



Government  
of Canada

Gouvernement  
du Canada

Prepared by the  
Receiver General for Canada

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# Public Accounts of Canada

# 2004

Volume I

Summary Report  
and Financial  
Statements

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Canada 

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To Her Excellency

The Right Honourable Adrienne Clarkson,  
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, 2004.

All of which is respectfully submitted.



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

Ottawa, September 24, 2004

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

Sir:

In accordance with the provisions of section 64(1) of the *Financial Administration Act*, I have the honour to transmit herewith the *Public Accounts of Canada* for the year ended March 31, 2004, to be laid by you before the House of Commons.

Respectfully submitted,



Scott Brison,  
*Receiver General for Canada*

Ottawa, September 24, 2004

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

Sir:

I have the honour to submit the *Public Accounts of Canada* for the year ended March 31, 2004.

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; the observations by the Auditor General on the financial statements of Canada; a discussion and analysis of the financial statements and a ten-year summary of the Government's financial transactions; 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.

Volume III—Additional information and analyses.

The audited financial statements contained in Volume I are for the year ended March 31, 2004.

Respectfully submitted,



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

Ottawa, September 24, 2004

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# VOLUME I

**2003-2004**

***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 each fiscal year by the Receiver General as required by section 64 of the *Financial Administration Act*.

The report covers the fiscal year of the Government, which ends on March 31, and is prepared from data contained in the accounts of Canada and from more detailed records maintained in departments and agencies. The accounts of Canada is the centralized record of the Government's financial transactions maintained by the Receiver General in which the transactions of all departments and agencies are summarized. 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 a summary analysis of the financial transactions of the Government. Its content is summarized as follows:

SECTION 1: financial statements discussion and a ten-year analysis of the Government's financial transactions;

SECTION 2: audited financial statements of the Government of Canada;

SECTION 3: review of revenues, expenses and accumulated deficit;

SECTION 4: analysis of consolidated accounts;

SECTION 5: analysis of accounts payable and accrued liabilities;

SECTION 6: analysis of interest-bearing debt;

SECTION 7: analysis of cash and accounts receivable;

SECTION 8: analysis of foreign exchange accounts;

SECTION 9: analysis of loans, investments and advances;

SECTION 10: analysis of non-financial assets; and,

SECTION 11: analysis of other information related to the financial statements.

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

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

# SECTION 1

2003-2004

*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

This section, together with other sections in this volume and 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 2004 *Annual Financial Report of the Government of Canada* published by the Minister of Finance.

This discussion and analysis of the financial statements has been prepared under the joint direction of the President of the Treasury Board, the Minister of Finance and the Receiver General for Canada. Responsibility for the integrity and objectivity of the financial statements, however, rests with the entire government.

Much of the discussion and analysis in this section compares the Government's financial results to gross domestic product (GDP). (A glossary of terms used in this financial statement discussion and analysis is provided at the end of this section.)

GDP is 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. It is also referred to as Canada's 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. For example, GDP would not include the wheat used to make bread, but would include the bread itself.

GDP is calculated by Statistics Canada in accordance with international standards and is updated annually. It is calculated on a quarterly basis. For the purposes of this section, the official calendar year number is used.

Comparisons to GDP are generally accepted as appropriate indicators of the trends in the Government's financial performance.

### Highlights

- A surplus of \$9.1 billion was achieved in 2003-2004. This marks the seventh consecutive year the Government has recorded a surplus.
- As a result, the accumulated deficit stood at \$501.5 billion, a decline of \$61.4 billion from its peak of \$562.9 billion in 1996-1997. The accumulated deficit-to-GDP ratio, as of March 31, 2004, was 41.1 percent – a decline of 27.3 percentage points from its peak of 68.4 percent in 1995-1996.
- Net debt has been reduced by \$52.7 billion over the last seven years. As a result, the Government's net debt at the end of 2003-2004 was \$556.3 billion, or 45.6 percent of GDP.
- Interest-bearing debt – the debt issued on credit markets and debt related to pension and other liabilities – increased by \$0.4 billion in 2003-2004. Since 1996-1997, it has fallen by \$13.9 billion.
- The revenue-to-GDP ratio fell to 16.3 percent in 2003-2004, down 1.6 percentage points from 1999-2000. This decline reflects, in part, the impact of the tax reductions announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update*.
- Program spending increased 5.3 percent in 2003-2004. The program spending-to-GDP ratio remained unchanged at 12.6 percent in 2003-2004.
- Public debt charges as a percentage of revenues were 18.0 percent in 2003-2004, down from the peak of 35.2 percent in 1995-1996. This is the lowest the ratio has been since the late 1970s.

### Analysis

#### Budget-to-actual comparison

As noted in budget documents, the Government's revenues and expenses are sensitive to changes in economic assumptions – particularly to changes in real economic growth, inflation and interest rates. To ensure that such developments do not adversely affect the Government's balanced budget targets, it follows a prudent approach to budget planning – including the use of private sector

economic forecasts, regular consultations with a private sector economic advisory group, and the inclusion in the fiscal projections of an annual Contingency Reserve, as well as extra economic prudence. If the Contingency Reserve is not needed, it is used to reduce the accumulated deficit.



To illustrate the impact of changes in economic conditions, the Department of Finance publishes on a regular basis sensitivity impacts on the surplus. These show, for example, that

- A 1-percent decrease in real GDP growth for one year would lower the surplus by about \$2.5 billion annually.
- A 1-percent reduction in inflation in the first year would lower the surplus by about \$1.4 billion annually.
- A sustained 100-basis-point decline in all interest rates would improve the surplus by \$1.1 billion in the first year.

Budget 2003 forecast the 2003-2004 surplus at \$4 billion which was allocated to the Contingency Reserve and extra economic prudence. The November 3, 2003 *Economic and Fiscal Update* lowered the forecast surplus to \$3.5 billion and Budget 2004 forecast the surplus to be \$1.9 billion. The final outcome for 2003-2004 was a surplus of \$9.1 billion.

The original budget for the 2003-2004 fiscal year was presented on a net basis. Note 2 iv to the financial statements in Section 2 of this volume describe the adjustments that have been made to Budget 2003 to convert it to the gross basis of accounting used in these Public Accounts. After making these adjustments, the comparison of actual results for 2004 to the budget - at a high level - is as follows:

|                                     | 2004                     |         |            |
|-------------------------------------|--------------------------|---------|------------|
|                                     | Budget                   | Actual  | Difference |
|                                     | (in millions of dollars) |         |            |
| Income tax revenues .....           | 122,100                  | 123,530 | 1,430      |
| Other taxes and duties .....        | 43,100                   | 41,365  | -1,735     |
| Employment insurance premiums ..... | 17,600                   | 17,546  | -54        |
| Other revenues .....                | 14,500                   | 16,106  | 1,606      |
| Total revenues .....                | 197,300                  | 198,547 | 1,247      |
| Transfer payments .....             | 103,600                  | 102,378 | -1,222     |
| Other program expenses .....        | 52,100                   | 51,317  | -783       |
| Public debt charges .....           | 37,600                   | 35,769  | -1,831     |
| Total expenses .....                | 193,300                  | 189,464 | -3,836     |
| Annual surplus .....                | 4,000                    | 9,083   | 5,083      |

The 2003-2004 surplus is \$5.1 billion higher than that expected in Budget 2003. This improvement is attributable to \$1.2 billion in higher than expected revenues, \$1.2 billion in lower transfer payments, \$0.8 billion in lower other program expenses and \$1.8 billion in lower public debt charges.

Revenues were \$1.2 billion higher than estimated in Budget 2003. Higher-than-expected income tax revenues and other revenues were partially offset by lower excise taxes and duties.

The lower transfer payments are a result of lower than expected transfers to other levels of government (\$1.6 billion). A slower than expected economic recovery in Ontario reduced fiscal disparities across provinces and therefore reduced Equalization entitlements. Employment insurance (EI) benefits were \$600 million lower than expected, as the number of beneficiaries fell and as average benefit duration shortened over the period. Offsetting these gains, other transfer payments were \$1.0 billion higher, reflecting new policy measures taken since Budget 2003, including the Government's re-

sponse to Severe Acute Respiratory Syndrome (SARS) and Bovine Spongiform Encephalopathy (BSE) as well as fiscal measures outlined in Budget 2004.

Other program expenses were somewhat lower due to a higher than expected lapse in program spending and lower expenses in Crown corporations. Offsetting these gains was higher than expected defence spending primarily as a result of new mission costs.

Public debt charges are significantly lower than expected since Budget 2003. This was primarily attributable to a decline in the average effective interest rate on interest-bearing debt, reflecting declines in short-term interest rates during 2003-2004.

## Comparison to 2002-2003

Actual results for 2004 compared to 2003 are shown in the following table:

|                                     | Actual                   |         |            |
|-------------------------------------|--------------------------|---------|------------|
|                                     | 2004                     | 2003    | Difference |
|                                     | (in millions of dollars) |         |            |
| Income tax revenues .....           | 123,530                  | 115,043 | 8,487      |
| Other taxes and duties .....        | 41,365                   | 41,357  | 8          |
| Employment insurance premiums ..... | 17,546                   | 17,870  | -324       |
| Other revenues .....                | 16,106                   | 15,962  | 144        |
| Total revenues .....                | 198,547                  | 190,232 | 8,315      |
| Transfer payments .....             | 102,378                  | 98,643  | 3,735      |
| Other program expenses .....        | 51,317                   | 47,350  | 3,967      |
| Public debt charges .....           | 35,769                   | 37,270  | -1,501     |
| Total expenses .....                | 189,464                  | 183,263 | 6,201      |
| Annual surplus .....                | 9,083                    | 6,969   | 2,114      |

Income tax revenues were \$8.5 billion higher than in 2002-2003. Personal income tax revenues were \$3.4 billion higher, while corporate income tax revenues increased by \$5.2 billion and other income tax revenues decreased \$0.1 billion. Personal income tax revenues increased broadly in line with the 3.0 percent growth in personal income. The increase in corporate income tax revenues was largely due to strong profitability in the financial sector in 2003.

EI premiums were \$0.3 billion lower than in 2002-2003 due to reductions in the EI premium rate in both the 2003 and 2004 calendar years, which more than offset the increase in EI revenues due to higher employment and wages and salaries.

Total expenses for 2003-2004 were \$6.2 billion higher than last year, net of the \$1.5 billion decrease in public debt charges. Public debt charges were lower than their 2002-2003 levels as a result of declining interest rates.

Transfer payments increased by \$3.7 billion. Major transfers to persons, consisting of elderly and EI benefits, were up \$1.8 billion due to a rise in the number of beneficiaries and an increase in average weekly benefits. Other transfers increased by \$3.2 billion reflecting increased assistance to combat SARS and BSE, and the impact of other previous budget measures. Transfers to other levels of government offset some of the gains in this category, falling \$1.3 billion. Slower economic growth in Ontario reduced fiscal disparities across provinces and therefore reduced Equalization entitlements.

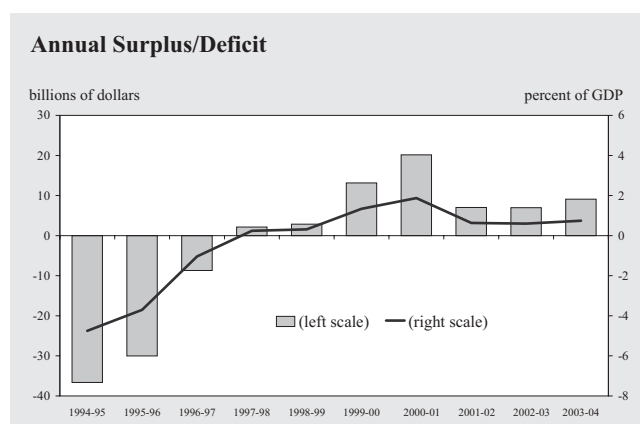
Other program expenses increased by \$4.0 billion. These increases were primarily due to the impact of increased operating costs as well as policy initiatives announced in previous budgets.

## Significant trends

### The Surplus/Deficit

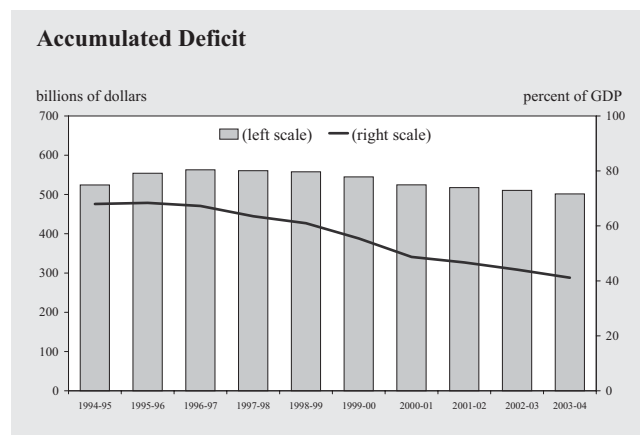
The 2003-2004 surplus of \$9.1 billion marks the seventh consecutive year in which the Government has recorded a surplus. Canada stands out as the only Group of Seven (G-7) country at the total government level in surplus in calendar year 2003, according to the Organization for Economic Co-operation and Development (OECD). The OECD also expects that Canada will be the only G-7 country to record a surplus in calendar year 2004.

The following graph illustrates the Government's surplus/deficit performance during the past 10 years.



### Accumulated Deficit

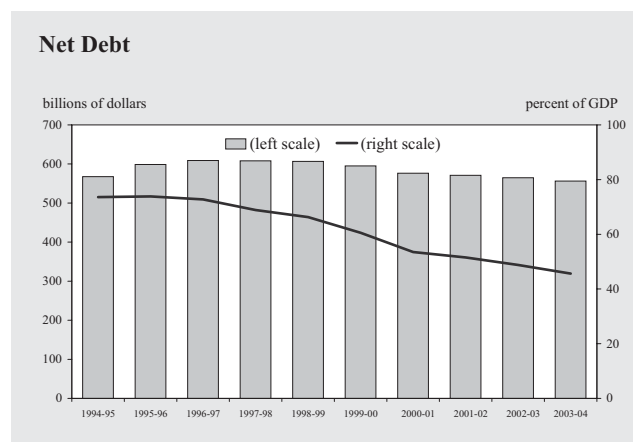
The accumulated deficit is the net accumulation of the annual surpluses and deficits since Confederation. It is also the difference between the Government's total liabilities and its assets – both *financial* and *non-financial*. Given seven years of consecutive surpluses, the accumulated deficit has been on a downward track over the past seven years, as shown in the following graph:



### Net Debt

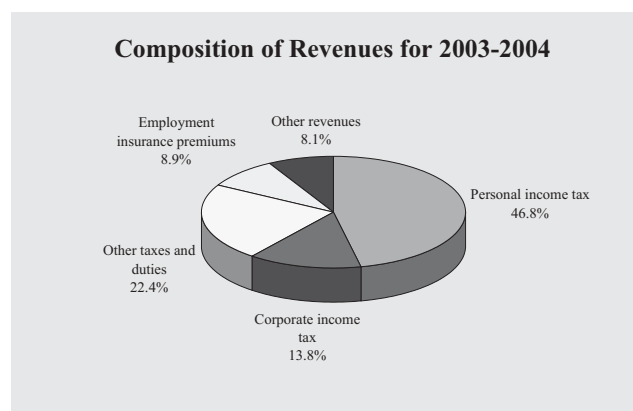
The Government's net debt – its total liabilities less *financial* assets – declined to \$556.3 billion from its peak of \$609.0 billion in 1996-1997. As a share of GDP, net debt dropped to 45.6 percent in 2003-2004, down 28.3 percentage points from the peak of 73.9 percent in 1995-1996.

This ratio measures debt relative to the ability of the Government and the country's taxpayers to finance it. Total liabilities are only reduced by *financial* assets as *non-financial* assets could not normally be converted to cash to pay off the debt, without disrupting government operations. This is the eighth consecutive year in which the net debt-to-GDP ratio has declined.



### Revenues

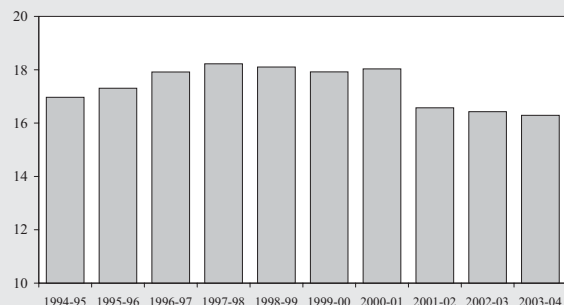
The Government's sources of revenue are as follows:



The revenue ratio shows the extent to which the Government is taking income out of the economy, both through taxation and user charges. The Government's revenue ratio for 2003-2004 at 16.3 percent, as shown in the following graph, is at its lowest level since 1997-1998 when it was 18.2 percent. This means that the Government is taking a much lower percentage of income from the Canadian economy.

### Revenue Ratio

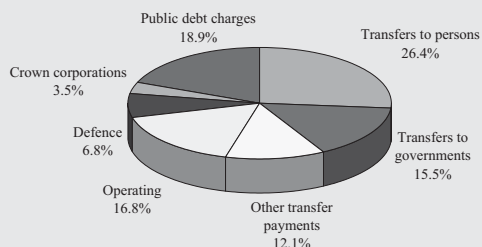
revenues as a percent of GDP



### Expenses

The composition of government expenses is as follows:

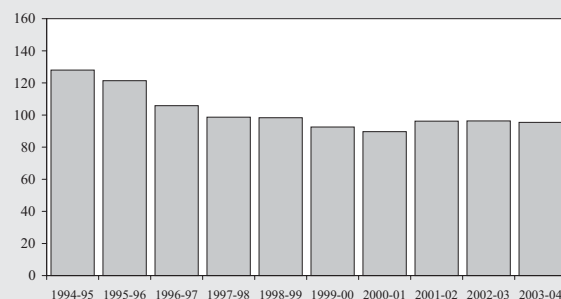
### Composition of Expenses for 2003-2004



The expense ratio shows total government expenses as a percentage of revenues. An expense ratio less than 100 means that revenues exceed expenses, resulting in a surplus. At 95.4 percent, the expense ratio in 2003-2004 is down from the 128.0 percent recorded in 1994-1995.

### Expense Ratio

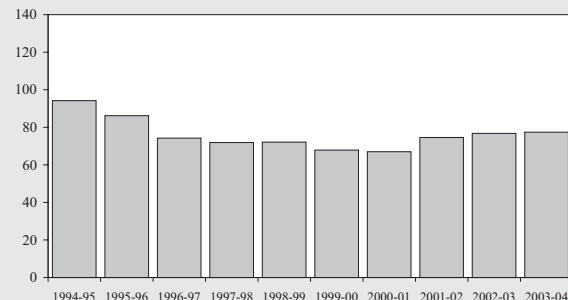
expenses as a percent of revenues



Included in total government expenses is interest on the public debt, which is required to meet the Government's ongoing financing costs on its debt. Generally speaking, the Government has more discretion for the remaining program expenses. Program expenses – total government expenses less interest on the public debt – amounted to 77.4 percent of revenues in 2003-2004.

### Program Share

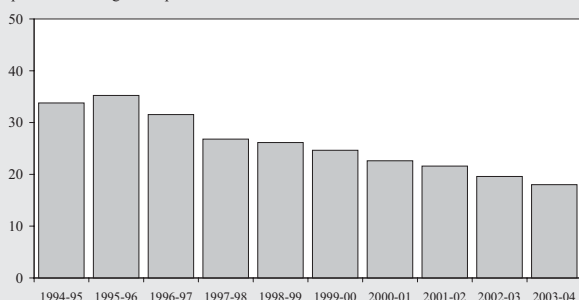
program spending as a percent of revenues



The interest ratio shows public debt charges as a percentage of revenues. It declined from 19.6 percent in 2002-2003 to 18.0 percent in 2003-2004. This ratio means that, in 2003-2004, the Government spent 18 cents of every revenue dollar on interest on the public debt. This is down from the peak of 35 cents in 1995-1996 and is the lowest this ratio has been since the late 1970s. This is money that is required to meet the Government's ongoing financing costs on its debt. The lower the ratio, the more flexibility the Government has to address the key priorities of Canadians.

### The Interest Ratio

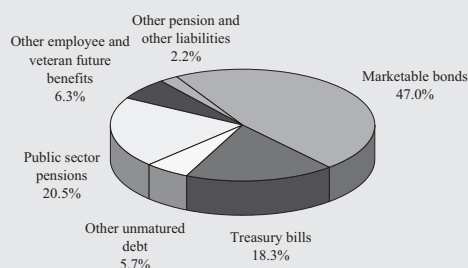
public debt charges as a percent of revenues



### Interest-Bearing Debt

Interest-bearing debt includes unmatured, or market, debt and pension and other liabilities.

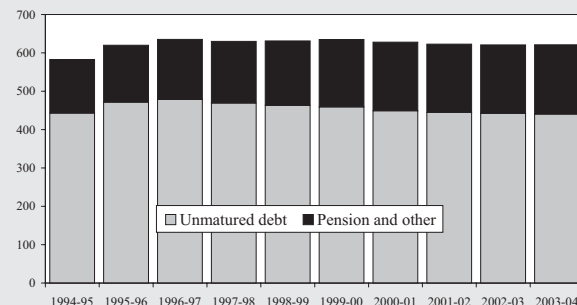
#### Interest-Bearing Debt by Category for 2003-2004



At March 31, 2004, interest-bearing debt amounted to \$621.1 billion, up \$0.4 billion from the level a year earlier. The Government's strategy for market debt is published in *Debt Management Strategy 2004-2005*; annual reports of most pension plans are tabled separately in Parliament.

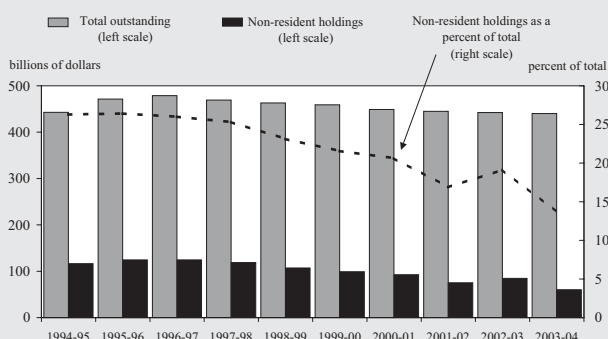
### Interest-Bearing Debt

billions of dollars

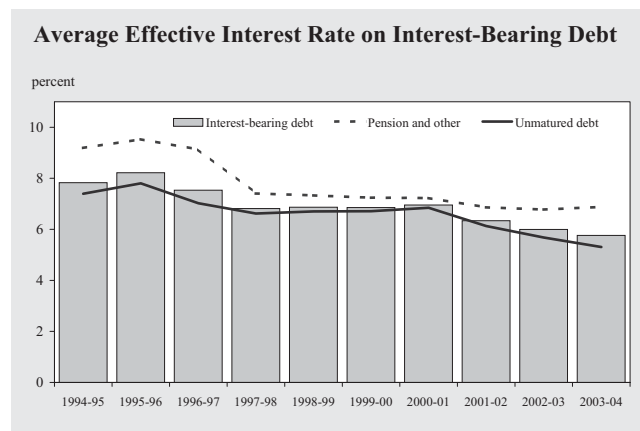


Foreign holdings of the Government's outstanding market debt are estimated at \$60.0 billion at the end of March 2004. This represents 13.6 percent of the Government's total market debt.

### Foreign Holdings of Government of Canada Market Debt

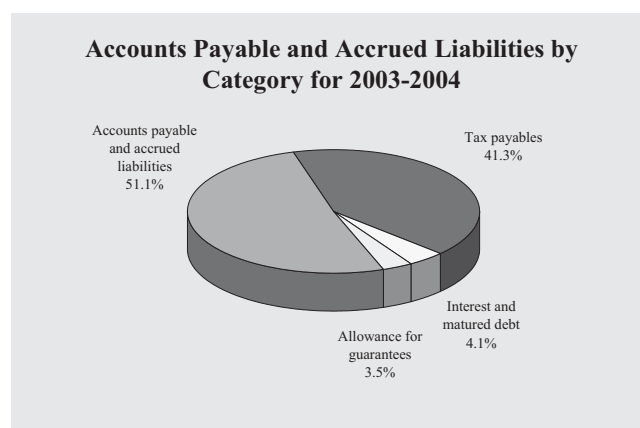


The average effective interest rate on the Government's interest-bearing debt was 5.8 percent in 2003-2004; it was 5.3 percent on market debt and 6.8 percent on pension and other liabilities.



### Accounts Payable and Accrued Liabilities

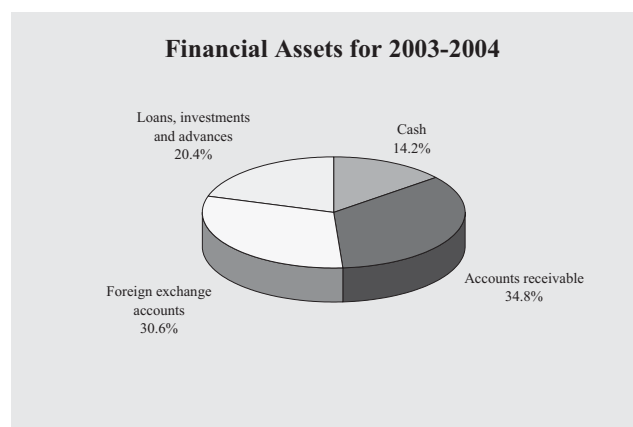
Accounts payable and accrued liabilities include the following:



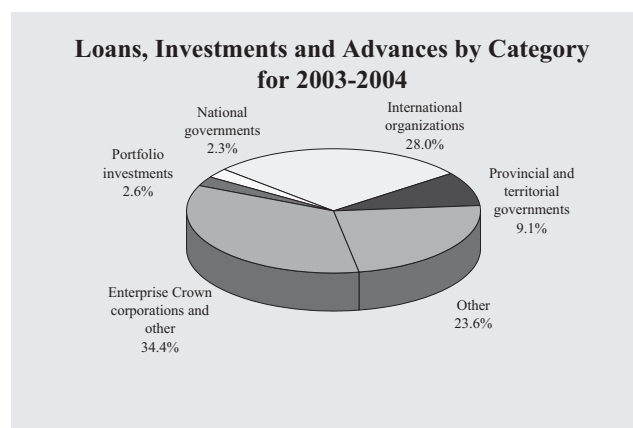
At March 31, 2004, these liabilities amounted to \$80 billion, up slightly from the level a year earlier.

### Financial Assets

Financial assets include cash on deposit with the Bank of Canada, chartered banks and other financial institutions, and amounts owing for taxes and government services provided. Also included are the Government's foreign exchange reserves and its loans and advances to, or investments in, its enterprise Crown corporations, other governments and other individuals and organizations.

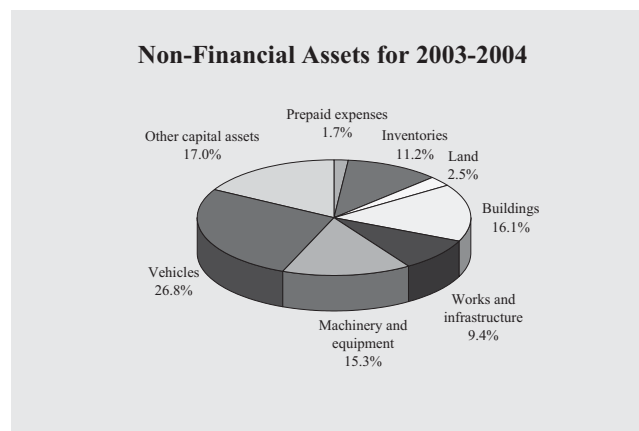


The Government's foreign exchange reserves include foreign currency deposits and investments in gold and subscriptions in the International Monetary Fund. The Government's other loans, investments and advances are as follows:



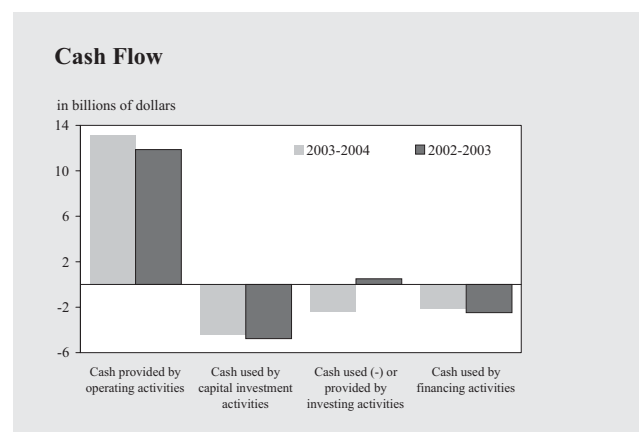
## Non-Financial Assets

Non-financial assets include the net book value of the Government's capital assets. Capital assets include 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.



## Cash Flow

The Government's operating activities generate a significant source of cash, after adjusting for non-cash revenues and expenses. In addition, cash is received from loan and receivable repayments, and is used to pay off debt and acquire capital assets. The following are the cash flows of the Government:



## Risks and uncertainties

As noted in Budget 2004 there are both upside and downside risks to the Canadian outlook. There is an unusual degree of uncertainty regarding the impact of a stronger dollar on the economy given the size and rapidity of the appreciation over the last year.

The U.S. recovery also poses upside and downside risks to the Canadian outlook. On the downside, the most significant risk is continued labour market weakness in the U.S. Despite modest gains in payroll employment in recent months, the U.S. employment recovery so far has been the slowest of all cycles over the past 60 years. Without greater job creation, household spending might slow, which could dampen the momentum from fiscal stimulus and affect consumer confidence.

However, on the upside, the recent strength in U.S. productivity growth is supporting incomes and translating into stronger corporate profits. Improved corporate balance sheets, together with low interest rates and improved business confidence, bode well for investment and hiring in the coming months.

In the medium term, the main risk is the growing U.S. budget deficit, which could put upward pressure on interest rates, crowd out investment and dampen growth if not corrected. This would in turn negatively affect the Canadian outlook.

Overall, with Canada's strong monetary and fiscal fundamentals, the Canadian economy is well positioned to deal with these risks.

## SUPPLEMENTARY FINANCIAL INFORMATION

This part provides a ten years comparative summary of the Government's financial transactions based on the accounting

policies explained in Note 1 to the audited financial statements in Section 2 of this volume.

**TABLE 1.1**

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

|  | Year ended March 31 |                |                |                |                |                |                |                |                |                |
|--|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | 1995                | 1996           | 1997           | 1998           | 1999           | 2000           | 2001           | 2002           | 2003           | 2004           |
| <b>Revenues—</b>   |                     |                |                |                |                |                |                |                |                |                |
| <b>Tax revenues—</b>   |                     |                |                |                |                |                |                |                |                |                |
| <b>Income tax—</b>   |                     |                |                |                |                |                |                |                |                |                |
| Personal .....   | 60,648              | 64,049         | 67,796         | 74,949         | 77,894         | 85,070         | 92,662         | 86,972         | 89,530         | 92,957         |
| Corporate .....  | 10,969              | 15,372         | 16,235         | 21,179         | 21,213         | 22,115         | 28,293         | 24,242         | 22,222         | 27,431         |
| Other income tax revenues .....  | 1,700               | 1,882          | 2,671          | 1,999          | 2,208          | 2,646          | 2,982          | 2,925          | 3,291          | 3,142          |
| <b>Other taxes and duties—</b>   | <i>73,317</i>       | <i>81,303</i>  | <i>86,702</i>  | <i>98,127</i>  | <i>101,315</i> | <i>109,831</i> | <i>123,937</i> | <i>114,139</i> | <i>115,043</i> | <i>123,530</i> |
| Goods and services tax .....   | 17,062              | 16,880         | 18,159         | 19,717         | 20,936         | 23,121         | 24,759         | 25,292         | 28,248         | 28,286         |
| Energy taxes .....   | 3,824               | 4,404          | 4,467          | 4,638          | 4,716          | 4,757          | 4,792          | 4,848          | 4,935          | 4,952          |
| Customs import duties .....  | 3,575               | 2,969          | 2,676          | 2,766          | 2,359          | 2,105          | 2,784          | 3,040          | 3,278          | 2,887          |
| Other excise taxes and duties .....  | 2,996               | 2,998          | 3,902          | 4,025          | 3,706          | 3,315          | 3,434          | 3,953          | 4,896          | 5,240          |
| <b>Total tax revenues .....</b>  | <b>100,774</b>      | <b>108,554</b> | <b>115,906</b> | <b>129,273</b> | <b>133,032</b> | <b>143,129</b> | <b>159,706</b> | <b>151,272</b> | <b>156,400</b> | <b>164,895</b> |
| <b>Employment insurance premiums .....</b>   | <b>18,293</b>       | <b>19,089</b>  | <b>19,949</b>  | <b>19,242</b>  | <b>19,064</b>  | <b>18,628</b>  | <b>18,655</b>  | <b>17,637</b>  | <b>17,870</b>  | <b>17,546</b>  |
| <b>Other revenues—</b>   |                     |                |                |                |                |                |                |                |                |                |
| Crown corporation revenues .....   | 3,593               | 5,830          | 4,000          | 4,369          | 4,497          | 4,700          | 5,460          | 4,754          | 5,305          | 5,920          |
| Other program revenues .....   | 6,288               | 5,605          | 8,609          | 6,428          | 7,180          | 7,525          | 7,620          | 7,560          | 7,278          | 8,096          |
| Foreign exchange revenues .....  | 1,843               | 1,179          | 1,456          | 1,542          | 1,851          | 2,085          | 2,679          | 2,453          | 3,379          | 2,090          |
| <b>Total other revenues .....</b>  | <b>11,724</b>       | <b>12,614</b>  | <b>14,065</b>  | <b>12,339</b>  | <b>13,528</b>  | <b>14,310</b>  | <b>15,759</b>  | <b>14,767</b>  | <b>15,962</b>  | <b>16,106</b>  |
| <b>Total revenues .....</b>  | <b>130,791</b>      | <b>140,257</b> | <b>149,920</b> | <b>160,854</b> | <b>165,624</b> | <b>176,067</b> | <b>194,120</b> | <b>183,676</b> | <b>190,232</b> | <b>198,547</b> |
| <b>Expenses—</b>   |                     |                |                |                |                |                |                |                |                |                |
| <b>Transfer payments—</b>  |                     |                |                |                |                |                |                |                |                |                |
| Old age security benefits, guaranteed income supplement and spouse's allowance ..... | 20,143              | 20,430         | 21,207         | 21,758         | 22,285         | 22,856         | 23,668         | 24,641         | 25,692         | 26,902         |
| Other levels of government—  |                     |                |                |                |                |                |                |                |                |                |
| Canada health and social transfer <sup>(1)</sup> .....                               |                     |                | 14,911         | 12,421         | 16,018         | 14,891         | 13,500         | 17,300         | 21,100         | 22,341         |
| Fiscal arrangements .....  | 8,870               | 9,405          | 9,418          | 10,000         | 11,645         | 10,721         | 12,467         | 11,603         | 10,879         | 9,409          |
| Canada Assistance Plan .....   | 7,266               | 7,191          | 105            | 24             | 8              | 56             |                |                |                |                |
| Education support .....  | 2,486               | 2,365          | -41            | 5              |                |                |                |                |                |                |
| Alternative payments for standing programs .....                                     |                     |                | -2,014         | -2,108         | -2,150         | -2,425         | -2,460         | -2,662         | -2,321         | -2,700         |
| Other .....  | 7,691               | 7,115          | -217           | 162            | 2              | 1,217          | 375            | 987            |                | 342            |
| <b>Total other levels of government .....</b>  | <b>26,313</b>       | <b>26,076</b>  | <b>22,162</b>  | <b>20,504</b>  | <b>25,523</b>  | <b>23,243</b>  | <b>24,724</b>  | <b>26,616</b>  | <b>30,645</b>  | <b>29,392</b>  |
| Employment insurance benefits .....  | 14,815              | 13,476         | 12,380         | 11,842         | 11,884         | 11,301         | 11,444         | 13,726         | 14,496         | 15,058         |
| Canada child tax benefits .....  | 5,322               | 5,215          | 5,239          | 5,352          | 5,715          | 6,000          | 6,783          | 7,471          | 7,823          | 8,062          |
| Other transfer payments .....  | 18,450              | 16,638         | 16,011         | 21,053         | 17,379         | 17,984         | 21,075         | 18,321         | 19,987         | 22,964         |
| <b>Total transfer payments .....</b>   | <b>85,043</b>       | <b>81,835</b>  | <b>76,999</b>  | <b>80,509</b>  | <b>82,786</b>  | <b>81,384</b>  | <b>87,694</b>  | <b>90,775</b>  | <b>98,643</b>  | <b>102,378</b> |
| <b>Other program expenses—</b>   |                     |                |                |                |                |                |                |                |                |                |
| Crown corporation expenses .....   | 5,196               | 9,552          | 5,204          | 4,441          | 5,790          | 5,246          | 5,402          | 6,085          | 6,551          | 6,566          |
| National Defence .....   | 10,580              | 9,817          | 8,807          | 9,087          | 9,308          | 10,113         | 9,744          | 10,443         | 11,803         | 12,869         |
| All other departments and agencies .....   | 22,419              | 19,652         | 20,317         | 21,565         | 21,590         | 22,795         | 27,226         | 29,703         | 28,996         | 31,882         |
| <b>Total other program expenses .....</b>  | <b>38,195</b>       | <b>39,021</b>  | <b>34,328</b>  | <b>35,093</b>  | <b>36,688</b>  | <b>38,154</b>  | <b>42,372</b>  | <b>46,231</b>  | <b>47,350</b>  | <b>51,317</b>  |
| <b>Total program expenses .....</b>  | <b>123,238</b>      | <b>120,856</b> | <b>111,327</b> | <b>115,602</b> | <b>119,474</b> | <b>119,538</b> | <b>130,066</b> | <b>137,006</b> | <b>145,993</b> | <b>153,695</b> |
| <b>Public debt charges .....</b>   | <b>44,185</b>       | <b>49,407</b>  | <b>47,281</b>  | <b>43,120</b>  | <b>43,303</b>  | <b>43,384</b>  | <b>43,892</b>  | <b>39,651</b>  | <b>37,270</b>  | <b>35,769</b>  |
| <b>Total expenses .....</b>  | <b>167,423</b>      | <b>170,263</b> | <b>158,608</b> | <b>158,722</b> | <b>162,777</b> | <b>162,922</b> | <b>173,958</b> | <b>176,657</b> | <b>183,263</b> | <b>189,464</b> |
| <b>Annual surplus or deficit (-) .....</b>   | <b>-36,632</b>      | <b>-30,006</b> | <b>-8,688</b>  | <b>2,132</b>   | <b>2,847</b>   | <b>13,145</b>  | <b>20,162</b>  | <b>7,019</b>   | <b>6,969</b>   | <b>9,083</b>   |
| Accumulated deficit, beginning of year .....   | 487,524             | 524,156        | 554,162        | 562,850        | 560,718        | 557,871        | 544,726        | 524,564        | 517,545        | 510,576        |
| <b>Accumulated deficit, end of year .....</b>  | <b>524,156</b>      | <b>554,162</b> | <b>562,850</b> | <b>560,718</b> | <b>557,871</b> | <b>544,726</b> | <b>524,564</b> | <b>517,545</b> | <b>510,576</b> | <b>501,493</b> |

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

TABLE 1.2

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

|  | As at March 31 <sup>(1)</sup> |                |                |                |                |                |                |                |                |                |
|--|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | 1995                          | 1996           | 1997           | 1998           | 1999           | 2000           | 2001           | 2002           | 2003           | 2004           |
| <b>LIABILITIES</b>   |                               |                |                |                |                |                |                |                |                |                |
| <b>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES—</b>   |                               |                |                |                |                |                |                |                |                |                |
| Accounts payable and accrued liabilities .....   | 32,815                        | 34,448         | 33,607         | 39,025         | 40,957         | 38,980         | 41,094         | 35,343         | 37,784         | 40,831         |
| Tax payables .....   | 22,912                        | 24,046         | 25,076         | 27,579         | 28,843         | 29,809         | 33,030         | 34,284         | 33,549         | 33,040         |
| Interest and matured debt .....  | 4,831                         | 7,403          | 10,402         | 10,419         | 9,791          | 8,353          | 9,107          | 7,807          | 4,302          | 3,323          |
| Allowance for guarantees .....   | 5,540                         | 5,440          | 5,253          | 4,188          | 4,090          | 3,920          | 3,951          | 4,076          | 3,802          | 2,770          |
| <b>Total accounts payable and accrued liabilities .....</b>                                  | <b>66,098</b>                 | <b>71,337</b>  | <b>74,338</b>  | <b>81,211</b>  | <b>83,681</b>  | <b>81,062</b>  | <b>87,182</b>  | <b>81,510</b>  | <b>79,437</b>  | <b>79,964</b>  |
| <b>INTEREST-BEARING DEBT—</b>  |                               |                |                |                |                |                |                |                |                |                |
| <b>Unmatured debt .....</b>  | <b>442,836</b>                | <b>471,432</b> | <b>478,787</b> | <b>469,215</b> | <b>463,041</b> | <b>459,007</b> | <b>448,994</b> | <b>444,890</b> | <b>442,416</b> | <b>440,231</b> |
| <b>Pension and other liabilities—</b>  |                               |                |                |                |                |                |                |                |                |                |
| Public sector pensions .....   | 101,033                       | 107,882        | 114,205        | 117,457        | 122,407        | 128,346        | 129,185        | 126,921        | 125,708        | 127,560        |
| Other employee and veteran future benefits .....   | 31,331                        | 32,427         | 33,396         | 34,152         | 35,135         | 35,714         | 37,668         | 38,280         | 38,844         | 39,367         |
| Due to Canada Pension Plan .....   | 3,406                         | 3,636          | 3,718          | 4,205          | 5,427          | 6,217          | 6,391          | 6,770          | 7,093          | 7,483          |
| Other liabilities .....  | 4,029                         | 4,549          | 4,959          | 5,060          | 5,222          | 5,474          | 5,729          | 5,971          | 6,642          | 6,488          |
| <b>Total interest-bearing debt .....</b>   | <b>139,799</b>                | <b>148,494</b> | <b>156,278</b> | <b>160,874</b> | <b>168,191</b> | <b>175,751</b> | <b>178,973</b> | <b>177,942</b> | <b>178,287</b> | <b>180,898</b> |
| <b>Total interest-bearing debt .....</b>   | <b>582,635</b>                | <b>619,926</b> | <b>635,065</b> | <b>630,089</b> | <b>631,232</b> | <b>634,758</b> | <b>627,967</b> | <b>622,832</b> | <b>620,703</b> | <b>621,129</b> |
| <b>TOTAL LIABILITIES .....</b>   | <b>648,733</b>                | <b>691,263</b> | <b>709,403</b> | <b>711,300</b> | <b>714,913</b> | <b>715,820</b> | <b>715,149</b> | <b>704,342</b> | <b>700,140</b> | <b>701,093</b> |
| <b>FINANCIAL ASSETS</b>  |                               |                |                |                |                |                |                |                |                |                |
| <b>CASH AND ACCOUNTS RECEIVABLE—</b>   |                               |                |                |                |                |                |                |                |                |                |
| Cash .....   | 1,383                         | 9,044          | 10,175         | 11,691         | 10,693         | 14,511         | 15,801         | 11,360         | 16,486         | 20,546         |
| Tax receivables .....  | 36,769                        | 38,610         | 39,383         | 40,679         | 41,838         | 43,321         | 48,572         | 45,605         | 43,597         | 47,953         |
| Other accounts receivable .....  | 3,382                         | 4,923          | 3,213          | 2,832          | 3,348          | 3,179          | 2,629          | 2,868          | 2,543          | 2,422          |
| <b>Total cash and accounts receivable .....</b>  | <b>41,534</b>                 | <b>52,577</b>  | <b>52,771</b>  | <b>55,202</b>  | <b>55,879</b>  | <b>61,011</b>  | <b>67,002</b>  | <b>59,833</b>  | <b>62,626</b>  | <b>70,921</b>  |
| <b>FOREIGN EXCHANGE ACCOUNTS—</b>  |                               |                |                |                |                |                |                |                |                |                |
| International reserves held in the Exchange Fund Account .....                               | 14,356                        | 18,908         | 26,726         | 28,198         | 31,855         | 38,630         | 47,845         | 48,667         | 44,849         | 41,247         |
| International Monetary Fund—Subscriptions .....  | 9,433                         | 8,580          | 8,295          | 8,194          | 13,048         | 12,390         | 12,814         | 12,821         | 12,942         | 12,185         |
| Less: International Monetary Fund—Notes payable and special drawing rights allocations ..... | 9,439                         | 8,434          | 8,208          | 7,424          | 10,235         | 9,526          | 10,389         | 9,442          | 8,841          | 9,119          |
| <b>Total net foreign exchange accounts .....</b>   | <b>14,350</b>                 | <b>19,054</b>  | <b>26,813</b>  | <b>28,968</b>  | <b>34,668</b>  | <b>41,494</b>  | <b>50,270</b>  | <b>52,046</b>  | <b>48,950</b>  | <b>44,313</b>  |
| <b>LOANS, INVESTMENTS AND ADVANCES—</b>  |                               |                |                |                |                |                |                |                |                |                |
| Enterprise Crown corporations and other government business enterprises .....                | 19,085                        | 15,546         | 15,212         | 14,697         | 13,089         | 13,369         | 14,176         | 13,688         | 14,555         | 16,232         |
| National governments including developing countries and international organizations .....    | 12,687                        | 13,092         | 13,374         | 13,712         | 14,750         | 14,231         | 14,998         | 15,272         | 14,793         | 14,293         |
| Other loans, investments and advances .....  | 8,367                         | 5,652          | 5,839          | 6,021          | 6,053          | 6,103          | 8,335          | 9,574          | 11,650         | 16,609         |
| <b>Total loans, investments and advances .....</b>   | <b>40,139</b>                 | <b>34,290</b>  | <b>34,425</b>  | <b>34,430</b>  | <b>33,892</b>  | <b>33,703</b>  | <b>37,509</b>  | <b>38,534</b>  | <b>40,998</b>  | <b>47,134</b>  |
| Less: allowance for valuation .....  | 14,784                        | 13,266         | 13,571         | 15,253         | 16,119         | 15,343         | 15,937         | 16,978         | 17,250         | 17,586         |
| <b>Total loans, investments and advances .....</b>   | <b>25,355</b>                 | <b>21,024</b>  | <b>20,854</b>  | <b>19,177</b>  | <b>17,773</b>  | <b>18,360</b>  | <b>21,572</b>  | <b>21,556</b>  | <b>23,748</b>  | <b>29,548</b>  |
| <b>TOTAL FINANCIAL ASSETS .....</b>  | <b>81,239</b>                 | <b>92,655</b>  | <b>100,438</b> | <b>103,347</b> | <b>108,320</b> | <b>120,865</b> | <b>138,844</b> | <b>133,435</b> | <b>135,324</b> | <b>144,782</b> |
| <b>NET DEBT .....</b>  | <b>567,494</b>                | <b>598,608</b> | <b>608,965</b> | <b>607,953</b> | <b>606,593</b> | <b>594,955</b> | <b>576,305</b> | <b>570,907</b> | <b>564,816</b> | <b>556,311</b> |
| <b>NON-FINANCIAL ASSETS</b>  |                               |                |                |                |                |                |                |                |                |                |
| Tangible capital assets .....  | 36,891                        | 37,763         | 39,253         | 40,174         | 41,500         | 42,854         | 44,214         | 45,724         | 47,034         | 47,745         |
| Inventories .....  | 5,577                         | 5,803          | 5,972          | 6,160          | 6,310          | 6,451          | 6,591          | 6,438          | 6,113          | 6,134          |
| Prepaid expenses .....   | 870                           | 880            | 890            | 901            | 912            | 924            | 936            | 1,200          | 1,093          | 939            |
| <b>TOTAL NON-FINANCIAL ASSETS .....</b>  | <b>43,338</b>                 | <b>44,446</b>  | <b>46,115</b>  | <b>47,235</b>  | <b>48,722</b>  | <b>50,229</b>  | <b>51,741</b>  | <b>53,362</b>  | <b>54,240</b>  | <b>54,818</b>  |
| <b>ACCUMULATED DEFICIT .....</b>   | <b>524,156</b>                | <b>554,162</b> | <b>562,850</b> | <b>560,718</b> | <b>557,871</b> | <b>544,726</b> | <b>524,564</b> | <b>517,545</b> | <b>510,576</b> | <b>501,493</b> |

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



TABLE 1.3

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

|  | Year ended March 31 <sup>(1)</sup> |                |                |                |                |                |                |                |                |                |
|--|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | 1995                               | 1996           | 1997           | 1998           | 1999           | 2000           | 2001           | 2002           | 2003           | 2004           |
| <b>Net debt, beginning of year.....</b>                      | <b>527,918</b>                     | <b>567,494</b> | <b>598,608</b> | <b>608,965</b> | <b>607,953</b> | <b>606,593</b> | <b>594,955</b> | <b>576,305</b> | <b>570,907</b> | <b>564,816</b> |
| Change in net debt during the year—                          |                                    |                |                |                |                |                |                |                |                |                |
| Annual surplus (-) or deficit.....                           | 36,632                             | 30,006         | 8,688          | -2,132         | -2,847         | -13,145        | -20,162        | -7,019         | -6,969         | -9,083         |
| Changes due to tangible capital assets—                      |                                    |                |                |                |                |                |                |                |                |                |
| Acquisition of tangible capital assets.....                  | 5,068                              | 3,269          | 3,970          | 3,425          | 3,818          | 3,851          | 3,880          | 4,485          | 5,051          | 4,535          |
| Amortization of tangible capital assets.....                 | -2,089                             | -2,195         | -2,277         | -2,320         | -2,312         | -2,290         | -2,312         | -2,583         | -3,341         | -3,502         |
| Proceeds from disposal of tangible capital assets....        | -85                                | -73            | -1,575         | -82            | -95            | -46            | -111           | -56            | -288           | -91            |
| Loss (-) or gain on disposal of tangible capital assets..... | -138                               | -129           | 1,372          | -102           | -85            | -161           | -97            | -336           | -112           | -231           |
| <i>Total.....</i>  | <i>2,756</i>                       | <i>872</i>     | <i>1,490</i>   | <i>921</i>     | <i>1,326</i>   | <i>1,354</i>   | <i>1,360</i>   | <i>1,510</i>   | <i>1,310</i>   | <i>711</i>     |
| Changes due to inventories.....                              | 179                                | 226            | 169            | 188            | 150            | 141            | 140            | -153           | -325           | 21             |
| Changes due to prepaid expenses.....                         | 9                                  | 10             | 10             | 11             | 11             | 12             | 12             | 264            | -107           | -154           |
| <b>Net decrease (-) or increase in net debt.....</b>         | <b>39,576</b>                      | <b>31,114</b>  | <b>10,357</b>  | <b>-1,012</b>  | <b>-1,360</b>  | <b>-11,638</b> | <b>-18,650</b> | <b>-5,398</b>  | <b>-6,091</b>  | <b>-8,505</b>  |
| <b>Net debt, end of year.....</b>                            | <b>567,494</b>                     | <b>598,608</b> | <b>608,965</b> | <b>607,953</b> | <b>606,593</b> | <b>594,955</b> | <b>576,305</b> | <b>570,907</b> | <b>564,816</b> | <b>556,311</b> |

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

TABLE 1.4

GOVERNMENT OF CANADA  
STATEMENT OF CASH FLOW

(in millions of dollars)

|   | Year ended March 31 <sup>(1)</sup> |                |               |               |               |               |                |               |               |               |
|---|------------------------------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
|   | 1995                               | 1996           | 1997          | 1998          | 1999          | 2000          | 2001           | 2002          | 2003          | 2004          |
| <b>Operating activities—</b>  |                                    |                |               |               |               |               |                |               |               |               |
| <b>Annual surplus or deficit (-).....</b>   | <b>-36,632</b>                     | <b>-30,006</b> | <b>-8,688</b> | <b>2,132</b>  | <b>2,847</b>  | <b>13,145</b> | <b>20,162</b>  | <b>7,019</b>  | <b>6,969</b>  | <b>9,083</b>  |
| Items not affecting cash—   |                                    |                |               |               |               |               |                |               |               |               |
| Share of annual profit in enterprise Crown corporations and other government business enterprises ..... | -1,928                             | -1,873         | -1,858        | -2,281        | -2,507        | -2,562        | -3,274         | -2,482        | -2,962        | -3,711        |
| Amortization of tangible capital assets .....   | 2,089                              | 2,195          | 2,277         | 2,320         | 2,312         | 2,290         | 2,312          | 2,583         | 3,341         | 3,502         |
| Loss or gain (-) on disposal of tangible capital assets ....  | 138                                | 129            | -1,372        | 102           | 85            | 161           | 97             | 336           | 112           | 231           |
| Changes in inventories and prepaid expenses .....   | -188                               | -236           | -179          | -199          | -161          | -153          | -152           | -111          | 432           | 133           |
| Changes in pension and other liabilities .....  | 8,449                              | 8,695          | 7,784         | 4,596         | 7,317         | 7,560         | 3,222          | -1,031        | 346           | 2,611         |
| Changes in foreign exchange accounts .....  | -1,425                             | -4,704         | -7,759        | -2,155        | -5,700        | -6,826        | -8,776         | -1,776        | 3,096         | 4,637         |
| Net change in other accounts .....  | 4,147                              | 240            | 3,932         | 7,070         | 1,355         | -5,078        | 1,092          | -1,905        | 532           | -3,372        |
| <b>Cash provided or used (-) by operating activities.....</b>   | <b>-25,350</b>                     | <b>-25,560</b> | <b>-5,863</b> | <b>11,585</b> | <b>5,548</b>  | <b>8,537</b>  | <b>14,683</b>  | <b>2,633</b>  | <b>11,866</b> | <b>13,114</b> |
| <b>Capital investment activities—</b>   |                                    |                |               |               |               |               |                |               |               |               |
| Acquisitions of tangible capital assets .....   | -5,068                             | -3,269         | -3,970        | -3,425        | -3,818        | -3,851        | -3,880         | -4,485        | -5,051        | -4,535        |
| Proceeds from disposal of tangible capital assets .....   | 85                                 | 73             | 1,575         | 82            | 95            | 46            | 111            | 56            | 288           | 91            |
| <b>Cash provided or used (-) by capital investment activities.....</b>                                  | <b>-4,983</b>                      | <b>-3,196</b>  | <b>-2,395</b> | <b>-3,343</b> | <b>-3,723</b> | <b>-3,805</b> | <b>-3,769</b>  | <b>-4,429</b> | <b>-4,763</b> | <b>-4,444</b> |
| <b>Investing activities—</b>  |                                    |                |               |               |               |               |                |               |               |               |
| Enterprise Crown corporations and other government business enterprise net repayments .....             | 2,653                              | 5,412          | 2,192         | 2,796         | 4,115         | 2,282         | 2,467          | 2,971         | 2,095         | 2,034         |
| Other loans, investments and advances issued .....  | -4,250                             | -3,538         | -2,676        | -4,434        | -3,621        | -2,659        | -5,037         | -5,453        | -6,216        | -9,366        |
| Other loans, investments and advances repayments .....  | 4,129                              | 5,947          | 2,518         | 4,484         | 2,857         | 3,497         | 2,959          | 3,941         | 4,619         | 4,907         |
| <b>Cash provided or used (-) by investing activities.....</b>   | <b>2,532</b>                       | <b>7,821</b>   | <b>2,034</b>  | <b>2,846</b>  | <b>3,351</b>  | <b>3,120</b>  | <b>389</b>     | <b>1,459</b>  | <b>498</b>    | <b>-2,425</b> |
| <b>Total cash generated or required (-) before financing activities.....</b>                            | <b>-27,801</b>                     | <b>-20,935</b> | <b>-6,224</b> | <b>11,088</b> | <b>5,176</b>  | <b>7,852</b>  | <b>11,303</b>  | <b>-337</b>   | <b>7,601</b>  | <b>6,245</b>  |
| <b>Financing activities—</b>  |                                    |                |               |               |               |               |                |               |               |               |
| Canadian currency borrowings issued .....   | 451,468                            | 448,521        | 379,055       | 283,297       | 245,934       | 267,810       | 225,243        | 257,953       | 309,189       | 336,148       |
| Canadian currency borrowings repayments .....   | -429,972                           | -419,813       | -377,907      | -297,036      | -260,925      | -268,432      | -235,825       | -255,931      | -305,773      | -337,734      |
| Foreign currencies borrowings issued .....  | 43,796                             | 27,839         | 36,806        | 42,586        | 51,859        | 33,418        | 34,176         | 23,412        | 17,297        | 14,227        |
| Foreign currencies borrowings repayments .....  | -37,543                            | -27,951        | -30,599       | -38,419       | -43,042       | -36,830       | -33,607        | -29,538       | -23,188       | -14,826       |
| <b>Cash provided or used (-) by financing activities.....</b>   | <b>27,749</b>                      | <b>28,596</b>  | <b>7,355</b>  | <b>-9,572</b> | <b>-6,174</b> | <b>-4,034</b> | <b>-10,013</b> | <b>-4,104</b> | <b>-2,475</b> | <b>-2,185</b> |
| <b>Net increase or decrease (-) in cash.....</b>  | <b>-52</b>                         | <b>7,661</b>   | <b>1,131</b>  | <b>1,516</b>  | <b>-998</b>   | <b>3,818</b>  | <b>1,290</b>   | <b>-4,441</b> | <b>5,126</b>  | <b>4,060</b>  |
| <b>Cash at beginning of year .....</b>  | <b>1,435</b>                       | <b>1,383</b>   | <b>9,044</b>  | <b>10,175</b> | <b>11,691</b> | <b>10,693</b> | <b>14,511</b>  | <b>15,801</b> | <b>11,360</b> | <b>16,486</b> |
| <b>Cash at end of year .....</b>  | <b>1,383</b>                       | <b>9,044</b>   | <b>10,175</b> | <b>11,691</b> | <b>10,693</b> | <b>14,511</b> | <b>15,801</b>  | <b>11,360</b> | <b>16,486</b> | <b>20,546</b> |

