaluation ⁽¹⁾) March 31/2007	
_	\$	\$	\$	\$	\$	\$	
Finance—							
European Bank for Reconstruction							
and Development	17,022,894			6,498,430	427,905	10,096,559	
International Bank for Reconstruction and							
Development (World Bank)	28,011,995				321,371	27,690,624	
International Development Association	318,270,000	318,270,000		318,270,000		318,270,000	
Multilateral Investment Guarantee Agency	3,747,097				42,990	3,704,107	
Foreign Affairs and International Trade—							
Canadian International Development Agency—							
African Development Bank		3,323,871		3,323,871			
Caribbean Development Bank	7,801,828				28,006	7,773,822	
International financial institutions—							
African Development Fund		88,846,035		88,846,035			
Asian Development Fund	63,316,360	51,650,617		95,771,617		19,195,360	
Caribbean Development Bank—Special	49,573,147	13,585,000		16,683,322		46,474,825	
Global Environment Facility Trust Fund	48,571,801	9,151,434		24,763,233		32,960,002	
Inter-American Development Bank-Fund for							
Special Operations		880,454		880,454			
International Fund for Agriculture Development		12,425,640		12,425,640			
Montreal Protocol Fund		4,794,373		4,794,373			
Multilateral Investment Fund		9,468,544				9,468,544	
	161,461,308	190,802,097		244,164,674		108,098,731	
Total	536,315,122	512,395,968		572,256,975	820,272	475,633,843	

⁽¹⁾ 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 (excluding Quebec) and territories, and with some self-governing First Nations, to collect individual income tax, and, with provinces (excluding Quebec, Ontario and Alberta except for the tax on preferred shares dividend) and territories, 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 has 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 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
_	\$	\$	\$	\$
Total Personal Income Tax administered by				
Canada Revenue Agency	3,908,207,870	47,252,160,508		51,160,368,378
Less: payments to provinces and territories—				
Newfoundland and Labrador			911,711,681	911,711,681
Prince Edward Island			213,949,405	213,949,405
Nova Scotia			1,765,407,884	1,765,407,884
New Brunswick			1,201,430,728	1,201,430,728
Ontario			25,222,891,074	25,222,891,074
Manitoba			2,002,989,390	2,002,989,390
Saskatchewan			1,668,264,239	1,668,264,239
Alberta			7,775,680,436	7,775,680,436
British Columbia			6,860,610,165	6,860,610,165
Yukon			44,916,081	44,916,081
Northwest Territories			77,632,764	77,632,764
Nunavut			7,209,053	7,209,053
First Nations.			15,163,686	15,163,686
			47,767,856,586	47,767,856,586
Total personal income tax on hand	3,908,207,870	47,252,160,508	47,767,856,586	3,392,511,792

TABLE 5.4PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Concluded

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
_	\$	\$	\$	\$
Total Corporate Income Tax administered by				
Canada Revenue Agency	1,812,314,041	3,995,943,677		5,808,257,718
Less: payments to provinces and territories—	, , ,			
Newfoundland and Labrador			176,231,699	176,231,699
Prince Edward Island			37,750,042	37,750,042
Nova Scotia			357,239,389	357,239,389
New Brunswick			252,284,622	252,284,622
Ontario			111,174,768	111,174,768
Quebec			31,287,361	31,287,361
Manitoba			325,066,567	325,066,567
Saskatchewan			545,221,152	545,221,152
Alberta			27,470,913	27,470,913
British Columbia			1,542,142,780	1,542,142,780
Yukon			567,272	567,272
Northwest Territories			(229,632,705)	(229,632,705)
Nunavut			5,109,665	5,109,665
			3,181,913,525	3,181,913,525
Total corporate income tax on hand	1,812,314,041	3,995,943,677	3,181,913,525	2,626,344,193
Total Harmonized Sales Tax administered by				
Canada Revenue Agency	291,091,290	2,706,032,889		2,997,124,179
Less: payments to provinces and territories—				
Newfoundland and Labrador			607,449,532	607,449,532
Nova Scotia			1,124,340,938	1,124,340,938
New Brunswick			862,840,102	862,840,102
_			2,594,630,572	2,594,630,572
Total harmonized sales tax on hand	291,091,290	2,706,032,889	2,594,630,572	402,493,607
Total First Nations' Sales Tax administered by				
Canada Revenue Agency	423,151	5,122,561		5,545,712
Less: payments to First Nations			4,932,743	4,932,743
Total First Nations' Sales Tax on hand	423,151	5,122,561	4,932,743	612,969
Total First Nations' Goods and Services				
Sales Tax administered by				
Canada Revenue Agency	341,276	4,319,163		4,660,439
Less: payments to First Nations			4,290,389	4,290,389
Total First Nations' Goods and Services				
Sales Tax on hand	341,276	4,319,163	4,290,389	370,050
Total	6,012,377,628	53,963,578,798	53,553,623,815	6,422,332,611

Miscellaneous paylist 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 5.5DEFERRED REVENUES

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
_	\$	\$	\$	\$
Deferred revenues—				
Citizenship and Immigration— Service fees for immigration and citizenship Industry—	282,875,662	180,345,459	228,175,883	235,045,238
Spectrum licence fees and other fees Public Safety and Emergency Preparedness— Royal Canadian Mounted Police—	1,283,330,967	234,192,348	394,605,019	1,122,918,296
Provincial arrangement on capital assets	75,083,703	28,099,603		103,183,306
Other departments	92,642,263	71,967,653	76,652,321	87,957,595
	1,733,932,595	514,605,063	699,433,223	1,549,104,43
Other deferred revenues—Specified purpose accounts— Donation and bequest accounts— Agriculture and Agri-Food—				
Shared-cost agreements—Research	17,265,781	7,213,406	12,567,680	11,911,500
Special operating account	437,996	381,344	362,596	456,74
Endangered species—Donations	44,611	13,070		57,68
Pacific Rim Mitigation Fund.	2,250,000 2,294,611	13,070	125,000 125,000	2,125,00 2,182,68
Fisheries and Oceans—				
Restricted donations	186,909	84	98,873	88,12
Canadian Landmine Action Fund	772			77:
Donations—Rideau Hall	14,450	10,000		24,45
Health— Canadian Institutes of Health Research—				
Donations for research	14,343,856	7,742,906	9,363,496	12,723,26
DonationsIndustry—	90,427	7,750		98,17
Prime Minister's Awards and other deposits	2,450,672	2,463,164	2,595,041	2,318,79
Space training project ⁽¹⁾	61,215		61,215	
Radarsat 2.	8,543	2,467	01,210	11,01
1444154V 2111111111111111111111111111111111111	69,758	2,467	61,215	11,01
National Research Council of Canada—				
Trust fund	12,029,649	18,858,485	17,794,606	13,093,52
Trust fund	250			25
Social Sciences and Humanities Research Council—				
Trust fund	397,556 14,947,885	9,166 21,333,282	10,000 20,460,862	396,72 15,820,30
National Defence—				
Corporate sponsorships and donations	112,191	198,326	264,997	45,52

TABLE 5.5DEFERRED REVENUES—Concluded

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
_	\$	\$	\$	\$
Public Safety and Emergency Preparedness— Royal Canadian Mounted Police—				
Royal Canadian Mounted Police Pipe Band (NCR)	20,495	4,682	15,413	9,764
Sponsorship Agreement—Contributions	423,890	122,876	139,763	407,003
Tunnayara Donard	444,385	127,558	155,176	416,767
Treasury Board— Canada School of Public Service—				
Donations	13,787		13,787	
— Total—Donation and bequest accounts	50,153,050	37,027,726	43,412,467	43,768,309
Endowment interest accounts—				
Environment—				
Parks Canada Agency—				
Laurier House—Interest				
(Mackenzie King trust account)		9,315	9,315	
Health—				
Canadian Institutes of Health Research—				
Endowments for health research	3,947	2,500		6,447
Industry— National Research Council of Canada—				
H.L. Holmes Fund	1.833	93,167	95,000	
Social Sciences and Humanities Research Council—	1,055	75,107	75,000	
Queen's Fellowship Fund	74,153	12,160		86,313
	75,986	105,327	95,000	86,313
Transport—				
Shared-cost agreements—Transportation				
research and development	1,620,589	601,832	1,055,427	1,166,994
Total—Endowment interest accounts.	1,700,522	718,974	1,159,742	1,259,754
Total—Other deferred revenues—Specified purpose accounts	51,853,572	37,746,700	44,572,209	45,028,063
Total—Deferred revenues	1,785,786,167	552,351,763	744,005,432	1,594,132,498

⁽¹⁾ The previous year's closing balance of \$69,758 for the space training project included an amount of \$8,543 for Radarsat 2.

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 patents and trademarks examination and registration fees, 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.

During the year, the account was closed.

Radarsat 2

This account was established to record funds received for the configuration and layout of relocated MacDonald, Dettwiler and Associates personnel.

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, conducting operations and constructing capital assets consistent with the Department's mandate but not funded from its appropriations.

Royal Canadian Mounted Police Pipe Band (NCR)

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

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.

During the year, the account was closed.

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 31/2007	March 31/2006
	\$	
Personal and non-resident income tax.	24,767,691,694	23,194,843,200
Corporate income tax	10,328,520,732	7,922,379,844
Goods and services tax.	6,192,111,033	7,203,655,462
Customs and excise	99,120,145	80,941,608
Total	41,387,443,604	38,401,820,114

Personal and non-resident income tax

This account records tax refunds payable to individual taxpayers as well as amounts payable to employers and other withholders 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 and unexploded explosive ordnance affected 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 2,630 contaminated sites and 28 unexploded explosive ordnance affected sites (2,700 contaminated sites and 17 unexploded explosive ordnance affected sites in 2006). Continued assessment work will lead to a more accurate estimate of the known contaminated sites and unexploded explosive ordnance affected sites. It is likely that it will also result in an increase in federal liability in the short term due to the identification of additional new sites. The contingent liabilities associated with these sites are disclosed in Section 11 of this volume.

Table 5.7 presents the balances for contaminated sites and unexploded explosive ordnance affected sites and for nuclear facility decommissioning.

TABLE 5.7
ENVIRONMENTAL LIABILITIES

	March 31/2007	March 31/2006
	\$	\$
Contaminated sites—		
Cape Breton Development Corporation.	108,857,000	118,980,000
Fisheries and Oceans	169,196,803	169,761,698
Indian Affairs and Northern Development	1,313,856,272	1,071,013,818
National Defence.	378,272,040	337,261,965
Natural Resources.	387,792,662	192,147,977
Public Works and Government Services	320,154,947	318,598,675
Transport	186,814,790	149,670,000
Other ministries ⁽¹⁾	149,891,801	551,198,867
	3,014,836,315	2,908,633,000
Unexploded explosive ordnance affected sites—		
National Defence	119,143,584	105,715,000
Atomic Energy of Canada Limited's nuclear facility decommissioning	2,927,934,000	2,846,756,000
Total ⁽²⁾	6,061,913,899	5,861,104,000

⁽¹⁾ This amount represents 14 other departments and crown corporations whose individual environment liability is lesser than \$100 million.

During the year, an amount of \$293,160,000 (\$245,725,000 in 2006) was spent on management, remediation and decommission of contaminated sites, unexploded explosive ordnance affected sites and nuclear facilities in reducing environmental liabilities previously recorded.

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 31/2007	March 31/2006
	\$	\$
Interest due	2,974,153,853	3,250,826,889
Interest accrued	4,433,129,130	4,497,888,204
Matured debt	108,961,500	126,174,700
Total	7,516,244,483	7,874,889,793

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 5.9ALLOWANCE FOR GUARANTEES

	March 31/2007	March 31/2006
_	\$	\$
Allowance for loan guarantees	541,660,959 273,358,324	597,400,000 433,863,180
Total	815,019,283	1,031,263,180

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

2006-2007

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.

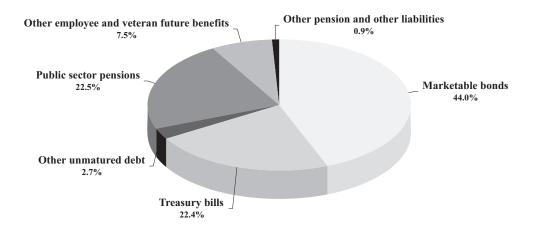
The financial statements of the Canada Pension Plan, the Government Annuities Account and the Royal Canadian Mounted Police (Dependents) Pension Fund, together with the Auditor General's reports thereon, are presented at the end of this section.

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

TABLE 6.1INTEREST-BEARING DEBT

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
	\$	\$	\$	\$
Unmatured debt ⁽¹⁾ —				
Payable in Canadian currency—				
Marketable bonds, Table 6.2	261,134,149,994	52,228,870,549	55,880,913,000	257,482,107,543
Treasury bills, Table 6.3	131,596,668,000	315,000,000,000	312,522,433,000	134,074,235,000
Canada savings, Canada premium and Canada investment bonds, Table 6.4	17,342,185,809	1,862,333,013	4,029,505,039	15,175,013,783
Non-marketable bonds and notes, Table 6.5		1,002,333,013		1,742,344,000
Non-marketable bonds and notes, Table 6.5	3,102,187,487	260 001 202 562	1,359,843,487	
December in fermion accounts	413,175,191,290	369,091,203,562	373,792,694,526	408,473,700,326
Payable in foreign currencies—	7 252 017 050	264 102 022	1 200 012 006	(407 100 105
Marketable bonds, Table 6.2	7,352,917,058	264,193,933	1,209,912,886	6,407,198,105
· · · · · · · · · · · · · · · · · · ·	4,733,784,864	11,195,252,372	14,081,677,236	1,847,360,000
Canada notes, Table 6.7	496,150,000	127 100 000	6,200,000	489,950,000
Euro medium-term notes, Table 6.8	1,501,590,672	127,100,000	989,978	1,627,700,694
	14,084,442,594	11,586,546,305	15,298,780,100	10,372,208,799
Total—Market debtCross-currency swap revaluation	427,259,633,884	380,677,749,867	389,091,474,626	418,845,909,125
account	(2,258,427,479)		(1,167,512,409)	(1,090,915,070)
on market debt, Table 6.9	(6,780,145,828)	6,940,204,592	6,819,465,904	(6,659,407,140)
Table 6.15	2,927,316,034	262,418,692	93,361,290	3,096,373,436
Total—Unmatured debt	421,148,376,611	387,880,373,151	394,836,789,411	414,191,960,351
Pension and other liabilities—				
Public sector pensions, Table 6.18—				
Superannuation accounts	143,023,117,920	15,230,234,491	11,465,873,746	146,787,478,665
Allowance for pension adjustments	(11,961,000,000)	2,711,000,000	2,811,000,000	(12,061,000,000)
	131,062,117,920	17,941,234,491	14,276,873,746	134,726,478,665
Other employee and veteran future benefits,				
Table 6.31 Other liabilities—	43,369,000,000	5,207,000,000	3,453,000,000	45,123,000,000
Due to Canada Pension Plan, Table 6.32	150,850,748	59,563,344,421	59,660,611,459	53,583,710
Government Annuities Account	347,337,233	22,765,021	50,807,076	319,295,178
Deposit and trust accounts, Table 6.33	1,480,950,509	1,559,262,524	1,681,734,311	1,358,478,722
Other specified purpose accounts, Table 6.36	3,513,592,851	2,874,860,378	2,909,069,323	3,479,383,906
	48,861,731,341	69,227,232,344	67,755,222,169	50,333,741,516
Total—Pension and other liabilities	179,923,849,261	87,168,466,835	82,032,095,915	185,060,220,181
Total	601,072,225,872	475,048,839,986	476,868,885,326	599,252,180,532

⁽¹⁾ 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.



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 revaluation, 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 unmatured debt, to report the amount of the Government's liabilities to outside parties.

Marketable Bonds

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

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

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

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

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2007.

TABLE 6.2 MARKETABLE BONDS

	April 1/2006	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/2007
	\$	\$	\$	\$
Payable in Canadian currency—				
Matured 2006-2007	24,185,779,000		24,185,779,000	
Maturing 2007-2008	30,408,226,000		3,680,619,000	26,727,607,000
2008-2009	22,665,121,000	7,300,000,000	939,851,000	29,025,270,000
2009-2010	17,253,188,000	3,000,000,000	371,440,000	19,881,748,000
		3,000,000,000		
2010-2011	19,650,514,000	5 200 000 000	1,769,213,000	17,881,301,000
2011-2012	16,769,893,000	5,200,000,000	1,400,608,000	20,569,285,000
2012-2013	11,033,315,000	2,600,000,000	676,462,000	12,956,853,000
2013-2014	11,903,639,000		2,015,147,000	9,888,492,000
2014-2015	10,867,437,000		1,028,635,000	9,838,802,000
2015-2016	10,783,005,000			10,783,005,000
2016-2017	4,900,000,000	5,400,000,000		10,300,000,000
2017-2018		5,006,850,000		5,006,850,000
2020-2021	781,694,000		58,083,000	723,611,000
2021-2022	7,344,472,422	79,531,607	156,640,000	7,267,364,029
2022-2023	550,448,000	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	80,000,000	470,448,000
2023-2024	6,806,096,000		248,357,000	6,557,739,000
2025-2026	6,311,007,000		608,983,000	5,702,024,000
2026-2027	6,468,899,013	76,321,778	000,903,000	6,545,220,791
2027-2028	8,204,975,000	70,321,778	258,669,000	7,946,306,000
2029-2030	13,691,000,000	01.025.605	281,910,000	13,409,090,000
2031-2032	6,868,434,751	81,035,607		6,949,470,358
2033-2034	13,410,295,000			13,410,295,000
2036-2037	4,465,600,808	1,753,688,557		6,219,289,365
2037-2038	6,549,089,000	3,300,000,000		9,849,089,000
	261,872,127,994	33,797,427,549	37,760,396,000	257,909,159,543
Less: Government's holdings—				
Government's holdings	50,000,000	18,170,517,000	18,120,517,000	
Consolidation adjustment (2)	687,978,000	260,926,000		427,052,000
3	737,978,000	18,431,443,000	18,120,517,000	427,052,000
Total marketable bonds payable in Canadian currency	261,134,149,994	52,228,870,549	55,880,913,000	257,482,107,543
Payable in foreign currencies—				
Matured 2006-2007	1,168,000,000		1,168,000,000	
Maturing 2007-2008	372,592,000		4,274,600	368,317,400
2008-2009	5,814,525,598	259,940,792	33,500,000	6,040,966,390
2009-2010	184,421,360	237,740,772	2,115,793	182,305,567
2016-2017				
	38,828,992		445,470	38,383,522
2018-2019	18,781,440		215,472	18,565,968
2019-2020	4,088,000		46,900	4,041,100
	7,601,237,390	259,940,792	1,208,598,235	6,652,579,947
Less: Government's holdings and securities				
held for the retirement of unmatured				
debt ⁽³⁾	248,320,332	4,253,141	1,314,651	245,381,842
Total marketable bonds payable in foreign currencies	7,352,917,058	264,193,933	1,209,912,886	6,407,198,105
Total	268,487,067,052	52,493,064,482	57,090,825,886	263,889,305,648

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

Treasury Bills

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

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

The balance at March 31, 2007 consists of \$16,200 million in odd issue bills; \$36,800 million in three-month bills; \$28,600 million in six-month bills; and, \$52,500 million in 364-day bills.

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

TABLE 6.3TREASURY BILLS

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
	\$	\$	\$	\$
Three-month bills.	36,200,000,000	137,800,000,000	137,200,000,000	36,800,000,000
Six-month bills.	27,600,000,000	54,600,000,000	53,600,000,000	28,600,000,000
Other bills	67,800,000,000	122,600,000,000	121,700,000,000	68,700,000,000
	131,600,000,000	315,000,000,000	312,500,000,000	134,100,000,000
Less: Government's holdings—				
Consolidation adjustment ⁽¹⁾	3,332,000		22,433,000	25,765,000
Total	131,596,668,000	315,000,000,000	312,522,433,000	134,074,235,000

⁽¹⁾ 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 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
	\$	\$	\$	\$
Canada Savings Bonds—				
Maturing 2007-2008	2,193,900,316		330,475,463	1,863,424,853
2008-2009	2,835,685,525		836,561,553	1,999,123,972
2009-2010	307,011,444		42,703,273	264,308,171
2010-2011	299,661,885		43,795,907	255,865,978
2011-2012	380,782,983		54,875,894	325,907,089
2012-2013	485,174,135		87,372,400	397,801,735
2013-2014 ⁽¹⁾	749,737,803		160,113,580	589,624,223
2014-2015 ⁽²⁾	1,177,865,829		331.714.213	846,151,616
2015-2016 ⁽³⁾	1,071,233,761	876.921.286	914.215.622	1,033,939,425
2016-2017 ⁽⁴⁾	1,005,118,410	779,706,348	596,767,331	1,188,057,427
2010 2017	10,506,172,091	1,656,627,634	3,398,595,236	8,764,204,489
Canada Premium Bonds—				
Maturing 2007-2008	89,516,397		44,724,619	44,791,778
2008-2009	1,077,296,543		122,322,738	954,973,805
2009-2010	636,882,040		31,381,432	605,500,608
2010-2011	1,028,746,021		99,193,252	929,552,769
2011-2012	739,099,662		102,846,378	636,253,284
2012-2013	1,535,419,783		64,869,671	1,470,550,112
2013-2014	1,153,030,911		85,422,352	1,067,608,559
2014-2015	328,395,502		37,460,067	290,935,435
2015-2016	239,996,359	200,347	36,106,315	204,090,391
2016-2017		205.505.032	119,179	205,385,853
	6,828,383,218	205,705,379	624,446,003	6,409,642,594
Canada Investment Bonds—				
Maturing 2006-2007	6,463,800		6,463,800	
2007-2008	1,166,700			1,166,700
	7,630,500		6,463,800	1,166,700
Total	17,342,185,809	1,862,333,013	4,029,505,039	15,175,013,783

 ⁽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, 2016.
 (4) Ten years maturity extension to CSB Series 49 until November 1, 2016.

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 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;
- 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 6.5NON-MARKETABLE BONDS AND NOTES

	April 1/2006	April 1/2006	April 1/2006	April 1/2006	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
-		\$	\$	\$				
Canada Pension Plan Investment Fund—								
Matured 2006-2007	1,352,282,000		1,352,282,000					
Maturing 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				
	3,094,626,000		1,352,282,000	1,742,344,000				
2004 Public Health and Immunization Trust—								
Maturing 2006-2007	7,561,487		7,561,487					
Total	3,102,187,487		1,359,843,487	1,742,344,000				

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, 2007.

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

TABLE 6.6CANADA BILLS

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
-	\$	\$	\$	\$
Canada bills before revaluation	4,848,427,241 (114,642,377)	11,056,751,240 138,501,132	14,059,902,080 21,775,156	1,845,276,401 2,083,599
Total	4,733,784,864	11,195,252,372	14,081,677,236	1,847,360,000

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, 2007.

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

TABLE 6.7CANADA NOTES

	April 1/2006	April 1/2006	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/2007
_	\$	\$	\$	\$	
Payable in foreign currencies— Maturing 2008-2009	496,150,000		6,200,000	489,950,000	
Total	496,150,000		6,200,000	489,950,000	

⁽¹⁾ 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, 2007.

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

TABLE 6.8EURO MEDIUM-TERM NOTES

	April 1/2006	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/2007
	\$	\$	\$	\$
Payable in foreign currencies— Maturing 2007-2008. 2009-2010	86,290,672 1,415,300,000	127,100,000	989,978	85,300,694 1,542,400,000
Total	1,501,590,672	127,100,000	989,978	1,627,700,694

⁽¹⁾ 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 and Premiums on Market Debt

The unamortized discounts and premiums 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; and,
- 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.

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

TABLE 6.9UNAMORTIZED DISCOUNTS AND PREMIUMS ON MARKET DEBT

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
		\$	\$	\$
Unamortized discounts on Canada Bills	(30,379,354)	105,841,463	85,901,870	(10,439,761)
Unamortized discounts on Treasury Bills	(1,369,709,580)	4,691,567,690	4,889,997,771	(1,568,139,661)
Unamortized discounts and premiums on marketable bonds	(5,380,056,894)	2,142,795,439	1,843,566,263	(5,080,827,718)
Total	(6,780,145,828)	6,940,204,592	6,819,465,904	(6,659,407,140)

Interest Rates

Table 6.10 sets out unmatured debt as at March 31, for each of the years 2002-2003 to 2006-2007 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 2003 TO 2007, WITH THE AVERAGE RATE OF INTEREST THEREON

	Marke bos	etable nds		asury ills	Car		marke box	on- etable nds notes	Canad	a bills	Fore curre not	ncy	Tot mar deb	ket
	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)	%
2007	. 263,889	5.23	134,074	4.20	15,175	3.54	1,743	10.37	1,847	5.11	2,118	3.92	418,846	4.86
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

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

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 2002-2003 to 2006-2007 inclusively.

TABLE 6.11TREASURY BILLS AVERAGE YIELDS AT TENDER

	High	Low	Last issue
Year ended March 31	%	%	%
Three-month bills—			
2007	4.30	3.90	4.17
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
Six-month bills—			
2007	4.44	4.00	4.19
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
Other bills—			
2007	4.55	3.80	4.27
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

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

Maturity of Government Debt

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

TABLE 6.12 MATURITY OF GOVERNMENT DEBT

	Marke bor			asury 11s	inves	Canada	marke bor	on- etable nds notes	Can bil		Fore curre not	ncy	Tot mar del	ket
	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)	%
2008	. 27,096	4.86	134,100	4.20	1,909	3.10	700	10.01	1,847	5.11	86	5.05	165,738	4.33
2009	. 35,066	5.20			2,954	3.12	520	10.20			490	1.90	39,030	5.07
2010	. 20,064	4.91			870	5.02	71	9.98			1,542	4.50	22,547	4.90
2011	. 17,881	5.34			1,186	3.52	425	11.29				0.00	19,492	5.36
2012	. 20,569	5.05			962	3.20	16	9.92				0.00	21,547	4.97
2013/2017	. 53,806	4.88			7,294	3.69	11	9.37					61,111	4.74
2018/2022	. 13,021	4.70											13,021	4.70
2023/2027	. 19,275	7.05											19,275	7.05
2028/2032	. 28,305	5.95											28,305	5.95
2033/2037	,	4.88											19,629	4.88
2038/2042	. 9,849	5.00											9,849	5.00
	264,561	5.23	134,100	4.20	15,175	3.54	1,743	10.37	1,847	5.11	2,118	3.92	419,544	4.86
Less: Gov- ernment's hold-														
ings	. 672	8.55	26	4.20									698	8.55
Total	. 263,889	5.23	134,074	4.20	15,175	3.54	1,743	10.37	1,847	5.11	2,118	3.92	418,846	4.86

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)

		Issues/		
	April 1/2006 ⁽¹⁾	Borrowings	Retirements	March 31/2007
Market debt of the Government of Canada (2)	427,260	380,678	389,092	418,846
Cross-currency swap revaluation account	(2,258)		(1,167)	(1,091)
Unamortized discounts and premiums on				
market debt (2)	(6,780)	6,940	6,819	(6,659)
Obligations related to capital leases (2)	2,927	262	93	3,096
	421,149	387,880	394,837	414,192
Borrowings of enterprise Crown corporations designated				
as agents of Her Majesty (3)	119,697	114,254	92,169	141,782
Total	540,846	502,134	487,006	555,974

The comparative figures have been restated to reflect the current year's presentation.
 Details can be found in this section.
 Details can be found in Section 9 (Table 9.6) of this volume.

Structure of interest-bearing debt

Table 6.14 presents the proportion of interest-bearing debt having fixed rates (debt that does not mature or need to be re-priced within a year).

TABLE 6.14 STRUCTURE OF INTEREST-BEARING DEBT

	March	31/2007	Marc	eh 31/2006
		Portion of total of which interest		Portion of total of which interest
_	Total	is fixed ⁽¹⁾	Total	is fixed ⁽¹⁾
	\$(millions)	%	\$(millions)	%
Unmatured debt—				
Market debt—				
Marketable bonds—				
Nominal	231,375	88.4	237,328	89.8
Real return	26,534	50.0	24,544	50.0
Treasury bills	134,100		131,600	
Canada savings, Canada premium and				
Canada investment bonds	15,175	20.0	17,342	20.0
Non-marketable bonds and notes	1,743	95.0	3,102	95.0
Payable in Canadian currency	408,927	54.4	413,916	56.0
Payable in foreign currencies	10,617	59.5	14,333	44.1
Consolidation adjustment	(698)	50.0	(989)	50.0
Total—Market debt ⁽²⁾	418,846	54.6	427,260	55.6
Cross-currency swap revaluation account	(1,091)		(2,258)	
on market debt	(6,659)		(6,780)	
Obligation related to capital leases	3,096	100.0	2,927	100.0
Total—Unmatured debt	414,192	54.9	421,149	55.9
Pension and other liabilities—				
Public sector pensions	134,726	97.0	131,062	97.0
Other employee and veteran future benefits	45,123	50.0	43,369	50.0
Other liabilities	5,211	10.0	5,492	10.0
Total—Pension and other liabilities	185,060	83.1	179,923	83.0
Total—Interest-bearing debt ⁽³⁾	599,252	61.7	601,072	62.5

⁽¹⁾ Interest-bearing debt having fixed rates (debt that does not mature or need to be re-priced within a year).
(2) As of March 31, the weighted average term to maturity of market debt was 6.5 in 2007 and 6.5 in 2006.
As of March 31, the modified duration of market debt was 6.6 in 2007 and 5.0 in 2006.
(3) The fixed rate share of the debt is adjusted for the effect of certain swaps on the fixed-floating exposure of interest-bearing debt. Cross-currency swaps are used to convert Canadian dollar-denominated government debt into foreign currency obligations for the purpose of funding the foreign reserves portfolio. As such, swap agreements do not add to the stock of existing debt.

	(in millions	of dollars)
	2007	2006
Outstanding swap agreements as of		
March 31 (\$ millions CAD):		
Cross-currency swaps		
Fixed to fixed	20,701	15,581
Fixed to floating	9,872	8,942
Floating to fixed		
Floating to floating	58	526
FX swaps	2,425	1,168
Total cross-currency swaps	33,056	26,217
Interest rate swaps	1,415	1,431
Total outstanding swap agreements	34,471	27,648

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

TABLE 6.15OBLIGATION RELATED TO CAPITAL LEASES

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
_	\$	\$	\$	\$
Land	13,395,980		3,159,836	10,236,144
Buildings	1,457,093,207	260,935,359		1,718,028,566
Works and infrastructure	682,660,004		14,094,691	668,565,313
Machinery and equipment	18,731,842	1,483,333	922,366	19,292,809
Vehicles	755,435,001		75,184,397	680,250,604
Total	2,927,316,034	262,418,692	93,361,290	3,096,373,436

Capital Leases

Table 6.16 provides details of obligation under capital lease arrangements.

TABLE 6.16DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES (in thousands of dollars)

				Balar	nces at March 31,	2007
	Inception date	Lease term in years	Implicit interest rate (%) (1)	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	731	20	711
IBM-Computer hardware	Jan 6/2006	3	3.86	731	20	711
IBM-Computer hardware	Mar 1/2007	2	4.09	560	17	543
IBM-Computer hardware	Mar 1/2007	2	4.09	561	17	544
				2,583	74	2,509
Environment—						
Carleton University, Ottawa	May 1/2002	25	5.63	26,000	10,631	15,369
National Defence—						
Defence Enterprise Server Centre						
Business Class	Dec/2006	3	8.05	815	128	687
Defence Enterprise Server Centre						
Enterprise Class	Dec/2006	3	7.87	5,646	832	4,814
Edmonton Armoury North	Dec 31/2000	20	5.62	19,291	5,856	13,435
Edmonton Armoury South	May 1/2001	20	6.09	28,495	9,793	18,702
Milit-Air (NFTC)	Oct/2003	17	5.87	97,184	30,706	66,478
HMCS Chicoutimi	Oct/2004	6		42,428		42,428
HMCS Corner Brook	Feb/2003	6		16,716		16,716
Longue Pointe Supply Depot	Nov 30/1994	35	5.29	63,656	26,535	37,121
Milit-Air (NFTC)	Dec/1999	20	5.78	786,332	231,748	554,584
Shawinigan Armoury	May 12/1999	20	5.46	6,761	1,823	4,938
•	•			1,067,324	307,421	759,903

TABLE 6.16DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—*Continued* (in thousands of dollars)

				Balan	ces at March 31,	2007
	Inception date	Lease term in years	Implicit interest rate (%) (1)	Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
Public Works and Government Services—						
1040 Boulevard St-Joseph, Gatineau	Feb 1/2003	5	8.00	399	14	385
1130 Morrison Drive, Ottawa	Apr 1/2003	10	6.10	1,132	187	945
135 Hunter Street East, Hamilton	June 1/2003	10	5.66	2,649	417	2,232
1484 Centennial Drive, Kingston	Oct 1/2006	10	18.20	5,193	2,719	2,474
1600 Star Top, Gloucester	July 1/2004	15	7.20	37,475	12,560	24,915
1620 Dickson Avenue, Kelowna	Apr 1/2006	10	4.38	3,147	550	2,597
1741 Brunswick Street, Halifax	July 1/2002	5	11.50	208	7	201
18 Corporation Drive, Brampton	Apr 1/2004	9	4.37	2,737	333	2,404
181 Queen Street, Ottawa.	Mar 1/2004	20	10.65	60,358	33,188	27,170
2204 Walkley Road, Ottawa.	Sept 1/2004	5	11.70	2,793	371	2,422
269 Laurier Avenue West, Ottawa	Sept 1/2005	15	4.20	78,381	18,465	59,916
275 De Baets, Winnipeg	Feb 1/2007	10	17.40	2,749	1,437	1,312
280 St-Dominique, Quebec	Dec 1/2003	5	4.20	437	16	421
285 Coventry Road, Ottawa.	Apr 1/2002	10	6.10	10,029	1,403	8,626
2920 Highway 4, Antigonish	Feb 15/2006	10	7.76	1,446	402	1,044
295 Belliveau Avenue, Shediac	Jan 1/2007	15	7.90	5,704	2,354	3,350
365 Hargrave Street, Winnipeg	July 1/2003	10	4.65	3,154	422	2,732
400 Cooper Street, Ottawa	Apr 1/2002	7	6.80	1,207	81	1,126
400 City Hall Square Est, Windsor	Jan 1/2006	10	9.89	6,049	2,012	4,037
4455 12 ^e Avenue, Shawinigan-Sud	Sept 1/2003	10	8.90	2,688	643	2,045
50 King Street, Moncton	June 1/2002	10	6.40	1,307	197	1,110
50 Queen Street North, Kitchener	Nov 1/2006	7	7.80	4,477	985	3,492
520 Exmouth Street, Sarnia	Dec 1/2006	10	4.10	4,346	859	3,492
		15	12.99		42,289	
55 Bay Street, Hamilton	July 1/2003	15	9.80	88,923 45,549	,	46,634 27,112
	Dec 1/2003	10	5.93		18,437 608	2,522
65 John Savage Avenue, Dartmouth	Oct 15/2004	5		3,130		
6900 Airport Road, Mississauga	Oct 1/2005	5	24.19	3,549	1,204 701	2,345
78 Richmond Road, Oshawa	July 1/2004		34.04	2,275		1,574
985 McGill PI, Kamloops	June 1/2002	15	13.50	3,121	1,428	1,693
Archives St-Augustin de Desmaures, Montreal	Oct 1/1999	15	14.60	7,907	3,119	4,788
Bank of Canada, Ottawa	Sept 1/2002	10	6.00	8,719	1,291	7,428
Bellanca building, Yellowknife	Mar 1/2007	5	4.10	6,835	660	6,175
Bell Tower, Edmonton	Jan 1/2004	10	31.05	4,386	2,558	1,828
Boyd Warehouse, Complex No 2, Ottawa	Apr 1/2002	10	31.30	2,178	1,084	1,094
C. D. Howe, 240 Sparks Street, Ottawa	Sept 1/1977	35	9.20	33,042	7,088	25,954
Canada Building & Enterprise Building, Ottawa	Apr 30/2004	9	5.90	43,408	6,968	36,440
Canada Post Place, Ottawa	Dec 18/2004	15	4.90	38,880	9,972	28,908
Centennial Towers, Ottawa	Dec 31/2003	10	6.70	71,447	14,114	57,333
Commerce Tower, Sydney	Dec 16/2004	7	4.20	1,109	104	1,005
Corneston E Systems, Ottawa	Sept 1/2006	5	6.20	2,708	358	2,350
Guy Favreau Complex, Montreal	Jan 1/2004	15	5.80	110,082	36,840	73,242
Cour Fédérale, Montreal	Feb 9/1994	20	23.50	11,690	5,899	5,791
Government of Canada Building, Cornwall	Dec 1/2004	15	6.10	10,022	3,042	6,980
Hamilton Centre, Regina	June 1/2002	10	15.90	4,222	1,354	2,868
Heritage Court, Moncton	July 1/2002	10	31.20	3,752	1,917	1,835
Historic Properties, Halifax	Jan 1/2006	10	8.20	3,581	1,029	2,552
IBM Canada, Ottawa	Sept 1/2004	3	3.84	355	3	352
IBM Canada, Ottawa	Feb 1/2005	3	3.30	585	10	575
IBM PEI, Summerside	Sept 1/2006	3	8.40	1,103	123	980
Immigration Case Processing Centre,						
Vegreville.	Mar 1/2004	10	22.10	3,006	1,472	1,534
Jean Edmonds Tower North, Ottawa	Jan 1/2005	10	4.50	70,284	11,105	59,179
Judicial Complex, Toronto	Apr 1/2006	20	11.40	105,325	66,073	39,252
Judy Lamarsh, Chatham (GOCB)	June 1/1995	25	8.70	6,168	2,503	3,665
Killeany Place Complex, Ottawa	Aug 1/2002	7	5.10	1,513	89	1,424
Labelle, Ottawa	Apr 1/2002	10	5.60	5,025	649	4,376
L'Esplanade Laurier, Ottawa	Oct 1/2000	10	6.90	35,075	5,425	29,650
Library Square (Block 56), Vancouver		25		,	. , .	

