

Canadian Grain Commission Revolving Fund

Financial Statements

March 31, 2007

(in thousands of dollars)

June 5, 2007

Auditors' Report

To the Chief Commissioner and Commissioners of the Canadian Grain Commission Revolving Fund

We have audited the statement of financial position of the **Canadian Grain Commission Revolving Fund** as at March 31, 2007 and the statements of operations, change in excess of financial assets over liabilities, accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of the Revolving Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2007 and the results of its operations and its change in excess of financial assets over liabilities and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Canadian Grain Commission Revolving Fund

Statement of Financial Position

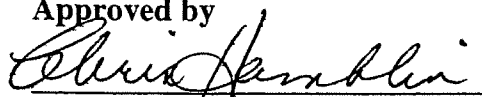
As at March 31, 2007

(in thousands of dollars)

	2007 \$	2006 \$
Assets		
Financial assets		
Accumulated net charge against the Fund's authority (note 8)	19,705	8,296
Accounts receivable (note 3)	4,897	5,008
	<u>24,602</u>	<u>13,304</u>
Liabilities		
Accounts payable and accrued liabilities	528	1,120
Salaries payable	1,136	1,290
Vacation and overtime payable	2,432	2,639
Deferred revenue (note 5)	132	76
Employee severance benefits (note 6)	6,257	5,610
	<u>10,485</u>	<u>10,735</u>
Excess of financial assets over liabilities	<u>14,117</u>	<u>2,569</u>
Non-financial assets (note 2)		
Other assets	158	123
Tangible capital assets (note 4)	4,948	5,309
	<u>5,106</u>	<u>5,432</u>
	<u>19,223</u>	<u>8,001</u>
Equity of Canada		
Contributed capital	4,941	4,941
Accumulated surplus	14,282	3,060
	<u>19,223</u>	<u>8,001</u>

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

Approved by

 Deputy Head

 Acting Senior Finance Officer

Canadian Grain Commission Revolving Fund

Statement of Change in Excess of Financial Assets over Liabilities

For the year ended March 31, 2007

(in thousands of dollars)

	2007 \$ Budget (Unaudited)	2007 \$ Actual	2006 \$ Actual
Net gain (loss) for the year	(1,253)	11,222	(4,068)
Acquisition of tangible capital assets	(506)	(1,621)	(1,771)
Amortization of tangible capital assets	3,107	1,974	2,174
Gain on disposal of tangible capital assets	-	(13)	(3)
Proceeds on sale of tangible capital assets	-	13	4
Non-cash capital asset trade-in	-	8	-
	<u>2,601</u>	<u>361</u>	<u>404</u>
Acquisition of other assets	-	(158)	(123)
Use of other assets	-	123	155
	<u>-</u>	<u>(35)</u>	<u>32</u>
Increase (decrease) in excess of financial assets over liabilities	1,348	11,548	(3,632)
Excess (deficiency) of financial assets over liabilities - Beginning of year	<u>(398)</u>	<u>2,569</u>	<u>6,201</u>
Excess of financial assets over liabilities - End of year	<u>950</u>	<u>14,117</u>	<u>2,569</u>

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

Canadian Grain Commission Revolving Fund

Statement of Accumulated Surplus

For the year ended March 31, 2007

(in thousands of dollars)

	2007	2006
	\$	\$
Accumulated surplus - Beginning of year	3,060	7,128
Net gain (loss) for the year	11,222	(4,068)
Accumulated surplus - End of year	<u>14,282</u>	<u>3,060</u>

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

Canadian Grain Commission Revolving Fund

Statement of Cash Flows

For the year ended March 31, 2007

(in thousands of dollars)

	2007 \$	2006 \$
Financial resources provided by (used in)		
Operating transactions		
Net gain (loss) for the year	11,222	(4,068)
Non-cash items included in annual surplus (deficit)		
Amortization (note 4)	1,974	2,174
Provision for employee severance benefits (note 6)	1,086	842
Gain on disposal of tangible capital assets	(13)	(3)
	<hr/>	<hr/>
	14,269	(1,055)
Changes in non-cash working capital		
Accounts receivable	111	374
Other assets	(35)	32
Liabilities	(1,336)	(1,453)
	<hr/>	<hr/>
Net financial resources provided (used) by operating transactions	13,009	(2,102)
Capital transactions		
Acquisition of tangible capital assets (note 4)	(1,621)	(1,771)
Non-cash capital asset trade-in	8	-
Proceeds from disposal of tangible capital assets	13	4
	<hr/>	<hr/>
Net financial resources used by capital transactions	(1,600)	(1,767)
Net financial resources provided (used) and change in the accumulated net charge against the Fund's authority during the year	11,409	(3,869)
Accumulated net charge against the Fund's authority - Beginning of year	<hr/>	<hr/>
	8,296	12,165
Accumulated net charge against the Fund's authority - End of year	<hr/>	<hr/>
	19,705	8,296