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

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 |               |               |               |              |              |               |               |               |               |
|---|---------------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|---------------|---------------|
|   | 1995                | 1996          | 1997          | 1998          | 1999         | 2000         | 2001          | 2002          | 2003          | 2004          |
| <b>Loans, investments and advances—</b>                                   |                     |               |               |               |              |              |               |               |               |               |
| Enterprise Crown corporations and other government business enterprises—  |                     |               |               |               |              |              |               |               |               |               |
| Loans and advances—   |                     |               |               |               |              |              |               |               |               |               |
| Canada Deposit Insurance Corporation .....                                | 991                 | 533           | 772           | 460           | 395          |              |               |               |               |               |
| Canada Mortgage and Housing Corporation .....                             | 240                 | 571           | 325           | 230           | 410          | 223          | 224           | 226           | 218           | 219           |
| Farm Credit Canada .....  | -35                 | 214           | -197          | 630           | 836          | 236          | 226           | 578           |               |               |
| Other .....   | 21                  | 80            | 25            | 24            | 60           | 58           | -38           |               | 63            | -28           |
|   | <i>1,217</i>        | <i>1,398</i>  | <i>925</i>    | <i>1,344</i>  | <i>1,701</i> | <i>517</i>   | <i>412</i>    | <i>804</i>    | <i>281</i>    | <i>191</i>    |
| Investments—  |                     |               |               |               |              |              |               |               |               |               |
| Share of annual profit .....  | -1,928              | -1,873        | -1,858        | -2,281        | -2,507       | -2,562       | -3,274        | -2,482        | -2,962        | -3,711        |
| Dividends .....   | 1,587               | 1,857         | 1,371         | 1,555         | 2,566        | 1,792        | 1,990         | 2,078         | 1,881         | 1,907         |
| Capital .....   | -151                | 2,157         | -104          | -103          | -152         | -27          | 65            | 89            | -67           | -64           |
|   | <i>-492</i>         | <i>2,141</i>  | <i>-591</i>   | <i>-829</i>   | <i>-93</i>   | <i>-797</i>  | <i>-1,219</i> | <i>-315</i>   | <i>-1,148</i> | <i>-1,868</i> |
| Total .....   | 725                 | 3,539         | 334           | 515           | 1,608        | -280         | -807          | 489           | -867          | -1,677        |
| Other loans, investments and advances—                                    |                     |               |               |               |              |              |               |               |               |               |
| Portfolio investments .....   |                     | 3,074         |               | 59            |              | 1            |               |               |               |               |
| National governments including developing countries ..                    | 152                 | 61            | 147           | 215           | -477         | 198          | 2             | 219           | 684           | 574           |
| International organizations .....   | 1,027               | 296           | 325           | 3,767         | 143          | -237         | 313           | 453           | 327           | -74           |
| Provincial and territorial governments .....                              | 235                 | 167           | 155           | -407          | -162         | -738         | -963          | 385           | -139          | -2,459        |
| Other .....   | 492                 | -526          | -342          | -138          | -74          | 317          | -1,269        | -1,624        | -1,827        | -2,500        |
|   | <i>1,906</i>        | <i>3,072</i>  | <i>285</i>    | <i>3,496</i>  | <i>-570</i>  | <i>-459</i>  | <i>-1,917</i> | <i>-567</i>   | <i>-955</i>   | <i>-4,459</i> |
| Total loans, investments and advances .....                               | 2,631               | 6,611         | 619           | 4,011         | 1,038        | -739         | -2,724        | -78           | -1,822        | -6,136        |
| Allowance for valuation .....   | -2,202              | -2,280        | -449          | -2,334        | 366          | 152          | -488          | 94            | -370          | 336           |
| Total loans, investments and advances after allowance for valuation ..... | 429                 | 4,331         | 170           | 1,677         | 1,404        | -587         | -3,212        | 16            | -2,192        | -5,800        |
| <b>Pension and other liabilities—</b>                                     |                     |               |               |               |              |              |               |               |               |               |
| Public sector pensions .....  | 6,936               | 6,849         | 6,323         | 3,252         | 4,950        | 5,939        | 839           | -2,264        | -1,213        | 1,852         |
| Other employee and veteran future benefits .....                          | 516                 | 1,096         | 969           | 756           | 983          | 579          | 1,954         | 612           | 564           | 523           |
| Due to Canada Pension Plan .....  | 678                 | 230           | 82            | 487           | 1,222        | 790          | 174           | 379           | 323           | 390           |
| Other liabilities .....   | 319                 | 520           | 410           | 101           | 162          | 252          | 255           | 242           | 672           | -154          |
| Total pension and other liabilities .....                                 | 8,449               | 8,695         | 7,784         | 4,596         | 7,317        | 7,560        | 3,222         | -1,031        | 346           | 2,611         |
| <b>Non-financial assets—</b>  |                     |               |               |               |              |              |               |               |               |               |
| Tangible capital assets .....   | -2,756              | -872          | -1,490        | -921          | -1,326       | -1,354       | -1,360        | -1,510        | -1,310        | -711          |
| Inventories .....   | -179                | -226          | -169          | -188          | -150         | -141         | -140          | 153           | 325           | -21           |
| Prepaid expenses .....  | -9                  | -10           | -10           | -11           | -11          | -12          | -12           | -264          | 107           | 154           |
| Total non-financial assets .....  | -2,944              | -1,108        | -1,669        | -1,120        | -1,487       | -1,507       | -1,512        | -1,621        | -878          | -578          |
| <b>Other transactions—</b>  |                     |               |               |               |              |              |               |               |               |               |
| Tax receivables .....   | -1,089              | -1,841        | -773          | -1,296        | -1,159       | -1,483       | -5,251        | 2,967         | 2,008         | -4,356        |
| Other receivables .....   | 120                 | -1,541        | 1,710         | 381           | -516         | 169          | 550           | -239          | 325           | 121           |
| Provincial and territorial tax collection agreements account .....        | 870                 | 1,058         | 352           | -551          | 1,267        | -1,402       | -824          | -1,139        | -934          | 2,374         |
| Tax payables .....  | 1,002               | 1,134         | 1,030         | 2,503         | 1,264        | 966          | 3,221         | 1,254         | -735          | -509          |
| Other liabilities .....   | 3,418               | 3,047         | 1,619         | 4,921         | -61          | -2,183       | 3,723         | -5,787        | -404          | -1,338        |
| Total other transactions .....  | 4,321               | 1,857         | 3,938         | 5,958         | 795          | -3,933       | 1,419         | -2,944        | 260           | -3,708        |
| <b>Net non-budgetary transactions after allowance for valuation .....</b> | <b>10,255</b>       | <b>13,775</b> | <b>10,223</b> | <b>11,111</b> | <b>8,029</b> | <b>1,533</b> | <b>-83</b>    | <b>-5,580</b> | <b>-2,464</b> | <b>-7,475</b> |

TABLE 1.6

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

|  | Year ended March 31 |        |         |         |         |        |         |        |        |        |
|--|---------------------|--------|---------|---------|---------|--------|---------|--------|--------|--------|
|  | 1995                | 1996   | 1997    | 1998    | 1999    | 2000   | 2001    | 2002   | 2003   | 2004   |
| <b>Foreign exchange transactions—</b>                                |                     |        |         |         |         |        |         |        |        |        |
| International reserves held in the Exchange Fund                     |                     |        |         |         |         |        |         |        |        |        |
| Account . . . . .  | -1,200              | -4,552 | -7,818  | -1,472  | -3,657  | -6,775 | -9,215  | -822   | 3,818  | 3,602  |
| International Monetary Fund—Subscriptions . . . . .                  | -990                | 853    | 285     | 101     | -4,854  | 658    | -424    | -7     | -121   | 757    |
|  | -2,190              | -3,699 | -7,533  | -1,371  | -8,511  | -6,117 | -9,639  | -829   | 3,697  | 4,359  |
| Less: International Monetary Fund—Notes payable . . . . .            | -586                | 851    | 174     | 766     | -2,693  | 634    | -835    | 947    | 623    | -336   |
| Special drawing rights allocations . . . . .                         | -179                | 154    | 52      | 18      | -118    | 75     | -28     |        | -22    | 58     |
|  | -765                | 1,005  | 226     | 784     | -2,811  | 709    | -863    | 947    | 601    | -278   |
| Total foreign exchange transactions . . . . .                        | -1,425              | -4,704 | -7,759  | -2,155  | -5,700  | -6,826 | -8,776  | -1,776 | 3,096  | 4,637  |
| <b>Unmatured debt transactions—</b>                                  |                     |        |         |         |         |        |         |        |        |        |
| Marketable bonds . . . . .   | 25,142              | 28,660 | 32,744  | 15,788  | 9,575   | -866   | 1,046   | -1,107 | -5,598 | -9,466 |
| Treasury bills . . . . .   | -1,550              | 1,650  | -30,700 | -23,100 | -15,350 | 2,900  | -11,150 | 5,523  | 10,371 | 8,967  |
| Canada savings, Canada premium and Canada investment bonds . . . . . | 43                  |        | 2,010   | -2,701  | -2,107  | -1,173 | -390    | -2,340 | -1,382 | -1,254 |
| Non-marketable bonds and notes . . . . .                             | -9                  | -10    | -10     | -12     | 607     | -511   | -79     | -82    | -19    | 56     |
| Canada notes . . . . .   |                     | 310    | 1,811   | -456    | -404    | -208   | 527     | -378   | 42     | 13     |
| Canada bills and other . . . . .                                     | 3,397               | -2,061 | 1,450   | 920     | 815     | -4,163 | 43      | -5,748 | -5,933 | -612   |
| Obligations related to capital leases . . . . .                      | 726                 | 47     | 50      | -11     | 690     | -13    | -10     | 28     | 44     | 111    |
| Total unmatured debt transactions . . . . .                          | 27,749              | 28,596 | 7,355   | -9,572  | -6,174  | -4,034 | -10,013 | -4,104 | -2,475 | -2,185 |
| <b>Cash at end of year—</b>  |                     |        |         |         |         |        |         |        |        |        |
| In Canadian currency . . . . .                                       | 1,307               | 8,968  | 10,063  | 11,605  | 10,662  | 14,468 | 15,772  | 11,313 | 16,436 | 20,533 |
| In foreign currencies . . . . .                                      | 76                  | 76     | 112     | 86      | 31      | 43     | 29      | 47     | 50     | 13     |
| Total cash . . . . .   | 1,383               | 9,044  | 10,175  | 11,691  | 10,693  | 14,511 | 15,801  | 11,360 | 16,486 | 20,546 |

## GLOSSARY OF TERMS

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

- 1- The *Vocabulary of Government Finance Management*, Terminology Bulletin 232, Public Works and Government Services Canada.
  - 2- The *CICA Public Sector Accounting Handbook*.
  - 3- Glossary of Frequently-Used Terms, Finance Canada.
- **Accounts of Canada –**  
The centralized record of the financial transactions of the Government of Canada, maintained by the Receiver General. The accounts of Canada summarize revenues, expenses, assets and liabilities transactions.
  - **Accrued Benefit Obligation –**  
The value of future benefits attributed to services rendered by employees and former employees to the accounting date.
  - **Accumulated Deficit –**  
The accumulated net total of all past federal deficits and surpluses since Confederation. The accumulated deficit is also equal to total liabilities less total assets – both financial and non-financial.
  - **Actuarial Valuation for Accounting Purposes –**  
An assessment of the financial status of a benefit plan. It consists of the valuation of assets held to discharge the benefit liability and calculation of the actuarial present value of benefits to be paid under the plan. The valuation results in a calculation of the required future contributions or payments and a determination of any gains or losses since the last valuation.
  - **Allowance –**  
Estimated potential losses on the realization of government financial claims or estimated financial obligations that would not otherwise be recorded in the financial statements.
  - **Appropriation –**  
Any authority of Parliament to pay money out of the Consolidated Revenue Fund.
  - **Capital Lease –**  
A lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee.
  - **Consolidated Revenue Fund –**  
The aggregate of all public moneys that are on deposit at the credit of the Receiver General for Canada.
  - **Consumer Price Index (CPI) –**  
A measure of price changes produced by Statistics Canada on a monthly basis. The CPI measures the retail prices of a “shopping basket” of about 300 goods and services including food, housing, transportation, clothing and recreation. The index is “weighted”, meaning that it gives greater importance to price changes for some products than others – more to housing, for example, than to entertainment – in an effort to reflect typical spending patterns. Increases in the CPI are also referred to as increases in the cost of living.
  - **Contingency Reserve –**  
Funds set aside in the fiscal projections to cushion against changes in the economy. When this reserve is not otherwise used, it is applied to the accumulated deficit.
  - **Contingent Liability –**  
A potential debt which may become an actual financial obligation if certain events occur or fail to occur.
  - **Contractual Commitment –**  
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 –**  
The total value of all goods and services produced within Canada during a given year. It is a measure of the income generated by production within Canada. Also referred to as annual economic output or, more simply, output. To avoid counting the same output more than once, GDP includes only final goods and services – not those that are used to make another product. GDP would not include the wheat used to make bread, but would include the bread itself.
- **Net Book Value of Tangible Capital Assets –**  
The cost of tangible capital assets less both accumulated amortization and the amount of any write-downs.
- **Net Debt –**  
The total liabilities of the government less its financial assets.
- **Non-Financial Assets –**  
An asset on hand at the end of the accounting period, which could not normally be converted to cash to pay off the debt, without disrupting government operations.
- **Operating Lease –**  
A lease in which the lessor retains substantially all the benefits and risks of ownership.
- **Public Money –**  
All money belonging to Canada received or collected by the Receiver General or any other public officer in his official capacity or any person authorized to receive or collect such money.
- **Real Return Bonds –**  
These bonds pay semi-annual interest based on a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on real return bonds are adjusted for changes in the consumer price index.
- **Reserve for Economic Prudence –**  
Funds set aside in the fiscal projections in addition to the contingency reserve. This reserve provides further assurance against falling back into deficit.
- **Surplus –**  
The amount by which government revenue exceeds expenses in any given year.
- **Swap –**  
An agreement that exchanges one type of return or financial instrument for another (e.g. a fixed for a floating rate of interest).
- **Tangible Capital Asset –**  
A non-financial asset having physical substance that:
  - (i) is held for use in the production or supply of goods and services;
  - (ii) has a useful economic life extending beyond an accounting period; and
  - (iii) has been acquired to be used on a continuing basis.
- **Transfer Payments –**  
A transfer of money from a government to an individual, an organization or another government for which the government making the transfer does not:
  - (i) receive any goods or services directly in return as would occur in a purchase/sales transaction;
  - (ii) expect to be repaid in the future, as would be expected in a loan; or
  - (iii) expect a financial return, as would be expected in an investment.

# SECTION 2

2003-2004

*PUBLIC ACCOUNTS OF CANADA*

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

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

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

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

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

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

The financial statements consist of four statements and accompanying notes.

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

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

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

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

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

In December 2003, the Government announced a plan for the reorganization of various departments and agencies. As at March 31, 2004, the changes in legislation validating the restructuring were not yet in place. Consequently, the *Public Accounts of Canada 2004* have been prepared using the former reporting structure and names of departments and agencies.



## STATEMENT OF RESPONSIBILITY

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

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

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

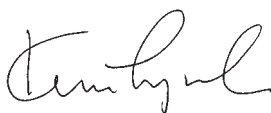
The Government presents the financial statements to the Auditor General of Canada who audits them and provides an independent opinion to the House of Commons. The duties of the Auditor General in that respect are contained in section 6 of the *Auditor General Act*. Additional information is provided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

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

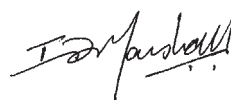
On behalf of the Government of Canada.



RUTH DANTZER  
for JIM JUDD  
Secretary of the Treasury Board  
of Canada



KEVIN G. LYNCH  
Deputy Minister of Finance



I. DAVID MARSHALL  
Deputy Receiver General for  
Canada



Auditor General of Canada  
Vérificatrice générale du Canada

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

To the House of Commons:

### OPINION ON THE FINANCIAL STATEMENTS

I have audited the statement of financial position of the Government of Canada as at March 31, 2004 and the statements of operations and accumulated deficit, change in net debt, and cash flow for the year then ended. These financial statements are the responsibility of the Government. My responsibility, as required by section 6 of the *Auditor General Act*, is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Government of Canada as at March 31, 2004 and the results of its operations, the changes in its net debt and its cash flow for the year then ended in accordance with the stated accounting policies of the Government set out in Note 1 to the financial statements. As required by section 6 of the *Auditor General Act*, I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

### OTHER MATTERS FOR PARLIAMENT'S ATTENTION

In forming my opinion as to the fair presentation of these financial statements in accordance with the Government's stated accounting policies, I decided to continue to draw Parliament's attention to two matters. This is the fourth consecutive year that I have included these matters in my Report.

***Compliance with the Employment Insurance Act.*** The balance of the Employment Insurance Account increased by \$2 billion during the year to \$46 billion as at March 31, 2004. The *Employment Insurance Act* requires that all money collected for employment insurance purposes be credited to the Account. The balance in the Account can only be reduced by charges for employment insurance benefits and administration. In my view, Parliament did not intend for the Account to accumulate a surplus beyond what could reasonably be spent for employment insurance purposes, given the existing benefit structure and providing for an economic downturn. The current surplus now exceeds three times the maximum reserve that the Chief Actuary of Human Resources Development Canada considered sufficient in 2001. Accordingly, in my opinion, the government did not observe the intent of the *Employment Insurance Act*.

***Transfers to Foundations.*** The Government accounts for significant amounts of public money it provides to various foundations as expenses, even though the money is provided to them long before – in some cases more than 10 years before – it is actually spent for its ultimate intended purposes. Over the past eight years, the Government has transferred some \$9.1 billion to these foundations. Under its stated accounting policies, it has recorded these amounts as expenses (\$400 million in the year ended March 31, 2004), even though \$7.7 billion is still in the foundations' bank accounts and investments or is receivable from the Government. In my view, these stated accounting policies did not contemplate

situations in which the funds would not be used for the ultimate intended purposes within the year of transfer or shortly thereafter.

I continue to urge the Government to review recent and developing recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants relevant to the transfers to foundations - with a view to reconsidering how they are accounted for in its financial statements.

I am also very concerned about the accountability and governance arrangements for these foundations. While the Government has made some improvements, I am concerned that accounting considerations may be preventing the Government from making all necessary improvements. I urge the Government to implement proper accountability and governance structures for the foundations and not constrain itself from achieving this end by a desire to achieve a particular accounting result.

#### **ADDITIONAL INFORMATION**

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 *2004 Public Accounts of Canada*.

A handwritten signature in black ink that reads "Sheila Fraser". The script is cursive and fluid.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
September 7, 2004

## GOVERNMENT OF CANADA

Statement of Operations and Accumulated Deficit  
for the Year Ended March 31, 2004

(in millions of dollars)

|   | 2004                       |                | 2003           |
|---|----------------------------|----------------|----------------|
|   | Budget <sup>(1)</sup>      | Actual         | Actual         |
| <b>REVENUES</b>   |                            |                |                |
| <b>TAX REVENUES —</b>   |                            |                |                |
| <b>Income tax —</b>   |                            |                |                |
| Personal .....  | 94,700                     | 92,957         | 89,530         |
| Corporate .....   | 24,300                     | 27,431         | 22,222         |
| Other income tax revenues .....   | 3,100                      | 3,142          | 3,291          |
|   | <b>122,100</b>             | <b>123,530</b> | <b>115,043</b> |
| <b>Other taxes and duties —</b>   |                            |                |                |
| Goods and services tax .....  | 30,000                     | 28,286         | 28,248         |
| Energy taxes .....  | 5,100                      | 4,952          | 4,935          |
| Customs import duties .....   | 3,300                      | 2,887          | 3,278          |
| Other excise taxes and duties .....   | 4,700                      | 5,240          | 4,896          |
|   | <b>43,100</b>              | <b>41,365</b>  | <b>41,357</b>  |
| <b>TOTAL TAX REVENUES .....</b>   | <b>165,200</b>             | <b>164,895</b> | <b>156,400</b> |
| <b>EMPLOYMENT INSURANCE PREMIUMS .....</b>  | <b>17,600</b>              | <b>17,546</b>  | <b>17,870</b>  |
| <b>OTHER REVENUES —</b>   |                            |                |                |
| Crown corporation revenues .....  | 4,200                      | 5,920          | 5,305          |
| Other program revenues .....  | 7,700                      | 8,096          | 7,278          |
| Foreign exchange revenues .....   | 2,600                      | 2,090          | 3,379          |
| <b>TOTAL OTHER REVENUES .....</b>   | <b>14,500</b>              | <b>16,106</b>  | <b>15,962</b>  |
| <b>TOTAL REVENUES .....</b>   | <b>197,300</b>             | <b>198,547</b> | <b>190,232</b> |
| <b>EXPENSES (Note 3)</b>  |                            |                |                |
| <b>TRANSFER PAYMENTS —</b>  |                            |                |                |
| Old age security benefits, guaranteed income<br>supplement and spouse's allowance ..... | 26,800                     | 26,902         | 25,692         |
| Other levels of government .....  | 31,000                     | 29,392         | 30,645         |
| Employment insurance benefits .....   | 15,700                     | 15,058         | 14,496         |
| Canada child tax benefits .....   | 8,200                      | 8,062          | 7,823          |
| Other transfer payments .....   | 21,900                     | 22,964         | 19,987         |
| <b>TOTAL TRANSFER PAYMENTS .....</b>  | <b>103,600</b>             | <b>102,378</b> | <b>98,643</b>  |
| <b>OTHER PROGRAM EXPENSES —</b>   |                            |                |                |
| Crown corporation expenses .....  | 7,200                      | 6,566          | 6,551          |
| National Defence .....  | 12,500                     | 12,869         | 11,803         |
| All other departments and agencies .....  | 32,400                     | 31,882         | 28,996         |
| <b>TOTAL OTHER PROGRAM EXPENSES .....</b>   | <b>52,100</b>              | <b>51,317</b>  | <b>47,350</b>  |
| <b>TOTAL PROGRAM EXPENSES .....</b>   | <b>155,700</b>             | <b>153,695</b> | <b>145,993</b> |
| <b>PUBLIC DEBT CHARGES .....</b>  | <b>37,600</b>              | <b>35,769</b>  | <b>37,270</b>  |
| <b>TOTAL EXPENSES .....</b>   | <b>193,300</b>             | <b>189,464</b> | <b>183,263</b> |
| <b>ANNUAL SURPLUS .....</b>   | <b>4,000<sup>(2)</sup></b> | <b>9,083</b>   | <b>6,969</b>   |
| <b>ACCUMULATED DEFICIT, BEGINNING OF YEAR .....</b>                                     | <b>510,600</b>             | <b>510,576</b> | <b>517,545</b> |
| <b>ACCUMULATED DEFICIT, END OF YEAR (Note 4) .....</b>                                  | <b>506,600</b>             | <b>501,493</b> | <b>510,576</b> |

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

<sup>(1)</sup> Derived from Budget 2003.

<sup>(2)</sup> Budget 2003 disclosed the budgetary surplus as \$4 billion before deducting reserves for contingency (\$3 billion) and economic prudence (\$1 billion).

## GOVERNMENT OF CANADA

Statement of Financial Position  
at March 31, 2004

(in millions of dollars)

|   | 2004           | 2003           |
|---|----------------|----------------|
| <b>LIABILITIES</b>  |                |                |
| <b>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES —</b>   |                |                |
| Accounts payable and accrued liabilities .....  | 40,831         | 37,784         |
| Tax payables .....  | 33,040         | 33,549         |
| Interest and matured debt .....   | 3,323          | 4,302          |
| Allowance for guarantees .....  | 2,770          | 3,802          |
| <b>TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES .....</b>                                     | <b>79,964</b>  | <b>79,437</b>  |
| <b>INTEREST-BEARING DEBT —</b>  |                |                |
| Unmatured debt (Note 5) .....   | 440,231        | 442,416        |
| Pension and other liabilities —   |                |                |
| Public sector pensions (Note 6) .....   | 127,560        | 125,708        |
| Other employee and veteran future benefits (Note 6) .....                                       | 39,367         | 38,844         |
| Due to Canada Pension Plan (Note 7) .....   | 7,483          | 7,093          |
| Other liabilities .....   | 6,488          | 6,642          |
| <i>Total pension and other liabilities .....</i>  | <i>180,898</i> | <i>178,287</i> |
| <b>TOTAL INTEREST-BEARING DEBT .....</b>  | <b>621,129</b> | <b>620,703</b> |
| <b>TOTAL LIABILITIES .....</b>  | <b>701,093</b> | <b>700,140</b> |
| <b>FINANCIAL ASSETS</b>   |                |                |
| <b>CASH AND ACCOUNTS RECEIVABLE —</b>   |                |                |
| Cash .....  | 20,546         | 16,486         |
| Tax receivables (Note 8) .....  | 47,953         | 43,597         |
| Other accounts receivable (Note 8) .....  | 2,422          | 2,543          |
| <b>TOTAL CASH AND ACCOUNTS RECEIVABLE .....</b>   | <b>70,921</b>  | <b>62,626</b>  |
| <b>FOREIGN EXCHANGE ACCOUNTS (Note 9) .....</b>   | <b>44,313</b>  | <b>48,950</b>  |
| <b>LOANS, INVESTMENTS AND ADVANCES —</b>  |                |                |
| Enterprise Crown corporations and other government business enterprises (Notes 10 and 13) ..... | 16,232         | 14,555         |
| National governments, including developing countries and international organizations .....      | 14,293         | 14,793         |
| Other loans, investments and advances .....   | 16,609         | 11,650         |
|   | <b>47,134</b>  | <b>40,998</b>  |
| Less allowance for valuation .....  | 17,586         | 17,250         |
| <b>TOTAL LOANS, INVESTMENTS AND ADVANCES .....</b>  | <b>29,548</b>  | <b>23,748</b>  |
| <b>TOTAL FINANCIAL ASSETS .....</b>   | <b>144,782</b> | <b>135,324</b> |
| <b>NET DEBT .....</b>   | <b>556,311</b> | <b>564,816</b> |
| <b>NON-FINANCIAL ASSETS</b>   |                |                |
| Tangible capital assets (Note 11) .....   | 47,745         | 47,034         |
| Inventories .....   | 6,134          | 6,113          |
| Prepaid expenses .....  | 939            | 1,093          |
| <b>TOTAL NON-FINANCIAL ASSETS .....</b>   | <b>54,818</b>  | <b>54,240</b>  |
| <b>ACCUMULATED DEFICIT (Note 4) .....</b>   | <b>501,493</b> | <b>510,576</b> |

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

## GOVERNMENT OF CANADA

Statement of Change in Net Debt  
for the Year Ended March 31, 2004

(in millions of dollars)

|   | 2004                        |                | 2003           |
|---|-----------------------------|----------------|----------------|
|   | Budget <sup>(1)</sup>       | Actual         | Actual         |
| <b>NET DEBT, BEGINNING OF YEAR .....</b>                      | <b>564,800</b>              | <b>564,816</b> | <b>570,907</b> |
| <b>CHANGE IN NET DEBT DURING THE YEAR —</b>                   |                             |                |                |
| <b>ANNUAL SURPLUS.....</b>                                    | <b>-4,000<sup>(2)</sup></b> | <b>-9,083</b>  | <b>-6,969</b>  |
| <b>CHANGES DUE TO TANGIBLE CAPITAL ASSETS —</b>               |                             |                |                |
| Acquisition of tangible capital assets.....                   | 4,700                       | 4,535          | 5,051          |
| Amortization of tangible capital assets .....                 | -3,100                      | -3,502         | -3,341         |
| Proceeds from disposal of tangible capital assets.....        |                             | -91            | -288           |
| Loss on disposal of tangible capital assets .....             |                             | -231           | -112           |
| <b>TOTAL CHANGES DUE TO TANGIBLE<br/>CAPITAL ASSETS .....</b> | <b>1,600</b>                | <b>711</b>     | <b>1,310</b>   |
| <b>CHANGES DUE TO INVENTORIES.....</b>                        |                             | <b>21</b>      | <b>-325</b>    |
| <b>CHANGES DUE TO PREPAID EXPENSES.....</b>                   |                             | <b>-154</b>    | <b>-107</b>    |
| <b>NET DECREASE IN NET DEBT.....</b>                          | <b>-2,400</b>               | <b>-8,505</b>  | <b>-6,091</b>  |
| <b>NET DEBT, END OF YEAR .....</b>                            | <b>562,400</b>              | <b>556,311</b> | <b>564,816</b> |

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

<sup>(1)</sup> Derived from Budget 2003.

<sup>(2)</sup> Budget 2003 disclosed the budgetary surplus as \$4 billion before deducting reserves for contingency (\$3 billion) and economic prudence (\$1 billion).

## GOVERNMENT OF CANADA

Statement of Cash Flow  
for the Year Ended March 31, 2004

(in millions of dollars)

|   | 2004          | 2003          |
|---|---------------|---------------|
| <b>OPERATING ACTIVITIES —</b>   |               |               |
| <b>ANNUAL SURPLUS</b> .....   | <b>9,083</b>  | <b>6,969</b>  |
| Items not affecting cash —  |               |               |
| Share of annual profit in enterprise Crown corporations and other government business enterprises ..... | -3,711        | -2,962        |
| Amortization of tangible capital assets .....   | 3,502         | 3,341         |
| Loss on disposal of tangible capital assets .....   | 231           | 112           |
| Changes in inventories and prepaid expenses .....   | 133           | 432           |
| Changes in pension and other liabilities .....  | 2,611         | 346           |
| Changes in foreign exchange accounts .....  | 4,637         | 3,096         |
| Net change in other accounts .....  | -3,372        | 532           |
| <b>CASH PROVIDED BY OPERATING ACTIVITIES</b> .....  | <b>13,114</b> | <b>11,866</b> |
| <b>CAPITAL INVESTMENT ACTIVITIES —</b>  |               |               |
| Acquisitions of tangible capital assets .....   | -4,535        | -5,051        |
| Proceeds from disposal of tangible capital assets .....   | 91            | 288           |
| <b>CASH USED BY CAPITAL INVESTMENT ACTIVITIES</b> .....   | <b>-4,444</b> | <b>-4,763</b> |
| <b>INVESTING ACTIVITIES —</b>   |               |               |
| Enterprise Crown corporation and other government business enterprise net repayments .....              | 2,034         | 2,095         |
| Other loans, investments and advances issued .....  | -9,366        | -6,216        |
| Other loans, investments and advances repayments .....  | 4,907         | 4,619         |
| <b>CASH USED (-) OR PROVIDED BY INVESTING ACTIVITIES</b> .....  | <b>-2,425</b> | <b>498</b>    |
| <b>TOTAL CASH GENERATED BEFORE FINANCING ACTIVITIES</b> .....   | <b>6,245</b>  | <b>7,601</b>  |
| <b>FINANCING ACTIVITIES —</b>   |               |               |
| Canadian currency borrowings issued .....   | 336,148       | 309,189       |
| Canadian currency borrowings repayments .....   | -337,734      | -305,773      |
| Foreign currencies borrowings issued .....  | 14,227        | 17,297        |
| Foreign currencies borrowings repayments .....  | -14,826       | -23,188       |
| <b>CASH USED BY FINANCING ACTIVITIES</b> .....  | <b>-2,185</b> | <b>-2,475</b> |
| <b>NET INCREASE IN CASH</b> .....   | <b>4,060</b>  | <b>5,126</b>  |
| <b>CASH AT BEGINNING OF YEAR</b> .....  | <b>16,486</b> | <b>11,360</b> |
| <b>CASH AT END OF YEAR</b> .....  | <b>20,546</b> | <b>16,486</b> |
| <b>SUPPLEMENTARY INFORMATION</b>  |               |               |
| Cash used for interest .....  | 19,855        | 21,574        |

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

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

### 1. Summary of Significant Accounting Policies

#### Reporting entity

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

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

#### Basis of accounting

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

#### Revenues

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

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

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

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

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

#### Expenses

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

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

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

#### Non-financial assets

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



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

### **Concessionary loans**

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 when the economic value of these loans is reduced due to their concessionary terms.

### **Sovereign loans**

Loans to sovereign governments are considered collectible unless they are formally repudiated by the debtor. However, the Government has established valuation allowances on the expectation that debt or debt service relief may be offered to certain sovereign debtors pursuant to multilateral or bilateral agreements.

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

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

### **Contingent liabilities**

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

### **Environmental liabilities**

Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense recorded when the contamination occurs or when the Government becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of the Govern-

ment's obligation to incur these costs is either not determinable or unlikely, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

### **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 including sovereign debt, investments and advances, borrowings of Crown corporations and other government business enterprises, obligations for pensions and other employee and veteran future benefits, future payments related to contingent liabilities, environmental liabilities and transfer payments to other levels of government.

### **Comparative information**

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

## 2. Spending and Borrowing Authorities

### i. Spending authorities

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

|  | (in millions of dollars) |         |
|--|--------------------------|---------|
|  | 2004                     | 2003    |
| Annual spending limits voted by Parliament .....   | 66,470                   | 62,101  |
| Expenditures permitted under other legislation .....   | 107,281                  | 99,056  |
| Total budgetary expenditures authorized ....   | 173,751                  | 161,157 |
| Less amounts available for use in subsequent years and amounts that have lapsed, net of overexpended amounts ..... | 6,285                    | 4,372   |
| Total used .....   | 167,466                  | 156,785 |
| Effect of consolidation and full accrual accounting .....  | 21,998                   | 26,478  |
| Total expenses .....   | 189,464                  | 183,263 |

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

In addition to the authorities for budgetary expenditures, non-budgetary spending of \$44,463 million (\$39,749 million in 2003) was authorized for loans, investments and advances. A net amount of \$2,196 million was used (\$1,809 million in 2003), an amount of \$31 million lapsed (\$131 million in 2003) and an amount of \$42,237 million is available for use in subsequent years (\$37,808 million in 2003).

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

### ii. Over-expenditure of spending authorities

During the year, the Department of Finance's Vote 15—Transfer Payments to the Territorial Governments was exceeded by an amount of \$62 million.

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

### iii. Borrowing authorities

The Government may borrow only on the authority of Parliament. An authority to borrow up to \$4,000 million is available from previous fiscal years. This authority was not used in fiscal year 2003-2004 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 2003-2004 in the February 2003 budget (Budget 2003). Although Budget 2003 was prepared using full accrual accounting, it was presented on a net basis. Adjustments have therefore been made to present the budgeted amounts on a gross basis comparable to actual reported amounts. Since actual opening numbers of the accumulated deficit and net debt were not available at the time of preparation of Budget 2003, the corresponding amounts in the budget column were adjusted to the actual closing numbers of the previous year.

The following table reconciles the Budget 2003 amounts initially presented to the basis of accounting used in these financial statements:

|   | (in millions of dollars) |                            |                        |                           |                            |                  |                                    |
|---|--------------------------|----------------------------|------------------------|---------------------------|----------------------------|------------------|------------------------------------|
|   | Revenues                 |                            |                        | Expenses                  |                            |                  |                                    |
|   | Personal income tax      | Crown corporation revenues | Other program revenues | Other program expenses    |                            |                  |                                    |
|   |                          |                            |                        | Canada child tax benefits | Crown corporation expenses | National Defence | All other departments and agencies |
| Presented in Budget 2003 . . . . .                      | 86,500                   | 2,500                      | 4,900                  |                           | 5,500                      | 12,100           | 30,000                             |
| Add amounts   |                          |                            |                        |                           |                            |                  |                                    |
| netted in Budget:                                       |                          |                            |                        |                           |                            |                  |                                    |
| Child tax benefit payments . . . . .                    | 8,200                    |                            |                        | 8,200                     |                            |                  |                                    |
| Crown corporation expenses . . . . .                    |                          | 1,700                      |                        |                           | 1,700                      |                  |                                    |
| Departmental revenues netted against expenses . . . . . |                          |                            | 2,800                  |                           |                            | 400              | 2,400                              |
| Revised budgeted amounts . . . . .                      | 94,700                   | 4,200                      | 7,700                  | 8,200                     | 7,200                      | 12,500           | 32,400                             |

### 3. Expenses

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

#### i. Transfer payments to other levels of government

|   | (in millions of dollars) |        |
|---|--------------------------|--------|
|   | 2004                     | 2003   |
|   |                          |        |
| Canada health and social transfer . . . . .                         | 22,341                   | 21,100 |
| Fiscal arrangements . . . . .                                       | 9,409                    | 10,879 |
| Other . . . . .   | 342                      | 987    |
| Alternative payments for standing programs <sup>(1)</sup> . . . . . | -2,700                   | -2,321 |
| Total expenses . . . . .  | 29,392                   | 30,645 |

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

<sup>(1)</sup> This amount represents reduced transfer payments to a province that has entered into an arrangement under which the Federal Government provides an abatement for personal income taxes to taxpayers of that province.

#### ii. Other transfer payments by ministry

|   | (in millions of dollars) |        |
|---|--------------------------|--------|
|   | 2004                     | 2003   |
|   |                          |        |
| Agriculture and Agri-Food . . . . .               | 3,920                    | 2,654  |
| Finance . . . . .                                 | 280                      | 1,013  |
| Foreign Affairs and International Trade . . . . . | 2,684                    | 2,456  |
| Health . . . . .                                  | 2,464                    | 1,619  |
| Human Resources Development . . . . .             | 2,032                    | 1,602  |
| Indian Affairs and Northern Development . . . . . | 4,794                    | 4,649  |
| Industry . . . . .                                | 2,411                    | 1,975  |
| Other ministries and provisions . . . . .         | 4,379                    | 4,019  |
| Total expenses . . . . .                          | 22,964                   | 19,987 |

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

|   | (in millions of dollars) |        |
|---|--------------------------|--------|
|   | 2004                     | 2003   |
|   |                          |        |
| Agriculture and Agri-Food . . . . .               | 1,354                    | 1,097  |
| Canada Customs and Revenue Agency . . . . .       | 5,320                    | 5,613  |
| Environment . . . . .                             | 1,318                    | 1,222  |
| Fisheries and Oceans . . . . .                    | 1,398                    | 1,473  |
| Foreign Affairs and International Trade . . . . . | 1,697                    | 1,670  |
| Health . . . . .                                  | 1,838                    | 1,643  |
| Human Resources Development . . . . .             | 2,905                    | 2,719  |
| Industry . . . . .                                | 2,118                    | 1,924  |
| Justice . . . . .                                 | 1,028                    | 946    |
| Public Works and Government Services . . . . .    | 2,348                    | 2,352  |
| Solicitor General . . . . .                       | 4,651                    | 4,222  |
| Treasury Board . . . . .                          | 1,560                    | 1,461  |
| Other ministries and provisions . . . . .         | 4,347                    | 2,654  |
| Total expenses . . . . .                          | 31,882                   | 28,996 |

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

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

iv. *Public debt charges*

|   | (in millions of dollars) |        |
|---|--------------------------|--------|
|   | 2004                     | 2003   |
| Public debt charges related to unmatured debt —                                   |                          |        |
| Interest on unmatured debt . . . . .  | 18,869                   | 20,543 |
| Amortization of discounts on Canada and Treasury Bills . . . . .                  | 3,213                    | 2,879  |
| Amortization of premiums, discounts and commissions on all other debts . . . . .  | 1,241                    | 1,664  |
| Servicing costs and costs of issuing new borrowings . . . . .                     | 91                       | 119    |
| Total . . . . .   | 23,414                   | 25,205 |
| Interest expense related to employee pensions and other future benefits . . . . . | 11,660                   | 11,382 |
| Other . . . . .   | 695                      | 683    |
| Total public debt charges . . . . .   | 35,769                   | 37,270 |

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

v. *Expenses by type of resources used in the operations*

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

|   | (in millions of dollars) |         |
|---|--------------------------|---------|
| Objects of expense                          | 2004                     | 2003    |
| Transfer payments . . . . .                 | 102,378                  | 98,643  |
| Other program expenses—                     |                          |         |
| Crown corporations <sup>(1)</sup> . . . . . | 6,084                    | 6,166   |
| Personnel . . . . .                         | 24,857                   | 22,258  |
| Transportation and communications . . . . . | 2,252                    | 2,366   |
| Information . . . . .                       | 266                      | 327     |
| Professional and special services . . . . . | 4,848                    | 5,306   |
| Rentals . . . . .                           | 1,118                    | 1,157   |
| Repair and maintenance . . . . .            | 1,548                    | 2,072   |
| Utilities, materials and supplies . . . . . | 2,122                    | 2,195   |
| Other subsidies and expenses . . . . .      | 4,463                    | 2,050   |
| Amortization expenses . . . . .             | 3,502                    | 3,341   |
| Loss on disposal of assets . . . . .        | 257                      | 112     |
| Total other program expenses . . . . .      | 51,317                   | 47,350  |
| Total program expenses . . . . .            | 153,695                  | 145,993 |
| Public debt charges . . . . .               | 35,769                   | 37,270  |
| Total expenses . . . . .                    | 189,464                  | 183,263 |

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

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

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

vi. *Significant transactions*

In the March 2004 budget, the Government announced a one-time supplement of \$2,000 million to the Canada health and social transfer. Also in March 2004, the Government announced a \$1,000 million agricultural assistance package to assist farmers primarily as a result of significant declines in farm income for the 2003 crop year and as a result of the closure of the US-Canada border to cattle. The Government charged \$2,000 million to transfer payments to other levels of government and \$1,000 million to other transfer payments.

4. **Accumulated Deficit**

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

|  | (in millions of dollars) |         |
|--|--------------------------|---------|
|  | 2004                     | 2003    |
| Accumulated deficit, excluding consolidated accounts . . . . . | 551,422                  | 556,508 |
| Consolidated accounts —  |                          |         |
| Employment Insurance Account . . . . .                         | -46,232                  | -43,796 |
| Western Grain Stabilization Account . . . . .                  |                          | 1,085   |
| Other insurance accounts . . . . .                             | 149                      | 170     |
| Other consolidated accounts . . . . .                          | -289                     | -295    |
|  | 505,050                  | 513,672 |
| Consolidated Crown corporations . . . . .                      | -3,557                   | -3,096  |
| Accumulated deficit . . . . .                                  | 501,493                  | 510,576 |

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

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

## 5. Unmatured Debt and Other Financial Instruments

### i. Unmatured debt

The following table presents maturity of debt issues and interest rates by currency and type at face value.

| (in millions of dollars)  |                      |          |                      |                |   |   |              |   |         |
|---|----------------------|----------|----------------------|----------------|---|---|--------------|---|---------|
| Maturing year   | Marketable bonds     |          |                      | Treasury bills | Canada savings, Canada premium and Canada investment bonds <sup>(2)</sup> | Non-marketable bonds and notes <sup>(3)</sup> | Canada bills | Notes   | Total   |
|   | Canadian \$          | US\$     | Other <sup>(1)</sup> |                |   |   | US \$        | Canada notes <sup>(4)</sup> and Euro medium-term notes <sup>(5)</sup> |         |
| 2005 .....  | 32,528               | 2,623    |                      | 113,400        | 1,605   | 17  | 3,364        | 1,311   | 154,848 |
| 2006 .....  | 31,304               | 1,967    |                      |                | 1,013   | 316   |              | 629   | 35,229  |
| 2007 .....  | 23,595               | 1,311    |                      |                | 1,459   | 1,352   |              |   | 27,717  |
| 2008 .....  | 19,166               |          | 418                  |                | 3,307   | 700   |              | 97  | 23,688  |
| 2009 .....  | 21,857               | 3,278    | 3,303                |                | 4,474   | 519   |              | 629   | 34,060  |
| 2010 and subsequent ..  | 150,512              | 283      |                      |                | 9,472   | 523   |              | 1,615   | 162,405 |
|   | 278,962              | 9,462    | 3,721                | 113,400        | 21,330  | 3,427   | 3,364        | 4,281   | 437,947 |
| Less Government's holdings of unmatured debt <sup>(6)</sup> ...       | 182                  | 286      |                      | 22             |   |   |              |   | 490     |
|   | 278,780              | 9,176    | 3,721                | 113,378        | 21,330  | 3,427   | 3,364        | 4,281   | 437,457 |
| Obligations related to capital leases .....                           |                      |          |                      |                |   |   |              |   | 2,774   |
| Total unmatured debt .....  |                      |          |                      |                |   |   |              |   | 440,231 |
| Nature of interest rate <sup>(7)</sup>                                | Fixed <sup>(8)</sup> | Fixed    | Fixed <sup>(1)</sup> | Variable       | Variable  | Fixed   | Variable     | Fixed <sup>(9)</sup>  |         |
| Effective weighted average annual interest rates including swaps .... | 6.00                 | 5.26     | 4.88                 | 2.52           | 3.37  | 9.96  | 0.92         | 2.37  |         |
| Range of interest rates .....   | 3-14                 | 0.73-9.7 | 4.88                 | 1.98-3.55      | 1.25-7.25   | 2.10-14.06                                    | 0.86-1.06    | 0.70-4.50   |         |

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

(1) Includes marketable bond that was issued in New Zealand dollars of \$418 million with a variable interest rate of 0.90% and bonds issued in Euros of \$3,303 million.

(2) Includes \$14,038 million of Canada savings bonds that are redeemable on demand.

(3) Includes \$3,351 million of bonds issued for the Canada Pension Plan, \$28 million of promissory notes issued to the Diagnostic and Medical Equipment Trust, and \$48 million of promissory notes issued to the Canada Health and Social Transfer Supplement Trust for Health care.

(4) Includes two Canada notes issued in Japanese yen of \$629 million and \$628 million.

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

(6) Includes \$279 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 and foreign currency contracts

#### (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 facil-

itate management of its debt structure. In the case of interest rate swap agreements, fixed interest rate funding has been converted to variable rates tied to the Banker's Acceptance rates or London Interbank Offered Rates (LIBOR). In the

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

The interest paid or payable and the interest received or receivable on all swap transactions are recorded as part of public debt charges. Unrealized gains or losses due to fluctua-

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

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

| Maturing year             | (in millions of dollars)           |                                     |                                    |                                     |
|---------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
|                           | 2004                               |                                     | 2003                               |                                     |
|                           | Interest rate swaps<br>Canadian \$ | Cross currency swaps<br>Canadian \$ | Interest rate swaps<br>Canadian \$ | Cross currency swaps<br>Canadian \$ |
| 2004 .....                |                                    |                                     | 50                                 | 3,608                               |
| 2005 .....                |                                    | 4,607                               |                                    | 4,956                               |
| 2006 .....                |                                    | 4,471                               |                                    | 4,616                               |
| 2007 .....                |                                    | 1,333                               |                                    | 1,416                               |
| 2008 .....                | 33                                 | 3,036                               | 37                                 | 3,287                               |
| 2009 .....                | 1,574                              | 2,994                               | 1,762                              | 3,234                               |
| 2010 and subsequent ..... |                                    | 8,168                               |                                    | 8,303                               |
|                           | 1,607                              | 24,609                              | 1,849                              | 29,420                              |

#### (b) Credit risk to swap agreements

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

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

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

| Standard & Poor's | (in millions of dollars) |        |
|-------------------|--------------------------|--------|
|                   | 2004                     | 2003   |
| AAA .....         | 2,399                    | 2,706  |
| AA+ .....         | 3,936                    | 4,277  |
| AA .....          | 2,057                    | 3,126  |
| AA- .....         | 7,778                    | 8,849  |
| A+ .....          | 10,006                   | 12,271 |
| A .....           | 40                       | 40     |
|                   | 26,216                   | 31,269 |

#### (c) Foreign currency contracts

The Government entered into forward currency transactions to hedge against exchange rate fluctuations relating to Canada's Reserve Position in the International Monetary Fund (IMF), which forms part of Canada's foreign exchange accounts. Canada's IMF Reserve Position is denominated in Special Drawing Rights (SDRs). The hedging transactions involved the forward purchase and sale of the composite currencies of the SDRs (i.e. Euro, US dollar, Pound sterling and Japanese yen). The last of these hedges was unwound in June 2003.

#### 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, 2004, the EFA assets and the liabilities funding these assets were effectively "matched", which means that most price changes would affect both sides of the Statement of Financial Position equally. Assets related to the IMF are only partially matched, as they are denominated in SDRs.

The Government of Canada's foreign currency assets and liabilities are held in mainly three currency portfolios: the US dollar, the Euro and the Japanese yen. At March 31, 2004, a 1 percent appreciation of the Canadian dollar versus the US dollar, the Euro and the Japanese yen would have resulted in a foreign exchange gain of



\$27 million due to the unmatched exposure of the US dollar portfolio and in foreign exchange losses of \$17 million and \$5 million due respectively to the unmatched exposures of the Euro and Japanese yen portfolios. The Euro and Japanese yen portfolios are in a net asset position as at March 31, 2004.

iv. *Obligation related to capital leases*

The Government's total obligation related to capital leases as at March 31, 2004 is \$2,774 million (\$2,664 million in 2003). Interest on the obligation related to capital leases of \$156 million (\$146 million in 2003) is included in expenses as part of public debt charges. Future minimum lease payments are summarized as follows:

| Maturing year  | (in millions of dollars) |
|--|--------------------------|
| 2005 .....   | 323                      |
| 2006 .....   | 309                      |
| 2007 .....   | 310                      |
| 2008 .....   | 296                      |
| 2009 .....   | 268                      |
| 2010 and subsequent .....  | 3,692                    |
| Total minimum lease payments .....                               | 5,198                    |
| Less : Imputed interest at the average rate of 6.8 percent ..... | 2,424                    |
| Obligation related to capital leases .....                       | 2,774                    |

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) |            |            |                |            |            |
|--|--------------------------|------------|------------|----------------|------------|------------|
|  | 2004                     |            |            | 2003           |            |            |
|  | Carrying value           | Fair value | Difference | Carrying value | Fair value | Difference |
| Financial Assets—  |                          |            |            |                |            |            |
| Cash and accounts receivable .....   | 70,921                   | 70,921     |            | 62,626         | 62,626     |            |
| Foreign exchange accounts .....  | 44,313                   | 45,962     | 1,649      | 48,950         | 51,149     | 2,199      |
| Loans, investments and advances excluding investments in enterprise Crown corporations ..... | 18,571                   | 20,853     | 2,282      | 14,639         | 16,545     | 1,906      |
| Liabilities—   |                          |            |            |                |            |            |
| Accounts payable and accrued liabilities .....   | 79,964                   | 79,964     |            | 79,437         | 79,437     |            |
| Unmatured debt .....   | 440,231                  | 475,244    | -35,013    | 442,416        | 455,741    | -13,325    |
| Public sector pensions .....   | 127,560                  | 127,656    | -96        | 125,708        | 125,796    | -88        |
| Other employee and veteran future benefits .....   | 39,367                   | 45,470     | -6,103     | 38,844         | 40,872     | -2,028     |
| Other interest bearing debts .....   | 13,971                   | 13,971     |            | 13,735         | 13,735     |            |
| Net fair value in excess of carrying value .....   |                          |            | -37,281    |                |            | -11,336    |

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

Fair values are determined using the following methods and assumptions:

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

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

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

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

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

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

*(b) Derivative financial instruments and foreign currency contracts*

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

|  | (in millions of dollars) |            |                |            |
|--|--------------------------|------------|----------------|------------|
|  | 2004                     |            | 2003           |            |
|  | Notional value           | Fair value | Notional value | Fair value |
| Interest rate and cross currency swaps ..... | 26,216                   | 529        | 31,269         | -1,479     |
| Foreign currency contracts —                 |                          |            |                |            |
| Forward sales .....                          | nil                      | nil        | 1,504          | nil        |

Fair values of the swap and forward currency contract 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 or forward

currency contract agreements by using fiscal year-end market interest and exchange rates. A positive (negative) fair value indicates that the Government would receive (make) a payment if the agreements were terminated.

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

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

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



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

|                                  | (in millions of dollars) |        |       |              |        |       |
|----------------------------------|--------------------------|--------|-------|--------------|--------|-------|
|                                  | 2004                     |        |       | 2003         |        |       |
|                                  | Funded plans             | Others | Total | Funded plans | Others | Total |
| Contributions—                   |                          |        |       |              |        |       |
| Employees.....                   | 1,015                    | 87     | 1,102 | 960          | 87     | 1,047 |
| Public Service corporations..... | 126                      | 21     | 147   | 123          | 23     | 146   |
| Government.....                  | 2,621                    | 315    | 2,936 | 2,488        | 395    | 2,883 |
| Total.....                       | 3,762                    | 423    | 4,185 | 3,571        | 505    | 4,076 |
| Benefits paid.....               | 59                       | 6,007  | 6,066 | 29           | 5,814  | 5,843 |

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, as well as the Canadian Forces retired veterans and still-serving members, 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 \$83 million in 2004 (\$76 million in 2003). 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, 2004 includes the following components:

|  | (in millions of dollars) |         |                       |        |
|--|--------------------------|---------|-----------------------|--------|
|  | Pensions                 |         | Other future benefits |        |
|  | 2004                     | 2003    | 2004                  | 2003   |
| Accrued benefit obligation.....                                      | 142,401                  | 134,347 | 45,470                | 40,872 |
| Less: Pension plan assets —  |                          |         |                       |        |
| Investments at market related value.....                             | 13,386                   | 8,905   |                       |        |
| Contributions receivable from employees for past service.....        | 513                      | 455     |                       |        |
| Total.....   | 13,899                   | 9,360   |                       |        |
|  | 128,502                  | 124,987 | 45,470                | 40,872 |
| Unamortized estimation adjustments.....                              | -942                     | 721     | -6,103                | -2,028 |
| Pension and other employee and veteran future benefit liability..... | 127,560                  | 125,708 | 39,367                | 38,844 |

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 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, 2004, the market value of the investments is \$14,232 million (\$8,096 million in 2003). Contributions receivable for past service are discounted to approximate their fair value.