TABLE 6.16DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—*Concluded* (in thousands of dollars)

				Balar	nces at March 31,	2007
	Inception date	Lease term in years	Implicit interest rate (%) (1)	Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
Louis Saint Laurent, Gatineau	Nov 1/2001	15	6.40	73,441	21,219	52,222
Maritime Centre, Halifax	Oct 1/2006	10	10.40	1,963	720	1,243
Mc Arthur. Ottawa	Sept 1/2002	10	23.50	2,333	1.021	1,312
Mercury Centre, Ottawa	Jan 1/2007	25	4.50	160,905	64,008	96,897
Metropolitan Place, Dartmouth	Apr 1/2002	8	13.30	1,847	331	1,516
Montcalm Phase II, Gatineau.	Apr 1/2002	10	22.70	4,634	1,876	2,758
O.A.C.I Montreal	Nov 1/1996	20	9.90	130,363	52,498	77,865
Pickering Building Towers A & B, Ottawa	Dec 15/2006	5	18.30	6,556	2,172	4,384
Place Bell Canada, Ottawa	May 30/2003	15	10.90	10,467	4,400	6,067
Place Bonaventure, Montreal.	May 1/2005	10	16.43	7,119	3,191	3,928
Place du Centre, Gatineau	Feb 17/1978	30	11.20	8,255	581	7,674
Place Montcalm, Phase III, Gatineau	Dec 1/2003	15	8.70	47,477	17,642	29,835
Place Vincent Massey, Gatineau	Aug 1/2001	10	6.20	9,546	1,195	8,351
Place Wellington, Sherbrooke	Feb 1/2005	8	6.30	1,669	275	1,394
Purdy's Wharf Tower II, Halifax	Oct 1/2003	8	4.50	2,678	257	2,421
Queensway Corporate Campus, Phase II, Ottawa	Apr 1/2002	9	16.90	3,666	1.015	2,651
Royal Bank Building, Toronto	May 1/2002	10	12.50	26,606	6,993	19,613
Sir Wilfrid Laurier, Ottawa	Mar 1/2001	10	10.40	14,817	2,682	12,135
Smith's Home Plaza, St. John's	July 1/2004	5	4.39	1,088	54	1,034
Terrasses de la Chaudière, Gatineau	Jan 1/ 1993	20	10.00	149,249	48,968	100,281
The Inuksugait Plaza, Iqualuit	Oct 1/2006	10	14.30	2,087	948	1,139
Tour Iberville IV, Sainte-Foy	Apr 1/2005	10	4.68	1,416	237	1,179
Trusco Building, Ottawa	Sept 1/2006	20	4.30	134,877	43,379	91,498
Urbandale Building, Ottawa	June 1/2002	10	4.40	2,731	292	2,439
Willet building, Ottawa	Oct 1/2001	7	5.10	3,519	138	3,381
Other contracts less than \$1,000,000	000 1/2001	,	2.10	48,570	20.070	28,500
Other contracts less than \$1,000,000				1,922,122	663,156	1,258,966
Transport—				1,722,122	005,150	1,230,700
Confederation Bridge	May 31/1997	35	6.16	1,597,119	928,554	668,565
Other departments—				(250	400	5.050
Leases less than \$1,000,000				6,258	408	5,850
				4,621,406	1,910,244	2,711,162
Consolidated Crown corporations and other entities— Canadian Broadcasting Corporation— Canadian Broadcasting Centre,						
250 Front St W, Toronto	Oct 14/1988	30	7.53	677,295	324,206	353,089
Gatineau, Quebec	Sept 30/1996	35	9.88	85,750	53,628	32,122
-				763,045	377,834	385,211
Total				5,384,451	2,288,078	3,096,373

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

Maturity of obligation related to capital leases

Table 6.17 presents upcoming minimum leases payments for the next five years by ministry.

TABLE 6.17MATURITY OF OBLIGATION RELATED TO CAPITAL LEASES (in thousands of dollars)

			P	ayments due ir	1		
						2013 and	
	2008	2009	2010	2011	2012	subsequent years	Total
Canada Revenue Agency—							
Remaining payments	1.823	760					2,583
Imputed interest	66	8					74
•	1,757	752					2,509
Environment—							
Remaining payments	1,300	1,300	1,300	1,300	1,300	19,500	26,000
Imputed interest	865	841	815	788	759	6,563	10,631
•	435	459	485	512	541	12,937	15,369
National Defence—							
Remaining payments	109,448	95,308	90,628	76,597	77,006	618,337	1,067,324
Imputed interest	39,900	37,597	35,340	32,598	30,009	131,977	307,421
-	69,548	57,711	55,288	43,999	46,997	486,360	759,903
Public Works and Government Services—							
Remaining payments	201,698	189,135	184,252	193,470	165,142	988,425	1,922,122
Imputed interest	98,911	89,762	80,747	70,607	61,344	261,785	663,156
	102,787	99,373	103,505	122,863	103,798	726,640	1,258,966
Transport—							
Remaining payments	54,897	53,352	54,158	54,976	55,807	1,323,929	1,597,119
Imputed interest	40,161	37,945	38,049	38,134	38,198	736,067	928,554
	14,736	15,407	16,109	16,842	17,609	587,862	668,565
Other departments—							
Leases less than \$1,000,000—							
Remaining payments	2,232	1,944	1,447	576	59		6,258
Imputed interest	227	122	48	10	1		408
	2,005	1,822	1,399	566	58		5,850
	191,268	175,524	176,786	184,782	169,003	1,813,799	2,711,162
Consolidated Crown corporations and other entities—							
Canadian Broadcasting Corporation—							
Remaining payments	33,039	33,039	33,039	33,039	33,039	512,100	677,295
Imputed interest.	25,642	25,075	24,464	23,806	23,098	202,121	324,206
<u>r</u>	7.397	7.964	8.575	9.233	9.941	309,979	353,089
Canadian Museum of Nature—							
Remaining payments	3,500	3,500	3,500	3,500	3,500	68,250	85,750
Imputed interest.	3,175	3,141	3,104	3,062	3,017	38,129	53,628
<u>r</u>	325	359	396	438	483	30,121	32,122
	7,722	8,323	8,971	9,671	10,424	340,100	385,211
Total	198,990	183,847	185,757	194,453	179,427	2,153,899	3,096,373
		105,017	100,707	171,133	1/2,12/	2,100,000	2,070,373
Summary—	407.027	270 220	269.224	262.450	225 952	2 520 541	5 204 451
Remaining payments	407,937	378,338	368,324	363,458	335,853	3,530,541	5,384,451
Imputed interest	208,947	194,491	182,567	169,005	156,426	1,376,642	2,288,078
Net obligation	198,990	183,847	185,757	194,453	179,427	2,153,899	3,096,373

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 opened under the authority of section 21 of the Financial Administration Act or of other specific legislation. Specified purpose accounts are an accounting classification used to record transactions and expenditures in respect of money payable out of the Consolidated Revenue Fund under statutory authorities, 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 the major pension plans it sponsors. It is recorded through superannuation accounts, which are generally established pursuant to legislation, and through adjustment allowance accounts. The 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 covering 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. 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 (PSP Investments) for investments in capital markets. The goal of PSP Investments 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.

During the year, amendments were made to various pension plans and these amendments have affected the current year expense and benefit liabilities. Pursuant to the Budget of May 2, 2006 and ensuing Budget Implementation Act 2006 that received Royal Assent on June 22, 2006, amendments were made to the Public Service Superannuation Act, the Canadian Forces Superannuation Act and the Royal Canadian Mounted Police Superannuation Act to better integrate the coordination of the benefits under those plans with the ones under the Canada/Quebec pension plans. As a result of this change, the pension reductions due to the integration factors will be decreased over a five-year period starting in 2008.

Also during the year, certain provisions of the *Canadian Forces Superannuation Act* were authorized to come into force effective March 1, 2007 to amend the Canadian Forces Pension Plan and to establish the Canadian Forces Reserve Pension Plan. The changes to the Canadian Forces pension plan amend the pension service period and minimum eligibility age of retirement and include amongst other things, a decrease of the vesting period to two years and the coverage of full-time members of the Reserve Force. The new Canadian Force Reserve pension plan will cover part-time reservists and will offer a range of benefits similar to those offered through the Canadian Forces pension plan. Both plans also offer to reservists joining the plans an option to buy back past service for a limited period of time.

These amendments resulted in a one-time estimated past service cost of \$1,347 million for the Public Service Pension Plan, \$503 million for the Canadian Forces Pension Plan, \$161 million for the Royal Canadian Mounted Police Pension Plan and \$127 million for the Canadian Force Reserve Plan. These one-time impacts are recorded to the future benefit expense and to the year-end accrued benefit obligation. These amendments further resulted in the accelerated recognition to expense of net unamortized gains of \$48 million in the Public Service Pension Plan, \$335 million in the Canadian Forces Pension Plan and \$135 million in the Royal Canadian Mounted Police Pension Plan.

In 2006-2007, plan members contributions were 4.3 percent (4.0 percent in 2006) for the first nine months and 4.6 percent (4.3 percent in 2006) for the last three months 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 2006) for the first nine months and 8.1 percent (7.8 percent in 2006) for the last three months on salaries 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. For fiscal year 2006-2007, the employer contribution rates averaged about 2.2, 3.1 and 2.5 (2.5, 3.9 and 2.9 respectively in 2006) times the current year's employee contribution for the plans of the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

Since April 1, 2000, new contributions made to these three pension plans both by plan members and by the Government as the employer have been credited to new Pension Funds. The net amount of these contributions less benefits and payments related to post March 2000 service is invested in capital markets by 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 average interest rate credited to the accounts was about 7.5 percent in 2007 and 7.8 percent in 2006. The Pension Fund accounts, which record the transactions that pertain to service since April 1, 2000, 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 1st) 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:

	2007	2006
Members of Parliament		
House of Commons		
Retiring allowances account	3.45	3.45
Retirement compensation arrangements	6.73	6.67
The Senate		
Retiring allowances account	3.38	3.10
Retirement compensation arrangements	4.73	4.25

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 contribute 7 percent of salary. Legislation does not require a specific pension account to be maintained to record the transactions pertaining to this plan. Therefore, except for the portion recorded in the Supplementary Retirement Benefit Account, the liability pertaining to this plan is recorded mostly through an allowance account. During the year, benefits are recorded as expenditures against the statutory payment authority. The expense is adjusted at year-end through an allowance account, to bring the current year expense from an expenditure to an accrual accounting basis, similar to that of the other pension plans. During the year, the benefit payments charged to the expenditure authority amounted to \$85 million. At March 31, 2007, the portion of the pension liability recorded through an allowance account for the judges pension plan amounted to \$1,479 million (\$1,387 million in 2006).

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.

Actuarial valuations for the Retirement Compensation Arrangements (RCA) 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 \$22 million and \$9.5 million (nil and \$10 million in 2006) were made to the Canadian Forces Pension Fund and the Retirement Compensation Arrangements Account No. 2 respectively as a result of their last actuarial valuation. Such adjustments were not required during the year for the Public Service Pension Fund, the Members of Parliament Retirement Compensation Arrangement Account and the Retirement Compensation Arrangements Account No.1 (\$3.5 million, \$6 million and \$14 million in 2006).

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 actuarial valuations, no debit adjustment was made during the year. In 2006, a debit adjustment of \$49 million was made to the Royal Canadian Mounted Police Superannuation Account.

Table 6.18 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 plan members, 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 payments, 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, 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 6.18PUBLIC SECTOR PENSIONS

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
	\$	\$	\$	\$
Public Service Superannuation Account,				
Table 6.20	86,978,373,295	6,499,482,770	4,199,878,823	89,277,977,242
Allowance for pension adjustments	(9,868,000,000) 77,110,373,295	1,077,000,000 7,576,482,770	1,014,000,000 5,213,878,823	(9,805,000,000) 79,472,977,242
Public Service Pension Fund Account,	77,110,373,273	7,570,102,770	3,213,070,023	77,172,777,212
Table 6.21	141,250,581	3,254,284,095	3,255,641,012	139,893,664
Allowance for pension adjustments	111,000,000	425,000,000	204,000,000	332,000,000
1 3	252,250,581	3,679,284,095	3,459,641,012	471,893,664
Canadian Forces Superannuation Account,				
Table 6.22	42,362,772,313	3,136,296,998	2,211,903,535	43,287,165,776
Allowance for pension adjustments	(4,042,000,000)	335,000,000	944,000,000	(4,651,000,000)
	38,320,772,313	3,471,296,998	3,155,903,535	38,636,165,776
Canadian Forces Pension Fund Account,				
Table 6.23	30,872,904	855,558,533	822,837,324	63,594,113
Allowance for pension adjustments	102,000,000	239,000,000	22,000,000	319,000,000
	132,872,904	1,094,558,533	844,837,324	382,594,113
Reserve Force Pension Fund Account,				
Table 6.24		4,855,993	1,579,702	3,276,291
Allowance for pension adjustments		127,000,000		127,000,000
		131,855,993	1,579,702	130,276,291
Royal Canadian Mounted Police Superannuation Account,				
Table 6.25	11,255,480,938	835,898,287	450,770,327	11,640,608,898
Allowance for pension adjustments	(963,000,000)	135,000,000	372,000,000	(1,200,000,000)
	10,292,480,938	970,898,287	822,770,327	10,440,608,898
Royal Canadian Mounted Police Pension Fund Account,				
Table 6.26	16,562,928	298,835,863	304,258,433	11,140,358
Allowance for pension adjustments	1,000,000	33,000,000	2,000,000	32,000,000
	17,562,928	331,835,863	306,258,433	43,140,358
Members of Parliament Retiring Allowances Account,				
Table 6.27	453,260,380	53,564,235	20,167,014	486,657,601
Allowance for pension adjustments	(103,000,000)	3,000,000	21,000,000	(121,000,000)
	350,260,380	56,564,235	41,167,014	365,657,601
Members of Parliament Retirement Compensation				
Arrangements Account, Table 6.28	140,775,475	33,945,909	19,638,410	155,082,974
Allowance for pension adjustments	116,000,000	21,000,000	5,000,000	132,000,000
	256,775,475	54,945,909	24,638,410	287,082,974
Retirement Compensation Arrangements (RCA)				
Account, Table 6.29	1,525,076,464	246,847,598	179,090,628	1,592,833,434
Allowance for pension adjustments	1,298,000,000	210,000,000	213,000,000	1,295,000,000
	2,823,076,464	456,847,598	392,090,628	2,887,833,434
Supplementary Retirement Benefits Account (Judges),				
Table 6.30	118,183,214	10,610,868		128,794,082
Allowance for pension adjustments	1,387,000,000	106,000,000	14,000,000	1,479,000,000
	1,505,183,214	116,610,868	14,000,000	1,607,794,082
Supplementary Retirement Benefits Account (Others),	#00 4		400 =	
Table 6.30	509,428	53,342	108,538	454,232
Total	131,062,117,920	17,941,234,491	14,276,873,746	134,726,478,665
SUMMARY—				
Superannuation accounts	143,023,117,920	15,230,234,491	11,465,873,746	146,787,478,665
Allowance for pension adjustments	(11,961,000,000)	2,711,000,000	2,811,000,000	(12,061,000,000)
1 3	131,062,117,920	17,941,234,491	14,276,873,746	134,726,478,665
Total	131,002,117,920	17,741,434,491	14,2/0,0/3,/40	134,/20,4/0,003

Table 6.19 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 represent the interest credited to the superannuation accounts in accordance with the pension legislation, shown net of a provision of \$587 million (\$121 million in 2006) and of \$1,659 million (\$1,269 million in 2006) in expected return on pension plan assets.

TABLE 6.19
SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENSES (in millions of dollars)

					2006-200	7					
	Govern- ment contri- butions	Statu- tory pay- ments	Current service cost adjustments	Net current service costs	Funding of actuarial liability adjustment	Pension Plan amendment costs	Amorti- zation of estimation adjustments	Net pension expenses	Net pension interest expenses	Total 2	2005-2006
Public Service Superannuation											
Account ⁽¹⁾ Public Service Pension Fund	33		(78)	(45)		1,077	(250)	782	5,735	6,517	4,973
Account Canadian Forces Superannuation	2,020		(91)	1,929		400	(113)	2,216	25	2,241	2,106
Account	6		(9)	(3)		335	(557)	(225)	2,747	2,522	2,283
Account	623		15	638	22	176	25	861	23	884	660
Account Defence Services Pension	4			4		127		131		131	
Continuation Act		8		8				8		8	9
Royal Canadian Mounted Police Superannuation Account Royal Canadian Mounted	1		(2)	(1)		135	(257)	(123)	720	597	574
Police Pension Fund Account Royal Canadian Mounted	211		(2)	209		27	4	240	2	242	220
Police Continuation Act		20		20				20		20	22
Members of Parliament Retiring Allowances Account Members of Parliament Retirement	5			5			3	8	26	34	32
Compensation Arrangements Account	16			16			7	23	10	33	40
Retirement Compensation Arrangements (RCA) Account	97		(25)	72	9	(139)	96	38	105	143	234
Supplementary Retirement Benefits Account	3	85	(14)	3 71			15	3 86	96	3 182	2 182
Other (diplomatic services, lieutenant governors, etc.)		2	(- ')	2				2		2	1
Subtotal	3,019	115	(206)	2,928	31	2,138	(1,027)	4,070	9,489		11,338
Less: costs already recorded in the allowance for pension adjustments of previous											
years Less: contributions from the Judges plan recorded to					(31)			(31)		(31)	(33)
revenues		(13)		(13)				(13)		(13)	(11)
Total	3,019	102	(206)	2,915		2,138	(1,027)	4,026	9,489	13,515	11,294

⁽¹⁾ Includes payments under Supplementary Retirement Benefits Act and various acts.

Public Service Superannuation Account

This account, established by the *Public Service Superannu*ation 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 6.20
PUBLIC SERVICE SUPERANNUATION ACCOUNT

	2006-2007	2005-2006
	\$	\$
Opening balance	86,978,373,295	84,501,259,414
RECEIPTS AND OTHER CREDITS— Contributions—		
Government employees	10,711,265	11,767,103
Retired employees	31,788,902	33,367,386
employees Employer contributions—	849,776	1,018,048
Government	33,455,826	35,245,815
Public Service corporations	618,097	2,184,092
Transfers from other pension funds	208,412	601,094
Interest	6,421,850,492	6,457,717,517
	6,499,482,770	6,541,901,055
	93,477,856,065	91,043,160,469
PAYMENTS AND OTHER CHARGES—		
Annuities	3,996,120,467	3,832,829,255
Minimum benefits	10,474,192	14,179,858
Pension division payments Pension—Transfer value	32,186,395	29,540,769
payments	60,819,591	46,412,923
Government employees	192,155	175,385
employees	17,860	33,719
Transfers to other pension funds	43,418,342	85,934,811
Administrative expenses Actuarial liability adjustment	56,649,821	55,680,454
	4,199,878,823	4,064,787,174
Closing balance	89,277,977,242	86,978,373,295

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 6.21PUBLIC SERVICE PENSION FUND ACCOUNT

	2006-2007	2005-2006
	\$	\$
Opening balance	141,250,581	149,639,730
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees	926,614,593	854,142,287
Retired employees	14,907,593	11,533,255
employees	78,391,530	70,663,613
Employer contributions—	2 020 277 071	2 125 202 061
Government	2,020,276,871	2,125,202,061
Public Service corporations	166,837,423	151,982,298
adjustment		3,500,000
Transfers from other pension funds	47,256,085	41,594,715
	3,254,284,095	3,258,618,229
PAYMENTS AND OTHER CHARGES—		
Annuities	158,793,473	100,323,704
Minimum benefits	3,468,773	3,341,863
Pension division payments Pension—Transfer value	4,965,827	2,990,785
payments	77,563,031	43,328,613
Government employees	6,879,694	5,416,292
employees	1,943,365	1,138,123
Transfers to other pension funds	17,091,114	12,098,880
Administrative expenses	13,064,456	10,582,136
	283,769,733	179,220,396
Receipts and other credits less payments and other		
charges	2,970,514,362	3,079,397,833
Transfers to Pension Investment Board	2,971,871,279	3,087,786,982
Closing balance	139,893,664	141,250,581

Canadian Forces Superannuation Account

This account, established by the *Canadian Forces Superan*nuation 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 6.22
CANADIAN FORCES SUPERANNUATION ACCOUNT

	2006-2007	2005-2006
	\$	\$
Opening balance	42,362,772,313	41,350,713,360
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	3,722,714	3,938,886
Contributions by the Government	5,620,237	3,901,771
Interest	3,124,174,805	3,146,782,399
Other	2,779,242	3,994,684
	3,136,296,998	3,158,617,740
	45,499,069,311	44,509,331,100
PAYMENTS AND OTHER CHARGES— Pensions and retiring allowance		
payments	2,148,630,831	2,084,494,540
Pension division payments	47,232,714	45,942,476
returns of contributions Transfers to Public Service	3,488,980	4,411,589
Superannuation Account	461,297	677,219
Administrative expenses Actuarial liability adjustment	12,089,713	11,032,963
	2,211,903,535	2,146,558,787
Closing balance	43,287,165,776	42,362,772,313

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 Part 1 of the *Canadian Forces Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Sector 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 6.23CANADIAN FORCES PENSION FUND ACCOUNT

	2006-2007	2005-2006
-	\$	\$
Opening balance	30,872,904	88,851,152
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	210,395,313	188,525,824
Contributions by the Government	623,201,368	638,783,009
Transfers from other pension funds Actuarial liability	261,852	194,222
adjustment	21,700,000	
	855,558,533	827,503,055
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance	(1.001.502	10.560.272
payments	61,091,583	40,560,273
Pension division payments	7,213,801	5,148,556
returns of contributions	13,844,689	10,535,532
Transfers to Public Service		
Superannuation Account	189,812	108,943
Administrative expenses	1,951,766	1,393,500
-	84,291,651	57,746,804
Receipts and other credits		
less payments and other		
charges	771,266,882	769,756,251
Transfers to Pension Investment		
Board	738,545,673	827,734,499
Closing balance	63,594,113	30,872,904

Reserve Force Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after March 1, 2007 in accordance with Part 1.1 of the *Canadian Forces Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Sector 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
RESERVE FORCE PENSION FUND ACCOUNT

	2006-2007	2005-2006
-	\$	\$
Opening balance		
RECEIPTS AND OTHER CREDITS— Contributions from personnel Contributions by the Government	1,187,284 3,668,709	
-	4,855,993	
PAYMENTS AND OTHER CHARGES— Administrative expenses	1,579,702	
Closing balance	3,276,291	

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 6.25ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	2006-2007	2005-2006
	\$	\$
Opening balance	11,255,480,938	10,890,475,666
RECEIPTS AND OTHER CREDITS— Contributions from personnel (current		
and arrears)	1,249,063	1,427,039
Contributions by the Government	1,196,328	1,386,573
Transfers from other pension funds	17,060	286,230
Interest	833,435,836	834,839,888
	835,898,287	837,939,730
	12,091,379,225	11,728,415,396
PAYMENTS AND OTHER CHARGES—		
Annuities and allowance payments	432,074,532	402,729,374
Pension division payments	10,718,859	10,987,456
Returns of contributions	2,960	20,381
Cash termination allowance		
and gratuities	2,619	22,115
Commuted value payments	3,286,248	4,852,141
Transfers to other pension funds	177,832	131,256
Interest on returns of contributions	1,491	11,510
	4,505,786	5,180,225
Administrative expenses	4,303,780	3,180,223
adjustment		49,000,000
	450,770,327	472,934,458
Closing balance	11,640,608,898	11,255,480,938

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 6.26ROYAL CANADIAN MOUNTED POLICE PENSION FUND ACCOUNT

	2006-2007	2005-2006
	\$	\$
Opening balance	16,562,928	17,508,663
RECEIPTS AND OTHER CREDITS— Contributions from personnel (current		
and arrears)	85,458,532	76,485,818
Contributions by the Government	210,996,204	219,651,489
Transfers from other pension funds	2,381,127	1,278,988
	298,835,863	297,416,295
PAYMENTS AND OTHER CHARGES—		
Annuities and allowance payments	18,955,636	12,713,052
Minimum benefits		32,309
Pension division payments	1,457,006	827,129
Returns of contributions	108,306	52,449
Cash termination allowance and gratuities		
Commuted value payments	2,279,934	2,260,098
Transfers to other pension funds Interest on returns of	92,054	44,024
contributions	15,740	8,098
Administrative expenses	941,449	851,004
	23,850,125	16,788,163
Receipts and other credits less payments and other		
charges	274,985,738	280,628,132
Transfers to Pension Investment Board	280,408,308	281,573,867
Closing balance.	11,140,358	16,562,928
Crossing durance	11,140,550	10,502,720

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 6.27MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	2006-2007	2005-2006
-	\$	\$
Opening balance	453,260,380	422,525,376
RECEIPTS AND OTHER CREDITS— Members' contributions—		
Current	1,577,562	1,531,607
mortality insurance	76,194	69,096
Current	5,355,841	5,226,747
Interest	46,554,638	43,384,988
-	53,564,235	50,212,438
_	506,824,615	472,737,814
PAYMENTS AND OTHER CHARGES—		
Annual allowances	20,017,711	18,977,081
Withdrawal allowances	18,258	165,289
Interest on withdrawals	1,499	6,695
Pension division payments	129,546	139,793
Transfers to other pension funds		188,576
-	20,167,014	19,477,434
Closing balance	486,657,601	453,260,380

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 6.28MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

	2006-2007	2005-2006
-	\$	\$
Opening balance	140,775,475	125,508,575
RECEIPTS AND OTHER CREDITS— Members' contributions—		
Current	2,595,273	2,685,345
mortality insurance	68,379	70,262
Current	16,178,865	16,529,339
Interest	15,103,392	13,591,352
Actuarial liability adjustment		5,708,760
	33,945,909	38,585,058
-	174,721,384	164,093,633
PAYMENTS AND OTHER CHARGES—		
Annual allowances	5,886,618	4,113,948
Revenue Agency	13,540,275	18,223,501
Withdrawals	56,942	406,397
Interest on withdrawals	2,532	13,249
Pension division payments	152,043	561,063
	19,638,410	23,318,158
Closing balance	155,082,974	140,775,475

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 between age 50 and 54 and declared surplus as part of a 3 year Government downsizing initiative which ended on March 31, 1998. It pays the difference between a unreduced pension and the reduced pension for early retirement payable from the Public Service Superannuation Account. The RCA No.2 was created April 1, 1995 and is funded entirely by the Government.

TABLE 6.29RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

		RCA No.1					RCA	No.2		
	Public	Service	Canadia	n Forces		Canadian ed Police	Public S	ervice	Total	
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening 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
RECEIPTS AND OTHER CREDITS— Contributions— Government										
employees	7,966,507 176,240	8,614,364 145,161	2,399,869	2,455,831	193,296	255,512			10,559,672 176,240	11,325,707 145,161
corporation employees Employer	1,285,632	1,149,512							1,285,632	1,149,512
contributions— Government Public Service	56,524,613	74,942,546	39,053,340	42,368,105	961,915	1,965,066			96,539,868	119,275,717
corporations	9,496,144	10,244,816							9,496,144	10,244,816
pension funds Refundable tax	70	4,119					3,874,342	2,080,587	70 3,874,342	4,119 2,080,587
Interest	42,852,014	40,261,137	10,669,676	8,650,530	1,608,429	1,588,360	60,285,511	62,659,599	115,415,630	113,159,626
adjustment		2,400,000		11,400,000			9,500,000	10,300,000	9,500,000	24,100,000
	118,301,220	137,761,655	52,122,885	64,874,466	2,763,640	3,808,938	73,659,853	75,040,186	246,847,598	281,485,245
	661,256,658	618,927,739	181,792,723	159,781,930	23,788,564	23,264,315	905,086,117	909,452,536	1,771,924,062	1,711,426,520
PAYMENTS AND OTHER CHARGES—										
Annuities	7,405,601 14,749	5,721,952 687	991,277	808,849	250,936	188,960	79,244,775	78,026,272	87,892,589 14,749	84,746,033 687
Pension division Transfer value	477,249	324,424	204,489	10,152	7,803				689,541	334,576
and interest	492,237	428,995			200				492,437	428,995
Government employees Public Service corporation	78,821	26,003	45,652	27,357	905				125,378	53,360
employees	43,739	10,743							43,	10,743
Transfers	1,391,609 55,968,811	2,043 69,457,454	31,201,214	3,983 29,261,751	647 1,269,914	2,050,431			1,392, 88,439,	6,026 100,769,636
	65,872,816	75,972,301	32,442,632	30,112,092	1,530,405	2,239,391	79,244,775	78,026,272	179,090,628	186,350,056
Closing balance	595,383,842	542,955,438	149,350,091	129,669,838	22,258,159	21,024,924	825,841,342	831,426,264	1,592,833,434	1,525,076,464

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 6.30
SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

	Judges		Others ⁽¹⁾		Total	
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006
	\$	\$	\$	\$	\$	\$
Opening balance	118,183,214	109,446,070	509,428	456,370	118,692,642	109,902,440
RECEIPTS AND OTHER CREDITS— Employee contributions—						
Government	2,835,266	2,357,751	17,683	29,881	2,852,949	2,387,632
Government	2,835,266	2,357,751	17,683	29,666	2,852,949	2,387,417
Interest	4,940,336	4,021,642	17,976	15,110	4,958,312	4,036,752
	10,610,868	8,737,144	53,342	74,657	10,664,210	8,811,801
	128,794,082	118,183,214	562,770	531,027	129,356,852	118,714,241
PAYMENTS AND OTHER CHARGES— Annuities						
Returns of contributions			108,538	21,599	108,538	21,599
			108,538	21,599	108,538	21,599
Closing balance	128,794,082	118,183,214	454,232	509,428	129,248,314	118,692,642

⁽¹⁾ 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 \$1,027 million (\$1,101 million in 2006) 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 \$31 million (\$33 million in 2006) 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 \$206 million (\$338 million in 2006) 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 \$2,138 million (nil in 2006) was recorded in this account and increased pension costs to adjust for the cost of past service related to amendments that were made to the pension plans during the year.

No amount (\$49 million in 2006) 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 \$587 million was credited to this account (\$121 million debited in 2006) to adjust for the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts and an amount of \$1,659 million (\$1,269 million in 2006) was recorded in this account to record the expected return on the pension plan assets

As well, a consolidation adjustment of \$98 million (\$117 million in 2006) 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 \$1,307 million in net losses (\$715 million in net gains in 2006) 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 \$10,753 million (\$12,676 million in 2006) 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 up of:

	Excess (shortfall)		
	(in millions of dollars)		
-	2007	2006	
Public Service Pension Plan—			
Public Service Superannuation			
Account	7,711	9,222	
Public Service Pension Fund	529 (1,156)	(1,207)	
- Kethement Compensation Arrangements			
	7,084	8,018	
Canadian Forces Pension Plan— Canadian Forces Superannuation			
Account	4.415	4.955	
Canadian Forces Pension Fund	(310)	(289)	
Reserve Force Pension Fund	(127)		
Retirement Compensation Arrangements	(64)	(51)	
_	3,914	4,615	
Royal Canadian Mounted Police			
Pension Plan— Royal Canadian Mounted Police	1 202	1.511	
Superannuation Account	1,283	1,511	
Police Pension Fund	5	(11)	
Retirement Compensation Arrangements	2	4	
_	1,290	1,504	
Members of Parliament Pension Plan—			
Members of Parliament Retiring Allowances	123	105	
Retirement Compensation Arrangements	(137)	(127)	
-	(14)	(22)	
Pension plan for federally appointed			
judges	(1,521)	(1,439)	
- Total	10.753	12,676	

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 6.31 presents the balance of these liabilities at year-end.

TABLE 6.31
OTHER EMPLOYEE AND VETERAN FUTURE BENEFITS

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
	\$	\$	\$	\$
Veterans' disability and other				
future benefits	28,302,000,000	2,754,000,000	2,632,000,000	28,424,000,000
Royal Canadian Mounted Police disability				
and other future benefits	1,104,000,000	232,000,000	59,000,000	1,277,000,000
Public Service Health Care Plan	7,544,000,000	1,409,000,000	191,000,000	8,762,000,000
Pensioners' Dental Services Plan	1,624,000,000	159,000,000	35,000,000	1,748,000,000
Severance benefits	4,150,000,000	554,000,000	436,000,000	4,268,000,000
Workers' compensation	645,000,000	99,000,000	100,000,000	644,000,000
Total	43,369,000,000	5,207,000,000	3,453,000,000	45,123,000,000

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)

	2007			2006	
	Accrued benefit obligation	Unamortized estimation adjustments	Future benefit liability	Future benefit liability	
Veterans' disability and other					
future benefits	39,265	(10,841)	28,424	28,302	
Royal Canadian Mounted Police disability					
and other future benefits	2,453	(1,176)	1,277	1,104	
Public Service Health Care Plan	13,485	(4,723)	8,762	7,544	
Pensioners' Dental Services Plan	2,129	(381)	1,748	1,624	
Severance benefits	4,782	(514)	4,268	4,150	
Workers' compensation	716	(72)	644	645	
	62,830	(17,707)	45,123	43,369	

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.

The provisions of the Canadian Forces Superannuation Act that were brought into force extended the pension benefits to full-time and part-time Canadian Forces reservists. These amendments consequently extended the coverage of the health care and dental retirement benefits to the reservists covered by the new provisions of the Act. Changes made in the pension service period and minimum eligibility age of retirement of Canadian Forces members also affected the period of attribution used in the calculation of the retirement health care and dental benefits for these members. These amendments resulted in a one-time estimated past service cost of \$103 million for the health care plan and of \$16 million for the dental plan. These one-time impacts are recorded to the future benefit expense and to the year-end accrued benefit obligation.

In 2006, amendments to the health care and dental plans resulted respectively in an estimated past service cost reduction of \$373 million and a past service cost of \$197 million. These 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.

There was no change to the veterans' future benefits during the year. In 2006, amendments to those benefits had resulted in a one-time past service cost reduction estimated at \$1,723 million and in the accelerated recognition of net unamortized losses of \$2,075 million, which were charged to the future benefit expense.

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

(in millions of dollars)

	2007				2006		
	Benefits earned	Plan amendment costs	Amortization of estimation adjustments	Net benefit expense	Interest cost	Total	Total
Veterans' disability and other							
future benefits	370		741	1,111	1,643	2,754	3,174
Royal Canadian Mounted Police disability and other future benefits	86		58	144	88	232	175
Public Service Health Care Plan	368	103	456	927	585	1,512	1,056
Pensioners' Dental Services Plan	54	16	18	88	89	1,312	1,030
Severance benefits	304		39	343	211	554	483
Workers' compensation	61		6	67	32	99	106
Fotal	1,243	119	1,318	2,680	2,648	5,328	5,130

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 \$119,8 billion (\$101,1 billion in 2006).