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

Canadian Grain Commission Revolving Fund

Notes to Financial Statements

March 31, 2007

(in thousands of dollars)

1 Authority and objectives

The Canadian Grain Commission (CGC) derives its authority from the Canada Grain Act. The CGC's mandate as set out in the Act is to, in the interest of producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets.

In May 2005, Parliament passed Bill C-40, an act to amend the Canada Grain Act and Canada Transport Act, which required an independent and comprehensive review of the CGC and of the provisions and operations of the Grain Act. The independent COMPAS Inc. review was tabled in Parliament in September 2006. The Standing Committee on Agriculture and Agri-Food (SCAAF) report was tabled in Parliament on December 5, 2006. The federal government tabled a response to SCAAF on April 16, 2007.

2 Significant accounting policies

The financial statements have been prepared in accordance with accounting standards issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector.

The significant accounting policies are as follows:

Revenue and expense recognition

Revenue is recognized in the accounting period in which it is earned through the provision of goods or services, or when an event giving rise to a claim has taken place. Revenues that have been received but not yet earned are presented as deferred revenues. Deferred revenue is primarily received for licensing fees which cover a 12 month period.

Unless otherwise disclosed, expenses are recorded in the period they are incurred.

Parliamentary appropriation

The ongoing Parliamentary appropriation received for the Appointments by the Governor in Council of Assistant Commissioners and Grain Research Laboratory expenditures has been recorded as revenue of the Canadian Grain Commission Revolving Fund (the Revolving Fund).

Parliamentary appropriations relating to employee severance entitlements earned prior to April 1, 1995 are recorded as an account receivable from the Treasury Board when paid by the CGC.

Accumulated net charge against the fund's authority (ANCAFA)

The accumulated net charge against the fund's authority is the amount of the fund's non-lapsing authority that has been used since inception of the fund.

Canadian Grain Commission Revolving Fund

Notes to Financial Statements

March 31, 2007

(in thousands of dollars)

Accounts receivable

Accounts receivable are stated at amounts expected to be ultimately realized. Allowances are established for all accounts for which interest or principal payments are 180 days past due. This was considered a change in estimate effective March 31, 2007 from 90 days past due.

Non-financial assets

Non-financial assets and tangible capital are accounted for as assets by the CGC because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the CGC unless they are sold.

Tangible capital assets

Certain assets previously under the custody of the Department of Agriculture and Agri-Food Canada were assumed by the Revolving Fund on April 1, 1995. The assumed assets were considered to be contributed capital and recorded at the Crown's estimated net book value. Assets acquired subsequent to April 1, 1995 were recorded at cost. Proceeds from the disposal of capital assets are retained by the Revolving Fund.

All tangible capital assets and leasehold improvements with a cost equal to or greater than \$10,000 are capitalized at their acquisition cost.

Assets are amortized on a straight-line basis over their estimated useful lives, commencing in the month after acquisition, as follows:

Scientific equipment	5 years
Office equipment and furniture	5 years
Operational equipment	5 - 10 years
Computer equipment and software	3 years
Leasehold improvements	5 years

Vacation pay

Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment and are recorded in the accounts at year end based on employee records.

Employee severance benefits

Severance benefits accrue to employees over their years of service with the Government of Canada as stipulated in their collective agreements. The CGC provides for the severance entitlements earned by employees subsequent to March 31, 1995. No accrual has been made in these financial statements for severance entitlements earned by employees up to March 31, 1995. They represent an obligation of the CGC that will be funded by the Treasury Board.

Canadian Grain Commission Revolving Fund

Notes to Financial Statements

March 31, 2007

(in thousands of dollars)

Pension plan

Employees of the CGC are covered by the Public Service Superannuation Act and the Supplementary Retirement Benefits Act. The Government of Canada's portion of the pension cost is included in the employee benefit charge assessed against the Revolving Fund. The actual payment of the pension is made from the Public Service Superannuation and Supplementary Retirement Benefits Accounts. Current legislation does not require the CGC to make contributions for any actuarial deficiencies of the Public Service Superannuation account.