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

|  | (in millions of dollars) |              |                       |              |
|--|--------------------------|--------------|-----------------------|--------------|
|  | Pensions                 |              | Other future benefits |              |
|  | 2004                     | 2003         | 2004                  | 2003         |
| Net expense related to employee pensions and other future benefits —       |                          |              |                       |              |
| Net benefits earned .....  | 2,829                    | 2,307        | 1,065                 | 968          |
| Amortization of estimation adjustments .....                               | -1,392                   | -2,174       | 201                   | 5            |
| Plan amendment costs .....   |                          | 17           | 50                    |              |
| Recognition of net unamortized gains .....                                 |                          | -17          | -226                  |              |
| <i>Total</i> .....   | <i>1,437</i>             | <i>133</i>   | <i>1,090</i>          | <i>973</i>   |
| Interest expense related to employee pensions and other future benefits —  |                          |              |                       |              |
| Interest on average accrued benefit obligation .....                       | 10,023                   | 9,614        | 2,309                 | 2,240        |
| Expected return on average pension plan assets .....                       | -672                     | -472         |                       |              |
| <i>Total</i> .....   | <i>9,351</i>             | <i>9,142</i> | <i>2,309</i>          | <i>2,240</i> |
| Total expense related to employee pensions and other future benefits ..... | 10,788                   | 9,275        | 3,399                 | 3,213        |

Comparative figures have been reclassified to conform to the current year's presentation. Details (unaudited) can be found in Section 6 of this volume.

During the year, amendments were made to provide for extended veteran survivors' benefits and to modify admissibility to others. The one time past service cost of these changes is estimated at \$50 million. It is charged to future benefit expense and included in the year-end accrued benefit obligation. The amendment also resulted in the accelerated recognition of net unamortized gains of \$226 million, which are recorded against the future benefit expense.

The interest expense calculated on the average actuarial obligation is reported as part of public debt charges. It is presented net of the expected return on the average market related value of pension plan assets. During the year, the actual rate of return of marketable investments calculated on a time-weighted basis was 26.1 percent (minus 13.5 percent in 2003).

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

|   | (in millions of dollars) |         |                       |        |
|---|--------------------------|---------|-----------------------|--------|
|   | Pensions                 |         | Other future benefits |        |
|   | 2004                     | 2003    | 2004                  | 2003   |
| Accrued benefit obligation — Beginning of year .....          | 134,347                  | 125,899 | 40,872                | 38,475 |
| Benefits earned .....   | 3,970                    | 3,401   | 1,065                 | 968    |
| Interest on average accrued benefit obligation .....          | 10,023                   | 9,614   | 2,309                 | 2,240  |
| Benefits paid .....   | -6,066                   | -5,843  | -2,843                | -2,616 |
| Administrative expenses .....                                 | -78                      | -74     | -33                   | -33    |
| Net transfers to other plans .....                            | -237                     | -2,282  |                       |        |
| Plan amendments .....   |                          | 17      | 50                    |        |
| Actuarial losses .....  | 442                      | 3,615   | 4,050                 | 1,838  |
| Accrued benefit obligation — End of year .....                | 142,401                  | 134,347 | 45,470                | 40,872 |
| Market related value of investments — Beginning of year ..... | 8,905                    | 5,872   |                       |        |
| Expected return on plan assets .....                          | 672                      | 472     |                       |        |
| Contributions .....   | 3,762                    | 3,571   |                       |        |
| Benefits, transfers and other .....                           | -66                      | -189    |                       |        |
| Actuarial gains or losses (-) .....                           | 113                      | -821    |                       |        |
| Market related value of investments — End of year .....       | 13,386                   | 8,905   |                       |        |

Actuarial valuations of the pension plans are performed every three years for funding purposes. The valuations for pensions and for other employee and veteran future benefits are updated annually for accounting purposes, using the Government's best estimates as assumptions. 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 estimates and are amortized over periods ranging from 7 to 14 years.

The assumptions for the long-term rate of inflation and long-term general wage increase used in the accounting valu-

ations are 2 percent and 2.9 percent respectively (2 percent and 3 percent in 2003). At March 31, 2004, the assumed expected rate of return on pension investments and the average Government long-term bond rate used to value the pension liability are 5.8 percent and 7.6 percent respectively (6.25 percent and 7.8 percent in 2003). The corresponding assumptions used in the cost of current service and in the interest expense are 6.25 percent and 7.8 percent (6.25 percent and 8.0 percent in 2003). The discount rate used to value the liability for other employee and veteran future benefits is 5.3 percent (5.8 percent in 2003), while the rate used for the cost of current service and interest expense is 5.8 percent (6.0 percent in 2003).

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

|   | (in millions of dollars) |         |                       |        |
|---|--------------------------|---------|-----------------------|--------|
|   | Pensions                 |         | Other future benefits |        |
|   | 2004                     | 2003    | 2004                  | 2003   |
| Possible impact on liabilities due to:                |                          |         |                       |        |
| Increase of 1 percent in discount rates .....         | -17,800                  | -15,700 | -4,600                | -3,900 |
| Decrease of 1 percent in discount rates .....         | 22,600                   | 17,500  | 5,700                 | 4,800  |
| Increase of 1 percent in inflation .....              | 17,600                   | 15,600  | 5,200                 | 4,100  |
| Decrease of 1 percent in inflation .....              | -14,400                  | -12,800 | -4,200                | -3,400 |
| Increase of 1 percent in general wage increases ..... | 4,500                    | 3,700   | 300                   | 300    |
| Decrease of 1 percent in general wage increases ..... | -3,900                   | -3,300  | -300                  | -300   |

## 7. Due to Canada Pension Plan

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

The Plan is a federal/provincial program for compulsory and contributory social insurance. It operates in all parts of Canada, except for the Province of Quebec, which has a comparable program. The Plan is administered by the Government of Canada under joint control with the participating provinces. Payments of pensions and benefits from the Plan are financed from contributions by employers, employees and self-employed persons, and from the income earned on investments. As administrator, the Government's authority to spend is limited to the Plan's net assets. At March 31, 2004, the fair value of the Plan's net assets is \$72,512 million (\$57,251 million in 2003).

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 \$7,483 million (\$7,093 million in 2003) corresponds to the balance in the Account and is reported as the Government's liability to the Plan at March 31, 2004.

Additional information (unaudited) and the audited financial statements of the Plan are included in Section 6 of this volume. Additional information on the funding of the Plan may be obtained from the *20th Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions.

## 8. Tax and Other Accounts Receivable

Tax receivables represent tax revenues that were assessed by year-end as well as amounts receivable due to the accrual of tax revenues as at March 31. These accrued receivables are not due for payment 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 \$7,598 million (\$7,175 million in 2003) in relation to the total tax receivables. It also recorded a provision for bad debt of \$1,887 million (\$2,091 million in 2003), which is presented against other program expenses. The details of the tax receivables and allowance for doubtful accounts are as follows:

|  | (in millions of dollars) |                                 |        |        |
|--|--------------------------|---------------------------------|--------|--------|
|  | 2004                     |                                 | 2003   |        |
|  | Total tax receivables    | Allowance for doubtful accounts | Net    | Net    |
| Income tax receivable—                   |                          |                                 |        |        |
| Individuals .....                        | 26,512                   | 3,767                           | 22,745 | 20,969 |
| Employers .....                          | 11,312                   | 475                             | 10,837 | 9,559  |
| Corporations .....                       | 6,397                    | 1,215                           | 5,182  | 4,169  |
| Non-residents .....                      | 842                      | 162                             | 680    | 492    |
| Goods and services tax receivable .....  | 9,638                    | 1,884                           | 7,754  | 7,837  |
| Customs duties receivable .....          | 157                      | 36                              | 121    | 88     |
| Excise taxes and duties receivable ..... | 693                      | 59                              | 634    | 483    |
| Total .....                              | 55,551                   | 7,598                           | 47,953 | 43,597 |

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

Other accounts receivable represent billed or accrued financial claims arising from amounts owed to the Government at year-end. They amount to \$3,506 million (\$3,586 million in 2003) and are presented net of an allow-

ance for doubtful accounts of \$1,084 million (\$1,043 million in 2003). Further details (unaudited) can be found in Section 7 of this volume.

## 9. Foreign Exchange Accounts

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. The Government keeps certain investments in its Exchange Fund Account to promote orderly conditions in the foreign exchange market for the Canadian dollar. 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 foreign exchange accounts:

|  | (in millions of dollars) |        |
|--|--------------------------|--------|
|  | 2004                     | 2003   |
| International reserves                   |                          |        |
| held in the Exchange                     |                          |        |
| Fund Account .....                       | 41,247                   | 44,849 |
| International Monetary Fund —            |                          |        |
| Subscriptions .....                      | 12,185                   | 12,942 |
|  | 53,432                   | 57,791 |
| Less:                                    |                          |        |
| International Monetary Fund —            |                          |        |
| Notes payable .....                      | 7,606                    | 7,270  |
| Special drawing rights allocations ..... | 1,513                    | 1,571  |
|  | 9,119                    | 8,841  |
| Total foreign exchange accounts .....    | 44,313                   | 48,950 |

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

## 10. Crown Corporations and Other Government Business Enterprises

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

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

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

For enterprise Crown corporations and other government business enterprises, the Government records these investments under the modified equity method, whereby the cost of its equity is reduced by dividends received and adjusted to include the annual net profits and losses of these corporations, after elimination adjustments of unrealized inter-organizational gains and losses. Their assets and liabilities are not included in these financial statements, except for their borrowings which are recorded as liabilities of the Government when they are not expected to be repaid directly by these corporations. The Government also reports any amounts receivable from or payable to these corporations. Under the modified equity basis of accounting, the corporations' accounts are not adjusted to the Government's basis of accounting. Most corporations follow generally accepted accounting principles used by private sector companies.

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

|   | (in millions of dollars) |        |
|---|--------------------------|--------|
|   | 2004                     | 2003   |
| Loans and advances—                           |                          |        |
| Canada Mortgage and Housing Corporation ..... | 5,189                    | 5,408  |
| Other .....                                   | 66                       | 38     |
| Total loans and advances .....                | 5,255                    | 5,446  |
| Investments—                                  |                          |        |
| Export Development Canada .....               | 2,480                    | 2,078  |
| Canada Mortgage and Housing Corporation ..... | 2,718                    | 1,950  |
| Business Development Bank of Canada ..        | 1,218                    | 1,170  |
| Canada Post Corporation .....                 | 1,254                    | 960    |
| Farm Credit Canada .....                      | 948                      | 843    |
| Canada Deposit Insurance Corporation ...      | 681                      | 539    |
| Other .....                                   | 1,678                    | 1,569  |
| Total investments .....                       | 10,977                   | 9,109  |
| Total .....                                   | 16,232                   | 14,555 |

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

|   | (in millions of dollars) |         |
|---|--------------------------|---------|
|   | 2004                     | 2003    |
| Assets  |                          |         |
| (including capital assets, inventories and prepaid expenses of \$6,828 (\$5,971 in 2003)) ..... | 125,682                  | 123,532 |
| Liabilities .....   | 114,599                  | 114,340 |
| Net equity as reported .....  | 11,083                   | 9,192   |
| Elimination adjustments .....   | -106                     | -83     |
| Net equity .....  | 10,977                   | 9,109   |
| Revenues .....  | 18,461                   | 19,443  |
| Expenses .....  | 14,719                   | 16,544  |
| Net income for the year as reported .....   | 3,742                    | 2,899   |
| Elimination adjustments .....   | -31                      | 63      |
| Net income .....  | 3,711                    | 2,962   |
| Other changes in equity   |                          |         |
| Dividends <sup>(1)</sup> .....  | -1,907                   | -1,881  |
| Capital .....   | 64                       | 67      |
|   | 1,868                    | 1,148   |
| Opening net equity .....  | 9,109                    | 7,961   |
| Closing net equity .....  | 10,977                   | 9,109   |
| Contractual commitments .....   | 5,983                    | 6,428   |
| Contingent liabilities .....  | 2,801                    | 2,800   |

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

<sup>(1)</sup> Amounts reported as dividends include \$1,754 million (\$1,808 million in 2003) from the Bank of Canada.

## 11. Tangible Capital Assets

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

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

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

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

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

|  | (in millions of dollars) |              |                           |                 |                          |                      |           |                 |        | Net book value 2004 | Net book value 2003 |
|--|--------------------------|--------------|---------------------------|-----------------|--------------------------|----------------------|-----------|-----------------|--------|---------------------|---------------------|
|  | Cost                     |              |                           |                 | Accumulated amortization |                      |           |                 |        |                     |                     |
|  | Opening balance          | Acquisitions | Disposals and write-downs | Closing balance | Opening balance          | Amortization expense | Disposals | Closing balance |        |                     |                     |
| Land . . . . .                                     | 1,345                    | 69           | 16                        | 1,398           |                          |                      |           |                 | 1,398  | 1,345               |                     |
| Buildings . . . . .                                | 15,584                   | 1,082        | 47                        | 16,619          | 7,040                    | 633                  | -126      | 7,799           | 8,820  | 8,544               |                     |
| Works and infrastructure . . . . .                 | 10,478                   | 101          | 29                        | 10,550          | 5,180                    | 244                  | 21        | 5,403           | 5,147  | 5,298               |                     |
| Machinery and equipment . . . . .                  | 16,771                   | 1,096        | 234                       | 17,633          | 8,413                    | 1,196                | 363       | 9,246           | 8,387  | 8,358               |                     |
| Vehicles (ships, aircraft and others) . . . . .    | 28,213                   | 1,430        | 197                       | 29,446          | 13,727                   | 1,186                | 149       | 14,764          | 14,682 | 14,486              |                     |
| Leasehold improvements . . . . .                   | 823                      | 227          | 9                         | 1,041           | 311                      | 87                   | 3         | 395             | 646    | 512                 |                     |
| Assets under construction <sup>(1)</sup> . . . . . | 5,948                    | 291          | 221                       | 6,018           |                          |                      |           |                 | 6,018  | 5,948               |                     |
| Assets under capital leases . . . . .              | 3,221                    | 239          | 4                         | 3,456           | 678                      | 156                  | 25        | 809             | 2,647  | 2,543               |                     |
| Total . . . . .                                    | 82,383                   | 4,535        | 757                       | 86,161          | 35,349                   | 3,502                | 435       | 38,416          | 47,745 | 47,034              |                     |

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

<sup>(1)</sup> Acquisitions of assets under construction are shown net of \$2,206 million that were transferred to other categories upon completion of the assets.



## 12. Contractual Commitments

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

|  | (in millions of dollars) |        |
|--|--------------------------|--------|
|  | 2004                     | 2003   |
| Transfer payment agreements . . . . .                                      | 41,015                   | 40,484 |
| Acquisition of property and equipment,<br>and goods and services . . . . . | 7,723                    | 7,418  |
| Operating leases . . . . .   | 3,492                    | 3,403  |
| International organizations . . . . .                                      | 3,882                    | 5,466  |
|  | 56,112                   | 56,771 |

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

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

Estimated future expenses against these commitments are as follows:

| Year                          | (in millions of dollars) |
|-------------------------------|--------------------------|
| 2005 . . . . .                | 10,587                   |
| 2006 . . . . .                | 6,690                    |
| 2007 . . . . .                | 5,033                    |
| 2008 . . . . .                | 4,029                    |
| 2009 . . . . .                | 2,842                    |
| 2010 and subsequent . . . . . | 26,931                   |
|                               | 56,112                   |

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

### i. Transfer payment agreements

The transfer payment agreements commitments include an amount of \$31,693 million (\$32,451 million in 2003) 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 commitments currently amounts to about \$1,700 million per year. The amounts reported for CMHC under commitments for transfer payment agreements for fiscal year 2003-2004 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, 2004, total \$3,492 million (\$3,403 million in 2003).

## 13. Contingent Liabilities

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

### i. Guarantees by the Government

Guarantees by the Government at March 31, 2004 amount to \$56,883 million (\$60,157 million in 2003) for which an allowance of \$2,770 million (\$3,802 million in 2003) 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, 2004, callable share capital amounts to \$16,485 million (\$18,245 million in 2003).

### iii. Contaminated sites

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where the Government is obligated or likely to be obligated to incur such costs. The Government has identified approximately 2,400 sites (2,200 sites in 2003) where such action is possible and for which a liability of \$3,564 million (\$3,378 million in 2003) has been recorded. The Government has estimated additional clean-up costs of \$1,045 million (\$915 million in 2003) that are not accrued as these are not considered likely to be incurred at this time. The Government's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued in the year in which they become known.

*iv. Claims and pending and threatened litigation*

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

*Comprehensive land claims:* There are currently 78 (73 in 2003) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of \$3,700 million (\$2,500 in 2003) 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, 2004, an amount of \$7,615 million (\$7,641 million in 2003) of taxes assessed was under objection at Canada Customs and Revenue Agency and an amount of \$986 million (\$1,420 million in 2003) was being appealed to either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

*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 \$60,000 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*; and Export Development Canada provides export and foreign investment insurance to help with export trade. At March 31, 2004, total insurance in force amounts to \$688,210 million (\$645,953 million in 2003). The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

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



**SUPPLEMENTARY INFORMATION  
OBSERVATIONS OF THE AUDITOR GENERAL  
ON THE  
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA  
FOR THE YEAR ENDED MARCH 31, 2004**

**MAIN POINTS**

The purpose of these Observations is to explain certain elements of my report on the financial statements of the Government of Canada as at and for the year ended March 31, 2004:

- Since 1997, the Government has transferred \$9.1 billion to 15 foundations. It has recorded these transfers as expenses although most of the funds remain in the foundations' bank accounts and investments, accumulating interest. I remain concerned about the manner in which the foundations are funded, the accounting for the transfers, and the accountability regime for the foundations.
- The accumulated surplus in the Employment Insurance Account stood at \$46 billion at March 31, 2004. This is more than three times the \$15 billion reserve that the Chief Actuary of Human Resources Development Canada considered sufficient in 2001. In my view, Parliament did not intend that the Account accumulate a surplus beyond what could reasonably be spent for employment insurance purposes given the existing benefit structure, while also providing for an economic downturn. Accordingly, I have concluded that the Government did not observe the intent of the *Employment Insurance Act*.
- The Government needs to ensure that improvements are implemented in the accounting systems and practices at the Department of National Defence and the Canadian Customs and Revenue Agency for recording military inventory and tax revenues and receivables, respectively.

**FOUNDATIONS**

For a number of years I have included in my audit report on the Government's financial statements a discussion of my concerns about foundations. Since 1997, the Government has recorded as expenses in its financial statements \$9.1 billion in transfers to several foundations (including transfers totalling \$400 million in 2003-04). These funds were transferred to foundations well in advance of need. As shown in the table below, at March 31, 2004, \$7.7 billion was either still in the foundations' bank accounts and investments accumulating interest or was receivable by the foundations from the Government.

In addition to my concerns about the manner in which the foundations are funded, I have questioned the way the Government accounts for the transfers. Specifically, I have noted my view that economic substance would be better represented if expenses were recorded when the funds were distributed to the ultimate intended recipients or used for the ultimate purposes announced by the Government for this spending.

## Summary financial information on foundations, 1996-97 to 2003-04

| Foundation <sup>1</sup>                            | Year announced        | Funding received <sup>2</sup> | Grants provided <sup>3</sup> | Interest earned | Adminis-<br>tration | Balance March 31, 2004 <sup>4</sup> | Funding commitments signed <sup>5</sup> |
|--|-----------------------|-------------------------------|------------------------------|-----------------|---------------------|-------------------------------------|---|
| (\$ millions)                                      |                       |                               |                              |                 |                     |                                     |   |
| Canada Foundation for Innovation                   | 1997                  | 3,651                         | 1,230                        | 740             | 39                  | 3,122                               | 1,529                                   |
| Canada Millenium Scholarship Foundation            | 1998                  | 2,500                         | 1,155                        | 690             | 47                  | 1,988                               | 9                                       |
| Canada Health Infoway Inc.                         | 2001                  | 1,200                         | 51                           | 83              | 30                  | 1,202                               | 42                                      |
| Endowment Funds <sup>6</sup>                       | Between 2000 and 2002 | 389                           | 10                           | 48              | 11                  | 416                                 | 104                                     |
| Genome Canada                                      | 2000                  | 375                           | 188                          | 52              | 19                  | 220                                 | 198                                     |
| Aboriginal Healing Foundation                      | 1998                  | 350                           | 241                          | 86              | 43                  | 152                                 | 139                                     |
| Foundation for Sustainable Development Technology  | 2001                  | 350                           | 6                            | 10              | 7                   | 347                                 | 37                                      |
| Canadian Health Services Research Foundation       | 1997                  | 152                           | 37                           | 14              | 7                   | 122                                 | 21                                      |
| Other foundations under \$125 million <sup>7</sup> | Between 2000 and 2002 | 120                           | 36                           | 13              | 4                   | 93                                  | 16                                      |
| <b>Total</b>                                       |                       | <b>9,087</b>                  | <b>2,954</b>                 | <b>1,736</b>    | <b>207</b>          | <b>7,662 <sup>8</sup></b>           | <b>2,095</b>                            |

<sup>1</sup> The foundations reflected in this Table have each received over \$10 million in total funding from the Government since 1997, specifically for spending in a future year more than a year ahead.

<sup>2</sup> Transfers include \$100 million announced in the March 2004 Budget that were receivable by the foundations at March 31, 2004.

<sup>3</sup> In addition to grants, this column includes eligible project expenses.

<sup>4</sup> These balances are at the date of the latest annual reports, where March 31, 2004 financial statements are not yet available – modified to include the \$100 million announced in the March 2004 Budget.

<sup>5</sup> Figures based on representations from foundations, where not disclosed in their financial statements.

<sup>6</sup> For endowment funds only the earnings are disbursed: these include Green Municipal Investment Fund; Pierre Elliott Trudeau Foundation; Clayoquot Biosphere Trust Society; Pacific Salmon Endowment Fund Society; Canadian Institute for Research on Linguistic Minorities, University of Moncton; and Frontier College Learning Foundation.

<sup>7</sup> These are Foundation for Climate and Atmospheric Sciences and Forum of Federations.

<sup>8</sup> In addition to funding for foundations and endowments, \$550 million had been transferred to other organizations at arm's length from the Government, \$391 million of the transferred amount had yet to be used at March 31, 2004. These organizations are Canadian Institute for Health Information; Green Municipal Enabling Fund; Precarn; Canadian Network for Advancement of Research, Industry and Education; Canadian Institute for Advanced Research and Canadian Centre for Learning.

I have also expressed concerns about the accountability regime for the foundations and that accounting considerations may be preventing the Government from making all the necessary improvements. In other words, the accountability and governance structures for the foundations may be influenced by the desire to ensure that transfers to foundations can be treated as expenses immediately, rather than when these funds are used by the foundations for their ultimate purposes. In my view, decisions on funding and accountability should be based on the need for sound management of public funds; they should not be based on the goal of achieving a desired accounting result.

In past reports I have indicated that while I have questions about the Government's accounting for transfers to foundations, I cannot state unequivocally that the Government has not complied with current accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. I have also noted in previous Observations that PSAB had two projects of relevance to our discussion of the accounting for foundations. Currently, we are discussing with officials of the Treasury Board Secretariat the implications of one of these projects, the recent PSAB standard on the government reporting entity, which is to be implemented by the 2005-06 fiscal year. We will review the Government's interpretation of this new standard in the coming year.

We also continue to monitor progress on the other PSAB project, which seeks to revise guidance on the accounting for government transfer payments, including multi-year funding.

With regard to the accountability regime for foundations, the 2004 Budget restated the Government's commitment, first announced in the 2003 Budget, to make improvements. My expectations for these improvements include credible reporting of results, effective ministerial oversight, and adequate external audit. While the Budget commitments appear to place more emphasis on some of these elements (notably reporting) than on others, they are nonetheless encouraging.

I plan to examine the accountability regime for foundations, including the extent to which the Government has acted on its commitments, in an audit to be included in my February 2005 Report.

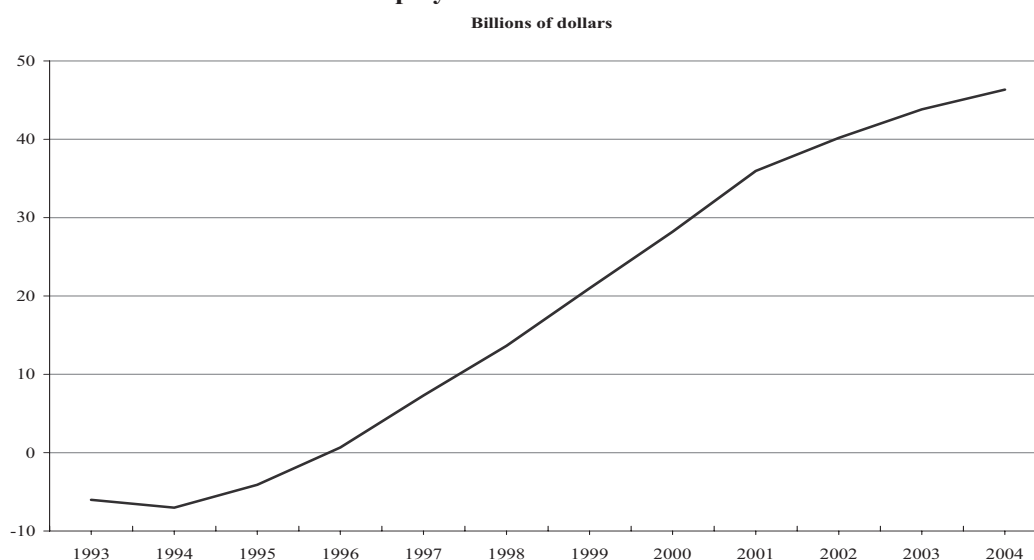
I wish to reiterate that I express no view on the merits of foundations as a vehicle to deliver government programs. Nor should my comments be interpreted in any way as a criticism of the individuals in charge of the foundations. My concerns relate solely to the funding of these organizations in advance of need; the existing provision for their accountability and governance; and the way the Government accounts for its transfers to them.

### EMPLOYMENT INSURANCE ACCOUNT SURPLUS

Another long-standing issue I have included in my audit report has been the Employment Insurance (EI) surplus. In 2003-04, the Employment Insurance surplus grew by an additional \$2 billion (including interest revenue of \$1 billion on the balance of the Account) to reach \$46 billion. This is more than three times higher than the reserve the Chief Actuary said was sufficient in his 2001 report on Employment Insurance premium rates. Because Employment Insurance is a government program, EI premiums, benefits and other transactions are included in the financial statements of the Government of Canada. The impact of including the Employment Insurance program in the Government's accounts was to increase the Government's annual surplus by \$2 billion for 2003-04 and reduce the accumulated deficit at March 31, 2004 by \$46 billion.

I have noted that in the 2003 Budget legislation, the Government set the 2004 premium rate at \$1.98 per \$100 of insurable earnings. The intention was to equal projected premium revenues with program costs for that year. While this may ensure that the surplus does not grow significantly in the year commencing January 1, 2004, it does nothing to address the surplus that has accumulated.

#### Balance of the Employment Insurance Account at March 31



Figures have been adjusted to reflect accrual accounting before 2002.

Section 66 of the *Employment Insurance Act* (which is currently suspended) requires that as far as possible, premiums paid by contributors provide the EI Account with enough revenue over a business cycle to pay authorized amounts charged to the Account while maintaining relatively stable premium rates. In my view, this means that Employment Insurance premiums should equal expenses over a period of time, while providing for a sufficient reserve to keep rates stable in an economic downturn.

I note that in its 2003 and 2004 Budgets, the Government stated that the following principles of rate-setting would guide its ongoing consultations:

- Premium rates should be set transparently and on the basis of independent expert advice.
- Expected premium revenues should correspond to expected program costs.
- Premium rates should mitigate the impact on the business cycle and be stable over time.

These principles are, in my view, consistent with an interpretation that Parliament intended the EI program to be run on a break-even basis.

Parliament did not intend, in my view, that the Account would accumulate a surplus beyond what could reasonably be spent for employment insurance purposes, given the existing benefit structure, while also providing for an economic downturn. Accordingly, in my opinion, the Government did not observe the intent of the *Employment Insurance Act*.

When it first suspended section 66 of the Act, the Government indicated that it would undertake research and public consultations on the process of setting premium rates. Those consultations had not taken place by the February 2003 Budget. In that Budget, the Government formally announced that it would conduct consultations on a new rate-setting process to be implemented for 2005.

In the 2004 Budget, the Government informed Canadians that it was reviewing the results of the consultations and reiterated its intention to introduce legislation to implement a new mechanism for setting premium rates. However, the 2004 Budget legislation gave the Governor-in-Council the authority to set the rate once more, for 2005, in the event that the legislation was not passed in time.

The EI surplus has grown to \$46 billion by March 31, 2004. I note with disappointment that, at this writing, legislation addressing this issue is still not in place. I strongly urge the Government to resolve this long-standing matter.

## **ONGOING ACCOUNTING CHALLENGES**

In the past, as a result of my audit of the summary financial statements of the Government of Canada, I have noted issues relevant to the broader financial management of the Government that I have discussed in my Reports to Parliament, in chapters on financial management and the use of financial information. I will continue this practice with a chapter in my February 2005 Report.

Items that focus specifically on the Government's financial statements I report in my Observations on the financial statements of the Government of Canada. This year, I would like to discuss the Department of National Defence's progress and its continued difficulties in recording and tracking the cost of its inventory. I also discuss the Canada Customs and Revenue Agency's<sup>1</sup> challenges in dealing with the limitations of its financial reporting systems in the recording of tax revenue and receivables.

### **National Defence**

Inventories at the National Defence account for the largest part of the \$6.1 billion in Government inventories. Historically, the Department maintained inventory systems focused primarily on keeping track of quantities; as a result, cost accuracy was not emphasized and errors were made in the recording of costs. Last year I discussed many of the difficulties that

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<sup>1</sup> On December 12, 2003 the government announced a restructuring which resulted in the creation of the Canada Border Services Agency (CBSA). Responsibility for the administration of the *Customs Act* has been transferred in large part to the CBSA.

National Defence faced in this area. I also noted that this situation was not unique to Canada and that many other national governments had found determining the cost of military inventory a daunting task.

At that time, National Defence committed to a strategy for enhancing its practices to ensure that appropriate controls were in place to:

- record the costs of current purchases properly in its inventory system;
- relieve the costs of old inventory properly over time as the inventory is used; and
- monitor usage properly and determine ongoing adjustments to reflect the obsolescence of inventory items.

I note that a number of improvements have been instituted. National Defence has reviewed some of its historic costs for items such as munitions and has made the necessary corrections. It has also improved the controls designed to detect errors made in the recording of inventory. It has established an interdepartmental committee to discuss ongoing challenges to improving its inventory records. And it is making changes to its information system to improve the ongoing monitoring of inventory inflows and outflows.

Unfortunately, errors continued to be made in the valuation of inventory. These largely relate to whether the costing of inventory was properly supported and whether the current-year transactions (purchases, usage, and obsolescence) were properly reflected in the summary financial statements. Most of these errors were corrected by National Defence staff but predominantly as part of their year-end effort to close the accounts. It would be preferable that these errors had not occurred in the first place, or that they had been discovered as part of the department's regular monitoring processes.

The Department has made limited progress in its efforts to determine the extent of inventory that is obsolete. It has identified a portion of its inventory as "dormant" and is currently asking managers to identify the amount of dormant inventory that should be considered obsolete and thus would require adjustment in its inventory records.

#### Canada Customs and Revenue Agency

Another of the challenging aspects of the Government's financial statements relates to the accrual of tax revenue, which involves, among other things, the recognition of tax receivables of \$48 billion and tax payables of \$33 billion.

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 in order to present revenues and receivables on an accrual basis of accounting. The Canada Customs and Revenue Agency has a multi-year plan to introduce accounting sub-ledgers for its revenue lines. On an interim basis, reports are generated from the program systems and reconciled to the Agency's general ledger to ensure that tax revenues and receivables are reported accurately. This process involves extensive manual processing and numerous reconciliations. Despite this, 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.

In the current fiscal year, management has identified a number of underlying causes of some of these differences. However, unexplained differences continue and I am concerned that until an accounting system is put in place, with appropriate sub-ledgers that support the amounts recorded in the general ledger and the Government's financial statements, unexplained differences will recur.

#### Summary

I wish to emphasize that the issues at neither National Defence nor the Canada Customs and Revenue Agency is currently significant enough to conclude that the financial statements do not fairly present the Government's financial positions and results of operations.

Nonetheless, in my view, both organizations need to address these weaknesses in the financial reporting processes they have in place with respect to these significant balances. While I recognize the extent of the challenge and the time it will demand, identifying and implementing solutions should be a priority.

## STATUS OF ITEMS REPORTED IN PREVIOUS YEARS

| 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 also have noted that, in the present environment, there are significant challenges to the more timely preparation of the Government's summary financial statements. In Budget 2004, the Government has committed to monitoring its process to determine if more timely release of its financial results is possible in the future.   |
| Clarity in terminology            | The Government continues to use the term "federal debt" in some of its publications. While I understand this term was coined to eliminate confusion regarding the Government's annual surplus position, I remain concerned that used in place of "accumulated deficit," this term could be misinterpreted by Canadians.   |
| Departmental financial statements | In March 2004, the Government committed to having departmental financial statements audited in five years. In the past, I have expressed some concerns about the amount of work required before departments would be ready to prepare reliable financial statements. While much has been accomplished since I made that statement, I still believe a great deal more will need to be done to get the departments and agencies affected by this decision ready to have audited financial statements. I will continue to work with the Government as it moves toward this goal. |
| Netting                           | Last year I applauded the Government for generally removing netting from its summary financial statements. I did note a concern about the continued use of netting in the Annual Financial Report. I note that the Government committed in Budget 2004 to exploring ways to make the presentations in the Budget, the Annual Financial Report and the Public Accounts comparable.   |
| Reporting to Parliament           | I have recommended that the Government consider enhancements to the way it reports its financial results to parliamentarians and other interested Canadians. I understand that the Government is looking at this issue under its Improved Reporting to Parliament project.  |

### **MY AUDIT REPORT EXPLAINED**

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

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# SECTION 3

2003-2004

*PUBLIC ACCOUNTS OF CANADA*

## Revenues, Expenses and Accumulated Deficit

### CONTENTS

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## REVENUES, EXPENSES AND ACCUMULATED DEFICIT

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

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

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

|   | 2003-2004      | 2002-2003 <sup>(1)</sup> |
|---|----------------|--------------------------|
| <b>Revenues—</b>                                    |                |                          |
| Tax revenues, Table 3.2 .....                       | 164,895        | 156,400                  |
| Employment insurance premiums .....                 | 17,546         | 17,870                   |
| Other revenues, Table 3.4 .....                     | 16,106         | 15,962                   |
| <b>Total revenues .....</b>                         | <b>198,547</b> | <b>190,232</b>           |
| <b>Expenses—</b>                                    |                |                          |
| Transfer payments .....                             | 102,378        | 98,643                   |
| Other program expenses .....                        | 51,317         | 47,350                   |
| <b>Total program expenses .....</b>                 | <b>153,695</b> | <b>145,993</b>           |
| Public debt charges .....                           | 35,769         | 37,270                   |
| <b>Total expenses, Table 3.6 .....</b>              | <b>189,464</b> | <b>183,263</b>           |
| <b>Annual surplus .....</b>                         | <b>9,083</b>   | <b>6,969</b>             |
| <b>Accumulated deficit, beginning of year .....</b> | <b>510,576</b> | <b>517,545</b>           |
| <b>Accumulated deficit, end of year .....</b>       | <b>501,493</b> | <b>510,576</b>           |

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

## REVENUES

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

### Accounting for Revenues

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

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

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

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

|  | 2003-2004      | 2002-2003 <sup>(1)</sup> |
|--|----------------|--------------------------|
| <b>Tax revenues—</b>                                   |                |                          |
| Income tax—  |                |                          |
| Personal <sup>(2)</sup> .....                          | 92,957         | 89,530                   |
| Corporate .....  | 27,431         | 22,222                   |
| Other income tax revenues .....                        | 3,142          | 3,291                    |
|  | <b>123,530</b> | <b>115,043</b>           |
| Other taxes and duties—                                |                |                          |
| Goods and services tax, Table 3.3 <sup>(2)</sup> ..... | 28,286         | 28,248                   |
| Energy taxes—  |                |                          |
| Excise tax—Gasoline .....                              | 3,990          | 4,479                    |
| Excise tax—Aviation gasoline and diesel fuel .....     | 962            | 456                      |
|  | 4,952          | 4,935                    |
| Customs import duties .....                            | 2,887          | 3,278                    |
| Other excise taxes and duties—                         |                |                          |
| Excise duties .....                                    | 4,085          | 2,024                    |
| Air travellers security charge .....                   | 410            | 421                      |
| Miscellaneous excise taxes and duties .....            | 745            | 2,451                    |
|  | 5,240          | 4,896                    |
|  | <b>41,365</b>  | <b>41,357</b>            |
| <b>Total tax revenues <sup>(3)</sup> .....</b>         | <b>164,895</b> | <b>156,400</b>           |

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

<sup>(2)</sup> Differences with amounts reported by the Canada Customs and Revenue Agency are due to consolidation adjustments.

<sup>(3)</sup> Additional details are provided in Table 4a in Section 1 of Volume II.

### Personal income tax

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

### Corporate income tax

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

### Other income tax revenues

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

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

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

### Other taxes and duties

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

*Goods and services tax*

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

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

(in millions of dollars)

|  | 2003-2004 | 2002-2003 |
|--|-----------|-----------|
| GST .....  | 32,492    | 32,481    |
| Less: remission order for the GST paid and accrued by ministries on or for goods and services purchased from outside parties ..... | 1,043     | 1,151     |
| Gross GST from outside parties .....   | 31,449    | 31,330    |
| Less: quarterly tax credits .....  | 3,163     | 3,082     |
| Net GST from outside parties .....   | 28,286    | 28,248    |

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

*Energy taxes*

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

*Customs import duties*

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

*Other excise taxes and duties*

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

**Employment insurance premiums**

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

## Other Revenues

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

**TABLE 3.4**  
**OTHER REVENUES**

(in millions of dollars)

|  | 2003-2004     | 2002-2003 <sup>(1)</sup> |
|--|---------------|--------------------------|
| <b>Other revenues—</b>   |               |                          |
| Crown corporation revenues—  |               |                          |
| Consolidated Crown corporations .....                                    | 1,663         | 1,851                    |
| Enterprise Crown corporations and other government business enterprises— |               |                          |
| Share of annual profit .....   | 3,711         | 2,962                    |
| Interest and other .....   | 546           | 492                      |
|  | 5,920         | 5,305                    |
| Other program revenues—  |               |                          |
| Return on investments .....  | 571           | 351                      |
| Sales of goods and services—   |               |                          |
| Rights and privileges .....  | 1,014         | 885                      |
| Lease and use of public property .....                                   | 502           | 496                      |
| Services of a regulatory nature .....                                    | 945           | 876                      |
| Services of a non-regulatory nature .....                                | 2,171         | 2,087                    |
| Sales of goods and information products .....                            | 214           | 132                      |
| Other fees and charges .....   | 180           | 287                      |
|  | 5,026         | 4,763                    |
| Miscellaneous revenues—  |               |                          |
| Interest and penalties .....   | 1,974         | 1,781                    |
| Other .....  | 525           | 383                      |
|  | 8,096         | 7,278                    |
| Foreign exchange revenues—   |               |                          |
| Exchange Fund Account .....  | 2,432         | 3,132                    |
| International Monetary Fund .....  | (418)         | 55                       |
| Other .....  | 76            | 192                      |
|  | 2,090         | 3,379                    |
| <b>Total other revenues <sup>(2)</sup> .....</b>                         | <b>16,106</b> | <b>15,962</b>            |

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

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

### Crown corporation revenues

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

### Other program revenues

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

### Foreign exchange revenues

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

**Return on investments**

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

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

(in millions of dollars)

|   | 2003-2004 | 2002-2003 |
|---|-----------|-----------|
| Consolidated accounts—  |           |           |
| Atomic Energy of Canada Limited .....                                 | (2)       | (2)       |
| Cash and accounts receivable—   |           |           |
| Interest on bank deposits .....                                       | 284       | 179       |
| Loans, investments and advances—                                      |           |           |
| Portfolio investments .....   | 22        | 20        |
| National governments including developing countries .....             | 114       | 112       |
| International organizations .....                                     | 22        | 31        |
| Provincial and territorial governments .....                          | 2         | 4         |
| Other loans, investments and advances .....                           | 241       | 163       |
|   | 401       | 330       |
| Other accounts—   |           |           |
| Eso Ltd—Norman Wells Project profits .....                            | 99        | 90        |
| Other .....   | 2         | 5         |
|   | 101       | 95        |
| Total ministerial return on investments .....                         | 786       | 604       |
| Net gain (loss) on exchange .....                                     | (280)     | (266)     |
| Accrual of other revenues .....                                       | 82        | 29        |
| Total return on investments .....                                     | 588       | 367       |
| Elimination of return on investments internal to the Government ..... | (17)      | (16)      |
| Total external return on investments .....                            | 571       | 351       |

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

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

## EXPENSES

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

### Accounting for Expenses

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

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

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

Table 3.6 presents external expenses by type.

**TABLE 3.6**  
EXTERNAL EXPENSES BY TYPE

(in millions of dollars)

|  | 2003-2004 | 2002-2003 <sup>(1)</sup> |
|--|-----------|--------------------------|
| Transfer payments—   |           |                          |
| Old age security benefits, guaranteed income supplement and spouse's allowance ..... | 26,902    | 25,692                   |
| Other levels of government—  |           |                          |
| Canada health and social transfer .....  | 22,341    | 21,100                   |
| Fiscal arrangements .....  | 9,409     | 10,879                   |
| Alternative payments for standing programs .....                                     | (2,700)   | (2,321)                  |
| Other .....  | 342       | 987                      |
| Total other levels of government .....   | 29,392    | 30,645                   |
| Employment insurance benefits .....  | 15,058    | 14,496                   |
| Canada child tax benefits .....  | 8,062     | 7,823                    |
|  | 79,414    | 78,656                   |
| Other transfer payments—   |           |                          |
| Agriculture and Agri-Food .....  | 3,920     | 2,654                    |
| Finance .....  | 280       | 1,013                    |
| Foreign Affairs and International Trade .....  | 2,683     | 2,456                    |
| Health .....   | 2,464     | 1,619                    |
| Human Resources Development .....  | 2,032     | 1,602                    |
| Indian Affairs and Northern Development .....  | 4,794     | 4,649                    |
| Industry .....   | 2,411     | 1,975                    |
| Other .....  | 4,380     | 4,019                    |
| Total other transfer payments .....  | 22,964    | 19,987                   |
| Total transfer payments .....  | 102,378   | 98,643                   |
| Other program expenses—  |           |                          |
| Crown corporation expenses .....   | 6,566     | 6,551                    |
| Agriculture and Agri-Food .....  | 1,354     | 1,097                    |
| Canada Customs and Revenue Agency .....  | 5,320     | 5,613                    |
| Environment .....  | 1,318     | 1,222                    |
| Fisheries and Oceans .....   | 1,398     | 1,473                    |
| Foreign Affairs and International Trade .....  | 1,697     | 1,670                    |
| Health .....   | 1,838     | 1,643                    |
| Human Resources Development .....  | 2,905     | 2,719                    |
| Industry .....   | 2,118     | 1,924                    |
| Justice .....  | 1,028     | 946                      |
| National Defence .....   | 12,869    | 11,803                   |
| Public Works and Government Services .....   | 2,348     | 2,352                    |
| Solicitor General .....  | 4,651     | 4,222                    |
| Treasury Board .....   | 1,560     | 1,461                    |
| Other ministries .....   | 4,347     | 2,654                    |
| Total other program expenses .....   | 51,317    | 47,350                   |
| Total program expenses .....   | 153,695   | 145,993                  |
| Public debt charges, Table 3.8 .....   | 35,769    | 37,270                   |
| Total expenses <sup>(2)</sup> .....  | 189,464   | 183,263                  |

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

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

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

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

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

### **Transfer payments**

Transfer payments include:

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

### **Other program expenses**

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



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

**TABLE 3.7**  
CERTAIN TRANSFER PAYMENTS BY PROVINCE  
(in millions of dollars)

|   | Old age<br>security<br>benefits <sup>(1)</sup> | Employment<br>insurance<br>benefits | Fiscal<br>arran-<br>gements | Alternative<br>payments<br>for standing<br>programs | Canada<br>health<br>and social<br>transfer | Other      | Canada<br>child tax<br>benefits | Total         |
|---|--|-------------------------------------|-----------------------------|---|--|------------|---------------------------------|---------------|
| Newfoundland and Labrador . . . . .       | 551  | 913                                 | 693                         |   | 397  | 25         |                                 | 2,579         |
|   | <i>531</i>                                     | <i>876</i>                          | <i>928</i>                  |   | <i>342</i>                                 |            |                                 | <i>2,677</i>  |
| Prince Edward Island . . . . .            | 141  | 196                                 | 221                         |   | 108  | 7          |                                 | 673           |
|   | <i>136</i>                                     | <i>190</i>                          | <i>240</i>                  |   | <i>92</i>                                  |            |                                 | <i>658</i>    |
| Nova Scotia . . . . .                     | 933  | 680                                 | 1,036                       |   | 745  | 45         |                                 | 3,439         |
|   | <i>899</i>                                     | <i>655</i>                          | <i>1,202</i>                |   | <i>613</i>                                 |            |                                 | <i>3,369</i>  |
| New Brunswick . . . . .                   | 767  | 749                                 | 1,086                       |   | 602  | 36         |                                 | 3,240         |
|   | <i>739</i>                                     | <i>733</i>                          | <i>1,169</i>                |   | <i>497</i>                                 |            |                                 | <i>3,138</i>  |
| Quebec . . . . .                          | 7,313  | 4,361                               | 2,771                       | (2,700)   | 6,082                                      | 352        |                                 | 18,179        |
|   | <i>6,963</i>                                   | <i>4,138</i>                        | <i>4,400</i>                | <i>(2,321)</i>                                      | <i>4,903</i>                               |            |                                 | <i>18,083</i> |
| Ontario . . . . .                         | 9,857  | 4,364                               | 8                           |   | 9,339                                      | 580        |                                 | 24,148        |
|   | <i>9,370</i>                                   | <i>4,237</i>                        | <i>8</i>                    |   | <i>6,743</i>                               |            |                                 | <i>20,358</i> |
| Manitoba . . . . .                        | 1,087  | 439                                 | 1,475                       |   | 955  | 54         |                                 | 4,010         |
|   | <i>1,055</i>                                   | <i>414</i>                          | <i>1,477</i>                |   | <i>756</i>                                 |            |                                 | <i>3,702</i>  |
| Saskatchewan . . . . .                    | 1,031  | 357                                 | (47)                        |   | 782  | 48         |                                 | 2,171         |
|   | <i>1,006</i>                                   | <i>334</i>                          | <i>(7)</i>                  |   | <i>668</i>                                 |            |                                 | <i>2,001</i>  |
| Alberta . . . . .                         | 2,187  | 1,085                               | 48                          |   | 2,152                                      | 149        |                                 | 5,621         |
|   | <i>2,073</i>                                   | <i>1,053</i>                        | <i>4</i>                    |   | <i>1,272</i>                               |            |                                 | <i>4,402</i>  |
| British Columbia . . . . .                | 3,543  | 1,837                               | (350)                       |   | 3,583                                      | 200        |                                 | 8,813         |
|   | <i>3,356</i>                                   | <i>1,791</i>                        | <i>792</i>                  |   | <i>2,640</i>                               |            |                                 | <i>8,579</i>  |
| Total provinces . . . . .                 | 27,410   | 14,981                              | 6,941                       | (2,700)   | 24,745                                     | 1,496      |                                 | 72,873        |
|   | <i>26,128</i>                                  | <i>14,421</i>                       | <i>10,213</i>               | <i>(2,321)</i>                                      | <i>18,526</i>                              |            |                                 | <i>66,967</i> |
| Northwest Territories . . . . .           | 22   | 31                                  | 682                         |   | 27   | 2          |                                 | 764           |
|   | <i>21</i>                                      | <i>32</i>                           | <i>558</i>                  |   | <i>31</i>                                  | <i>5</i>   |                                 | <i>647</i>    |
| Nunavut . . . . .                         |  | 15                                  | 680                         |   | 26   | 1          |                                 | 722           |
|   |  | <i>14</i>                           | <i>593</i>                  |   | <i>24</i>                                  |            |                                 | <i>631</i>    |
| Yukon Territory . . . . .                 | 13   | 28                                  | 430                         |   | 27   | 1          |                                 | 499           |
|   | <i>12</i>                                      | <i>26</i>                           | <i>353</i>                  |   | <i>19</i>                                  |            |                                 | <i>410</i>    |
| International . . . . .                   | 175  | 3                                   |                             |   |  |            |                                 | 178           |
|   | <i>173</i>                                     | <i>3</i>                            |                             |   |  |            |                                 | <i>176</i>    |
| Sub-total . . . . .                       | 27,620   | 15,058                              | 8,733                       | (2,700)   | 24,825                                     | 1,500      |                                 | 75,036        |
|   | <i>26,334</i>                                  | <i>14,496</i>                       | <i>11,717</i>               | <i>(2,321)</i>                                      | <i>18,600</i>                              | <i>5</i>   |                                 | <i>68,831</i> |
| Accrual and other adjustments . . . . .   |  |                                     | 676                         |   | (2,484)                                    | (1,158)    |                                 | (2,966)       |
|   |  |                                     | <i>(838)</i>                |   | <i>2,500</i>                               | <i>982</i> |                                 | <i>2,644</i>  |
| Total (Net) . . . . .                     | 27,620   | 15,058                              | 9,409                       | (2,700)   | 22,341                                     | 342        |                                 | 72,070        |
|   | <i>26,334</i>                                  | <i>14,496</i>                       | <i>10,879</i>               | <i>(2,321)</i>                                      | <i>21,100</i>                              | <i>987</i> |                                 | <i>71,475</i> |
| Add: tax credits and repayments . . . . . | (718)  |                                     |                             |   |  |            | 8,062                           | 7,344         |
|   | <i>(642)</i>                                   |                                     |                             |   |  |            | <i>7,823</i>                    | <i>7,181</i>  |
| Total (Gross) . . . . .                   | 26,902   | 15,058                              | 9,409                       | (2,700)   | 22,341                                     | 342        | 8,062                           | 79,414        |
|   | <i>25,692</i>                                  | <i>14,496</i>                       | <i>10,879</i>               | <i>(2,321)</i>                                      | <i>21,100</i>                              | <i>987</i> | <i>7,823</i>                    | <i>78,656</i> |

Amounts in roman type are 2003-2004 transfer payments.

Amounts in *italic* type are 2002-2003 transfer payments.

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

**Public debt charges**

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

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

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

(in millions of dollars)

|  | 2003-2004 | 2002-2003 <sup>(2)</sup> |
|--|-----------|--------------------------|
| Unmatured debt—  |           |                          |
| Interest on:   |           |                          |
| Marketable bonds .....   | 17,577    | 19,223                   |
| Canada savings and Canada premium bonds .....  | 846       | 862                      |
| Bonds for Canada Pension Plan .....  | 340       | 343 <sup>(3)</sup>       |
| Promissory Note - TD Trust Company .....   | 2         |                          |
| Promissory notes - Montreal Trust Company .....  | 2         |                          |
| Canada notes .....   | 16        | 16                       |
| Euro medium term notes .....   | 86        | 99                       |
|  | 18,869    | 20,543                   |
| Amortization of premiums, discounts and commissions on:  |           |                          |
| Treasury bills .....   | 3,189     | 2,834                    |
| Marketable bonds .....   | 1,215     | 1,660                    |
| Canada bills .....   | 24        | 45                       |
| Canada savings and Canada premium bonds .....  | 26        | 4                        |
|  | 4,454     | 4,543                    |
| Servicing costs and costs of issuing new borrowings .....  | 91        | 119                      |
| Total public debt charges related to unmatured debt .....  | 23,414    | 25,205                   |
| Pension and other liabilities—   |           |                          |
| Interest on:   |           |                          |
| Public sector pensions—Superannuation accounts .....   | 10,870    | 10,829                   |
| Less: Provision for pension adjustment .....   | (1,519)   | (1,687)                  |
|  | 9,351     | 9,142                    |
| Other employee and veteran future benefits—  |           |                          |
| Health and dental care plans .....   | 475       | 424                      |
| Severance benefits .....   | 230       | 205                      |
| Worker's compensation .....  | 33        | 33                       |
| Veteran benefit plan .....   | 1,571     | 1,578                    |
|  | 2,309     | 2,240                    |
| Canada Pension Plan .....  | 182       | 169                      |
| Government Annuities Account .....   | 29        | 37                       |
| Deposit and trust accounts .....   | 65        | 66                       |
| Other specified purpose accounts .....   | 239       | 229                      |
| Capital lease obligations .....  | 156       | 146                      |
| Other liabilities .....  | 24        | 36                       |
| Total public debt charges related to pension and other liabilities .....   | 12,355    | 12,065                   |
| Consolidated specified purpose accounts—   |           |                          |
| Interest on:   |           |                          |
| Employment Insurance Account .....   | 1,095     | 1,036                    |
| Other .....  | 13        | 14                       |
| Total public debt charges related to consolidated specified purpose accounts .....   | 1,108     | 1,050                    |
| Total public debt charges before consolidation adjustments <sup>(4)</sup> .....  | 36,877    | 38,320                   |
| Less: consolidation adjustments .....  | 1,108     | 1,050                    |
| Total public debt charges <sup>(1)</sup> .....   | 35,769    | 37,270                   |
| Comprised of:  |           |                          |
| Total public debt charges under statutory authorities before accrual and other adjustments and consolidation adjustments ..... | 35,931    | 37,619                   |
| Accrual and other adjustments .....  | 946       | 701                      |
| Consolidation adjustments .....  | (1,108)   | (1,050)                  |
| Total public debt charges .....  | 35,769    | 37,270                   |

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

<sup>(2)</sup> Comparative figures have been reclassified to conform to the current year's presentation.

<sup>(3)</sup> Less than \$500,000.

<sup>(4)</sup> Additional details are provided in Section 8 of Volume III.