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 6.32 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 6.32
DUE TO CANADA PENSION PLAN

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
	\$	\$	\$	\$
Canada Pension Plan balance per audited				
financial statements—				
Net assets per audited financial statements	101,119,985,237	45,285,331,419	26,573,764,870	119,831,551,786
Less: Receivables, net of liabilities	3,273,438,240	3,228,792,927	3,273,438,240	3,228,792,927
Unrealized gain/loss on investment fund	809,053,063		758,059,520	50,993,543
Accumulated net income from Canada				
Pension Plan Investment Board's				
operations	20,091,791,000	12,674,209,000		32,766,000,000
	76,945,702,934	29,382,329,492	22,542,267,110	83,785,765,316
Less: transfers to Canada Pension Plan				
Investment Board	68,440,125,659	22,389,113,744	37,118,344,349	83,169,356,264
Subtotal	8,505,577,275	51,771,443,236	59,660,611,459	616,409,052
Less: securities held by the Canada Pension Plan				
Investment Fund —				
Canada	1,117,503,833	1,069,105,388		48,398,445
Newfoundland and Labrador	219,005,267	203,815,900		15,189,367
Nova Scotia.	356,633,333	332,245,579		24,387,754
Prince Edward Island	48,533,327	45,175,722		3,357,605
New Brunswick	291,554,402	271,224,856		20,329,546
Quebec (1)	33,473,576	31,090,543		2,383,033
Ontario	3,464,614,116	3,207,862,804		256,751,312
Manitoba	273,265,056	256,410,888		16,854,168
Saskatchewan	312,898,081	292,543,140		20,354,941
Alberta	938,765,749	877,536,223		61,229,526
British Columbia	1,297,134,287	1,203,632,253		93,502,034
Yukon Territory	1,345,500	1,257,889		87,611
	8,354,726,527	7,791,901,185	<u> </u>	562,825,342
Deposit with the Receiver General for Canada	150,850,748	59,563,344,421	59,660,611,459	53,583,710

⁽¹⁾ The Quebec Bonds which are purchased by the Plan relate to the contributions of certain federal employees, such as members of the Canadian Armed Forces, who are resident in the Province of Quebec but contribute to the Plan.

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 9.9 percent of pensionable earnings for the 2006 and 2007 calendar years, subject to maximum combined contributions of \$3,821 and \$3,980 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;
- (d) gains on investments held by the Fund and/or the Board: and.
- (e) payments received on overpayments established.

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

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 21st 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 Government annual surplus.

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 credit 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, 2007, over 64,334 annuitants held 69,554 active contracts, each annuitant receiving an average payment of \$660.00. During the year, 309 deferred annuities came into payment and another 110 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 2007, there were 1,981 outstanding deferred annuities, the last of which will come into payment around the year 2030.

During the 2006-2007 fiscal year, 5,300 annuities were terminated or adjusted as a result of annuitant deaths: 4,134 group certificates and 1,166 individual contracts. The average age at death for males was 84.6 while the female age at death averaged 88.

Total income amounted to \$23.4 million, \$22.5 million of which represented interest of 7 percent credited to the Account. Premiums received totaled \$21,253. Total disbursements of \$48.4 million originated mainly from the \$47.9 million in payments made under matured annuities. An amount of \$71,877 was used to refund premiums at death before maturity or when the annuity would have been too small, and \$180,781 was transferred to the Government's revenues as a result of unclaimed annuities.

The opening balance of \$347.2 million was reduced due to a surplus as at April 1, 2006 of \$3.5 million, transferred to the Government's revenues, and disbursements exceeding income by \$24.9 million during 2006-2007. Since the actuarial reserves required as of March 31, 2007 were only \$319.4 million, an excess amount of \$2.9 million was also transferred to the Government's revenues.

During the year, debts totalling \$58,370 related to overpayments were written off pursuant to Human Resources and Skills Development Vote 7a, *Appropriation Act No.3*, 2006-2007.

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 6.33 presents a summary of the balances and transactions in deposit and trust accounts.

TABLE 6.33DEPOSIT AND TRUST ACCOUNTS

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
_	\$	\$	\$	\$
Deposit accounts—				
Agriculture and Agri-Food—				
Canadian Dairy Commission—				
Canadian Dairy Commission account	490,937	47,430,084	47,761,862	159,159
Canada Revenue Agency—				
Guarantee deposits	51,278,924	16,956,997	9,584,340	58,651,581
Less: securities held in trust	1,633,000	277,000	369,000	1,725,000
	49,645,924	17,233,997	9,953,340	56,926,581
Finance—				
Canada Development Investment Corpora-				
tion—	52 500 000		10.000.000	12 500 000
Holdback—Privatization	53,500,000		10,000,000	43,500,000
Canada Hibernia Holding Corporation—	74.740.000	2.720.000		50.450.000
Abandonment reserve fund	74,740,000	3,738,000	77 211 000	78,478,000
Swap collateral deposits	77,311,000	2 720 000	77,311,000	121 070 000
Harmon Barrows and Chilla Davids mount	205,551,000	3,738,000	87,311,000	121,978,000
Human Resources and Skills Development— Department—				
Human Resources and Skills Development—				
Canada Labour Code—Other	157,406	322,849	341,482	138,773
Canada Labour Code—Wage Recovery				
Appeals	1,128,330	242,961	955,275	416,016
••	1,285,736	565,810	1,296,757	554,789
Indian Affairs and Northern Development—				
Agent administered Indian minors account	7,740	507		8,247
Less: securities held in Peace Hills Trust	7,740		507	8,247
		507	507	
Field British Columbia and Yukon Operations of the				
Northern Canada Power Commission	992,588			992,588
Guarantee deposits	255,312,443	62,156,956	123,107,410	194,361,989
Less: securities held in trust	236,971,942	112,941,200	52,541,277	176,572,019
	18,340,501	175,098,156	175,648,687	17,789,970
Guarantee deposits—Oil and gas	144,734,855	143,907,148	166,004,886	122,637,117
Less: securities held in trust	116,281,512	120,335,128	120,231,639	116,178,023
	28,453,343	264,242,276	286,236,525	6,459,094
Guarantee deposits—Reserve resources	766,953			766,953
Indian Act	364,870	2,827,750	2,961,140	231,480
Less: deposits in special bank accounts	364,870	2,961,140	2,827,750	231,480
	,	5,788,890	5,788,890	
	48.553.385	445,129,829	467,674,609	26,008,605
Justice—	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,,	,,	_ = 0,000,000
Canadian Human Rights Commission—				
Guarantee deposits		9,000		9,000
Courts Administration Service—				
Security for costs	15,434	580		16,014
Supreme Court of Canada—	*			*
Security for costs	394,091	5,854	13,952	385,993
	409,525	15,434	13,952	411,007

TABLE 6.33DEPOSIT AND TRUST ACCOUNTS—Concluded

-			other charges	March 31/2007
	\$	\$	\$	\$
Natural Resources—				
Guarantee deposits—Oil and gas	355,059,324	360,373,749	357,686,879	357,746,194
Less: securities held in trust	343,488,794	343,488,794	343,685,250	343,685,25
	11,570,530	703,862,543	701,372,129	14,060,94
Privy Council—				
Chief Electoral Officer—Candidates' and committees'				
deposits —Election and referendum	1,666,000	15,000	1,610,000	71,000
Public Safety and Emergency Preparedness—				
Canada Border Services Agency—				
Guarantee deposits	5,647,241	3,141,256	1,739,927	7,048,57
Less: securities held in trust	.,,	97,500	265,800	168,30
Ecos. securities nord in trust	5,647,241	3,238,756	2,005,727	6,880,27
Community domanity				
General security deposits	4,336,927	300,000	62,330	4,574,59
Immigration guarantee fund	29,682,513	9,504,802	10,786,651	28,400,66
Seized monetary assets	3,600		3,600	
Temporary deposits received from importers		2,143,100	1,175,686	967,41
	39,670,281	15,186,658	14,033,994	40,822,94
Public Works and Government Services— Contractors' security deposits (departments and				
agencies)—				
	1 249 241	100 000		1 420 24
Bonds	1,248,241	190,000	100.000	1,438,24
Less: securities held in trust	1,248,241		190,000	1,438,24
		190,000	190,000	
Cash	8,322,359	173,799	587,850	7,908,30
Certified cheques	32,770	3,000	24,917	10,85
Deposits on disposals (formerly Deposits on				
disposals and rents)	437,007	5,850,898	6,026,318	261,58
Seized property—Cash	66,335,973	12,877,105	5,567,765	73,645,31
Seized property—Casii				
-	75,128,109	19,094,802	12,396,850	81,826,06
otal deposit accounts	433,971,427	1,252,272,157	1,343,424,493	342,819,09
rust accounts—				
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.34	779,954,934	180,128,740	225,967,093	734,116,58
Revenue accounts, Table 6.35	199,376,058	73,158,507	64,610,468	207,924,09
	979,330,992	253,287,247	290,577,561	942,040,67
Indian estate accounts	11,163,265	4,938,720	3,494,079	12,607,90
Indian savings accounts	36,195,241	7,217,560	4,336,841	39,075,96
maran savings accounts				
N 1.D. 0	1,026,689,498	265,443,527	298,408,481	993,724,54
National Defence—	212.052	1 040 100	1 017 000	244.15
Estates—Armed services	213,953	1,848,190	1,817,989	244,15
Public Safety and Emergency Preparedness—				
Canadian Security Intelligence Service—	28,137	1,026	2,000	27,16
Scholastic awards	28,137	1,026	2,000	27,10
Correctional Service—				
Inmates' trust fund	11,459,660	37,809,201	36,998,114	12,270,74
Royal Canadian Mounted Police—				
Benefit trust fund	2,228,923	219,719	136,650	2,311,99
	13,716,720	38,029,946	37,136,764	14,609,90
Veterans Affairs—	,,,,	,,-	, , ,	- 1,002,20
Administered accounts	2,224,102	283,182	840,950	1,666,33
				, ,
Estates fund	3,574,301	1,035,719	24,883	4,585,13
Veterans administration and welfare trust				
fund	560,508	349,803	80,751	829,56
	6,358,911	1,668,704	946,584	7,081,03
_				
otal trust accounts	1,046,979,082	306,990,367	338,309,818	1,015,659,63

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.

During the year, the account was closed.

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.

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.

Guarantee deposits—Canadian Human Rights Commission

This account was established to record a post security for cost made pursuant to the order of the Court of Appeal for Ontario

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 (formerly 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.

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 6.34
INDIAN BAND FUNDS—CAPITAL ACCOUNTS

	2006-2007	2005-2006
-	\$	\$
Opening balance	779,954,934	1,056,208,153
RECEIPTS AND OTHER CREDITS—		
Oil royalties	31,599,723	26,026,076
Gas royalties	137,325,272	217,867,994
Sundries	11,203,745	15,695,841
	180,128,740	259,589,911
	960,083,674	1,315,798,064
PAYMENTS AND OTHER CHARGES— Per capita cash distribu-		
tion	16,305,875	19,683,070
Indian Act	209,661,211	516,124,306
Sundries	7	35,754
	225,967,093	535,843,130
Closing balance	734,116,581	779,954,934

TABLE 6.35
INDIAN BAND FUNDS—REVENUE ACCOUNTS

	2006-2007	2005-2006
-	\$	\$
Opening balance	199,376,058	195,104,266
RECEIPTS AND OTHER CREDITS— Government interest Land and other claim	40,888,631	51,732,204
settlements	14,581	1,725,000
Sundries	32,255,295	29,066,179
	73,158,507	82,523,383
	272,534,565	277,627,649
PAYMENTS AND OTHER CHARGES— Per capita cash distribu-		
tion	12,250,671	13,452,290
Indian Act	50,495,727	62,699,633
Sundries	1,864,070	2,099,668
	64,610,468	78,251,591
Closing balance	207,924,097	199,376,058

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 6.36 presents a summary of the balances and transactions for all other specified purpose accounts.

TABLE 6.36OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
-	\$	\$	\$	\$
Insurance and death benefit accounts—				
Finance—				
Office of the Superintendent of Financial Institutions—				
Insurance company liquidation	1,016,779		1,016,779	
Human Resources and Skills Development—				
Department—				
Human Resources and Skills Development— Civil service insurance fund	6,283,646	117,680	268,133	6,133,193
National Defence—	0,263,040	117,000	200,133	0,133,193
Regular force death benefit account,				
Table 6.37	197,232,360	31,489,869	32,080,113	196,642,116
Treasury Board—	177,232,300	31,407,007	32,000,113	170,042,110
Public Service death benefit account,				
Table 6.38	2,322,941,560	256,177,706	136,177,541	2,442,941,725
Veterans Affairs—	2,022,011,000	200,177,700	150,177,511	2, 1.12, 5.11, 7.25
Returned soldiers' insurance fund	17,540		8,518	9,022
Veterans insurance fund	7,577,430	22,355	1,080,856	6,518,929
	7,594,970	22,355	1,089,374	6,527,951
Total insurance and death benefit accounts	2,535,069,315	287,807,610	170,631,940	2,652,244,985
Pension accounts—				
Human Resources and Skills Development—				
Department—				
Human Resources and Skills Development—				
Annuities agents' pension account	3,548	90	2,433	1,205
Public Safety and Emergency Preparedness—	-,		_,	-,
Royal Canadian Mounted Police—				
Dependants' pension fund	29,745,119	2,173,355	2,509,631	29,408,843
Total pension accounts	29,748,667	2,173,445	2,512,064	29,410,048
-	27,710,007	2,173,113	2,312,001	27,110,010
Other accounts—				
Agriculture and Agri-Food—	705 052 001	207 (27 177	607 411 424	405 170 542
Canadian Agricultural Income Stabilization	705,953,801	396,636,175	607,411,434	495,178,542
Canadian Food Inspection Agency—	1 260 777	(40.027	(21,002	1 207 022
Shared-cost agreements	1,369,777 707,323,578	640,037 397,276,212	621,992 608.033.426	1,387,822 496,566,364
Atlantic Canada Opportunities Agency—	707,323,376	397,270,212	000,033,420	490,300,304
Federal/provincial agreement—Advance account	409,998	620,000	474,408	555,590
Canada Revenue Agency—	407,770	020,000	7/7,700	333,370
Deposits/Disbursements—Worker's				
Compensation Board		205,449,457	205,449,457	
Canadian Heritage—			,,	
Miscellaneous projects deposits	276,866	149,139	93,166	332,839
Library and Archives of Canada—	*	*	*	,
Special Operating Account	385,253	872,272	887,060	370,465
Telefilm Canada—				
Advance account	35,237,828	166,591,457	177,481,547	24,347,738
	35,899,947	167,612,868	178,461,773	25,051,042
Citizenship and Immigration—	28,000,000	579,116,000	583,116,000	24,000,000

TABLE 6.36OTHER SPECIFIED PURPOSE ACCOUNTS—Continued

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
_	\$	\$	\$	\$
Environment—				
Miscellaneous projects deposits	5,419,251	3,605,376	3,142,747	5,881,880
Miscellaneous projects deposits	456,496 5,875,747	1,492,136 5,097,512	537,048 3,679,795	1,411,584 7,293,464
Finance—				
Common school funds—Ontario and Quebec Foreign claims fund	2,677,771 179,020			2,677,771 179,020
War claims fund—World War II	4,236			4,236
E: 1 : 10	2,861,027			2,861,027
Fisheries and Oceans—				
Federal/provincial cost-sharing	1 145 257	542 (0)	1 020 674	(40.200
agreements	1,145,357	542,606	1,038,674	649,289
Miscellaneous projects deposits	10,748,277	23,756,281	18,473,565	16,030,993
Sales of seized assets	711,483	291,053	400,512	602,024
Foreign Affairs and International Trade—	12,605,117	24,589,940	19,912,751	17,282,306
Canada Foundation account	358,522			358,522
Less: securities held in trust	351,370			351,370
deposits in a special bank account	7,152			7,152
Financial assistance to Canadians abroad	98,387	1,634,849	1,516,075	217,161
Funds from non-governmental organizations	3,325,909	12,319,518	12,056,986	3,588,441
Shared-cost projects	2,059,430	44,935,858	43,785,693	3,209,595
Canadian International Development Agency—	2,037,130	11,755,656	15,765,675	3,207,373
Shared-cost projects—International conferencesNAFTA Secretariat, Canadian Section—	921,752	5,547,816	654,892	5,814,676
Shared-cost agreements	1,099			1,099
	6,406,577	64,438,041	58,013,646	12,830,972
Health—	1.010.506	1.050.554	452.540	2 115 522
Collaborative research projects	1,218,506	1,350,574	453,548	2,115,532
Miscellaneous federal/provincial projects	1,232,488 104,515	1,413,833	1,439,281	1,207,040 104,515
Collaborative research projects	823,718	925,126	943,457	805,387
Miscellaneous federal/provincial projects	683,028	533,106	82,052	1,134,082
wiscentaneous rederan provinciar projects	4,062,255	4,222,639	2,918,338	5,366,556
Human Resources and Skills Development— Departments—				
Human Resources and Skills Development—				
Federal/provincial shared-cost project Federal/provincial shared-cost project—		7,626,600	7,595,983	30,617
Interprovincial Computerized Examination			=	
Management System (ICEMS)	1,269,217	864,262	744,108	1,389,371
Labour standards suspense account	1,384,163		5,330	1,378,833
arrangement—Labour Market				
Development Agreement (LMDA)-Ontario Social Development—		168,258,000	137,508,553	30,749,447
Federal/provincial shared-cost project	2,637,678	11,946,932	12,080,876	2,503,734
reactan provincial shared cost project	5,291,058	188,695,794	157,934,850	36,052,002
Indian Affairs and Northern Development—	., . ,	, ,	, ,	, ,
Indian special accounts	383,842			383,842
Shares and certificates	20,000 20,000			20,000 20,000
Indian compensation funds	222 240			222 240
•	222,340 45,177,985	30,517,272	28 772 557	222,340 46,922,700
Indian moneys suspense account	601,709		28,772,557	
Non-inglan moneys		6,965,822	6,983,270	584,261
	46,385,876	37,483,094	35,755,827	48,113,143

TABLE 6.36OTHER SPECIFIED PURPOSE ACCOUNTS—Continued

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
_	\$	\$	\$	\$
Industry—				
Canada/Provinces Business Service Centre	97,716	400,000	400,000	97,716
Insolvency Act	52,031			52,031
Petro-Canada Enterprises Inc—Unclaimed shares	962,816		1,802	961,014
Securities in trust—Bankruptcy and Insolvency Act	31,266		,,,,	31,266
Less: securities held in trust	31,266			31,266
Shared-cost/joint project agreements—Research	69,961		9,497	60,464
Shared-cost projects	465,899	681,987	298,491	849,395
Unclaimed dividends and undistributed assets—				
Bankruptcy and Insolvency Act	13,359,544	2,995,095	1,245,503	15,109,136
Canada Business Corporations Act	3,999,904	3,403,330	96,947	7,306,287
Winding-up Act	529,659	196,913		726,572
Canadian Space Agency—				
Radarsat	106,257		1,957	104,300
Natural Sciences and Engineering Research Council—				
Trust fund	153,329	2,248	155,577	
Social Sciences and Humanities Research Council—				
Trust fund	72,908		70,758	2,150
Project deposits	15,471,806	14,450,070	15,471,806	14,450,070
	35,341,830	22,129,643	17,752,338	39,719,135
Justice—				
Courts Administration Service—				
Special account	9,167,384	7,392,482	2,615,935	13,943,931
National Defence—				
Foreign governments—				
United Kingdom—	21 505 202	72.020.600	51 505 066	22 000 024
British Army—Suffield, Alberta	21,785,302	72,028,690	71,725,066	22,088,926
Wainwright, Alberta Other activities	404,719	30,523		435,242
Federal Republic of Germany—	404,719	30,323		433,242
German Army—Shilo, Manitoba	215,938			215,938
Other activities	1,515,730	825,659	1,418,052	923,337
Netherlands	1,452,926	38,400	5,097	1,486,229
Italian Air Force Training	1,132,720	1,651,398	1,651,398	1,100,22)
Air projects	3,613,046	1,153,676	946,994	3,819,728
Security	1,555,989	2,086,763	2,140,498	1,502,254
NATO Flying Training Centre	13,882,005	661,774	2,110,170	14,543,779
Title Tijing Tuming eville	44,425,656	78,476,883	77,887,105	45,015,434
Joint research and development projects	8,582,510	4,180,138	3,661,260	9,101,388
Non-government agencies	2,147,401	2,825,182	2,122,800	2,849,783
North Atlantic Treaty Organization (NATO)—	_,,	-,,	-,,	=,0 ,1
Infrastructure projects	6,618,109			6,618,109
Museum of the Regiments	.,,	6,917,735	2,951,438	3,966,297
	61,773,676	92,399,938	86,622,603	67,551,011
Natural Resources—				
Market development incentive payments—Alberta	4,777,755	4,798,188	4,785,009	4,790,934
Newfoundland Offshore Revenue Account		313,416,493	313,416,493	
Nova Scotia Offshore Revenue Account		275,418,429	275,418,429	
Shared-cost agreements—Research	1,278,219	7,099,430	5,967,694	2,409,955
Shared-cost projects	9,250,245	13,198,595	11,284,430	11,164,410
Canadian Nuclear Safety Commission—				
Security equipment purchases	342,842	494,245	687,732	149,355
Joint projects	144,735	18,900	163,635	
	15,793,796	614,444,280	611,723,422	18,514,654

TABLE 6.36OTHER SPECIFIED PURPOSE ACCOUNTS—Concluded

	April 1/2006	Receipts and other credits	Payments and other charges	March 31/2007
-	\$	\$	\$	\$
Privy Council—				
Shared-cost projects—Media travel expenses	776,316	374,226	230,608	919,934
Public Safety and Emergency Preparedness—				
Joint research and development projects	3,242,931	3,548,414	4,743,010	2,048,335
Royal Canadian Mounted Police—				
Joint research and development projects	1,034,019	737,489	63,868	1,707,640
Seized assets—Canadian funds	647,716			647,716
	4,924,666	4,285,903	4,806,878	4,403,691
Public Works and Government Services—				
Credit card—Special project fund	1,000,000			1,000,000
Francophone Summits	10,172	21,474	2,317	29,329
Military purchases excess funds deposit	68,705,051	158,265,807		226,970,858
Less: securities held in trust	68,705,051		158,265,807	226,970,858
	, ,	158,265,807	158,265,807	.,,
	1,010,172	158,287,281	158,268,124	1,029,329
Transport—	,,	, , .	, ,	,,.
Crown Corporation Trusts—Donations		30,100	30,000	100
Office of Infrastructure of Canada—		,	,	
Crown Corporation Trusts—Donations	15,100		15,100	
Crown corporation fracto Bonations	15,100	30.100	45.100	100
Veterans Affairs—	13,100	50,100	75,100	100
Shared-cost agreements	88,423	35,740	110,040	14,123
Western Economic Diversification—	00,423	33,740	110,040	14,123
Jobs and economic restoration initiative	154	8,083		8,237
Jobs and economic restoration initiative	134	0,003		6,237
Total	984,012,697	2,573,989,233	2,735,925,319	822,076,611
Less: consolidation adjustment ⁽¹⁾	35,237,828	10,890,090		24,347,738
-	049.774.960	2.594.970.222	2.725.025.210	707 729 972
Total other accounts	948,774,869	2,584,879,323	2,735,925,319	797,728,873
Total other specified purpose accounts	3,513,592,851	2,874,860,378	2,909,069,323	3,479,383,906

⁽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 1st, 1997, the Department of Human Resources and Skills 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, 2007 was 1,330 and the average age of the policyholders was 87.7 years. During the year, premiums of \$2,689 were received. Death benefits, settlement annuities and premium refunds of \$273,149 were paid during 2006-2007.

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 \$6,128,154 as at March 31, 2007. The balance in the Account as at March 31, 2007 is \$6,013,187. The deficit as at March 31, 2007 is therefore \$114,967. Pursuant to subsection 16(3) of the Civil Service Insurance Regulations, an amount of \$114,967 has therefore been credited to the Account in 2006-2007.

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; (c) single premiums payable by the Government in respect of 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; (b) benefits paid in respect of elective; and, (c) the portion of benefit payable for which a single premium has been paid by the Government.

TABLE 6.37
REGULAR FORCE DEATH BENEFIT ACCOUNT

REGULAR FORCE DEATH BEN	VEI II ACCC	/UIVI
	2006-2007	2005-2006
•	\$	\$
Opening balance	197,232,360	196,098,360
RECEIPTS AND OTHER CREDITS— Contributions by personnel	14,387,005 2,171,079 584,609	13,863,023 2,000,374
Interest	14,347,176	14,842,037 31,315,172
	228,722,229	227,413,532
PAYMENTS AND OTHER CHARGES— 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	32,080,113	30,181,172
Closing balance	196,642,116	197,232,360

Public Service death benefit account

This account was established under the *Public Service Su*perannuation 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 6.38
PUBLIC SERVICE DEATH BENEFIT ACCOUNT

2006-2007	2005-2006
\$	\$
2,322,941,560	2,211,866,798
72,512,081	68,449,378
8,043,969	8,175,834
1,550,798	1,392,467
958,875	935,241
173,111,983	170,204,295
256,177,706	249,157,215
2,579,119,266	2,461,024,013
96,182,163	98,020,926
39,677,968	39,998,565
317,410	62,962
136,177,541	138,082,453
2,442,941,725	2,322,941,560
	\$ 2,322,941,560 72,512,081 8,043,969 1,550,798 958,875 173,111,983 256,177,706 2,579,119,266 96,182,163 39,677,968 317,410 136,177,541

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, 2006 of \$1,671 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, 2006 of \$16,194 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.

An amendment was ratified where the deposit was eliminated and replaced with a fee beginning with the 2006 program year. The fee is more affordable and does not require producers to the up working capital.

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; and,
- (e) the fee received from 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.

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 various projects.

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

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

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 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.

Provincial funding for collaborative arrangement —Labour Market Development Agreement (LMDA) - Ontario

This account was established to record deposits of payments from the province of Ontario to Human Resources and Skills Development under LMDA. The funding provided by the Province of Ontario is used by Human Resources and Skills Development to make payments to provincial LMDA clients.

Federal/provincial shared-cost project—Human Resources and Skills 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.

Museum of the Regiments

The account was established to manage donations made to National Defence by interested parties for the construction of a new wing to the Museum of the Regiments located in Calgary, Alberta.

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

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 funding granted since 1994 by the "Agence intergouvernementale de la Francophonie (Paris)", which changed its name in 2006 to the "Organisation internationale de la Francophonie", for projects involving the development of French and partner languages in order to express 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—Transport

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.

Crown Corporation Trusts—Donations—Office of Infrastructure of Canada

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.

During the year, the account was transferred to the Department of Transport.

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 in agreement with 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, the 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.

JANICE CHARETTE

Deputy Minister Human Resources and Social Development Canada

SHERRY HARRISON, CMA

Comptroller Human Resources and Social Development Canada

SYLVIE C. LAFONTAINE, CA

Chief Financial Officer Service Canada

August 17, 2007

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND SOCIAL DEVELOPMENT

I have audited the consolidated statement of net assets of the Canada Pension Plan as at March 31, 2007 and the consolidated statements of changes in net assets and cash flow 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, 2007 and the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sheila Fraser, FCA Auditor General of Canada

Ottawa, Canada August 17, 2007

Canada Pension Plan—Continued

CANADA PENSION PLAN

CONSOLIDATED STATEMENT OF NET ASSETS AS AT MARCH 31

(in millions of dollars)

	2007	2006
Assets		
Cash (Note 8).	56	155
Receivables (Note 7)	5,946	3,439
Investments (Schedule, Note 3)	118,094	99,196
Other assets	15	8
	124,111	102,798
iabilities		
Accounts payable	148	41
Pensions and benefits payable	74	62
Tax deductions due to Canada Revenue Agency	100	96
Investment liabilities (Schedule, Note 3)	1,382	775
Amounts payable from pending trades (Schedule, Note 3)	2,576	703
	4,280	1,677
Vet assets	119,831	101,121

Contingencies (Note 13)

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

Approved by:

JANICE CHARETTE

Deputy Minister Human Resources and Social Development Canada

SHERRY HARRISON, CMA

Comptroller Human Resources and Social Development Canada

SYLVIE C. LAFONTAINE, CA Chief Financial Officer Service 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)

	2007	2006
Net assets, beginning of year	101,121	83,411
Increase		
Contributions	32,355	30,117
Realised gains	9,540	6,448
Unrealised (losses)/gains.	(542)	3,239
Interest income	1,988	2,185
Dividend income	1,666	1,031
Other income.	417	165
Investment management fees	(25)	(36)
	13,044	13,032
	45,399	43,149
Decrease		
Pensions and benefits		
Retirement	18,679	17,698
Survivors	3,573	3,466
Disability	3,137	3,111
Disabled contributor's child	273	269
Death	260	264
Orphan	218	218
Net overpayments	(25)	(49)
	26,115	24,977
Operating expenses (Note 10).	574	462
	26,689	25,439
Net increase in net assets.	18,710	17,710
Net assets, end of year	119,831	101,121

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

Canada Pension Plan—Continued

CANADA PENSION PLAN

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31

(in millions of dollars)

	2007	2006
Operating activities		
Cash receipts		
Contributions	32,107	29,310
Interest on investments	2,146	2,274
Dividends on investments	1,627	989
Other investment income.	1,297	2.357
Cash payments	-,	_,,-
Pensions and benefits.	(26,151)	(24,974)
Operating expenses	(437)	(496)
Investment management fees	(37)	(27)
Cash flows from operating activities	10,552	9,433
Financing activities		
Issuance of debt	703	441
Repayment of debt	(235)	(10)
Payment of interest on debt	(64)	(28)
Cash flows from financing activities.	404	403
Investing activities		
Purchases		
Equities	(81,422)	(35,258)
Inflation sensitive investments.	(4,834)	(8,718)
Fixed income investments.	(6,011)	(17,046)
Money market securities	(294,842)	(332,728)
Premises and equipment	(9)	(4)
Disposals	· /	()
Equities	80,231	27,801
Inflation sensitive investments.	2,347	1,307
Fixed income investments.	3,520	17,623
Money market securities	289,965	334,569
Cash flows used in investing activities.	(11,055)	(12,454)
Net (decrease) in cash	(99)	(2,618)
		,
Cash at beginning of year	155	2,773
Cash at end of year.	56	155

Canada Pension Plan—Continued

CANADA PENSION PLAN

CONSOLIDATED SCHEDULE OF INVESTMENTS FOR THE YEAR ENDED MARCH 31

(in millions of dollars)

	2007	2006
Equities		
Canada		
Public equities.	14,800	20,003
Private equities	667	455
	15,467	20,458
oreign		
Public equities	36,656	27,743
Private equities	7,436	3,995
Pooled funds	260	
	44,352	31,738
otal equities	59,819	52,196
ominal fixed income Ponds (Note 3d)	28,481	26,452
Bonds (Note 3d)	15,561	10,356
•		
otal nominal fixed income iflation-sensitive assets	44,042	36,808
Public real estate	1,409	1,178
Private real estate	5,441	3,676
Inflation-linked bonds	3,802	3,837
Infrastructure	2,181	350
otal inflation-sensitive assets	12,833	9,041
otal investments	116,694	98,045
vestment receivables		
Accrued interest	714	764
Derivatives receivables	519	259
Dividends receivables	167	128
otal investment receivables	1,400	1,151
otal investments and investments receivable	118,094	99,196
vestments liabilities		
Debt on private real estate properties	(1,174)	(664)
Derivatives liabilities.	(208)	(111)
otal investments liabilities	(1,382)	(775)
Amounts receivable from pending trades	2,477	255
Amounts payable from pending trades	(2,576)	(703)
et investments	116,613	97,973

Canada Pension Plan—Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007

1. Description of the Canada Pension Plan

(a) Description of the Canada Pension Plan

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 Canada Pension Plan Investment Board (CPPIB) was established pursuant to the *Canada Pension Plan Investment Board Act*. The CPPIB is a federal Crown corporation, all of its shares are owned by her Majesty the Queen in right of Canada.

The Minister of Human Resources and Social Development is responsible for the administration of the Canada Pension Plan (under 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 being transferred under Section 108.1 of the Canada Pension Plan and interest on any debt securities transferred to the Board. It acts in the best interests of the beneficiaries and contributors under the 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 achieve a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the CPP and its ability to meet its financial obligations on any given business day.

The CPP Investment Board and its subsidiaries are exempt from Part I income tax under paragraphs 149(1)(d) and 149 (1) (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 employer-employee contributions of 9.9% of pensionable earnings. While the net asset value does not cover the actuarial present value of accrued pensions and benefits, it is expected to provide a capitalization level of 25% of the Plan's liability by the year 2025 as per the last triennial Actuarial Report issued in 2004.

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 most recent triennial report, the Twenty-first Actuarial Report of the Chief Actuary as at December 31, 2003, was tabled on December 8, 2004. The report concluded that the CPP is financially sound and the 9.9% combined employee-employer contribution rate reached in 2003 is expected to be sufficient to sustain the Plan in the face of an aging population.

The CPP Act also provides that whenever a bill amending the CPP Act is introduced that would materially affect the estimates of the most recent triennial report, the Chief Actuary will prepare a report, using the same assumptions and basis as the triennial report, presenting how this bill would affect the estimates of the last triennial report. Following the introduction of Bill C-36, an act amending the CPP Act to relax the contributory requirements for disability and disabled contributors' child benefits, the Twenty-second Actuarial Report of the Chief Actuary as at December 31, 2003 was tabled on December 4, 2006. This report concludes that the CPP remains financially sound and that the 9.9% combined employer-employee contribution rate is expected to be sufficient to sustain the Plan.

Canada Pension Plan — Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007—Continued

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 and Twenty-second Actuarial Reports. These assumptions reflect best estimates of future economic and demographic events. The next triennial 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 and investments held by the CPPIB. They represent funds accumulated for the payment of pensions, benefits and operating expenses.

As at March 31, 2007, the value of net assets of the Plan is \$119.8 billion (2006 – \$101.1 billion). This amount represents approximately 4.6 times the total of pensions and benefits in 2007 (2006 – 4.0 times). According to the Twenty-first Actuarial Report, this is expected to grow to 5.6 times by 2021.

(d) Pensions and benefits

Retirement pensions – A retirement pension is payable to each contributor at age 60 or older, according to the provisions of the Act. The monthly amount is equal to 25% 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%. The maximum new monthly pension payable at age 65 in 2007 is \$863.75 (2006 – \$844.58).

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% of the earned retirement pension. The maximum new monthly disability benefit in 2007 is \$1,053.77 (2006 – \$1,031.05).

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% 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% of the retirement pension granted to the deceased contributor. The maximum new monthly benefit payable to a beneficiary in 2007 is \$518.25 (2006 – \$506.75).

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 a 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 2007 is \$204.68 (2006 – \$200.47).

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% 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 2007 is \$2,500 (2006 - \$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 2007 is 2.1% (2006 – 2.3%).

2. Significant accounting policies

(a) Basis of presentation

These financial statements are presented on a consolidated basis. They include the consolidated net assets, the consolidated changes in net assets and the consolidated cash flows of the CPP and the CPP Investment Board. 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.

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007—Continued

Fair value is determined as follows:

- i. Quoted market prices for publicly-traded equities and unit values for public equity and pooled 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 available or 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. Private equity and infrastructure investments are either held directly or through ownership in limited partnership arrangements. The fair value for investments held directly is determined using accepted industry valuation methods. These methods include considerations such as earnings multiples of comparable publicly-traded companies, discounted cash flows and third party transactions, or other events that would suggest a change in the value of the investment. In the case of investments held through a limited partnership, fair value is generally determined based on carrying values and other relevant information reported by external managers using accepted industry valuation methods. In the first year of ownership, cost, which includes capitalized management fees, 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. Quoted market prices are used to represent the fair value for marketable bonds. Where quoted market prices are not available, fair value is calculated using discounted cash flows based on current market yields of instruments with similar characteristics.
- iv. Fair value for non-marketable Canadian federal, provincial and territorial government bonds is calculated using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketability and rollover provisions of the bonds.
- Money market securities are recorded at cost, which, together with accrued interest income, approximates fair value.
- vi. Quoted market prices are used to represent the fair value for public real estate investments.
- vii. The fair value of private real estate investments is determined using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions. Debt on private real estate investments is valued using

discounted cash flows based on current market yields for instruments with similar characteristics. In the first year of ownership, cost is generally considered to be an appropriate estimate of fair value for private real estate investments unless there is evidence of a significant change in value.

- viii. Quoted market prices are used to represent the fair value for inflation-linked bonds.
- ix. Fair value for exchange-traded derivatives, which include equity, bond and interest futures, is based on quoted market prices. Fair value for over-the-counter derivatives, which include equity swaps, inflation-linked bond swaps and foreign exchange forward contracts, is determined based on the quoted market prices for underlying instruments.