Interest on drawdown

Interest is charged to the Revolving Fund at a rate set by the Treasury Board. Interest charges are calculated monthly on the balance of the accumulated net charge against the Fund's authority. The Treasury Board does not pay interest when a surplus arises that result in no drawdown against the authority.

Measurement uncertainty

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the periods covered by the financial statements. The principle financial statement components subject to measurement uncertainty include salaries payable related to unsettled labour contracts, the useful life of tangible capital assets and the liability for employee severance benefits. Actual results could differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3 Accounts receivable

	2007 \$	2006 \$
Receivables from related parties	715	507
Outside parties	4,197	5,161
	<hr/>	<hr/>
	4,912	5,668
Less: Allowance for doubtful accounts	(15)	(660)
	<hr/>	<hr/>
	4,897	5,008
	<hr/>	<hr/>

Canadian Grain Commission Revolving Fund

Notes to Financial Statements

March 31, 2007

(in thousands of dollars)

4 Tangible capital assets

	Cost				Accumulated amortization			Net book value		
	Opening balance \$	Acquisitions \$	Disposals \$	Closing balance \$	Opening balance \$	Amortization \$	Decrease \$	Closing balance \$	2007 \$	2006 \$
Scientific equipment	8,566	1,034	111	9,489	5,731	943	112	6,562	2,927	2,835
Office equipment and furniture	970	-	70	900	960	3	69	894	6	10
Operational equipment	655	49	-	704	476	50	-	526	178	179
Computer equipment and software	7,896	538	966	7,468	6,625	645	959	6,311	1,157	1,271
Leasehold improvements	4,835	-	24	4,811	3,821	333	23	4,131	680	1,014
	22,922	1,621	1,171	23,372	17,613	1,974	1,163	18,424	4,948	5,309

Canadian Grain Commission Revolving Fund

Notes to Financial Statements

March 31, 2007

(in thousands of dollars)

5 Deferred revenue

	2007 \$	2006 \$
Deferred license revenue	130	74
Other deferred revenue	2	2
	<hr/>	<hr/>
	132	76
	<hr/>	<hr/>

6 Employee severance benefits

The CGC provides severance benefits to its employees based on eligibility, years of service and final salary. These benefits are funded through a monthly salary accrual. The CGC uses an estimated rate of 2.75% to calculate the liability for employee severance benefits. The severance benefits earned by employees prior to April 1, 1995 are funded by the Treasury Board Secretariat.

	2007 \$	2006 \$
Employee severance benefits - beginning of year	5,610	4,982
Expense for the year	1,086	842
Benefits paid during the year	(439)	(214)
	<hr/>	<hr/>
Employee severance benefits - end of year	6,257	5,610
	<hr/>	<hr/>

7 Parliamentary appropriations

The CGC is funded by a combination of an ongoing appropriation, special appropriation, authority to re-spend fees collected and a revolving line of credit of \$2,000,000. The Revolving Fund line of credit has been frozen since fiscal year 2003-2004. The CGC has developed and is pursuing sustainable long-term options to address the evolving needs of the grain industry in a financially stable manner.

The government approved appropriation funding for fiscal 2007/08 year in the amount of \$37.3 million.

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

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(in thousands of dollars)

Net cost of operations equals the total revenue less special and parliamentary appropriation revenue less total expenses plus net gain.

Reconciliation of net cost of operations to current year appropriations used

	2007 \$	2006 \$
Net cost of operations	35,710	31,373
Items affecting net cost of operations but not affecting appropriations		
Unused appropriations carry-forward	-	(219)
Severance benefit reimbursement	733	519
Accumulated surplus utilized	-	(4,068)
	<hr/>	<hr/>
Current year appropriation funds used	36,443	27,605

Appropriation provided

	2007 \$	2006 \$
Special appropriation and other	31,241	22,312
Parliamentary appropriation	5,202	5,293
	<hr/>	<hr/>
Current year appropriation funds provided	36,443	27,605

Reconciliation of appropriation revenue

	2007 \$	2006 \$
Special appropriation revenue	30,000	21,000
Governor General warrants	-	1,312
Supplementary estimates	1,241	-
Unused appropriation carry-forward	-	219
Severance benefit reimbursement	(733)	(519)
	<hr/>	<hr/>
Parliamentary appropriation	30,508	22,012
	5,202	5,293
	<hr/>	<hr/>
Total appropriation revenue	35,710	27,305

The Federal Government's funding arrangements with the CGC in 2006/07 provided for a \$30,508,000 special appropriation to allow the CGC to continue delivery of its mandate.