### 3.10 REVENUES, EXPENSES AND ACCUMULATED DEFICIT

## Expenses by Object

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

**TABLE 3.9**  
TOTAL EXPENSES BY OBJECT <sup>(1)</sup>  
(in millions of dollars)

|   | Total<br>expenses | Reconciliation | Total<br>expenditures |
|---|-------------------|----------------|-----------------------|
| Transfer payments .....                             | 102,378           | (17,237)       | 85,141                |
| Other program expenses—                             |                   |                |                       |
| Crown corporations and other program expenses ..... | 6,084             | (6,084)        |                       |
| Personnel .....                                     | 24,857            | 1,503          | 26,360                |
| Transportation and communications .....             | 2,252             | 203            | 2,455                 |
| Information .....                                   | 266               | 23             | 289                   |
| Professional and special services .....             | 4,848             | 1,730          | 6,578                 |
| Rentals .....                                       | 1,118             | 497            | 1,615                 |
| Repair and maintenance .....                        | 1,548             | 823            | 2,371                 |
| Utilities .....                                     | 2,122             | 161            | 2,283                 |
| Amortization expenses .....                         | 3,502             | (3,502)        |                       |
| Loss on disposal of assets .....                    | 257               | (257)          |                       |
| Other subsidies and expenses .....                  | 4,463             | 2,881          | 7,344                 |
| Acquisition of land, buildings and works .....      |                   | 794            | 794                   |
| Acquisition of machinery and equipment .....        |                   | 3,164          | 3,164                 |
|   | 51,317            | 1,936          | 53,253                |
| Public debt charges .....                           | 35,769            | 162            | 35,931                |
| Total .....   | 189,464           | (15,139)       | 174,325               |

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

## Expenditures under Statutory Authorities

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

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

**TABLE 3.10**  
**EXPENDITURES UNDER STATUTORY AUTHORITIES**

(in millions of dollars)

|  | 2003-2004      | 2002-2003 <sup>(1)</sup> |
|--|----------------|--------------------------|
| Public debt charges .....  | 35,931         | 37,619                   |
| Old age security payments ( <i>Old Age Security Act</i> ) .....  | 20,697         | 19,823                   |
| Canada health and social transfer (Part V— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....                                   | 19,325         | 18,600                   |
| Fiscal equalization (Part I— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....   | 7,446          | 10,560                   |
| Guaranteed income supplement payments ( <i>Old Age Security Act</i> ) .....  | 5,792          | 5,471                    |
| Payment to the 2003 Canada Health and Social Transfer Supplement Trust ( <i>Budget Implementation Act, 2003</i> ) .....                | 4,500          |                          |
| Payment to the Diagnostic/Medical Equipment Trust ( <i>Budget Implementation Act, 2003</i> ) .....                                     | 1,500          |                          |
| Contributions in support of business risk management programs under the agricultural policy framework .....                            | 1,299          |                          |
| Health Reform Transfer (Part VI— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....   | 1,000          |                          |
| Grants for the Transitional industry support program ( <i>Farm Income Protection Act</i> ) .....                                       | 843            |                          |
| Canada Health Infoway Inc. ....  | 600            |                          |
| Contributions to a transition to future risk management programming .....  | 599            | 598                      |
| Net loss on exchange .....   | 516            | 204                      |
| Grant to the Canadian Foundation for Innovation .....  | 500            |                          |
| Allowance payments ( <i>Old Age Security Act</i> ) .....   | 414            | 399                      |
| Contributions in support of the Bovine spongiform encephalopathy (BSE) recovery program .....  | 403            |                          |
| Superannuation, supplementary retirement benefits, death benefits and other pensions— <sup>(2)</sup>                                   |                |                          |
| Public Service—  |                |                          |
| Government's contributions to the Public Service pension plan and the Retirement Compensation Arrangements Account .....               | 2,039          | 1,981                    |
| Government's contribution as employer to the Employment Insurance Account .....  | 263            | 275                      |
| Government's contributions to the Canada and the Quebec Pension Plans .....  | 471            | 399                      |
| Government's contributions to the Death Benefit Account .....  | 9              | 2                        |
|  | 2,782          | 2,657                    |
| Less: recoveries from revolving funds .....  | 83             | 104                      |
|  | 2,699          | 2,553                    |
| Canadian Forces—   |                |                          |
| Government's contribution to the Canadian Forces pension plan and the Retirement Compensation Arrangements Account .....               | 615            | 569                      |
| Statutory payments under the <i>Supplementary Retirement Benefits Act</i> .....  | 9              | 10                       |
| Government's contribution as employer to the Employment Insurance Account .....  | 74             | 77                       |
| Government's contribution to the Canada and the Quebec Pension Plans .....   | 125            | 116                      |
| Government's contribution to the Death Benefit Account .....   | 3              | 3                        |
|  | 826            | 775                      |
| Royal Canadian Mounted Police—   |                |                          |
| Government's contribution to the Royal Canadian Mounted Police pension plan and the Retirement Compensation Arrangements Account ..... | 213            | 203                      |
| Statutory payments under the <i>Supplementary Retirement Benefits Act</i> .....  |                | 30                       |
| Government's contribution as employer to the Employment Insurance Account .....  | 17             | 21                       |
| Government's contribution to the Canada and the Quebec Pension Plans .....   | 37             | 33                       |
|  | 267            | 287                      |
| All other statutory expenditures .....   | 1,272          | 1,384                    |
| <b>Total ministerial expenditures under statutory authorities <sup>(3)</sup> .....</b>   | <b>106,429</b> | <b>98,273</b>            |

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

# SECTION 4

**2003-2004**

***PUBLIC ACCOUNTS OF CANADA***

## **Consolidated Accounts**

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## CONSOLIDATED CROWN CORPORATIONS

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

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

### Summary Financial Statements of Consolidated Crown Corporations

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

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

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

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

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

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

Consolidated Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by consolidated agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. There were no borrowings by consolidated agent Crown corporations for the year ended March 31, 2004. Contingent liabilities of consolidated corporations are presented in Table 4.3.

A summary of financial assistance under Government budgetary appropriations to consolidated Crown corporations for the year ended March 31, 2004 is provided in Table 4.4. Differences in figures reported in Table 4.2 and those reported in Table 4.4 result from the use of different accounting policies and from items in transit.

TABLE 4.1

FINANCIAL POSITION OF CONSOLIDATED CROWN CORPORATIONS—ASSETS AND LIABILITIES  
AS AT MARCH 31, 2004

(in thousands of dollars)

|  | Assets        |                                   |               |              |
|--|---------------|-----------------------------------|---------------|--------------|
|  | Financial     |                                   | Non-financial | Total assets |
|  | Third parties | Government and Crown corporations |               |              |
| Consolidated Crown corporations <sup>(1)</sup>   |               |                                   |               |              |
| Atomic Energy of Canada Limited .....  | 474,198       | 3,133                             | 439,354       | 916,685      |
| Canada Council for the Arts .....  | 284,756       | 2,699                             | 23,607        | 311,062      |
| Canada Lands Company Limited —<br>Old Port of Montreal Corporation Inc. ....                     | 10,620        |                                   | 17,924        | 28,544       |
| Canada Mortgage and Housing Corporation —<br>Minister's Account .....                            |               |                                   |               |              |
| Canadian Air Transport Security Authority .....  | 45,896        | 60,043                            | 247,882       | 353,821      |
| Canadian Broadcasting Corporation .....  | 249,898       | 205,345                           | 1,183,276     | 1,638,519    |
| Canadian Dairy Commission —<br>Dairy Support Operation Financed by the Government of Canada .... |               |                                   |               |              |
| Canadian Museum of Civilization .....  | 67,536        | 1,256                             | 87,500        | 156,292      |
| Canadian Museum of Nature .....  | 17,525        | 4,488                             | 47,115        | 69,128       |
| Canadian Race Relations Foundation .....   | 1,360         | 24,000                            | 37            | 25,397       |
| Canadian Tourism Commission .....  | 28,385        | 2,917                             | 5,134         | 36,436       |
| Cape Breton Growth Fund Corporation .....  | 72,941        | 92                                |               | 73,033       |
| Defence Construction (1951) Limited .....  | 4,347         | 4,961                             | 1,750         | 11,058       |
| Enterprise Cape Breton Corporation .....   | 11,046        | 6,148                             | 1,509         | 18,703       |
| Federal Bridge Corporation Limited, The <sup>(2)</sup> .....                                     | 24,650        | 3,869                             | 162,779       | 191,298      |
| International Development Research Centre .....  | 42,762        | 1,953                             | 6,866         | 51,581       |
| Marine Atlantic Inc .....  | 2,987         | 6,585                             | 191,262       | 200,834      |
| National Arts Centre Corporation .....   | 13,952        | 485                               | 21,882        | 36,319       |
| National Capital Commission .....  | 103,645       | 3,843                             | 568,759       | 676,247      |
| National Gallery of Canada .....   | 13,506        | 3,865                             | 16,154        | 33,525       |
| National Museum of Science and Technology .....  | 13,817        | 1,572                             | 18,250        | 33,639       |
| Queens Quay West Land Corporation .....  | 4,109         |                                   |               | 4,109        |
| Standards Council of Canada .....  | 2,849         | 879                               | 2,002         | 5,730        |
| Telefilm Canada .....  | 29,928        | 24,622                            | 9,798         | 64,348       |
| VIA Rail Canada Inc .....  | 99,808        | 21,604                            | 661,666       | 783,078      |
| Total .....  | 1,620,521     | 384,359                           | 3,714,506     | 5,719,386    |
| Conversion to the Government accounting<br>basis for consolidation purposes .....                |               |                                   | 92,711        | 92,711       |
| Total on the Government accounting basis .....   | 1,620,521     | 384,359                           | 3,807,217     | 5,812,097    |

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



| Liabilities   |           |  |                      |                                     |                        |                  |                        |                                       |
|---------------|-----------|--|----------------------|-------------------------------------|------------------------|------------------|------------------------|---------------------------------------|
| Third parties |           | Government<br>And<br>Crown<br>corporations | Total<br>liabilities | Accumulated<br>profits/<br>(losses) | Contributed<br>surplus | Capital<br>stock | Equity<br>of<br>Canada | Total<br>liabilities<br>and<br>equity |
| Borrowings    | Other     |  |                      |                                     |                        |                  |                        |                                       |
|               | 726,629   | 53,445                                     | 780,074              | (436,118)                           | 557,729                | 15,000           | 136,611                | 916,685                               |
|               | 103,345   | 1,291                                      | 104,636              | 137,148                             | 19,278                 | 50,000           | 206,426                | 311,062                               |
|               | 6,943     | 9,143                                      | 16,086               | 12,458                              |                        |                  | 12,458                 | 28,544                                |
|               | 99,491    | 240,198                                    | 339,689              | 11,456                              | 2,676                  |                  | 14,132                 | 353,821                               |
|               | 796,189   | 657,506                                    | 1,453,695            | 184,824                             |                        |                  | 184,824                | 1,638,519                             |
|               | 41,238    | 93,244                                     | 134,482              | 21,810                              |                        |                  | 21,810                 | 156,292                               |
|               | 38,675    | 35,512                                     | 74,187               | (5,059)                             |                        |                  | (5,059)                | 69,128                                |
|               | 57        |  | 57                   | 1,340                               | 24,000                 |                  | 25,340                 | 25,397                                |
|               | 19,964    | 16,799                                     | 36,763               | (327)                               |                        |                  | (327)                  | 36,436                                |
|               | 880       | 98   | 978                  | 72,055                              |                        |                  | 72,055                 | 73,033                                |
|               | 7,858     | 326  | 8,184                | 2,874                               |                        |                  | 2,874                  | 11,058                                |
|               | 12,492    | 8  | 12,500               | 6,203                               |                        |                  | 6,203                  | 18,703                                |
|               | 10,401    | 126,063                                    | 136,464              | 1,170                               | 53,664                 |                  | 54,834                 | 191,298                               |
|               | 19,008    | 21,461                                     | 40,469               | 11,112                              |                        |                  | 11,112                 | 51,581                                |
|               | 11,572    | 185,769                                    | 197,341              | (255,037)                           |                        | 258,530          | 3,493                  | 200,834                               |
|               | 16,477    | 19,477                                     | 35,954               | 365                                 |                        |                  | 365                    | 36,319                                |
|               | 77,758    | 2,233                                      | 79,991               | 5,206                               | 591,050                |                  | 596,256                | 676,247                               |
|               | 12,648    | 17,793                                     | 30,441               | 108                                 | 2,976                  |                  | 3,084                  | 33,525                                |
|               | 6,947     | 26,451                                     | 33,398               | 241                                 |                        |                  | 241                    | 33,639                                |
|               | 899       | 31,300                                     | 32,199               | (29,090)                            | 1,000                  |                  | (28,090)               | 4,109                                 |
|               | 2,614     | 771  | 3,385                | 2,345                               |                        |                  | 2,345                  | 5,730                                 |
|               | 8,425     | 9,362                                      | 17,787               | 46,561                              |                        |                  | 46,561                 | 64,348                                |
|               | (8,929)   | 689,209                                    | 680,280              | 88,535                              | 4,963                  | 9,300            | 102,798                | 783,078                               |
|               | 2,011,581 | 2,237,459                                  | 4,249,040            | (119,820)                           | 1,257,336              | 332,830          | 1,470,346              | 5,719,386                             |
|               | (105)     | (1,993,559)                                | (1,993,664)          | 3,676,541                           | (1,257,336)            | (332,830)        | 2,086,375              | 92,711                                |
|               | 2,011,476 | 243,900                                    | 2,255,376            | 3,556,721                           |                        |                  | 3,556,721              | 5,812,097                             |

TABLE 4.2

## REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2004

(in thousands of dollars)

| Consolidated Crown corporations   | Revenues      |                                   |           |             |
|---|---------------|-----------------------------------|-----------|-------------|
|   | Third parties | Government and Crown corporations |           | Total       |
|   |               | Financial assistance              | Other     |             |
| Atomic Energy of Canada Limited .....   | 508,249       | 168,343                           | 22,118    | 698,710     |
| Canada Council for the Arts .....   | 12,619        | 155,604                           | 1,531     | 169,754     |
| Canada Lands Company Limited —<br>Old Port of Montreal Corporation Inc. ....                      |               | 18,400                            |           | 18,400      |
| Canada Mortgage and Housing Corporation —<br>Minister's Account .....                             |               | 2,091,821                         |           | 2,091,821   |
| Canadian Air Transport Security Authority .....   | 1,953         | 234,505                           | 9,992     | 246,450     |
| Canadian Broadcasting Corporation .....   | 630,199       | 932,695                           | 123,468   | 1,686,362   |
| Canadian Dairy Commission —<br>Dairy Support Operation Financed by the Government of Canada ..... |               | 3,218                             | 300       | 3,518       |
| Canadian Museum of Civilization .....   | 12,802        | 102,193                           | 3,754     | 118,749     |
| Canadian Museum of Nature .....   | 2,929         | 26,614                            | 1,226     | 30,769      |
| Canadian Race Relations Foundation .....  | 2,852         |                                   |           | 2,852       |
| Canadian Tourism Commission .....   | 13,167        | 92,945                            | 1,761     | 107,873     |
| Cape Breton Growth Fund Corporation .....   | 5,085         |                                   | 14,000    | 19,085      |
| Defense Construction (1951) Limited .....   | 126           |                                   | 29,417    | 29,543      |
| Enterprise Cape Breton Corporation .....  | 710           | 28,295                            |           | 29,005      |
| Federal Bridge Corporation Limited, The .....   | 13,075        | 30,622                            | 3,382     | 47,079      |
| International Development Research Centre .....   | 8,945         | 105,634                           | 11,739    | 126,318     |
| Marine Atlantic Inc .....   | 64,647        | 43,596                            | 21,502    | 129,745     |
| National Arts Centre Corporation .....  | 25,390        | 17,215                            | 3,641     | 46,246      |
| National Capital Commission .....   | 25,106        | 114,377                           | 7,474     | 146,957     |
| National Gallery of Canada .....  | 7,608         | 46,267                            |           | 53,875      |
| National Museum of Science and Technology .....   | 2,352         | 22,828                            | 3,139     | 28,319      |
| Queens Quay West Land Corporation .....   | 999           | 4,000                             |           | 4,999       |
| Standards Council of Canada .....   | 5,678         | 7,041                             | 1,127     | 13,846      |
| Telefilm Canada .....   | 45,972        | 123,419                           | 73,502    | 242,893     |
| VIA Rail Canada Inc .....   | 246,260       | 181,491                           | 56,884    | 484,635     |
| Total .....   | 1,636,723     | 4,551,123                         | 389,957   | 6,577,803   |
| Conversion to the Government accounting<br>basis for consolidation purposes .....                 | 11,204        | 400,569                           | (233,783) | 177,990     |
| Total on the Government accounting basis .....  | 1,647,927     | 4,951,692                         | 156,174   | 6,755,793   |
| Consolidation adjustments .....   | 14,789        | (4,951,692)                       | (156,174) | (5,093,077) |
| Total external amount .....   | 1,662,716     |                                   |           | 1,662,716   |

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

(1) The difference between this amount and the Crown corporations expense presented in the Statement of Operations and Accumulated Deficit in Section 2 of this volume consists of \$396 million in financial assistance to Enterprise Crown corporations.

| Expenses                 |  |           | Net<br>income/or<br>loss(-) | Equity<br>beginning<br>of year | Equity<br>adjustments<br>and other | Equity transactions with<br>the Government |         | Equity<br>end<br>of year |
|--------------------------|--|-----------|-----------------------------|--------------------------------|------------------------------------|--|---------|--------------------------|
| Third<br>parties         | Government<br>and<br>Crown<br>corporations | Total     |                             |                                |                                    | Dividends                                  | Capital |                          |
| 649,526                  | 46,765                                     | 696,291   | 2,419                       | 152,275                        | (18,083)                           |  |         | 136,611                  |
| 166,042                  |  | 166,042   | 3,712                       | 203,022                        | (308)                              |  |         | 206,426                  |
| 18,400                   |  | 18,400    |                             | 12,458                         |                                    |  |         | 12,458                   |
| 1,964,890                | 126,931                                    | 2,091,821 |                             |                                |                                    |  |         |                          |
| 240,230                  | 879  | 241,109   | 5,341                       | 8,791                          |                                    |  |         | 14,132                   |
| 1,626,429                | 27,260                                     | 1,653,689 | 32,673                      | 148,151                        |                                    |  | 4,000   | 184,824                  |
| 3,518                    |  | 3,518     |                             |                                |                                    |  |         |                          |
| 57,288                   | 62,128                                     | 119,416   | (667)                       | 22,477                         |                                    |  |         | 21,810                   |
| 19,805                   | 11,229                                     | 31,034    | (265)                       | (4,794)                        |                                    |  |         | (5,059)                  |
| 1,283                    |  | 1,283     | 1,569                       | 23,771                         |                                    |  |         | 25,340                   |
| 115,080                  | 3,023                                      | 118,103   | (10,230)                    | 9,903                          |                                    |  |         | (327)                    |
| 6,509                    | 836  | 7,345     | 11,740                      | 60,315                         |                                    |  |         | 72,055                   |
| 29,267                   |  | 29,267    | 276                         | 2,598                          |                                    |  |         | 2,874                    |
| 14,139                   | 14,119                                     | 28,258    | 747                         | 5,456                          |                                    |  |         | 6,203                    |
| 46,360                   |  | 46,360    | 719                         | 54,115                         |                                    |  |         | 54,834                   |
| 123,170                  |  | 123,170   | 3,148                       | 7,964                          |                                    |  |         | 11,112                   |
| 133,279                  |  | 133,279   | (3,534)                     | 7,027                          |                                    |  |         | 3,493                    |
| 41,626                   | 3,282                                      | 44,908    | 1,338                       | (973)                          |                                    |  |         | 365                      |
| 104,843                  | 11,574                                     | 116,417   | 30,540                      | 564,963                        | 753                                |  |         | 596,256                  |
| 44,541                   | 9,226                                      | 53,767    | 108                         | 2,976                          |                                    |  |         | 3,084                    |
| 26,343                   | 1,786                                      | 28,129    | 190                         | 51                             |                                    |  |         | 241                      |
| 3,748                    |  | 3,748     | 1,251                       | (29,341)                       |                                    |  |         | (28,090)                 |
| 13,598                   | 103  | 13,701    | 145                         | 2,200                          |                                    |  |         | 2,345                    |
| 246,236                  | 3,363                                      | 249,599   | (6,706)                     | 53,267                         |                                    |  |         | 46,561                   |
| 479,507                  | 8,519                                      | 488,026   | (3,391)                     | 106,189                        |                                    |  |         | 102,798                  |
| 6,175,657                | 331,023                                    | 6,506,680 | 71,123                      | 1,412,861                      | (17,638)                           |  | 4,000   | 1,470,346                |
| (178,966)                | (33,154)                                   | (212,120) | 390,110                     | 1,682,627                      | 17,638                             |  | (4,000) | 2,086,375                |
| 5,996,691                | 297,869                                    | 6,294,560 | 461,233                     | 3,095,488                      |                                    |  |         | 3,556,721                |
| 172,753                  | (297,869)                                  | (125,116) |                             |                                |                                    |  |         |                          |
| 6,169,444 <sup>(1)</sup> |  | 6,169,444 |                             |                                |                                    |  |         |                          |

## Contingent Liabilities of Consolidated Crown Corporations

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

**TABLE 4.3**

### CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS

(in thousands of dollars)

|   | March 31, 2004 |
|---|----------------|
| <u>Agent Crown corporations</u>   |                |
| Canada Lands Company Limited —  |                |
| Old Port of Montreal Corporation Inc.—Miscellaneous litigations . . . . .                     | 1,337          |
| National Capital Commission—Environmental, miscellaneous litigations and agreements . . . . . | 107,249        |
| Telefilm Canada—Loan guarantees . . . . .   | 644            |
|   | <i>109,230</i> |
| <u>Non-agent Crown corporations</u>   |                |
| International Development Research Centre—Miscellaneous litigations . . . . .                 | 600            |
| Marine Atlantic Inc.—Site contamination lawsuit, miscellaneous litigations . . . . .          | 3,363          |
| Total . . . . .   | <u>113,193</u> |

## Financial Assistance under Budgetary Appropriations to Consolidated Crown Corporations

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

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

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

**TABLE 4.4**

### FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2004

(in thousands of dollars)

|  | Operating<br>expenditures<br>vote | Capital<br>expenditures<br>vote | Financial assistance<br>under<br>budgetary<br>appropriations <sup>(1)</sup> |
|--|-----------------------------------|---------------------------------|---|
| <u>Agent Crown corporations</u>                              |                                   |                                 |   |
| Atomic Energy of Canada Limited .....                        | 178,772                           |                                 | 178,772   |
| Canada Lands Company Limited —                               |                                   |                                 |   |
| Old Port of Montreal Corporation Inc .....                   | 18,400                            |                                 | 18,400  |
| Canada Mortgage and Housing Corporation <sup>(2)</sup> ..... | 2,091,821                         |                                 | 2,091,821   |
| Canadian Air Transport Security Authority .....              | 351,415                           |                                 | 351,415   |
| Canadian Broadcasting Corporation .....                      | 932,695                           | 133,616                         | 1,066,311   |
| Canadian Dairy Commission .....                              | 3,218                             |                                 | 3,218   |
| Canadian Tourism Commission .....                            | 100,300                           |                                 | 100,300   |
| Canadian Museum of Civilization .....                        | 102,194                           |                                 | 102,194   |
| Canadian Museum of Nature .....                              | 42,875                            |                                 | 42,875  |
| Enterprise Cape Breton Corporation .....                     | 28,295                            |                                 | 28,295  |
| Federal Bridge Corporation Limited, The .....                | 33,024                            |                                 | 33,024  |
| National Capital Commission .....                            | 67,936                            | 46,441                          | 114,377   |
| National Gallery of Canada .....                             | 36,982                            | 8,000                           | 44,982  |
| National Museum of Science and Technology .....              | 36,280                            |                                 | 36,280  |
| Telefilm Canada <sup>(3)</sup> .....                         | 127,861                           |                                 | 127,861   |
|  | <i>4,152,068</i>                  | <i>188,057</i>                  | <i>4,340,125</i>  |
| <u>Non-agent Crown corporations</u>                          |                                   |                                 |   |
| Canada Council for the Arts .....                            | 153,420                           |                                 | 153,420   |
| International Development Research Centre .....              | 110,278                           |                                 | 110,278   |
| Marine Atlantic Inc .....                                    | 41,595                            |                                 | 41,595  |
| National Arts Centre Corporation .....                       | 31,032                            |                                 | 31,032  |
| Standards Council of Canada .....                            | 7,041                             |                                 | 7,041   |
| Queens Quay West Land Corporation .....                      | 4,000                             |                                 | 4,000   |
| VIA Rail Canada Inc .....                                    | 264,201                           |                                 | 264,201   |
|  | <i>611,567</i>                    |                                 | <i>611,567</i>  |
| Total .....  | 4,763,635                         | 188,057                         | 4,951,692   |

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

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

<sup>(3)</sup> Includes a contribution of \$49,575 from the Canadian Television Fund under the Department of Canadian Heritage.

## CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

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

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

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

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

TABLE 4.5

### CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

|  | April 1/2003    | Revenues and other credits |                       | Expenses and other debits |                       | March 31/2004  |
|--|-----------------|----------------------------|-----------------------|---------------------------|-----------------------|----------------|
|  |                 | External transactions      | Internal transactions | External transactions     | Internal transactions |                |
|  | \$              | \$                         | \$                    | \$                        | \$                    | \$             |
| Insurance Accounts—                    |                 |                            |                       |                           |                       |                |
| Agriculture and Agri-Food—             |                 |                            |                       |                           |                       |                |
| Western Grain Stabilization            |                 |                            |                       |                           |                       |                |
| Account .....                          | 27,219,075      |                            |                       |                           | 27,219,075            |                |
| Less: interest-bearing loans .....     | 1,112,000,000   |                            |                       |                           | 1,112,000,000         |                |
|  | (1,084,780,925) |                            |                       |                           | (1,084,780,925)       |                |
| Crop Reinsurance Fund .....            |                 | 80,015,561                 |                       | 63,606,787                |                       | 16,408,774     |
| Less: interest-bearing loans .....     | 497,514,751     |                            |                       |                           |                       | 497,514,751    |
|  | (497,514,751)   | 80,015,561                 |                       | 63,606,787                |                       | (481,105,977)  |
| Agricultural Commodities Stabilization |                 |                            |                       |                           |                       |                |
| Accounts .....                         | 626,597         |                            |                       | 1,981                     |                       | 624,616        |
|  | (1,581,669,079) | 80,015,561                 |                       | 63,608,768                | (1,084,780,925)       | (480,481,361)  |
| Finance—                               |                 |                            |                       |                           |                       |                |
| Investors' Indemnity                   |                 |                            |                       |                           |                       |                |
| Account .....                          | 45,303          |                            |                       |                           |                       | 45,303         |
| Health—                                |                 |                            |                       |                           |                       |                |
| Health Insurance Supplementary         |                 |                            |                       |                           |                       |                |
| Account .....                          | 28,387          |                            |                       |                           |                       | 28,387         |
| Human Resources Development—           |                 |                            |                       |                           |                       |                |
| Employment Insurance Account,          |                 |                            |                       |                           |                       |                |
| Table 4.6 .....                        | 43,796,449,763  | 17,624,675,915             | 1,450,038,475         | 15,209,560,395            | 1,430,046,223         | 46,231,557,535 |
| Natural Resources—                     |                 |                            |                       |                           |                       |                |
| Canadian Nuclear Safety Commission—    |                 |                            |                       |                           |                       |                |
| Nuclear Liability Reinsurance          |                 |                            |                       |                           |                       |                |
| Account .....                          | 554,921         | 135,555                    |                       |                           |                       | 690,476        |
| Transport—                             |                 |                            |                       |                           |                       |                |
| Ship-Source                            |                 |                            |                       |                           |                       |                |
| Oil Pollution                          |                 |                            |                       |                           |                       |                |
| Fund .....                             | 325,963,270     | 86,532                     | 12,817,451            | 5,262,812                 | 2,870,297             | 330,734,144    |
| Total insurance accounts .....         | 42,541,372,565  | 17,704,913,563             | 1,462,855,926         | 15,278,431,975            | 348,135,595           | 46,082,574,484 |

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

|   | April 1/2003   | Revenues and other credits |                       | Expenses and other debits |                       | March 31/2004  |
|---|----------------|----------------------------|-----------------------|---------------------------|-----------------------|----------------|
|   |                | External transactions      | Internal transactions | External transactions     | Internal transactions |                |
|   | \$             | \$                         | \$                    | \$                        | \$                    | \$             |
| Other Consolidated Specified Purpose Accounts—                |                |                            |                       |                           |                       |                |
| Canadian Heritage—  |                |                            |                       |                           |                       |                |
| National Battlefields Commission—                             |                |                            |                       |                           |                       |                |
| Trust Fund Account . . . . .                                  | 516,865        |                            | 13,074                |                           |                       | 529,939        |
| Parks Canada Agency—  |                |                            |                       |                           |                       |                |
| New Parks and Historic Sites                                  |                |                            |                       |                           |                       |                |
| Accounts . . . . .  | 11,618,812     | 2,205,536                  | 8,252,986             | 5,332,103                 | 1,416,056             | 15,329,175     |
|   | 12,135,677     | 2,205,536                  | 8,266,060             | 5,332,103                 | 1,416,056             | 15,859,114     |
| Environment—  |                |                            |                       |                           |                       |                |
| Environmental Damages Fund . . . . .                          | 661,507        | 384,444                    |                       | 190,759                   |                       | 855,192        |
| Finance—  |                |                            |                       |                           |                       |                |
| Canadian Commercial Bank and                                  |                |                            |                       |                           |                       |                |
| Northland Bank Holdback Account . . . .                       | 246,223,464    |                            |                       |                           |                       | 246,223,464    |
| Fisheries and Oceans—   |                |                            |                       |                           |                       |                |
| Supplementary Fines Fish                                      |                |                            |                       |                           |                       |                |
| Account . . . . .   | 550,073        | 479,960                    |                       | 198,271                   |                       | 831,762        |
| Indian Affairs and Northern Development—                      |                |                            |                       |                           |                       |                |
| Environmental Studies Research Fund . . . .                   | 571,186        |                            | 137,641               |                           |                       | 708,827        |
| Natural Resources—  |                |                            |                       |                           |                       |                |
| Environmental Studies Research Fund . . . .                   | 1,373,778      |                            | 2,933,344             |                           | 1,956,140             | 2,350,982      |
| Public Works and Government Services—                         |                |                            |                       |                           |                       |                |
| Seized Property Proceeds                                      |                |                            |                       |                           |                       |                |
| Account . . . . .   | 28,845,337     | 26,885,968                 |                       | 37,469,880                |                       | 18,261,425     |
| Transport—  |                |                            |                       |                           |                       |                |
| Fines for the Transportation of                               |                |                            |                       |                           |                       |                |
| Dangerous Goods . . . . .                                     | 476,863        | 69,369                     | 67,500                |                           |                       | 613,732        |
| Total Other Consolidated Specified Purpose Accounts . . . . . | 290,837,885    | 30,025,277                 | 11,404,545            | 43,191,013                | 3,372,196             | 285,704,498    |
| Endowment Principal—  |                |                            |                       |                           |                       |                |
| Canadian Heritage—  |                |                            |                       |                           |                       |                |
| Parks Canada Agency—  |                |                            |                       |                           |                       |                |
| Mackenzie King trust account . . . . .                        | 225,000        |                            |                       |                           |                       | 225,000        |
| Health—   |                |                            |                       |                           |                       |                |
| Canadian Institutes of Health Research—                       |                |                            |                       |                           |                       |                |
| Endowments for Health research . . . . .                      | 140,267        |                            |                       |                           |                       | 140,267        |
| Industry—   |                |                            |                       |                           |                       |                |
| National Research Council of Canada —                         |                |                            |                       |                           |                       |                |
| H.L. Holmes Fund . . . . .                                    | 3,711,607      | 276,130                    |                       |                           |                       | 3,987,737      |
| Social Sciences and Humanities                                |                |                            |                       |                           |                       |                |
| Research Council—   |                |                            |                       |                           |                       |                |
| Queen's Fellowship Fund . . . . .                             | 250,000        |                            |                       |                           |                       | 250,000        |
| Total Endowment Principal . . . . .                           | 4,326,874      | 276,130                    |                       |                           |                       | 4,603,004      |
| Total . . . . .   | 42,836,537,324 | 17,735,214,970             | 1,474,260,471         | 15,321,622,988            | 351,507,791           | 46,372,881,986 |

## Insurance Accounts

For the following Insurance Accounts, revenues and other credits from outside parties totalled \$17,705 million (\$17,977 million in 2003) while expenses and other debits to outside parties totalled \$15,278 million (\$15,254 million in 2003) and are reported as expenses in the Statement of Operations.

Revenues and other credits of \$1,463 million (\$1,423 million in 2003) and expenses and other debits of \$348 million (\$1,434 million in 2003) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

### Western Grain Stabilization Account

The account was created in the mid-1970's to facilitate the operation of the Western Grain Stabilization Program. The Program was intended to protect Prairie grain farmers from unexpected and large income declines through the stabilization of returns on the production and sale of various grains. The Program ceased operation for crop years beginning on or after August 1, 1991, pursuant to Section 24(3) of the *Farm Income Protection Act*, and was replaced by the Net Income Stabilization Account. Activity in the account from 1993-1994 to present has consisted almost exclusively of overpayment recoveries.

An order in council was approved and the account was closed.

### 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 authorise 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 Labor Market Development Agreements; (d) amounts for services rendered to other Government departments or agencies, or to the public; (e) amounts provided for any other purpose related to employment insurance and authorized by an appropriation administered by the Canada Employment Insurance Commission; and, (f) interest on the balance of the Account at such rates as the Minister of Finance may authorize.

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



Employee premium rates for each \$100 of insurable earnings were \$2.10 from April 1, 2003 to December 31, 2003 and \$1.98 from January 1, 2004 to March 31, 2004. Employer premium rates are 1.4 times those for employees. Maximum weekly benefits were \$413 for the whole period.

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

**TABLE 4.6**

### TRANSACTIONS IN THE EMPLOYMENT INSURANCE ACCOUNT

(in millions of dollars)

|  | 2003-2004 | 2002-2003 |
|--|-----------|-----------|
| <b>REVENUES AND OTHER CREDITS—</b>           |           |           |
| Premiums—                                    |           |           |
| Employers and employees <sup>(1)</sup> ..... | 17,900    | 18,243    |
| Penalties and interest revenue .....         | 79        | 90        |
| Interest earned .....                        | 1,096     | 1,035     |
|  | 19,075    | 19,368    |
| <b>EXPENSES AND OTHER DEBITS—</b>            |           |           |
| Benefits .....                               | 14,164    | 13,601    |
| Transfers to the provinces—                  |           |           |
| Part II .....                                | 894       | 895       |
| Administration costs .....                   | 1,430     | 1,434     |
| Administration cost                          |           |           |
| transferred to provinces .....               | 91        | 91        |
| Bad debts .....                              | 60        | 81        |
|  | 16,639    | 16,102    |
| Net change .....                             | 2,436     | 3,266     |
| Balance at beginning of year .....           | 43,796    | 40,530    |
| Adjustment to opening balance .....          |           |           |
|  | 43,796    | 40,530    |
| Adjusted balance at beginning of year .....  | 43,796    | 40,530    |
| Balance at end of year .....                 | 46,232    | 43,796    |

<sup>(1)</sup> The difference between premium revenue presented here and the amount presented in the Government of Canada financial statements is due to the elimination on consolidation of premiums incurred by the Government of Canada, for an amount of \$355 million (\$373 million in 2003).

### Nuclear Liability Reinsurance Account

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

### Ship-Source Oil Pollution Fund

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

## Other Consolidated Specified Purpose Accounts

For the following Other Specified Purpose Accounts, revenues and other credits from outside parties of \$30 million (\$2 million in 2003) are reported while expenses and other debits to outside parties of \$43 million (\$8 million in 2003) are reported in the Statement of Operations.

Revenues and other credits of \$11 million (\$25 million in 2003), and expenses and other debits of \$3 million (\$3 million in 2003) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

### Trust Fund Account

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

### New Parks and Historic Sites Accounts

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.

### 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.

### 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 \$276 thousand (\$456 thousand in 2003) are reported while expenses and other debits to outside parties of \$0 thousand (\$0 thousand in 2003) are reported in the Statement of Operations.

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

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

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

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

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

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

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

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

## SUPPLEMENTARY STATEMENT

### Employment Insurance Account

#### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

JANET MILNE  
Assistant Deputy Minister  
Financial and Administrative Services  
Social Development Canada

WAYNE G. WOUTERS  
Chairperson of the Canada  
Employment Insurance Commission

September 2, 2004

#### AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND  
SKILLS DEVELOPMENT

I have audited the balance sheet of the Employment Insurance Account as at March 31, 2004 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

However, I wish to reiterate concerns that I have expressed in previous reports about the size of the accumulated surplus in the Employment Insurance Account, which increased by about \$2 billion during the year to \$46 billion as at March 31, 2004. The *Employment Insurance Act* requires that all money collected for employment insurance purposes be credited to the Account. The balance in the Account can only be reduced by charges for employment insurance benefits and administration. In my view, Parliament did not intend for the Account to accumulate a surplus beyond what could reasonably be spent for employment insurance purposes, given the existing benefit structure and providing for an economic downturn. The current surplus now exceeds three times the maximum reserve that the Chief Actuary of Human Resources Development Canada considered sufficient in 2001. Accordingly, in my opinion the Government did not observe the intent of the *Employment Insurance Act*.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
September 2, 2004

**Employment Insurance Account—Continued**

## BALANCE SHEET AS AT MARCH 31

(in thousands of dollars)

| ASSETS                               | 2004       | 2003       | LIABILITIES                     | 2004       | 2003       |
|--------------------------------------|------------|------------|---------------------------------|------------|------------|
| Balance of the account with Receiver |            |            | Unredeemed warrants .....       | 88,992     | 265,744    |
| General for Canada (Note 7) .....    | 45,124,781 | 43,197,001 | Benefits payable .....          | 459,947    | 302,129    |
| Premiums receivable .....            | 1,156,574  | 763,787    | Amounts payable (Note 4) .....  | 504        | 25,116     |
| Due from claimants                   |            |            |                                 | 549,443    | 592,989    |
| (Note 3) .....                       | 484,916    | 427,073    |                                 |            |            |
| Advances—Employment benefits         |            |            | ACCUMULATED SURPLUS (Note 5) .. | 46,233,147 | 43,812,111 |
| and support measures .....           | 16,319     | 17,239     |                                 |            |            |
|                                      |            |            |                                 | 46,782,590 | 44,405,100 |
|                                      | 46,782,590 | 44,405,100 |                                 |            |            |

Contingencies (Note 11)

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

Approved by:

JANET MILNE

*Assistant Deputy Minister  
Financial and Administrative Services  
Social Development Canada*

WAYNE G. WOUTERS

*Chairperson of the Canada  
Employment Insurance Commission*

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

|                                     | 2004       | 2003       |
|-------------------------------------|------------|------------|
| Revenue                             |            |            |
| Premiums (Note 6) .....             | 17,900,359 | 18,243,025 |
| Interest on the balance of the      |            |            |
| account with Receiver General       |            |            |
| for Canada (Note 7) .....           | 1,095,519  | 1,035,524  |
| Penalties .....                     | 46,985     | 71,433     |
| Interest on overdue accounts        |            |            |
| receivable (Note 3) .....           | 29,170     | 19,363     |
|                                     | 19,072,033 | 19,369,345 |
| Expenses                            |            |            |
| Benefits and support                |            |            |
| measures (Note 8                    |            |            |
| and Schedule) .....                 | 15,069,693 | 14,501,467 |
| Administration costs (Note 9) ..... | 1,521,034  | 1,519,095  |
| Bad debts .....                     | 60,270     | 80,754     |
|                                     | 16,650,997 | 16,101,316 |
| Surplus for the year .....          | 2,421,036  | 3,268,029  |
| Accumulated surplus at the          |            |            |
| beginning of the year .....         | 43,812,111 | 40,544,082 |
| Accumulated surplus at the end of   |            |            |
| the year (Note 5) .....             | 46,233,147 | 43,812,111 |

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)

|                            | 2004         | 2003         |
|----------------------------|--------------|--------------|
| Operating activities       |              |              |
| Cash receipts:             |              |              |
| Premiums .....             | 17,507,572   | 18,566,199   |
| Interest received .....    | 1,095,519    | 1,035,524    |
| Recoveries of benefit      |              |              |
| overpayments               |              |              |
| and penalties .....        | 310,590      | 301,944      |
|                            | 18,913,681   | 19,903,667   |
| Cash payments:             |              |              |
| Benefits and support       |              |              |
| measures .....             | (15,257,946) | (15,042,879) |
| Administration costs ..... | (1,551,203)  | (1,530,425)  |
|                            | (16,809,149) | (16,573,304) |
| Net increase in cash and   |              |              |
| cash equivalents .....     | 2,104,532    | 3,330,363    |
| Cash and cash equivalents  |              |              |
| at beginning of year ..... | 42,931,257   | 39,600,894   |
| Cash and cash equivalents  |              |              |
| at end of year .....       | 45,035,789   | 42,931,257   |

Cash and cash equivalents represent the balance of the account with Receiver General for Canada, net of the unredeemed warrants.

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

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

**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 to be received from higher income claimants.

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

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

**2. Significant accounting policies**

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

**(a) Basis of accounting**

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

**(b) Revenue—Premiums**

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

**(c) Expenses—Benefits and support measures**

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

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

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

**(d) Administration costs**

The costs of administering the Act are based on an estimate of costs incurred by the Commission for the Account and with the applicable provinces and territories for the labour market development 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.



**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004—Continued

*(f)* Asset and liability valuation

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

*(g)* Measurement uncertainty

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

## 3. Due from claimants

|  | 2004                      | 2003    |
|--|---------------------------|---------|
|  | (in thousands of dollars) |         |
| Benefit overpayments receivable .....                                      | 463,378                   | 400,677 |
| Amount of penalties receivable .....                                       | 229,621                   | 245,359 |
|  | 692,999                   | 646,036 |
| Less: allowance for doubtful accounts .....                                | 350,366                   | 340,665 |
|  | 342,633                   | 305,371 |
| Estimated benefit repayments receivable from higher income claimants ..... | 142,283                   | 121,702 |
|  | 484,916                   | 427,073 |

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 \$349 million were established, including \$16 million in interest (\$315 million in 2002-2003, including \$10 million in interest).

The Commission may impose penalties on a claimant or an employer when it becomes aware that information they have provided is false or misleading. The Act sets the maximum amounts that may be imposed in these cases. During the year, the Commission imposed penalties totalling \$60 million, including \$13 million in interest (\$84 million in 2002-2003, including \$9 million in interest).

During 2003-2004, the Commission recovered \$311 million (\$302 million in 2002-2003). Uncollectible benefit overpayments and penalties written off during the year amounted to \$51 million (\$44 million in 2002-2003).

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 requiring federal government departments to charge interest on overdue accounts receivable, the Account started to charge interest on outstanding Employment Insurance and Unemployment Insurance debts caused through misrepresentation. This measure became effective July 1, 2002.

## 4. Amounts payable

|  | 2004                      | 2003    |
|--|---------------------------|---------|
|  | (in thousands of dollars) |         |
| To Canada  |                           |         |
| Tax deductions from warrants .....   | 31,736                    | 28,878  |
| Recoupments from warrants .....  | 4,506                     | 3,402   |
| Administration costs .....   | (38,700)                  | (8,531) |
|  | (2,458)                   | 23,749  |
| To provinces   |                           |         |
| Amounts payable to provinces related to Labour Market Development Agreements ..... | (2,337)                   | (3,318) |
| Recoupments from warrants .....  | 1,955                     | 1,778   |
| Quebec tax deductions from warrants .....  | 3,344                     | 2,907   |
|  | 2,962                     | 1,367   |
|  | 504                       | 25,116  |

## 5. Accumulated surplus

As at March 31, 2004, the accumulated surplus of the Account amounted to \$46,233 million (\$43,812 million as at March 31, 2003), an increase of \$2,421 million (\$3,268 million in 2002-2003) over the previous year.

In May 2001, the Act was amended to suspend the premium rate-setting process defined in Section 66 of the Act. The premium rates for the years 2002 and 2003 were set by the Governor in Council on the recommendation of the Minister of Human Resources Development and the Minister of Finance. Pursuant to Bill C-28 that came into force on June 19, 2003, the premium rate for the year 2004 was set at 1.98 percent.

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004—Continued

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

|   | 2004         | 2003 | 2002 |
|---|--------------|------|------|
|   | (in dollars) |      |      |
| For employees.....  | 1.98         | 2.10 | 2.20 |
| For employers (calculated at 1.4 times the employee rate) ..... | 2.77         | 2.94 | 3.08 |

#### 6. Premiums

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

Actual premiums may differ from these estimates. Actual premium revenue for calendar years 2003 and 2004 will only be known once the CCRA has processed all employer declarations of premiums for these years. An adjustment for the difference between actual and estimated premiums will be recorded in the fiscal year in which the actual assessment or reassessment is completed.

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 2003, the total amount of reductions is estimated at \$527 million (\$532 million in 2002). Actual reductions for the calendar year 2002 were \$513 million (\$515 million in 2001). 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.

#### 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 ninety percent of the monthly

average of tender rates for three-month Treasury Bills for the same month. The interest rates varied between 1.84 percent and 2.89 percent during the year (2.15 percent and 2.76 percent in 2002-2003). The rate for March 2004 was 1.84 percent (2.76 percent for March 2003).

#### 8. Estimated overpayments and underpayments of benefits

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

In order to measure the effectiveness of the benefit payment process, the Commission has a program in place which estimates, through statistical extrapolation, the most likely value of incorrect benefits payouts. For benefits paid during the 12 months ended March 31, 2004, these undetected overpayments and underpayments are estimated to be \$525 million and \$219 million respectively (\$470 million and \$118 million for the 12 months ended March 31, 2003). These estimates are used by the Commission to assess the quality of decisions and the need, if any, to improve its systems and practices of processing claims.

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

#### 9. Administration costs

|  | 2004                      | 2003      |
|--|---------------------------|-----------|
|  | (in thousands of dollars) |           |
| Administration costs by activity   |                           |           |
| Employment Insurance   |                           |           |
| Income Benefits .....  | 583,559                   | 587,096   |
| Service Delivery   |                           |           |
| Support .....  | 397,077                   | 380,237   |
| Corporate Services .....   | 325,513                   | 300,145   |
| Human Resources  |                           |           |
| Investment .....   | 129,462                   | 165,092   |
|  | 1,435,611                 | 1,432,570 |
| Add: Administration costs incurred by provinces and territories .....  | 91,623                    | 91,319    |
| Less: Recovery of costs for maintaining the social insurance number registry and issuing replacement cards ..... | (6,200)                   | (4,794)   |
|  | 1,521,034                 | 1,519,095 |

## Employment Insurance Account—Continued

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004—Concluded

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

#### 10. Related party transactions

Related party transactions not otherwise disclosed in these financial statements include administration costs of \$114 million (\$117 million in 2002-2003) charged by Public Works and Government Services Canada for accommodation and rental costs, and \$103 million (\$103 million in 2002-2003) by the Canada Customs and Revenue Agency for collecting premiums from employers and employees and other related activities. These costs are charged to the Account based on memoranda of understanding.

Employment Insurance premiums include the employer's share of premiums paid by the federal government of \$355 million (\$373 million in 2002-2003).

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 business.

#### 11. Contingencies

In the normal course of the operations of the Account, numerous appeals against or by the Commission are presently outstanding. The outcome of these appeals is not presently determinable. Any claims resulting from the resolution of these appeals will be accounted for as an expense in the period in which the claim will be payable. 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 fixing of premiums and the size of the accumulated surplus in the Account are being challenged. Even though the Government won the case at

trial, an appeal has been filed and in management's opinion, the final outcome of these proceedings cannot be determined at this time. The effect, if any, of the ultimate resolution of this matter will be accounted for in the year that they are known.

A class action was launched following the trial decision mentioned above challenging the fixing of the premium rate and seeking restitution of the overpaid premiums. This case is at its preliminary stage and has yet to be certified as a class action.

#### Transfer payments to provinces and territories

Labour Market Development Agreements have been concluded with most of the provinces and territories. The agreements can be of two types: co-management agreements where both parties assume responsibility for the planning and design of programs, or transfer agreements where the province or territory assumes full responsibility for the design and delivery of active employment programs.

The Canada-Quebec Labour Market Development Agreement is a transfer agreement. At the time of preparation of the financial statements, discussions were taking place with the province of Quebec regarding a cumulative amount of \$102 million (\$28 million in 2003-2004, \$20 million in 2002-2003, \$17 million in 2001-2002, \$20 million in 2000-2001 and \$17 million in 1999-2000) charged to expenses even though the eligibility has not been agreed by both parties, as required by the agreement. The outcome of these discussions cannot be determined as yet. Any required adjustments will be accounted for in the year when the eligibility of these expenses is clarified.

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**Employment Insurance Account—Concluded**

SCHEDULE OF BENEFITS  
AND SUPPORT MEASURES  
FOR THE YEAR ENDED MARCH 31  
(in thousands of dollars)

|  | 2004       | 2003       |
|--|------------|------------|
| Part I—Income benefits   |            |            |
| Regular.....   | 9,121,833  | 8,675,970  |
| Fishing.....   | 337,096    | 309,314    |
| Worksharing.....   | 26,945     | 23,062     |
|  | 9,485,874  | 9,008,346  |
| Special benefits   |            |            |
| Parental.....  | 1,986,726  | 1,854,547  |
| Maternity.....   | 908,956    | 844,551    |
| Sickness.....  | 754,101    | 691,379    |
| Adoption.....  | 28,593     | 25,721     |
| Compassionate care.....  | 1,533      |            |
|  | 3,679,909  | 3,416,198  |
|  | 13,165,783 | 12,424,544 |
| Part II—Employment benefits and support measures   |            |            |
| Employment benefits  |            |            |
| Skills development.....  | 355,489    | 435,947    |
| Self-employment.....   | 95,904     | 93,115     |
| Job creation partnerships.....   | 73,679     | 67,598     |
| Targeted wage subsidies.....   | 45,393     | 43,755     |
|  | 570,465    | 640,415    |
| Support measures   |            |            |
| Employment assistance.....   | 334,169    | 339,222    |
| Labour market partnerships.....  | 192,386    | 270,711    |
| Research and innovation.....   | 26,770     | 33,669     |
|  | 553,325    | 643,602    |
| Transfer payments to provinces and territories.....                                      | 893,819    | 892,751    |
|  | 2,017,609  | 2,176,768  |
| Benefits and support measures.....   | 15,183,392 | 14,601,312 |
| Less: Benefit repayments received or to be<br>received from higher income claimants..... | 113,699    | 99,845     |
|  | 15,069,693 | 14,501,467 |

**Benefit rates—Income benefits**

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

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# SECTION 5

2003-2004

*PUBLIC ACCOUNTS OF CANADA*

## Accounts Payable and Accrued Liabilities

### CONTENTS

|  | <i>Page</i> |
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| Accounts payable and accrued liabilities ..... | 5.3         |
| Tax payables .....                             | 5.10        |
| Interest and matured debt .....                | 5.11        |
| Allowance for guarantees .....                 | 5.12        |

## 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 is 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 in 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.

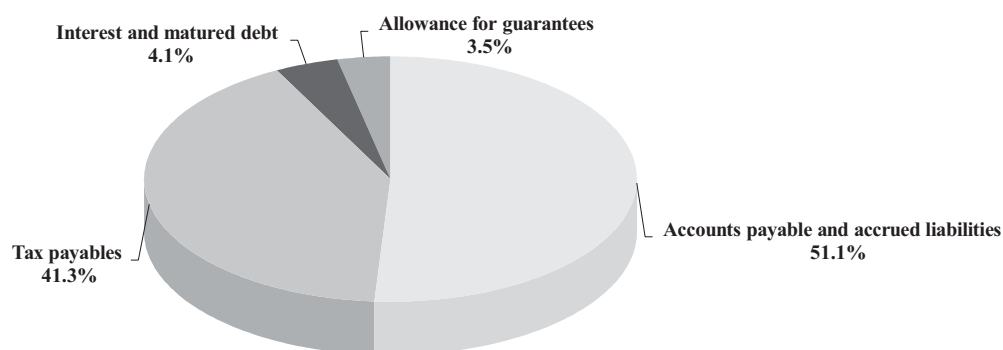
**TABLE 5.1**  
**ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|  | April 1/2003 <sup>(1)</sup> | March 31/2004  |
|--|-----------------------------|----------------|
|  | \$                          | \$             |
| Accounts payable and accrued liabilities, Table 5.2..... | 37,784,438,189              | 40,831,048,882 |
| Tax payables, Table 5.6 .....                            | 33,548,550,588              | 33,039,779,432 |
| Interest and matured debt, Table 5.7.....                | 4,302,411,609               | 3,322,993,654  |
| Allowance for guarantees, Table 5.8.....                 | 3,802,000,000               | 2,770,400,000  |
| Total.....   | 79,437,400,386              | 79,964,221,968 |

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

### CHART 5A

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES BY CATEGORY AT MARCH 31, 2004



## Accounts Payable and Accrued Liabilities

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

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

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

|   | April 1/2003 <sup>(1)</sup> | March 31/2004         |
|---|-----------------------------|-----------------------|
|   | \$                          | \$                    |
| Accounts payable.....   | 26,823,082,629              | 28,495,647,271        |
| Add: consolidation adjustment <sup>(2)</sup> .....                            | 916,320,000                 | 958,631,000           |
|   | <i>27,739,402,629</i>       | <i>29,454,278,271</i> |
| Environmental liabilities .....   | 3,377,879,000               | 3,564,200,000         |
| Accrued salaries and benefits .....   | 1,845,334,949               | 2,081,432,418         |
| Notes payable to international organizations, Table 5.3 .....                 | 681,024,730                 | 618,823,075           |
| Provincial and territorial tax collection agreements account, Table 5.4 ..... | 219,616,361                 | 2,593,162,630         |
| Miscellaneous payroll deductions .....  | 123,236,547                 | 136,601,350           |
| Cross-currency swap revaluation account .....                                 | 1,495,276,020               | 363,028,415           |
| Other .....   | 157,608,993                 | 89,887,900            |
| Deferred revenues, Table 5.5 .....  | 2,145,058,960               | 1,929,634,823         |
| Total.....  | 37,784,438,189              | 40,831,048,882        |

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

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

### Accounts payable

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

### Environmental liabilities

This account records the estimated costs related to the management and remediation of environmentally contaminated sites where the Government is obligated, or is likely obligated to incur such costs.

### Accrued salaries and benefits

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

**Notes payable to international organizations**

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

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

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

|   | April 1/2003 | Receipts and other credits |                            | Payments and other charges |                            | March 31/2004 |
|---|--------------|----------------------------|----------------------------|----------------------------|----------------------------|---------------|
|   |              | Note issuances             | Revaluation <sup>(1)</sup> | Note encasement            | Revaluation <sup>(1)</sup> |               |
|   | \$           | \$                         | \$                         | \$                         | \$                         | \$            |
| Finance—  |              |                            |                            |                            |                            |               |
| European Bank for Reconstruction and Development .....            | 21,392,300   | 10,628,379                 |                            | 9,846,463                  | 3,062,809                  | 19,111,407    |
| International Development Association .....                       | 219,637,000  | 230,133,000                |                            | 147,743,000                |                            | 302,027,000   |
| Multilateral Investment Guarantee Agency .....                    | 4,708,893    |                            |                            |                            | 502,072                    | 4,206,821     |
| Foreign Affairs and International Trade—                          |              |                            |                            |                            |                            |               |
| Canadian International Development Agency—                        |              |                            |                            |                            |                            |               |
| African Development Bank .....                                    |              | 3,812,443                  |                            | 3,812,443                  |                            |               |
| Asian Development Bank .....                                      | 12,071,583   |                            |                            | 3,809,274                  | 1,475,830                  | 6,786,479     |
| Caribbean Development Bank .....                                  | 8,244,631    | 184,050                    |                            |                            | 321,234                    | 8,107,447     |
| Inter-American Development Bank .....                             | 6,307,529    | 824,557                    | 445,491                    | 1,856,891                  | 201,600                    | 5,519,086     |
| International financial institutions—                             |              |                            |                            |                            |                            |               |
| African Development Fund .....                                    |              | 67,227,302                 |                            | 67,227,302                 |                            |               |
| Asian Development Fund .....                                      | 195,875,113  |                            |                            | 68,418,004                 |                            | 127,457,109   |
| Caribbean Development Bank—Special .....                          | 54,324,680   | 9,022,298                  |                            | 3,708,253                  |                            | 59,638,725    |
| Global Environment Facility Trust Fund .....                      | 158,463,001  |                            |                            | 72,494,000                 |                            | 85,969,001    |
| Inter-American Development Bank—Fund for Special Operations ..... |              | 1,162,374                  |                            | 1,162,374                  |                            |               |
| International Fund for Agriculture Development .....              |              | 14,533,867                 |                            | 14,533,867                 |                            |               |
| Montreal Protocol Fund .....                                      |              | 6,216,533                  |                            | 6,216,533                  |                            |               |
|   | 408,662,794  | 98,162,374                 |                            | 233,760,333                |                            | 273,064,835   |
| Total .....   | 681,024,730  | 343,744,803                | 445,491                    | 400,828,404                | 5,563,545                  | 618,823,075   |

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

## Provincial and territorial tax collection agreements account

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

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

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

foundland 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 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 and sales taxes.