(c) Contributions

Contributions include CPP contributions earned for the year. The Canada Revenue Agency (CRA) 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

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 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 denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Investments and other monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the year end date with any resulting gain or loss being included in investment income.

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007—Continued

(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 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, contingencies and fair values of investments since these determinations include estimates of expected future cash flows, rates of return and the impact of future events. Actual results could differ significantly from those estimates.

(k) Future changes in accounting policy

In April 2005, the CICA issued section 3855, Financial Instruments – Recognition and Measurement, which is effective for fiscal years beginning on or after October 1, 2006. As the CPP Investment Board qualifies as an Investment Company and it reports its investments at fair value in accordance with AcG-18, Investment Companies, only certain aspects of section 3855 are applicable to the CPP Investment Board.

Effective April 1, 2007, the CPP Investment Board will adopt the fair value measurement considerations of section 3855. The impact to the CPP Investment Board is a change in the way certain investments are valued, expensing of transaction costs when incurred and applying the effective interest method in accounting for interest income on bonds. On April 1, 2007, the investments of the CPP Investment Board will be remeasured to reflect the new valuation standards. This transition adjustment is not expected to have a material impact on the CPP Investment Board's financial position.

The adoption of the new standard by CPPIB is not expected to have a material impact on the Canada Pension Plan's financial statements.

3. Investments 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 that are held outside of the CPP Investment Board and that 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 consist of the remaining portfolio of non-marketable federal, provincial and territorial bonds that have been transferred to the CPP Investment Board at the rate of 1/36th every month since May 1, 2004. The last 1/36th, totalling \$630 million (including \$16 million of accrued interest) at fair market value as at March 31, 2007, will be transferred to the CPP Investment Board on April 1, 2007 (see Note 3d).

(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 fair value of these contracts is reported as derivative receivables and derivative liabilities on the consolidated schedule of Investments. Derivative exposure includes the fair value plus the notional amount of the contract.

The CPP Investment Board uses the following types of derivative instruments as described below:

Equity and inflation-linked bond swaps

Swaps are over-the-counter contractual agreements between two counterparties to exchange financial returns with predetermined conditions based on notional amounts. Swaps are used for yield enhancement purposes or to adjust exposures to certain equities and inflation-linked bonds without directly purchasing or selling the underlying asset. Swap contracts create credit risk exposure due to the possible inability of counterparties to meet the terms of the contracts. There is also risk arising from exposure to movements in equity values, interest rates and foreign rates, as applicable (see Note 5).

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007—Continued

Equity, interest rate and bond futures

Futures are standardized contracts transacted on an exchange to purchase or sell a specified quantity of equities, interest rate sensitive financial instruments or bonds at a predetermined price and date in the future. Futures are used to adjust exposure to specified equities, interest rate sensitive financial instruments and bonds without directly purchasing or selling the underlying asset. The primary risks associated with futures contracts are related to the exposure to movements in equity values, interest rates and foreign exchange rates, as applicable. Credit risk on exchange-traded futures is limited, as these transactions are executed on regulated exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligations of both counterparties (see Note 5).

Foreign exchange forward contracts

Foreign exchange forward contracts are over-the-counter contractual agreements negotiated between two counterparties to exchange a specified amount of one currency for a specified amount of a second currency on a predetermined date in the future.

Foreign exchange forward contracts are used to manage exposures to currencies other than the Canadian dollar. The primary risks associated with foreign exchange forward contracts arise from exposure to movements in foreign exchange rates and from the possible inability of counterparties to meet the terms of the contract (see Note 5).

All derivative contracts have a term of maturity of one year or less.

Notional amounts of derivative contracts represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged. The notional amounts are used to determine the returns and fair value of the contracts and are a measure of the exposure to the asset class to which the contract relates. They are not recorded as assets or liabilities on the balance sheet. Notional amounts do not represent the potential gain or loss associated with the market risk and are not indicative of the credit risk associated with a derivative contract.

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

(in millions of dollars)

_		As at Marc	ch 31, 2007		For the year of March 31, 2	
_	Notional amount	Gross positive fair value	Gross negative fair value	Net fair value	Average gross positive fair value ⁽¹⁾	Average gross negative fair value ⁽¹⁾
Equity swaps Equity futures Foreign exchange forward contracts Inflation-linked bond swaps Interest rate and bond futures		373 1 145	(134) (2) (72)	239 (1) 73	274 4 132	(156) (4) (147)
Total	35,402	519	(208)	311	410	(308)

(in millions of dollars)

_		As at Marc	ch 31, 2006		For the year of March 31, 2	
	Notional amount	Gross positive fair value	Gross negative fair value	Net fair value	Average gross positive fair value ⁽¹⁾	Average gross negative fair value ⁽¹⁾
Equity swaps	8,874	213	(44)	169	93	(45)
Equity futures	1,047	1	(3)	(2)	3	(15)
Foreign exchange forward contracts	6,184	45	(59)	(14)	24	(43)
Inflation-linked bond swaps Interest rate and bond futures	126		(5)	(5)	4	(5)
Total	16,231	259	(111)	148	124	(108)

⁽¹⁾ Determined using month-end values

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007—Continued

(b) Private equity investments

Private equity investments are generally made directly or through ownership in limited partnership arrangements, which have a typical term of 10 years. The private equity investments represent equity ownerships or investments with the risk/return characteristics of equity.

With respect to limited partnership arrangements, 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% 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, 2007, management fees of \$131 million (2006 – \$87 million) were paid to the limited partnerships and recorded as part of the cost of the investments. 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) Inflation-sensitive assets

 The CPP Investment Board obtains exposure to real estate through investments in publicly-traded securities and privately held real estate.

Private real estate investments are held by a 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, 2007, the subsidiary's share of these investments includes assets of \$5,441 million (2006 – \$3,676 million) and \$1,174 million of secured debt (2006 – \$664 million), with a weighted average fixed interest rate of 6.2 per cent and terms to maturity of one to 20 years.

Included in the private real estate are investments in joint ventures. The CPP Investment Board's proportionate interest in joint ventures at March 31 is summarized as follows:

	2007	2006
	(in million	s of dollars)
Proportionate share of net assets		
Assets	4,790	3,312
Liabilities	(1,174)	(664)
	3,616	2,648
	2007	2006
	(in million	s of dollars)
Proportionate share of net income		
Revenue	484	273
Expenses	(325)	(183)
_	159	90
_		

ii. The terms to maturity of the inflation-linked bonds as at March 31 are as follows:

TERMS TO MATURITY (in millions of dollars)

			2007				2006	
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Average effective yield	Total	Average effective yield
Inflation-linked bonds		332	560	2,910	3,802	3.3%	3,837	4.8%

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007—Continued

iii. Infrastructure investments are generally made directly, but can also occur through limited partnership arrangements that have a typical term of 10 years. Direct investments do not have management fees, while 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, 2007, management fees paid to the limited partnerships were \$4.7 million (2006 – \$5.4 million).

(d) Bonds

Bonds consist of marketable and non-marketable bonds as follows:

	2007	2006
	(in million	ns of dollars)
Marketable bonds		
Government of Canada	2,200	
Provincial	1,110	
Government corporations	920	
Total marketable bonds	4,230	
Non-marketable bonds		
Government of Canada	1,888	3,354
Provincial and territorial	22,363	23,098
Total non-marketable bonds	24,251	26,452
Total bonds	28,481	26,452

The following table provides information on disposals, re-investments, unrealized gains(losses) of non-marketable bonds held by the CPP for the CPP Investment Board and the CPP:

NON-MARKETABLE BONDS (in millions of dollars)

	March 31, 2006 at cost	Disposals	Re-investments	March 31, 2007 at cost	March 31, 2007 at fair value	March 31, 2006 at fair value
CPP Investment Fund's share	. 8,355	600		563	614	9,164
share	. *15,944	2,275	1,120	21,981	23,637	17,288
	24,299	2,875	1,120	22,544	24,251	26,452

^{*} CPP transferred to CPP Investment Board bonds with a cost of \$7193 million during the year ending March 31, 2007 (\$8,028 million - 2006)

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 \$8 billion based on fair market value at the time of transfer were transferred during the year ended March 31, 2007.

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 Act*.

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, 2007 (2006 – 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

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007—Continued

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 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

	(in millions of dollars)		s of dollars)		
	Investments at fair value	Effective yield	Investments at fair value	Effective yield	
Investments maturing					
Within 1 year	2,125	4.87%	2,837	4.71%	
1 to 5 years	9,396	4.95%	11,965	5.02%	
Over 5 years	12,730	4.98%	11,650	5.17%	
Total—Investments	24,251		26,452		
Average effective yield on investments		4.96%		5.05%	

(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, 2007, the CPP Investment Board paid total brokerage commissions of \$39 million (2006 – \$28 million).

f) Securities lending

The CPP Investment Board engages in securities lending to enhance portfolio returns. Credit risk associated with securities lending 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, 2007, the CPP Investment Board's investments include securities loaned with an estimated fair value of \$3,047 million (2006 – \$1,847 million). The fair value of collateral received in respect of the securities loaned is \$3,202 million (2006 – \$1,942 million).

4. Investments held by the CPP Investment Fund

2007

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 being transferred to the CPP Investment Board over a three year period. As at March 31, 2007, 35/36th of the Investment Fund has been transferred to the CPP Investment Board. The fair value of the bonds at the moment of the transfers total up to approximately \$26 billion (2006 – 23/36th for approximately \$18 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, 2007—Continued

5. Investment risk management

Investments may be exposed to a variety of financial risks: price risk (including currency risk, interest rate risk and market risk), credit risk and liquidity risk. The CPP Investment Board manages financial risks in accordance with the *Canada Pension Plan Investment Board Act*, regulations and the investment policies. In addition, derivatives are used, where applicable, to manage certain risk exposures (see Note 3a).

Currency Risk:

The CPP is exposed to currency risk through holdings of investments in various currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments. The net underlying currency exposures, after allocating foreign currency derivatives, as at March 31 are as follows:

	20	2006		
Currency	Net exposure	% of total	Net exposure	% of total
Canadian dollar	69,559	59	63,802	66
United States dollar	23,502	20	18,771	19
Euro	8,744	7	5,900	6
Japanese Yen	5,299	5	3,370	3
British Pound Sterling	4,166	4	3,266	3
Swiss Franc	1,167	1	760	1
Australian dollar	1,799	2	893	1
Other	2,378	2	1,211	1
	116,614	100	97,973	100

Interest Rate Risk:

Interest rate risk refers to the effect on the fair value of investments due to fluctuations in market interest rates. The fair value of the CPP marketable, non-marketable and inflation-linked bonds and debt on private real estate properties is directly affected by changes in interest rates. At March 31, 2007, should nominal interest rates have increased/decreased by 1%, the fair value of the bonds would decrease/increase by 7% (2006-7%).

Market Risk:

Market risk is the risk that the value of an investment will fluctuate as a result of 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 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 risk limits established in the investment policies.

Credit Risk:

Credit risk refers to the risk of financial loss due to a counterparty failing to meet its contractual obligations. 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 to any single counterparty is limited to maximum amounts as specified in the investment policies.

Liquidity Risk:

Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost-effective manner to meet commitments as they come due. The CPP is exposed to liquidity risk through its responsibility to pay benefits on a timely basis. The CPP mitigates liquidity risk through its unsecured credit facilities (see Note 6).

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007—Continued

6. Credit facilities

The CPP Investment Board maintains \$1.5 billion (2006 - \$1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at March 31, 2007, the total amount drawn on the credit facilities is nil (2006 - nil).

7. Receivables

2007	2006
(in million	s of dollars)
3,333	3,085
100	49
89	86
(53)	(50)
2,477	255
	14
5,946	3,439
	(in million 3,333 100 89 (53) 2,477

The Department has procedures to detect overpayments. During the year, overpayments totalling \$29 million (2006 – \$53 million) were established and remissions of debts totalling \$4 million (2006 – \$4 million) were granted. A further \$22 million was recovered (2006 – \$45 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. As at March 31, 2007, the Deposit with the Receiver General for Canada is \$54 million (2006 – \$151 million) and CPPIB's cash is \$2 million (2006 – \$4 million) for a total of \$56 million (2006 – \$155 million) in the consolidated statement of net assets and the consolidated statement of cash flow.

9. Net investment income

Investment income is reported net of external investment management fees. Investment management fees in respect of publicly-traded investments are expensed as incurred. These fees include an incentive portion that fluctuates with investment performance. Investment management fees for private real estate investments are deducted by the asset manager before the CPP Investment Board receives its share of net operating income from the properties (see Notes 3b and 3c).

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007—Continued

Net investment income by asset class and after giving effect to derivative contracts and investment receivables and liabilities for the year ended March 31 is as follows:

	2007	2006
	(in millions of dollars)	
Equities ⁽¹⁾		
Canada		
Public equities	3,175	7,567
Private equities	77	(13)
	3,252	7,554
Foreign		
Public markets	4,955	3,054
Private markets	1,837	585
Pooled funds	(1)	
	6,791	3,639
Less: External investment management fees ⁽²⁾	(10)	(30)
	10,033	11,163
Nominal fixed income ⁽³⁾		
Bonds	1,431	1,283
Money market securities	98	41
	1,529	1,324
Inflation-sensitive assets		
Public real estate ⁽⁴⁾	453	298
Private real estate ⁽⁵⁾	855	183
Inflation-linked bonds	30	57
Infrastructure	150	(8)
	1,488	530
Less: External investment management fees ⁽²⁾	(15)	(6)
	1,473	524
Interest on operating balance.	9	21
Total net investment income ⁽⁶⁾	13,044	13,032

⁽¹⁾ Includes unrealized losses of \$922 million (2006 – unrealized gains of \$3,715 million), realized gains of \$9,333 million net of external investment management flees (2006 – realized gains of \$6,449 million net of external investment management fees), dividends of \$1,615 million (2006 – \$993 million) and securities lending income of \$7 million (2006 – \$6 million).

Investment management fees do not include capitalized management fees of \$131 million (2006 – \$87 million) for private equities and \$4.7 million (2006 – \$5.4 million) for infrastructure.

10. Operating expenses

	2007	2006
	(in millions	s of dollars)
General operating expenses	257	222
Salaries and benefits.	304	232
Professional and consulting fees	13	8
Total operating expenses	574	462

Includes interest income of \$1,988 million (2006 - \$2,185 million), realized losses of \$75 million (2006 - realized losses of \$31 million) and unrealized losses of

^{\$375} million (2006 – unrealized losses of \$809 million).

Includes unrealized gains of \$133 million (2006 – unrealized gains of \$260 million), realized gains of \$269 million (2006 – realized losses of \$0.3 million) and dividends of \$51 million (2006 – \$38 million).

Includes private markets real estate operating income of \$230 million (2006 – \$110 million), which is net of interest expense of \$63 million (2006 – \$42 million), unrealized gains of \$622 million (2006 – unrealized gains of \$73 million) and realized gains of \$3 million (2006 – nil).

Includes foreign exchange gains of \$1,053 million (2006 – foreign exchange losses of \$1,679 million).

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007—Continued

 Net assets and changes in net assets for accountability purposes

The administration of the Canada Pension Plan's assets and activities is shared between various Government of Canada's (GoC) departments and the Canada Pension Plan Investment Board (CPPIB). The CPPIB is responsible for investing the majority of the Plan's assets, while the Gov-

ernment 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)

		2007			2006	
_	Government	CPP		Government	CPP	
	of	Investment		of	Investment	
_	Canada	Board	Total	Canada	Board	Total
Assets	4,152	119,959	124,111	12,750	90,048	102,798
Liabilities	256	4,024	4,280	161	1,516	1,677
Net assets	3,896	115,935	119,831	12,589	88,532	101,121
Income:						
Contributions · · · · · · · · · · · · · · · · · · ·	32,355		32,355	30,117		30,117
Investment income	256	12,788	13,044	839	12,193	13,032
_	32,611	12,788	45,399	30,956	12,193	43,149
Expenses:						
Pensions and benefits · · · · · · · · · · · · · · · · · · ·	26,115		26,115	24,977		24,977
Operating expenses	460	114	574	408	54	462
	26,575	114	26,689	25,385	54	25,439
Increase in net assets	6,036	12,674	18,710	5,571	12,139	17,710

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 Septem-

ber 2004, the CPPIB assumed responsibility for providing cash investment services to the CPP, including periodic return, on at least a monthly basis of funds required to meet expenses and benefits.

During the year ended March 31, 2007, a total of \$33.5 billion was transferred to the CPPIB which include bonds of \$8.0 billion based on fair market value at the time of transfer and cash of \$25.5 billion. During the same year a total of \$18.8 billion was returned to the CPP to meet its liquidity requirements.

TRANSACTION TOTAL FOR THE YEAR (in millions of dollars)

	2007	2006
Canada Pension Plan Investment Board		
Accumulated transfers to CPPIB, beginning of year	91.795	57.296
Transfers of bonds titles and accrued interest	8,018	9,201
Transfers of funds to CPPIB	25,476	25,298
accumulated transfers to CPPIB, end of year	125,289	91,795
accumulated transfers from CPPIB, beginning of year.	(23,355)	(6,669)
Transfers of funds from CPPIB	(18,765)	(16,686)
Accumulated transfers from CPPIB, end of year	(42,120)	(23,355)
Accumulated net transfers to CPPIB.	83,169	68,440

Canada Pension Plan —Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007—Continued

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, 2007, the remaining commitments total \$13.4 billion (2006 – \$8.3 billion).

As at March 31, 2007, the CPPIB has made lease commitments of \$54.9 million (2006 – \$26 million) over the next seven years.

13. Contingencies

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

At March 31, 2007, there were 7,996 (8,226 in 2006) appeals relating to the payment of CPP pensions and benefits. These contingencies are estimated at an amount of \$88 million (\$79 million in 2006). Any award made in favour 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 March 1, 2007, the Supreme Court of Canada rendered its decision and ruled that class members are entitled to receive CPP survivor's pension. The arrears payment is limited to 11 months. It is expected that the parties will appear before the Ontario Superior Court of Justice to resolve outstanding administrative issues, including the interest rates to be applied.

An amount of \$13.5 million was recognized in the CPP 2006-2007 financial statements for the estimated obligation at March 31, 2007.

TRANSACTION TOTAL FOR THE YEAR (in millions of dollars)

2006 Pension and benefit delivery, accommodation and corporate services 293 269 Human Resources and Skills Development Canada 17 21 310 290 Collection of contributions Canada Revenue Agency 135 101 Cheque issue and computer services Public Works and Government Services Canada.... 14 16 Actuarial services Office of the Superintendent of Financial Institutions..... 460 408

(c) Other claims and legal proceedings

In the normal course of operations, the CPP is involved in various claims and legal proceedings other than the class action described in 13b). While the total amount claimed in these actions may be significant, their outcomes are not determinable. The CPP records an allowance for claims and legal proceedings when it is likely that there will be a future payment and a reasonable estimate of the loss can be made. No such allowance was recognized in the financial statements for the 2006-2007 and 2005-2006 fiscal years for these claims and legal proceedings.

(d) 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 \$3,333 million (2006 – \$3,085 million) of contributions receivable from the Canada Revenue Agency.

The CPP enters into transactions with the Government of Canada in the normal course of business, which are recorded at the exchange value. The costs are based on estimated allocations of costs and are charged to the CPP in accordance with a memorandum of understanding.

Canada Pension Plan — Concluded

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007—Concluded

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 accompanying 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 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.

In support of its responsibility for the integrity and fairness of the financial statements, management 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 management of Human Resources and Social Development Canada and of Service Canada recognizes the responsibility of conducting its affairs in compliance with the Government Annuities Act, the Government Annuities Improvement Act and 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.

JANICE CHARETTE

Deputy Minister Human Resources and Social Development Canada

SHERRY HARRISON, CMA

Comptroller Human Resources and Social Development Canada

SYLVIE C. LAFONTAINE, CA

Chief Financial Officer Service Canada

July 6, 2007

REPORT OF THE ACTUARY

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account as at March 31, 2007 and their change in the Account's statement of operations for the year then ended.

As prescribed in the *Government Annuities Regulations*, the valuation was based on the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The valuation assumed a seven percent annual interest rate, also as stipulated in the *Regulations*.

The valuation was conducted in accordance with accepted actuarial principles to the extent that they apply. Significant differences are as follows: first, the Account's assets are in the form of a deposit with the Receiver General for Canada, so actuarial liabilities were based on the present value of future payments discounted at the prescribed interest rate; second, administrative expenses are paid by the government out of general funds, so no provision is made in the valuation; and finally, given the need for a realistic valuation and based on the size and long standing existence of this group of annuitants, there are no added margins for mortality risks.

In my opinion, the valuation is appropriate, it conforms to statutory requirements and the financial statements fairly present its results.

Luc Taillon
Fellow of the Canadian Institute of Actuaries
Chief Actuary
Human Resources and Social Development Canada

Gatineau, Canada July 6, 2007

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, 2007 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, 2007 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 regulations.

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

Halifax, Canada July 6, 2007

BALANCE SHEET AS AT MARCH 31, 2007 (in thousands of dollars)

ASSETS	2007	2006	LIABILITIES	2007	2006
Deposit with Receiver General for Canada (Note 3)	299,685 22,494 140	326,099 24,456 198	Actuarial surplus due to Canada	2,884 319,435	3,514 347,239
	322,319	350,753		322,319	350,753

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

Approved by:

JANICE CHARETTE

Deputy Minister Human Resources and Social Development Canada

SHERRY HARRISON, CMA

Comptroller Human Resources and Social Development Canada

SYLVIE C. LAFONTAINE, CA Chief Financial Officer Service Canada

Government Annuities Account—Continued

STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES FOR THE YEAR ENDED MARCH 31, 2007 (in thousands of dollars)

_	2007	2006
Payments and other charges		
Annuity payments	47,411	50,694
Premium refunds	72	98
Consolidated Revenue Fund	181	202
_	47,664	50,994
Income		
Interest from Canada (Note 3)	22,494	24,456
Premiums (Note 3)	21	8
Consolidated Revenue Fund	229	54
	22,744	24,518
Services received without charge	2,537	2,658
Canada Excess of payments and other charges	(2,537)	(2,658)
over income for the year	24,920	26,476
beginning of year	347,239	377,229
	322,319	350,753
Actuarial surplus due to Canada	2,884	3,514
Actuarial liabilities, end of year (Note 4)	319,435	347,239
Actuarial liabilities are comprised of:	317,733	371,239
Deferred annuities, present value	16,976	18,827
Matured annuities, present value	302,459	328,412
-	319,435	347,239

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2007 (in thousands of dollars)

_	2007	2006
Cash flows from (used in) operations		
Payments to annuitants	(47,483)	(50,792)
Interest received	24,456	26,164
Consolidated Revenue Fund	229	54
Consolidated Revenue Fund	(181)	(202)
annuitants	21	8
Other recoveries (payments)	58	(59)
Actuarial surplus remitted to	(22,900)	(24,827)
Consolidated Revenue Fund	(3,514)	(261)
Decrease in deposit with Receiver General for Canada Deposit with Receiver General for	(26,414)	(25,088)
Canada, beginning of year	326,099	351,187
Deposit with Receiver General for Canada, end of year	299,685	326,099

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

1. Authority and purpose

The Government Annuities Account (the 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.

Government Annuities Account—Continued

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007—Continued

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.

(e) Reclaimed annuities

Reclaimed annuities represent previously unclaimed amounts that had been transferred to the Consolidated Revenue Fund, where the annuitants were subsequently located and amounts transferred back to the Account.

(f) Services received without charge

Administrative services, including actuarial services received without charge from Human Resources and Social Development Canada are recorded in the Statement of Operations and Actuarial Liabilities at their estimated carrying amount. A corresponding amount is credited directly to the Statement of Operations and Actuarial Liabilities.

(g) Management estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, actuarial liabilities, and income 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 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.

Government Annuities Account—Concluded

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007—Concluded

(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.

7. Comparative figures

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2007.

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:

WILLIAM J. S. ELLIOTT

Commissioner

ALAIN P. SÉGUIN

Acting Deputy Commissioner Corporate Management and Comptrollership

August 3, 2007

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, 2007 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, 2007 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 August 3, 2007

Royal Canadian Mounted Police (Dependants) Pension Fund—Continued

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT MARCH 31

	2007	2006
	\$	\$
Net assets available for		
benefits		
Due from the Consolidated		
Revenue Fund	29,408,843	29,745,119

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

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

	2007	2006
	\$	\$
Net assets available for benefits, beginning of year Increase in net assets:	29,745,119	30,493,751
Interest income on amount due from the Consolidated Revenue Fund Contributions	2,165,946 7,409	2,281,869 7,514
Total increase in net assets	2,173,355	2,289,383
Benefit payments	(2,509,631)	(3,038,015)
Decrease in net assets	336,276	748,632
Net assets available for benefits, end of year	29,408,843	29,745,119

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 as they are immaterial in the context of the financial statement taken as a whole. 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

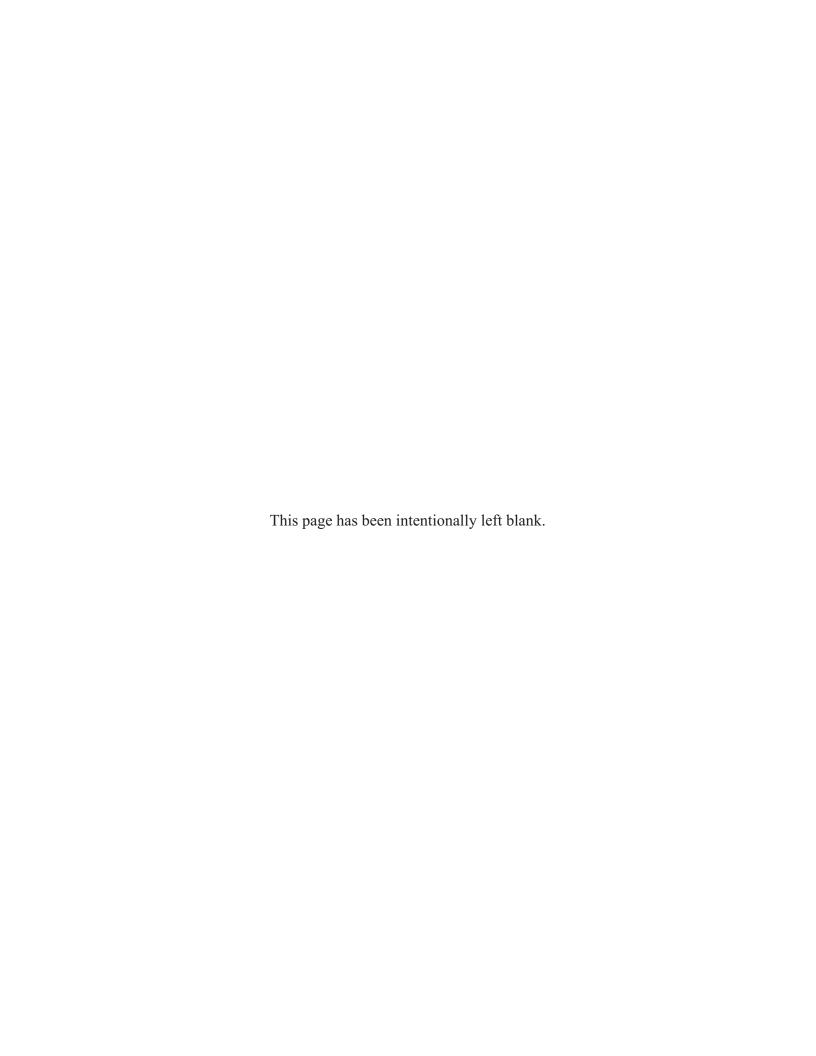
NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31—Concluded

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 7.6 percent per annum (7.9 percent in 2006) is consistent with the estimated yield (7.58 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, 2007. 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:

	2007	2006
	\$	\$
Actuarial present value of accrued pension benefits,		
beginning of year	26,216,000	27,456,000
Net interest accrued on benefits	1,894,000	2,023,000
Net adjustment arising from experience gains and losses and from valuation changes	(106,000)	(233,000)
Benefits increases Contributions from participants		
(instalment payments)	7,000	8,000
Benefit payments	(2,510,000)	(3,038,000)
Actuarial present value of accrued pension benefits,		
end of year	25,501,000	26,216,000



section 7

2006-2007

PUBLIC ACCOUNTS OF CANADA

Cash and Accounts Receivable

CONTENTS

	rage
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 7.1CASH AND ACCOUNTS RECEIVABLE

	March 31/2007	March 31/2006
-	\$	\$
Cash, Table 7.2	22,695,688,107	21,148,870,831
Tax receivables, Table 7.3.	66,492,225,593	59,113,438,002
Other accounts receivable, Table 7.5	3,397,873,668	2,580,993,737
Total cash and accounts receivable.	92,585,787,368	82,843,302,570

Cash

Cash consists of public moneys on deposit and cash in transit at March 31st. 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

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	March 31/2007	March 31/2006
•	\$	\$
Cash in bank—		
Canadian currency	21,160,166,973	17,931,065,989
Foreign currencies ⁽¹⁾	(4,800,265)	(3,469,018)
Special deposits ⁽²⁾	50,251,664	32,907,111
Total cash in bank	21,205,618,372	17,960,504,082
Cash in transit—		
Cash in hands of collectors and in transit	5,970,993,511	7,481,458,011
Other cash—Consolidated Crown corporations and other entities ⁽³⁾	488,605,000	454,993,000
Total cash in transit	6,459,598,511	7,936,451,011
Less: Outstanding cheques and warrants—		
Outstanding cheques ⁽⁴⁾	4,966,990,727	4,745,056,162
Imprest account cheques ⁽⁵⁾	2,538,049	3,028,100
Total outstanding cheques and warrants	4,969,528,776	4,748,084,262
Total cash	22,695,688,107	21,148,870,831

⁽¹⁾ The balances denominated in foreign currencies (United Kingdom pounds sterling, United States dollars and Euros) have been translated into Canadian dollar equivalents.

(2) 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.

refund payments issued by the ministère du Revenu du Québec on behalf of the government.

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.

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 \$25,929,367 (\$31,057,344 in 2006) was transferred to non-tax revenues. Cheques in foreign currencies are credited to the Government's cache account at the time of issue

Government's cash account at the time of issue.

[5] 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 2 of Volume III (Debts, obligations and claims written off or forgiven).

TABLE 7.3TAX RECEIVABLES AS AT MARCH 31

	2007			2006
	Gross tax receivables		Net tax receivables	Net tax receivables
	\$	\$	\$	\$
Tax receivables—				
Income tax receivables—				
Individuals	34,920,449,489	3,490,428,450	31,430,021,039	28,926,719,886
Employers	14,562,101,935	555,086,915	14,007,015,019	13,496,637,156
Corporations	9,665,131,083	1,054,675,586	8,610,455,497	5,870,790,256
Non-residents	1,080,276,861	65,754,745	1,014,522,116	906,301,825
Goods and services tax receivable	11,508,430,591	1,326,403,434	10,182,027,157	9,155,074,375
Customs duties receivable.	219,284,968	25,497,716	193,787,252	91,311,003
Excise taxes and duties receivable.	1,084,221,109	29,823,596	1,054,397,513	666,603,502
Total	73,039,896,036	6,547,670,442	66,492,225,593	59,113,438,002

Table 7.4 presents the aging for tax receivables for the period over which claims at March 31, 2007 have been outstanding. Receivables based on estimates of unassessed taxes at year-end are included in current receivables.

TABLE 7.4AGING OF TAX RECEIVABLES

	Year ended March 31		
	2007	2006	
	\$	\$	
Tax receivables			
Less than one year	61,948,881,957	54,494,633,780	
1-2	4,099,217,607	2,890,015,118	
2-3	1,971,520,131	1,811,089,117	
3-4	1,343,677,447	1,422,580,878	
4-5	1,024,615,249	935,870,898	
Over 5 years	2,651,983,645	2,449,846,849	
Total	73,039,896,036	64,004,036,640	

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, 2007.

Amounts receivable written off or forgiven are included in Section 2 of Volume III (Debts, obligations and claims written off or forgiven).

Table 7.5 presents a summary of the balances for other receivables.

TABLE 7.5OTHER ACCOUNTS RECEIVABLE AS AT MARCH 31

		2007		
	Gross receivables	Allowance for doubtful accounts	Net receivables	Net receivables
	\$	\$	\$	\$
Other receivables ⁽¹⁾ Accounts receivable of consolidated Crown	4,092,317,045	1,183,556,377	2,908,760,668	2,105,406,737
corporations and other entities	489,113,000		489,113,000	475,587,000
Total	4,581,430,045	1,183,556,377	3,397,873,668	2,580,993,737

⁽¹⁾ Other receivables are the financial claims owed to the Government and arising from other revenues.

Table 7.6 presents the aging of other accounts receivables for the period over which claims at March 31, 2007 have been outstanding.

TABLE 7.6AGING OF OTHER ACCOUNTS RECEIVABLE

	Year ended	Year ended March 31		
	2007	2006		
	\$	\$		
Outstanding days				
0-30	1,769,976,068	834,758,685		
31-60	221,398,073	57,712,427		
61-90	117,243,991	38,987,340		
91-365	326,849,130	277,332,728		
Over 365	1,656,849,783	2,193,640,966		
Total	4,092,317,045	3,402,432,146		
corporations and				
other entities	489,113,000	475,587,000		
Total	4,581,430,045	3,878,019,146		

SECTION 8

2006-2007

PUBLIC ACCOUNTS OF CANADA

Foreign Exchange Accounts

CONTENTS

	Page
International reserves held in the Exchange Fund Account.	8.2
International Monetary Fund—Subscriptions	8.3
International Monetary Fund—Notes payable	8.3
Special drawing rights allocations	8.3
Supplementary statement—	
Exchange Fund Account	8.4

FOREIGN EXCHANGE ACCOUNTS

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Investment income from the foreign exchange accounts and net gains and losses resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are recorded in foreign exchange revenues on the Statement of Operations and Accumulated Deficit.

Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$10,372 million as at March 31, 2007 (\$14,084 million as at March 31, 2006); 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 1/2006	Payments and other charges	Receipts and other credits	March 31/2007
	\$	\$	\$	\$
International reserves held in the Exchange Fund				
Account, Table 8.2	40,936,206,568	24,528,710,757	20,792,177,118	44,672,740,207
International Monetary Fund—Subscriptions	10,672,892,768	432,890,196		11,105,782,964
	51,609,099,336	24,961,600,953	20,792,177,118	55,778,523,171
Less:				
International Monetary Fund—Notes payable	9,471,102,396	1,267,000,000	2,037,496,875	10,241,599,271
Special drawing rights allocations	1,311,474,934		47,349,660	1,358,824,594
	10,782,577,330	1,267,000,000	2,084,846,535	11,600,423,865
Total	40,826,522,006	26,228,600,953	22,877,023,653	44,178,099,306

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, 2007, 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, 2007. Gold held by the Account is valued at 35 SDRs per fine ounce (\$61.03 Cdn as at March 31, 2007 and \$58.90 Cdn as at March 31, 2006).

In 2006-2007, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$21,497 million, a net valuation adjustment of \$1,267 million and an adjustment of \$1,765 million to recognize the net income of the Exchange Fund Account for the period April 1, 2006 to March 31, 2007. Receipts and other credits consisted of repayments of advances of \$20,792 million.

TABLE 8.2
INTERNATIONAL RESERVES HELD IN
THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

	March 31/2007	March 31/2006
US dollar cash on deposits	237	241
US dollar short-term deposits	3,868	6,123
US dollar marketable securities	18,480	17,449
Euro cash on deposits	39	34
Euro short-term deposits	258	57
Euro marketable securities	20,085	15,376
Japanese yen cash deposits	82	83
Japanese yen marketable securities	490	496
Special drawing rights	1,127	1,071
Gold	7	6
Total	44,673	40,936
US dollars (2007, \$19,988 million US; (2006, \$21,146 million US)	23,078 19,366 568	24,698 14,606 576
Canadian dollars	960	349
Total advances from the Consolidated Revenue Fund	42,908	39,202
March 31	1,765	1,734
Total	44,673	40,936

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 2006-2007, payments and other charges consisted of a valuation adjustment of \$433 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 2006-2007, notes payable to the IMF increased by \$770 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 2006-2007, receipts and other credits consisted of a valuation adjustment of \$47 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 Bank of Canada is administers the Account as fiscal agent of the Government of Canada.

The financial statements were prepared in accordance with the stated accounting policies set out in Note 2 to the financial statements, which are consistent with those used by the Government of Canada. These policies were applied on a basis consistent with that of the preceding year.