Canadian Grain Commission Revolving Fund

Notes to Financial Statements

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(in thousands of dollars)

Appointments

The costs associated with the appointments by the Governor in Council of the Assistant Commissioners are covered by Parliamentary appropriation. These amounts are included in the financial statements and are summarized as follows:

	2007 \$	2006 \$
Salaries and employee benefits	642	747
Travel and relocation	55	86
Rent	37	36
Repairs, supplies and miscellaneous	6	17
Professional and special services	3	23
Communications	16	37
Employee severance benefits	13	12
Postage and freight	1	4
	<hr/>	<hr/>
Appointments parliamentary appropriation revenue	773	962
	<hr/>	<hr/>

Grain Research Laboratory

A portion of the costs incurred by the Revolving Fund for the Grain Research Laboratory were covered by Parliamentary appropriation. These amounts are included in the financial statements and are summarized as follows:

	2007 \$	2006 \$
Salaries and employee benefits	2,932	3,010
Travel and relocation	113	141
Rent	781	617
Repairs, supplies and miscellaneous	457	330
Professional and special services	32	101
Communications	4	55
Employee severance benefits	73	50
Postage and freight	37	27
	<hr/>	<hr/>
Grain Research Laboratory parliamentary appropriation revenue	4,429	4,331
Appointments parliamentary appropriation revenue	773	962
	<hr/>	<hr/>
Total parliamentary appropriation revenue	5,202	5,293
	<hr/>	<hr/>

Canadian Grain Commission Revolving Fund

Notes to Financial Statements

March 31, 2007

(in thousands of dollars)

8 Accumulated net charge against the Revolving Fund's authority

Accumulated net charge against the Revolving Fund's authority is comprised of the following amounts:

	2007 \$	2006 \$
Allowance for employee severance benefits	6,257	5,610
Change in working capital	(794)	(48)
Resources available for operational purposes	14,242	2,734
	<hr/>	<hr/>
Total accumulated net charge against the Fund's authority	19,705	8,296
	<hr/>	<hr/>

9 Lease commitments

Operating leases for office accommodation have been primarily entered into with Public Works and Government Services Canada. Future minimum lease payments over the next five years are as follows:

	\$
2008	2,631
2009	2,376
2010	2,347
2011	2,217
2012 and thereafter	2,197
	<hr/>
	11,768
	<hr/>

10 Contingent liabilities

Claims have been made against the CGC in the normal course of operations. Management believes that these claims are without merit. The outcome of these actions is not presently determinable and, accordingly, no provision for these claims has been made in these financial statements.

Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and may only be used in the event of illness. The amount of accumulated sick leave entitlements that will become payable in future years cannot reasonably be determined. Accordingly, no amount has been accrued in these financial statements. Payments of sick leave benefits are included in current operations as incurred.

Canadian Grain Commission Revolving Fund

Notes to Financial Statements

March 31, 2007

(in thousands of dollars)

11 Related party transactions

The CGC is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The CGC enters into transactions with these entities at arms length in the normal course of business and on normal trade terms. In addition, the CGC received services from other government departments.

Services provided by other government departments

During the year, the CGC paid rent and certain professional services to other government departments or agencies. Employer's health insurance plan contributions and employee benefit plans were also provided by and paid to other government departments. Significant services have been recognized in the CGC statement of operations as follows:

	2007 \$	2006 \$
Employer's contribution to employee benefit plans	10,289	11,251
Rent	3,605	3,585
Professional and special services		
Audit and accounting services	274	421
Consulting services	106	122
Legal services	157	150
Translation services	155	121
Other	217	199
	<hr/> 14,803	<hr/> 15,849

Included in accounts payable and receivable at year end are the following amounts with related parties:

	2007 \$	2006 \$
Accounts receivable	715	507
Accounts payable	283	440

Canadian Grain Commission Revolving Fund

Notes to Financial Statements

March 31, 2007

(in thousands of dollars)

12 Financial instruments

The Revolving Fund's financial instruments consist of accounts receivable and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair value because of their short terms to maturity. Unless otherwise noted, it is management's opinion that the Revolving Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Financial instruments that potentially subject the CGC to concentrations of credit risk consist primarily of trade accounts receivable. The CGC performs services to various organizations. For the year ended March 31, 2007, five large integrated organizations accounted for 64% of the CGC's receivable balances.

13 Insurance

In accordance with the Government's policy of self-insurance, the CGC does not carry its own insurance.

14 Income taxes

The CGC is not subject to income taxes.

15 Comparative figures

Certain figures from the prior year have been reclassified to conform with the current year's presentation.