**TABLE 5.4**

### PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT

|  | April 1/2003         | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004        |
|--|----------------------|-------------------------------|-------------------------------|----------------------|
|  | \$                   | \$                            | \$                            | \$                   |
| Total Personal Income Tax administered by      |                      |                               |                               |                      |
| Canada Customs and Revenue Agency .....        | (634,726,104)        | 34,944,916,541                |                               | 34,310,190,437       |
| Less: payments to provinces and territories—   |                      |                               |                               |                      |
| Newfoundland and Labrador .....                |                      |                               | 752,883,139                   | 752,883,139          |
| Prince Edward Island .....                     |                      |                               | 163,376,500                   | 163,376,500          |
| Nova Scotia .....                              |                      |                               | 1,452,732,481                 | 1,452,732,481        |
| New Brunswick .....                            |                      |                               | 972,333,532                   | 972,333,532          |
| Ontario .....                                  |                      |                               | 17,249,013,110                | 17,249,013,110       |
| Manitoba .....                                 |                      |                               | 1,644,130,859                 | 1,644,130,859        |
| Saskatchewan .....                             |                      |                               | 1,236,668,571                 | 1,236,668,571        |
| Alberta .....                                  |                      |                               | 4,590,825,330                 | 4,590,825,330        |
| British Columbia .....                         |                      |                               | 4,837,779,222                 | 4,837,779,222        |
| Yukon .....                                    |                      |                               | 35,195,661                    | 35,195,661           |
| Northwest Territories .....                    |                      |                               | 59,839,699                    | 59,839,699           |
| Nunavut .....                                  |                      |                               | 13,596,619                    | 13,596,619           |
| First Nations .....                            |                      |                               | 2,755,365                     | 2,755,365            |
|  |                      |                               | 33,011,130,088                | 33,011,130,088       |
| <b>Total personal income tax on hand .....</b> | <b>(634,726,104)</b> | <b>34,944,916,541</b>         | <b>33,011,130,088</b>         | <b>1,299,060,349</b> |

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Concluded*

|  | April 1/2003       | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004        |
|--|--------------------|-------------------------------|-------------------------------|----------------------|
|  | \$                 | \$                            | \$                            | \$                   |
| Total Corporate Income Tax administered by<br>Canada Customs and Revenue Agency .....    | 574,499,293        | 2,755,644,263                 |                               | 3,330,143,556        |
| Less: payments to provinces and territories—   |                    |                               |                               |                      |
| Newfoundland and Labrador .....  |                    |                               | 93,584,747                    | 93,584,747           |
| Prince Edward Island .....   |                    |                               | 29,827,682                    | 29,827,682           |
| Nova Scotia .....  |                    |                               | 350,111,634                   | 350,111,634          |
| New Brunswick .....  |                    |                               | 158,377,767                   | 158,377,767          |
| Ontario .....  |                    |                               | 173,909,552                   | 173,909,552          |
| Quebec .....   |                    |                               | 63,744,031                    | 63,744,031           |
| Manitoba .....   |                    |                               | 307,017,156                   | 307,017,156          |
| Saskatchewan .....   |                    |                               | 307,206,566                   | 307,206,566          |
| Alberta .....  |                    |                               | 20,350,417                    | 20,350,417           |
| British Columbia .....   |                    |                               | 778,344,576                   | 778,344,576          |
| Yukon .....  |                    |                               | 5,286,636                     | 5,286,636            |
| Northwest Territories .....  |                    |                               | 58,117,889                    | 58,117,889           |
| Nunavut .....  |                    |                               | 7,759,583                     | 7,759,583            |
|  |                    |                               | 2,353,638,236                 | 2,353,638,236        |
| <b>Total corporate income tax on hand .....</b>  | <b>574,499,293</b> | <b>2,755,644,263</b>          | <b>2,353,638,236</b>          | <b>976,505,320</b>   |
| Total Harmonized Sales Tax administered by<br>Canada Customs and Revenue Agency .....    | 279,521,487        | 2,369,266,127                 |                               | 2,648,787,614        |
| Less: payments to provinces and territories—   |                    |                               |                               |                      |
| Newfoundland and Labrador .....  |                    |                               | 550,879,990                   | 550,879,990          |
| Nova Scotia .....  |                    |                               | 1,009,480,514                 | 1,009,480,514        |
| New Brunswick .....  |                    |                               | 771,135,522                   | 771,135,522          |
|  |                    |                               | 2,331,496,026                 | 2,331,496,026        |
| <b>Total harmonized sales tax on hand .....</b>  | <b>279,521,487</b> | <b>2,369,266,127</b>          | <b>2,331,496,026</b>          | <b>317,291,588</b>   |
| Total First Nations Sales Tax administered by<br>Canada Customs and Revenue Agency ..... | 321,685            | 4,042,926                     |                               | 4,364,611            |
| Less: payments to First Nations .....  |                    |                               | 4,059,238                     | 4,059,238            |
| <b>Total First Nations Sales Tax on hand .....</b>                                       | <b>321,685</b>     | <b>4,042,926</b>              | <b>4,059,238</b>              | <b>305,373</b>       |
| <b>Total .....</b>   | <b>219,616,361</b> | <b>40,073,869,857</b>         | <b>37,700,323,588</b>         | <b>2,593,162,630</b> |

**Miscellaneous payroll deductions**

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

**Cross-currency swap revaluation account**

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

**Other**

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



## 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-

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

Table 5.5 presents the balances and transactions of deferred revenues.

**TABLE 5.5**  
**DEFERRED REVENUES**

|   | April 1/2003  | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004 |
|---|---------------|-------------------------------|-------------------------------|---------------|
|   | \$            | \$                            | \$                            | \$            |
| Deferred revenues—  |               |                               |                               |               |
| Citizenship and Immigration.....                                    | 249,734,313   | 44,185,496                    | 11,442                        | 293,908,367   |
| Industry .....  | 1,666,731,057 | 89,608,585                    | 350,021,638                   | 1,406,318,004 |
| Other departments.....  | 175,265,398   | 43,359,753                    | 42,402,552                    | 176,222,599   |
| Total .....   | 2,091,730,768 | 177,153,834                   | 392,435,632                   | 1,876,448,970 |
| Other deferred revenues—Specified purpose accounts <sup>(1)</sup> — |               |                               |                               |               |
| Donation and bequest accounts—                                      |               |                               |                               |               |
| Agriculture and Agri-Food—  |               |                               |                               |               |
| Shared-cost agreements—Research .....                               | 23,127,791    | 22,948,199                    | 22,562,606                    | 23,513,384    |
| Canadian Heritage—  |               |                               |                               |               |
| National Archives of Canada—  |               |                               |                               |               |
| Special operating account .....                                     |               | 25,000                        |                               | 25,000        |
| Environment—  |               |                               |                               |               |
| Endangered species—Donations.....                                   | 104,111       |                               | 100,000                       | 4,111         |
| Fisheries and Oceans—   |               |                               |                               |               |
| St-Lawrence Seaway Dredging.....                                    | 2,635,116     | 223,761                       |                               | 2,858,877     |
| Foreign Affairs and International Trade—                            |               |                               |                               |               |
| Canadian Landmine Action Fund.....                                  | 340,719       |                               | 7,820                         | 332,899       |
| Governor General—   |               |                               |                               |               |
| Rideau Hall—Donations .....   | 4,550         | 17,500                        | 3,520                         | 18,530        |
| Health—   |               |                               |                               |               |
| Canadian Institutes of Health Research—                             |               |                               |                               |               |
| Donations for research.....   | 926,112       | 6,503,847                     | 5,729,744                     | 1,700,215     |
| Human Resources Development—  |               |                               |                               |               |
| Canadian Centre for Occupational Health and Safety—                 |               |                               |                               |               |
| Donations.....  | 89,877        | 50                            |                               | 89,927        |
| Industry—   |               |                               |                               |               |
| Prime Minister Awards .....   | 1,706,835     | 301,700                       | 317,575                       | 1,690,960     |
| Canadian Space Agency—  |               |                               |                               |               |
| Space training project .....  |               | 123,156                       | 61,956                        | 61,200        |
| National Research Council of Canada—                                |               |                               |                               |               |
| Trust fund .....  | 22,727,792    | 19,713,670                    | 21,933,871                    | 20,507,591    |
| Natural Sciences and Engineering Research Council—                  |               |                               |                               |               |
| Trust fund .....  | 250           |                               |                               | 250           |
| Social Sciences and Humanities Research Council—                    |               |                               |                               |               |
| Trust fund .....  | 406,382       | 7,994                         | 10,000                        | 404,376       |
|   | 24,841,259    | 20,146,520                    | 22,323,402                    | 22,664,377    |
| National Defence—   |               |                               |                               |               |
| Corporate sponsorships and donations .....                          | 12,207        | 48,219                        | 28,259                        | 32,167        |
| Privy Council—  |               |                               |                               |               |
| Canadian Centre for Management Development—                         |               |                               |                               |               |
| Donation.....   | 13,787        |                               |                               | 13,787        |
| Solicitor General—  |               |                               |                               |               |
| Royal Canadian Mounted Police—                                      |               |                               |                               |               |
| Royal Canadian Mounted Police Pipe Band (NCR).....                  | 1,572         |                               | 1,572                         |               |
| Mounted Police Foundation .....                                     | 35,246        | 307,517                       | 93,100                        | 249,663       |
| Sponsorship Agreement—Contributions.....                            | 1,085,305     | 389,041                       | 838,486                       | 635,860       |
|   | 1,122,123     | 696,558                       | 933,158                       | 885,523       |
| Total—Donation and bequest accounts .....                           | 53,217,652    | 50,609,654                    | 51,688,509                    | 52,138,797    |

TABLE 5.5

DEFERRED REVENUES—*Concluded*

|  | April 1/2003  | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004 |
|--|---------------|-------------------------------|-------------------------------|---------------|
|  | \$            | \$                            | \$                            | \$            |
| Endowment interest accounts—                                   |               |                               |                               |               |
| Environment—   |               |                               |                               |               |
| Parks Canada Agency—   |               |                               |                               |               |
| Mackenzie King trust account .....                             |               | 11,633                        | 11,633                        |               |
| Health—  |               |                               |                               |               |
| Canadian Institutes of Health Research—                        |               |                               |                               |               |
| Endowments for health research .....                           | 7,268         | 3,626                         | 8,013                         | 2,881         |
| Industry—  |               |                               |                               |               |
| National Research Council of Canada—                           |               |                               |                               |               |
| H.L. Holmes Fund .....   | 51,424        | 30,000                        | 78,742                        | 2,682         |
| Social Sciences and Humanities Research Council—               |               |                               |                               |               |
| Queen's Fellowship Fund .....                                  | 51,848        | 7,661                         |                               | 59,509        |
| Transport—   |               |                               |                               |               |
| Shared-cost agreements—Transportation                          |               |                               |                               |               |
| research and development .....                                 |               | 1,518,811                     | 536,827                       | 981,984       |
| Total—Endowment interest accounts .....                        | 110,540       | 1,571,731                     | 635,215                       | 1,047,056     |
| Total—Other deferred revenues—Specified purpose accounts ..... | 53,328,192    | 52,181,385                    | 52,323,724                    | 53,185,853    |
| Total—Deferred revenues .....                                  | 2,145,058,960 | 229,335,219                   | 444,759,356                   | 1,929,634,823 |

<sup>(1)</sup> In 2002-2003, these accounts were reported in Section 6 of this volume.

**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 10 of the *National Archives Act*, to record monies received for the purposes of the National Archives, by way of donations, bequest or otherwise. Amounts required for the purposes of the *National Archives 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.

**St-Lawrence Seaway Dredging**

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

**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, pursuant to section 29 of the *Canadian Institutes of Health Research Act*, records 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 Ministers Awards**

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

**Space training project**

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

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

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

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

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

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

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

**Corporate sponsorships and donations**

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

**Donations—Canadian Centre for Management Development**

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

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

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

**Mounted Police Foundation**

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

**Sponsorship Agreement—Contributions**

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

**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**

|  | April 1/2003   | March 31/2004  |
|--|----------------|----------------|
|  | \$             | \$             |
| Personal and non-resident income tax ..... | 18,732,205,942 | 18,646,364,667 |
| Corporate income tax .....                 | 8,258,328,394  | 8,238,968,996  |
| Goods and services tax .....               | 6,484,486,755  | 5,988,113,070  |
| Customs and excise .....                   | 73,529,497     | 166,332,699    |
| Total .....                                | 33,548,550,588 | 33,039,779,432 |

### Personal and non-resident income tax

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

### Corporate income tax

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

### Goods and services tax

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

### Customs and excise

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

## Interest and Matured Debt

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

Table 5.7 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

**TABLE 5.7**  
**INTEREST AND MATURED DEBT**

|  | April 1/2003  | March 31/2004 |
|--|---------------|---------------|
|  | \$            | \$            |
| Interest due .....   | 3,652,749,150 | 3,500,830,507 |
| Interest accrued .....   | 5,622,616,681 | 5,240,495,924 |
| Matured debt .....   | 282,600,274   | 191,337,475   |
|  | 9,557,966,105 | 8,932,663,906 |
| Less: unamortized discounts on Canada bills .....  | 3,004,946     | 3,375,918     |
| unamortized discounts on Treasury bills. ....  | 1,023,201,681 | 865,133,670   |
| unamortized discounts and premiums on marketable bonds .....                                   | 4,228,900,903 | 4,740,379,231 |
| unamortized commissions on Canada savings, Canada premium<br>and Canada investment bonds ..... | 446,966       | 781,433       |
|  | 5,255,554,496 | 5,609,670,252 |
| Total. ....  | 4,302,411,609 | 3,322,993,654 |

### Interest due

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

### Interest accrued

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

### Matured debt

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

### Unamortized discounts on Canada bills

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

### Unamortized discounts on Treasury bills

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

### Unamortized discounts and premiums on marketable bonds

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

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

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

## Allowance for Guarantees

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

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

**TABLE 5.8**  
**ALLOWANCE FOR GUARANTEES**

|  | April 1/2003  | March 31/2004 |
|--|---------------|---------------|
|  | \$            | \$            |
| Allowance for loan guarantees .....                  | 823,000,000   | 765,000,000   |
| Allowance for borrowings of Crown corporations ..... | 2,979,000,000 | 2,005,400,000 |
| Total. ....  | 3,802,000,000 | 2,770,400,000 |

### Allowance for loan guarantees

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

### Allowance for borrowings of Crown corporations

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

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

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

# SECTION 6

2003-2004

*PUBLIC ACCOUNTS OF CANADA*

## Interest-Bearing Debt

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## INTEREST-BEARING DEBT

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

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

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

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

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

**TABLE 6.1**  
**INTEREST-BEARING DEBT**

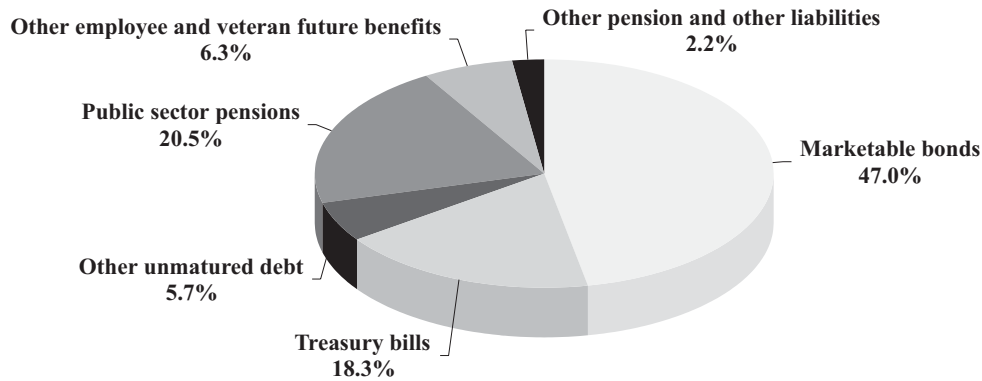
|  | April 1/2003           | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004          |
|--|------------------------|-------------------------------|-------------------------------|------------------------|
|  | \$                     | \$                            | \$                            | \$                     |
| Unmatured debt <sup>(1)</sup> —  |                        |                               |                               |                        |
| Payable in Canadian currency—  |                        |                               |                               |                        |
| Marketable bonds, Table 6.2 .....  | 288,245,374,665        | 67,609,113,685                | 77,074,783,000                | 278,779,705,350        |
| Treasury bills, Table 6.3 .....  | 104,410,940,000        | 262,416,702,000               | 253,450,000,000               | 113,377,642,000        |
| Canada savings, Canada premium and<br>Canada investment bonds, Table 6.4 ..... | 22,584,155,272         | 1,967,566,073                 | 3,221,633,024                 | 21,330,088,321         |
| Non-marketable bonds and notes, Table 6.5 .....                                | 3,370,781,693          | 4,000,000,000                 | 3,943,452,240                 | 3,427,329,453          |
|  | <i>418,611,251,630</i> | <i>335,993,381,758</i>        | <i>337,689,868,264</i>        | <i>416,914,765,124</i> |
| Payable in foreign currencies—   |                        |                               |                               |                        |
| Marketable bonds, Table 6.2 .....  | 14,018,589,127         | 199,454,777                   | 1,320,672,104                 | 12,897,371,800         |
| Canada bills, Table 6.6 .....  | 2,602,884,967          | 14,003,014,527                | 13,241,426,274                | 3,364,473,220          |
| Canada notes, Table 6.7 .....  | 1,244,200,000          | 13,200,000                    |                               | 1,257,400,000          |
| Euro medium-term notes, Table 6.8 .....  | 3,274,970,839          | 11,200,000                    | 263,428,999                   | 3,022,741,840          |
|  | <i>21,140,644,933</i>  | <i>14,226,869,304</i>         | <i>14,825,527,377</i>         | <i>20,541,986,860</i>  |
|  | 439,751,896,563        | 350,220,251,062               | 352,515,395,641               | 437,456,751,984        |
| Obligations related to capital leases,<br>Table 6.13 .....                     | 2,663,320,886          | 154,902,349                   | 44,011,797                    | 2,774,211,438          |
| Total—Unmatured debt .....   | 442,415,217,449        | 350,375,153,411               | 352,559,407,438               | 440,230,963,422        |
| Pension and other liabilities—   |                        |                               |                               |                        |
| Public sector pensions, Table 6.16—  |                        |                               |                               |                        |
| Superannuation accounts .....  | 133,905,905,720        | 15,129,998,382                | 13,618,098,314                | 135,417,805,788        |
| Allowance for pension adjustments .....  | (8,198,000,000)        | 3,996,000,000                 | 3,656,000,000                 | (7,858,000,000)        |
|  | <i>125,707,905,720</i> | <i>19,125,998,382</i>         | <i>17,274,098,314</i>         | <i>127,559,805,788</i> |
| Other employee and veteran future benefits,<br>Table 6.28 .....                | 38,844,000,000         | 3,415,000,000                 | 2,892,000,000                 | 39,367,000,000         |
| Due to Canada Pension Plan, Table 6.29—  |                        |                               |                               |                        |
| Canada Pension Plan Account .....  | 7,092,669,944          | 30,442,758,903                | 30,052,476,668                | 7,482,952,179          |
| Other liabilities—   |                        |                               |                               |                        |
| Government Annuities Account .....   | 437,469,785            | 28,735,914                    | 60,483,508                    | 405,722,191            |
| Deposit and trust accounts, Table 6.30 .....                                   | 1,476,187,062          | 641,927,027                   | 581,714,177                   | 1,536,399,912          |
| Other specified purpose accounts, Table 6.33 .....                             | 4,728,983,728          | 2,052,840,276                 | 2,235,836,309                 | 4,545,987,695          |
|  | <i>52,579,310,519</i>  | <i>36,581,262,120</i>         | <i>35,822,510,662</i>         | <i>53,338,061,977</i>  |
| Total—Pension and other liabilities .....                                      | 178,287,216,239        | 55,707,260,502                | 53,096,608,976                | 180,897,867,765        |
| Total .....  | 620,702,433,688        | 406,082,413,913               | 405,656,016,414               | 621,128,831,187        |

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



**CHART 6A**

INTEREST-BEARING DEBT BY CATEGORY AT MARCH 31, 2004

**UNMATURED DEBT**

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

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

**Marketable Bonds**

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

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

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

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

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2004.

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

|   | April 1/2003    | Receipts and<br>other credits <sup>(1)</sup> | Payments and<br>other charges <sup>(1)</sup> | March 31/2004   |
|---|-----------------|--|--|-----------------|
|   | \$              | \$   | \$   | \$              |
| Payable in Canadian Currency—   |                 |  |  |                 |
| Matured 2003-2004 .....   | 31,726,998,000  |  | 31,726,998,000                               |                 |
| Maturing 2004-2005 .....  | 40,788,809,000  |  | 8,260,343,000                                | 32,528,466,000  |
| 2005-2006 .....   | 26,209,337,000  | 5,900,000,000                                | 805,004,000                                  | 31,304,333,000  |
| 2006-2007 .....   | 18,015,817,000  | 7,137,765,000                                | 1,558,532,000                                | 23,595,050,000  |
| 2007-2008 .....   | 20,315,980,000  |  | 1,150,060,000                                | 19,165,920,000  |
| 2008-2009 .....   | 18,558,841,000  | 5,800,000,000                                | 2,501,945,000                                | 21,856,896,000  |
| 2009-2010 .....   | 10,468,168,000  | 4,900,000,000                                | 333,485,000                                  | 15,034,683,000  |
| 2010-2011 .....   | 13,724,461,000  |  | 770,863,000                                  | 12,953,598,000  |
| 2011-2012 .....   | 15,669,390,000  |  | 577,039,000                                  | 15,092,351,000  |
| 2012-2013 .....   | 11,600,000,000  |  |  | 11,600,000,000  |
| 2013-2014 .....   | 8,169,436,000   | 6,000,000,000                                | 469,548,000                                  | 13,699,888,000  |
| 2014-2015 .....   |                 | 5,468,165,000                                |  | 5,468,165,000   |
| 2015-2016 .....   | 1,231,830,000   |  | 748,825,000                                  | 483,005,000     |
| 2020-2021 .....   | 1,391,778,000   |  | 286,020,000                                  | 1,105,758,000   |
| 2021-2022 .....   | 8,506,628,190   | 5,909,842                                    | 838,784,000                                  | 7,673,754,032   |
| 2022-2023 .....   | 899,128,000     |  | 273,861,000                                  | 625,267,000     |
| 2023-2024 .....   | 8,054,189,000   |  | 182,547,000                                  | 7,871,642,000   |
| 2025-2026 .....   | 8,738,000,000   |  | 252,897,000                                  | 8,485,103,000   |
| 2026-2027 .....   | 6,167,823,951   | 5,671,326                                    |  | 6,173,495,277   |
| 2027-2028 .....   | 9,323,112,000   |  | 346,986,000                                  | 8,976,126,000   |
| 2029-2030 .....   | 13,900,000,000  |  |  | 13,900,000,000  |
| 2031-2032 .....   | 6,548,764,524   | 6,021,601                                    |  | 6,554,786,125   |
| 2033-2034 .....   | 9,200,000,000   | 4,210,295,000                                |  | 13,410,295,000  |
| 2036-2037 .....   |                 | 1,403,846,916                                |  | 1,403,846,916   |
|   | 289,208,490,665 | 40,837,674,685                               | 51,083,737,000                               | 278,962,428,350 |
| Less: Government's holdings—  |                 |  |  |                 |
| Government's holdings .....   | 939,267,000     | 26,771,439,000                               | 25,832,172,000                               |                 |
| Consolidation adjustment <sup>(2)</sup> .....   | 23,849,000      |  | 158,874,000                                  | 182,723,000     |
|   | 963,116,000     | 26,771,439,000                               | 25,991,046,000                               | 182,723,000     |
| Total marketable bonds payable in Canadian currency .....   | 288,245,374,665 | 67,609,113,685                               | 77,074,783,000                               | 278,779,705,350 |
| Payable in foreign currencies—  |                 |  |  |                 |
| Matured 2003-2004 .....   | 141,488,581     |  | 141,488,581                                  |                 |
| Maturing 2004-2005 .....  | 2,935,600,000   |  | 313,000,000                                  | 2,622,600,000   |
| 2005-2006 .....   | 2,201,700,000   |  | 234,750,000                                  | 1,966,950,000   |
| 2006-2007 .....   | 1,467,800,000   |  | 156,500,000                                  | 1,311,300,000   |
| 2007-2008 .....   | 468,228,200     |  | 49,923,500                                   | 418,304,700     |
| 2008-2009 .....   | 6,949,335,160   | 22,905,876                                   | 391,250,000                                  | 6,580,991,036   |
| 2009-2010 .....   | 231,758,281     |  | 24,710,567                                   | 207,047,714     |
| 2016-2017 .....   | 56,134,543      |  | 5,985,186                                    | 50,149,357      |
| 2018-2019 .....   | 23,602,224      |  | 2,516,520                                    | 21,085,704      |
| 2019-2020 .....   | 5,137,300       |  | 547,750                                      | 4,589,550       |
|   | 14,480,784,289  | 22,905,876                                   | 1,320,672,104                                | 13,183,018,061  |
| Less: Government's holdings and securities<br>held for the retirement of unmatured<br>debt <sup>(3)</sup> ..... | 462,195,162     | 176,548,901                                  |  | 285,646,261     |
| Total marketable bonds payable in foreign currencies .....  | 14,018,589,127  | 199,454,777                                  | 1,320,672,104                                | 12,897,371,800  |
| Total .....   | 302,263,963,792 | 67,808,568,462                               | 78,395,455,104                               | 291,677,077,150 |

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

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

<sup>(3)</sup> 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. They include an amount of \$7 million in Government's holdings.

## 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, 2004 consists of \$4,700 million in odd issue bills; \$32,600 million in three-month bills; \$25,900 million in six-month bills; and, \$50,200 million in 364-day bills.

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

**TABLE 6.3**  
**TREASURY BILLS**

|   | April 1/2003    | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004   |
|---|-----------------|-------------------------------|-------------------------------|-----------------|
|   | \$              | \$                            | \$                            | \$              |
| Three-month bills .....   | 30,800,000,000  | 129,700,000,000               | 127,900,000,000               | 32,600,000,000  |
| Six-month bills .....   | 23,800,000,000  | 51,900,000,000                | 49,800,000,000                | 25,900,000,000  |
| Other bills.....  | 50,000,000,000  | 80,650,000,000                | 75,750,000,000                | 54,900,000,000  |
|   | 104,600,000,000 | 262,250,000,000               | 253,450,000,000               | 113,400,000,000 |
| Less: Government's holdings—<br>Consolidation adjustment <sup>(1)</sup> ..... | 189,060,000     | 166,702,000                   |                               | 22,358,000      |
| Total .....   | 104,410,940,000 | 262,416,702,000               | 253,450,000,000               | 113,377,642,000 |

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

## Canada Savings, Canada Premium and Canada Investment Bonds

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

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

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

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

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

**TABLE 6.4**

### CANADA SAVINGS, CANADA PREMIUM AND CANADA INVESTMENT BONDS

|                                | April 1/2003   | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004  |
|--------------------------------|----------------|-------------------------------|-------------------------------|----------------|
|                                | \$             | \$                            | \$                            | \$             |
| Canada Savings Bonds—          |                |                               |                               |                |
| Maturing 2004-2005 .....       | 1,907,700,848  |                               | 302,123,038                   | 1,605,577,810  |
| 2005-2006 .....                | 1,186,188,863  |                               | 173,540,627                   | 1,012,648,236  |
| 2006-2007 .....                | 1,630,195,554  |                               | 255,284,174                   | 1,374,911,380  |
| 2007-2008 .....                | 3,541,136,585  |                               | 251,516,225                   | 3,289,620,360  |
| 2008-2009 .....                | 3,327,583,991  |                               | 184,964,796                   | 3,142,619,195  |
| 2009-2010 .....                | 509,371,287    |                               | 86,833,384                    | 422,537,903    |
| 2010-2011 .....                | 565,050,593    |                               | 125,782,932                   | 439,267,661    |
| 2011-2012 .....                | 829,351,436    |                               | 250,160,983                   | 579,190,453    |
| 2012-2013 .....                | 969,456,143    |                               | 64,380,352                    | 905,075,791    |
| 2013-2014 <sup>(1)</sup> ..... | 1,617,729,726  | 708,481,797                   | 1,060,151,271                 | 1,266,060,252  |
| 2014-2015 .....                |                | 110,900                       |                               | 110,900        |
|                                | 16,083,765,026 | 708,592,697                   | 2,754,737,782                 | 14,037,619,941 |
| Canada Premium Bonds—          |                |                               |                               |                |
| Maturing 2006-2007 .....       | 77,754,334     |                               | 557,521                       | 77,196,813     |
| 2007-2008 .....                | 17,787,282     |                               | 637,402                       | 17,149,880     |
| 2008-2009 .....                | 1,401,328,245  |                               | 69,665,464                    | 1,331,662,781  |
| 2009-2010 .....                | 743,992,429    |                               | 45,039,441                    | 698,952,988    |
| 2010-2011 .....                | 1,544,679,407  |                               | 258,194,218                   | 1,286,485,189  |
| 2011-2012 .....                | 1,002,757,285  |                               | 35,666,753                    | 967,090,532    |
| 2012-2013 .....                | 1,711,404,692  |                               | 57,134,443                    | 1,654,270,249  |
| 2013-2014 .....                | 686,572        | 1,252,144,341                 |                               | 1,252,830,913  |
| 2014-2015 .....                |                | 280,835                       |                               | 280,835        |
|                                | 6,500,390,246  | 1,252,425,176                 | 466,895,242                   | 7,285,920,180  |
| Canada Investment Bonds—       |                |                               |                               |                |
| Maturing 2006-2007 .....       |                | 6,548,200                     |                               | 6,548,200      |
| Total .....                    | 22,584,155,272 | 1,967,566,073                 | 3,221,633,024                 | 21,330,088,321 |

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

## Non-Marketable Bonds and Notes

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

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

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

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

|  | April 1/2003         | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004        |
|--|----------------------|-------------------------------|-------------------------------|----------------------|
|  | \$                   | \$                            | \$                            | \$                   |
| Canada Pension Plan Investment Fund—                                   |                      |                               |                               |                      |
| Matured 2003-2004 .....  | 17,259,000           |                               | 17,259,000                    |                      |
| Maturing 2004-2005 .....   | 16,661,000           |                               |                               | 16,661,000           |
| 2005-2006 .....  | 239,955,000          |                               |                               | 239,955,000          |
| 2006-2007 .....  | 1,352,282,000        |                               |                               | 1,352,282,000        |
| 2007-2008 .....  | 699,981,000          |                               |                               | 699,981,000          |
| 2008-2009 .....  | 519,360,000          |                               |                               | 519,360,000          |
| 2009-2010 .....  | 71,112,000           |                               |                               | 71,112,000           |
| 2010-2011 .....  | 425,010,000          |                               |                               | 425,010,000          |
| 2011-2012 .....  | 15,763,000           |                               |                               | 15,763,000           |
| 2012-2013 .....  | 11,118,000           |                               |                               | 11,118,000           |
|  | <i>3,368,501,000</i> |                               | <i>17,259,000</i>             | <i>3,351,242,000</i> |
| Canada Health and Social Transfer<br>Supplement Trust for Health Care— |                      |                               |                               |                      |
| Matured 2003-2004 .....  | 2,280,693            |                               | 2,280,693                     |                      |
| Maturing 2005-2006 .....   |                      | 2,500,000,000                 | 2,452,424,094                 | 47,575,906           |
|  | <i>2,280,693</i>     | <i>2,500,000,000</i>          | <i>2,454,704,787</i>          | <i>47,575,906</i>    |
| Diagnostic/Medical Equipment Trust—                                    |                      |                               |                               |                      |
| Maturing 2005-2006 .....   |                      | 1,500,000,000                 | 1,471,488,453                 | 28,511,547           |
| Total .....  | <i>3,370,781,693</i> | <i>4,000,000,000</i>          | <i>3,943,452,240</i>          | <i>3,427,329,453</i> |

## Canada Bills

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

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

— transferable; and,

— bought and sold on the open market.

The year-end balance of Canada bills payable in US dollars was translated into Canadian dollars using the closing rate of exchange at March 31, 2004.

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

**TABLE 6.6**  
**CANADA BILLS**

|                                      | April 1/2003  | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004 |
|--------------------------------------|---------------|-------------------------------|-------------------------------|---------------|
|                                      | \$            | \$                            | \$                            | \$            |
| Canada bills before revaluation..... | 2,671,004,159 | 14,003,014,527                | 13,207,714,315                | 3,466,304,371 |
| Exchange valuation adjustment.....   | (68,119,192)  |                               | 33,711,959                    | (101,831,151) |
| Total .....                          | 2,602,884,967 | 14,003,014,527                | 13,241,426,274                | 3,364,473,220 |

## 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, 2004.

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

**TABLE 6.7**  
**CANADA NOTES**

|                                | April 1/2003  | Receipts and<br>other credits <sup>(1)</sup> | Payments and<br>other charges <sup>(1)</sup> | March 31/2004 |
|--------------------------------|---------------|--|--|---------------|
|                                | \$            | \$   | \$   | \$            |
| Payable in foreign currencies— |               |  |  |               |
| Maturing 2005-2006.....        | 622,100,000   | 6,600,000                                    |  | 628,700,000   |
| Maturing 2008-2009.....        | 622,100,000   | 6,600,000                                    |  | 628,700,000   |
| Total .....                    | 1,244,200,000 | 13,200,000                                   |  | 1,257,400,000 |

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

## Euro Medium-Term Notes

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

The year-end balances of Euro medium-term notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 2004.

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

**TABLE 6.8**

### EURO MEDIUM-TERM NOTES

|                                | April 1/2003  | Receipts and<br>other credits <sup>(1)</sup> | Payments and<br>other charges <sup>(1)</sup> | March 31/2004 |
|--------------------------------|---------------|--|--|---------------|
|                                | \$            | \$   | \$   | \$            |
| Payable in foreign currencies— |               |  |  |               |
| Matured 2003-2004 .....        | 95,407,000    |  | 95,407,000                                   |               |
| Maturing 2004-2005 .....       | 1,467,424,243 |  | 156,459,936                                  | 1,310,964,307 |
| 2007-2008 .....                | 108,439,596   |  | 11,562,063                                   | 96,877,533    |
| 2009-2010 .....                | 1,603,700,000 | 11,200,000                                   |  | 1,614,900,000 |
| Total .....                    | 3,274,970,839 | 11,200,000                                   | 263,428,999                                  | 3,022,741,840 |

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

## Interest Rates

Table 6.9 sets out unmatured debt as at March 31, for each of the years 1999-2000 to 2003-2004 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as marketable bonds, Treasury bills, Canada savings, Canada premium and Canada investment

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

**TABLE 6.9**

UNMATURED DEBT AS AT MARCH 31, FROM 2000 TO 2004, WITH THE AVERAGE RATE OF INTEREST THEREON

|            | Marketable bonds    |                       | Treasury bills      |                       | Canada savings, Canada premium and Canada investment bonds |                       | Non-marketable bonds and notes |                       | Canada bills        |                       | Foreign currency notes |                       | Total unmatured debt <sup>(1)</sup> |                       |
|------------|---------------------|-----------------------|---------------------|-----------------------|--|-----------------------|--------------------------------|-----------------------|---------------------|-----------------------|------------------------|-----------------------|-------------------------------------|-----------------------|
|            | Amount out-standing | Average interest rate | Amount out-standing | Average interest rate | Amount out-standing  | Average interest rate | Amount out-standing            | Average interest rate | Amount out-standing | Average interest rate | Amount out-standing    | Average interest rate | Amount out-standing                 | Average interest rate |
|            | \$(millions)        | %                     | \$(millions)        | %                     | \$(millions)   | %                     | \$(millions)                   | %                     | \$(millions)        | %                     | \$(millions)           | %                     | \$(millions)                        | %                     |
| 2004 ..... | 291,677             | 5.96                  | 113,378             | 2.52                  | 21,330   | 3.37                  | 3,427                          | 9.96                  | 3,364               | 0.92                  | 4,281                  | 2.37                  | 437,457                             | 4.91                  |
| 2003 ..... | 302,264             | 6.26                  | 104,411             | 3.04                  | 22,584   | 3.43                  | 3,371                          | 10.14                 | 2,603               | 1.12                  | 4,519                  | 2.36                  | 439,752                             | 5.32                  |
| 2002 ..... | 313,115             | 6.61                  | 94,039              | 2.64                  | 23,966   | 3.23                  | 3,391                          | 10.16                 | 3,355               | 1.75                  | 4,405                  | 2.46                  | 442,271                             | 5.56                  |
| 2001 ..... | 315,631             | 6.98                  | 88,700              | 5.31                  | 26,099   | 5.42                  | 3,473                          | 10.10                 | 7,228               | 5.10                  | 5,272                  | 4.15                  | 446,403                             | 6.11                  |
| 2000 ..... | 315,339             | 7.21                  | 99,850              | 5.31                  | 26,489   | 5.13                  | 3,552                          | 10.04                 | 6,008               | 5.87                  | 5,168                  | 4.95                  | 456,406                             | 6.15                  |

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

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

Table 6.10 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 1999-2000 to 2003-2004 inclusively.

**TABLE 6.10**

TREASURY BILLS AVERAGE YIELDS AT TENDER

| Year ended<br>March 31 | High | Low  | Last issue |
|------------------------|------|------|------------|
|                        | %    | %    | %          |
| Three-month bills—     |      |      |            |
| 2004 .....             | 3.24 | 1.99 | 1.99       |
| 2003 .....             | 3.14 | 2.38 | 3.14       |
| 2002 .....             | 4.49 | 1.90 | 2.34       |
| 2001 .....             | 5.75 | 4.60 | 4.60       |
| 2000 .....             | 5.28 | 4.30 | 5.28       |
| Six-month bills—       |      |      |            |
| 2004 .....             | 3.36 | 1.98 | 1.98       |
| 2003 .....             | 3.37 | 2.67 | 3.37       |
| 2002 .....             | 4.52 | 1.96 | 2.73       |
| 2001 .....             | 6.01 | 4.58 | 4.58       |
| 2000 .....             | 5.56 | 4.43 | 5.56       |
| Other bills—           |      |      |            |
| 2004 .....             | 3.62 | 2.01 | 2.01       |
| 2003 .....             | 3.66 | 2.27 | 3.66       |
| 2002 .....             | 4.63 | 2.15 | 3.48       |
| 2001 .....             | 6.33 | 4.58 | 4.58       |
| 2000 .....             | 5.98 | 4.56 | 5.94       |



## Maturity of Government Debt

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

**TABLE 6.11**  
**MATURITY OF GOVERNMENT DEBT**

|   | Marketable<br>bonds |                             | Treasury<br>bills |                             | Canada<br>savings, Canada<br>premium and<br>Canada<br>investment<br>bonds |                             | Non-<br>marketable<br>bonds<br>and notes |                             | Canada<br>bills |                             | Foreign<br>currency<br>notes |                             | Total<br>unmatured<br>debt |                             |
|---|---------------------|-----------------------------|-------------------|-----------------------------|---|-----------------------------|--|-----------------------------|-----------------|-----------------------------|------------------------------|-----------------------------|----------------------------|-----------------------------|
|   | Amount              | Average<br>interest<br>rate | Amount            | Average<br>interest<br>rate | Amount  | Average<br>interest<br>rate | Amount                                   | Average<br>interest<br>rate | Amount          | Average<br>interest<br>rate | Amount                       | Average<br>interest<br>rate | Amount                     | Average<br>interest<br>rate |
|   | \$(millions)        | %                           | \$(millions)      | %                           | \$(millions)  | %                           | \$(millions)                             | %                           | \$(millions)    | %                           | \$(millions)                 | %                           | \$(millions)               | %                           |
| 2005 .....  | 35,151              | 6.38                        | 113,400           | 2.52                        | 1,605   | 1.75                        | 17                                       | 13.37                       | 3,364           | 0.92                        | 1,311                        | 0.90                        | 154,848                    | 3.34                        |
| 2006 .....  | 33,271              | 5.71                        |                   |                             | 1,013   | 1.75                        | 316                                      | 9.08                        |                 |                             | 629                          | 0.70                        | 35,229                     | 5.54                        |
| 2007 .....  | 24,906              | 5.63                        |                   |                             | 1,459   | 2.03                        | 1,352                                    | 9.60                        |                 |                             |                              | 0.00                        | 27,717                     | 5.63                        |
| 2008 .....  | 19,584              | 5.96                        |                   |                             | 3,307   | 5.12                        | 700                                      | 10.01                       |                 |                             | 97                           | 0.82                        | 23,688                     | 5.94                        |
| 2009 .....  | 28,438              | 5.37                        |                   |                             | 4,474   | 5.37                        | 519                                      | 10.20                       |                 |                             | 629                          | 1.90                        | 34,060                     | 5.38                        |
| 2010/2014 ...   | 68,588              | 5.84                        |                   |                             | 9,472   | 2.48                        | 523                                      | 11.03                       |                 |                             | 1,615                        | 4.50                        | 80,198                     | 5.45                        |
| 2015/2019 ...   | 6,022               | 5.54                        |                   |                             |   |                             |  |                             |                 |                             |                              |                             | 6,022                      | 5.54                        |
| 2020/2024 ...   | 17,281              | 6.94                        |                   |                             |   |                             |  |                             |                 |                             |                              |                             | 17,281                     | 6.94                        |
| 2025/2029 ...   | 23,635              | 7.38                        |                   |                             |   |                             |  |                             |                 |                             |                              |                             | 23,635                     | 7.38                        |
| 2030/2034 ...   | 33,865              | 5.41                        |                   |                             |   |                             |  |                             |                 |                             |                              |                             | 33,865                     | 5.41                        |
| 2035/2039 ...   | 1,404               | 3.00                        |                   |                             |   |                             |  |                             |                 |                             |                              |                             | 1,404                      | 3.00                        |
|   | 292,145             | 5.96                        | 113,400           | 2.52                        | 21,330  | 3.37                        | 3,427                                    | 9.96                        | 3,364           | 0.92                        | 4,281                        | 2.37                        | 437,947                    | 4.90                        |
| Less: Gov-<br>ernment’s<br>hold-<br>ings.....             | 468                 | 8.53                        | 22                | 2.52                        |   |                             |  |                             |                 |                             |                              |                             | 490                        | 8.37                        |
|   | 291,677             | 5.96                        | 113,378           | 2.52                        | 21,330  | 3.37                        | 3,427                                    | 9.96                        | 3,364           | 0.92                        | 4,281                        | 2.37                        | 437,457                    | 4.90                        |
| Obliga-<br>tions<br>related to<br>capital<br>leases ..... |                     |                             |                   |                             |   |                             |  |                             |                 |                             |                              |                             | 2,774                      | 6.75                        |
| Total   | 291,677             | 5.96                        | 113,378           | 2.52                        | 21,330  | 3.37                        | 3,427                                    | 9.96                        | 3,364           | 0.92                        | 4,281                        | 2.37                        | 440,231                    | 4.91                        |

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

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

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

**TABLE 6.12****STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY**

(in millions of dollars)

|   | April 1/2003 | Issues/<br>Borrowings | Retirements | March 31/2004 |
|---|--------------|-----------------------|-------------|---------------|
| Unmatured debt of the Government of Canada <sup>(1)</sup> .....   | 439,752      | 350,220               | 352,515     | 437,457       |
| Obligations related to Capital Leases <sup>(1)</sup> .....  | 2,663        | 155                   | 44          | 2,774         |
|   | 442,415      | 350,375               | 352,559     | 440,231       |
| Borrowings of enterprise Crown corporations designated<br>as agents of Her Majesty <sup>(2)</sup> ..... | 46,342       | 65,655                | 67,702      | 44,295        |
| Total .....   | 488,757      | 416,030               | 420,261     | 484,526       |

(1) Details can be found in this section.

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

## Obligations related to capital leases

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

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

**TABLE 6.13**  
OBLIGATIONS RELATED TO CAPITAL LEASES

|                                | April 1/2003  | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004 |
|--------------------------------|---------------|-------------------------------|-------------------------------|---------------|
|                                | \$            | \$                            | \$                            | \$            |
| Land .....                     | 11,530,909    |                               | 234,236                       | 11,296,673    |
| Buildings .....                | 1,109,277,489 | 102,553,530                   |                               | 1,211,831,019 |
| Works and infrastructure ..... | 721,367,367   |                               | 12,332,479                    | 709,034,888   |
| Machinery and equipment .....  | 21,380,691    | 1,859,487                     | 566,864                       | 22,673,314    |
| Vehicles .....                 | 799,764,430   | 50,489,331                    | 30,878,218                    | 819,375,543   |
| Total .....                    | 2,663,320,886 | 154,902,349                   | 44,011,797                    | 2,774,211,438 |

## Capital Leases

Table 6.14 provides details of obligations under capital lease arrangements.

**TABLE 6.14**

### DETAILS OF OBLIGATIONS RELATED TO CAPITAL LEASES

(In thousands of dollars)

|   | Inception date | Lease term in years | Implicit interest rate (%) | Balances at March 31, 2004                       |   |  |
|---|----------------|---------------------|----------------------------|--|---|--|
|   |                |                     |                            | Total estimated remaining minimum lease payments | Less: imputed interest using the implicit interest rate | Net obligations under capital lease arrangements |
| Canada Customs and Revenue Agency—                                      |                |                     |                            |  |   |  |
| IBM Canada Ltd. ....  | Various        | Various             | Various                    | 1,593  | 33  | 1,560  |
| Storagetek Canada Inc. ....   | Various        | Various             | Various                    | 1,793  | 72  | 1,721  |
|   |                |                     |                            | 3,386  | 105   | 3,281  |
| Environment—  |                |                     |                            |  |   |  |
| National Wildlife Research Centre,<br>Carleton University, Ottawa ..... | May 1/2002     | 25                  | 5.63 <sup>(1)</sup>        | 29,900   | 13,361  | 16,539   |
| Human Resources Development—  |                |                     |                            |  |   |  |
| Canon Canada. ....  | May 4/2001     | 5                   | 15 <sup>(1)</sup>          | 266  | 38  | 228  |
| Sprint Canada Inc. ....   | Jan 1/2002     | 5                   | 6 <sup>(1)</sup>           | 8,944  | 114   | 8,830  |
|   |                |                     |                            | 9,210  | 152   | 9,058  |
| National Defence—   |                |                     |                            |  |   |  |
| Edmonton Armoury North. ....  | Dec 31/2000    | 20                  | 5.62 <sup>(1)</sup>        | 23,500   | 8,280   | 15,220   |
| Edmonton Armoury South. ....  | May 1/1999     | 20                  | 6.09 <sup>(1)</sup>        | 33,615   | 13,360  | 20,255   |
| HMCS Windsor Submarine. ....  | Oct/2001       | 6                   | 0.00 <sup>(1)</sup>        | 42,429   |   | 42,429   |
| HMCS Corner Brook. ....   | Feb /2003      | 6                   | 0.00 <sup>(1)</sup>        | 63,000   |   | 63,000   |
| Longue Pointe Supply Depot. ....  | Nov 30/1994    | 35                  | 8.26 <sup>(1)</sup>        | 94,284   | 55,098  | 39,186   |
| Shawinigan Armoury. ....  | May 12/1999    | 20                  | 5.46 <sup>(1)</sup>        | 8,435  | 2,700   | 5,735  |
| IBM (DES) .....   | Jan/2004       | 3                   | 3.29 <sup>(1)</sup>        | 2,780  | 103   | 2,677  |
| Milit-Air (NFTC) .....  | Dec/1999       | 20                  | 5.78 <sup>(1)</sup>        | 975,051  | 336,540   | 638,511  |
| Hawks and Harvards .....  | Oct/2003       | 17                  | 5.87 <sup>(1)</sup>        | 118,781  | 43,354  | 75,427   |
|   |                |                     |                            | 1,361,875  | 459,435   | 902,440  |
| Public Works and Government Services—                                   |                |                     |                            |  |   |  |
| Journal Tower, Ottawa .....   | Sep 1/1992     | 12                  | 19.2 <sup>(1)</sup>        | 9,566  | 723   | 8,843  |
| Informatics hardware .....  | Apr 3/2003     | 4                   | 4.4 <sup>(1)</sup>         | 1,824  | 115   | 1,709  |
| 1040 Boulevard St-Joseph, Gatineau .....                                | Feb 1/2003     | 5                   | 8.0 <sup>(1)</sup>         | 1,836  | 259   | 1,577  |
| 1741 Brunswick Street, Halifax .....                                    | July 1/2002    | 5                   | 11.5 <sup>(1)</sup>        | 1,455  | 262   | 1,193  |
| Place du Centre, Gatineau .....   | Feb 17/1978    | 30                  | 11.2 <sup>(1)</sup>        | 17,275   | 4,138   | 13,137   |
| 280 St-Dominique, Quebec .....  | Dec 1/2003     | 5                   | 4.2 <sup>(1)</sup>         | 1,223  | 113   | 1,110  |
| 400 Cooper Street, Ottawa .....   | Apr 1/2002     | 7                   | 6.8 <sup>(1)</sup>         | 3,017  | 465   | 2,552  |
| Centennial Towers, Ottawa .....   | Dec 1/2003     | 5                   | 7.5 <sup>(1)</sup>         | 48,915   | 7,751   | 41,164   |
| 1130 Morrison Drive, Ottawa .....                                       | Apr 1/2003     | 10                  | 6.1 <sup>(1)</sup>         | 1,698  | 395   | 1,303  |
| 4455 12e Avenue, Shawinigan-Sud. ....                                   | Sep 1/2003     | 10                  | 8.9 <sup>(1)</sup>         | 3,945  | 1,275   | 2,670  |
| 50 King Street, Moncton .....   | June 1/2002    | 10                  | 6.4 <sup>(1)</sup>         | 2,066  | 460   | 1,606  |
| 985 McGill Pl, Kamloops .....   | June 1/2002    | 15                  | 13.5 <sup>(1)</sup>        | 4,041  | 2,156   | 1,885  |
| Archives St-Augustin de Desmaures, Montreal .....                       | Oct 1/1999     | 15                  | 14.6 <sup>(1)</sup>        | 11,070   | 5,424   | 5,646  |
| Bank of Canada, Ottawa .....  | Sep 1/2002     | 10                  | 6.0 <sup>(1)</sup>         | 13,548   | 2,931   | 10,617   |
| Boyd Warehouse, Complex No 2, Ottawa .....                              | Apr 1/2002     | 10                  | 31.3 <sup>(1)</sup>        | 3,484  | 2,211   | 1,273  |
| C. D. Howe, 240 Sparks Street, Ottawa .....                             | Sep 1/1977     | 35                  | 9.2 <sup>(1)</sup>         | 51,342   | 15,677  | 35,665   |
| Canada Building & Enterprise Building, Ottawa .....                     | Apr 30/2003    | 10                  | 5.9 <sup>(1)</sup>         | 57,082   | 12,949  | 44,133   |
| Complexe Guy Favreau, Montreal .....                                    | Jan 1/2004     | 15                  | 5.8 <sup>(1)</sup>         | 130,528  | 50,233  | 80,295   |
| Cour Fédérale, Montreal .....   | Feb 9/1994     | 20                  | 23.5 <sup>(1)</sup>        | 16,822   | 10,286  | 6,536  |
| Government of Canada Building, Cornwall .....                           | Dec 1/1994     | 25                  | 9.8 <sup>(1)</sup>         | 15,523   | 7,598   | 7,925  |
| Judy Lamarsh, Chatham (GOCB) .....                                      | June 1/1995    | 25                  | 8.7 <sup>(1)</sup>         | 7,574  | 3,515   | 4,059  |
| Killeany Place Complex, Ottawa .....                                    | Aug 1/2002     | 7                   | 5.1 <sup>(1)</sup>         | 3,458  | 432   | 3,026  |
| Labelle, Ottawa. ....   | Apr 1/2002     | 10                  | 5.6 <sup>(1)</sup>         | 7,838  | 1,528   | 6,310  |
| L'Esplanade Laurier, Ottawa .....                                       | Oct 1/2000     | 10                  | 6.9 <sup>(1)</sup>         | 50,837   | 12,516  | 38,321   |
| Library Square (Block 56), Vancouver .....                              | May 1/1995     | 25                  | 9.7 <sup>(1)</sup>         | 107,226  | 52,955  | 54,271   |
| Louis Saint-Laurent, Gatineau. ....                                     | Nov 1/2001     | 15                  | 6.4 <sup>(1)</sup>         | 92,225   | 32,030  | 60,195   |

TABLE 6.14

DETAILS OF OBLIGATIONS RELATED TO CAPITAL LEASES—*Concluded*

(In thousands of dollars)

|   | Inception date | Lease term in years | Implicit interest rate (%) | Balances at March 31, 2004                       |   |  |
|---|----------------|---------------------|----------------------------|--|---|--|
|   |                |                     |                            | Total estimated remaining minimum lease payments | Less: imputed interest using the implicit interest rate | Net obligations under capital lease arrangements |
| McArthur, Ottawa . . . . .                            | Sep 1/2002     | 10                  | 23.5 <sup>(1)</sup>        | 3,626  | 2,053   | 1,573  |
| Metropolitan Place, Dartmouth . . . . .               | Apr 1/2002     | 8                   | 13.3 <sup>(1)</sup>        | 3,695  | 1,159   | 2,536  |
| Montcalm Phase II, Gatineau . . . . .                 | Apr 1/2002     | 10                  | 22.7 <sup>(1)</sup>        | 7,414  | 4,004   | 3,410  |
| O.A.C.I., Montreal . . . . .                          | Nov 1/1996     | 20                  | 9.9 <sup>(1)</sup>         | 163,831  | 77,128  | 86,703   |
| Place Bell Canada, Ottawa . . . . .                   | May 30/2003    | 15                  | 10.9 <sup>(1)</sup>        | 13,300   | 6,508   | 6,792  |
| Place Vincent Massey, Gatineau . . . . .              | Aug 1/2001     | 10                  | 6.2 <sup>(1)</sup>         | 16,155   | 3,204   | 12,951   |
| Purdy's Wharf Tower II, Halifax . . . . .             | Oct 1/2003     | 8                   | 4.5 <sup>(1)</sup>         | 4,463  | 679   | 3,784  |
| Queensway Corporate Campus Phase II, Ottawa . . . . . | Apr 1/2002     | 9                   | 16.9 <sup>(1)</sup>        | 6,416  | 2,668   | 3,748  |
| Royal Bank Building, Toronto . . . . .                | May 1/2002     | 10                  | 5.8 <sup>(1)</sup>         | 39,515   | 8,006   | 31,509   |
| Sir Wilfrid Laurier, Ottawa . . . . .                 | Mar 1/2001     | 10                  | 17.0 <sup>(1)</sup>        | 33,100   | 13,709  | 19,391   |
| Terrasses de la Chaudière, Gatineau . . . . .         | Jan 1/1993     | 20                  | 10.0 <sup>(1)</sup>        | 195,587  | 81,178  | 114,409  |
| Urbandale Building, Ottawa . . . . .                  | June 1/2002    | 10                  | 4.4 <sup>(1)</sup>         | 4,317  | 696   | 3,621  |
|   |                |                     |                            | 1,156,837  | 429,389   | 727,448  |
| Transport —   |                |                     |                            |  |   |  |
| Confederation Bridge . . . . .                        | May 31/1997    | 35                  | 6.16 <sup>(1)</sup>        | 1,749,340  | 1,040,306   | 709,034  |
| Other departments—                                    |                |                     |                            |  |   |  |
| Leases less than \$1,000,000 . . . . .                |                |                     |                            | 14,714   | 2,751   | 11,963   |
|   |                |                     |                            | 4,325,262  | 1,945,499   | 2,379,763  |
| Consolidated Crown corporations—                      |                |                     |                            |  |   |  |
| Canadian Broadcasting Corporation—                    |                |                     |                            |  |   |  |
| Canadian Broadcasting Centre,                         |                |                     |                            |  |   |  |
| 250 Front St. W., Toronto . . . . .                   |                |                     |                            | 776,412  | 414,888   | 361,524  |
| Canadian Museum of Nature—                            |                |                     |                            |  |   |  |
| National Heritage Building                            |                |                     |                            |  |   |  |
| Aylmer, Quebec . . . . .                              |                |                     |                            | 96,250   | 63,326  | 32,924   |
| Other consolidated Crown corporations—                |                |                     |                            |  |   |  |
| Leases less than \$1,000,000 . . . . .                |                |                     |                            | 1  |   | 1  |
|   |                |                     |                            | 872,663  | 478,214   | 394,449  |
| Total . . . . .                                       |                |                     |                            | 5,197,925  | 2,423,713   | 2,774,212  |

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

## Maturity of obligations related to capital leases

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

TABLE 6.15

### MATURITY OF OBLIGATIONS RELATED TO CAPITAL LEASES

(in thousands of dollars)

|  | Payments due in |         |         |         |         | 2010 and subsequent years | Total     |
|--|-----------------|---------|---------|---------|---------|---------------------------|-----------|
|  | 2005            | 2006    | 2007    | 2008    | 2009    |                           |           |
| Canada Customs and Revenue Agency—     |                 |         |         |         |         |                           |           |
| Remaining payments .....               | 2,907           | 479     |         |         |         |                           | 3,386     |
| Imputed interest .....                 | 100             | 5       |         |         |         |                           | 105       |
|  | 2,807           | 474     |         |         |         |                           | 3,281     |
| Environment—                           |                 |         |         |         |         |                           |           |
| Remaining payments .....               | 1,300           | 1,300   | 1,300   | 1,300   | 1,300   | 23,400                    | 29,900    |
| Imputed interest .....                 | 931             | 910     | 888     | 865     | 841     | 8,926                     | 13,361    |
|  | 369             | 390     | 412     | 435     | 459     | 14,474                    | 16,539    |
| Human Resources Development—           |                 |         |         |         |         |                           |           |
| Remaining payments .....               | 1,569           | 1,536   | 6,105   |         |         |                           | 9,210     |
| Imputed interest .....                 | 74              | 52      | 26      |         |         |                           | 152       |
|  | 1,495           | 1,484   | 6,079   |         |         |                           | 9,058     |
| National Defence—                      |                 |         |         |         |         |                           |           |
| Remaining payments .....               | 109,326         | 109,326 | 105,217 | 92,888  | 78,746  | 866,372                   | 1,361,875 |
| Imputed interest .....                 | 46,542          | 44,685  | 42,719  | 40,656  | 38,479  | 246,354                   | 459,435   |
|  | 62,784          | 64,641  | 62,498  | 52,232  | 40,267  | 620,018                   | 902,440   |
| Public Works and Government Services—  |                 |         |         |         |         |                           |           |
| Remaining payments .....               | 115,344         | 105,778 | 105,850 | 110,152 | 97,712  | 622,001                   | 1,156,837 |
| Imputed interest .....                 | 61,260          | 56,651  | 52,367  | 47,508  | 42,112  | 169,491                   | 429,389   |
|  | 54,084          | 49,127  | 53,483  | 62,644  | 55,600  | 452,510                   | 727,448   |
| Transport—                             |                 |         |         |         |         |                           |           |
| Remaining payments .....               | 51,779          | 51,005  | 51,776  | 52,558  | 53,352  | 1,488,870                 | 1,749,340 |
| Imputed interest .....                 | 38,885          | 37,524  | 37,681  | 37,822  | 37,945  | 850,449                   | 1,040,306 |
|  | 12,894          | 13,481  | 14,095  | 14,736  | 15,407  | 638,421                   | 709,034   |
| Other departments—                     |                 |         |         |         |         |                           |           |
| Leases less than \$1,000,000—          |                 |         |         |         |         |                           |           |
| Remaining payments .....               | 3,826           | 3,525   | 3,037   | 2,458   | 906     | 962                       | 14,714    |
| Imputed interest .....                 | 958             | 743     | 514     | 287     | 104     | 145                       | 2,751     |
|  | 2,868           | 2,782   | 2,523   | 2,171   | 802     | 817                       | 11,963    |
|  | 137,301         | 132,379 | 139,090 | 132,218 | 112,535 | 1,726,240                 | 2,379,763 |
| Consolidated Crown corporations—       |                 |         |         |         |         |                           |           |
| Canadian Broadcasting Corporation—     |                 |         |         |         |         |                           |           |
| Remaining payments .....               | 33,039          | 33,039  | 33,039  | 33,039  | 33,039  | 611,217                   | 776,412   |
| Imputed interest .....                 | 27,223          | 26,785  | 26,314  | 25,808  | 25,263  | 283,495                   | 414,888   |
|  | 5,816           | 6,254   | 6,725   | 7,231   | 7,776   | 327,722                   | 361,524   |
| Canadian Museum of Nature—             |                 |         |         |         |         |                           |           |
| Remaining payments .....               | 3,500           | 3,500   | 3,500   | 3,500   | 3,500   | 78,750                    | 96,250    |
| Imputed interest .....                 | 3,253           | 3,229   | 3,202   | 3,172   | 3,140   | 47,330                    | 63,326    |
|  | 247             | 271     | 298     | 328     | 360     | 31,420                    | 32,924    |
| Other consolidated Crown corporations— |                 |         |         |         |         |                           |           |
| Leases less than \$1,000,000—          |                 |         |         |         |         |                           |           |
| Remaining payments .....               | 1               |         |         |         |         |                           | 1         |
| Imputed interest .....                 |                 |         |         |         |         |                           |           |
|  | 1               |         |         |         |         |                           | 1         |
|  | 6,064           | 6,525   | 7,023   | 7,559   | 8,136   | 359,142                   | 394,449   |
|  | 143,365         | 138,904 | 146,113 | 139,777 | 120,671 | 2,085,382                 | 2,774,212 |
| Summary—                               |                 |         |         |         |         |                           |           |
| Remaining payments .....               | 322,591         | 309,488 | 309,824 | 295,895 | 268,555 | 3,691,572                 | 5,197,925 |
| Imputed interest .....                 | 179,226         | 170,584 | 163,711 | 156,118 | 147,884 | 1,606,190                 | 2,423,713 |
| Net obligations .....                  | 143,365         | 138,904 | 146,113 | 139,777 | 120,671 | 2,085,382                 | 2,774,212 |

## PENSION AND OTHER LIABILITIES

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

### Public Sector Pensions

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

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

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

#### i. Pension plans

##### *Employee pension plans*

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

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

Employer contributions are made monthly to provide for the cost (net of employee contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. In 2003-2004, the employer contribution rates averaged about 2.6, 3.5 and 3.0 times the current year's employee contribution for the plans of the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

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

The superannuation accounts, which continue to record the transactions that pertain to pre-April 2000 service, earn interest at rates that are based on the Government of Canada long-term bond rate. The interest rate earned by the accounts was about 8.3 percent in 2004 and 8.5 percent in 2003. The Pension Fund accounts, which record the transactions that pertain to post March 2000 service, are only flow through accounts used to transfer funds to PSP Investments, and as such they do not earn interest. The balance in these accounts at year-end corresponds to money that was in transit or impending transfer to PSP Investments.