The Department of Finance establishes policies for the Account's transactions and investments, and for related accounting activities. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

The Bank of Canada effects transactions for the Account and maintains records, as required to provide reasonable assurance regarding the reliability of the financial statements. The Bank reports to the Department of Finance on the financial position of the Account and on the results of its operations.

The Auditor General of Canada conducts an independent audit of the financial statements of the Account and reports the results of her audit to the Minister of Finance.

The Annual Report of the Account is tabled in Parliament along with the financial statements, which are also part of the *Public Accounts of Canada* and are referred to the Standing Committee on Public Accounts for their review.

DAVID A. DODGE

Governor Bank of Canada

ROB WRIGHT

Deputy Minister Department of Finance

SHEILA VOKEY, CA

Chief Accountant Bank of Canada AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at 31 March 2007 and the statements of revenue and cash flows for the year then ended. These financial statements have been prepared to comply with Sections 20 and 21 of the *Currency Act*. These financial statements are the responsibility of the Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at 31 March 2007 and its revenues and its cash flows for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

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 May 4, 2007

Ottawa, Canada May 4, 2007

Exchange Fund Account—Continued

BALANCE SHEET AS AT 31 MARCH (in millions of Canadian dollars)

ASSETS	2007	2006	LIABILITIES	2007	2006
Cash and short-term deposits (Note 3)	1,925	4,239	Due to the Consolidated Revenue Fund Advances (Note 7) Net revenue for the year	42,908 1,765	39,202 1,734
agreements (Note 4)	2,540	2,278	Net revenue for the year	1,703	1,/34
Marketable securities (Note 5)	38,463	32,855			
-	42,928	39,372			
Other assets					
Special drawing rights	1,119	1,065			
Gold	7	6			
Accrued interest (Note 6)	619	493			
-	1,745	1,564			
_	44,673	40,936	-	44,673	40,936

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

Exchange Fund Account—Continued

STATEMENT OF REVENUE FOR THE YEAR ENDED 31 MARCH (in millions of Canadian dollars)

	2007 (12 months)	2006 (15 months)
Revenue from investments	1.000	1.040
Marketable securities	1,368	1,840
Cash and short-term deposits Deposits held under	109	104
repurchase agreements	105	46
Special drawing rights	42	37
	1,624	2,027
Other revenue		
Net gain (loss) on foreign exchange	141	(293)
Net revenue for the year	1,765	1,734

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH (in millions of Canadian dollars)

	2007 (12 months)	2006 (15 months)
Cash flows from operating		
activities		
Interest received	005	1.456
Marketable securities	995	1,476
Securities lending activities	3 100	8 85
Deposits held under	100	63
repurchase agreements	102	37
Other	15	10
Purchase of marketable securities	(60,028)	(63,093)
Proceeds from the sale or	(,)	(00,000)
maturity of marketable		
securities	55,937	59,688
Increase in foreign currencies	459	3,407
Decrease in foreign currencies	(1,563)	(2,777)
Cash used in operating		
activities	(3,980)	(1,159)
Cash flows from financing activities	(-,,	())
Increase in advances	19,418	31,255
Repayment of advances	(17,400)	(26,131)
Cash provided by financing activities	2,018	5,124
Effects of exchange rate changes on cash and	2,018	3,124
cash equivalents	(90)	(116)
Increase (decrease)		
in cash and	(2.052)	2.040
cash equivalents	(2,052)	3,849
Cash and cash equivalents		
Balance, beginning of year	6,517	2,668
Balance, end of year	4,465	6,517
Represented by:		
Cash and short term deposits	1,925	4,239
Deposits held under		
repurchase agreements	2,540	2,278

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

Exchange Fund Account—Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

(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 majority of Canada's official international reserves reside inside the Account. The Account represents approximately 98 percent (97 percent as at 31 March 2006) of Canada's official reserves. The remainder of the official reserves reside in the foreign currency accounts of the Minister of Finance.

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 objective of the Exchange Fund Account is to aid in the control and protection of the external value of the Canadian dollar. Assets held in the Account are managed to provide foreign-currency liquidity to the Government and to promote orderly conditions for the Canadian dollar in the foreign exchange markets, if required. 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. Since September 1998, no transactions were aimed at moderating movements in the value of the Canadian dollar.

In accordance with the *Currency Act*, the net revenue for the year is paid to or charged to the Consolidated Revenue Fund (CRF) of the Government of Canada within three months after the end of the fiscal year, and the Minister of Finance reports to Parliament on the operations of the Account within the first 60 days on which Parliament is sitting after the end of the fiscal year.

2. Significant accounting policies

As stipulated in the *Currency Act*, the financial statements of the Account are prepared in a manner consistent 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*.

(a) Change in year-end

Amendments to the *Currency Act* came into effect on 30 December 2005 and included changing the reporting

year of the Account, which had been the calendar year, to a fiscal year ending 31 March. The amendments included a provision for a 15-month transitional period ending 31 March 2006.

(b) Reporting entity

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.

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).

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.

(c) Basis of presentation

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.

(d) 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.

(e) 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:

	2007	2006
-		
US dollars	1.1546	1.1680
Euros	1.5424	1.4153
Japanese yen	0.009799	0.009923
SDRs	1.74367	1.68291

Exchange Fund Account—Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007—Continued

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*.

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.

(f) 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*.

(g) 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 (SDRs) 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.

(h) 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. Cash and short-term deposits

	2007	2006
	Carrying	Carrying
	value	value
US dollars	1,548	4,065
Euros	295	91
Japanese yen	82	83
	1,925	4,239

4. Deposits held under repurchase agreements

	2007 Carrying value	2006 Carrying value
US dollars	2,540	2,278

At 31 March 2007, the term to maturity of deposits held under repurchase agreements was less than 3 months.

Exchange Fund Account—Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007—Continued

Under

6 months

5. Marketable securities

		2007					2006	
6 mor		1 to year		Over year		Total	Total	
rying alue	Yield	Carrying value	Yield	Carrying value Yield		Carrying value	Carrying value	
						922		

_	Carrying value	Yield	Carrying value	Yield	Carrying value	Yield	Carrying value	Yield	Carrying value	Carrying value
US dollar										
Commercial										
Banks	922	5.24%							922	
Sovereign	4,706	5.53%			246	4.47%	552	4.68%	5,504	6,252
Supra National	1,886	4.84%	23	4.80%	1,146	4.74%	1,522	4.88%	4,577	3,977
Agencies and										
other	3,210	4.87%	363	5.16%	2,165	4.93%	1,626	4.90%	7,364	7,113
Carrying value	10,724		386		3,557		3,700		18,367	17,342
Euro										
Sovereign	409	3.58%	120	3.59%	7,178	3.77%	3,369	3.83%	11,076	10,261
Supra National			115	3.70%	577	4.17%	840	3.75%	1,532	1,000
Agencies and										
other	230	4.77%	270	2.64%	4,161	3.78%	2,337	3.89%	6,998	3,756
Carrying value	639		505		11,916		6,546		19,606	15,017
Japanese yen										
Sovereign					490	1.91 %			490	496
Carrying value					490				490	496
Total securities										
Carrying value	11,363		891		15,963		10,246		38,463	32,855

The yield in the above table represents the weighted average yield to maturity based on the carrying value at the end of the fiscal year for the respective securities.

The unamortized premium/discount on marketable securities amounts to \$4 million (\$193 million at 31 March 2006).

At 31 March 2007, a portion of the Account's holdings of US government securities, consisting of US\$2,355 million (par value) in Treasury Bills (US\$1,815 million (par value) at 31 March 2006) and US\$359 million (par value) in Treasury Notes (US\$1,130 million (par value) at 31 March 2006), is being used in securities-lending operations with financial institutions.

6. Accrued interest

Term to maturity

	2007	2006
Accrued interest		
Cash and short-term		
deposits	7	12
Deposits held		
under repurchase		
agreements	11	9
Marketable securities		
US dollar	114	107
Euro	479	359
SDRs	8	6
-	619	493

The fair value of the accrued interest is deemed equal to their carrying value given their short term to maturity.

Exchange Fund Account—Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007—Continued

7. Due to the Consolidated Revenue Fund (CRF)—Advances

The Account is funded by advances from the CRF. These are limited to \$60 billion by order of the Minister of Finance dated 31 December 2005. At fiscal year-end, advances from (deposits with) the CRF consisted of:

	2007	2006
US dollars	23,078	24,698
Canadian dollars	960	349
Euros	19,366	14,606
Japanese yen	568	576
SDRs	(1,064)	(1,027)
	42,908	39,202

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.

8. Financial instruments

(a) Risk management

The role of the Account as principal repository of Canada's official international reserves determines the nature of its assets and of its operations, as well as its use of financial instruments.

To ensure that the Account's asset portfolio is prudently diversified with respect to credit risk, the Statement of Investment Policy prescribed by the Minister of Finance specifies limits on holdings by class of issuer (sovereign, agency, supranational, corporation or commercial financial institution) and type of instrument. There are also limits on exposure to any one issuer or counterparty.

With respect to the Statement of Investment Policy, the Account may hold fixed income securities of highly rated sovereigns, central banks, government-supported entities and supranational organizations. To be eligible for investment, an entity must have a credit rating in the top seven categories from two of four designated rating agencies (Standard & Poor's, Moody's, Fitch, and Dominion Bond Rating Service). The Account may also make deposits and execute other transactions, up to prescribed limits, with commercial financial institutions that meet the same rating criteria.

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 increase its return on investments.

(b) Interest rate and foreign currency risk

Interest rate and foreign currency risks are managed, with due consideration of the risk to the Government of Canada, by adopting a strategy of matching the duration structure and the currency of the Account's assets with the foreign currency borrowings of the Government of Canada that fund the Account's assets.

(c) Fair value of financial instruments

2007		2006		
Carrying value and accrued interest	Fair value	Carrying value and accrued interest	Fair value	
1,932	1,932	4,251	4,251	
2 551	2 551	2 287	2,287	
2,331	2,331	2,207	2,207	
18,481	18,466	17,449	17,235	
20,085	19,893	15,376	15,448	
490	501	496	511	
43,539	43,343	39,859	39,732	
1,127	1,127	1,071	1,071	
7	83	6	74	
44,673	44,553	40,936	40,877	
	Carrying value and accrued interest 1,932 2,551 18,481 20,085 490 43,539 1,127 7	Carrying value and accrued interest 1,932	Carrying value and accrued interest Fair value Carrying value and accrued interest 1,932 1,932 4,251 2,551 2,551 2,287 18,481 18,466 17,449 20,085 19,893 15,376 490 501 496 43,539 43,343 39,859 1,127 1,127 1,071 7 83 6	

Exchange Fund Account—Concluded

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007—Concluded

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 short term to maturity.

Estimated fair values of marketable securities are based on quoted market prices. Prevailing market conditions at 31 March 2007 reduced fair values on US dollar and Euro 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 \$764.06 at 31 March 2007 (\$679.78 at 31 March 2006) per fine ounce.

9. Commitments

(a) Currency swaps

The Account may enter into short-term currency swap arrangements with the Bank of Canada to assist the Bank in its cash-management operations. There were no drawings under this facility during the year ended 31 March 2007 or during the 15 month period ended 31 March 2006, and there were no commitments outstanding as at 31 March 2007.

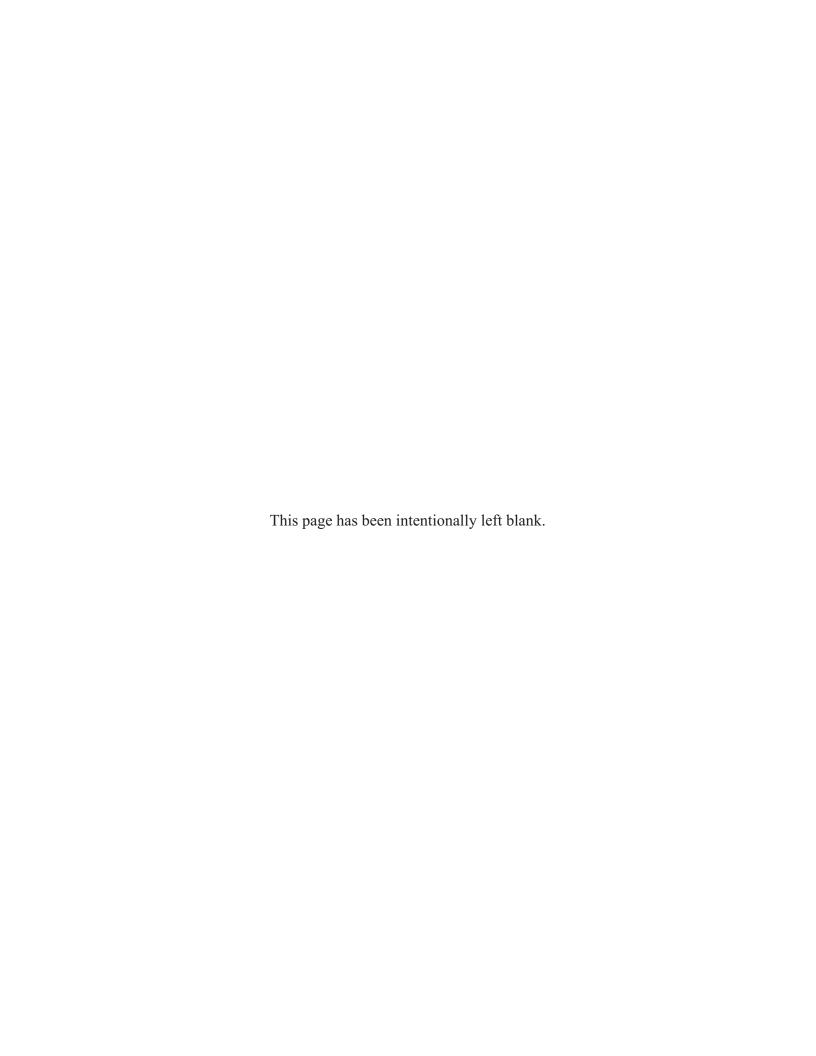
(b) Foreign currency contracts

In the normal course of operations, the Account enters into foreign currency contracts. As at 31 March 2007, the Account was under contract to sell \$18 million (\$25 million at 31 March 2006) of foreign currency. Unrealized gains (losses) on foreign currency contracts are calculated using the 31 March 2007 exchange rates. As of that date, there were no unrealized net gains (losses) included in net revenue (nil at 31 March 2006). Outstanding foreign currency contracts were settled by 2 April 2007.

(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 31 March 2007. Outstanding investment contracts were settled by 12 April 2007.

	200	07	20	2006		
	Contractual value	Fair value	Contractual value	Fair value		
Marketable securities						
US dollars -Purchases	(115)	(115)	(663)	(663)		
-Sales	116	116	82	82		
Euro						
-Purchases	(35)	(35)	(94)	(94)		
-Sales	36	36	93	93		



SECTION 9

2006-2007

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 9.1LOANS, INVESTMENTS AND ADVANCES

	April 1/2006	Payments and other charges	Receipts and other credits	March 31/2007
	\$	\$	\$	\$
Enterprise Crown corporations and other				
government business enterprises, Table 9.2	20,583,710,762	9,597,908,598	6,498,565,973	23,683,053,387
Portfolio investments, Table 9.11	116,142,752	25,267,392	25,677,082	115,733,062
National governments including developing countries,				
Table 9.12	777,092,635	3,667,346,793	3,747,469,133	696,970,295
International organizations, Table 9.13	13,664,092,892	525,556,664	34,235,042	14,155,414,514
Provincial and territorial governments, Table 9.14	4,927,519,089	1,250,661,840	1,534,908,176	4,643,272,753
Other loans, investments and advances, Table 9.15	18,618,074,539	11,500,505,275	11,133,215,787	18,985,364,027
	58,686,632,669	26,567,246,562	22,974,071,193	62,279,808,038
Less: allowance for valuation	16,798,052,126	377,970,675	765,479,961	17,185,561,412
Total	41,888,580,543	26,945,217,237	23,739,551,154	45,094,246,626

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 9.2ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

	April 1/2006	Payments and other charges	Receipts and other credits	March 31/2007
	\$	\$	\$	\$
Investments—				
Investments and accumulated				
profits/losses (Table 9.5)	17,140,289,951	5,817,756,000	2,604,503,001	20,353,542,950
Loans and advances ⁽¹⁾ —				
Canada Mortgage and Housing Corporation—				
Housing	3,349,652,097		69,104,170	3,280,547,927
Real estate	53,773,181		3,358,773	50,414,408
Joint projects	924,897,205		34,488,653	890,408,552
Student housing projects	208,056,177		8,666,361	199,389,816
Sewage treatment projects	253,365,852		27,416,812	225,949,040
Assisted home ownership	9,396,872		4,896,266	4,500,606
	4,799,141,384		147,931,035	4,651,210,349
Other—				
Export Development Canada—				
Softwood Lumber Program		3,566,867,999	3,563,422,674	3,445,325
Canada Lands Company Limited	40,468,427	10,544,599	1,923,263	49,089,763
Canadian Dairy Commission	90,696,000	136,047,000	180,786,000	45,957,000
	131,164,427	3,713,459,598	3,746,131,937	98,492,088
Total—Loans and advances	4,930,305,811	3,713,459,598	3,894,062,972	4,749,702,437
Subtotal	22,070,595,762	9,531,215,598	6,498,565,973	25,103,245,387
Less: amount to be repaid from future appropriations	1,486,885,000	66,693,000		1,420,192,000
Total	20,583,710,762	9,597,908,598	6,498,565,973	23,683,053,387

⁽¹⁾ These loans are recorded at cost.

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, 2007 or 2006.

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, repair and modernization of housing and living conditions, housing affordability and choice, the availability of low-cost financing for housing, and the national well-being of the housing sector. 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 8.66 percent per annum, and are repayable over 18 to 20 years, with the final instalment on December 31, 2008.

Export Development Canada

Softwood Lumber Program

The Corporation was established by the *Export Development Act* to support and develop trade between Canada and other countries and Canada's competitiveness in the international market-place.

Pursuant to Section 23 of the Export Development Act, the Government of Canada designated Export Development Canada (EDC) to administer the return of softwood lumber duty deposits and interest owed to Canadian companies by the United States Government. The Softwood Lumber Agreement between the governments of the United States of America and Canada was authorized effective October 12, 2006.

Under the arrangement, EDC purchased the rights to the duties and interest owed to Canadian softwood producers opting to participate in the deposit refund mechanism, with funds advanced from the Consolidated Revenue Fund (CRF).

The remaining balance as at March 31 to be returned to the CRF on funds advanced to EDC to pay the Canadian companies is \$3,445,325. This amount is repayable within one year.

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 \$8.5 million. An amount of \$0.5 million was repaid during the year and an amount of \$2.1 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 3.0218 percent to 4.5661 percent per annum, and are repayable within one year.

Interest paid to the Government

Interest paid to the Government of Canada with respect to these loans in the years ended March 31, 2007 and 2006 is as follows:

	2006-2007	2005-2006
	(in million	s of dollars)
Corporation—		
Canada Mortgage		
and Housing		
Corporation	429.6	447.0
Canadian Dairy		
Commission	3.2	1.7
Total	432.8	448.7

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. However, effective January 1, 2007, new accounting standards related to financial instruments were adopted by Crown corporations with December 31 year ends. Therefore, the financial results for these corporations at March 31, 2007 reflect these new accounting standards as discussed in notes 2 and 5 to the financial statements in Section 2 of this volume.

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. Other comprehensive income comprises unrealized gains and losses that are recognized in comprehensive income, but excluded from net income. Upon realization, these gains and losses are included in net income. 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, 2007 is provided in Table 9.10.

TABLE 9.3SUMMARY 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
ASSETS, LIABILITIES AND EQUITY						
AS AT MARCH 31, 2007						
Assets						
Financial—						
Third parties.	2,158,094	304,500	166,966,655	3,981,317	49,273	173,459,839
Government and Crown corporations	775,645	48,085,000	8,580,562	15,182	52,891	57,509,280
Total financial assets	2,933,739	48,389,500	175.547.217	3.996.499	102,164	230,969,119
Non-financial assets	4,406,387	131,000	930,903	969,316	26,062	6,463,668
Total assets as reported	7,340,126	48,520,500	176,478,120	4,965,815	128,226	237,432,787
Elimination adjustments	103,707		(23,826)			79,881
Total assets	7,443,833	48,520,500	176,454,294	4,965,815	128,226	237,512,668
Liabilities						
Third parties—	252.526		141 500 250	2 277 200	5.550	145 224 724
Borrowings	352,526		141,589,259	3,377,380	5,559	145,324,724
amounts owing to depositors		46,617,900				46,617,900
Other liabilities	2,682,749	518,600	12,753,755	1,500,199	77,529	17,532,832
Government and Crown						
corporations	373,664	1,354,200	5,826,071	44,249	85,485	7,683,669
Total liabilities	3,408,939	48,490,700	160,169,085	4,921,828	168,573	217,159,125
Equity of Canada as reported	3,931,187	29,800	16,309,035	43,987	(40,347)	20,273,662
Elimination adjustments	103,707	20.000	(23,826)	42.005	(10.247)	79,881
Equity of Canada	4,034,894	29,800	16,285,209	43,987	(40,347)	20,353,543
Total liabilities and equity	7,443,833	48,520,500	176,454,294	4,965,815	128,226	237,512,668
Contingent liabilities	13,107		2,992,790			3,005,897
Contractual obligations	531,984		6,340,662	1,888,371	1,945	8,762,962
REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2007 Revenues Third parties Government and Crown	8,334,699		9,832,922	3,903,026	233,655	22,304,302
corporations—						
Financial assistance.				16,923	20,000	36,923
Other	588,978	1,983,529	246,066	98,616	19,834	2,937,023
Total revenues.	8,923,677	1,983,529	10,078,988	4,018,565	273,489	25,278,248
Expenses Third parties	8,252,069		6,386,813	4,016,934	249,989	18,905,805
corporations	288,916		929,254	7,276	17,811	1,243,257
Total expenses	8,540,985		7,316,067	4,024,210	267,800	20,149,062
Net income/loss(-) for the year	382,692	1,983,529	2,762,921	(5,645)	5,689	5,129,186
reported	3,758,986 (491) 103,707	30,000	13,297,022 146,054 (23,826) 480,081	40,535 9,097	(46,036)	17,080,507 154,660 79,881 479,375
Other comprehensive income	(506)	(200)	100,001			.,,,,,,,
Elimination adjustments Other comprehensive income Equity transactions with the Government— Dividends Capital	(506) (211,986) 2,492	(1,983,529)	(377,043)			(2,572,558) 2,492

TABLE 9.4 FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES —ASSETS, LIABILITIES AND EQUITY AS AT MARCH 31, 2007

(in thousands of dollars)

	Assets				
	Fina	nncial			
Fotographic Community and		Government, Crown		T-4-1	
Enterprise Crown corporations and other government business enterprises ⁽¹⁾	Third parties	corporations and other entities	Non-financial	Total assets	
other government business enterprises	parties	and other entities	Non-imanciai	assets	
Competitive, self-sustaining					
Blue Water Bridge Authority	20,642	46,783	119,442	186,867	
Canada Development Investment Corporation	22,792	43,770	3	66,565	
Canada Hibernia Holding Corporation	79,467	78,478	217,505	375,450	
Canada Lands Company Limited	100,673	299	275,973	376,945	
Parc Downsview Park Inc.	4,264	2,913	13,545	20,722	
Canada Post Corporation	1,494,096	512,619	1,955,044	3,961,759	
Jalifary Doub Anthonity (2)	8,874	14,564	118,269	141,707	
Halifax Port Authority ⁽²⁾	,		*		
Quebec Port Authority (2)	72,670	44,178	220,597	337,445	
	34,796	579	94,772	130,14	
Ridley Terminals Inc.	3,424	557	17,603	21,58	
Royal Canadian Mint	65,718	5,527	178,609	249,85	
Saint John Port Authority ⁽²⁾ Coronto Port Authority ⁽²⁾	5,171	13,149	63,477	81,79	
Toronto Port Authority (2)	16,280		59,229	75,50	
Vancouver Port Authority ⁽²⁾ Other Canada Port Authorities ⁽²⁾⁽³⁾	95,697	1,429	528,531	625,65	
Other Canada Port Authorities (2)(3)	133,530	10,800	543,788	688,113	
Total—Competitive, self-sustaining	2,158,094	775,645	4,406,387	7,340,12	
Bank of Canada	304,500	48,085,000	131,000	48,520,50	
ending and Insurance	,	,,	,	, ,	
Business Development Bank of Canada	10,661,858		142,223	10,804,08	
Canada Deposit Insurance Corporation	160,761	1,396,432	1,613	1,558,80	
Canada Mortgage and Housing Corporation.	15,089,456	180,351	87,294	15,357,10	
	93,725,138	3,876,469	07,294	97,601,60	
Canada Housing Trust	11,209,365	2,915,784	87,007	14,212,15	
Insurance Programs	, ,		,		
Mortgage Backed Securities Guarantee Fund	308,090	146,988	1,978	457,05	
Export Development Canada	22,074,224	29,276	549,582	22,653,08	
arm Credit Canada	13,737,763	35,262	61,206	13,834,23	
Total—Lending and insurance	166,966,655	8,580,562	930,903	176,478,12	
Marketing					
Canadian Commercial Corporation	546,157	12,805	1,396	560,35	
Canadian Dairy Commission—					
Marketing operations	13,085		86,973	100,05	
Canadian Wheat Board, The	3,414,606	2,377	858,998	4,275,98	
Freshwater Fish Marketing Corporation	7,469		21,949	29,41	
Total—Marketing	3,981,317	15,182	969,316	4,965,81.	
Other					
Atlantic Pilotage Authority	3,130	1.095	4.098	8,32	
Great Lakes Pilotage Authority	232	-,	152	38	
aurentian Pilotage Authority.	6,706		1.157	7,86	
Pacific Pilotage Authority.	5,320	1,330	6,184	12,83	
t.Lawrence Seaway Management Corporation	21,635	43.343	14,471	79.44	
, , ,			1+,+/1	,	
Capital Fund Trust	4,805	77		4,88	
Employee Termination Benefits Trust Fund.	7,445	7,046	24.012	14,49	
Cotal—Other	49,273	52,891	26,062	128,220	
Total	173,459,839	57,509,280	6,463,668	237,432,78	
Elimination adjustments		79,881		79,88	
Fotal	173,459,839	57,589,161	6,463,668	237,512,668	

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.

Canada Port Authorities, which are not Crown corporations but considered government business enterprises, are agents of the Crown for their port activities.
 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.

		ties		_				
Third p	Other	Government, Crown corporations and other entities	Total liabilities	Accumulated profits/ (losses)	Contributed surplus	Capital stock	Equity of Canada	Total liabilities and equity
101,491	5,635	39	107,165	79,702			79,702	186,867
	23,507		23,507	(700,127)	743,184	1	43,058	66,565
	106,392	4,255	110,647	264,803			264,803	375,450
35,884	30,992	53,130	120,006	111,858	145,081		256,939	376,945
	4,612	3,771	8,383	(9,153)	21,492		12,339	20,722
60,805	2,263,856	196,825	2,521,486	285,102	1,155,171		1,440,273	3,961,759
4,800	10,106	3,140	18,046	72,804	50,857		123,661	141,707
	39,482	924	40,406	59,777	237,262		297,039	337,445
18,743	14,012	56,952	89,707	18,164	22,276		40,440	130,147
	3,210	4,255	7,465	(185,923)	64,000	136,042	14,119	21,584
44,451	78,308	6,962	129,721	80,133		40,000	120,133	249,854
	4,215		4,215	15,923	61,659		77,582	81,797
13,668	12,863		26,531	48,978			48,978	75,509
12,298	33,245	1,036	46,579	428,819	150,259		579,078	625,657
60,386	52,314	42,375	155,075	285,625	247,418		533,043	688,118
352,526	2,682,749	373,664	3,408,939	856,485	2,898,659	176,043	3,931,187	7,340,126
,	47,136,500	1,354,200	48,490,700	(200)	25,000	5,000	29,800	48,520,500
8,256,275	727,089	12,999	8,996,363	741,540	27,778	1,038,400	1,807,718	10,804,081
	603,311	7,191	610,502	948,304			948,304	1,558,806
9,070,845	1,304,689	4,819,780	15,195,314	136,787	25,000		161,787	15,357,101
96,547,366	83,040	971,191	97,601,597		10		10	97,601,607
	8,293,671	13,768	8,307,439	5,904,717			5,904,717	14,212,156
	187,544	(6,192)	181,352	275,704			275,704	457,056
15,532,803	1,364,321	7,331	16,904,455	4,765,427		983,200	5,748,627	22,653,082
12,181,970	190,090	3	12,372,063	914,443	547,725		1,462,168	13,834,231
141,589,259	12,753,755	5,826,071	160,169,085	13,686,922	600,513	2,021,600	16,309,035	176,478,120
30,627	483,181	2,563	516,371	15,987	28,000		43,987	560,358
	53,918	46,140	100,058					100,058
3,326,013	954,422	(4,454)	4,275,981					4,275,981
20,740	8,678	(1,151)	29,418					29,418
3,377,380	1,500,199	44,249	4,921,828	15,987	28,000		43,987	4,965,815
	3,421		3,421	2,597	2,305		4,902	8,323
	4,561		4,561	(4,259)	82		(4,177)	384
4,289	9,500		13,789	(8,405)	2,479		(5,926)	7,863
1,270	5,776		7,046	4,982	806		5,788	12,834
,	54,267	43,699	97,966	(4,389)	(14,128)		(18,517)	79,449
	2	27,297	27,299	(22,417)	\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \		(22,417)	4,882
	2	14,489	14,491	()·-·/			(-,)	14,491
5,559	77,529	85,485	168,573	(31,891)	(8,456)		(40,347)	128,226
145,324,724	64,150,732	7,683,669	217,159,125	14,527,303	3,543,716	2,202,643	20,273,662	237,432,787
1 13,327,727	07,150,752	7,003,009	211,109,120	79,881	5,575,710	2,202,043	79,881	79,881
				12,001			12,001	12,001

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, 2007

(in thousands of dollars)

Enterprise Crown corporations and		Government.	Crown cornerations	
Enterprise Crown corporations and	Third parties	Government, Crown corporations and other entities ⁽¹⁾		
Enterprise Crown corporations and other government business enterprises		Financial		_
		assistance	Other	Total
Competitive, self-sustaining				
Blue Water Bridge Authority	24,946			24,946
Canada Development Investment Corporation	809		156,000	156,809
Canada Hibernia Holding Corporation	347,475		,	347,475
Canada Lands Company Limited	146,678		2,591	149,269
Parc Downsview Park Inc.	5,898		160	6,058
Canada Post Corporation	7,035,636		299,837	7,335,473
Halifax Port Authority	28,864		445	29,309
Montreal Port Authority.	76,359		6,744	83,103
Quebec Port Authority	19,236		545	19,781
Ridley Terminals Inc.	14,363		1,145	15,508
Royal Canadian Mint	409,632		118,649	528,281
Saint John Port Authority.	11,476		412	11,888
Toronto Port Authority.	13,783		712	13,783
Vancouver Port Authority	109,322		492	109,814
•	90,222		1,958	92,180
Other Canada Port Authorities				
Total—Competitive, self-sustaining	8,334,699		588,978	8,923,677
Bank of Canada			1,983,529	1,983,529
Lending and insurance	960 647			960 647
Business Development Bank of Canada	869,647		40.202	869,647
Canada Deposit Insurance Corporation	88,857		48,302	137,159
Canada Mortgage and Housing Corporation	805,733		51,392	857,125
Canada Housing Trust	3,645,413			3,645,413
Insurance Programs	1,665,501		137,802	1,803,303
Mortgage Backed Securities Guarantee Fund	68,316		5,077	73,393
Export Development Canada	1,775,384		(174)	1,775,210
Farm Credit Canada	914,071		3,667	917,738
Total—Lending and insurance	9,832,922		246,066	10,078,988
Marketing Canadian Commercial Corporation	1,040,631	16,923	98,616	1,156,170
Canadian Dairy Commission—	1,040,031	10,923	98,010	1,130,170
Marketing operations	302,040			302,040
Canadian Wheat Board, The	2,498,739			2,498,739
Freshwater Fish Marketing Corporation	61,616			61,616
Total—Marketing	3,903,026	16,923	98,616	4,018,565
Other	3,703,020	10,723	20,010	4,010,303
Atlantic Pilotage Authority	14,943			14,943
Great Lakes Pilotage Authority	17,972			17,972
Laurentian Pilotage Authority	66,918			66,918
•	49,516			49,516
Pacific Pilotage Authority			10.520	
St.Lawrence Seaway Management Corporation	83,663	20.000	19,539	103,202
Capital Fund Trust.	338	20,000	295	20,633
Employee Termination Benefits Trust Fund	305	20.000	10 024	305
Total—Other	233,655	20,000	19,834	273,489
Total	22,304,302	36,923	2,937,023	25,278,248
Elimination adjustments.	22 204 202	26,022	2.027.022	25 270 240
Total net results	22,304,302	36,923	2,937,023	25,278,248
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 Government,						Equity transactions with the		
	Crown		Net	Equity	Equity	Other	Govern		Equity
Third parties		income/or loss(-)	beginning of year	adjustments and other	comprehensive income	Dividends	Capital	end of year	
20,110		20.110	4,836	74.866					79,702
5,951		5,951	150,858	48,200			(156,000)		43,058
101,881	219,509	321,390	26,085	238,718			, , ,		264,803
121,606	6,553	128,159	21,110	243,079			(7,250)		256,939
11,145	(153)	10,992	(4,934)	14,781				2,492	12,339
7,199,426	38,982	7,238,408	97,065	1,392,151	(1,431)	158	(47,670)		1,440,273
20,935	1,159	22,094	7,215	116,446					123,661
68,448	5,085	73,533	9,570	287,469					297,039
16,332	556	16,888	2,893	37,547					40,440
12,634	1,108	13,742	1,766	12,353					14,119
503,052	8,982	512,034	16,247	105,420	130	(664)	(1,000)		120,133
12,079	270	12,349	(461)	78,043					77,582
18,552		18,552	(4,769)	53,747					48,978
69,471	5,461	74,932	34,882	544,196					579,078
70,447	1,404	71,851	20,329	511,970	810		(66)		533,043
8,252,069	288,916	8,540,985	382,692	3,758,986	(491)	(506)	(211,986)	2,492	3,931,187
			1,983,529	30,000		(200)	(1,983,529)		29,800
728,308	3,332	731,640	138,007	1,691,277			(21,566)		1,807,718
17,746	14,404	32,150	105,009	843,295					948,304
424,215	431,011	855,226	1,899	165,672	(5,784)				161,787
3,645,413		3,645,413			10				10
369,428	443,154	812,582	990,721	4,290,278	146,445	477,273			5,904,717
3,054	25,350	28,404	44,989	209,890	5,383	15,442			275,704
488,117	8,579	496,696	1,278,514	4,832,747		(12,634)	(350,000)		5,748,627
710,532	3,424	713,956	203,782	1,263,863			(5,477)		1,462,168
6,386,813	929,254	7,316,067	2,762,921	13,297,022	146,054	480,081	(377,043)		16,309,035
1,148,361	4,357	1,152,718	3,452	40,535					43,987
308,218	2,919	311,137	(9,097)		9,097				
2,498,739		2,498,739							
61,616		61,616							
4,016,934	7,276	4,024,210	(5,645)	40,535	9,097				43,987
15,679		15,679	(736)	5,638					4,902
17,828		17,828	144	(4,321)					(4,177
64,258		64,258	2,660	(8,586)					(5,926
48,814		48,814	702	5,086					5,788
103,398	(3,420)	99,978	3,224	(21,741)					(18,517
2	20,936	20,938	(305)	(22,112)					(22,417
10	295	305	5 200	(10.000)					(10.0:=
249,989	17,811	267,800	5,689	(46,036)		.==.	/a === = = ::	* 100	(40,347
18,905,805	1,243,257	20,149,062	5,129,186	17,080,507 59,783	154,660 52,043	479,375	(2,572,558) (31,945)	2,492	20,273,662 79,881
18,905,805	1,243,257	20,149,062	5,129,186 206,703	17,140,290	206,703 (206,703)	479,375	(2,604,503)	2,492	20,353,543
			5,335,889	17,140,290	/	479,375	(2,604,503)	2,492	20,353,543

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, 2007, an allowance for borrowings of enterprise Crown corporations and other government business enterprises was established at \$273 million.