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

*Members of Parliament retiring allowances*

Members of Parliament are eligible at age 55 to receive a basic pension upon termination of membership and after having contributed to the plan for at least six years. The basic allowance is based on the best five year average sessional indemnity and is accrued at a rate of 3 percent of those average indemnities for both Members of the House of Commons and for Senators. Basic allowances are indexed annually (on January 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:

|  | 2004 | 2003 |
|--|------|------|
| Members of Parliament                          |      |      |
| House of Commons                               |      |      |
| Retiring allowances account . . . . .          | 3.84 | 3.88 |
| Retirement compensation arrangements . . . . . | 6.92 | 6.99 |
| The Senate                                     |      |      |
| Retiring allowances account . . . . .          | 2.71 | 2.63 |
| Retirement compensation arrangements . . . . . | 3.96 | 3.87 |

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

*Pension plan for federally appointed judges*

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

Judges appointed to the bench before February 17, 1975 make required contributions of 1.5 percent of salary. All other judges make contributions of 7 percent of salary. No specified purpose account is maintained for this plan. Benefits are included as an expenditure in the Statement of Revenues and Expenditures. During the year, the benefit payments charged to expenditures amounted to \$69 million.

*ii. Actuarial valuations*

As required under the *Public Pensions Reporting Act*, actuarial valuations are performed triennially for funding purposes on the five major pension plans using the projected benefit method pro-rated on services.

The most recent review date for the actuarial valuation of each pension plan is as follows:

Public Service—March 31, 2002;

Canadian Forces—March 31, 2002;

Royal Canadian Mounted Police—March 31, 2002;

Members of Parliament—March 31, 2001;

Federally appointed judges—March 31, 2001.

Actuarial valuations for the Retirement Compensation Arrangements related to the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans were done as part of the valuation of the related plan.

In accordance with the legislation governing the major pension plans, the President of the Treasury Board has the authority to direct that any actuarial deficiency found will be credited to the appropriate account or fund in equal installments over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. During the year, credit adjustments of \$3.5 million, \$10 million, \$22 million and \$10 million were made to the Public Service Pension Fund, the Members of Parliament Retirement Compensation Arrangement Account and the Retirement Compensation Arrangements Accounts No. 1 and No. 2 respectively as a result of their most recent actuarial review.

A comparable provision gives authority to deal with surpluses in the superannuation accounts by debiting the appropriate account over a period of up to fifteen years. Any future surpluses identified in the Pension Funds may be dealt with by a reduction of Government and/or plan member contributions, or by withdrawing amounts from the Fund. As a result of the last triennial actuarial reviews, debit adjustments of \$2,240 million, \$630 million and \$406 million (nil, \$198 million and nil in 2003) were made respectively to the Public Service, the Canadian Forces and the Royal Canadian Mounted Police Superannuation Accounts during the year.



Table 6.16 presents a summary of the balances and transactions for the liability for public sector pensions. Receipts and other credits for the pension accounts consist of contributions from employees, related contributions from the Government and participating Public Service corporations, transfers from other pension funds, other contributions related to actuarial liability adjustments, refunds of refundable tax and interest. Payments and other charges for the pension accounts consist of annuity payments for pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions, pension division pay-

ments, transfer value payments, transfers to other plans, remittances of refundable tax, payment of administrative expenses, debits resulting from triennial actuarial reviews, and transfers to the Public Sector Pension Investment Board (PSPIB). Adjustments to the allowance account result from annual actuarial valuations performed for accounting purposes, from the annual adjustment between the interest based on the actuarial obligations and interest credited to the pension accounts, and from any other accounting adjustment required under the Government accounting policies.

**TABLE 6.16**  
**PUBLIC SECTOR PENSIONS**

|   | April 1/2003          | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004         |
|---|-----------------------|-------------------------------|-------------------------------|-----------------------|
|   | \$                    | \$                            | \$                            | \$                    |
| Public Service Superannuation Account,                |                       |                               |                               |                       |
| Table 6.18 .....                                      | 81,857,869,870        | 6,753,184,140                 | 6,042,113,845                 | 82,568,940,165        |
| Allowance for pension adjustments .....               | (7,704,000,000)       | 2,240,000,000                 | 1,961,000,000                 | (7,425,000,000)       |
|   | <i>74,153,869,870</i> | <i>8,993,184,140</i>          | <i>8,003,113,845</i>          | <i>75,143,940,165</i> |
| Public Service Pension Fund Account,                  |                       |                               |                               |                       |
| Table 6.19 .....                                      | 117,799,938           | 2,807,319,913                 | 2,781,952,073                 | 143,167,778           |
| Allowance for pension adjustments .....               | (291,000,000)         | 286,000,000                   | 3,000,000                     | (8,000,000)           |
|   | <i>(173,200,062)</i>  | <i>3,093,319,913</i>          | <i>2,784,952,073</i>          | <i>135,167,778</i>    |
| Canadian Forces Superannuation Account,               |                       |                               |                               |                       |
| Table 6.20 .....                                      | 39,700,296,348        | 3,229,457,933                 | 2,678,054,053                 | 40,251,700,228        |
| Allowance for pension adjustments .....               | (1,698,000,000)       | 630,000,000                   | 1,161,000,000                 | (2,229,000,000)       |
|   | <i>38,002,296,348</i> | <i>3,859,457,933</i>          | <i>3,839,054,053</i>          | <i>38,022,700,228</i> |
| Canadian Forces Pension Fund Account,                 |                       |                               |                               |                       |
| Table 6.21 .....                                      | 43,655,947            | 746,351,798                   | 752,429,117                   | 37,578,628            |
| Allowance for pension adjustments .....               | 43,000,000            | 48,000,000                    |                               | 91,000,000            |
|   | <i>86,655,947</i>     | <i>794,351,798</i>            | <i>752,429,117</i>            | <i>128,578,628</i>    |
| Royal Canadian Mounted Police Superannuation Account, |                       |                               |                               |                       |
| Table 6.22 .....                                      | 10,372,747,814        | 848,906,566                   | 767,930,245                   | 10,453,724,135        |
| Allowance for pension adjustments .....               | (625,000,000)         | 406,000,000                   | 310,000,000                   | (529,000,000)         |
|   | <i>9,747,747,814</i>  | <i>1,254,906,566</i>          | <i>1,077,930,245</i>          | <i>9,924,724,135</i>  |
| Royal Canadian Mounted Police Pension Fund Account,   |                       |                               |                               |                       |
| Table 6.23 .....                                      | 10,715,486            | 273,218,078                   | 263,595,711                   | 20,337,853            |
| Allowance for pension adjustments .....               | (35,000,000)          | 28,000,000                    | 10,000,000                    | (17,000,000)          |
|   | <i>(24,284,514)</i>   | <i>301,218,078</i>            | <i>273,595,711</i>            | <i>3,337,853</i>      |
| Members of Parliament Retiring Allowances Account,    |                       |                               |                               |                       |
| Table 6.24 .....                                      | 368,488,609           | 43,480,824                    | 17,413,605                    | 394,555,828           |
| Allowance for pension adjustments .....               | (62,000,000)          | 3,000,000                     | 14,000,000                    | (73,000,000)          |
|   | <i>306,488,609</i>    | <i>46,480,824</i>             | <i>31,413,605</i>             | <i>321,555,828</i>    |
| Members of Parliament Retirement Compensation         |                       |                               |                               |                       |
| Arrangements Account, Table 6.25 .....                | 87,252,525            | 39,599,693                    | 19,979,634                    | 106,872,584           |
| Allowance for pension adjustments .....               | 76,000,000            | 25,000,000                    | 13,000,000                    | 88,000,000            |
|   | <i>163,252,525</i>    | <i>64,599,693</i>             | <i>32,979,634</i>             | <i>194,872,584</i>    |
| Retirement Compensation Arrangements (RCA)            |                       |                               |                               |                       |
| Account, Table 6.26 .....                             | 1,256,946,047         | 380,178,701                   | 294,586,586                   | 1,342,538,162         |
| Allowance for pension adjustments .....               | 985,000,000           | 227,000,000                   | 175,000,000                   | 1,037,000,000         |
|   | <i>2,241,946,047</i>  | <i>607,178,701</i>            | <i>469,586,586</i>            | <i>2,379,538,162</i>  |
| Supplementary Retirement Benefits Account,            |                       |                               |                               |                       |
| Table 6.27 .....                                      | 90,133,136            | 8,300,736                     | 43,445                        | 98,390,427            |
| Allowance for pension adjustments .....               | 1,113,000,000         | 103,000,000                   | 9,000,000                     | 1,207,000,000         |
|   | <i>1,203,133,136</i>  | <i>111,300,736</i>            | <i>9,043,445</i>              | <i>1,305,390,427</i>  |
| Total .....   | 125,707,905,720       | 19,125,998,382                | 17,274,098,314                | 127,559,805,788       |
| SUMMARY—  |                       |                               |                               |                       |
| Superannuation accounts .....                         | 133,905,905,720       | 15,129,998,382                | 13,618,098,314                | 135,417,805,788       |
| Allowance for pension adjustments .....               | (8,198,000,000)       | 3,996,000,000                 | 3,656,000,000                 | (7,858,000,000)       |
| Total .....   | 125,707,905,720       | 19,125,998,382                | 17,274,098,314                | 127,559,805,788       |

Table 6.17 presents a summary of transactions in public sector pensions that resulted in charges to expenses. Interest is based on the actuarial obligations under the various plans. The pension interest expenses represents the interest credited to the superannuation accounts in accordance with the pension legislation, shown net of a provision of \$847 million (\$1,215 million in 2003) and net of \$672 million (\$472 million in 2003) in expected return on pension plan assets.

**TABLE 6.17****SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENSES**

(in millions of dollars)

|   | 2003-2004                |                                   |                                  |                           |   |  |                      |                               | Total  | 2002-2003         |
|---|--------------------------|-----------------------------------|----------------------------------|---------------------------|---|--|----------------------|-------------------------------|--------|-------------------|
|   | Government contributions | Statutory payments <sup>(1)</sup> | Current service cost adjustments | Net current service costs | Funding of actuarial liability adjustment | Amortization of estimation adjustments | Net pension expenses | Net pension interest expenses |        |                   |
| Public Service Superannuation Account .....   | 42                       |                                   | (101)                            | (59)                      |   | (804)                                  | (863)                | 5,591                         | 4,728  | 4,236             |
| Public Service Pension Fund Account .....   | 1,834                    |                                   | 101                              | 1,935                     |   | 110                                    | 2,045                | 75                            | 2,120  | 1,504             |
| Canadian Forces Superannuation Account .....  | 5                        |                                   | (9)                              | (4)                       |   | (671)                                  | (675)                | 2,736                         | 2,061  | 1,820             |
| Canadian Forces Pension Fund Account .....  | 581                      |                                   | 3                                | 584                       |   | 24                                     | 608                  | 21                            | 629    | 564               |
| Defence Services Pension Continuation Act .....   |                          | 11                                |                                  | 11                        |   |  | 11                   |                               | 11     | 12                |
| Royal Canadian Mounted Police Superannuation Account .....                                    | 1                        |                                   | (3)                              | (2)                       |   | (163)                                  | (165)                | 702                           | 537    | 526               |
| Royal Canadian Mounted Police Pension Fund Account .....                                      | 203                      |                                   | (10)                             | 193                       |   | 20                                     | 213                  | 8                             | 221    | 169               |
| Royal Canadian Mounted Police Continuation Act .....  |                          | 23                                |                                  | 23                        |   |  | 23                   |                               | 23     | <sup>(2)</sup> 23 |
| Members of Parliament Retiring Allowances Account .....                                       | 5                        |                                   |                                  | 5                         |   | 3                                      | 8                    | 24                            | 32     | 29                |
| Members of Parliament Retirement Compensation Arrangements Account .....                      | 17                       |                                   | (1)                              | 16                        |   | 7                                      | 23                   | 8                             | 31     | 29                |
| Retirement Compensation Arrangements (RCA) Account .....                                      | 201                      |                                   | (137)                            | 64                        | 45  | 56                                     | 165                  | 105                           | 270    | 303               |
| Supplementary Retirement Benefits Account .....   | 2                        |                                   | (9)                              | (7)                       |   | 26                                     | 19                   | 81                            | 100    | 102               |
| Judges Act .....  |                          | 69                                |                                  | 69                        |   |  | 69                   |                               | 69     | 64                |
| Other (diplomatic services, lieutenant governors, etc.) .....                                 |                          | 1                                 |                                  | 1                         |   |  | 1                    |                               | 1      | 1                 |
| Subtotal .....  | 2,891                    | 104                               | (166)                            | 2,829                     | 45  | (1,392)                                | 1,482                | 9,351                         | 10,833 | 9,382             |
| Less: costs already recorded in the allowance for pension adjustments of previous years ..... |                          |                                   |                                  |                           | (45)                                      |  | (45)                 |                               | (45)   | (107)             |
| Total .....   | 2,891                    | 104                               | (166)                            | 2,829                     |   | (1,392)                                | 1,437                | 9,351                         | 10,788 | 9,275             |

<sup>(1)</sup> Includes payments under *Supplementary Retirement Benefits Act* and various acts.

<sup>(2)</sup> Amends previous year's Public Accounts of Canada.

## Public Service Superannuation Account

This account is operated under the *Public Service Superannuation Act*.

A debit adjustment of \$2,240 million (nil in 2003) was made to the account during the year as a result of the most recent triennial actuarial review.

**TABLE 6.18**

### PUBLIC SERVICE SUPERANNUATION ACCOUNT

|   | 2003-2004      | 2002-2003      |
|---|----------------|----------------|
|   | \$             | \$             |
| Opening balance.....                                    | 81,857,869,870 | 80,550,373,546 |
| RECEIPTS AND OTHER CREDITS—                             |                |                |
| Contributions—  |                |                |
| Government employees .....                              | 15,660,821     | 17,632,790     |
| Retired employees .....                                 | 38,104,961     | 41,077,615     |
| Public Service corporation employees .....              | 5,080,136      | 1,595,739      |
| Employer contributions—                                 |                |                |
| Government .....  | 41,685,917     | 45,920,524     |
| Public Service corporations .....                       | 667,992        | 1,699,657      |
| Transfers from other pension funds .....                | 4,649,101      | 10,245,615     |
| Interest .....  | 6,647,335,212  | 6,635,602,779  |
|   | 6,753,184,140  | 6,753,774,719  |
|   | 88,611,054,010 | 87,304,148,265 |
| PAYMENTS AND OTHER CHARGES—                             |                |                |
| Annuities .....   | 3,550,134,808  | 3,468,623,384  |
| Minimum benefits .....                                  | 12,717,339     | 10,355,592     |
| Pension division payments .....                         | 29,676,739     | 27,984,681     |
| Pension—Transfer value payments .....                   | 56,499,977     | 77,445,358     |
| Returns of contributions—                               |                |                |
| Government employees .....                              | 597,535        | 1,535,697      |
| Public Service corporation employees .....              | (11,597)       | 194,387        |
| Transfers to other pension funds .....                  | 94,907,641     | 75,253,877     |
| Transfers to Canada Post Corporation pension plan ..... | 6,422,938      | 1,736,683,000  |
| Administrative expenses .....                           | 51,168,465     | 48,202,419     |
| Actuarial liability adjustment .....                    | 2,240,000,000  |                |
|   | 6,042,113,845  | 5,446,278,395  |
| Closing balance .....                                   | 82,568,940,165 | 81,857,869,870 |

## Public Service Pension Fund Account

This account is used to record the transactions that pertain to post March 2000 service under the *Public Service Superannuation Act*. The account is a flow through account used to transfer funds to and from PSP Investments. The balance at year-end corresponds to money that was in transit or impending transfer to the PSP Investments.

During the year, a credit adjustment of \$3.5 million (nil in 2003) was made to the Fund as a result of the most recent actuarial review.

**TABLE 6.19**

### PUBLIC SERVICE PENSION FUND ACCOUNT

|  | 2003-2004     | 2002-2003     |
|--|---------------|---------------|
|  | \$            | \$            |
| Opening balance.....   | 117,799,938   | 67,428,155    |
| RECEIPTS AND OTHER CREDITS—                                      |               |               |
| Contributions—   |               |               |
| Government employees .....                                       | 711,242,730   | 674,395,559   |
| Retired employees .....  | 7,067,981     | 4,653,947     |
| Public Service corporation employees .....                       | 62,441,236    | 59,408,249    |
| Employer contributions—  |               |               |
| Government .....   | 1,833,639,249 | 1,745,268,882 |
| Public Service corporations .....                                | 125,600,388   | 123,103,837   |
| Actuarial liability adjustment .....                             | 3,500,000     |               |
| Transfers from other pension funds .....                         | 63,828,329    | 7,799,512     |
|  | 2,807,319,913 | 2,614,629,986 |
| PAYMENTS AND OTHER CHARGES—                                      |               |               |
| Annuities .....  | 31,523,202    | 14,666,690    |
| Minimum benefits .....   | 1,534,575     | 736,676       |
| Pension division payments .....                                  | 919,400       | 175,744       |
| Pension—Transfer value payments .....                            | 23,974,468    | 15,838,553    |
| Returns of contributions—  |               |               |
| Government employees .....                                       | 7,270,022     | 6,551,456     |
| Public Service corporation employees .....                       | 1,924,122     | 1,739,022     |
| Transfers to other pension funds .....                           | 2,674,362     | 713,258       |
| Transfers to Canada Post Corporation pension plan .....          | (1,956,160)   | 77,976,000    |
| Administrative expenses .....                                    | 5,565,614     | 2,989,615     |
|  | 73,429,605    | 121,387,014   |
| Receipts and other credits less payments and other charges ..... | 2,733,890,308 | 2,493,242,972 |
| Transfers to Pension Investment Board .....                      | 2,708,522,468 | 2,442,871,189 |
| Closing balance .....  | 143,167,778   | 117,799,938   |

**Canadian Forces Superannuation Account**

This account is operated under the *Canadian Forces Superannuation Act*.

A debit adjustment of \$630 million (\$198 million in 2003) was made to the account during the year as a result of the most recent triennial actuarial review.

**TABLE 6.20****CANADIAN FORCES SUPERANNUATION ACCOUNT**

|  | 2003-2004      | 2002-2003      |
|--|----------------|----------------|
|  | \$             | \$             |
| Opening balance .....  | 39,700,296,348 | 38,626,648,464 |
| RECEIPTS AND OTHER CREDITS—                                    |                |                |
| Contributions from personnel .....                             | 4,485,568      | 4,494,611      |
| Contributions by the Government .....                          | 4,529,469      | 4,340,121      |
| Interest .....   | 3,216,652,073  | 3,220,312,432  |
| Other .....  | 3,790,823      | 4,411,514      |
|  | 3,229,457,933  | 3,233,558,678  |
|  | 42,929,754,281 | 41,860,207,142 |
| PAYMENTS AND OTHER CHARGES—                                    |                |                |
| Pensions and retiring allowance payments .....                 | 1,996,314,877  | 1,911,282,599  |
| Pension division payments .....                                | 35,017,284     | 34,365,354     |
| Cash termination allowances and returns of contributions ..... | 5,269,610      | 7,617,812      |
| Transfers to Public Service Superannuation Account .....       | 664,606        | 672,076        |
| Administrative expenses .....                                  | 10,787,676     | 7,972,953      |
| Actuarial liability adjustment .....                           | 630,000,000    | 198,000,000    |
|  | 2,678,054,053  | 2,159,910,794  |
| Closing balance .....  | 40,251,700,228 | 39,700,296,348 |

**Canadian Forces Pension Fund Account**

This account is used to record the transactions that pertain to post March 2000 service under the *Canadian Forces Superannuation Act*. The account is a flow through account used to transfer funds to and from PSP Investments. The balance at year-end corresponds to money that was in transit or impending transfer to the PSP Investments.

No adjustment was required to the Fund as a result of the most recent triennial actuarial review in either 2003-2004 or 2002-2003.

**TABLE 6.21****CANADIAN FORCES PENSION FUND ACCOUNT**

|  | 2003-2004   | 2002-2003   |
|--|-------------|-------------|
|  | \$          | \$          |
| Opening balance .....  | 43,655,947  | 35,335,370  |
| RECEIPTS AND OTHER CREDITS—                                      |             |             |
| Contributions from personnel .....                               | 165,633,912 | 157,217,546 |
| Contributions by the Government .....                            | 580,569,792 | 551,827,586 |
| Transfers from other pension funds .....                         | 148,094     |             |
|  | 746,351,798 | 709,045,132 |
| PAYMENTS AND OTHER CHARGES—                                      |             |             |
| Pensions and retiring allowance payments .....                   | 15,420,407  | 7,504,487   |
| Pension division payments .....                                  | 1,183,574   | 427,348     |
| Cash termination allowances and returns of contributions .....   | 6,053,990   | 4,403,615   |
| Transfers to Public Service Superannuation Account .....         | 88,838      | 40,753      |
| Administrative expenses .....                                    | 703,054     | 375,689     |
|  | 23,449,863  | 12,751,892  |
| Receipts and other credits less payments and other charges ..... | 722,901,935 | 696,293,240 |
| Transfers to Pension Investment Board .....                      | 728,979,254 | 687,972,663 |
| Closing balance .....  | 37,578,628  | 43,655,947  |

### Royal Canadian Mounted Police Superannuation Account

This account is operated under the *Royal Canadian Mounted Police Superannuation Act*.

A debit adjustment of \$406 million (nil in 2003) was made to the account during the year as a result of the most recent triennial actuarial review.

**TABLE 6.22**

#### ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

|  | 2003-2004      | 2002-2003      |
|--|----------------|----------------|
|  | \$             | \$             |
| Opening balance .....                                    | 10,372,747,814 | 9,884,641,946  |
| RECEIPTS AND OTHER CREDITS—                              |                |                |
| Contributions from personnel (current and arrears) ..... | 1,443,572      | 1,535,437      |
| Contributions by the Government .....                    | 1,485,661      | 1,755,523      |
| Transfers from other pension funds .....                 | 256,923        | 274,765        |
| Interest .....   | 845,720,410    | 829,212,859    |
|  | 848,906,566    | 832,778,584    |
|  | 11,221,654,380 | 10,717,420,530 |
| PAYMENTS AND OTHER CHARGES—                              |                |                |
| Annuities and allowance payments .....                   | 345,550,942    | 320,700,779    |
| Pension division payments .....                          | 6,937,421      | 9,224,037      |
| Returns of contributions .....                           | 131,681        | 475,102        |
| Cash termination allowance and gratuities .....          | 456,084        | 476,298        |
| Transfers to other pension funds .....                   | 349,416        | 294,609        |
| Interest on returns of contributions .....               | 22,881         | 136,457        |
| Administrative expenses .....                            | 8,481,820      | 13,365,434     |
| Actuarial liability adjustment .....                     | 406,000,000    |                |
|  | 767,930,245    | 344,672,716    |
| Closing balance .....                                    | 10,453,724,135 | 10,372,747,814 |

### Royal Canadian Mounted Police Pension Fund Account

This account is used to record the transactions that pertain to post March 2000 service under the *Royal Canadian Mounted Police Superannuation Act*. The account is a flow through account used to transfer funds to and from PSP Investments. The balance at year-end corresponds to money that was in transit or impending transfer to the PSP Investments.

No adjustment was required to the Fund as a result of triennial actuarial reviews in either 2003-2004 or 2002-2003.

**TABLE 6.23**

#### ROYAL CANADIAN MOUNTED POLICE PENSION FUND ACCOUNT

|  | 2003-2004   | 2002-2003   |
|--|-------------|-------------|
|  | \$          | \$          |
| Opening balance .....  | 10,715,486  | 10,275,746  |
| RECEIPTS AND OTHER CREDITS—                                      |             |             |
| Contributions from personnel (current and arrears) .....         | 68,361,169  | 64,062,478  |
| Contributions by the Government .....                            | 203,093,704 | 190,505,852 |
| Transfers from other pension funds .....                         | 1,763,205   | 312,674     |
|  | 273,218,078 | 254,881,004 |
| PAYMENTS AND OTHER CHARGES—                                      |             |             |
| Annuities and allowance payments .....                           | 4,274,631   | 1,976,723   |
| Minimum benefits .....   | 61,679      | 36,525      |
| Pension division payments .....                                  | 148,885     | 160,103     |
| Returns of contributions .....                                   | 182,465     | 219,628     |
| Cash termination allowance and gratuities .....                  | 2,474       | 38,805      |
| Transfers to other pension funds .....                           | 36,802      |             |
| Interest on returns of contributions .....                       | 3,627       | 3,148       |
| Administrative expenses .....                                    | 818,421     | 777,882     |
|  | 5,528,984   | 3,212,814   |
| Receipts and other credits less payments and other charges ..... | 267,689,094 | 251,668,190 |
| Transfers to Pension Investment Board .....                      | 258,066,727 | 251,228,450 |
| Closing balance .....  | 20,337,853  | 10,715,486  |

### Members of Parliament Retiring Allowances Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a Member of the Senate or the House of Commons. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members who served on or after a certain date and contributed under the Act.

TABLE 6.24

#### MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

|  | 2003-2004   | 2002-2003   |
|--|-------------|-------------|
|  | \$          | \$          |
| Opening balance .....  | 368,488,609 | 345,001,463 |
| RECEIPTS AND OTHER CREDITS—                                  |             |             |
| Members' contributions—                                      |             |             |
| Current .....  | 1,276,081   | 1,307,483   |
| Arrears of principal, interest and mortality insurance ..... | (175,368)   | 32,627      |
| Government contributions—                                    |             |             |
| Current .....  | 4,557,315   | 4,395,891   |
| Interest .....   | 37,822,796  | 35,221,387  |
|  | 43,480,824  | 40,957,388  |
|  | 411,969,433 | 385,958,851 |
| PAYMENTS AND OTHER CHARGES—                                  |             |             |
| Annual allowances .....                                      | 16,551,392  | 16,623,728  |
| Withdrawal allowances .....                                  | 669         | 70,579      |
| Interest on withdrawals .....                                | 861,544     | 775,935     |
| Pension division payments .....                              | 17,413,605  | 17,470,242  |
| Closing balance .....  | 394,555,828 | 368,488,609 |

### 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.

During the year, a credit adjustment of \$10 million (\$10 million in 2003) was made to the account as a result of the most recent actuarial review.

TABLE 6.25

#### MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

|                                      | 2003-2004   | 2002-2003   |
|--------------------------------------|-------------|-------------|
|                                      | \$          | \$          |
| Opening balance .....                | 87,252,525  | 64,640,804  |
| RECEIPTS AND OTHER CREDITS—          |             |             |
| Members' contributions—              |             |             |
| Current .....                        | 2,925,422   | 2,571,907   |
| Government contributions—            |             |             |
| Current .....                        | 16,921,883  | 15,859,000  |
| Interest .....                       | 9,979,113   | 7,248,223   |
| Actuarial liability adjustment ..... | 9,773,275   | 9,773,275   |
|                                      | 39,599,693  | 35,452,405  |
|                                      | 126,852,218 | 100,093,209 |
| PAYMENTS AND OTHER CHARGES—          |             |             |
| Annual allowances .....              | 1,529,508   | 1,445,396   |
| Refundable tax remitted to Canada    |             |             |
| Customs and Revenue Agency .....     | 17,926,813  | 10,982,904  |
| Withdrawals .....                    | 54,545      | 36,235      |
| Pension division payments .....      | 468,768     | 376,149     |
|                                      | 19,979,634  | 12,840,684  |
| Closing balance .....                | 106,872,584 | 87,252,525  |

## Retirement Compensation Arrangements (RCA) Account

The RCA was established by the *Special Retirement Arrangements Act* (SRAA) to provide pension benefits for federal employees under retirement compensation arrangements.

The RCA No.1 pays those pension benefits above the amount that may, in accordance with the *Income Tax Act* restrictions on registered pension plans, be paid under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*. The RCA No.1 was created effective December 15, 1994.

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

During the year, credit adjustments of \$22 million (\$92 million in 2003) and \$10 million (\$5 million in 2003) were made to the RCA No.1 and No.2 respectively as a result of the most recent actuarial review.

**TABLE 6.26**

### RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

|                                | RCA No.1       |             |                 |            |                               |            | RCA No.2       |             |               |               |
|--------------------------------|----------------|-------------|-----------------|------------|-------------------------------|------------|----------------|-------------|---------------|---------------|
|                                | Public Service |             | Canadian Forces |            | Royal Canadian Mounted Police |            | Public Service |             | Total         |               |
|                                | 2003-2004      | 2002-2003   | 2003-2004       | 2002-2003  | 2003-2004                     | 2002-2003  | 2003-2004      | 2002-2003   | 2003-2004     | 2002-2003     |
|                                | \$             | \$          | \$              | \$         | \$                            | \$         | \$             | \$          | \$            | \$            |
| Opening balance.....           | 356,603,407    | 310,374,499 | 53,811,085      | 37,162,820 | 13,607,172                    | 7,543,013  | 832,924,383    | 833,455,844 | 1,256,946,047 | 1,188,536,176 |
| RECEIPTS AND<br>OTHER CREDITS— |                |             |                 |            |                               |            |                |             |               |               |
| Contributions—                 |                |             |                 |            |                               |            |                |             |               |               |
| Government                     |                |             |                 |            |                               |            |                |             |               |               |
| employees.....                 | 11,509,684     | 12,470,219  | 2,391,300       | 1,114,610  | 309,859                       | 288,555    |                |             | 14,210,843    | 13,873,384    |
| Retired employees.....         | 354,791        | 449,304     |                 |            |                               |            |                |             | 354,791       | 449,304       |
| Public Service                 |                |             |                 |            |                               |            |                |             |               |               |
| corporation                    |                |             |                 |            |                               |            |                |             |               |               |
| employees.....                 | 1,477,650      | 1,210,537   |                 |            |                               |            |                |             | 1,477,650     | 1,210,537     |
| Employer                       |                |             |                 |            |                               |            |                |             |               |               |
| contributions—                 |                |             |                 |            |                               |            |                |             |               |               |
| Government.....                | 162,848,564    | 190,034,492 | 29,155,476      | 14,489,933 | 9,480,430                     | 10,334,461 |                |             | 201,484,470   | 214,858,886   |
| Public Service                 |                |             |                 |            |                               |            |                |             |               |               |
| corporations.....              | 20,436,021     | 20,882,557  |                 |            |                               |            |                |             | 20,436,021    | 20,882,557    |
| Transfers from other           |                |             |                 |            |                               |            |                |             |               |               |
| pension funds.....             | 8,973          | 511         |                 |            |                               |            |                |             | 8,973         | 511           |
| Refundable tax.....            |                |             |                 |            |                               |            | 1,599,441      | 1,053,046   | 1,599,441     | 1,053,046     |
| Interest.....                  | 34,955,714     | 24,542,587  | 5,953,369       | 3,653,300  | 1,495,628                     | 1,008,614  | 66,501,801     | 68,453,491  | 108,906,512   | 97,657,992    |
| Actuarial liability            |                |             |                 |            |                               |            |                |             |               |               |
| adjustment.....                | 14,600,000     | 77,700,000  | 7,300,000       | 13,400,000 |                               | 1,000,000  | 9,800,000      | 4,700,000   | 31,700,000    | 96,800,000    |
|                                | 246,191,397    | 327,290,207 | 44,800,145      | 32,657,843 | 11,285,917                    | 12,631,630 | 77,901,242     | 74,206,537  | 380,178,701   | 446,786,217   |
|                                | 602,794,804    | 637,664,706 | 98,611,230      | 69,820,663 | 24,893,089                    | 20,174,643 | 910,825,625    | 907,662,381 | 1,637,124,748 | 1,635,322,393 |
| PAYMENTS AND<br>OTHER CHARGES— |                |             |                 |            |                               |            |                |             |               |               |
| Annuities.....                 | 2,741,106      | 1,637,986   | 325,688         | 174,389    | 98,135                        | 68,909     | 75,401,760     | 74,737,998  | 78,566,689    | 76,619,282    |
| Minimum benefits.....          | 61,277         | 32,974      |                 |            |                               |            |                |             | 61,277        | 32,974        |
| Pension division.....          | 314,854        | 310,067     |                 |            |                               |            |                |             | 314,854       | 310,067       |
| Transfer value                 |                |             |                 |            |                               |            |                |             |               |               |
| and interest.....              | 125,052        | 116,638     |                 |            |                               |            |                |             | 125,052       | 116,638       |
| Returns of                     |                |             |                 |            |                               |            |                |             |               |               |
| contributions—                 |                |             |                 |            |                               |            |                |             |               |               |
| Government                     |                |             |                 |            |                               |            |                |             |               |               |
| employees.....                 | 9,124          | 8,237       |                 |            |                               |            |                |             | 9,124         | 8,237         |
| Public Service                 |                |             |                 |            |                               |            |                |             |               |               |
| corporation                    |                |             |                 |            |                               |            |                |             |               |               |
| employees.....                 | 5,606          | 3,409       |                 |            |                               |            |                |             | 5,606         | 3,409         |
| Transfers.....                 | 42,100,407     | 235,757,000 |                 |            |                               |            |                |             | 42,100,407    | 235,757,000   |
| Refundable tax.....            | 141,285,511    | 43,194,988  | 25,479,123      | 15,835,189 | 6,638,943                     | 6,498,562  |                |             | 173,403,577   | 65,528,739    |
|                                | 186,642,937    | 281,061,299 | 25,804,811      | 16,009,578 | 6,737,078                     | 6,567,471  | 75,401,760     | 74,737,998  | 294,586,586   | 378,376,346   |
| Closing balance.....           | 416,151,867    | 356,603,407 | 72,806,419      | 53,811,085 | 18,156,011                    | 13,607,172 | 835,423,865    | 832,924,383 | 1,342,538,162 | 1,256,946,047 |

**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 life senators, federally appointed judges, and recipients of pensions under various Continuation Acts and other Acts.

**TABLE 6.27**  
**SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT**

|                                | Judges     |            | Parliament |           | Others <sup>(1)</sup> |           | Total      |            |
|--------------------------------|------------|------------|------------|-----------|-----------------------|-----------|------------|------------|
|                                | 2003-2004  | 2002-2003  | 2003-2004  | 2002-2003 | 2003-2004             | 2002-2003 | 2003-2004  | 2002-2003  |
|                                | \$         | \$         | \$         | \$        | \$                    | \$        | \$         | \$         |
| Opening balance .....          | 89,674,624 | 82,240,890 |            | 76,262    | 458,512               | 446,000   | 90,133,136 | 82,763,152 |
| RECEIPTS AND OTHER CREDITS—    |            |            |            |           |                       |           |            |            |
| Employee contributions—        |            |            |            |           |                       |           |            |            |
| Government .....               | 2,263,650  | 1,755,475  |            |           | 13,915                | 15,746    | 2,277,565  | 1,771,221  |
| Matching contributions—        |            |            |            |           |                       |           |            |            |
| Government .....               | 2,263,650  | 1,720,769  |            |           | 13,930                | 15,670    | 2,277,580  | 1,736,439  |
| Interest .....                 | 3,729,287  | 3,957,490  |            | 3,439     | 16,304                | 20,732    | 3,745,591  | 3,981,661  |
|                                | 8,256,587  | 7,433,734  |            | 3,439     | 44,149                | 52,148    | 8,300,736  | 7,489,321  |
|                                | 97,931,211 | 89,674,624 |            | 79,701    | 502,661               | 498,148   | 98,433,872 | 90,252,473 |
| PAYMENTS AND OTHER CHARGES—    |            |            |            |           |                       |           |            |            |
| Annuities .....                |            |            |            | 79,701    | 39,879                | 39,636    | 39,879     | 119,337    |
| Returns of contributions ..... |            |            |            |           | 3,566                 |           | 3,566      |            |
|                                |            |            |            | 79,701    | 43,445                | 39,636    | 43,445     | 119,337    |
| Closing balance .....          | 97,931,211 | 89,674,624 |            |           | 459,216               | 458,512   | 98,390,427 | 90,133,136 |

<sup>(1)</sup> Includes lieutenant governors and non-career diplomats.



## Allowance for Pension Adjustments

This account records the accounting adjustments resulting from annual actuarial valuations.

Estimation adjustments of \$1,392 million (\$2,191 million in 2003) 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 \$45 million (\$107 million in 2003) 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 \$166 million (\$569 million in 2003) 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 \$17 million was credited to this account and charged to expenses to reflect pension plan amendments in 2003.

An amount of \$3,276 million (\$198 million in 2003) 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 \$847 million (\$1,215 million in 2003) was debited to this account to adjust for the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts and an amount of \$672 million (\$472 million in 2003) was recorded in this account to record the expected return on the pension plan assets.

As well, a consolidation adjustment of \$186 million (\$76 million in 2003) 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 \$942 million in net losses (\$721 million in net gains in 2003) 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 \$6,916 million (\$8,920 million in 2003) lower than the balance of the superannuation accounts, plus the market related value of the assets invested in PSP Investments through the Pension Funds, and the contributions receivable from employees for past service. This amount is made of:

|   | Excess (shortfall)<br>(in millions of dollars) |         |
|---|--|---------|
|   | 2004   | 2003    |
| Public Service Pension Plan—<br>Public Service Superannuation<br>Account .....                                  | 7,024  | 8,293   |
| Public Service Pension Fund .....   | (763)  | (892)   |
|   | 6,261  | 7,401   |
| Canadian Forces Pension Plan—<br>Canadian Forces Superannuation<br>Account .....                                | 3,121  | 3,494   |
| Canadian Forces Pension Fund .....  | (306)  | (293)   |
|   | 2,815  | 3,201   |
| Royal Canadian Mounted Police<br>Pension Plan—<br>Royal Canadian Mounted Police<br>Superannuation Account ..... | 743  | 1,163   |
| Royal Canadian Mounted<br>Police Pension Fund .....   | (111)  | (112)   |
|   | 632  | 1,051   |
| Members of Parliament Retiring Allowances .....   | 66   | 50      |
| Retirement Compensation Arrangements .....  | (1,603)  | (1,576) |
| Pension plan for federally appointed<br>judges .....  | (1,255)  | (1,207) |
| Total .....   | 6,916  | 8,920   |

## 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. These are primarily post-employment benefits, but some benefits are also paid

during employment to still-serving military members. Veterans' benefits include disability and associated benefits paid to veterans, beneficiaries and dependants.

The other major future benefits include the Public Service Health Care Plan and the Pensioners' Dental Services Plan available to retired employees and retired military and Royal Canadian Mounted Police members and post-employment benefits such as workers' compensation benefits and severance benefits that accumulate. Table 6.28 presents the balance of these liabilities at year-end.

**TABLE 6.28**

### OTHER EMPLOYEE AND VETERAN FUTURE BENEFITS

|   | April 1/2003   | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004  |
|---|----------------|-------------------------------|-------------------------------|----------------|
|   | \$             | \$                            | \$                            | \$             |
| Veterans' disability and other<br>future benefits ..... | 27,513,000,000 | 1,990,000,000                 | 2,254,000,000                 | 27,249,000,000 |
| Public Service Health Care Plan .....                   | 5,803,000,000  | 690,000,000                   | 238,000,000                   | 6,255,000,000  |
| Pensioners' Dental Services Plan .....                  | 1,390,000,000  | 102,000,000                   | 36,000,000                    | 1,456,000,000  |
| Severance benefits .....                                | 3,571,000,000  | 537,000,000                   | 272,000,000                   | 3,836,000,000  |
| Workers' compensation .....                             | 567,000,000    | 96,000,000                    | 92,000,000                    | 571,000,000    |
| Total .....   | 38,844,000,000 | 3,415,000,000                 | 2,892,000,000                 | 39,367,000,000 |

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)

|   | 2004                             |  |                                | 2003                           |
|---|----------------------------------|--|--------------------------------|--------------------------------|
|   | Accrued<br>benefit<br>obligation | Unamortized<br>estimation<br>adjustments | Future<br>benefit<br>liability | Future<br>benefit<br>liability |
| Veterans' disability and other<br>future benefits ..... | 31,288                           | (4,039)                                  | 27,249                         | 27,513                         |
| Public Service Health Care Plan .....                   | 8,054                            | (1,799)                                  | 6,255                          | 5,803                          |
| Pensioners' Dental Services Plan .....                  | 1,306                            | 150                                      | 1,456                          | 1,390                          |
| Severance benefits .....                                | 4,213                            | (377)                                    | 3,836                          | 3,571                          |
| Workers' compensation .....                             | 609                              | (38)                                     | 571                            | 567                            |
| Total .....   | 45,470                           | (6,103)                                  | 39,367                         | 38,844                         |

The cost of these benefits can accrue either during the service life of employees or upon occurrence of an event giving rise to the liability under the terms of the plans. An interest component is charged to interest on the public debt based on the average accrued benefit obligation.

During the year, amendments were made to provide for extended veterans' independence benefits for the lifetime of qualifying survivors and to modify admissibility criteria for attendance allowances. The one time cost of these changes is estimated at \$50 million. It is charged to the future benefit expense and included in the year-end accrued benefit obligation. The amendment also resulted in the accelerated recognition of net unamortized gains of \$226 million, which are recorded against the future benefit expense.

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

(in millions of dollars)

|  | 2004            |                      |  |                     |               | 2003  |
|--|-----------------|----------------------|--|---------------------|---------------|-------|
|  | Benefits earned | Plan amendment costs | Amortization of estimation adjustments | Net benefit expense | Interest cost | Total |
| Veterans' disability and other future benefits ..... | 547             | 50                   | (178)                                  | 419                 | 1,571         | 1,990 |
| Public Service Health Care Plan .....                | 170             |                      | 116                                    | 286                 | 404           | 690   |
| Pensioners' Dental Services Plan .....               | 31              |                      | (16)                                   | 15                  | 71            | 86    |
| Severance benefits .....                             | 256             |                      | 51                                     | 307                 | 230           | 537   |
| Workers' compensation .....                          | 61              |                      | 2                                      | 63                  | 33            | 96    |
| Total .....  | 1,065           | 50                   | (25)                                   | 1,090               | 2,309         | 3,399 |
|  |                 |                      |  |                     |               | 3,213 |

## 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 \$72,512 million (\$57,251 million in 2003).

The Canada Pension Plan Account (the Account) was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. It also records the amounts transferred to or received from the Canada Pension Plan Investment Fund (the Fund) and the Canada Pension Plan Investment Board (the Board). The Fund was established in the accounts of Canada to record the investment in bonds of provinces, territories and Canada. The Board operates at arm's length from the Government and invests in a diversified portfolio of securities.

Table 6.29 presents a reconciliation between the net assets shown in the Plan's financial statements and the Account, as well as a summary of the balances and transactions in the Account which result in the deposit with the Receiver General for Canada.

**TABLE 6.29**  
**DUE TO CANADA PENSION PLAN**

|   | April 1/2003    | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004  |
|---|-----------------|-------------------------------|-------------------------------|----------------|
|   | \$              | \$                            | \$                            | \$             |
| Canada Pension Plan balance per audited<br>financial statements—                    |                 |                               |                               |                |
| Net assets per audited financial statements <sup>(1)</sup>                          | 57,251,497,071  | 38,276,981,432                | 23,016,782,057                | 72,511,696,446 |
| Less: Receivables, net of liabilities   | 2,556,893,389   | 2,766,145,694                 | 2,556,893,389                 | 2,766,145,694  |
| Unrealized gain/loss on investment fund <sup>(1)</sup>                              | 3,578,471,030   | 357,034,544                   |                               | 3,935,505,574  |
| Accumulated net income from Canada<br>Pension Plan Investment Board's<br>operations | (4,238,916,291) | 7,209,707,291                 |                               | 2,970,791,000  |
|   | 55,355,048,943  | 27,944,093,903                | 20,459,888,668                | 62,839,254,178 |
| Less: transfers to Canada Pension Plan<br>Investment Board                          | 21,689,660,252  |                               | 8,134,895,000                 | 29,824,555,252 |
| Subtotal  | 33,665,388,691  | 27,944,093,903                | 28,594,783,668                | 33,014,698,926 |
| Less: securities held by the Canada Pension Plan<br>Investment Fund —               |                 |                               |                               |                |
| Canada  | 3,368,501,000   | 17,259,000                    |                               | 3,351,242,000  |
| Newfoundland and Labrador   | 633,059,113     | 50,738,000                    | 50,738,000                    | 633,059,113    |
| Nova Scotia   | 1,079,352,000   | 90,597,000                    | 90,597,000                    | 1,079,352,000  |
| Prince Edward Island  | 140,339,000     | 11,135,000                    | 11,135,000                    | 140,339,000    |
| New Brunswick   | 834,318,408     | 71,205,000                    | 71,205,000                    | 834,318,408    |
| Quebec <sup>(2)</sup>   | 95,747,049      | 5,332,000                     | 5,332,000                     | 95,747,049     |
| Ontario   | 10,746,046,000  | 1,200,847,000                 | 688,007,000                   | 10,233,206,000 |
| Manitoba  | 1,128,416,000   | 126,405,000                   |                               | 1,002,011,000  |
| Saskatchewan  | 1,150,707,000   | 109,328,000                   | 40,189,000                    | 1,081,568,000  |
| Alberta   | 3,384,777,000   | 441,023,000                   | 200,000,000                   | 3,143,754,000  |
| British Columbia  | 4,007,730,177   | 374,796,000                   | 300,490,000                   | 3,933,424,177  |
| Yukon Territory   | 3,726,000       |                               |                               | 3,726,000      |
|   | 26,572,718,747  | 2,498,665,000                 | 1,457,693,000                 | 25,531,746,747 |
| Canada short-term investment  | 26,572,718,747  | 2,498,665,000                 | 1,457,693,000                 | 25,531,746,747 |
| Deposit with the Receiver General for Canada  | 7,092,669,944   | 30,442,758,903                | 30,052,476,668                | 7,482,952,179  |

<sup>(1)</sup> The opening balance has been restated by an amount of \$3,578,012,276 to reflect: (a) \$3,578,471,030 to conform to the new accounting policy on the valuation of the Investment Fund for the year 2003-2004, whereby assets are valued at fair value, and (b) (\$458,754) to reflect adjustments for 2002-2003.

<sup>(2)</sup> The Quebec Bonds which are purchased by the Plan relate to the contributions of certain federal employees, such as members of the Canadian Armed Forces, who are resident in the Province of Quebec but contribute to the Plan.

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 9.9 percent of pensionable earnings for the 2003 and 2004 calendar years, subject to maximum combined contributions of \$3,604 and \$3,663 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, and;
- (c) funds received from the federal, provincial and territorial governments for the bonds which have been disposed during the year.

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; and,
- (f) funds transferred to the Board.

For additional information, the financial statements of the Plan are included with other Supplementary Statements at the end of this section. Additional information on the funding of the Plan may also be obtained from the 20<sup>th</sup> *Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions.

## Government Annuities Account

This account was established by the *Government Annuities Act*, and modified by the *Government Annuities Improvement Act*, which discontinued sales of annuities in 1975. The account is valued on an actuarial basis each year, with the deficit or surplus charged or credited to the Consolidated Revenue Fund.

The purpose of the *Government Annuities Act* was to assist Canadians to provide for their later years, by the purchase of Government annuities. The *Government Annuities Improvement Act* increased the rate of return and flexibility of Government annuity contracts.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously untraceable annuitants, earned interest and any transfer needed to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenues. The amounts of unclaimed annuities, related to untraceable annuitants, are transferred to non-tax revenues.

As of March 31, 2004, over 77,759 annuitants held 84,499 active contracts, each annuitant receiving an average payment of \$657.39. During the year, 575 deferred annuities came into payment and another 213 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 2004, there were 3,558 outstanding deferred annuities, the last of which will come into payment around the year 2030.

During the 2003-2004 fiscal year, 5,994 annuities were terminated or adjusted as a result of annuitant deaths: 3,912 group certificates and 2,082 individual contracts. The average age at death for males was 83.5 while the female age at death averaged 88.3.

Total income amounted to \$28.7 million, \$28.4 million of which represented interest of 7 percent credited to the Account. Premiums received totaled \$32,157. Total disbursements of \$60.5 million originated mainly from the \$57.3 million in payments made under matured annuities. An amount of \$253,140 was used to refund premiums at death before maturity or when the annuity would have been too small, and \$259,838 was transferred to the Consolidated Revenue Fund as a result of unclaimed annuities.

The opening balance of \$437.5 million was reduced due to a surplus as at April 1, 2003 of \$3.3 million, transferred to the Consolidated Revenue Fund, and disbursements exceeding income by \$29.3 million during 2003-2004. Since the actuarial reserves required as of March 31, 2004 were only \$405.7 million, a surplus of \$2.5 million was also transferred to the Consolidated Revenue Fund.

## Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain moneys that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities,

these are deducted from the corresponding accounts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.30 presents a summary of the balances and transactions in deposit and trust accounts.