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

(in thousands of dollars)

	Balance April 1/2006	Borrowings and other credits	Repayments and other charges	Balance March 31/2007
Borrowings by agent enterprise Crown corporations				
	7 007 274	10 200 074	17.050.062	9.257.275
Business Development Bank of Canada	7,897,374 40.007	18,308,964	17,950,063	8,256,275
Canada Lands Company Limited	8,953,156	473 10,184,648	4,596 10,066,959	35,884 9,070,845
Canada Mortgage and Housing Corporation				
Canada Housing Trust	77,839,986	26,807,380	8,100,000	96,547,366
Canada Post Corporation.	64,347		3,542	60,805
Canadian Commercial Corporation		62,056	31,429	30,627
Canadian Dairy Commission (Marketing).	665	22,322	22,987	
Export Development Canada	13,730,293	40,688,798	38,886,288	15,532,803
Farm Credit Canada.	11,132,956	18,121,453	17,072,439	12,181,970
Freshwater Fish Marketing Corporation	17,772	20,740	17,772	20,740
Royal Canadian Mint	20,202	36,800	12,551	44,451
	119,696,758	114,253,634	92,168,626	141,781,766
Borrowings by non-agent enterprise Crown corporations and				
other government business enterprises				
Blue Water Bridge Authority.	103,831		2,340	101,491
Canadian Wheat Board, The	3,928,036	9,507,216	10,109,239	3,326,013
Halifax Port Authority ⁽¹⁾	5,200	-,,	400	4,800
Laurentian Pilotage Authority	3,107	1.367	185	4.289
Pacific Pilotage Authority.	110	1,160	100	1,270
Quebec Port Authority ⁽¹⁾ .	25,579	1,100	6.836	18.743
Toronto Port Authority ⁽¹⁾	20,077	13,750	82	13,668
Vancouver Port Authority ⁽¹⁾	11,003	1,551	256	12,298
Other Canada Port Authorities ⁽¹⁾	57,949	8,645	6,208	60,386
Onle Canada For Admontes				
	4,134,815	9,533,689	10,125,546	3,542,958
Total	123,831,573	123,787,323	102,294,172	145,324,724
and other government business enterprises	123,397,710	123,787,323	102,133,667	145,051,366
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	433,863		160,505	273,358

⁽¹⁾ 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, 2007.

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
2007	30,814,884	1,860,007	32,674,891
2008	22,738,205	21,695	22,759,900
2009	20,524,172	74,106	20,598,278
2010	24,819,459	269,421	25,088,880
2011	22,839,176	88,258	22,927,434
Subsequent years	20,045,870	1,229,471	21,275,341
Total	141,781,766	3,542,958	145,324,724

 $^{^{(1)}}$ The borrowings are composed of \$14,171,585 US, $\frac{1}{4}$ 557,220, DM 562,959, NZ \$263,456, AU \$2,687,020, NOK 197,301, HK dollar 148,937 and \$126,736,246 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, 2007
Enterprise Crown corporations and other government business enterprises	
Export Development Canada—Loan guarantees and loans with recourse	2,990,107
Farm Credit Canada—Loan guarantees	2,683
Vancouver Port Authority—Miscellaneous litigations	13,107
Total	3,005,897

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, 2007

		Capital	Operating	
	Loans	expenditures	leases	Total
Enterprise Crown corporations and other government business enterprises				
Business Development Bank of Canada	1,167,400		161,729	1,329,129
Canada Hibernia Holding Corporation			18,962	18,962
Canada Mortgage and Housing Corporation	55,628			55,628
Canadian Commercial Corporation		1,856,612	22,628	1,879,240
Canadian Wheat Board, The			9,131	9,131
Export Development Canada	3,996,000			3,996,000
Farm Credit Canada.	890,800		69,105	959,905
Halifax Port Authority			4,192	4,192
Laurentian Pilotage Authority			1,945	1,945
Montreal Port Authority		5,778	5,293	11,071
Royal Canadian Mint		273,324		273,324
Vancouver Port Authority		191,457	31,967	223,424
Other Canada Port Authorities			1,011	1,011
Total	6,109,828	2,327,171	325,963	8,762,962

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, 2007

(in thousands of dollars)

	Operating	Capital	Financial assistance
Enterprise Crown corporations and other government business enterprises			
Canada Post Corporation (1)	186,521		186,521
Canadian Commercial Corporation	16,923		16,923
Canadian Wheat Board, The (2) (3)	67,649		67,649
Export Development Canada (3)	203,476		203,476
Halifax Port Authority		2,408	2,408
Montreal Port Authority.		1,161	1,161
Quebec Port Authority		250	250
Ridley Terminals Inc.	1,797		1,797
St.Lawrence Seaway Management Corporation		24,569	24,569
Toronto Port Authority		135	135
Vancouver Port Authority		1,400	1,400
Other Canada Port Authorities		722	722
Total	476,366	30,645	507,011 (4)

¹ Includes a payment of \$39,311 from the Department of Indian Affairs and Northern Development for the purpose of providing Norther Air Stage Parcel Service.

⁽²⁾ Includes a payment of \$1,132 for the acquisition and leasing of hopper cars for the transportation of grain in Western Canada.

⁽³⁾ Includes payments of \$66,516 to The Canadian Wheat Board and \$203,476 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.

⁽⁴⁾ Of this amount, \$203,444 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 9.11PORTFOLIO INVESTMENTS

	April 1/2006	Payments and other charges	Receipts and other credits	March 31/2007
	\$	\$	\$	\$
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 Pension Plan Investment Board—		100		100
Finance.		100		100
Canada Investment Fund for Africa—Foreign Affairs and International Trade—Canadian				
International Development Agency	100,000,000	25,267,192	25,267,192	100,000,000
Equity Ownership—Industry—National	100,000,000	23,207,192	23,207,192	100,000,000
Research Council of Canada	1,055,246		409,490	645,756
Public Sector Pension Investment Board—	-,,		,	,
Treasury Board		100		100
North Portage Development Corporation—				
Western Economic Diversification				
	101,392,752	25,267,392	25,677,082	100,983,062
Total	116,142,752	25,267,392	25,677,082	115,733,062

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 has received 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.

During the year, the account was closed.

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 Pension Plan Investment Board

The Canada Pension Plan Investment Board ("Board") was formed pursuant to the Canada Pension Plan Investment Board Act. The Board's objectives are to assist the Canada Pension Plan (CPP) in meeting its obligations to contributors and beneficiaries and to manage any amounts transferred to it in their best interest. Also the Board is to invest its assets 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.

The Government has purchased 10 shares of the Board at \$10 per share that represents 100 percent of the outstanding shares.

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 Votes L50, L50a and L50b, Appropriation Acts No. 2, No. 3 and No. 4, 2006-2007. Payments to the CIFA are made upon receipt of a draw down notice. During the fiscal year 2006-2007, the payments made to the CIFA totalled approximately \$28 million. The Canadian International Development Agency also received capital reimbursement from CIFA amounting to \$3 million and investment income of \$0.3 million during the year. 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 five publically traded companies and nineteen privately held companies. During the year, the shares of one public company were sold.

Public Sector Pension Investment Board

The Public Sector Pension Investment Board ("Board") was formed pursuant to the *Public Sector Pension Investment Board Act*. Its mandate is to invest in financial markets the funds transferred to it from the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans. The Board's statutory objectives are to manage the funds transferred to it in the best interests of the contributors and beneficiaries of the pension plans and to invest its assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of those pension plans and the ability of those plans to meet their financial obligations.

The Government has purchased 10 shares of the Board at \$10 per share that represents 100 percent of the outstanding shares.

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 1/2006	Payments and other charges	Receipts and other credits	March 31/2007
	\$	\$	\$	\$
Foreign Affairs and International Trade— Development of export trade (loans administered by Export Development Canada)	444,559,326	3,652,328,797	3,721,334,743	375,553,380
Foreign Affairs and International Trade— Canadian International Development Agency— Developing countries—International development assistance	332,495,155	14,907,204	26,078,994	321,323,365
National Defence— North Atlantic Treaty Organization—Damage claims recoverable	38,154	110,792	55,396	93,550
Total	777,092,635	3,667,346,793	3,747,469,133	696,970,295

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 without such authorization. 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 longer 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. During the year, loans totalling \$126,923,466 were forgiven by Foreign Affairs and International Trade Vote 12a, *Appropriation Act No. 3, 2006-2007*.

Tables 11.4 and 11.5 (Section 11 of this volume) present additional information on contractual obligations and guarantees that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The following table presents the balances and transactions for loans made to national governments, together with their terms and conditions of repayments.

		Payment other ch		Receipts other cre		
		Payments or other		Receipts or other		
	April 1/2006	charges (1)	Revaluation	credits (2)	Revaluation	March 31/2007
	\$	\$	\$	\$	\$	\$
NON-BUDGETARY LOANS ⁽³⁾ —						
(a) 1 to 5 year term, 0 percent to 3.5 percent interest per annum, with final repayments between March 2008 and December 2010:				40.575.000		
Madagascar Mexico Tanzania	18,567,889 3,118,491 3,563,532			18,567,889 1,514,356 3,563,532	63,861	1,540,274
	25,249,912			23,645,777	63,861	1,540,274
(b) 6 to 10 year term, 4.30 percent (London Interbank Offered Rate (LIBOR)) to 9.0 percent interest per annum, with final repayments between						
July 2002 and December 2009: Algeria	2,865	172,909		175,774		
Argentina	30,479,213 5,363,905	172,505	129,319	3.930.892	493,116	30,608,532 939,897
Congo	2,987,562			911,055	701,752	1,374,755
Jamaica	157,386 14,189,726	408,872		312,711 13,863,525	326,201	253,547
Sudan	4,507,349	501.701	120 210		54,840	4,452,509
(c) 11 to 15 year term, 2.83 percent (LIBOR) to	57,688,006	581,781	129,319	19,193,957	1,575,909	37,629,240
8.25 percent (LIBOR) interest per annum, with final repayments between November 2008 and November 2024:						
Argentina	500,157				500,157	
Kenya Pakistan	777,650 7.810.729			80,487	9,461 97,342	768,189 7,632,900
Rwanda	1,937,229			1,937,229		
Venezuela Zambia	100,482,091 6,905,073 118,412,929			8,093,887 6,905,073 17,016,676	1,386,470 1,993,430	91,001,734 99,402,823
Insurance claims paid during the year:						
Cuba Haiti Russia.	30,235,402 373,129 13,348,528 43,957,059				89,408 89,408	30,235,402 373,129 13,259,120 43,867,651
Advances during the year: Less than 2 year term, 7.0 percent to 8.0 percent (US Federal Short Term Rate + 2.0 percent or 3.0 percent interest per annum), with final repayment before October 2008:						.,,,
United States		3,619,204,803		3,619,204,803		
Total—Non-budgetary loans	245,307,906	3,619,786,584	129,319	3,679,061,213	3,722,608	182,439,988
BUDGETARY LOANS ⁽³⁾ —						
(a) 16 to 20 year term, 0 percent interest per annum, with final repayments between February 2010 and March 2011:						
Cameroun Thailand	703,966 8,633,265			703,966 1,899,248	67,714	6,666,303
(b) 21 to 25 year term, 0 percent to 3.0 percent interest per annum, with final repayments between December 2009 and June 2021:	9,337,231			2,603,214	67,714	6,666,303
Algeria	7,881,751		389,070	2,152,821		6,118,000
Indonesia	35,093,379 42,975,130		389,070	3,715,829 5,868,650	476,456 <i>476,456</i>	30,901,094 37,019,094

		Payment other ch			Receipts and other credits	
	April 1/2006	Payments or other charges (1)	Revaluation	Receipts or other credits (2)	Revaluation	March 31/2007
	\$	\$	\$	\$	\$	\$
(c) 31 to 55 year term, 0 percent to 5.37 percent (LIBOR) interest per annum, with final repayments between December 2010 and December 2044:						
Cameroun China Egypt Gabon India Jamaica Kenya Morocco	11,857,585 544,985,756 10,697,380 9,990,213 56,226,929 6,940,520 6,866,895 97,937,178 116,191,265 861,693,721	1,781,938 4,845,283	321,801 321,801	10,357,259 334,199 280,875 1,474,580 617,202 7,949 2,958,635 3,152,228 19,182,927	165,951 6,648,164 41,056 126,724 688,289 83,625 1,192,101 1,406,051 10,351,961	13,473,572 532,825,616 10,322,125 9,582,614 54,064,060 6,645,119 6,775,321 93,786,442 111,632,986 839,107,855
Total—Budgetary loans	914,006,082	6,627,221	710,871	27,654,791	10,896,131	882,793,252
Subtotal	1,159,313,988	3,626,413,805	840,190	3,706,716,004	14,618,739	1,065,233,240
concessionary terms.	714,754,662	25,074,802				689,679,860
Total	444,559,326	3,651,488,607	840,190	3,706,716,004	14,618,739	375,553,380

Note: Final repayment dates may change if loan amounts are rescheduled or restructured.

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 1/2006	Payments and other charges	Receipts and other credits (1)	March 31/2007
	\$	\$	\$	\$
(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
and January 2012: Brazil	1,757,236 9,547,012 <i>11,304,248</i>		1,757,236 1,757,236	9,547,012 9,547,012

⁽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.

	April 1/2006	Payments and other charges	Receipts and other credits (1)	March 31/2007
	\$	\$	\$	\$
(c) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand	28,320		28,320	
(d) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria	8,841,274		1,612,935	7,228,339
Argentina	205,333		18,666	186,667
Bolivia	678,321		42,395	635,926
Brazil	271,877		20,914	250,963
Chile	1,078,681		49,031	1,029,650
Colombia	315,695		26,308	289,387
Dominican Republic	4,213,934		327,468	3,886,466
Ecuador	4,761,948		304,919	4,457,029
Guatemala	2,081,403		50,000	2,031,403
Indonesia	205,197,203		9,278,825	195,918,378
Malaysia	1,608,623		62,935	1,545,688
Malta	449,980		25,000	424,980
Mexico	30,485		2,771	27,714
Morocco	8,380,399		293,001	8,087,398
Myanmar (Burma)	8,306,202			8,306,202
Pakistan	447,507,534			447,507,534
Paraguay	219,957		19,996	199,961
Peru	44,743		3,728	41,015
Philippines	1,840,586		97,159	1,743,427
Sri Lanka	97,050,895		4,932,601	92,118,294
Thailand	19,633,913		847,121	18,786,792
Tunisia	58,478,003		1,647,863	56,830,140
	871,196,989		19,663,636	851,533,353
(e) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria	25,173,808		4,629,802	20,544,006
Subtotal	952,699,298		26,078,994	926,620,304
concessionary terms.	620,204,143	14,907,204		605,296,939
Total	332,495,155	14,907,204	26,078,994	321,323,365

Note: Grace period refers to interval from date of issuance of the loan to first repayment of loan principal. (1) 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/\$1.1546 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 \$475,633,843 (\$536,315,122 in 2006) are reported in Table 5.3 (Section 5 of this volume).

TABLE 9.13INTERNATIONAL ORGANIZATIONS

		Paymer other cl		Receipts a other cred		
		Participation or other charges	Revaluation	Reimbursements or other credits	Revaluation	March 31/2007
	\$	\$	\$	\$	\$	\$
Capital subscriptions ⁽¹⁾ — Finance—						
European Bank for Reconstruction and Development	252,518,876				2,897,048	249,621,828
(World Bank)	389,736,551				4,283,095	385,453,456
International Finance Corporation	95,007,456				1,089,983	93,917,473
Multilateral Investment Guarantee Agency	12,535,268				143,812	12,391,456
	749,798,151				8,413,938	741,384,213
Foreign Affairs and International Trade— Canadian International Development Agency—						
African Development Bank	112,542,684	3,323,871			626,163	115,240,392
Asian Development Bank	180,687,442				1,712,045	178,975,397
Caribbean Development Bank	22,097,760				181,908	21,915,852
Inter-American Development Bank	209,903,638				2,370,070	207,533,568
	525,231,524	3,323,871			4,890,186	523,665,209
	1,275,029,675	3,323,871			13,304,124	1,265,049,422

TABLE 9.13 INTERNATIONAL ORGANIZATIONS—Concluded

Proreign Affairs and International Trade— International organizations and associations of the United Intellectual Property Organization (1,051,200 39,192 39,1		_	Payme: other o		Receipts a		
S S S S S S S S S S S S S S S S S S S			•				
Lans and advances= Finances		April 1/2006		Revaluation		Revaluation	March 31/2007
Finance		\$	\$	\$	\$	\$	\$
Colon Colo							
International Development Associations		10 000 000					10 000 000
International Monetary Fund—Poverty Reduction and Growth Facility. 368,542,775 12,994,205 16,222,250 7,868,692,			318 270 000				, ,
and Growth Facility ¹⁰ . 368,542,775 12,994,205 16,222,250 365,314, 7,868,692,186,692,18		7,175,100,001	310,270,000				7,175,576,001
Toreign Affairs and International Trade— International organizations and associations 19,000 19		368,542,775		12,994,205	16,222,250		365,314,730
Berne Union of the World Intellectual Property Organization	•		318,270,000				7,868,692,791
Berne Union of the World Intellectual Property Organization	Foreign Affairs and International Trade—						
Organization							
Customs Co-operation Council 9,662	Berne Union of the World Intellectual Property						
Food and Agriculture Organization 1,051,200 3,05	<u> </u>						39,192
General Agreement on Tarifs	•						9,662
Agrican Development Bank		1,051,200					1,051,200
International Maritime Organization							
International Atomic Energy Agency							48,806
International Civil Aviation Organization 200,429 200,429 200,433 200,433 200,433 200,433 200,433 200,433 200,433 200,433 200,433 200,433 200,433 200,433 200,435	č						2,202
Paris Union of the World Intellectual Property Organization							447,110
United Nations Educational, Scientific and Cultural Organization	Paris Union of the World Intellectual Property						200,429
United Nations organizations 3,632,480 181,122 6,586,4586 181,122 6,586,586,586,586,586,586,586,586,586,58	United Nations Educational, Scientific and						100,989
World Health Organization							872,987
Canadian International Development Agency— International financial institutions(3)— African Development Bank							3,632,480
Canadian International Development Agency—	World Health Organization						181,122
International financial institutions African Development Bank 1,843,896 125,000 1,718,8	Constitution International Development Assessed	6,586,179					6,586,179
African Development Bank							
African Development Fund 1,748,313,330 88,846,035 125,000 1,004,999 1,836,154,2 Andean Development Bank—Special 27,027,000 27,027,02 Asian Development Fund 1,817,102,408 51,650,617 52,000,000 Asian Development Bank—Agricultural Development Bank—Caribbean Development Bank—Special 1,867,2000,000 2,000,000 Caribbean Development Bank—Caribbean Regional 4,672,000 52,000,000 Caribbean Development Bank—Special 1,75,538,775 13,585,000 53,600 4,618,200,000 Caribbean Development Bank—Special 1,75,538,775 13,585,000 53,600 4,618,200,000 Caribbean Development Bank—Special 1,75,538,775 13,585,000 53,600		1 9/12 906			125 000		1 719 906
Andean Development Corporation 2,187,500 125,000 2,062,5 Asian Development Bank—Special 27,027,000 27,027,00 Asian Development Fund 1,817,102,408 51,650,617 1,868,753,0 Caribbean Development Bank— Agricultural Development Bank— Caribbean Development Bank—Commonwealth Caribbean Regional 4,672,000 5,000,000 5,000,000 5,000,000 6,618,400,000 6,600,000 7,000,000 7,000,000 7,000,000 7,000,000	•		88 846 035		123,000	1 004 999	
Asian Development Bank—Special 27,027,000 Asian Development Fund 1,817,102,408 51,650,617 1,868,753,0 Caribbean Development Bank— Agricultural Development Fund 2,000,000 Caribbean Development Bank— Commonwealth Caribbean Regional 4,672,000 Caribbean Development Bank—Special 175,538,775 13,585,000 5168,170 188,955,6 Central American Bank for Economic Integration 841,530 Global Environment Facility Trust Fund 382,988,566 9,151,434 382,50 392,140,0 Inter-American Development Bank—Hund for Special Operations 362,740,336 880,454 2,421,087 361,199,7 Multilateral Investment Fund 11,388,294 9,468,544 12,421,087 361,199,7 Multilateral Investment Fund 11,388,294 9,468,544 12,425,640 11,426,540 12,425,640 12,425,640 12,425,640 12,425,640 12,425,640 12,812,297 12,994,205 16,510,500 4,420,418 5,017,636, 12,391,780,302 509,072,097 12,994,205 16,510,500 4,420,418 5,017,636, 12,391,780,302 509,072,097 12,994,205 16,510,500 4,420,418 5,017,636, 12,391,780,302 509,072,097 12,994,205 16,510,500 17,724,542 14,157,965, 14,500,000 12,000			00,040,033		125 000	1,004,999	
Asian Development Fund. 1,817,102,408 51,650,617 2,868,753,00 Caribbean Development Bank— Agricultural Development Fund. 2,000,000 2,000,000 2,000,000 2,000,000					123,000		
Caribbean Development Bank			51 650 617				
Agricultural Development Fund 2,000,000 2,000,000 Caribbean Development Bank—		1,617,102,406	31,030,017				1,000,755,025
Caribbean Development Bank— Commonwealth Caribbean Regional 4,672,000 53,600 4,618,4		2 000 000					2 000 000
Commonwealth Caribbean Regional		2,000,000					2,000,000
Caribbean Development Bank—Special 175,538,775 13,585,000 168,170 188,955, Central American Bank for Economic Integration 841,530 38,250 803,2 Sendard 804,2 Sendard		4 672 000				53,600	4,618,400
Central American Bank for Economic Integration 841,530 38,250 803,20			13 585 000				188,955,605
Global Environment Facility Trust Fund 382,988,566 9,151,434 392,140,000 Inter-American Development Bank—Fund for Special Operations 362,740,336 880,454 2,421,087 361,199,700 Multilateral Investment Fund 11,388,294 9,468,544 20,856,800 International Bank for Reconstruction and Development 23,360,000 268,000 23,092,000 International Fund for Agriculture Development 192,106,476 12,425,640 204,532,000 International Monetary Fund 12,812,297 146,990 12,665,300 Montreal Protocol Fund 66,620,879 4,794,373 4,831,543,287 190,802,097 288,250 4,420,418 5,017,636,70 12,391,780,302 509,072,097 12,994,205 16,510,500 4,420,418 12,892,915,600 Less: portion expensed due to concessionary terms 2,717,085 166,491 2,550,500 Concessionary terms 2,717,085 166,491 2,550,500 Concessionary terms 2,550,500 Concessionary terms 2,550,500 Concessionary terms 2,550,500 Concessionary terms 2,717,085 166,491 2,550,500 Concessionary terms 2,550,500 Concessionary terms 2,717,085 166,491 2,550,500 Concessionary terms 2,717,085 166,491 2,550,500 Concessionary terms 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,085 166,491 2,717,0			15,505,000		38 250	100,170	803,280
Inter-American Development Bank—Fund			9 151 434		50,250		392,140,000
for Special Operations 362,740,336 880,454 2,421,087 361,199,7 Multilateral Investment Fund 11,388,294 9,468,544 20,856,8 International Bank for Reconstruction and Development 23,360,000 23,092,0 International Fund for Agriculture Development 192,106,476 12,425,640 204,532,1 International Monetary Fund 12,812,297 146,990 12,665,3 Montreal Protocol Fund 66,620,879 4,794,373 357,572 71,057, 4,831,543,287 190,802,097 288,250 4,420,418 5,017,636,5 12,391,780,302 509,072,097 12,994,205 16,510,500 4,420,418 12,892,915,00 Subtotal 13,666,809,977 512,395,968 12,994,205 16,510,500 17,724,542 14,157,965,10 Less: portion expensed due to concessionary terms 2,717,085 166,491 2,550,5	·	302,700,200	,,101,101				2,2,1.0,000
Multilateral Investment Fund 11,388,294 9,468,544 20,856,8 International Bank for Reconstruction and Development 23,360,000 23,092,0 International Fund for Agriculture Development 192,106,476 12,425,640 268,000 23,092,0 International Monetary Fund 12,812,297 146,990 12,665,3 Montreal Protocol Fund 66,620,879 4,794,373 357,572 71,057,6 4,831,543,287 190,802,097 2,88,250 4,420,418 5,017,636,6 12,391,780,302 509,072,097 12,994,205 16,510,500 4,420,418 12,892,915,6 Subtotal 13,666,809,977 512,395,968 12,994,205 16,510,500 17,724,542 14,157,965,1 Less: portion expensed due to concessionary terms 2,717,085 166,491 2,550,5		362.740.336	880.454			2.421.087	361,199,703
International Bank for Reconstruction and Development 23,360,000 23,092,6 23,092,6 268,000 23,092,6 204,532,1 International Fund for Agriculture Development 192,106,476 12,425,640 204,532,1 International Monetary Fund 12,812,297 146,990 12,665,2 Montreal Protocol Fund 66,620,879 4,794,373 357,572 71,057,6 4,831,543,287 190,802,097 288,250 4,420,418 5,017,636,7 12,391,780,302 509,072,097 12,994,205 16,510,500 4,420,418 12,892,915,6 12,892,915,6 12,892,915,6 12,994,205 16,510,500 17,724,542 14,157,965,1 16,510,500 17,724,542 14						_,,	20,856,838
International Fund for Agriculture Development 192,106,476 12,425,640 204,532,1		, , .	.,,				.,,
International Fund for Agriculture Development 192,106,476 12,425,640 204,532,1		23,360,000				268,000	23,092,000
International Monetary Fund. 12,812,297 146,990 12,665,3 146,990 12,665,3 146,990 12,665,3 146,990 12,665,3 146,990 12,675,575 16,575,575 16,575,575 17,057,575,575 16,510,500 17,724,542 14,157,965,1 14,157,96		192,106,476	12,425,640			*	204,532,116
Montreal Protocol Fund 66,620,879 4,794,373 4,831,543,287 190,802,097 12,994,205 16,510,500 4,420,418 12,892,915,6 357,572 71,057,6 71,0						146,990	12,665,307
4,831,543,287 190,802,097 288,250 4,420,418 5,017,636,736,737 12,391,780,302 509,072,097 12,994,205 16,510,500 4,420,418 12,892,915,636,737 Subtotal 13,666,809,977 512,395,968 12,994,205 16,510,500 17,724,542 14,157,965,137 Less: portion expensed due to concessionary terms 2,717,085 166,491 2,550,5	Montreal Protocol Fund		4,794,373			357,572	71,057,680
12,391,780,302 509,072,097 12,994,205 16,510,500 4,420,418 12,892,915,000 Subtotal 13,666,809,977 512,395,968 12,994,205 16,510,500 17,724,542 14,157,965,100 Less: portion expensed due to concessionary terms 2,717,085 166,491 2,550,500					288,250		5,017,636,716
Less: portion expensed due to concessionary terms. 2,717,085 166,491 2,550,5				12,994,205	16,510,500		12,892,915,686
concessionary terms. 2,717,085 166,491 2,550,5		13,666,809,977	512,395,968	12,994,205	16,510,500	17,724,542	14,157,965,108
	1 1	2,717,085	166,491				2,550,594
Total	Total	13,664,092,892	512,562,459	12,994,205	16,510,500	17,724,542	14,155,414,514

⁽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, 2007, 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, 2007, 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, 2007, 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, 2007, 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 L45, *Appropriation Act No. 2, 2006-2007*).

At year-end, authority had been granted for subscriptions of 8,175 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, 2007, Canada's participation to the paid-in capital is \$115,240,392 Cdn for 8,175 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 \$1,189,666,847 Cdn.

Asian Development Bank

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the *Interna*tional 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, 2007, Canada's participation to the paid-in capital is \$178,975,397 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 \$2,367,221,100 Cdn.

Caribbean Development Bank

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the *Inter*national 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, 2007, Canada's participation to the paid-in capital is \$21,915,852 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 \$56,577,543 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, 2007, Canada's participation to the paid-in capital is \$207,533,568 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 \$4,463,924,542 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, 2007, 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, 2007, Canada's total participation in IDA amounted to \$7,493,378,061 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, 2007, Canada has lent a total of 700,000,000 SDR to the Poverty Reduction and Growth Facility. Of this amount, 490,490,901 SDR has been repaid. The outstanding balance of 209,509,099 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR /\$1.74367 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 189,997,586 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 Votes L40 and L40a, *Appropriation Acts No. 2 and No. 3, 2006-2007*).

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 9.14PROVINCIAL AND TERRITORIAL GOVERNMENTS

	April 1/2006	Payments and other charges	Receipts and other credits	March 31/2007
	\$	\$	\$	\$
NEWFOUNDLAND AND LABRADOR— Atlantic Canada Opportunities Agency—				
Loans to enterprises in Newfoundland and Labrador	456,680			456,680
Federal-provincial fiscal arrange- ments	565,766,500	1,999,500	60,975,108	506,790,892
Board	527,280 2,836,758	1 000 500	206,041	321,239 2,836,758
Industry— Atlantic Development Board carry-over	569,130,538	1,999,500	61,181,149	509,948,889
projects	38,781	9,134	47,915	
Total Newfoundland and Labrador	569,625,999	2,008,634	61,229,064	510,405,569
NOVA SCOTIA— Finance— Federal-provincial fiscal arrange- ments.	329,565,000	3,633,000	40,963,074	292,234,926
Municipal Development and Loan Board	10,059	3,033,000	10,059	272,231,720
Total Nova Scotia	329,575,059	3,633,000	40,973,133	292,234,926
PRINCE EDWARD ISLAND— Finance— Federal-provincial fiscal arrange-				
ments	37,454,750	533,250	4,926,042	33,061,958
Board	92,309 63,079		24,869	67,440 63,079
Total Prince Edward Island	37,610,138	533,250	4,950,911	33,192,477
NEW BRUNSWICK— Finance—				
Federal-provincial fiscal arrange- ments	205,406,000	2,916,000	26,968,716	181,353,284
Board	188,683 205,594,683	2,916,000	188,683 27,157,399	181,353,284
Industry— Atlantic Provinces Power Development Act	2,861,675	52,135	1,131,155	1,782,655
	-,,	,	-,,	-,, -=,000

TABLE 9.14PROVINCIAL AND TERRITORIAL GOVERNMENTS—Continued

	April 1/2006	Payments and other charges	Receipts and other credits	March 31/2007
	\$	\$	\$	\$
QUEBEC—				
Finance— Federal-provincial fiscal arrange-				
ments	2,613,221,180	691,450,395	850,773,888	2,453,897,687
Board	902,318		643,328	258,990
Total Quebec	2,614,123,498	691,450,395	851,417,216	2,454,156,677
ONTARIO— Finance—				
Federal-provincial fiscal arrange- ments	(76,956,750)	76,956,750	95,515,500	(95,515,500)
Mutual fund capital gain refund over- payments	1,063,966,091		132,995,761	930,970,330
Fotal Ontario	987,009,341	76,956,750	228,511,261	835,454,830
MANITOBA—				
Finance— Federal-provincial fiscal arrange-				
ments	42,445,000	4,530,000	14,274,996	32,700,004
Mutual fund capital gain refund over- payments	72,764,178		9,095,523	63,668,655
Fotal Manitoba	115,209,178	4,530,000	23,370,519	96,368,659
SASKATCHEWAN—				
Finance—				
Federal-provincial fiscal arrange- ments	394,462,500	3,931,500	40,175,208	358,218,792
Municipal Development and Loan Board	567		275	292
Fotal Saskatchewan	394,463,067	3,931,500	40,175,483	358,219,084
ALBERTA—				
Finance— Federal-provincial fiscal arrange-				
ments	168,118,250	216,825,000	147,442,554	237,500,696
Municipal Development and Loan Board	82,210		82,210	
Fotal Alberta	168,200,460	216,825,000	147,524,764	237,500,696
BRITISH COLUMBIA—				
Finance—				
Federal-provincial fiscal arrange- ments	584,723,750	29,426,850	107,903,454	506,247,146
Municipal Development and Loan		., .,		, ,
Board	5,817	20.426.850	5,817	506 247 146
Fotal British Columbia	584,729,567	29,426,850	107,909,271	506,247,146
YUKON TERRITORY— Finance—				
Federal-provincial fiscal arrange-	(191,250)	1,249,500		1,058,250
Fotal Yukon Territory	(191,250)	1,249,500		1,058,250
	(1,200)	-,,,,,,,,		-,000,200
JORTHWEST TERRITORIES				
NORTHWEST TERRITORIES— Finance—				
	(4,689,000)	11,754,750		7,065,750

TABLE 9.14
PROVINCIAL AND TERRITORIAL GOVERNMENTS—Concluded

	April 1/2006	Payments and other charges	Receipts and other credits	March 31/2007
	\$	\$	\$	\$
NUNAVUT— Finance— Federal-provincial fiscal arrange-				
ments	(303,000)	432,750	558,000	(428,250)
Total Nunavut	(303,000)	432,750	558,000	(428,250)
Subtotal Less: portion expensed due to	6,003,819,415	1,045,700,514	1,534,908,176	5,514,611,753
concessionary terms.	1,076,300,326	204,961,326		871,339,000
Total	4,927,519,089	1,250,661,840	1,534,908,176	4,643,272,753

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 will be sought 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, 2007 and March 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.

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

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, 2011.

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 9.15OTHER LOANS, INVESTMENTS AND ADVANCES

	April 1/2006	Payments and other charges	Receipts and other credits	March 31/2007
	\$	\$	\$	\$
Jnconditionally repayable contributions—				
Atlantic Canada Opportunities Agency Economic Development Agency of Canada	375,277,753	45,529,939	54,731,335	366,076,357
for the Regions of Quebec	287,823,499	50,876,567	46,296,453	292,403,613
Indian Affairs and Northern Development		1,118,800		1,118,800
Industry	200,067,128	25,456,757	15,955,994	209,567,891
Natural Resources.	39,978,402			39,978,402
Western Economic Diversification	38,212,627	36,306	6,772,234	31,476,699
Subtotaless: portion expensed due to	941,359,409	123,018,369	123,756,016	940,621,762
concessionary terms	50,167,104	19,616,031	21,527,232	52,078,305
Total—Unconditionally repayable contributions	891,192,305	142,634,400	145,283,248	888,543,457
Loans and accountable advances—				
Foreign Affairs and International Trade—				
Missions abroad	23,998,463	407,022,018	412,670,427	18,350,054
Personnel posted abroad	15,615,816	10,419,575	10,874,728	15,160,663
	39,614,279	417,441,593	423,545,155	33,510,717
National Defence—				
Imprest accounts, standing advances and authorized				
loans	29,904,016	4,144,026,750	4,143,271,966	30,658,800
Other departments—				
Miscellaneous accountable advances	14,119,832	304,565		14,424,397
Miscellaneous accountable imprest and standing				
advances	21,600,436		10,124,324	11,476,112
	35,720,268	304,565	10,124,324	25,900,509
Total— Loans and accountable advances	105,238,563	4,561,772,908	4,576,941,445	90,070,026
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings	62,214		130	62,084
National Marketing Programs	115,976,178		88,774	115,887,404
	116,038,392		88,904	115,949,488
Canadian Heritage—				
Cultural property				
Citizenship and Immigration—				
Immigration loans	40,271,171	13,049,038	15,239,963	38,080,246
Finance—				
Canadian Commercial Bank	43,132,429			43,132,429
Financial Consumer Agency of Canada—				
Advances		5,000,000	5,000,000	
	43,132,429	5,000,000	5,000,000	43,132,429

TABLE 9.15OTHER LOANS, INVESTMENTS AND ADVANCES—*Continued*

	April 1/2006	Payments and other charges	Receipts and other credits	March 31/2007
	\$	\$	\$	\$
Fisheries and Oceans—				
Canadian producers of frozen groundfish	128,315 1,343,337 1,471,652			128,315 1,343,337 1,471,652
Foreign Affairs and International Trade—	2,,			2,,,,
Development of export trade (loans administered by Export Development Canada)	2,660,926,216	3,732,715	343,597,659	2,321,061,272
Department—				
Human Resources and Skills Development— Canada Student Loans Program	8,765,684,593 13,013,001	2,377,233,584	1,266,460,620	9,876,457,557 13,013,001
•	8,778,697,594	2,377,233,584	1,266,460,620	9,889,470,558
Indian Affairs and Northern Development—				
Aboriginal Business Loan		7.076.712		7.07/.712
Insurance Program	9,495,385	7,276,713	785,649	7,276,713 8,709,736
Loans Program	123,646			123,646
First Nations in British Columbia	337,995,502	28,303,248		366,298,750
Indian Economic Development Fund Indian Economic Development Guarantee	51,300		4,873	46,427
Loans Program.	6,923,573	80,000	355,722	6,647,851
Inuit Loan Fund Native Claimants On Reserve Housing Guarantee	82,836 391,319,402	29,319,615	9,981,900	82,836 410,657,117
Loans Program	7,882,025	248,145	194,076	7,936,094
Stoney Band Perpetual Loan	389,615			389,615
	754,263,284	65,227,721	11,322,220	808,168,785
Industry— Company stock option				
Manufacturing, processing and service industries in				
Canada	110,000,000			110,000,000
Small Business loans	117,372,330	84,968,466	117,886,330	84,454,466
National Research Council of Canada—	4.055.106	115.001		4 100 017
H. L. Holmes Fund	4,077,186 231,449,516	115,031 85,083,497	117,886,330	4,192,217 198,646,683
Natural Resources—	231,449,310	03,003,497	117,000,330	190,040,003
Hibernia Development Project	27,600,000		9,200,000	18,400,000
Nordion International Inc.	78,000,000		4,000,000	74,000,000
	105,600,000		13,200,000	92,400,000
Public Safety and Emergency Preparedness— Correctional Service—	4.607	2 142	2 121	2.700
Parolees Public Works and Government Services—	4,697	2,142	3,131	3,708
Seized Property Working Capital Account	15,545,700	34,913,819	32,998,147	17,461,372
Canadian Airport Authorities	24,330,381			24,330,381
Saint John Harbour Bridge Authority	22,646,108		12 000	22,646,108
St. Lawrence Seaway Management Corporation	179,397 <i>47,155,886</i>		12,000 12,000	167,397 <i>47,143,886</i>
Treasury Board—	47,133,000		12,000	47,143,000
Joint Learning Program		6,434,841	6,338,857	95,984
Commonwealth War Graves Commission	60,879	7,212 (1)		68,091
Advances	16,944	1,049	263	17,730
	77,823	8,261	263	85,821

TABLE 9.15
OTHER LOANS, INVESTMENTS AND ADVANCES—Concluded

	April 1/2006	Payments and other charges	Receipts and other credits	March 31/2007
	\$	\$	\$	\$
Other departments— Miscellaneous	296,115	10,171		306,286
Subtotal—Other	12,794,930,475	2,590,695,789	1,812,148,094	13,573,478,170
Less: portion expensed due to concessionary terms ⁽²⁾	95,918,804	10,695,178		85,223,626
Add: consolidation adjustment ⁽³⁾	12,699,011,671 4,922,632,000	2,601,390,967 4,194,707,000	1,812,148,094 4,598,843,000	13,488,254,544 4,518,496,000
Total—Other	17,621,643,671	6,796,097,967	6,410,991,094	18,006,750,544
Total	18,618,074,539	11,500,505,275	11,133,215,787	18,985,364,027

⁽¹⁾ This amount represents a revaluation adjustment.

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, \$11,942,916; advances for medical expenses, \$727,188; advances for workmen's compensation, \$18,512; security and other deposits under Foreign Service Directives, \$777,351 and, school and club debentures, \$1,694,696.

The loans to employees bear interest at rates from 2.75 percent to 4.25 percent per annum, and are repayable over 1 to 4 years, with final instalments between April 1, 2007 and March 1, 2011.

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.

⁽²⁾ 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.

⁽³⁾ Additional information on consolidated Crown corporations and other entities is also provided in Section 4 of this volume.

Construction of multi-purpose exhibition buildings

Loans have been made to finance the construction of multi-purpose exhibition buildings.

The loans are currently in default and will continue to bear interest at fixed rates from 8.511 percent to 9.351 percent per annum. These loans were repayable over 20 to 30 years and final instalments were due between April 1, 2006 and June 30, 2006. These loans are guaranteed by the provinces; consequently, the provinces are being contacted to honor these loan guarantees.

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, 2006-2007*, 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 10.842 percent per annum, with final instalments between April 1, 2007 and April 1, 2014, \$37,760,796; 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, \$319,450.

During the year, loans totalling \$978,102 were written off by Citizenship and Immigration Vote 2a, *Appropriation Act No. 3*, 2006-2007.

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.

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 without such authorization. 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 longer 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.

Tables 11.4 and 11.5 (Section 11 of this volume) present additional information on contractual obligations and guarantees that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The following table presents the balances and transactions for loans made to non-sovereign entities, together with their terms and conditions of repayments.

	— April 1/2006	Paymen other cl			ots and credits		
		Payments or other charges (1)	Revaluation	Receipts or other credits (2)	Revaluation	March 31/2007	
	\$	\$	\$	\$	\$	\$	
(a) 1 to 5 year term, 8.5 percent interest per annum, with final repayments in February 1995:							
Brazil	3,859,196				46,954	3,812,242	
Antigua	27,512,726				334,744	27,177,982	
Jordan	812,550 28,325,276			786,766 786,766	25,784 360.528	27,177,982	
(c) 11 to 15 year term, 3.84 percent to 5.86 percent interest per annum, with final repayments between May 2006 and October 2020:	, ,					27,177,202	
China	1,145,217			1,088,018	57,199	2 201 002 221	
United States	2,621,750,243			305,464,962 306,552,980	34,481,950 34,539,149	2,281,803,331 2,281,803,331	
(d) 16 to 20 year term, 0 percent interest per annum, with final repayments between June 2012 and November 2014:	2,022,073,700			200,222,700	21,222,112	2,201,003,331	
Spain	18,391,082		1,582,055	701,134		19,272,003	
Thailand	3,717,213		1.502.055	557,302	52,846	3,107,065	
	22,108,295		1,582,055	1,258,436	52,846	22,379,068	
Subtotal			1,582,055	308,598,182	34,999,477	2,335,172,623	
concessionary terms	16,262,011	2,150,660				14,111,351	
Total	2,660,926,216	2,150,660	1,582,055	308,598,182	34,999,477	2,321,061,272	

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.

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 31,2007 amounts to \$9,430,976,992 (\$8,199,048,672 as at March 31,2006).

During the year, loans totalling \$277,748 were written off by Human Resources and Skills Development Vote 7a, *Appropriation Act No. 3, 2006-2007*.

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, 2007 amounts to \$445,480,564 (\$566,635,921 as at March 31, 2006).

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.

Aboriginal Business Loan Insurance Program

On December 1, 2006, Aboriginal Business Canada, including the Aboriginal Business Loan Insurance Program, formerly a program of Industry Canada, was transferred to the Department of Indian Affairs and Northern Development.

The Aboriginal Business Loan Insurance Program was established under the *Department of Industry, Science and Technology Act*, section 9 and paragraph 15 (1)(b), and Orders in Council PC 1990-370 and PC 1990-371, and amended under the *Department of Industry Act (1995)*, Part IV, paragraph 14 (1)(b).

Non-interest bearing loans have been made to Aboriginal Canadians to increase their commercial enterprise activity as a major step towards enhancing their economic self-reliance, by providing financial and advisory assistance at various stages and for several aspects of enterprise development.

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 Votes L30 and L30a, *Appropriation Acts No. 2 and No. 3*, 2006-2007.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled or on a date fixed in the agreement, which shall be not later than March 31, 2007, 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, 2007, 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, 2006-2007*.

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 before April 1, 2004 and 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;
- (c) loans made between April 1, 2004 and March 31, 2009 and after the date on which an agreement-in-principle for the settlement of a treaty has been reached, shall be interest free, unless the loans become due and payable during this period; and,
- (d) 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 \$54,059,828 and \$312,238,922 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 Votes L30 and L30a, *Appropriation Acts No. 2 and No. 3, 2006-2007.*

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 \$140,143,513 and \$270,513,604 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.

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If a loan made under the Minister's guarantee goes into default, the lender has resource 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, 2006-2007*.

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, 2006-2007*.

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), the *Canada Small Business Financing Act* (CSBFA) and the capital leasing pilot project. 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.

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 \$1,102 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 2008.

Joint Learning Program

Advances have been made to the Public Alliance of Canada (PSAC) for the Joint Learning Program (JLP). In October 2004, a Memorandum of Understanding between the Treasury Board and PSAC was included in the collective bargaining agreements to provide funding for a JLP. The JLP is a partnership between PSAC and the Public Service Human Resources Management Agency of Canada (PSHRMAC). It is intended to provide joint union-management learning opportunities in areas where both parties have roles and responsibilities, and for which the Employer does not already have a legal obligation to provide training.

Payments are made to PSAC under Vote 20 and are authorized under the terms of reference of the Program. The terms of reference include the program costs, funding conditions, payment conditions, timelines, as well as a schedule of payments. The schedule of payments provides for a 2-month advance from TBS to PSAC to provide for program delivery costs. When actual expenses are reported every two months, the advance is reversed and the expenditure is recorded.

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.

Consolidation adjustment

The consolidation adjustment reflects the total loans, investments and advances held by Crown corporations and other consolidated entities. These mainly include investments such as bonds, money market funds and fixed income securities.

Allowance for Valuation

In accordance with the comprehensive policy on valuation, assets are subject to an annual valuation to reflect reductions from the recorded value to the estimated realizable value.

The allowance for valuation, for loans, investments and advances, represents the estimated losses on the realization of the loans, investments and advances included in the accounts of Canada at year end.

SECTION 10

2006-2007

PUBLIC ACCOUNTS OF CANADA

Non-Financial Assets

CONTENTS

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Non-financial assets	10.2
Tangible capital assets	10.4
Vehicles	10.6
Assets under capital leases	10.6

PUBLIC ACCOUNTS OF CANADA, 2006-2007

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 31/2007	March 31/2006
Net tangible capital assets, Table 10.2—		
Land.	1,398,735	1,392,542
Buildings.	9,111,430	9,061,230
Works and infrastructure	4,845,589	4,919,687
Machinery and equipment	8,668,635	8,717,774
Vehicles, Table 10.3.	13,332,957	13,652,964
Leasehold improvements	757,995	725,773
Assets under construction	7,813,395	6,979,014
Assets under capital leases, Table 10.4	3,106,963	2,906,375
	49,035,699	48,355,359
Inventories	5,987,631	5,874,836
Prepaid expenses	1,613,162	1,216,992
	56,636,492	55,447,187

NON-FINANCIAL ASSETS BY CATEGORY AT MARCH 31, 2007

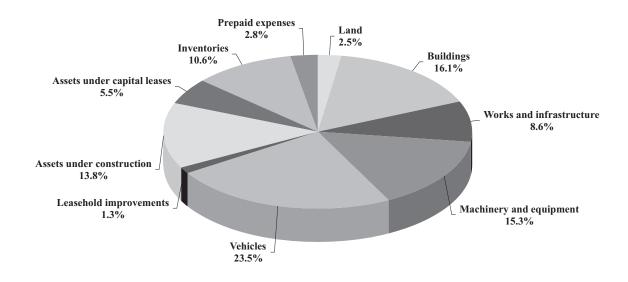
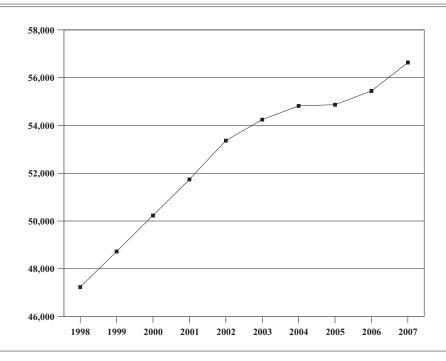


CHART 10B

NON-FINANCIAL ASSETS AT MARCH 31

(in millions of dollars)



PUBLIC ACCOUNTS OF CANADA, 2006-2007

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	179,915	833,220	2,296,011	718,522
Fisheries and Oceans	19,992	464,340	1,857,629	442,888
Foreign Affairs and International Trade.	216,983	1,057,778	1,203	129,720
Industry	12,507	761,184	26,643	2,452,311
National Defence	75,053	5,652,205	1,604,447	10,934,042
Public Safety and Emergency Preparedness	60,316	2,514,548	422,994	923,500
Public Works and Government Services	264,731	3,440,072	839,841	196,204
Transport	198,000	1,023,179	2.854.706	202,313
Other ministries	27,736	1,237,554	49,204	2,129,562
	1.055.233	16.984.080	9.952.678	18.129.062
Consolidated Crown corporations and other entities	343,502	1,721,778	1,049,385	2,699,570
Gross total capital assets	1,398,735	18,705,858	11,002,063	20,828,632
Accumulated amortization — Environment. Fisheries and Oceans. Foreign Affairs and International Trade. Industry National Defence. Public Safety and Emergency Preparedness. Public Works and Government Services Transport Other ministries. Consolidated Crown corporations and other entities.		524,039 288,899 479,700 388,556 2,455,814 1,002,643 2,126,433 607,067 754,974 8,628,125 966,303	1,480,281 921,457 16,191 1,001,541 258,365 325,504 1,564,711 24,256 5,592,306 564,168	501,180 336,937 103,467 1,479,612 5,784,080 496,352 144,235 120,835 1,448,570 10,415,268 1,744,729
Total accumulated amortization		9,594,428	6,156,474	12,159,997
Total net capital assets —				
Environment	179,915	309,181	815,730	217,342
Fisheries and Oceans	19,992	175,441	936,172	105,951
Foreign Affairs and International Trade	216,983	578,078	1,203	26,253
Industry	12,507	372,628	10,452	972,699
National Defence	75,053	3,196,391	602,906	5,149,962
Public Safety and Emergency Preparedness	60,316	1,511,905	164,629	427,148
Public Works and Government Services	264,731	1,313,639	514,337	51,969
Transport	198,000	416,112	1,289,995	81,478
Other ministries	27,736	482,580	24,948	680,992
	1,055,233	8.355.955	4.360.372	7.713.794
Consolidated Crown corporations and other entities	343,502	755,475	485,217	954,841
Total net capital assets	1,398,735	9,111,430	4,845,589	8,668,635

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

⁽¹⁾ Details in Table 10.3.
(2) Details in Table 10.4.

Vehicles ⁽¹⁾	Leasehold improvements	Assets under construction	Assets under capital leases (2)	Total March 31/2007	Total March 31/2006
136,605	35,807	182,522	18,199	4,400,801	4,228,174
1,738,982	536,138	309,928	203	5,370,100	5,280,738
38,817	131,953	111,411	203	1,687,865	1,574,420
27,209	40,751	441,841	11,575	3,774,021	3,628,785
27,089,488	14,604	4,373,357	1,264,752	51,007,948	49,431,956
529,478	30,673	352,403	1,201,732	4,833,912	4,605,716
9,605	342,650	956,235	1,688,938	7,738,276	7,112,727
784,927	14,266	121,082	818,820	6,017,293	6,071,220
150,587	267,545	581,440	14,697	4,458,325	4,043,066
30,505,698	1,414,387	7,430,219	3,817,184	89,288,541	85,976,802
1,217,603	226,477	383,176	549,780	8,191,271	7,843,080
31,723,301	1,640,864	7,813,395	4,366,964	97,479,812	93,819,882
98,157	19,604		3,639	2,626,900	2,488,794
1,205,179	313,788		27	3,066,287	2,955,646
19,250	54,764			657,181	587,717
20,108	11,574		4,519	1,920,560	1,748,591
15,320,884	3,683		304,458	24,870,460	23,510,129
278,324	5,121			2,040,805	1,854,672
4,991	162,686		629,677	3,393,526	3,040,495
559,787	6,685		80,517	2,939,602	2,870,532
86,442	169,710		8,489	2,492,441	2,233,730
17,593,122	747,615		1,031,326	44,007,762	41,290,306
797,222	135,254		228,675	4,436,351	4,174,217
18,390,344	882,869		1,260,001	48,444,113	45,464,523
38,448	16,203	182,522	14,560	1,773,901	1,739,380
533,803	222,350	309,928	176	2,303,813	2,325,092
19,567	77,189	111,411		1,030,684	986,703
7,101	29,177	441,841	7,056	1,853,461	1,880,194
11,768,604	10,921	4,373,357	960,294	26,137,488	25,921,827
251,154	25,552	352,403		2,793,107	2,751,044
4,614	179,964	956,235	1,059,261	4,344,750	4,072,232
225,140	7,581	121,082	738,303	3,077,691	3,200,688
64,145	97,835	581,440	6,208	1,965,884	1,809,336
12,912,576	666,772	7,430,219	2,785,858	45,280,779	44,686,496
420,381	91,223	383,176	321,105	3,754,920	3,668,863
13,332,957	757,995	7,813,395	3,106,963	49,035,699	48,355,359

PUBLIC ACCOUNTS OF CANADA, 2006-2007

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 31/2007	March 31/2006
Ships and boats	14,866,433	7,463,646	7,402,787	7,641,302
Aircraft	12,581,203	8,221,657	4,359,546	4,469,843
Motor vehicles	1,882,626	1,151,394	731,232	690,853
Military vehicles	1,346,131	927,446	418,685	415,736
Other vehicles	1,046,908	626,201	420,707	435,230
Total	31,723,301	18,390,344	13,332,957	13,652,964

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 31/2007	March 31/2006
Land	44,942		44,942	48,215
Buildings	2,296,700	888,745	1,407,955	1,164,312
Works and infrastructure	818,820	80,517	738,303	746,491
Machinery and equipment	38,264	17,869	20,395	16,207
Vehicles.	1,168,238	272,870	895,368	931,150
Total	4,366,964	1,260,001	3,106,963	2,906,375

SECTION 11

2006-2007

PUBLIC ACCOUNTS OF CANADA

Contractual Obligations and Contingent Liabilities

CONTENTS

	Page
Contractual obligations	11.2
Contingent liabilities	11.18

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 Table 11.4	44,949	18,623	2,178	2,204	65,750 2,204
Total	44,949	18,623	2,178	2,204	67,954

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 2008 to 2012 inclusive, and a total for amounts due in the year 2013 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
2008	7,698	5,739	303	625	14,365
2009	6,035	3,712	255	361	10,363
2010	5,933	1,757	243	285	8,218
2011	2,966	1,086	227	295	4,574
2012	2,529	755	198	244	3,726
2013 and subsequently	19,788	5,574	952	394	26,708
Total	44,949	18,623	2,178	2,204	67,954

11.2 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

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 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 11.3TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007

(in millions of dollars)

	m . 1				Outsta	anding ob	ligations	s to be dis	bursed by	March 31
	Total estimated	Amount	Amount	Outstanding						2013 and subse-
	cost	contracted	disbursed	obligation		2009	2010	2011	2012	quently
Transfer payment agreements—										
Agriculture and Agri-Food—										
Grant—										
The Canadian Cattleman's Association	50	50	5	45	10	10	10	10	5	
Canadian Heritage—										
Contributions—										
Canada - Alberta Agreement on										
Minority Language Education and										
Second Official Language										
Instruction	53	53	26	27	13	14				
Canada - British Columbia Agreement										
on Minority- Language Education and										
Second Official Language										
Instruction	60	60	30	30	15	15				
Canada - Manitoba Agreement										
on Minority Language Education										
and Second Official Language										
Instruction	48	48	24	24	12	12				
Canada - New Brunswick Agreement										
on French First-Language Education										
and French Second-Language										
Instruction	86	86	43	43	21	22				
Canada - Nova Scotia Agreement	00	00	.5	.5						
on Minority Language Education										
and Second Official Language										
Instruction	30	30	15	15	7	8				
Canada - Ontario Agreement					,	-				
on Minority Language Education										
and Second Official										
Language Instruction	301	301	149	152	76	76				
Canada - Quebec Agreement	501	201	1.,,	102	, 0	, 0				
on Minority Language										
Education and Second										
Language Instruction	256	256	128	128	64	64				
Canada - Saskatchewan Agreement	250	230	120	120	01	01				
on Minority Language Education										
and Second Official										
Language Instruction	26	26	13	13	7	6				
Corporation of the Council of Ministers	20	20	15	15	,	O				
of Education, Canada -										
Odyssey and Accent Program	30	30	9	21	11	10				
Odysocy and Account Hogiani	50	30	,	41	11	10				

TABLE 11.3TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—*Continued*

(in millions of dollars)

	T-4-1				Outsta	inding of	oligations	s to be dis	bursed by	March 31
	Total estimated	Amount	Amount	Outstanding						2013 and subse-
	cost	contracted	disbursed	obligation	2008	2009	2010	2011	2012	quently
Corporation of the Council of Ministers of										
of Education, Canada -										
Explore and Destination Clic Program	56	56	17	39	19	20				
Foundation to Assist Canadian Talent										
on Records (FACTOR)—										
Canada Music Fund	24	24	6	18	6	6	6			
La Fondation Musicaction—										
Canada Music Fund	16	16	4	12	4	4	4			
La Société du 400e Anniversaire de										
Québec - Celebration, Commemoration										
and Learning Program	40	40	7	33	14	19				
National Association of Friendship Center—										
Aboriginal People's Program	111	111	29	82	28	27	27			
The Historica Foundation of Canada—										
Exchanges Canada	17	17	2	15	4	4	3	3	1	
Citizenship and Immigration—										
Canada-Quebec Accord	1,366	1,366	194	1,172	224	237	237	237	237	
Canada-Manitoba Accord	99	99	14	85	17	17	17	17	17	
Canada-British Columbia Accord	489	489	69	420	84	84	84	84	84	
Economic Development Agency of										
Canada for the Regions of Quebec-										
Community futures Program	395	395	292	103	41	31	31			
Contributions to the province of Quebec										
under the Infrastructure Canada program	512	512	387	125	125					
Grant to the Quebec Port Authority										
to commemorate the 400th										
anniversary of Quebec City	45	45	10	35	30	5				
Innovation Development Entrepreneurship										
and Export Program										
(IDEA—SME)	738	738	655	83	56	26	1			
Regional Strategic										
Initiative (RSI) Program	942	942	727	215	112	57	18	14	14	
Foreign Affairs and International Trade—										
Canadian International Development										
Agency—										
Country in Transition Program	196	196	108	88	35	23	15	12	3	
Geographic Programs	2,085	2,085	1,072	1,013	434	287	204	40	11	37
Multilateral Program	251	251	134	117	92	25				
Partnership Program	570	570	302	268	96	93	42	28	9	
Health—										
Department—										
Canadian Centre on Substance Abuse	19	19	4	15	4	4	4	3		
Canadian Coordinating Office for										
Health Technology Assessment	40	40	22	18	18					
Canadian Partnership Against										
Cancer Corporation	250	250		250	50	50	50	50	50	
Control and provision of Health Services										
to Indian Bands, associations										
or groups	74	74	29	45	20	10	10	5		
Health Care Strategies and Policy	16	16	2	14	5	5	4			
Medical Travel Fund	51	51	20	31	11	10	10			
National Aboriginal										
Health Organization	25	25	10	15	5	5	5			
Territorial Health	*	-	*		-	-	-			
Access Fund	65	65	26	39	13	13	13			
Public Health Agency of Canada—			*							
ID Biomedical- Pandemic										
Influenza Virus Vaccine	69	69	29	40	26	5	5	4		
		~ /				-	-			

11.4 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

TABLE 11.3TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—*Continued*

(in millions of dollars)

	Total					inding ob	ongations	to be dis	sbursed by	March 31 2013 and
	estimated cost	Amount contracted	Amount disbursed	Outstanding obligation		2009	2010	2011	2012	subse- quently
Province of Alberta—										
Contribution—Hepatitis C	31	31	21	10				5		5
Contribution—Hepatitis C Province of Ontario—	66	66	44	22				11		11
Contribution—Hepatitis C	132	132	88	44				22		22
Contribution—Hepatitis C	45	45	30	15				7		8
Human Resources and Social Development—										
Canada Mortgage and Housing										
Corporation (Government account)— Social Housing Program	59,290 (1)	59,290	31,169	28,121 (2)	1,771	1,727	1,722	1,714	1,702	19,485
Indian Affairs and Northern Development—										
Canada First Nations Funding										
Agreement	2,202	2,202	1,106	1,096	432	313	279	63	9	
Comprehensive Funding Arrangement	343	343	34	309	272	18	19			
Comprehensive Land Claims										
Agreement	327	327	269	58	50	4	4			
Contribution Agreement	236	236	122	114	56	38	20			
Funding Arrangement	1,013	1,013	483	530	198	155	126	51		
Financial Transfer Agreement	741	741	249	492	148	144	135	59	6	
Grant Agreement	35	35	18	17	9	8				
Program	514	514	258	256	91	64	61	40		
Industry—										
Department—										
Alcan Inc.— Spent Pot Lining										
Treatment Process Development	19	19	5	14	3	4	6	1		
Bell Helicopter Textron Canada Ltd—										
Modular affordable product line	115	115	36	79	11	10	12	8	9	29
CAE Inc — Simulation technologies	189	189	57	132	38	39	32	23		
Canarie Inc.— CAnet5 - Canada's										
Advanced Research Network	120	120	24	96	20	19	19	19	19	
Cascade Data Services Inc.	77	77	38	39	20	19				
Dupont Canada Inc.	19	19	9	10	10					
Ford Motor Company of Canada Ltd—										
Flexible manufacturing and production General Motors of Canada Ltd.—	100	100	58	42	28	14				
Beacon Project	200	200	147	53	22	21	10			
Genome Canada	100	100		100	34	33	33			
ID Biomedical Corp.—Recombinant										
vaccine technology	80	80	24	56	2	54				
Gear Systems Technologies	28	28	7	21	7	7	7			
Ontario Ministry of Agriculture, Food and Rural Affairs—										
Small town and rural										
infrastructure	273	273	254	19	19					
and Recreation—Sports, culture and	216	216	202	12	1.2					
tourism partnership	216	216	203	13	13					
Ontario Superbuild Corporation	101	101	85	16	16	10	10	10	10	
Perimeters Institute for Theoretical Physics Pratt & Whitney Canada Corp.—	50	50	22.5	50	10	10	10	10	10	
Engine Technology	515	515	236	279	67	68	69	52	23	
gas turbines	30	30	15	15	15					

CONTRACTUAL OBLIGATIONS
AND CONTINGENT LIABILITIES

TABLE 11.3TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—*Continued*

(in millions of dollars)

	Total				Outsta	inding ob	ligations	s to be dis	bursed by	March 31 2013 and
	estimated cost	Amount contracted	Amount disbursed	Outstanding obligation		2009	2010	2011	2012	subse- quently
Sanofi Pasteur Ltd—Cancer										
Vaccines	60	60	48	12	6	6				
Voisey's Bay Nickel Co. Ltd—										
Hydrometallurgical process										
for Nickel Sulphides	60	60	40	20	8	5	2	2	3	
Canadian Space Agency—										
Cascade Data Services Inc.—										
Cassiope Program	63	63	51	12	8	4				
European Space Agency—										
Earth Observation, Exploration and										
Telecommunications Programs	200	110	31	79	22	19	18	10	4	6
European Space Agency National Research Council of Canada—	217	217	173	44	18	16	9	1		
Canada-France-Hawaii Telescope										
Corporation—Mauna Kea, Hawaii, US	111	111	87	24	4	4	4	4	4	4
Gemini Twin Telescope Project— Cerro Pachon, Chile and Mauna Kea,			0,	2.	·		·	·		·
Hawaii, US	100	100	69	31	5	7	5	6	5	3
Tri-University Meson Facility (TRIUMF)	560	560	427	133	45	44	44			
Justice—										
Care and Services provided to young persons dealt with under the <i>Young Offenders</i> Act—										
Government of Quebec	183	183	37	146	37	36	36	37		
Government of Northwest Territories	15	15	3	12	3	3	3	3		
Province of Alberta	85	85	17	68	17	17	17	17		
Province of British Columbia	111	111	22	89	23	22	22	22		
Province of Manitoba	32	32	6	26	6	6	7	7		
Province of New Brunswick	24	24	5	19	5	5	5	4		
Province of Newfoundland	26	26	5	21	5	6	5	5		
Province of Nova Scotia	31	31	6	25	7	6	6	6		
Province of Ontario	319	319	64	255	63	64	64	64		
Natural Resources—										
Canadian Hydro Developers (C15)	20	20	2	18	2	2	2	2	2	8
Énergie Éolienne du Mont										
Copper Inc. (M22)	17	17	3	14	2	2	1	2	2	5
Société en Commandite (M32)	20	20	3	17	2	2	2	2	2	7
ENMAX Corporation (E71)	24	24		24	2	2	2	2	3	13
Erie Shores Wind Farm LP (A22)	25	25	2	23	2	2	2	2	3	12
GW Power Corporation (G31)	25	25	1	24	2	2	3	3	3	11
Gunnar & Lorado agreement Production of electricity from	12	12	1	11		2	2	1	1	5
wind energy resources—Vision Quest Windelectric Inc. (V12)	34	34	10	24	3	3	4	4	4	6
Production of electricity from wind energy resources—Vision Quest										
Windelectric Inc. (V15)	25	25	6	19	2	2	2	3	3	7
Saskatchewan Power International (S12)	54	54	6	48	5	5	5	6	6	21
St. Leon Wind Energy LP (S81)	30	30	3	27	3	3	3	3	3	12
Transport— Department—										
Action Plan 2000 for Climate	22	22	1.0		10	_				
Change (UTSP & FIP)	33	33	18	15	10	5	^	^	0	10
Limited and CTMA Traversier Limitée	135	135	72	63	9	9	9	9	9	18

11.6 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

TABLE 11.3TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—*Continued*

(in millions of dollars)

	Total				Outsta	anding ob	ligations	to be dis	bursed by	March 3 2013 ar
	estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2008	2009	2010	2011	2012	subse- quentl
Contribution in support of the										
Asia-Pacific Gateway Grade Crossing Improvement	467	467	9	458	44	80	43	70	221	
Program	95	95	67	28	7	7	7	7		
Grant to British Columbia	202	202	211	101	26	26	26	26	26	5
Ferries	392	392	211	181	26	26	26	26	26	5
Jacques Cartier and Champlain Bridges Inc	481	481	386	95	29	27	25	7	7	
Marine Security Contribution	401	401	300	75	2)	21	23	,	,	
Program	90	90	34	56	31	20	5			
Province of Quebec Outaouais										
Road Agreement	279	279	241	38	15	15	3	3	2	
Strategic Highway Infrastructure										
Program (SHIP)	487	487	471	16	16					
ffice of Infrastructure of Canada—										
Canada Line Rapid Transit inc										
Contribution to build a rapid transit										
line to connect central Richmond, Vancouver International										
Airport and Downtown Vancouver	450	450	350	100	60	20	20			
City of Kingston—Ravensview	430	430	330	100	00	20	20			
Water Pollution Control Plant Project	25	25	7	18	14	3	1			
City of Saskatoon—Contribution towards	25	23	,	10		5				
Phase II of the River Landing Project	14	14	2	12	9	3				
City of St. John's—Phase 2 of the										
St. John's Harbour Clean-up Project	31	31	16	15	15					
Government of the Northwest										
Territories— Municipal Rural										
Infrastructure Fund	16	16		16	13	3				
Government of the Northwest Territories—										
Improve three highway corridors	(5	(5	42	22	1.5	0				
corridors in the Northwest Territories Government of the Northwest	65	65	42	23	15	8				
Territories—Contribution under										
the Gas Tax Fund	38	38	7	31	9	8	14			
Government of Nunavut—	36	50	,	31		O	14			
Municipal Rural Infrastructure Fund	16	16		16	3	8	5			
Government of Nunavut—Contribution										
under the Gas Tax Fund	38	38	9	29	6	8	15			
Government of Yukon Territory—										
Contribution under the										
Gas Tax Fund	38	38	9	29	6	8	15			
Government of Yukon —										
Contribution towards the waterfront										
development in the communities					_					
of Whitehorse and Carcross	11	11		11	7	4				
Government of Yukon Territory— Municipal Rural Infrastructure										
Fund	16	16	1	15	8	4	3			
Greater Toronto Transit Authority—	10	10	1	13	0	7	3			
Improve the GO Transit Rail										
and bus transit system in										
the Greater Toronto										
Area	385	385	89	296	139	75	60	22		
Mont Tremblant Resorts Inc.—										
Development of two new four-season										
resort villages	48	48	5	43	28	3	3	2	5	

CONTRACTUAL OBLIGATIONS
AND CONTINGENT LIABILITIES 11.7

TABLE 11.3TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—*Continued*

(in millions of dollars)

	Total			0	Outsta	inding ob	ongations	s to be dis	soursed by	2013 an
	estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2008	2009	2010	2011	2012	subse- quentl
Province of Alberta—Construct										
northwest quadrant of the Stoney										
Trail ring road in Calgary	75	75	62	13	13					
Province of Alberta—										
Contribution under the										
Gas Tax Fund	477	477	115	362	76	95	191			
Province of Alberta—Contribution to										
construct the Southeast quadrant										
of Anthony Henday Drive ring										
road in Edmonton	75	75	50	25	25					
Province of Alberta— Municipal										
Rural Infrastructure Fund	88	88		88	45	30	13			
Province of British Columbia—	00	00		00		50				
Municipal Rural Infrastructure										
Fund	51	51		51	16	20	10	5		
Province of British Columbia—	51	51		51	10	20	10			
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	49	14	12	2				
Province of British Columbia—	03	03	49	14	12	2				
Improve highway access										
to border crossings in										
Lower Mainland of British Columbia	0.0	0.0	(2	26	2.1	-				
	88	88	62	26	21	5				
Province of British Columbia—										
Contribution under the	626	626	1.50	402	100	105	254			
Gas Tax Fund	636	636	153	483	102	127	254			
Province of Manitoba—										
Expansion of Manitoba Red						_				
River Floodway	162	162	105	57	52	5				
Province of Manitoba—Municipal							_			
Rural Infrastructure Fund	41	41	12	29	13	9	7			
Province of Manitoba—Contribution										
under the Gas Tax Fund	167	167	40	127	27	33	67			
Province of New Brunswick—										
Contribution under the										
Gas Tax Fund	116	116	21	95	26	23	46			
Province of New Brunswick—										
Highway twinning and construction										
of an international bridge in the										
vicinity of St. Stephen	30	30	12	18	15	3				
Province of New Brunswick—										
Municipal Rural Infrastructure										
Fund	33	33	10	23	17	3	3			
Province of New Brunswick—										
Twinning of Trans Canada										
Highway	200	200	75	125	125					
Province of New Brunswick—										
Twinning Highway 95 between										
Woodstock, New Brunswick and										
Houlton Maine	10	10		10	10					
Province of Newfoundland and Labrador—	-	-		-						
Municipal Rural Infrastructure										
Fund	28	28		28	14	7	7			
Province of Newfoundland and Labrador—	20	20		20	17	,	,			
Contribution under the Gas Tax										
Fund	83	83	20	63	13	17	33			
	63	0.5	20	03	13	1 /	33			
O CONTRACTUAL ORLIGATIONS										

11.8 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

TABLE 11.3TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—*Continued*

(in millions of dollars)

	Total					anding ob	ligations	to be dis	bursed by	2013 and
	estimated cost	Amount contracted	Amount disbursed	Outstanding obligation		2009	2010	2011	2012	subse- quently
Province of Newfoundland and Labrador— Contribution towards the reconstruction of sections of Trans Canada										
Highway Route 1	24	24	12	12	12					
Province of Nova Scotia—										
Municipal Rural Infrastructure										
Fund.	37	37		37	14	12	7	4		
Province of Nova Scotia—										
Contribution under the										
Gas Tax Fund	145	145	35	110	23	29	58			
Province of Nova Scotia—										
Contribution for the twinning and										
improvement of Highways 101 and 104	31	31	10	21	10	7	4			
Province of Ontario—Improve										
highway access leading to										
border crossings in Sarnia and										
Queenston	133	133	63	70	52	18				
Province of Ontario— Municipal										
Rural Infrastructure Fund	298	298	52	246	151	95				
Province of Ontario—Contribution										
under the Gas Tax Fund	1,866	1,866	446	1,420	301	373	746			
Province of Prince Edward Island—										
Municipal Rural Infrastructure										
Fund	18	18	4	14	5	5	4			
Province of Prince Edward Island-										
Contribution under										
the Gas Tax Fund	38	38	7	31	8	8	15			
Province of Quebec-Municipal										
Rural Infrastructure Fund	195	195	7	188	79	70	39			
Province of Quebec—Contribution										
under the Gas Tax Fund	1,151	1,151	276	875	184	230	461			
Province of Saskatchewan—										
Contribution under the										
Gas Tax Fund	148	148	36	112	23	30	59			
Province of Saskatchewan—										
Municipal Rural Infrastructure										
Fund	38	38	9	29	24	5				
Vancouver Convention Centre Expansion										
Project Ltd—Construction of										
new facility and connector										
for the Vancouver Convention										
and Exhibition Centre	223	223	127	96	55	41				
estern Economic										
Diversification—										
Alberta Infrastructure and Transportation—										
Royal Alberta Museum	30	30	4	26	26					
nfrastructure Canada	557	554	506	48	48					
ototal	90,196	90,103	45,256	44,847	7,634	6,016	5,917	2,965	2,527	19,788
nsolidated Crown Corporations										
and Other Entities—										
oundation for Sustainable										
Development Technology—										
Contracted Projects	53	53		53	25	19	6	1	2	
National capital commission		· -					-	-	-	
Ville de Gatineau	16	16	6	10			10			
			-							