**TABLE 6.30**  
**DEPOSIT AND TRUST ACCOUNTS**

|  | April 1/2003 | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004 |
|--|--------------|-------------------------------|-------------------------------|---------------|
|  | \$           | \$                            | \$                            | \$            |
| Deposit accounts—                                  |              |                               |                               |               |
| Agriculture and Agri-Food—                         |              |                               |                               |               |
| Canadian Dairy Commission—                         |              |                               |                               |               |
| Canadian Dairy Commission account .....            | 1,528,992    | 29,942,904                    | 31,680,273                    | (208,377)     |
| Canada Customs and Revenue Agency—                 |              |                               |                               |               |
| Guarantee deposits .....                           | 32,519,340   | 9,250,070                     | 3,238,539                     | 38,530,871    |
| Less: securities held in trust .....               | 5,083,800    | 4,140,000                     |                               | 943,800       |
|  | 27,435,540   | 13,390,070                    | 3,238,539                     | 37,587,071    |
| Temporary deposits received from importers .....   | 697,481      | 545,847                       | 658,779                       | 584,549       |
| Less: deposits in special bank accounts. ....      | 697,481      | 545,847                       | 658,779                       | 584,549       |
|  | 28,133,021   | 13,935,917                    | 3,897,318                     | 38,171,620    |
| Citizenship and Immigration—                       |              |                               |                               |               |
| General security deposits .....                    | 842,874      | 3,150,451                     | 54,779                        | 3,938,546     |
| Immigration guarantee fund .....                   | 24,841,817   | 13,435,194                    | 11,226,365                    | 27,050,646    |
| Seized monetary assets .....                       |              | 3,600                         |                               | 3,600         |
|  | 25,684,691   | 16,589,245                    | 11,281,144                    | 30,992,792    |
| Finance—   |              |                               |                               |               |
| Canada Development Investment Corpora-             |              |                               |                               |               |
| tion—  |              |                               |                               |               |
| Holdback—Privatization .....                       | 63,000,000   |                               | 2,000,000                     | 61,000,000    |
| Canada Hibernia Holding Corporation—               |              |                               |                               |               |
| Abandonment reserve fund .....                     | 21,000,000   | 6,755,000                     |                               | 27,755,000    |
|  | 84,000,000   | 6,755,000                     | 2,000,000                     | 88,755,000    |
| Human Resources Development—                       |              |                               |                               |               |
| Canada Labour Code—Other .....                     | 54,709       | 842,636                       | 780,786                       | 116,559       |
| Canada Labour Code—Wage Recovery                   |              |                               |                               |               |
| Appeals .....                                      | 650,981      | 232,243                       | 318,094                       | 565,130       |
| Fair wages deposit account .....                   | 910          |                               |                               | 910           |
|  | 706,600      | 1,074,879                     | 1,098,880                     | 682,599       |
| Indian Affairs and Northern Development—           |              |                               |                               |               |
| Agent administered Indian minors account .....     | 37,965       | 2,349                         |                               | 40,314        |
| Less: securities held in Peace Hills Trust .....   | 37,965       |                               | 2,349                         | 40,314        |
|  |              | 2,349                         | 2,349                         |               |
| Field British Columbia and Yukon Operations of the |              |                               |                               |               |
| Northern Canada Power Commission .....             | 992,588      |                               |                               | 992,588       |
| Guarantee deposits .....                           | 33,288,123   | 25,801,472                    | 12,764,405                    | 46,325,190    |
| Less: securities held in trust .....               | 27,226,896   | 3,467,667                     | 5,404,858                     | 29,164,087    |
|  | 6,061,227    | 29,269,139                    | 18,169,263                    | 17,161,103    |
| Guarantee deposits—Oil and gas .....               | 186,568,989  | 4,190,707                     | 38,449,009                    | 152,310,687   |
| Less: securities held in trust .....               | 180,610,949  | 33,656,652                    | 3,273,035                     | 150,227,332   |
|  | 5,958,040    | 37,847,359                    | 41,722,044                    | 2,083,355     |
| Guarantee deposits—Reserve resources .....         | 766,953      |                               |                               | 766,953       |
| Special accounts—Section 63,                       |              |                               |                               |               |
| Indian Act .....                                   | (78,868)     | 4,013,490                     | 3,686,151                     | 248,471       |
| Less: deposits in special bank accounts. ....      | (78,868)     | 3,686,151                     | 4,013,490                     | 248,471       |
|  |              | 7,699,641                     | 7,699,641                     |               |
|  | 13,778,808   | 74,818,488                    | 67,593,297                    | 21,003,999    |
| Industry—  |              |                               |                               |               |
| Trustee Performance Securities—Bankruptcy and      |              |                               |                               |               |
| Insolvency Act .....                               | 19,000       |                               | 4,000                         | 15,000        |

TABLE 6.30

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

|  | April 1/2003  | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004 |
|--|---------------|-------------------------------|-------------------------------|---------------|
|  | \$            | \$                            | \$                            | \$            |
| Justice—   |               |                               |                               |               |
| Courts Administration Service<br>(Tax Court of Canada)—  |               |                               |                               |               |
| Security for costs .....   |               | 2,417                         |                               | 2,417         |
| Supreme Court of Canada—   |               |                               |                               |               |
| Security for costs .....   | 352,865       | 11,438                        | 5,475                         | 358,828       |
|  | 352,865       | 13,855                        | 5,475                         | 361,245       |
| Natural Resources—   |               |                               |                               |               |
| Guarantee deposits—Oil and gas .....   | 451,707,143   | 14,696,361                    | 103,507,376                   | 362,896,128   |
| Less: securities held in trust .....   | 445,802,291   | 100,499,722                   | 10,621,006                    | 355,923,575   |
|  | 5,904,852     | 115,196,083                   | 114,128,382                   | 6,972,553     |
| Privy Council—   |               |                               |                               |               |
| Chief Electoral Officer—Candidates' and committees'<br>deposits —Election and referendum ..... | 16,000        | 17,000                        | 29,000                        | 4,000         |
| Public Works and Government Services—  |               |                               |                               |               |
| Contractors' security deposits (departments and<br>agencies)—                                  |               |                               |                               |               |
| Bonds .....  | 703,204       | 3,000                         |                               | 706,204       |
| Less: securities held in trust .....   | 703,204       |                               | 3,000                         | 706,204       |
|  |               | 3,000                         | 3,000                         |               |
| Cash .....   | 8,403,120     | 10,045,605                    | 8,806,475                     | 9,642,250     |
| Certified cheques .....  | 37,036        | 415,532                       | 408,435                       | 44,133        |
| Less: securities held in trust .....   |               |                               |                               |               |
|  | 37,036        | 415,532                       | 408,435                       | 44,133        |
| Deposits on disposals and rents .....  | 207,505       | 100,064                       |                               | 307,569       |
| Seized property—Cash .....   | 37,274,633    | 35,707,284                    | 33,486,145                    | 39,495,772    |
|  | 45,922,294    | 46,271,485                    | 42,704,055                    | 49,489,724    |
| Total deposit accounts .....   | 206,047,123   | 304,614,856                   | 274,421,824                   | 236,240,155   |
| Trust accounts—  |               |                               |                               |               |
| Indian Affairs and Northern Development—   |               |                               |                               |               |
| Indian band funds—   |               |                               |                               |               |
| Capital accounts, Table 6.31 .....   | 1,022,301,355 | 218,964,314                   | 195,935,513                   | 1,045,330,156 |
| Revenue accounts, Table 6.32 .....   | 177,533,065   | 102,747,271                   | 94,142,281                    | 186,138,055   |
|  | 1,199,834,420 | 321,711,585                   | 290,077,794                   | 1,231,468,211 |
| Indian estate accounts .....   | 12,784,382    | 3,846,597                     | 4,183,455                     | 12,447,524    |
| Indian savings accounts .....  | 39,172,653    | 7,399,203                     | 8,926,589                     | 37,645,267    |
|  | 1,251,791,455 | 332,957,385                   | 303,187,838                   | 1,281,561,002 |
| National Defence—  |               |                               |                               |               |
| Estates—Armed services .....   | 366,255       | 1,144,406                     | 1,053,937                     | 456,724       |
| Solicitor General—   |               |                               |                               |               |
| Canadian Security Intelligence Service—  |               |                               |                               |               |
| Scholastic awards .....  | 30,521        | 2,268                         | 2,000                         | 30,789        |
| Correctional Service—  |               |                               |                               |               |
| Inmates' trust fund .....  | 10,142,375    | 2,046,873                     | 2,121,182                     | 10,068,066    |
| Royal Canadian Mounted Police—   |               |                               |                               |               |
| Benefit trust fund .....   | 1,998,286     | 114,155                       | 146,918                       | 1,965,523     |
|  | 12,171,182    | 2,163,296                     | 2,270,100                     | 12,064,378    |
| Veterans Affairs—  |               |                               |                               |               |
| Administered accounts .....  | 2,543,501     | 681,159                       | 599,262                       | 2,625,398     |
| Estates fund .....   | 2,680,904     | 265,248                       | 43,790                        | 2,902,362     |
| Veterans administration and welfare trust<br>fund .....  | 586,642       | 100,677                       | 137,426                       | 549,893       |
|  | 5,811,047     | 1,047,084                     | 780,478                       | 6,077,653     |
| Total trust accounts .....   | 1,270,139,939 | 337,312,171                   | 307,292,353                   | 1,300,159,757 |
| Total deposit and trust accounts .....   | 1,476,187,062 | 641,927,027                   | 581,714,177                   | 1,536,399,912 |



### **Canadian Dairy Commission account**

The Canadian Dairy Commission is a Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*. This account was established for banking purposes using the Consolidated Revenue Fund pursuant to section 15 of the *Canadian Dairy Commission Act*.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

### **Guarantee deposits—Canada Customs and Revenue Agency**

This account was established to record cash and securities required to guarantee payment of customs duties and excise taxes on imported goods, and of sales and excise taxes payable by licensees pursuant to the *Customs Act* and the *Excise Tax Act*.

### **Temporary deposits received from importers**

This account was established to record temporary security deposits received from importers to ensure compliance with various departmental (Customs and Excise) regulations regarding temporary entry of goods.

### **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.

### **Holdback—Privatization—Canada Development Investment Corporation**

This account was established pursuant to subsection 129(1) of the *Financial Administration Act*. This special purpose money is to be used to meet costs incurred on the sale of Crown corporations and demand for payment by purchasers pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with their sale.

### **Canada Hibernia Holding Corporation—Abandonment reserve fund**

This account was established to record funds which will be used to defray the future abandonment costs that will occur at the closure of the Hibernia field.

### **Canada Labour Code—Other**

This account was established to record amounts received under the provisions of section 251 of the Canada Labour Code Part III. The receipts are wage payments ordered by a Labour inspector in settlement of a wages dispute, which the employer has chosen to pay to the Minister of Labour instead of paying them directly to the employee. These amounts are then paid out to the employees.

### **Canada Labour Code—Wage Recovery Appeals**

This account was established to record amounts received under the provisions of section 251.1 of the Canada Labour Code Part III. This requires federally-regulated employers who wish to appeal a payment order made by a Labour inspector regarding wages due to employees, to forward the amounts due to the Minister of Labour for deposit. They are held until the appeal is completed and the adjudicator has directed payment of the disputed amount to the employee or return to the employer. Deposits in this account are interest-bearing at the rate set by the Minister of Finance for contractor's deposits.

### **Fair wages deposit account**

This account is operated under the authority of section 13 of the Fair Wages and Hours of Labour Regulations. Where an investigation in respect of a contract on Government works results in an award of wages, the amount received from the contractor is credited to this account, and is subsequently distributed to employees.

The account also records amounts received from departments and agencies, representing wages in respect of contracts, withheld from final payment to contractors.

### **Agent administered Indian minors account**

This account was established to record moneys belonging to Indian minors transferred to and held by an appointed agent pursuant to section 52 of the *Indian Act*.

### **Field British Columbia and Yukon Operations of the Northern Canada Power Commission**

This account was established to record amounts deposited by the Northern Canada Power Commission to reimburse liabilities pertaining to Field, British Columbia and Yukon Operations of the Northern Canada Power Commission.



### **Guarantee deposits—Indian Affairs and Northern Development**

This account was established to record cash and securities deposited as guarantees for performance as required by permits, leases, authorizations and water licences, pursuant to section 8 of the *Arctic Waters Pollution Prevention Act*, section 17 of the *Yukon Waters Act* and of the *Northwest Territories Waters Act* and various regulations under the *Territorial Lands Act*. Interest is not allowed on cash deposits.

### **Guarantee deposits—Oil and gas—Indian Affairs and Northern Development**

This account was established to record securities in the form of cash, promissory notes, letters of credit or other acceptable instruments which are required to be issued to, and held by the Government of Canada pursuant to a signed Exploration Agreement in accordance with the *Canada Petroleum Resources Act*. These securities are a performance guarantee or refundable rental that the agreed exploration work will be performed in the manner and time frame specified. Interest is not paid on these deposits.

### **Guarantee deposits—Reserve resources**

This account was established to record cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, in accordance with the various regulations made under section 57 of the *Indian Act*. Interest is allowed on cash deposits.

### **Special accounts—Section 63, *Indian Act***

This account was established to record moneys held for Indians in authorized banks across Canada. These moneys include such items as deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands. This is a non-interest bearing account.

### **Trustee Performance Securities—Bankruptcy and Insolvency Act**

This account was established in accordance with section 16 of the *Bankruptcy and Insolvency Act*, whereby a duly appointed trustee shall give security in cash or by bond of a guaranty company, satisfactory to the official receiver, for the due accounting for the payment and the transfer of all property received by him as trustee and for the due and faithful performance of his duties.

### **Security for costs—Courts Administration Service (Tax Court of Canada)**

This account was established to maintain accounts on behalf of litigants before the Tax Court of Canada. These accounts record the moneys paid into the Tax Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held pending payment of such moneys, in accordance with an order/judgment of the Court.

### **Security for costs—Supreme Court of Canada**

This account was established to record security to the value of \$500 deposited by an Appellant with the Registrar of the Supreme Court of Canada in accordance with paragraph 60(1)(b) of the *Supreme Court Act*. As per section 87 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.

### **Guarantee deposits—Oil and gas—Natural Resources**

This account was established to record securities in the form of cash, promissory notes, and bonds which are required to be issued to, and held by the Government of Canada pursuant to an Exploration Licence in accordance with section 24 of the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration will be performed in the manner and time frame specified. Interest is not paid on these deposits.

### **Candidates' and committees' deposits—Election and referendum**

This account was established to record candidates' election and committees' referendum deposits received in respect of an election (general or by-election) or a referendum.

Pursuant to the *Canada Election Act* or the *Referendum Act*, amounts received are either refunded to candidates or committees, or are transferred to non-tax revenues.

### **Contractors' security deposits**

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

### **Deposits on disposals and rents**

This account was established in accordance with the terms and conditions of the Real Property Disposition Revolving Fund to record receipts on future disposals of properties that are not closed at the end of the year. It is also used to record rent deposits received by the department, or collected on behalf of third party clients, which will be returned to the tenants at the end of the lease.

### **Seized property—Cash**

This account was established pursuant to the *Seized Property Management Act*, to record seized cash and proceeds from the interlocutory sale of seized assets. These funds will be deposited to the Consolidated Revenue Fund and credited to the account until returned to the owner or forfeited.

**Indian band funds**

This account was established to record moneys belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

**TABLE 6.31****INDIAN BAND FUNDS—CAPITAL ACCOUNTS**

|  | 2003-2004     | 2002-2003     |
|--|---------------|---------------|
|  | \$            | \$            |
| Opening balance.....                                   | 1,022,301,355 | 992,267,118   |
| RECEIPTS AND OTHER CREDITS—                            |               |               |
| Oil royalties.....                                     | 20,308,404    | 26,441,729    |
| Gas royalties.....                                     | 187,597,301   | 143,152,817   |
| Land and other claim settlements.....                  | 400,000       |               |
| Sundries.....  | 10,658,609    | 15,060,427    |
|  | 218,964,314   | 184,654,973   |
|  | 1,241,265,669 | 1,176,922,091 |
| PAYMENTS AND OTHER CHARGES—                            |               |               |
| Per capita cash distribution.....                      | 23,959,126    | 14,902,585    |
| Transfer pursuant to section 64 of the Indian Act..... | 171,965,627   | 139,620,088   |
| Sundries.....  | 10,760        | 98,063        |
|  | 195,935,513   | 154,620,736   |
| Closing balance.....                                   | 1,045,330,156 | 1,022,301,355 |

**TABLE 6.32****INDIAN BAND FUNDS—REVENUE ACCOUNTS**

|  | 2003-2004   | 2002-2003   |
|--|-------------|-------------|
|  | \$          | \$          |
| Opening balance.....                                   | 177,533,065 | 148,111,767 |
| RECEIPTS AND OTHER CREDITS—                            |             |             |
| Government interest.....                               | 61,850,000  | 63,007,500  |
| Court awards and settlements.....                      | 7,583,952   | 26,602,498  |
| Land and other claim settlements.....                  | 2,369,921   | 5,392,000   |
| Sundries.....  | 30,943,398  | 27,012,091  |
|  | 102,747,271 | 122,014,089 |
|  | 280,280,336 | 270,125,856 |
| PAYMENTS AND OTHER CHARGES—                            |             |             |
| Per capita cash distribution.....                      | 11,964,022  | 14,551,727  |
| Transfer pursuant to section 69 of the Indian Act..... | 80,038,608  | 76,216,607  |
| Sundries.....  | 2,139,651   | 1,824,457   |
|  | 94,142,281  | 92,592,791  |
| Closing balance.....                                   | 186,138,055 | 177,533,065 |

**Indian estate accounts**

These accounts were established to record moneys received and disbursed for estates of deceased Indians, mentally incompetent Indians and missing Indians pursuant to sections 42 to 51 and 52.3 of the *Indian Act*.

**Indian savings accounts**

These accounts were established to record moneys received and disbursed for individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

**Estates—Armed services**

This account was established to record the service estates of deceased members of the Canadian Forces pursuant to section 42 of the *National Defence Act*. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

**Scholastic awards**

This account was established to record donations of \$26,000 to be used for the presentation of scholarship awards to children of employees of the Canadian Security Intelligence Service to encourage university studies.

**Inmates' trust fund**

Pursuant to section 111 of the Corrections and Conditional Release Regulations, this account is credited with moneys received from inmates at the time of incarceration, net earnings of inmates from employment inside institutions, moneys received for inmates while in custody, moneys received from sales of hobby craft, money earned through work while on day parole, and interest. Payments to assist in the reformation and rehabilitation of inmates are charged to this account.

**Benefit trust fund**

This account was established by section 23 of the *Royal Canadian Mounted Police Act*, to record moneys received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances.

**Administered accounts**

Pursuant to section 41 of the *Pension Act* and section 15 of the *War Veterans Allowance Act*, these accounts are under the jurisdiction of the Department of Veterans Affairs. Moneys held in these accounts include: (a) pensions and war veterans 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 Estates Regulations.

**Veterans administration and welfare trust fund**

This account was established to record donations, legacies, gifts, bequests, etc, received, to be disbursed for the benefit of veterans or their dependents under certain conditions, and for the benefit of patients in institutions, in accordance with section 9 of the Guardianship of Veterans' Property Regulations.

## Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.33 presents a summary of the balances and transactions for all other specified purpose accounts.

**TABLE 6.33**  
**OTHER SPECIFIED PURPOSE ACCOUNTS**

|   | April 1/2003  | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004 |
|---|---------------|-------------------------------|-------------------------------|---------------|
|   | \$            | \$                            | \$                            | \$            |
| Insurance and death benefit accounts—                   |               |                               |                               |               |
| Finance—  |               |                               |                               |               |
| Office of the Superintendent of Financial Institutions— |               |                               |                               |               |
| Insurance company liquidation.....                      | 19,577,994    | 479,591                       | 19,998,323                    | 59,262        |
| Human Resources Development—                            |               |                               |                               |               |
| Civil service insurance fund .....                      | 7,517,868     | 193,252                       | 608,158                       | 7,102,962     |
| National Defence—                                       |               |                               |                               |               |
| Regular forces death benefit account,                   |               |                               |                               |               |
| Table 6.34 .....  | 193,076,338   | 30,999,902                    | 31,177,894                    | 192,898,346   |
| Treasury Board—   |               |                               |                               |               |
| Public Service death benefit account,                   |               |                               |                               |               |
| Table 6.35 .....  | 1,998,277,095 | 234,311,967                   | 132,213,108                   | 2,100,375,954 |
| Veterans Affairs—                                       |               |                               |                               |               |
| Returned soldiers' insurance fund .....                 | 44,624        |                               | 7,100                         | 37,524        |
| Veterans insurance fund .....                           | 9,576,409     | 184,915                       | 989,953                       | 8,771,371     |
|   | 9,621,033     | 184,915                       | 997,053                       | 8,808,895     |
| Total insurance and death benefit accounts.....         | 2,228,070,328 | 266,169,627                   | 184,994,536                   | 2,309,245,419 |
| Pension accounts—                                       |               |                               |                               |               |
| Human Resources Development—                            |               |                               |                               |               |
| Annuities agents' pension account .....                 | 9,817         | 312                           | 3,990                         | 6,139         |
| Solicitor General—                                      |               |                               |                               |               |
| Royal Canadian Mounted Police—                          |               |                               |                               |               |
| Dependants' pension fund .....                          | 30,919,035    | 3,107,578                     | 3,221,473                     | 30,805,140    |
| Treasury Board—   |               |                               |                               |               |
| Locally engaged contributory pension                    |               |                               |                               |               |
| account .....   |               | 81,753                        | 81,753                        |               |
| Total pension accounts.....                             | 30,928,852    | 3,189,643                     | 3,307,216                     | 30,811,279    |
| Other accounts—   |               |                               |                               |               |
| Agriculture and Agri-Food—                              |               |                               |                               |               |
| Net Income Stabilization Account .....                  | 2,241,774,370 | 824,968,297                   | 1,088,341,060                 | 1,978,401,607 |
| Canadian Food Inspection Agency—                        |               |                               |                               |               |
| Shared-cost agreements .....                            | 1,662,793     | 864,926                       | 1,115,614                     | 1,412,105     |
| Canadian Grain Commission—                              |               |                               |                               |               |
| Automated Quality Testing—Private sector .....          | 27,517        | 119,384                       |                               | 146,901       |
|   | 2,243,464,680 | 825,952,607                   | 1,089,456,674                 | 1,979,960,613 |
| Atlantic Canada Opportunities Agency—                   |               |                               |                               |               |
| Federal/provincial agreement—Advance account .....      | 836,171       | 2,409,335                     | 2,004,568                     | 1,240,938     |
| Canada Customs and Revenue Agency—                      |               |                               |                               |               |
| Deposits/Disbursements—Worker's                         |               |                               |                               |               |
| Compensation Board .....                                | 4,713,294     | 176,911,462                   | 181,497,156                   | 127,600       |

TABLE 6.33

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

|  | April 1/2003 | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004 |
|--|--------------|-------------------------------|-------------------------------|---------------|
|  | \$           | \$                            | \$                            | \$            |
| Canadian Heritage—                                       |              |                               |                               |               |
| Miscellaneous projects deposits . . . . .                | 353,851      | 124,800                       | 237,378                       | 241,273       |
| Telefilm Canada—   |              |                               |                               |               |
| Advance account . . . . .                                | 7,336,411    | 256,372,420                   | 272,259,531                   | (8,550,700)   |
| National Archives of Canada—                             |              |                               |                               |               |
| Donations . . . . .                                      | 230,917      |                               | 129,344                       | 101,573       |
| National Library—  |              |                               |                               |               |
| Special Operating Account . . . . .                      | 615,722      | 11,192                        | 200,936                       | 425,978       |
|  | 8,536,901    | 256,508,412                   | 272,827,189                   | (7,781,876)   |
| Citizenship and Immigration—                             |              |                               |                               |               |
| Immigrant investor program . . . . .                     | 4,000,000    | 7,600,000                     |                               | 11,600,000    |
| Environment—   |              |                               |                               |               |
| Miscellaneous projects deposits . . . . .                | 5,196,974    | 5,266,059                     | 5,196,308                     | 5,266,725     |
| Parks Canada Agency—                                     |              |                               |                               |               |
| Miscellaneous projects deposits . . . . .                | 262,195      | 478,641                       | 333,122                       | 407,714       |
|  | 5,459,169    | 5,744,700                     | 5,529,430                     | 5,674,439     |
| Finance—   |              |                               |                               |               |
| Common school funds—Ontario and Quebec . . . . .         | 2,677,771    |                               |                               | 2,677,771     |
| Foreign claims fund . . . . .                            | 179,020      |                               |                               | 179,020       |
| War claims fund—World                                    |              |                               |                               |               |
| War II . . . . .   | 4,236        |                               |                               | 4,236         |
|  | 2,861,027    |                               |                               | 2,861,027     |
| Fisheries and Oceans—                                    |              |                               |                               |               |
| Federal/provincial cost-sharing                          |              |                               |                               |               |
| agreements . . . . .                                     | 1,027,269    | 799,220                       | 764,242                       | 1,062,247     |
| Miscellaneous projects deposits . . . . .                | 20,042,012   | 21,589,124                    | 29,664,145                    | 11,966,991    |
| Sales of seized assets . . . . .                         | 939,509      | 318,804                       | 295,616                       | 962,697       |
|  | 22,008,790   | 22,707,148                    | 30,724,003                    | 13,991,935    |
| Foreign Affairs and International Trade—                 |              |                               |                               |               |
| Canada Foundation account . . . . .                      | 377,553      | 16,099                        |                               | 393,652       |
| Less: securities held in trust . . . . .                 | 368,505      |                               | 18,947                        | 387,452       |
| deposits in a special bank account . . . . .             | 9,048        | 2,848                         |                               | 6,200         |
|  |              | 18,947                        | 18,947                        |               |
| Financial assistance to Canadians abroad . . . . .       | 122,258      | 1,231,773                     | 1,279,170                     | 74,861        |
| Funds from non-governmental organizations . . . . .      | 7,888,382    | 54,497,862                    | 58,045,622                    | 4,340,622     |
| Shared-cost projects . . . . .                           | 1,006,198    | 4,652,548                     | 4,724,037                     | 934,709       |
| Canadian International Development Agency—               |              |                               |                               |               |
| Shared-cost projects—International conferences . . . . . | 695,220      | 1,804,010                     | 1,628,208                     | 871,022       |
| NAFTA Secretariat, Canadian Section—                     |              |                               |                               |               |
| Shared-cost agreements . . . . .                         | 1,099        |                               |                               | 1,099         |
|  | 9,713,157    | 62,205,140                    | 65,695,984                    | 6,222,313     |
| Health—  |              |                               |                               |               |
| Canadian Sports Pool Corporation—Other outstanding       |              |                               |                               |               |
| liabilities . . . . .                                    | 50,000       |                               | 50,000                        |               |
| Collaborative research projects . . . . .                | 1,816,951    | 2,177,231                     | 1,255,894                     | 2,738,288     |
| Miscellaneous federal/provincial projects . . . . .      | 1,907,021    | 6,498,643                     | 6,395,436                     | 2,010,228     |
| Pan American Health Organization . . . . .               | (1,154)      |                               |                               | (1,154)       |
| World Health Organization . . . . .                      | 104,515      |                               |                               | 104,515       |
|  | 3,877,333    | 8,675,874                     | 7,701,330                     | 4,851,877     |
| Human Resources Development—                             |              |                               |                               |               |
| Federal/provincial shared-cost project . . . . .         | 2,629,032    | 13,342,479                    | 13,359,999                    | 2,611,512     |
| Federal/provincial shared-cost project—Interprovincial   |              |                               |                               |               |
| Computerized Examination Management System (ICEMS) . .   | 815,483      | 767,566                       | 589,530                       | 993,519       |
| Labour standards suspense account . . . . .              | 1,344,801    | 16,888                        |                               | 1,361,689     |
| Shared cost-agreements . . . . .                         |              | 124,217                       | 124,217                       |               |
| Canadian Centre for Occupational Health                  |              |                               |                               |               |
| and Safety—  |              |                               |                               |               |
| PanAsia Research and Development                         |              |                               |                               |               |
| Grants Program . . . . .                                 | 130,536      | 33,527                        | 91,654                        | 72,409        |
| Shared-cost agreements . . . . .                         | 110,000      | 60,000                        | 110,000                       | 60,000        |
|  | 5,029,852    | 14,344,677                    | 14,275,400                    | 5,099,129     |

TABLE 6.33

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

|   | April 1/2003 | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004 |
|---|--------------|-------------------------------|-------------------------------|---------------|
|   | \$           | \$                            | \$                            | \$            |
| Indian Affairs and Northern Development—                                      |              |                               |                               |               |
| Indian special accounts <sup>(1)</sup> .....                                  | 383,589      | 4,745                         | 4,378                         | 383,956       |
| Indian band funds—  |              |                               |                               |               |
| Shares and certificates .....   | 20,000       |                               |                               | 20,000        |
| Less: securities held in trust .....  | 20,000       |                               |                               | 20,000        |
| Indian compensation funds .....   | 222,340      |                               |                               | 222,340       |
| Indian moneys suspense account .....  | 35,486,749   | 31,990,506                    | 25,558,300                    | 41,918,955    |
| Non-Indian moneys .....   |              | 664,811                       |                               | 664,811       |
|   | 36,092,678   | 32,660,062                    | 25,562,678                    | 43,190,062    |
| Industry—   |              |                               |                               |               |
| Canada/Provinces Business Service Centre .....                                |              | 400,000                       | 400,000                       |               |
| Income from securities in trust—Bankruptcy and<br>Insolvency Act .....        | 51,831       | 200                           |                               | 52,031        |
| Petro-Canada Enterprises Inc.—Unclaimed shares .....                          | 695,313      |                               |                               | 695,313       |
| 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 .....                           | 150,865      |                               | 65,808                        | 85,057        |
| Shared-cost projects .....  | 3,548,502    | 1,298,196                     | 1,704,716                     | 3,141,982     |
| Unclaimed dividends and undistributed assets—                                 |              |                               |                               |               |
| Bankruptcy and Insolvency Act .....   | 8,301,395    | 3,623,291                     | 1,322,940                     | 10,601,746    |
| Canada Business Corporations Act .....  | 2,169,317    | 689,210                       | 335,511                       | 2,523,016     |
| Winding-up Act .....  | 529,659      |                               |                               | 529,659       |
| Canadian Space Agency—  |              |                               |                               |               |
| Radarsat .....  | 107,458      |                               |                               | 107,458       |
| Natural Sciences and Engineering Research Council—                            |              |                               |                               |               |
| Trust fund .....  | 923,867      | 277,348                       | 606,367                       | 594,848       |
| Statistics Canada—  |              |                               |                               |               |
| Project deposits .....  | 5,818,631    | 7,615,995                     | 6,406,084                     | 7,028,542     |
|   | 22,296,838   | 13,904,240                    | 10,841,426                    | 25,359,652    |
| Justice—  |              |                               |                               |               |
| Courts Administration Service (Federal Court and<br>Federal Court of Appeal)— |              |                               |                               |               |
| Special account .....   | 11,611,391   | 2,813,477                     | 3,394,693                     | 11,030,175    |
| National Defence—   |              |                               |                               |               |
| Foreign governments—  |              |                               |                               |               |
| United Kingdom—   |              |                               |                               |               |
| British Army—Suffield, Alberta .....  | 18,691,579   | 74,017,489                    | 73,658,244                    | 19,050,824    |
| Wainwright, Alberta .....   | 951,807      | 4,520,143                     | 4,635,431                     | 836,519       |
| Other activities .....  | 6,555,713    | 16,572,763                    | 14,101,492                    | 9,026,984     |
| United States of America .....  |              |                               |                               |               |
| Federal Republic of Germany—  |              |                               |                               |               |
| German Army—Shilo, Manitoba .....   | 7,963,251    | (7,655,063)                   | 110,184                       | 198,004       |
| Other activities .....  | 10,462,722   | 25,993,000                    | 22,245,579                    | 14,210,143    |
| Netherlands .....   | 2,843,293    | 7,037,000                     | 6,853,283                     | 3,027,010     |
| Italian Air Force Training .....  | 810,544      | 9,591,445                     | 9,793,114                     | 608,875       |
| Air projects .....  | 2,465,000    | 81,776                        |                               | 2,546,776     |
| Material projects .....   |              |                               |                               |               |
| Security .....  | 645,245      | 1,281,499                     | 480,827                       | 1,445,917     |
| NATO Flying Training Centre .....   | 14,122,872   | (5,075,549)                   |                               | 9,047,323     |
|   | 65,512,026   | 126,364,503                   | 131,878,154                   | 59,998,375    |
| Joint research and development projects .....                                 | 2,111,942    | 3,135,129                     | 1,277,802                     | 3,969,269     |
| Non-government agencies .....   | 1,364,012    | 1,541,759                     | 1,592,801                     | 1,312,970     |
| North Atlantic Treaty Organization (NATO)—                                    |              |                               |                               |               |
| Infrastructure projects .....   | 6,618,109    |                               |                               | 6,618,109     |
|   | 75,606,089   | 131,041,391                   | 134,748,757                   | 71,898,723    |

TABLE 6.33

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

|   | April 1/2003  | Receipts and<br>other credits | Payments and<br>other charges | March 31/2004 |
|---|---------------|-------------------------------|-------------------------------|---------------|
|   | \$            | \$                            | \$                            | \$            |
| Natural Resources—                                  |               |                               |                               |               |
| Market development incentive payments—Alberta ..... | 6,316,271     | 17,380                        | 1,039,720                     | 5,293,931     |
| Newfoundland Offshore Revenue Account .....         |               | 124,241,671                   | 124,241,671                   |               |
| Nova Scotia Offshore Revenue Account .....          |               | 45,274,504                    | 45,274,504                    |               |
| Shared-cost agreements—Research .....               | 2,838,668     | 5,566,700                     | 4,723,263                     | 3,682,105     |
| Shared-cost projects .....                          | 7,250,703     | 4,969,540                     | 4,681,287                     | 7,538,956     |
| Canadian Nuclear Safety Commission—                 |               |                               |                               |               |
| Security equipment purchases .....                  | 229,620       | 1,185,252                     | 1,362,128                     | 52,744        |
|   | 16,635,262    | 181,255,047                   | 181,322,573                   | 16,567,736    |
| Privy Council—                                      |               |                               |                               |               |
| Shared-cost projects—Media travel expenses .....    | 455,657       | 313,615                       | 401,138                       | 368,134       |
| Public Works and Government Services—               |               |                               |                               |               |
| Francophone Summits .....                           | 28,958        |                               | 9,661                         | 19,297        |
| Military purchases excess funds deposit .....       | 32,622,141    | 14,909,174                    |                               | 47,531,315    |
| Less: securities held in trust .....                | 32,622,141    |                               | 14,909,174                    | 47,531,315    |
|   |               | 14,909,174                    | 14,909,174                    |               |
|   | 28,958        | 14,909,174                    | 14,918,835                    | 19,297        |
| Solicitor General—                                  |               |                               |                               |               |
| Joint research and development projects .....       | 2,012,209     | 6,633,464                     | 5,629,632                     | 3,016,041     |
| Royal Canadian Mounted Police—                      |               |                               |                               |               |
| Joint research and development projects .....       | 317,045       | 34,560                        | 183,712                       | 167,893       |
| Seized assets—Canadian funds .....                  | 230,898       | 600,088                       | 45,153                        | 785,833       |
|   | 2,560,152     | 7,268,112                     | 5,858,497                     | 3,969,767     |
| Transport—  |               |                               |                               |               |
| Crown Corporation Trusts—Donations .....            | 455,551       | 336,730                       | 678,305                       | 113,976       |
| Treasury Board—                                     |               |                               |                               |               |
| Credit card—Special project fund .....              | 1,000,000     |                               |                               | 1,000,000     |
| Veterans Affairs—                                   |               |                               |                               |               |
| Shared-cost agreements .....                        |               | 14,780                        |                               | 14,780        |
| Western Economic Diversification—                   |               |                               |                               |               |
| Jobs and economic restoration initiative .....      | 78,009        | 17,912                        | 95,921                        |               |
| Total .....   | 2,477,320,959 | 1,767,593,895                 | 2,047,534,557                 | 2,197,380,297 |
| Less: consolidation adjustment <sup>(2)</sup> ..... | 7,336,411     | 15,887,111                    |                               | (8,550,700)   |
| Total other accounts .....                          | 2,469,984,548 | 1,783,481,006                 | 2,047,534,557                 | 2,205,930,997 |
| Total other specified purpose accounts .....        | 4,728,983,728 | 2,052,840,276                 | 2,235,836,309                 | 4,545,987,695 |

<sup>(1)</sup> Includes an amount of \$1,000 as per Vote 6b, *Appropriation Act No. 4, 2003-2004*.<sup>(2)</sup> Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

### Insurance company liquidation

This account was established to record receipts and disbursements resulting from the liquidation of the estate, of various insurance companies for which the Superintendent of Financial Institutions is the court appointed liquidator.

### Civil service insurance fund

This account was established by the *Civil Service Insurance Act*, introduced to enable the Minister of Finance to contract with a person appointed to a permanent position in any branch of the public service, for the payment of certain death benefits. No new contracts have been entered into since 1954, when the Supplementary Death Benefit Plan for the Public Service and Canadian Forces was introduced as part of the *Public Service Superannuation Act* and the *Canadian Forces Superannuation Act*, respectively. As of April 1<sup>st</sup>, 1997, the Department of Human Resources 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, 2004 was 1,653 and the average age of the policyholders was 85.6 years. During the year, premiums of \$3,898 were received. Death benefits, settlement annuities and premium refunds of \$608,158 were paid during 2003-2004.

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 \$7,102,962 as at March 31, 2004. The assets as at March 31, 2004 are \$6,913,608. The deficit as at March 31, 2004 is therefore \$189,354. Pursuant to subsection 16(3) of the *Civil Service Insurance Regulations*, an amount of \$189,354 has therefore been credited to the Account from the Consolidated Revenue Fund in 2003-2004.

### Regular forces death benefit account

This account was established by the *Canadian Forces Superannuation Act*, to provide life insurance to contributing members of the Armed Forces. Receipts and other credits consist of: (a) contributions by participants; (b) Government's contribution paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*; (c) single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution; and, (d) interest.

Payments and other charges consist of: (a) benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; (b) benefits paid in respect of elective regular forces participants, to whom pensions were not payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; and, (c) the portion of benefit payable for which a single premium has been paid by the Government.

**TABLE 6.34**  
REGULAR FORCES DEATH BENEFIT ACCOUNT

|   | 2003-2004   | 2002-2003   |
|---|-------------|-------------|
|   | \$          | \$          |
| Opening balance .....   | 193,076,338 | 191,986,722 |
| RECEIPTS AND OTHER CREDITS—   |             |             |
| Contributions by personnel .....  | 12,804,177  | 12,426,031  |
| Government's contribution .....   | 2,025,056   | 1,999,561   |
| Single premiums payable by<br>the Government in respect<br>of regular forces participants<br>who became entitled to a<br>basic benefit of \$5,000<br>without contribution ..... | 653,581     | 633,393     |
| Interest .....  | 15,517,088  | 15,652,031  |
|   | 30,999,902  | 30,711,016  |
|   | 224,076,240 | 222,697,738 |
| PAYMENTS AND OTHER CHARGES—   |             |             |
| Benefits paid in respect of<br>participants who, at the time<br>of death, were members of<br>the regular forces, or who<br>were elective regular forces<br>participants .....   | 31,177,894  | 29,621,400  |
| Closing balance .....   | 192,898,346 | 193,076,338 |



### Public Service death benefit account

This account was established under the *Public Service Superannuation Act*, to provide life insurance to contributing members of the Public Service.

The account is credited with: (a) contributions by employees; (b) contributions by the Government and Public Service corporations; and, (c) interest. Payments and other charges represent: (a) benefits paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*; and, (b) benefits of \$10,000 paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*, and on whose behalf a single premium for \$10,000 death benefit coverage for life has been made.

**TABLE 6.35**  
PUBLIC SERVICE DEATH BENEFIT ACCOUNT

|  | 2003-2004     | 2002-2003     |
|--|---------------|---------------|
|  | \$            | \$            |
| Opening balance .....                            | 1,998,277,095 | 1,897,231,807 |
| RECEIPTS AND OTHER CREDITS—                      |               |               |
| Contributions—                                   |               |               |
| Employees—                                       |               |               |
| Government and Public Service corporations ..... | 61,554,346    | 58,539,765    |
| Government—                                      |               |               |
| General .....                                    | 7,305,629     | 6,693,118     |
| Single premium for \$10,000 .....                | 1,256,548     | 1,152,985     |
| Public Service corporations .....                | 811,248       | 743,517       |
| Interest .....                                   | 163,384,196   | 159,239,807   |
|  | 234,311,967   | 226,369,192   |
|  | 2,232,589,062 | 2,123,600,999 |
| PAYMENTS AND OTHER CHARGES—                      |               |               |
| Benefit payments—                                |               |               |
| General .....                                    | 87,557,810    | 80,178,959    |
| Life coverage for \$10,000 .....                 | 44,572,812    | 45,028,145    |
| Other death benefit payments .....               | 82,486        | 116,800       |
|  | 132,213,108   | 125,323,904   |
| Closing balance .....                            | 2,100,375,954 | 1,998,277,095 |

### 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, 2003 of \$4,858 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, 2003 of \$167,342 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.

### Locally engaged contributory pension account

This account, which pertains to Part II of the Locally Engaged Pension Regulations, provides pension benefits to locally employed Government employees who contributed to the plan. The account is credited with contributions from locally engaged employees, and charged with the subsequent payment of benefits.

Treasury Board approved the closure of the plan to new entrants effective December 31, 1988. There are now fewer than fifty members contributing to the plan.

### Net Income Stabilization Account

This account 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.

For the fiscal year ending March 31, 2004, participant deposits pertained in most part, to the 2002 stabilization year (the period for which a participant filed a 2002 tax return). Participants are entitled to make matchable deposits based on eligible net sales (ENS) which are limited to \$250,000 per individual. For the 2002 stabilization year, the Agreement allowed for base matchable deposits of up to 3 percent of the ENS for most qualifying commodities. Additional participant deposits were allowed by separate agreement between Canada and a province.

Participants are entitled to make additional non-matchable deposits, which are limited to an annual maximum of 20 percent of ENS (carried forward for up to 5 years).

The federal government and the provinces have approved the wind down of the Program at the end of the 2002 stabilization year. Participants will then have a maximum of five years, with minimal annual withdrawals of 20 percent of the then balance of their accounts, to withdraw their funds from the Program.

The account records the following transactions relating to the Consolidated Revenue Fund:

- (a) Government matching contributions on 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 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) bonus interest of 3 percent per annum, split between the federal and provincial governments, except the Province of Alberta, calculated on participant contributions; less,
- (e) withdrawals by participants from funds held in the Consolidated Revenue Fund (participants are entitled to make annual account withdrawals up to the amount allowed by the larger of two triggers: a stabilization trigger and a minimum income trigger).

### Shared-cost agreements—Canadian Food Inspection Agency

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

### Automated Quality Testing—Private sector

The purpose of the account is to develop new, rapid, automated testing methods to determine the quality of grain and to commercialize them. This project is funded at least 50% from the private sector. The authority comes from Treasury Board minute N°. 827824 as at February 10, 2000.

### Federal/provincial agreement—Advance account

This account was established to record deposits from non-federal partners for their share of costs under various projects. Monies are disbursed on behalf of contributors as projects are undertaken. Unused funds are to be returned to contributors.

### Deposits/Disbursements—Worker's Compensation Board

This account was established under the authority of the *Canada Customs and Revenue Agency Act* and the *Worker's Compensation Act*, to enable the Canada Customs and Revenue Agency to record and forward on weekly basis, funds received from Nova Scotia employers to the Worker's Compensation Board of Nova Scotia, as part of a partnership arrangement between the Agency and the Board.

### Miscellaneous projects deposits—Canadian Heritage

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

### 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.

### National Archives of Canada—Donations

This account was established pursuant to section 10 of the *National Archives Act*, to record monies received for the purposes of the National Archives, by way of donations, bequest or otherwise. Amounts required for the purposes of the *National Archives Act* may be paid out of this account, or out of money appropriated by Parliament for such purposes.

**National Library—Special Operating Account**

This account was established pursuant to section 14 of the *National Library Act*, which also directed that (a) the account be credited with all monies received for the purpose of the National Library 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.

**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 monies 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.

### **Canadian Sports Pool Corporation—Other outstanding liabilities**

This account was established to record moneys received at the dissolution of the Canadian Sports Pool Corporation which are to be used to pay any liabilities of the Corporation.

### **Collaborative research projects**

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

### **Miscellaneous federal/provincial projects—Health**

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial/territorial projects which address health issues which are national in scope.

### **Pan American Health Organization**

This account was established to record funds for a collaborative laboratory and epidemiology strengthening project for the prevention and control of selected enteric pathogens and their antibiotic resistance pattern in the region of the Americas. It also includes a project to strengthen epidemiological and laboratory infrastructure for the diagnosis and surveillance of S. pneumonia in support of vaccine development.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

### **World Health Organization**

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

### **Federal/provincial shared-cost project—Human Resources 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 cost 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.

### **Shared cost-agreements—Human Resources Development**

This account was established to record transactions in connection with collaborative arrangements, such as cost-sharing, joint projects or partnership arrangements where funds are received in advance from external parties.

### **PanAsia Research and Development Grants Program**

This account was established to record monies being administered on behalf of the International Development Research Centre for various grants to support research and development and research projects in Asia and Pacific region in networking applications, technologies and regulatory issues. The project addresses the region's economic, social and environmental problems.

### **Shared-cost agreements—Canadian Centre for Occupational Health and Safety**

This account represents monies contributed to a joint federal/provincial sponsored inquiries services provided by Canadian Centre for Occupational Health and Safety.



## 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 changes for Tailymen's wages, freight costs, etc.
- (b) Off-reserve housing program—Personal Contributions—This account was established to record personal contributions held in trust until paid to the vendor, builder or legal representative.
- (c) Fines—Indian Act—Fines collected as defined in section 104 of the *Indian Act*, are credited to this account for the benefit of the bands or members of the bands. Expenditures may be made per the direction of the Governor in Council to cover certain costs in the administration or promotion of the purpose of the relative law.

## Indian band funds—Shares and certificates

This account was established under the *Indian Act*, to record the historical value of Transalta Utilities Ltd shares received as compensation for a power line right-of-way on the Blood Indian reserve. These shares are held in the name of the Receiver General for Canada for the credit of the Blood Indian Band. Any dividends received are credited to the revenue account of the Blood Indian Band.

## Indian compensation funds

This holding account was established to record moneys received from the sales of Indian lands and easement compensation where the title has not been cleared nor the land survey completed.

## Indian moneys suspense account

This account was established to hold moneys received for individual Indians and bands, that cannot be disbursed to an Indian, or credited to an Indian Band Fund or Individual Trust Fund account, pending execution of the related lease, permit or licence, settlement of litigation, registration of the Indian or identification of the recipient.

## Non-Indian moneys

This account was established to collect "Provincial Mineral Revenues" on behalf of the Province of Saskatchewan and remit the same in the manner as described in an agreement between the two parties. The collection and remittance arrangement is anticipated to terminate upon the expiry or forfeiture of all Replacement Mineral Dispositions or earlier if the Disposition Holders decide to stop drilling. All revenue moneys collected, received or held by the Crown for the use and benefit of the First Nations or its members cease to be Indian moneys and must be transferred to the First Nations. Moneys must be held separately in a non-Indian moneys account. This account is interest bearing.

## Canada/Provinces Business Service Centre

This account was established to record monies received from other provinces under cost-sharing agreements for the Canada-Ontario Business Service Centre.

## Income from securities in trust—Bankruptcy and Insolvency Act

This account was established by sections 78, 84, 154 and 194 of the *Bankruptcy and Insolvency Act*, to record dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients' names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are forwarded to the Superintendent of Bankruptcy for safekeeping.

## Petro-Canada Enterprises Inc—Unclaimed shares

This account was established by Section 227 of the *Canada Business Corporation Act* to record the liability to shareholders who have not presented their shares for payment.

## Securities in trust—Bankruptcy and Insolvency Act

This account was established by section 67 of the *Bankruptcy and Insolvency Act*, to record the value of securities originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

## Shared-cost/joint project agreements—Research

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

## Shared-cost projects—Industry

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

## Unclaimed dividends and undistributed assets—Bankruptcy and Insolvency Act

This account represents amounts credited to the Receiver General in accordance with the provisions of section 154 of the *Bankruptcy and Insolvency Act*, pending distribution to creditors.

## Unclaimed dividends and undistributed assets—Canada Business Corporations Act

This account was established in accordance with sections 227 and 228 of the *Canada Business Corporations Act*, for the purpose of recording liabilities to creditors and shareholders who have not been located. The account is charged when funds are paid to them.

### **Unclaimed dividends and undistributed assets—Winding-up Act**

This account records amounts credited to the Receiver General, in accordance with sections 138 and 139 of the *Winding-up Act*, pending distribution.

### **Radarsat**

This account was established to record moneys received for both cost-sharing and advance payments for Radarsat scenes.

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

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

### **Project deposits—Statistics Canada**

This account was established to record deposits received from outside parties to secure payments for special statistical services.

### **Special account—Courts Administration Service (Federal Court and Federal Court of Appeal)**

This account was established to maintain accounts on behalf of litigants before the Federal Court and Federal Court of Appeal. These accounts record the moneys paid into the Federal Court and Federal Court of Appeal, pursuant to an order of the Courts, rules of the Courts or statutes, to be held pending payment of such moneys, in accordance with an order/judgment of these Courts.

### **Foreign governments**

These accounts were established to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with the provisions of agreements with the Government of Canada.

### **Joint research and development projects—National Defence**

This account was established to record funds received from the private sector through collaborative relationships where the work is shared between the government and the private sector laboratory.

### **Non-government agencies**

This account was established to record funds received for expenditures made on behalf of non-government agencies, for which specific accounts have not been established.

### **North Atlantic Treaty Organization (NATO)—Infrastructure projects**

These accounts were established to record funds received from NATO to cover (a) NATO infrastructure projects implemented by Canada, and, (b) other expenditures to be made on NATO's behalf, in accordance with the terms of an agreement with the Government of Canada.

### **Market development incentive payments—Alberta**

This account records moneys received from the Government of Alberta, to encourage the expansion of natural gas markets in Alberta and provinces to the East, in accordance with an agreement between the Government of Canada and the Government of Alberta dated September 1, 1981 and pursuant to section 39 of the *Energy Administration Act*. The original term of the agreement was from November 1, 1981 to January 31, 1987. As a result of the Western Accord of March 25, 1985, payments from the Government of Alberta terminated as at April 30, 1986, however, payments are being made from the account for selected programs which encourage the use of natural gas for vehicles.

### **Newfoundland Offshore Revenue Account**

This account was established pursuant to section 214 of the *Canada-Newfoundland Atlantic Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Newfoundland offshore area with the Province of Newfoundland. Certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Newfoundland are charged thereto.

### **Nova Scotia Offshore Revenue Account**

This account was established pursuant to section 219 of the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Nova Scotia offshore area with the Province of Nova Scotia. Certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Nova Scotia are charged thereto.

### **Shared-cost agreements—Research—Natural Resources**

This account was established to facilitate the retention and disbursement of moneys received from private industries and other governments for joint projects or shared-cost research agreements.

### **Shared-cost projects—Natural Resources**

This account was established to facilitate the retention and disbursement of moneys received from private organizations and other governments for cost-sharing scientific projects.

**Security equipment purchases**

Funds deposited in this account by licensees are used to provide for payment of purchases of security equipment for the licensees' facilities in accordance with security arrangements mandated pursuant to the *Nuclear Safety and Control Act*.

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

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

**Francophone Summits**

This account was established to record moneys granted since 1994 by the «Agence de la Francophonie (Paris)» for completing projects involving the industrialization of the French language and partner languages as well as the promotion of new French terms in both scientific and technical fields.

**Military purchases excess funds deposit**

This account was established by a written agreement between Canada and the United States, to record temporarily unused funds paid to the United States Government under contracts for purchases of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

**Joint research and development projects—Solicitor General**

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.

**Crown Corporation Trusts—Donations**

This account was established to record, on a temporary basis, (a) donations intended for the development and operations of the Downsview Park, Toronto; and, (b) donations from private sector entities to support the Old Port of Montreal.

**Credit card—Special project fund**

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

**Shared-cost agreements—Veterans Affairs**

This account was established to record transactions relating to share of costs incurred under the federal/provincial cost-sharing agreements and funding for research projects.

**Jobs and economic restoration initiative**

This account was established through a federal-provincial cost-shared program designed to help prevent permanent job loss in flood affected areas and to restore economic activity.

## SUPPLEMENTARY STATEMENTS

### Canada Pension Plan

#### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canada Pension Plan have been prepared by management of Social Development Canada in accordance with the Canadian generally accepted accounting principles.

Management is responsible for the integrity and objectivity of the data in these financial statements, including the amounts which must, of necessity, be based on best estimates and judgments. The financial information presented throughout the *Annual Report* is consistent with the financial statements.

In support of its responsibilities, management has developed and maintains systems of internal control and supporting procedures. They are designed to provide reasonable assurance that assets are safeguarded, recorded and properly maintained and transactions are properly authorized and are in accordance with the *Canada Pension Plan* and *Financial Administration Act* and accompanying regulations. These controls include the establishment of an organizational structure that provides a well defined division of responsibilities and accountability, the selection and training of qualified staff, and the communication of policies and guidelines throughout the organization. Internal controls are reviewed and evaluated by both internal and external auditors in accordance with its respective audits. Management also reviews the recommendations of its internal and external auditors for improvements in internal controls.

The Auditor General of Canada, the external auditor of the Canada Pension Plan, has conducted an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards and has reported to the Minister of Social Development.