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—Continued (in millions of dollars)

	Total				Outst	anding of	oligation	s to be dis	sbursed by	March 31 2013 and
	estimated cost	Amount contracted	Amount disbursed	Outstanding obligation		2009	2010	2011	2012	subse- quently
Telefilm Canada—										
Financial assistance to										
producers and distributors	39	39		39	39					
Subtotal	108	108	6	102	64	19	16	1	2	
Total transfer payment agreements	90,304	90,211	45,262	44,949	7,698	6,035	5,933	2,966	2,529	19,788
Fixed assets and purchases—	,	,===	,		.,	-,	-,	_,-,		,
Fixed assets—										
Environment—										
Parks Canada Agency—										
Banff National Park—										
Trans Canada highway										
ē ,	87	67	41	26	26					
twinning ProjectGulf Islands National Park—	0/	07	71	20	20					
Land acquisition, Developments and										
Operations	31	31	21	10	2	2	2	2	2	
Quebec City—Old Port of	31	31	21	10	2	2	2	2	2	
Quebec Interpretation Centre										
Enhancement	24	16	4	12	12					
Industry—	24	10	7	12	12					
Canadian Space Agency—										
McDonald Dettwiler Space and										
Advanced—MSS operations	159	159	128	31	28	3				
National Defence—	137	137	120	31	20	5				
Advance Electro-Optic Sensor (SIRIUS)—										
DRS Technology Canada	136	133	39	94	39	23	15	9	8	
Armoured Patrol Vehicle, General	150	133	37	74	37	23	13		0	
Dynamics Land Systems Canada										
Corporation	165	102	89	13	13					
Armoured Personnel Carrier	105	102	0)	15	13					
Replacement	2,355	1,624	1,513	111	58	10	3	3	3	34
CF-18 Modernization-Phase II—	2,333	1,024	1,515	111	50	10	3	3	3	34
The Boeing Co	312	283	118	165	77	61	25	2		
CP140 Imagining Radar Acquisition (IRS)—	312	203	110	105	,,	01	23	_		
MacDonald Dettwiler and Associates Ltd	206	206	122	84	22	16	35	11		
Maritime Helicopter Implementation—	200	200	122	٥.		10	55			
Sikorsky International Inc. and Indal										
Technologies	5,183	5,164	488	4,676	330	781	501	232	193	2,639
Protected Military Satellite	-,	-,		.,		,				_,
Communications—	552	395	311	84	2	19	41	20	1	1
Procurement of Transportable	002	5,5	511	٥.	-			20	-	
Terminals	50	50	33	17	10	7				
Procurement of Navy	50	30	33	17	10	,				
Terminals	120	120	40	80				40	20	20
1117 Procurement of Strategic	120	120		00					20	20
Airlift Capability—										
The Boeing Company	875	869		869	822	47				
Weapons Effects Simulation—	0,2	00)		00)	022	.,				
Cubic Defence Applications Inc.	129	107	81	26	22	4				
Canadian Search and Rescue Helicopter—	127	10,	01	20		•				
Agusta Westland Int Ltd	774	774	763	11	6	1	2	2		
CF-18 Advances multi role infrared Sensor	142	108	703	108	31	35	42	2		
Other Fixed Assets	462	451	254	197	123	50	20	3	1	
Public Safety and Emergency Preparedness—	102	1.5.1	257	171	123	50	20	3	1	
Correctional Service										
PCL Construction- New Maximum										
security unit in Prince Albert	19	19	7	12	11	1				
security unit in Finite Albeit	17	19	,	1 4	11	1				

11.10 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

TABLE 11.3TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—*Continued*

(in millions of dollars)

	Total				Outsta	anding ob	ligations	to be dis	bursed by	March 31 2013 and
	estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2008	2009	2010	2011	2012	subse- quently
Olivit Construction Ltd—Bed expansion-	4.0	4.0		4.0						
Construction at Kent Institution	19	18		18	12	6				
Skyline Campus Renovation	106	52	23	29	25	4				
White Bear Industries Limited—										
Alaska Highway	30	30	19	11	5	5	1			
Veterans Affairs—										
Ste. Anne's Hospital Modernization	114	95	48	47	20	19	8			
Project, Quebec								224	220	2 (0 (
Subtotal	12,050	10,873	4,142	6,731	1,696	1,094	695	324	228	2,694
Consolidated Crown Corporations										
and Other Entities— Canadian Museum of Nature—										
Renovations	217	51		51	51					
Subtotal	217	51		51	51					
-										
Total fixed assets	12,267	10,924	4,142	6,782	1,747	1,094	695	324	228	2,694
Purchases—										
Canada Revenue Agency—										
Bell Canada- Data Network	4.4	4.4	25	10	1.5	4				
Services Renewal	44	44	25	19	15	4				
Supply Chain	94	93	72	21	21					
Citizenship and Immigration—										
Oracle Corporation Canada Inc.—										
IT Professional Services,	15	15	4	11	2	3	2	2	2	
Foreign Affairs and International Trade—										
Canadian Bank Note Company Limited	46	46	33	13	13					
Health—	40	40	33	13	13					
Non-Insured Health Benefits Program	199	199	126	73	22	31	20			
Human Resources and Skills										
Development—										
Canada Student Financial										
Assistance Act Service providers—Private Institutions	463	439	339	100	100					
Social Development—	403	739	339	100	100					
Rogers Telecom Inc.—Telecommunication										
equipment and services	92	92	67	25	9	16				
Telus Integrated Communications—										
Managed Network Services.	33	33	10	23	11	12				
Industry— Canadian Space Agency—										
COM DEV International Ltd—										
Scientific Activities										
Construction JWST—FGS	78	78	33	45	27	17	1			
McDonald Dettwiler and associates Ltd-										
Construction RADARSAT-2	377	377	365	12	12					
National Research Council of Canada—										
EBSCO Canada Limited—Subscription,										
acquisition, delivery and management										
services	30	30	7	23	8	8	7			
National Defence—										
Bombardier—NATO Flying	0.536	1.050	612	1.055						= 0.
Training Centre	2,536	1,870	613	1,257	94	96	99	95	89	784
CC130 refeutes Afferant Repair and										
Overhaul —Cascade Aerospace	423	329	29	300	75	75	75	75		

CONTRACTUAL OBLIGATIONS
AND CONTINGENT LIABILITIES 11.11

TABLE 11.3TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—*Continued*

(in millions of dollars)

	Total					anding ob	ligations	to be dis	bursed by	March 31 2013 and
	estimated cost	Amount contracted	Amount disbursed	Outstanding obligation		2009	2010	2011	2012	subse- quently
CC150 Airbus Aircraft Support—										
Air Canada Dorval Que	188	188	160	28	28					
CF-18 System Engineering Support—										
Communications L-3 MAS	403	403	290	113	98	15				
CF18 CATEF Support—										
Harris Aerospace	220	220	151	69	30	30	9			
CH124 Sea King Helicopter Third										
Line Support—IMP Group Ltd	137	137	97	40	40					
CH146 Griffon Helicopter Spares—										
Bell Helicopter	135	101	90	11	11					
CH149 Cormorant Integrated Services										
Services—IMP Group Ltd	227	227	158	69	69					
CP140 Aurora Aircraft Avionics —										
Communications Electronic Systems	343	343	31	312	32	33	34	35	36	142
Combat System and Engineering Support—										
Lockheed Martin Canada Inc	135	135	108	27	27					
CP140 Optimized Weapons Systems										
Support Prime Air Vehicle—										
IMP Group Ltd	493	493	66	427	45	47	48	50	51	186
CU 161 Repair and Overhaul—	175	175	00	127	15	.,	10	30	51	100
Rheinmetall	143	120		120	38	46	36			
DEW Line Cleanup—	143	120		120	36	40	30			
Biogenie SRDC Inc. and SNC	502	67	19	40	1.1	1.4	1.4	7	2	
Lavalin Inc	583	67	19	48	11	14	14	7	2	
Foreign Military Sales—1117C17	722	722	1.40	500	105	1.62	0.0	0.0	4.5	
Aircraft Engines and Support Case	722	722	142	580	185	163	98	89	45	
System Support of CC130 Hercules,										
CP140 Aurora Aircraft T56 Engines—		400		• •						
Standard AERO Ltd	304	108	79	29	13	13	3			
Military clothing— Logistik										
Unicorp Inc.	203	203	122	81	45	36				
North Warning System Operation and										
Maintenance—Nasittuq Corporation	500	392	276	116	53	45	18			
Provision of Health Care Services—										
Santé Montfort	175	175	2	173		53	8	8	8	96
Health Care Providers—										
Calian Ottawa Ont	449	449	108	341	50	60	77	77	77	
Service Support—SNC										
Lavallin Defence Programs Inc	290	131	105	26	26					
Primary rotary wing and Multi-Engine										
pilot training—Allied Wings	1,684	1,684	74	1,610	59	74	75	76	75	1,251
SERCO Facilities Management Inc	556	556	139	417	38	37	37	37	37	231
Victoria Class in Service Support—										
Support—BAE										
Systems Projects Canada Limited	444	390	342	48	30	18				
0113 Advanced Distributed Combat		270	5.2	.0	20	10				
Training System— Bombardier Inc	190	172	140	32	14	11	2	5		
CP140 Aurora Data Management	170	1/2	140	32	17	11	2	5		
System—										
· ·	220	220	100	1.42	4.4	15	22	20	10	
General Dynamics Canada Ltd	330	330	188	142	44	45	23	20	10	
Maritime Systems and Engineering—	170	170	112	66	22	22				
Weir Canada Inc.	178	178	112	66	33	33				
Halifax and Iroquois In Service Support—	200		2	40						
Fleetway Inc.	200	50	2	48	15	16	17			
Ammunition	54	54	6	48	48					
Other Purchases	1,187	1,023	208	815	331	172	96	67	35	114

11.12 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

TABLE 11.3TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—*Continued*

(in millions of dollars)

					Outst	anding of	oligations	s to be dis	bursed by	March 31
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2008	2009	2010	2011	2012	2013 and subse- quently
Public Safety and Emergency Preparedness—										
Canada Border Services Agency—										
Graham Construction and Engineering—										
Construction of a new facility	30	30	12	18	18					
Correctional Service—										
NAV Canada—Management Training	23	23	10	13	4	3	3	3		
Royal Canadian Mounted Police—										
Systems maintenance and support	120	120	00	20	1.0	10	10	0		
of CFIS I—CGI Group Inc	138	138	99	39	10	10	10	9		
	120	120	106	22	1.5		7			
IBM Canada Ltd, Toronto	128	128	106	22	15		/			
ProFac Inca	1,891	1,891	693	1,198	484	714				
Technologies Interactives Mediagrif	1,091	1,091	093	1,196	404	/14				
Incorporated-Longueuil, Quebec	20	20	10	10	5	4	1			
TPG Technology, Ottawa	229	229	216	13	13	7				
==:										
Subtotal	17,362	15,155	6,084	9,071	2,371	1,954	820	655	467	2,804
Consolidated Crown Corporations										
and Other Entities—										
Canadian Broadcasting Corporation—										
Sports Rights	552	552	402	150	63	71	2	4	2	8
Canadian Air Transport										
Security Authority—										
Screening services	682	682	56	626	384	227	15			
Canadian Commercial Corporation—										
Contracts with Foreign Customers	1,857	1,857		1,857	1,125	337	212	91	43	49
National Capital Commission—										
Lafleur de la Capitale Inc	20	20	4	16	3	3	3	3	4	
Services récréatifs Demsis Inc	16	16		16	3	3	3	3	4	
City of Ottawa	16	16	4	12			1			11
National Gallery of Canada—										
Film rights and co-production	54	54		54	37	17				
Property and Equipment	16	16		16	3	3	3	3	3	1
Security services-Securitas	26	26	3	23	3	3	3	3	4	7
Subtotal	3,239	3,239	469	2,770	1,621	664	242	107	60	76
Total purchases	20,601	18,394	6,553	11,841	3,992	2,618	1,062	762	527	2,880
Total fixed assets										
and purchases	32,868	29,318	10,695	18,623	5,739	3,712	1,757	1,086	755	5,574
Operating leases—										
Environment—										
I.B.M. Canada Ltd—Rental										
and maintenance of supercomputer					_		2			
and maintenance of supercomputer	45	45	26	19	8	8	3			
system	45	45	26	19	8	8	3			
system Lease of land—Capilano Indian					8	8	8	8	8	237
system Lease of land—Capilano Indian Reserve No. 5 Vancouver, B.C	45 385	45 385	26 108	19 277				8	8	237
system Lease of land—Capilano Indian Reserve No. 5 Vancouver, B.C								8	8	
system Lease of land—Capilano Indian Reserve No. 5 Vancouver, B.C Foreign Affairs and International Trade—	385	385	108	277	8	8	8			1
system Lease of land—Capilano Indian Reserve No. 5 Vancouver, B.C Foreign Affairs and International Trade— Mitsui Fudosan, New York SIP North Stetson Venture LLC, Chicago	385 42	385 42	108	277 16	8	8	8	3	3	1
system	385 42	385 42	108	277 16	8	8	8	3	3	1
system	385 42	385 42	108	277 16	8	8	8	3	3	1
system Lease of land—Capilano Indian Reserve No. 5 Vancouver, B.C Foreign Affairs and International Trade— Mitsui Fudosan, New York SIP North Stetson Venture LLC, Chicago National Defence— 1258898 Ontario— 400 Cumberland Road, Ottawa	385 42 11	385 42 11	108 26	277 16 11	8 3 1	8 3 1	8 3 1	3	3	1
system Lease of land—Capilano Indian Reserve No. 5 Vancouver, B.C Foreign Affairs and International Trade— Mitsui Fudosan, New York SIP North Stetson Venture LLC, Chicago National Defence— 1258898 Ontario— 400 Cumberland Road, Ottawa	385 42 11	385 42 11	108 26	277 16 11	8 3 1	8 3 1	8 3 1	3	3	1
system Lease of land—Capilano Indian Reserve No. 5 Vancouver, B.C Foreign Affairs and International Trade— Mitsui Fudosan, New York SIP North Stetson Venture LLC, Chicago National Defence— 1258898 Ontario— 400 Cumberland Road, Ottawa. Public Works and Government Services—	385 42 11	385 42 11	108 26	277 16 11	8 3 1	8 3 1	8 3 1	3	3	1 6
system Lease of land—Capilano Indian Reserve No. 5 Vancouver, B.C Foreign Affairs and International Trade— Mitsui Fudosan, New York SIP North Stetson Venture LLC, Chicago National Defence— 125898 Ontario— 400 Cumberland Road, Ottawa. Public Works and Government Services— 1506 Enterprises Limited—	385 42 11	385 42 11	108 26 5	277 16 11	8 3 1	8 3 1	8 3 1	3 1	3 1	237

CONTRACTUAL OBLIGATIONS
AND CONTINGENT LIABILITIES 11.13

TABLE 11.3TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—*Continued*

(in millions of dollars)

	Total estimated	Amount	Amount	Outstanding		inding of	origations	to be dis	bursed by	2013 an
	cost	contracted	disbursed	obligation		2009	2010	2011	2012	quently
71 Slater Street Limited—										
Vanguard Building	13	12		12	2	2	2	2	2	2
33640 Realty Limited and Metcalfe										
Realty Company Limited—										
123 Slater Street, Ottawa	14	14	1	13	3	3	3	2	2	
25843 BC Ltd and 528447 BC Ltd—										
1166 West Pender Street, Vancouver, BC	30	30	12	18	4	5	4	5		
352200 Canada Inc.—Robson Court	35	35	8	27	3	3	4	4	4	9
676234 Canada Inc.—Brossard	22	55	Ü	27			·			
et Immeubles Régime XI—3250										
Lapinière-Brossard, Quebec	24	19	8	11	2	2	2	2	2	
	24	19	0	11	2	2	2	2	2	
4 Victoria St/137 Yonge St. Holdings Ltd	40	40	2.5	1.4	_		-			
74 Victoria Street, Toronto, Ontario	49	49	35	14	5	4	5			
CIMC Realty Corporation—										
1601 Airport Road NE, Cal., Alta	17	17		17	2	2	2	2	2	,
ona Building & Management										
Company Ltd—										
333-335 River Road, Ottawa, Ontario	115	70	39	31	7	7	7	7	3	
222 Nepean Street, Ottawa, Ontario	48	41		41	3	4	4	4	4	2
brookfield Properties Management Co.—										
330 Sparks Street, Ottawa, Ontario	140	100	85	15	10	5				
TC Properties II Ltd, and Steelstech	1.0	100	0.5	10	10					
Properties Inc.—										
•	18	18	7	11	2	2	2	2	2	
3381 Steeles Avenue East, Toronto, Ont	18	18	7	11	2	2	2	2	2	
Canada Property (Trustee) No. 1 Limited—										
11 Holland Ave. and 1600 Scott Street,										
Ottawa, Ontario	16	15	1	14	2	2	2	2	2	
Capital City Shopping Center Ltd—										
2277/2323 Riverside Dr, Ottawa, Ont	44	41	21	20	4	4	4	4	4	
Cordel Developments Corporation Ltd—										
111 Water Street, Cornwall, Ontario	22	22	12	10	1	1	1	1	1	
xchange Tower Limited, HRI Exchange										
Inc. and PFS Exchange Inc.—										
130 King Street West, Toronto, Ontario	56	56	14	42	8	8	8	8	8	
onds de placement immobilier Cominar—	30	30	14	72	0	O	O	0	· ·	
•	2.4	2.4	1.5	10	2	2	2	2	2	
3400 Jean-Beraud Avenue, Laval, Que	34	34	15	19	3	3	3	3	3	
Gespa CDPQ Incorporated—										
160 Elgin Street, Ottawa, Ontario	60	54		54	4	5	5	5	5	3
ireat West Life Assurance Company—										
255 Albert Street, Ottawa, Ontario	27	24	7	17	2	2	2	2	2	
Iarbour Centre Complex Limited—										
555 West Hastings, Vancouver, BC	21	21	8	13	2	2	2	2	2	
ehndorff Consolidated Holdings Inc—										
25 Fitzgerald Rd, Ottawa, Ontario	30	29	18	11	4	4	3			
fidwest Surveys Incorporated—										
2827 Sunridge Boulevard NE, Calgary, Alta	10	10		10	1	1	1	1	1	
finto Developments Incorporated—	10	10		10	1	1	1	1	1	
	17	1.4		1.4	1	1	1	1	1	
344 Slater Street, Ottawa, Ontario	17	14		14	1	1	1	1	1	
Morguard Investments Limited—										
155 Queen Street(Whole 4,5,6,7,14										
and part 2,8), Ottawa, Ont.	30	30		30	3	3	3	3	3	1
55 Queen Street (Whole of 10,11										
and Part 3,12), Ottawa, Ont	14	14		14	2	2	2	2	2	
280 Slater Street, Ottawa, Ontario	52	46	17	29	5	5	5	5	5	
333 Laurier Avenue, Ottawa, Ontario	35	34	11	23	5	5	5	5	3	
Omers Realty Corporation—					-	-	-		5	

11.14 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

AND CONTINGENT LIABILITIES

11.15

TABLE 11.3TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—*Continued*

(in millions of dollars)

	Total					anding ob	ligations	to be dis	bursed by	March 31 2013 and
	estimated cost	Amount contracted	Amount disbursed	Outstanding obligation		2009	2010	2011	2012	subse- quently
350 / 360 Albert Street, Ottawa	47	40	21	19	4	4	4	4	3	1
360 Albert Street, Ottawa	18	12	21	12	1	1	1	1	1	7
Orlando Corporation—	10				-		-			,
5800 Hurontario St, Mississauga, Ont	48	48	31	17	5	5	5	2		
Oxford Management Services Inc.—										
1138 Melville Street, Vancouver, BC	47	47	29	18	5	5	5	3		
800 Burrard Street, Vancouver, BC	64	64	24	40	6	7	6	7	6	8
Pensionfund Realty Limited—										
277 Front Street West, Toronto, Ontario	36	36	9	27	4	3	4	3	4	9
Quantum Management Services Ltd-										
275 Slater Avenue, Ottawa, Ontario	52	52	36 ⁽³⁾	16	16					
R. Vocisano, In Trust, c/o Bona Building										
Bona Building & Management Co—										
295 Coventry Road, Ottawa, Ontario	73	30	13	17	3	3	3	3	3	2
SITQ Incorporated—	73	30	13	1 /	3	3	3	3	3	2
5 Place Ville-Marie, Montreal, Quebec	21	21	9	12	2	2	2	2	2	2
Smithe Street Holdings—	21	21		1.2	2	2	2	2	2	2
858 Beatty Street, Vancouver, BC	23	23	9	14	2	3	2	2	2	3
Sun Life Assurance Company of	23	23		14	2	3	2	2	2	5
Canada and 1564498 Ontario Inc.—										
130 Colonnade Road, Ottawa, Ontario	25	23	9	14	2	2	2	2	2	4
Sun Life Assurance Company of	23	23		1.	_	_	_	-	-	
Canada and 1331430 Ontario Inc.—										
50 O'Connor Street, Ottawa, Ontario	41	30	3	27	3	3	3	3	3	12
The Cadillac Fairview Corporation Ltd—	11	30	5	27	3	3	3	3	3	12
191 Laurier Avenue West, Ottawa, Ont	43	30	12	18	5	5	5	3		
The Standard Life Assurance Company	.5	20	12	10				5		
of Canada—										
2932 & 2936 Baseline Road, Ottawa, Ont	28	12	2	10	1	1	1	1	1	5
Urbandale Corporation—			_		_	_	_	-	-	-
100 Metcalfe Street, Ottawa, Ontario	23	23	10	13	2	2	2	2	2	3
WPBI Property Management Incorporated										
800 La Gauchetière, Montreal, Quebec	42	28	11	17	3	3	3	3	3	2
Z.V. Holdings Corporation										
2 Constellation Crescent, Ottawa, Ont	30	25	2	23	2	2	2	2	2	13
Subtotal	2,202	1,955	741	1,214	186	170	158	136	113	451
	2,202	1,933	/41	1,214	100	170	150	150	113	431
Consolidated Crown Corporations										
and Other Entities—										
Canadian Air Transport										
Security Authority—	25	25		2.4		4		4	4	4
Equipment and Office Space	25	25	1	24	4	4	4	4	4	4
Canadian Broadcasting Corporation—	60	60	24	26	0	9	0	0	2	
Bell Canada	60	60	24	36	8		8	9	2	06
Morguard Investments	122 197	122 197	6 80	116	6	6	6	6	6	86
Scott Construction Ltd.	38		80	117 38	13	13	13	13	14	51
		38			38	2.4	25	26	26	27
SNC-Lavalin Profac Inc.	151	151	6	151	23	24	25 3	26	26	27
Telus	24	24	6	18	3	4	3	4	3	1
Office Lease	22	22		22	1	1	1	2	2	16
Canada Council for the Arts—	23	23		23	1	1	1	2	7	10
	33	29	4	25	4	4	4	4	4	5
Operating leases	33	29	4	23	4	4	4	4	4	3
Centre—										
Omers Realty Corporation Office Space and Maintenance Lease	87	87		87	2	5	5	5	5	65
National Capital Commission—	0/	0/		0/	2	3	3	3	3	03
Chambers Building, 40 Elgin St, Ottawa	189	189	69	120	6	6	7	9	9	83
Chambers Building, 40 Eight St, Ottawa	109	109	0)	120	U	U	,	2	2	63
								LIGATI LIARII		11. 15

TABLE 11.3 TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2007—Concluded

(in millions of dollars)

Grand total	26,551	122,657	56,907	65,750	13,740	10,002	7,933	4,279	3,482	26,314
leases	3,379	3,128	950	2,178	303	255	243	227	198	952
Total operating										
Subtotal	1,177	1,173	209	964	117	85	85	91	85	501
VIAnet Service Agreement IBM Canada Ltd	27	27	5	22	3	3	2	3	3	8
Union Station—Toronto	172	172	14	158	2	2	2	3	3	146
SITQ—Montreal.	18	18		18	2	2	3	2	3	6
VIA Rail Canada Inc.—	11	11		11	2	2	2	1	1	3
Rental of offices and other commitments.	11	11		11	2	2	2	1	1	3
Telefilm Canada—	Total estimated cost	Amount contracted	Amount disbursed	Outstandin obligation	g	2009	2010	2011	2012	March 31 2013 and subse- quently

⁽¹⁾ 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.
(2) This figure reflects the total estimated remaining contractual obligations which extend for periods up to 35 years.

⁽³⁾ Of the \$36 million in expenditures, \$1.2 million was incurred by HRSD.

International Contractual Obligations

Table 11.4 summarizes the international contractual obligations according to whether they would result in the disbursement of funds for non-budgetary share capital and loans, or for budgetary transfer payments, loans and advances and contractual obligations.

International contractual obligations reported in this table include transfer payments, loans and advances to international organizations as well as loans for the development of export trade (administered by Export Development Canada), 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, 2007.

Table 11.4 presents information that is summarized in Note 14 to the financial statements in Section 2 of this volume.

TABLE 11.4INTERNATIONAL CONTRACTUAL OBLIGATIONS (in millions of dollars)⁽¹⁾

-	Transfer payments	Undisbursed loans and advances	Future paid-in share capital	Total
NON BUDGETARY SHARE CAPITAL AND LOANS—				
Development of export trade (administered by				
Export Development Canada) ⁽²⁾		1,469		1,469
		1,469		1,469
BUDGETARY TRANSFER PAYMENTS, LOANS AND ADVANCES—				
African Development Bank	38	89		127
Asian Development Bank		103		103
Caribbean Development Bank - Special		27		27
Development of export trade (administered by				
Export Development Canada)		7		7
Inter-American Development Bank		28		28
International Fund for Agricultural Development		25		25
International Development Association	90	318		408
Montreal Protocol Fund		10		10
	128	607		735
Total	128	2,076		2,204

⁽¹⁾ Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2007 (1\$US = \$1.1546 Cdn; 1SDR = \$1.74367 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 190 million has been paid-in.

⁽²⁾ This contractual obligation was cancelled, after year end, in June 2007.

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 grouped into: 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 and Other Entities" 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 in Section 2 of this volume.

TABLE 11.5GUARANTEES BY THE GOVERNMENT AS AT MARCH 31, 2007

	Authorized limit (where applicable) ⁽¹⁾	Contingent liability	
	\$	\$	
GUARANTEES BY THE GOVERNMENT—			
		141 501 500 000(2)	
Borrowings by enterprise Crown corporations which are agents of Her Majesty Borrowings by other than enterprise Crown corporations		141,781,766,000 ⁽²⁾	
From agents—			
Loans to Indians by the Canada Mortgage and Housing Corporation			
for on-reserve housing	1,700,000,000	801,878,285 ⁽³⁾	
Guarantee programs of the Government			
Aboriginal Economic Program		812,836	
Advance Payments for Crops Act	1,900,000,000	111,316,689	
Canada Student Loans Act	10,781,963,150	177,450,661	
Enterprise Development Program	1,200,000,000	212,300	
Improvement and Marketing			
Cooperatives Loans Act	3,000,000,000	140,785,484	
Financial obligations incurred by air carriers regarding purchase of The	-,,,	,	
Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft	931,350,000	176,961,708	
Indian economic development Program	60,000,000 (4)	940.072	
Loans to Indians by approved lenders for on-reserve housing	,,	716,689,527 ⁽³⁾	
Regional Aircraft Credit Facility	1,500,000,000	211,134,596	
Small Business Loans Act.	3,008,667,591	860,073,939	
Other explicit loan guarantees—			
Loans to NewGrade Energy Inc to finance construction of a heavy			
oil upgrader	275,000,000	4,746,191 ⁽⁵⁾	
National Biomass Ethanol Program	140,000,000	24,960,000	

11.18 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

TABLE 11.5GUARANTEES BY THE GOVERNMENT AS AT MARCH 31, 2007—*Concluded*

	Authorized limit (where applicable) ⁽¹⁾	Contingent liability
	\$	\$
Insurance programs of the Government		
Accounts administered for the Government by the Export		
Development Canada—Insurance and related guarantees. Insurance against accidents at nuclear installations under	13,000,000,000 ⁽⁶⁾	532,352,765
the Nuclear Liability Act (7)	1,050,000,000	583,110,255
Other explicit guarantees		
Guarantees under the Prairie Grain Advance Payments Act	1,900,000,000	165,069,292
Guarantees under the Spring Credit Advance Program	1,500,000,000	748,268
Guarantees under the Enhanced Spring Credit Advance Program	1,500,000,000	604,432,397
Guarantees to holders of mortgages insured by Genworth Financial Mortgage		
Insurance Company of Canada		1,195,235,022
Guarantees to holders of mortgages insured by AIG United Guaranty Mortgage		
Insurance Company of Canada		1,706,231
Guarantees under Section 19 of the Canadian Wheat Board Act		3,326,013,000 ⁽⁸⁾
Guarantees under the Agricultural Marketing Programs Act		27,249,287
Total gross guarantees	43,446,980,741	151,445,644,805
Less: allowance for losses		815,019,283
Fotal net exposure under guarantees		150,630,625,522

⁽¹⁾ 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.

⁽²⁾ For details, see Table 9.6 in Section 9 of this volume.

⁽³⁾ 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 \$802 million by CMHC and \$717 million by other approved lenders.

⁽⁴⁾ 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, 2007, \$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.

⁽⁵⁾ 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.

⁽⁶⁾ 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 \$5.5 billion outstanding against this limit, consisting of \$0.5 billion in contingent liabilities, \$3.5 billion in financing and \$1.5 billion in undisbursed loan contractual obligations.

⁽⁷⁾ There have been no claims under the *Nuclear Liability Act* since its inception in 1970.

⁽⁸⁾ 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 in Section 2 of this volume.

TABLE 11.6 INTERNATIONAL ORGANIZATIONS CONTINGENT LIABILITIES

(in millions of dollars)⁽¹⁾

	Callable share capital
NON-BUDGETARY SHARE CAPITAL	
AND LOANS—	
African Development Bank	1,189
Asian Development Bank	2,367
Caribbean Development Bank	57
International Bank for Reconstruction	
and Development (World Bank)	5,853
Multilateral Investment Guarantee Agency	53
European Bank for Reconstruction	
and Development	707
Inter-American Development Bank	4,464
Total	14,690

⁽¹⁾ Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2007 (1\$US = \$1.1546 Cdn; 1SDR = \$1.74367 Cdn).

Contaminated Sites

Based on management's best estimates, a liability for the estimated costs related to the management and remediation of contaminated sites and unexploded explosive ordnance affected 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, 2007, the Government has recorded a liability of \$3,134 million for approximately 2,630 sites (\$3,014 million in 2006 for approximately 2,700 sites).

The Government has estimated additional clean-up costs of \$3,243 million (\$3,470 million in 2006) that are not accrued as these are not considered likely to be incurred at this time. The change in contingent liabilities related to contaminated sites and unexploded explosive ordnance affected sites is due to the additional information gathered during 2006-2007 which enabled the potential liability for certain sites to be more accurately estimated. The Government's ongoing efforts to assess contaminated sites and unexploded explosive ordnance affected sites may result in additional liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These adjustments 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, 2007, contingent liabilities for claims and pending and threatened litigation have been estimated to approximate \$5,800 million (\$6,300 million in 2006–restated). 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: Comprehensive land claims are negotiated in areas where aboriginal title has not been dealt with by treaty or by other legal methods. In such cases, the claim is based on an aboriginal group's traditional use and occupancy of that land. There are currently 71 (74 in 2006) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of \$3,200 million (\$3,200 in 2006), 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, 2007, an amount of \$10,027 million (\$9,694 million in 2006) of taxes assessed was under objection at Canada Revenue Agency and an amount of \$2,164 million (\$1,742 million in 2006) 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 statements in Section 2 of this volume.

TABLE 11.7SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2007

(in millions of dollars)

	Canada Depo Corpora		Canada M	Mortgage and	l Housing Co	orporation ⁽²⁾	Export Dev Canad	
-			Inst	rtgage irance und	Sec	ge-Backed curities ntee Fund		
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006
Insurance in force as at reporting date	455,414	437,251	294,699	278,937	131,719	109,829	15,658	13,365
Opening balance of Fund/Allowance.	843	788	4,437	3,329	215	163	(3)	(3)
Revenues for the period— Premiums and fees. Investment income. Other revenues.	75 56	64 43	1,240 614 1	1,185 493 2	50 20 3	55 16 2	149	148
Total revenues	131	107	1,855	1,680	73	73	149	148
Expenses for the period— Loss on/provision for claims	-7 21	24 21	224 115	136 138	3	5	4	59
Other expenses (includes taxes)	12	7	490	445	25	21	8 ⁽⁴⁾	-22(4)
Total expenses	26	52	829	719	28	26	12	37
Net income/loss (-) for the period	105	55	1,026	961	45	47	137	111
Closing balance of Fund/Allowance	948	843	5,463	4,290	260	210	(3)	(3)
Net claims during the period (5)	5	16	325	148	*	*	31	12
Five year average of net claims paid			196	176	**	*	43	57

^{*} Not applicable.

⁽¹⁾ 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. The Corporation is funded by premiums assessed against it's member institutions.

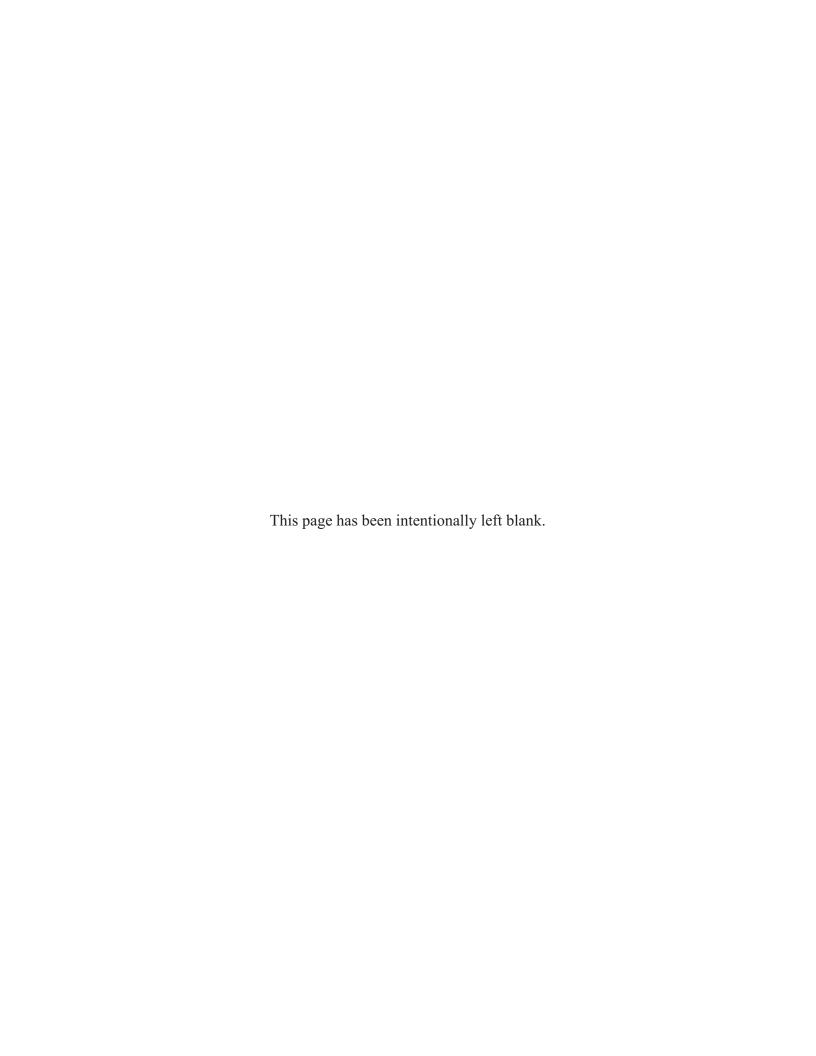
⁽²⁾ Canada Mortgage and Housing Corporation (CMHC) administers two funds: the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund (MBSGF). The MIF provides insurance for a fee, to lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework 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 \$96,547 million (\$77,840 million in 2006) 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.

⁽³⁾ 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 \$439 million (\$518 million in 2006). Comparative figures have been restated to conform to the current year's presentation.

⁽⁴⁾ For Export Development Canada, other expenses represent the foreign exchange gain or loss on the allowance for claims as well as claim expenses incurred.

⁽⁵⁾ Refers to the difference between claims and amounts received from sales of related assets and other recoveries.



SECTION 12

2006-2007

PUBLIC ACCOUNTS OF CANADA

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