JANET MILNE  
*Assistant Deputy Minister  
Financial and Administrative Services*

NICOLE JAUVIN  
*Deputy Minister  
Social Development Canada*

September 2, 2004

#### AUDITOR'S REPORT

TO THE MINISTER OF SOCIAL DEVELOPMENT

I have audited the statement of net assets of the Canada Pension Plan as at March 31, 2004 and the statements of changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the management of Social Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Canada Pension Plan as at March 31, 2004 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  
September 2, 2004



**Canada Pension Plan—Continued**

## CANADA PENSION PLAN

## STATEMENT OF NET ASSETS

AS AT MARCH 31

(in millions of dollars)

|  | 2004   | 2003                 |
|--|--------|----------------------|
|  |        | Restated<br>(Note 3) |
| Assets   |        |                      |
| Investments  |        |                      |
| CPP Investment Fund—at fair value (Note 4)                             |        |                      |
| Provincial and territorial bonds.....                                  | 25,397 | 26,080               |
| Canada bonds.....  | 4,070  | 4,071                |
| CPP Investment Board—at fair value (Note 5).....                       | 32,894 | 17,453               |
| Cash   |        |                      |
| Deposit with Receiver General for Canada.....                          | 7,483  | 7,093                |
| Receivables  |        |                      |
| Contributions.....   | 1,946  | 1,631                |
| Accrued interest.....  | 862    | 939                  |
| Régime des rentes du Québec.....                                       | 28     | 66                   |
| Beneficiaries (Note 6).....  | 36     | 49                   |
|  | 72,716 | 57,382               |
| Liabilities  |        |                      |
| Accounts payable.....  | 55     | 74                   |
| Accrued pensions and benefits.....                                     | 51     | 55                   |
| CPP Investment Board's liabilities, net of its<br>other assets.....    | 99     | 2                    |
|  | 205    | 131                  |
| Net assets.....  | 72,511 | 57,251               |
| Net assets, represented by:  |        |                      |
| Canada Pension Plan Investment Fund.....                               | 29,467 | 30,151               |
| Accumulated transfers to Canada Pension Plan<br>Investment Board.....  | 29,824 | 21,690               |
| Accumulated net gain (loss) from Investment Board's<br>operations..... | 2,971  | (4,239)              |
| Canada Pension Plan Account (Note 7).....                              | 7,483  | 7,093                |
| CPP receivables, net of liabilities.....                               | 2,766  | 2,556                |
| Net assets.....  | 72,511 | 57,251               |

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

Approved by Social Development Canada:

JANET MILNE

*Assistant Deputy Minister**Financial and Administrative Services*

NICOLE JAUVIN

*Deputy Minister**Social Development Canada*

**Canada Pension Plan—Continued**

## CANADA PENSION PLAN

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31

(in millions of dollars)

|   | 2004   | 2003                 |
|---|--------|----------------------|
|   |        | Restated<br>(Note 3) |
| Net assets, beginning of year .....     | 57,251 | 55,094               |
| Increase in assets                      |        |                      |
| Contributions (Note 8) .....            | 28,029 | 25,203               |
| Investment income/(loss) (Note 9) ..... | 10,248 | (1,049)              |
|   | 38,277 | 24,154               |
| Decrease in assets                      |        |                      |
| Pensions and benefits                   |        |                      |
| Retirement .....                        | 15,880 | 15,071               |
| Survivors .....                         | 3,194  | 3,071                |
| Disability .....                        | 2,850  | 2,779                |
| Disabled contributor's child .....      | 257    | 251                  |
| Death .....                             | 255    | 234                  |
| Orphan .....                            | 213    | 210                  |
| Net overpayments .....                  | (42)   | (41)                 |
|   | 22,607 | 21,575               |
| Administration costs (Note 10) .....    | 410    | 422                  |
|   | 23,017 | 21,997               |
| Increase in net assets .....            | 15,260 | 2,157                |
| Net assets, end of year .....           | 72,511 | 57,251               |

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

**Canada Pension Plan—Continued**

## CANADA PENSION PLAN

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

|  | 2004     | 2003     |
|--|----------|----------|
| Cash flow provided by operating activities                           |          |          |
| Cash receipts:   |          |          |
| Contributions .....  | 27,714   | 24,950   |
| Interest from CPP Investment Fund .....                              | 2,572    | 2,839    |
| Interest on deposit with Receiver General for Canada .....           | 188      | 163      |
| Recoveries from Régime des Rentes du Québec .....                    | 288      | 192      |
| Recoveries from beneficiaries .....                                  | 37       | 37       |
|  | 30,799   | 28,181   |
| Cash payments:   |          |          |
| Pensions and benefits .....  | (22,634) | (21,613) |
| Repayments to Régime des Rentes du Québec .....                      | (251)    | (235)    |
| Administration costs .....   | (430)    | (395)    |
|  | (23,315) | (22,243) |
|  | 7,484    | 5,938    |
| Cash flow used in investing activities                               |          |          |
| Transfers to CPP Investment Board .....                              | (8,134)  | (7,318)  |
| Disposals of bonds - CPP Investment Fund .....                       | 2,498    | 2,383    |
| Reinvestments in bonds - CPP Investment Fund .....                   | (1,458)  | (680)    |
|  | (7,094)  | (5,615)  |
| Net increase in the deposit with Receiver General for Canada .....   | 390      | 323      |
| Deposit with Receiver General for Canada,<br>beginning of year ..... | 7,093    | 6,770    |
| Deposit with Receiver General for Canada,<br>end of year .....       | 7,483    | 7,093    |

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

# Canada Pension Plan—Continued

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

### 1. Description of the Canada Pension Plan

#### (a) Description of the CPP

The Canada Pension Plan (CPP) is a federal/provincial plan established by an Act of Parliament in 1965.

The CPP began operations in 1966. It is a compulsory and contributory social insurance program operating in all parts of Canada, except Quebec, which operates the Régime des rentes du Québec, a comparable program. The Plan's objective is to provide a measure of protection to workers and their families against the loss of earnings due to retirement, disability or death.

The Minister of Social Development is responsible for the administration of the *Canada Pension Plan* (the *CPP Act*); the Minister of National Revenue is responsible for collecting contributions. The Minister of Finance and his provincial counterparts are responsible for setting CPP contribution rates, pension and benefit levels and funding policy.

The financial activities of the Canada Pension Plan are recorded in the CPP Account (Note 7). The CPP Investment Fund (Note 4) holds the bond portfolio of the Plan, and the Plan's investments in capital markets are managed by the CPP Investment Board (Note 5). The financial transactions affecting the Account and the Investment Fund are governed by the *CPP Act* and regulations. The Investment Board's transactions are governed by the *Canada Pension Plan Investment Board Act* and the accompanying regulations.

As stated in the *CPP Act*, changes to this Act require the approval of at least two-thirds of the provinces having, in the aggregate, not less than two-thirds of the population of all included provinces.

#### (b) Financing

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

CPP was designed initially to be financed on a pay-as-you-go basis, which means that the Plan would operate on a current basis with pensions and benefits being paid out of current contributions. With changes made to the Act in 1997, CPP is now intended to be funded on a "steady-state" basis - that is, combined contributions increased to 9.9 percent of pensionable earnings by 2003 and have leveled off since.

From 1966 to 1986, the combined employer-employee contribution rate remained at 3.6 percent of pensionable earnings. In 1987, it was raised to 3.8 percent and

increased yearly by 0.2 percent to reach 5.6 percent in 1996. In the years 1997 to 2002, the combined contribution rate was increased annually to reach 9.9 percent in 2003. The maximum combined contribution for 2004 was \$3,663 (2003 - \$3,604).

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 *Eighteenth Actuarial Report of the Chief Actuary of the Office of the Superintendent of Financial Institutions* done as at December 31, 2000 was presented to the Minister of Finance in December 2001, then tabled in the House of Commons on December 10, 2001. Based on this report, federal and provincial ministers of Finance concluded at the end of the 2002 Triennial Review process that the CPP is financially sound and that the 9.9 percent combined employee-employer contribution rate reached in 2003 is expected to be sufficient to sustain the Plan in the face of an aging population. A number of assumptions such as long term rate of return on assets, inflation rate, mortality rates, increase in salary and benefit rates, among other things, were used in the 18<sup>th</sup> CPP actuarial report. These assumptions reflect best estimates of future economic and demographic events. The next actuarial report as at December 31, 2003 is expected to be completed by December 2004.

#### (c) Net assets of the Plan

The net assets of the Plan are composed of the deposit with the Receiver General for Canada, short term investments, long term investments in bonds held by the CPP Investment Fund and investments managed by the CPP Investment Board. The net assets represent funds accumulated for the payment of pensions, benefits and administration costs. This amount does not cover the actuarial present value of accrued pensions and benefits. As at March 31, 2004, the net assets of the Plan are of \$72.5 billion (2003 - \$57.3 billion). This amount represents approximately 3.2 times the total of pensions and benefits for the year 2003-2004.

#### (d) Pensions and benefits

**Retirement pensions**—A retirement pension is payable to each contributor at age 60 or older, according to the provisions of the Act. The monthly amount is equal to 25 percent of the contributor's average monthly pensionable earnings during the pensionable period. The amount may be reduced or increased depending upon whether the contributor applies for a retirement pension before or after age 65. This adjustment cannot exceed 30 percent. The maximum new monthly pension payable at age 65 in 2004 is \$814.17 (2003 - \$801.25).

**Canada Pension Plan —Continued**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004—Continued

**Disability benefits**—A disability benefit is payable to a contributor who is disabled, according to the provisions of the Act. The amount of the disability benefit to be paid includes a flat-rate portion and an amount equal to 75 percent of the earned retirement pension. The maximum new monthly disability benefit in 2004 is \$992.80 (2003 - \$971.26).

**Survivor's benefits**—A survivor's benefit is payable to the spouse or common-law partner (the beneficiary) of a deceased contributor, according to the provisions of the Act. For a beneficiary under the age of 65, the benefit consists of a flat-rate portion and an amount equal to 37.5 percent of the deceased contributor's earned retirement pension. A beneficiary between the ages of 35 and 45 who is not disabled or who has no dependent children receives reduced benefits. For beneficiaries aged 65 and over, the benefit is equal to 60 percent of the retirement pension granted to the deceased contributor. The maximum new monthly benefit payable to a beneficiary in 2004 is \$488.50 (2003 - \$480.75).

**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 who died is entitled to a benefit as long as the child is under the age of 18, or is between the ages of 18 and 25 and attending school full-time. The flat-rate monthly benefit in 2004 is \$192.68 (2003 - \$186.71).

**Death benefits**—According to the provisions of the Act, a death benefit is a one-time payment to, or on behalf of, the estate of a contributor. The benefit amounts either to 10 percent of the maximum pensionable earnings in the year of death or six times the monthly retirement pension granted to the deceased contributor, whichever is less. The maximum death benefit in 2004 is \$2,500 (2003 - \$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 2004 is 3.2 percent (2003 - 1.6 percent).

## 2. Significant accounting policies

## (a) Basis of presentation

These financial statements present the financial position, the changes in net assets and the cash flows of the Canada Pension Plan. They include the financial position of the CPP Investment Board and the results of its operations. These financial statements are prepared in accordance with Canadian generally accepted accounting principles and conform to the disclosure and accounting requirements of the *CPP Act*.

These financial statements do not provide information on the actuarial estimates required to meet future obligations of the CPP since the CPP Act does not require that the pensions and benefits be pre-funded.

The CPP, which is under joint control of the Government of Canada and participating provinces, is not considered to be part of the reporting entity of the Government of Canada. Accordingly, its financial activities are not consolidated with those of the Government.

## (b) Valuation of investments

**Bonds held by the CPP Investment Fund and CPP Investment Board investments** are stated at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

**Bonds held by the CPP Investment Fund**—The fair value is determined by calculating the present value of bonds' projected cash flows. The discount rate used is based as appropriate on the provincial, territorial or Government of Canada market rates. The fair value includes a further discount for the non-marketable and non-transferable characteristics of the bonds.

**Bonds issued by the provincial and territorial governments** can be redeemed prior to maturity at the option of these governments or renewed for another 20 years. There are distinct calculation methods for bonds early redemption or renewal that do not take into consideration the non-marketable and non-transferable characteristics. Any early redemption or renewal could therefore result in transactions at amounts that differ from the recorded fair value of the bonds.

**CPP Investment Board's investments**—The fair value is determined as follows: quoted market prices for publicly traded equities and unit values for pooled funds. Unit values reflect the quoted market prices of the underlying securities.

In the case of private equity investments, where quoted market prices are not available, fair value is determined annually, commencing after the first year of ownership, based on carrying values and other relevant information reported by external managers of the limited partnerships in which the investments are made. These carrying values are determined by the external managers using accepted industry valuation methods.

**Canada Pension Plan —Continued**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004—Continued

The fair value of private market investments in income producing properties is determined annually, commencing after the first year of ownership, using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions.

Fair value for the over-the-counter derivatives such as swaps is determined based on discounted cash flows and market prices for underlying assets with similar characteristics.

Money market securities are recorded at cost which, together with accrued interest income, approximates fair value.

(c) Contributions

Contributions include CPP contributions earned for the year. The Canada Customs and Revenue Agency collects contributions and measures them using the assessment of tax returns. In determining the amount of contributions earned for the year, the Agency considers cash received and contributions assessed, and makes an estimate for contributions related to tax returns not yet assessed. This estimate is subject to review and adjustments. Adjustments, if any, are recorded as contributions in the year they are known.

(d) Investment income recognition

CPP Investment Fund income is recorded on the accrual basis and includes unrealized gains and losses on bonds held at the end of the year.

CPP Investment Board's net income from operations represents the Investment Board's investment income, less investment and administrative expenses. Investment income is recorded on the accrual basis and includes realized gains and losses on disposal of investments, unrealized gains and losses on investments held at the end of the year, dividend income (recognized on ex-dividend date), interest income, distributions from partnerships and trusts, and net operating income from private market real estate investments.

Realized gains and losses on investments sold during the year represent the difference between sale proceeds and cost, less related costs of disposition. Unrealized gains and losses represent in the difference between fair value and cost of investments. The current year unrealized gains and losses represent the year-over-year change in this difference.

(e) Translation of foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Investments denominated in foreign currencies and held at the year end are translated at exchange rates in effect at the year end date. The resulting realized and unrealized gains and losses are included in investment income.

(f) Pensions and benefits

Pensions and benefits are recorded when payable.

(g) Net overpayments

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

(h) Administration costs

Administration costs are recorded in the year to which they relate.

(i) Measurement uncertainty

The preparation of financial statements in accordance with the Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and revenue and expenses for the year. Actual results could differ from these estimates. The most significant estimates are related to contributions, administration costs, allowance for doubtful accounts, the fair value of the bonds held by the CPP Investment Fund and the fair value of investments held by the CPP Investment Board.

3. Change in accounting policy

During the year, a legislative amendment was approved which provided for the transfer of CPP assets to the CPP Investment Board (see Note 12).

In order to provide a consistent basis of accounting for the provincial, territorial and federal bonds between the CPP Investment Fund and the CPP Investment Board, the fair value accounting was adopted for bonds in 2004, unlike previous years where the bonds were accounted for at cost. This change in accounting policy was applied retroactively and the prior year's financial statements were restated accordingly.

As a result of this change in accounting policy, unrealized gains and losses on bonds are now recognized in the statement of change in net assets and the bonds are recorded at their fair value in the statement of net assets.

**Canada Pension Plan —Continued**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004—Continued

The following summarizes the changes to financial statements as a result of the change in accounting policy for the years presented:

|  | 2004                         |                                    | 2003                         |                                    |
|--|------------------------------|------------------------------------|------------------------------|------------------------------------|
|  | (in millions of dollars)     |                                    |                              |                                    |
|  | Bonds<br>recorded<br>at cost | Bonds<br>recorded<br>at fair value | Bonds<br>recorded<br>at cost | Bonds<br>recorded<br>at fair value |
| Statement of net assets                |                              |                                    |                              |                                    |
| Assets                                 |                              |                                    |                              |                                    |
| CPP Investment Fund                    |                              |                                    |                              |                                    |
| Provincial and territorial bonds ..... | 22,181                       | 25,397                             | 23,204                       | 26,080                             |
| Canada bonds .....                     | 3,352                        | 4,070                              | 3,369                        | 4,071                              |
| Net assets .....                       | 68,576                       | 72,511                             | 53,673                       | 57,251                             |
| Statement of changes in net assets     |                              |                                    |                              |                                    |
| Net assets, beginning of year .....    | 53,673                       | 57,251                             | 51,709                       | 55,094                             |
| Investment income (loss) .....         | 9,891                        | 10,248                             | (1,242)                      | (1,049)                            |
| Net assets, end of year .....          | 68,576                       | 72,511                             | 53,673                       | 57,251                             |

**4. Investments held by the CPP Investment Fund**

The Canada Pension Plan Investment Fund was established in the accounts of Canada by the *CPP Act* to record the Plan's investments in bonds of the provinces, territories and Canada. The CPP Investment Fund's bond portfolio is administered by the federal Department of Finance.

Until the end of 1997, the investments in provincial, territorial and federal government bonds were made with the cash on hand in excess of the Plan's forecast three-month operating requirement. These bonds were not marketable and had a 20-year term (or less) as fixed by the Minister of Finance on the recommendation of the Chief Actuary of the Office of the Superintendent of Financial Institutions. The interest rate on the bonds was determined by the Minister of Finance based on the average yield to maturity of all outstanding Government of Canada obligations with terms of 20 years or more. When these bonds matured, funds not required for payment of pensions and benefits were re-invested in new bonds.

Beginning in 1998, a maturing provincial or territorial bond may be re-invested in a new bond only once for a term of 20 years, if both the issuer asks to do so and the operating balance is sufficient to pay current pensions and benefits. Excess funds not re-invested are transferred to the CPP Investment Board.

The re-invested bonds remain not marketable and bear interest at a rate fixed by the Minister of Finance. The interest rate is substantially the same rate that the province would pay if it were to borrow the same amount for the same term through the issuance of a bond on the public capital markets. Interest earned on the investments is paid semi-annually to the CPP Account.

During the year, all disposals of bonds were made, at maturity date, at face value. The bonds are redeemable in whole or in part before maturity. Since January 31, 2001, the provinces and territories are permitted to redeem their bonds held by the CPP Investment Fund prior to their maturity at a value equivalent to market value. No bonds were redeemed by the provinces and the territories prior to maturity during the year ended March 31, 2004 (2003 - none).

The bonds held by the CPP Investment Fund are exposed to interest rate risk. Interest rate risk refers to the risk of an adverse change in the fair value of the bonds as a result of an unfavourable movement in market interest rates.

**Canada Pension Plan —Continued**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004—Continued

The following schedule provides information on the disposals, re-investments, unrealized gains/(losses) and balance of the Investment Fund:

## CPP INVESTMENT FUND

(in millions of dollars)

|                            | March 31, 2003<br>at cost | Disposals | Re-investments | March 31, 2004<br>at cost | March 31, 2004<br>at fair value | March 31, 2003<br>at fair value |
|----------------------------|---------------------------|-----------|----------------|---------------------------|---------------------------------|---------------------------------|
| Newfoundland .....         | 633                       | 51        | 51             | 633                       | 714                             | 700                             |
| Prince Edward Island ..... | 140                       | 11        | 11             | 140                       | 159                             | 156                             |
| Nova Scotia .....          | 1,079                     | 91        | 91             | 1,079                     | 1,232                           | 1,212                           |
| New Brunswick .....        | 834                       | 71        | 71             | 834                       | 940                             | 920                             |
| Quebec .....               | 96                        | 5         | 5              | 96                        | 111                             | 108                             |
| Ontario .....              | 10,746                    | 1,201     | 688            | 10,233                    | 11,687                          | 12,065                          |
| Manitoba .....             | 1,128                     | 126       |                | 1,002                     | 1,167                           | 1,292                           |
| Saskatchewan .....         | 1,151                     | 109       | 40             | 1,082                     | 1,241                           | 1,299                           |
| Alberta .....              | 3,385                     | 441       | 200            | 3,144                     | 3,661                           | 3,860                           |
| British Columbia .....     | 4,008                     | 375       | 301            | 3,934                     | 4,481                           | 4,464                           |
| Yukon Territory .....      | 4                         |           |                | 4                         | 4                               | 4                               |
|                            | 23,204                    | 2,481     | 1,458          | 22,181                    | 25,397                          | 26,080                          |
| Canada .....               | 3,369                     | 17        |                | 3,352                     | 4,070                           | 4,071                           |
|                            | 26,573                    | 2,498     | 1,458          | 25,533                    | 29,467                          | 30,151                          |

The further discount included in the fair value to allow for the specific characteristics of the bonds is valued at \$1.26 billion (\$1.27 billion in 2003). The following schedule presents the bonds by maturity dates and the weighted-average annual rate of return on bonds currently held.

|  | 2004                     |                   | 2003                   |                   |
|--|--------------------------|-------------------|------------------------|-------------------|
|  | (in millions of dollars) |                   |                        |                   |
|  | Investments<br>at cost   | Average<br>coupon | Investments<br>at cost | Average<br>coupon |
| Investments maturing                           |                          |                   |                        |                   |
| Within 1 year .....                            | 2,283                    | 13.35%            | 2,498                  | 11.77%            |
| 1 to 5 years .....                             | 9,429                    | 10.23%            | 9,700                  | 10.99%            |
| Over 5 years .....                             | 13,821                   | 8.37%             | 14,375                 | 8.90%             |
| Total—Investments .....                        | 25,533                   |                   | 26,573                 |                   |
| Weighted-average yield<br>on investments ..... |                          | 9.50%             |                        | 9.93%             |



**Canada Pension Plan —Continued**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004—Continued

**5. Investments held by the CPP Investment Board**

The Canada Pension Plan Investment Board (CPPIB) was established by an Act of Parliament in 1997. The *Canada Pension Plan Investment Board Act* came into force on April 1, 1998. The purpose of the Board is to invest the funds transferred by the CPP in a diversified portfolio of investments. The Board is designed to operate at arm's length from the government. It is required to be accountable to the public, Parliament (through the federal Minister of Finance), and the provinces and provides regular reports of its activities and the results achieved.

The following schedule provides information on the Board's investments as at March 31.

|   | 2004                     | 2003   |
|---|--------------------------|--------|
|   | (in millions of dollars) |        |
| Canadian equities, at fair value                                    |                          |        |
| Public markets.....   | 18,046                   | 11,051 |
| Private markets.....  | 282                      | 261    |
|   | 18,328                   | 11,312 |
| Non-Canadian equities, at fair value                                |                          |        |
| Public markets.....   | 7,552                    | 4,245  |
| Private markets.....  | 1,530                    | 1,265  |
|   | 9,082                    | 5,510  |
| Total equities<br>(Cost 2004 - \$25,034; 2003 - \$20,336) ..        | 27,410                   | 16,822 |
| Real return assets  |                          |        |
| Public markets real<br>estate .....                                 | 350                      | 219    |
| Private markets real<br>estate .....                                | 432                      | 246    |
| Private markets<br>infrastructure.....                              | 22                       |        |
| Total real return assets<br>(Cost 2004 - \$829; 2003 - \$645) ..... | 804                      | 465    |
| Money market securities<br>(Cost 2004 - \$4,784; 2003 - \$575)..... | 4,777                    | 575    |
| Investment receivables<br>(Cost 2004 - \$68; 2003 - \$41).....      | 68                       | 41     |
| Investment liabilities<br>(Cost 2004 - \$170; 2003 - \$452) .....   | (171)                    | (449)  |
| Net fair value of derivatives .....                                 | 6                        | (1)    |
| Total net investments .....   | 32,894                   | 17,453 |

The CPP Investment Board has established investment policies which set out the manner in which assets shall be invested. In determining the asset mix, the CPP Investment Board takes into consideration certain assets of the CPP which are held outside the CPP Investment Board.

In accordance with the Investment Policy, at least 70 percent of the book value of the CPP Investment Board's portfolio is allocated to Canadian investments and the remainder to non-Canadian investments.

The CPP Investment Board's investments are mainly allocated to equities. During the current year, the CPP Investment Board made its first investment in a private market infrastructure fund. The CPP Investment Board also obtains exposure to real estate through investments in publicly traded securities and privately held real estate. Private real estate investments are held by subsidiary and are managed on behalf of the CPP Investment Board by external advisors and managers through co-ownership arrangements.

**Derivative contracts**

A derivative is a financial contract, the value of which is derived from the value of underlying assets, indexes, interest rates or currency exchange rates.

The CPP Investment Board uses derivatives primarily to replicate the return of Canada and Non-Canadian equity indexes. As at March 31, 2004, the CPP Investment Board has equity swaps outstanding to exchange money market interest for equity returns. The CPP Investment Board also uses exchange-traded futures contracts to achieve the desired broad market exposure to the equity markets while cash is being held to fund investment activities.

All derivative contracts have a term to maturity of one year or less. Notional amounts of derivative contracts are used to compute the cash flows and for determining the fair value of the contracts. Notional amounts are not recorded as assets or liabilities on the balance sheet. The notional amounts and fair value of derivative contracts held as at March 31 are as follows:

**Canada Pension Plan —Continued**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004—Continued

|                     | 2004                     |               | 2003               |               |
|---------------------|--------------------------|---------------|--------------------|---------------|
|                     | (in millions of dollars) |               |                    |               |
|                     | Notional<br>amount       | Fair<br>value | Notional<br>amount | Fair<br>value |
| Equity swaps.....   | 4,034                    | 9             | 250                | (1)           |
| Equity futures..... | 448                      | (3)           |                    |               |
| Total.....          | 4,482                    | 6             | 250                | (1)           |

Consistent with the investment policies, derivative contracts are fully covered by money market securities. The economic impact on the total asset mix is to increase Canada and Non Canada equities exposure by 12.9 percent (2003 - 1.4 percent) and 0.8 percent (2003 - nil percent), respectively, with a corresponding decrease in money market securities exposure.

**Securities Lending**

The CPP Investment Board participates in a securities lending program to enhance portfolio returns. Credit risk associated with the securities lending program is mitigated by requiring the borrower to provide daily collateral in the form of readily marketable investments of greater market value than the securities loaned. As at March 31, 2004, the CPP Investment Board's investments include loaned securities with an estimated fair value of \$721 million (2003 - \$nil). The fair value of collateral received in respect of these loans is \$758 million (2003 - \$nil).

**CPP Investment Board's Investment Risks**

The CPP Investment Board limits credit risk by dealing with counterparties that have a minimum credit rating of A or R-1 (short term) as determined by a recognized credit rating agency, where available, or as determined through an internal credit rating process. Credit exposure is limited to maximum amounts approved by the Board of Directors.

The CPP Investment Board is exposed to currency risk through holdings of non-Canadian investments, investment receivables and investments liabilities. Investments are not hedged against changes in foreign exchange rates.

**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, 2004, these outstanding commitments total \$3.9 billion (2003 - \$3.9 billion). The organization has made lease commitments of \$21.0 million over the next 10 years.

**Other information**

The CPP Investment Board is exempt from Part I tax under paragraph 149(1)(d) of the *Income Tax Act (Canada)* on the basis that all of the shares of the CPP Investment Board are owned by Her Majesty in right of Canada. The CPP Investment Board's subsidiaries are exempt from Part I tax under paragraph 149(1)(d.2) of the *Income Tax Act (Canada)* on the basis that all of the shares of the subsidiaries are owned by a corporation whose shares are owned by Her Majesty in right of Canada.

The CPP Investment Board's audited financial statements for the year ended March 31, 2004 are publicly available and provide details concerning the Board's investment policy, its investments and portfolio returns.

**Canada Pension Plan —Continued**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004—Continued

**6. Receivables from beneficiaries**

|   | 2004                     | 2003      |
|---|--------------------------|-----------|
|   | (in millions of dollars) |           |
| Balance of pensions and benefits overpayments ..... | 81                       | 77        |
| Allowance for doubtful accounts .....               | (45)                     | (28)      |
|   | <u>36</u>                | <u>49</u> |

Social Development Canada has procedures to detect overpayments. During the year, overpayments totalling \$45 million (2003 - \$45 million) were established and remissions of debts totalling \$4 million (2003 - \$4 million) were granted. A further \$37 million was recovered (2003 - \$37 million).

**7. Canada Pension Plan Account**

The CPP Account was established in the accounts of Canada by the *CPP Act*, to record the contributions, interest, pensions, benefits and administration costs of the Plan. It also records the amounts transferred to or received from the CPP Investment Fund and the CPP Investment Board.

The balance of the CPP Account included the Deposit with Receiver General for Canada and short-term investments, if any. As at March 31, the Deposit with Receiver General for Canada amounts to \$7,483 million (2003 - \$7,093 million).

**8. Contributions**

Contributions for the year are measured by Canada Customs and Revenue Agency (CCRA) using the assessment of tax returns. In determining the amount of contributions earned for the year, the Agency considers cash received and contributions assessed and makes an estimate for contributions related to tax returns not yet assessed.

Actual results may differ from these estimates. Actual contribution amounts for calendar years 2003 and 2004 will only be known once CCRA has processed all employer's and self-employed workers' declarations of contributions for these years. An adjustment for the difference between actual and estimated contributions will be recorded in the fiscal year in which the adjustment is known.

**9. Investment income/(loss)**

|  | 2004                     | 2003           |
|--|--------------------------|----------------|
|  | (in millions of dollars) |                |
| CPP Investment Fund income:  |                          |                |
| Interest on bonds .....  | 2,500                    | 2,741          |
| Net unrealized gains .....   | 357                      | 193            |
| Interest on deposit with Receiver General for Canada as a weighted-average annual rate of 2.59 percent (2003 - 2.64 percent) ..... | 2,857                    | 2,934          |
|  | <u>182</u>               | <u>169</u>     |
| CPP Investment Board net income/(loss) from operations:  |                          |                |
| Net unrealized gains/(losses) .....  | 6,050                    | (3,264)        |
| Fund distributions of capital gains and dividends .....  |                          | 361            |
| Net realized gains/(losses) .....  | 658                      | (1,533)        |
| Dividend income .....  | 504                      | 288            |
| Other investment income .....  | 21                       | 9              |
| Investment and administrative expenses .....   | (24)                     | (13)           |
|  | <u>7,209</u>             | <u>(4,152)</u> |
|  | <u>10,248</u>            | <u>(1,049)</u> |

**10. Administration costs**

|   | 2004                     | 2003       |
|---|--------------------------|------------|
|   | (in millions of dollars) |            |
| Pension and benefit delivery, accommodation and corporate services (Human Resources Development Canada) ..... | 309                      | 328        |
| Collection of contributions (Canada Customs and Revenue Agency) .....   | 85                       | 80         |
| Cheque issue and computer services (Public Works and Government Services Canada) .....                        | 15                       | 13         |
| Actuarial services (Office of the Superintendent of Financial Institutions) .....                             | 1                        | 1          |
|   | <u>410</u>               | <u>422</u> |

Administration costs of the CPP represent the cost of services received from a number of federal government departments and an agency. Those costs are based on estimated allocations of costs and are charged to the CPP in accordance with the memoranda of understanding.

**Canada Pension Plan —Concluded**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004—*Concluded*

11. Contingencies

At March 31, 2004, there were 4,403 (5,140 in 2003) appeals relating to the payment of CPP pensions and benefits. Claims for these appeals could reach a maximum estimated amount of \$22 million (\$22 million in 2003). Any award made in favour of beneficiaries will be accounted for as an expenditure of the period in which the amount becomes payable.

A class action has been 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 December 19, 2003, the Ontario Superior Court ruled in favour of the class members. The Government has appealed the decision to the Court of Appeal for Ontario. The appeal was heard in Toronto in June 2004. At the time of the preparation of the financial statements, the outcome of the hearing was not known. This contingency is evaluated at an amount between \$71 and \$132 million.

12. Legislative amendment

Legislation to amend the *Canada Pension Plan* and the *Canada Pension Plan Investment Board Act* was passed by Parliament on April 3, 2003, and approved by an Order in Council on March 22, 2004. The amended legislation and a related administrative agreement provide for the transfer of CPP assets currently administered by the federal government to the CPP Investment Board beginning in fiscal year 2005. These assets consist of the bonds held by the CPP Investment Fund and the Deposit with Receiver General for Canada. CPP Investment Board, the departments of Finance and Social Development have signed an agreement outlining the process for the transfer of assets. The bonds held by the CPP Investment Fund will be transferred to CPP Investment Board over a three-year period beginning with the first transfer on May 1<sup>st</sup>, 2004. The Deposit with Receiver General for Canada will be transferred over a period of twelve months beginning in September 2004.

13. Comparative figures

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

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## Government Annuities Account

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by the management of Human Resources and Skills Development Canada in accordance with Canadian generally accepted accounting principles. Management is responsible for the integrity and objectivity of the information in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions comply with relevant authorities, assets are safeguarded and proper records are maintained.

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

The management of Human Resources and Skills Development Canada is responsible for maintaining adequate control systems and the quality of financial reporting. The financial statements have been reviewed and approved by the Department.

The independent auditor, the Auditor General of Canada, conducts an independent audit, in accordance with Canadian generally accepted auditing standards, and expresses her opinion on the financial statements and her report follows.

WAYNE WOUTERS  
*Deputy Minister*

GUY TREMBLAY  
*For the Assistant Deputy Minister  
Financial and Administrative Services*

June 11, 2004

### REPORT OF THE ACTUARY

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account as at March 31, 2004 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  
Acting Chief Actuary  
Human Resources and Skills Development Canada

Gatineau, Canada  
June 11, 2004

**Government Annuities Account—Continued**

## AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND SKILLS  
DEVELOPMENT

I have audited the balance sheet of the Government Annuities Account as at March 31, 2004 and the statements of operations and actuarial liabilities and cash flows for the year then ended. These financial statements are the responsibility of the management of Human Resources and Skills Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

Shahid Minto, CA  
Assistant Auditor General  
for the Auditor General of Canada

Halifax, Canada  
June 11, 2004

**BALANCE SHEET AS AT MARCH 31, 2004**  
(in thousands of dollars)

| ASSETS   | 2004    | 2003    | LIABILITIES                               | 2004    | 2003    |
|--|---------|---------|---|---------|---------|
| Deposit with Receiver General for<br>Canada (Note 3) . . . . . | 379,800 | 410,167 | Actuarial surplus due to Canada . . . . . | 2,532   | 3,309   |
| Accrued interest due from Canada . . . . .                     | 28,454  | 30,612  | Actuarial liabilities (Note 4) . . . . .  | 405,744 | 437,570 |
| Accounts receivable . . . . .                                  | 22      | 100     |   |         |         |
|  | 408,276 | 440,879 |   | 408,276 | 440,879 |

Contingency (Note 7)

See accompanying notes to the financial statements.

Approved by the Department:

WAYNE WOUTERS  
*Deputy Minister*

GUY TREMBLAY  
*For the Assistant Deputy Minister  
Financial and Administrative Services*

**Government Annuities Account—Continued**STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES  
FOR THE YEAR ENDED MARCH 31, 2004  
(in thousands of dollars)

|  | 2004    | 2003    |
|--|---------|---------|
| Payments and other charges   |         |         |
| Annuity payments.....  | 57,330  | 60,752  |
| Premium refunds.....   | 253     | 305     |
| Unclaimed annuities.....   | 260     | 246     |
|  | 57,843  | 61,303  |
| Income   |         |         |
| Interest from Canada .....   | 28,454  | 30,612  |
| Premiums (Note 3) .....  | 32      | 54      |
| Other.....   | 63      | 165     |
|  | 28,549  | 30,831  |
| Excess of payments and other charges<br>over income for the year ..... | 29,294  | 30,472  |
| Actuarial liabilities, balance at begin-<br>ning of the year .....     | 437,570 | 471,351 |
|  | 408,276 | 440,879 |
| Actuarial surplus due to Canada .....                                  | 2,532   | 3,309   |
| Actuarial liabilities, balance at end<br>of the year (Note 4) .....    | 405,744 | 437,570 |
| Actuarial liabilities are<br>comprised of:                             |         |         |
| Deferred annuities, present value.....                                 | 25,399  | 29,266  |
| Matured annuities, present value .....                                 | 380,345 | 408,304 |
|  | 405,744 | 437,570 |

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2004  
(in thousands of dollars)

|  | 2004     | 2003     |
|--|----------|----------|
| Cash flows from (used in)<br>operations:   |          |          |
| Payments to annuitants .....   | (57,583) | (61,057) |
| Unclaimed annuities paid to<br>Consolidated Revenue Fund.....                          | (260)    | (246)    |
| Interest received .....  | 30,612   | 33,092   |
| Premiums received from<br>annuitants .....   | 32       | 54       |
| Other income.....  | 141      | 166      |
|  | (27,058) | (27,991) |
| Actuarial surplus remitted to<br>Consolidated Revenue Fund.....                        | (3,309)  | (4,524)  |
| Decrease in Deposit with<br>Receiver General for Canada .....                          | (30,367) | (32,515) |
| Deposit with Receiver General for<br>Canada, balance at beginning of<br>the year ..... | 410,167  | 442,682  |
| Deposit with Receiver General<br>for Canada, balance at end of<br>the year .....       | 379,800  | 410,167  |

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

## 1. Authority and purpose

The Government Annuities Account was established in 1908 by the *Government Annuities Act*, as modified by the *Government Annuities Improvement Act*.

The purpose of the *Government Annuities Act* was to assist individuals and groups of Canadians to prepare financially for their retirement by purchasing Government Annuities. In 1975, the *Government Annuities Improvement Act* discontinued future sales of Government Annuity contracts. Annuities are deferred until their maturity date, at which time payments to annuitants begin.

The Account is administered by the management of Human Resources and Skills Development Canada and operates through the Consolidated Revenue Fund.

## 2. Significant accounting policies

The financial statements of the Government Annuities Account are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are:

## (a) Actuarial liabilities

The method utilized to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

Actuarial liabilities comprise, in respect of deferred and matured annuities, the present value of such annuities actuarially determined on the basis of such rate or rates of interest and mortality tables as is prescribed.

## (b) Actuarial surplus/deficit

At the end of any fiscal year, the recorded amount of actuarial liabilities may be different than the amount of actuarial liabilities determined by the actuary. The difference is recorded as an actuarial surplus or deficit, which is remitted to or recovered from the Consolidated Revenue Fund.

## (c) Interest from Canada

Interest from Canada is recorded on the accrual basis and is calculated on actuarial liabilities as prescribed by the *Government Annuities Improvement Act*.

## (d) Unclaimed annuities

Unclaimed annuities represent amounts transferred to the Consolidated Revenue Fund in respect of annuities that could not be paid because the annuitants could not be located.



**Government Annuities Account—Concluded**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004—Concluded

(e) Management estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, actuarial liabilities, income and the disclosure of contingent liabilities at the date of the financial statements. Despite the use of management's best estimates, it is possible that the amounts for the actuarial liabilities and related accounts could change materially in the near term.

3. Premiums deposited with Receiver General for Canada

Premiums are deposited with the Receiver General for Canada. This deposit earns interest at a rate of seven percent in accordance with the *Government Annuities Improvement Act*. Due to the short-term nature, the carrying value of the deposit with the Receiver General for Canada approximates its fair value.

4. Actuarial liabilities

The *Government Annuities Act* and regulations prescribe the basis upon which actuarial values are to be determined. The regulations require the discounting of expected future payments using a seven percent annual interest. Future payments are to be estimated by using the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The Chief Actuary has indicated that these assumptions provide a reasonable estimate of the actuarial liabilities of the Account.

5. Respective roles of the valuation actuary and of the auditor

In accordance with the Joint Policy Statement of the Canadian Institute of Chartered Accountants and the Canadian Institute of Actuaries, dated March 1991, it is appropriate to include a description of the respective roles of the actuary and of the auditor with the financial statements. Their respective roles are as follows:

- (a) The actuary, being in this case the Chief Actuary employed by Human Resources and Skills Development Canada, 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 program. The Chief Actuary also ensures that the method utilised to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

- (b) The auditor expresses an opinion on the fair presentation of the financial statements prepared by management in accordance with Canadian generally accepted accounting principles. The auditor 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 the regulations. The audit is conducted in accordance with Canadian generally accepted auditing standards issued by the Canadian Institute of Chartered Accountants.

6. Related party transactions

The Account does not record the value of administrative services, including actuarial services it receives without charge from Human Resources and Skills Development Canada and other government entities. For the year ended March 31, 2004, the estimated cost of the administrative services received from Human Resources and Skills Development Canada amounted to \$2.8 million (2003—\$2.7 million).

7. Contingency

A lawsuit has been filed against Her Majesty the Queen claiming breach of the government's responsibility to properly administer the transfer of excess payments within the Account. The amount of the claim is \$8.2 million. In management's opinion, the outcome of this action cannot be determined at this time and no provision has been made in the financial statements.



## Royal Canadian Mounted Police (Dependants) Pension Fund

### MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Royal Canadian Mounted Police (Dependants) Pension Fund is responsible for the preparation of the financial statements. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include estimates that reflect management's best judgements.

Management is also responsible for developing and maintaining a system of internal control designed to provide reasonable assurance that all transactions are accurately recorded and that they comply with the relevant authorities, that the financial statements report the Fund's net assets available for benefits and that its assets are safeguarded.

The Auditor General of Canada conducts an independent audit and expresses an opinion on the financial statements.

Approved by:

GIULIANO ZACCARDELLI  
*Commissioner*

PAUL GAUVIN  
*Deputy Commissioner  
Corporate Management  
and Comptrollership*

August 13, 2004

### AUDITOR'S REPORT

TO THE SOLICITOR GENERAL OF CANADA

I have audited the statement of net assets available for benefits of the Royal Canadian Mounted Police (Dependants) Pension Fund as at March 31, 2004 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, 2004 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Ottawa, Canada  
August 13, 2004

**Royal Canadian Mounted Police (Dependants)  
Pension Fund—Continued**
**STATEMENT OF NET ASSETS AVAILABLE FOR  
BENEFITS  
AS AT MARCH 31, 2004**

|  | 2004       | 2003       |
|--|------------|------------|
|  | \$         | \$         |
| Net assets available for benefits            |            |            |
| Due from the Consolidated Revenue Fund ..... | 30,805,139 | 30,919,035 |

See accompanying notes to the financial statements.

**STATEMENT OF CHANGES IN NET ASSETS  
AVAILABLE FOR BENEFITS  
FOR THE YEAR ENDED MARCH 31, 2004**

|  | 2004        | 2003        |
|--|-------------|-------------|
|  | \$          | \$          |
| Net assets available for benefits, beginning of year .....             | 30,919,035  | 31,370,192  |
| Increase in net assets:  |             |             |
| Interest income on amount due from the Consolidated Revenue Fund ..... | 2,477,090   | 2,480,853   |
| Contributions from participants .....                                  | 9,723       | 10,400      |
| Total increase in net assets .....                                     | 2,486,813   | 2,491,253   |
| Decrease in net assets:  |             |             |
| Benefit payments to widows and children .....                          | (2,600,709) | (2,942,410) |
| Decrease in net assets .....   | (113,896)   | (451,157)   |
| Net assets available for benefits, end of year .....                   | 30,805,139  | 30,919,035  |

See accompanying notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2004**
**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, such amount 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  
MARCH 31, 2004—Continued

### (d) Basic death benefits

The following benefits, as applicable, are payable on the death of a member who has made the scheduled contributions and has left them in the Fund.

#### i) Widow's pension benefit

The widow is entitled to the pension purchased by the member. In many cases the pension benefit equals approximately 1.5 percent of the member's final pension benefit payment multiplied by his years of credited service. The pension benefit is payable for life with a guarantee that the total payments shall be no less than the member's contributions.

#### ii) Eligible children's annuities

An annuity, not exceeding 7 percent of the member's final pension payment, is payable to each surviving child eligible in accordance with the provisions of the *Act* at that time. If there is no surviving widow or if the widow dies before the child's annuity ceases, the amount of the annuity doubles.

#### iii) Lump sum benefits

If a member is not survived by a widow, a lump sum payment is made to the dependants and relatives of the member who are, in the opinion of the Minister, best entitled to share the benefit. The lump sum amount is equal to the actuarial present value of a pension to a hypothetical surviving widow 20 years older than the member at his death, but not exceeding 75 years of age.

#### iv) Benefit limitations

Under certain circumstances, the basic death benefits payable to a surviving widow are reduced. This can occur when a member marries after age 60; in that case, the value of the pension to the widow cannot exceed the lump sum payable if he were not survived by a widow.

### (e) Dividends on death benefits

The *Act* provides that if the Fund is substantially in excess of the amount required to make adequate provision for the prospective payments, the Governor in Council may, by order, increase the benefits provided under Part IV of the *Act* in such manner as may appear equitable and expedient. The authority of the Governor in Council is delegated to the Treasury Board under section 7(2) of the *Financial Administration Act*.

To date, most of these benefit increases have taken the form of proportionate dividends applied to all basic death benefits, both accrued and prospective.

### (f) Withdrawal of contributions

A retired member who did not elect to withdraw his contributions from the Fund upon retirement retains the right to do so at any time thereafter; however, all his rights under Part IV of the *Act* and those of his dependants shall cease upon such election. All returns of contributions are made without interest.

## 2. Significant accounting policies

### (a) Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity independent of the sponsor and Fund members. They are prepared to assist Fund members and others in reviewing the activities of the Fund for the fiscal period but they do not portray the funding requirements of the Fund.

Due from the Consolidated Revenue Fund is considered a cash equivalent, and accordingly its carrying value approximates fair value.

### (b) Services provided without charge

The Fund does not record the value of administrative services it receives without charge from various government departments and agencies. These services include the following:

- financial management and other support services from the Royal Canadian Mounted Police;
- actuarial valuation and other services from the Office of the Superintendent of Financial Institutions; and,
- cheque issue from Public Works and Government Services Canada.

## 3. Pension obligations

The most recent statutory actuarial valuation was performed as at March 31, 2001 by the Office of the Superintendent of Financial Institutions. The valuation disclosed an actuarial surplus of \$4,818,000. A portion of this surplus was distributed by annual increases in the basic pension amount of 27 percent effective April 1, 2002, an additional 28 percent effective April 1, 2003, and an additional 28 percent effective April 1, 2004 and by increases to lump sum death benefits and residual payments. The cumulative increase to the basic pension amount was 962 percent effective April 1, 2002, 990 percent effective April 1, 2003 and 1,018 percent effective April 1, 2004.

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

NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2004—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 (roughly matching the rate of inflation) in the pension benefits. The average ages of the members and widows were estimated to be 79 and 80 years respectively as at March 31, 2001. The expected average remaining lifetime of the widows was about 8 years. The remaining lifetime of the Fund itself was estimated at 39 years.

The obligations for pension benefits are determined on an actuarial basis and incorporate the actuary's best estimates of future Fund yields, mortality rates, proportion of members married, and age of new widows. The current Fund yield of 8.4 percent per annum (8.3 percent in 2003) is consistent with the estimated yield (8.32 percent) used for the immediate future in the actuarial valuation. The expected long-term Fund yield is estimated to decline to 5.65 percent per annum by the year 2018 and to rise to 6.09 percent by 2035. Variations in any of these assumptions can result in a significantly higher, or lower, estimate of the liability.

An interim valuation was performed at March 31, 2004. The actuarial present value of accrued pension benefits as at March 31, 2004, net of a \$51,000 deduction representing the present value of participants' future instalment payments (was \$57,000 in 2003) and the principal components of change in the actuarial present value during the year were estimated as follows:

|  | 2004        | 2003        |
|--|-------------|-------------|
|  | \$          | \$          |
| Actuarial present value of accrued pension benefits, beginning of year . . . . .             | 27,485,000  | 27,836,000  |
| Net interest accrued on benefits . . . . .   | 2,181,000   | 2,249,000   |
| Net adjustment arising from experience gains and losses and from valuation changes . . . . . | (290,000)   | 332,000     |
| Contributions from participants (instalment payments) . . . . .                              | 10,000      | 10,000      |
| Benefit payments . . . . .   | (2,601,000) | (2,942,000) |
| Actuarial present value of accrued pension benefits, end of year . . . . .                   | 26,785,000  | 27,485,000  |

# SECTION 7

2003-2004

*PUBLIC ACCOUNTS OF CANADA*

## Cash and Accounts Receivable

### CONTENTS

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| Tax receivables .....                  | 7.4         |
| Other accounts receivable .....        | 7.5         |

## 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.

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 7.1**

### CASH AND ACCOUNTS RECEIVABLE

|   | April 1/2003          | March 31/2004         |
|---|-----------------------|-----------------------|
|   | \$                    | \$                    |
| Cash in bank, Table 7.2 .....                           | 14,821,131,784        | 17,297,058,247        |
| Cash in transit, Table 7.3 .....                        | 6,610,169,069         | 7,371,241,939         |
|   | <i>21,431,300,853</i> | <i>24,668,300,186</i> |
| Less: outstanding cheques and warrants, Table 7.4 ..... | 4,945,109,360         | 4,121,986,544         |
| Total cash .....  | 16,486,191,493        | 20,546,313,642        |
| Tax receivables, Table 7.5 .....                        | 43,597,037,466        | 47,953,394,855        |
| Other accounts receivable, Table 7.7. ....              | 2,542,741,666         | 2,422,292,840         |
| Total receivable .....                                  | 46,139,779,133        | 50,375,687,695        |
| Total .....   | 62,625,970,625        | 70,922,001,337        |

## Cash in Bank

This account records public moneys on deposit at March 31, to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions.

Table 7.2 presents a summary of the balances in current and special Receiver General deposits.

The year-end balances denominated in foreign currencies have been translated into Canadian dollar equivalents at year-end closing rates of exchange. Foreign currencies held include United Kingdom pounds sterling, United States dollars and Euros.

**TABLE 7.2**

### CASH IN BANK

|                          | April 1/2003   | March 31/2004  |
|--------------------------|----------------|----------------|
|                          | \$             | \$             |
| Receiver General—        |                |                |
| Current deposits—        |                |                |
| Canadian currency .....  | 14,699,874,336 | 17,249,969,800 |
| Foreign currencies. .... | 49,889,107     | 13,263,495     |
| Special deposits .....   | 71,368,341     | 33,824,952     |
| Total .....              | 14,821,131,784 | 17,297,058,247 |

### Receiver General current deposits

These are cash balances on deposit in Canadian and foreign currencies.

### Receiver General special deposits

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.

## Cash in Transit

Table 7.3 presents a summary of the balances for cash in transit. This category of accounts records amounts which are reported in the financial statements, but which were not deposited in the Consolidated Revenue Fund or other bank accounts until after March 31.

**TABLE 7.3**  
**CASH IN TRANSIT**

|   | April 1/2003  | March 31/2004 |
|---|---------------|---------------|
|   | \$            | \$            |
| Cash in hands of collectors and in transit .....                | 6,053,408,069 | 6,834,435,939 |
| Other cash—Consolidated Crown corporations <sup>(1)</sup> ..... | 556,761,000   | 536,806,000   |
| Total .....   | 6,610,169,069 | 7,371,241,939 |

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

### Cash in hands of collectors and in transit

This account records public moneys received by public officers prior to April 1, but not deposited to the credit of the Receiver General for Canada in the Bank of Canada, before that date.

### Other cash—Consolidated Crown corporations

This account records the cash position of the consolidated Crown corporations. These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of these Crown corporations.

## Outstanding Cheques and Warrants

This account records cheques and warrants issued but not yet presented for payment.

Table 7.4 presents a summary of the balances for outstanding cheques and warrants.

**TABLE 7.4**  
**OUTSTANDING CHEQUES AND WARRANTS**

|  | April 1/2003  | March 31/2004 |
|--|---------------|---------------|
|  | \$            | \$            |
| Outstanding cheques <sup>(1)</sup> ..... | 4,941,948,992 | 4,118,391,315 |
| Imprest account cheques .....            | 3,160,368     | 3,595,229     |
| Total .....                              | 4,945,109,360 | 4,121,986,544 |

<sup>(1)</sup> Includes Employment insurance warrants.

### Outstanding cheques

Cheques issued in Canadian dollars, and unpaid at March 31, are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenues. During the year, an amount of \$33,186,973 (\$41,392,349 in 2003) was transferred to non-tax revenues.

Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

### Imprest account cheques

Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenues), are recorded in this account.

## Tax Receivables

Tax receivables include amounts assessed by Canada Customs and Revenue Agency 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 7.5 presents tax receivables by tax stream. Amounts receivable that are written off or forgiven are included in Section 3 of Volume III (Debts, obligations and claims written off or forgiven).

**TABLE 7.5**

### TAX RECEIVABLES AS AT MARCH 31

(in thousands of dollars)

|  | 2004                  |                                 | 2003                |                     |
|--|-----------------------|---------------------------------|---------------------|---------------------|
|  | Gross tax receivables | Allowance for doubtful accounts | Net tax receivables | Net tax receivables |
| Tax receivables—                         |                       |                                 |                     |                     |
| Income tax receivables—                  |                       |                                 |                     |                     |
| Individuals .....                        | 26,511,937            | 3,766,617                       | 22,745,320          | 20,969,212          |
| Employers .....                          | 11,311,718            | 474,539                         | 10,837,179          | 9,558,738           |
| Corporations .....                       | 6,397,297             | 1,215,631                       | 5,181,666           | 4,169,379           |
| Non-residents .....                      | 842,328               | 162,003                         | 680,325             | 491,889             |
| Goods and services tax receivable .....  | 9,637,739             | 1,883,190                       | 7,754,549           | 7,836,701           |
| Customs duties receivable .....          | 157,225               | 36,537                          | 120,688             | 88,366              |
| Excise taxes and duties receivable ..... | 693,110               | 59,442                          | 633,668             | 482,752             |
| Total .....                              | 55,551,354            | 7,597,959                       | 47,953,395          | 43,597,037          |

Table 7.6 presents the aging for gross tax receivables for the period over which claims at March 31, 2004 have been outstanding. Receivables based on estimates of unassessed taxes at year-end are included in current receivables.

**TABLE 7.6**

### AGING OF TAX RECEIVABLES

(in thousands of dollars)

|                          | Year ended March 31 |            |
|--------------------------|---------------------|------------|
|                          | 2004                | 2003       |
| Tax receivables          |                     |            |
| Less than one year ..... | 45,685,191          | 42,029,114 |
| 1-2 .....                | 2,551,811           | 2,900,254  |
| 2-3 .....                | 1,780,479           | 1,552,432  |
| 3-4 .....                | 1,305,040           | 1,138,577  |
| 4-5 .....                | 967,679             | 785,968    |
| Over 5 years .....       | 3,261,154           | 2,364,854  |
| Total .....              | 55,551,354          | 50,771,199 |



## 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, 2004.

Amounts receivable written off or forgiven are included in Section 3 of Volume III (Debts, obligations and claims written off or forgiven).

Table 7.7 presents a summary of the balances for other receivables.

**TABLE 7.7**

### OTHER ACCOUNTS RECEIVABLE AS AT MARCH 31

|   | 2004              |                                 | 2003            |                 |
|---|-------------------|---------------------------------|-----------------|-----------------|
|   | Gross receivables | Allowance for doubtful accounts | Net receivables | Net receivables |
|   | \$                | \$                              | \$              | \$              |
| Other receivables .....   | 3,272,271,525     | 1,084,157,685                   | 2,188,113,840   | 2,246,834,666   |
| Accounts receivable of consolidated Crown corporations <sup>(1)</sup> ..... | 234,179,000       |                                 | 234,179,000     | 295,907,000     |
| Total .....   | 3,506,450,525     | 1,084,157,685                   | 2,422,292,840   | 2,542,741,666   |

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

## Other receivables

This account records accrued financial claims owed to the Government and arising from other revenues.

### Accounts receivable of consolidated Crown corporations

This account records the financial claims of consolidated Crown corporations.

Table 7.8 presents the aging of other accounts receivables for the period over which claims at March 31, 2004 have been outstanding.

**TABLE 7.8**

### AGING OF OTHER ACCOUNTS RECEIVABLE AS AT MARCH 31

|   | 2004          |
|---|---------------|
|   | \$            |
| Outstanding days  |               |
| 0-30 .....  | 1,108,553,622 |
| 31-60 .....   | 82,279,676    |
| 61-90 .....   | 74,667,489    |
| 91-365 .....  | 306,148,349   |
| Over 365 .....  | 1,700,622,389 |
| Total .....   | 3,272,271,525 |
| Amounts receivable of consolidated Crown corporations ..... | 234,179,000   |
| Total .....   | 3,506,450,525 |

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# SECTION 8

2003-2004

*PUBLIC ACCOUNTS OF CANADA*

## Foreign Exchange Accounts

### CONTENTS

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| International reserves held in the Exchange Fund Account . . | 8.3         |
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## FOREIGN EXCHANGE ACCOUNTS

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

Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$20,542 million as at March 31, 2004 (\$21,141 million as at March 31, 2003); 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 1/2003   | Payments and<br>other charges | Receipts and<br>other credits | March 31/2004  |
|--|----------------|-------------------------------|-------------------------------|----------------|
|  | \$             | \$                            | \$                            | \$             |
| International reserves held in the Exchange Fund |                |                               |                               |                |
| Account, Table 8.2.....                          | 44,848,860,116 | 20,346,434,474                | 23,949,006,132                | 41,246,288,458 |
| International Monetary Fund—Subscriptions.....   | 12,942,262,089 |                               | 757,006,767                   | 12,185,255,322 |
|  | 57,791,122,205 | 20,346,434,474                | 24,706,012,899                | 53,431,543,780 |
| Less:  |                |                               |                               |                |
| International Monetary Fund—Notes payable.....   | 7,270,088,749  | 1,255,934,615                 | 1,592,000,000                 | 7,606,154,134  |
| Special drawing rights allocations.....          | 1,571,399,321  | 58,493,508                    |                               | 1,512,905,813  |
|  | 8,841,488,070  | 1,314,428,123                 | 1,592,000,000                 | 9,119,059,947  |
| Total.....                                       | 48,949,634,135 | 21,660,862,597                | 26,298,012,899                | 44,312,483,833 |

### International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and special drawing rights (SDRs).

The Exchange Fund Account is operated under the provisions of the *Currency Act*. In accordance with this *Act*, audited financial statements for the Exchange Fund Account are prepared for each calendar year. The financial statements as at December 31, 2003, 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, 2004. Gold held by the Account is valued at 35 SDRs per fine ounce (\$67.95 Cdn as at March 31, 2004 and \$70.58 Cdn as at March 31, 2003).

In 2003-2004, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$19,967 million and an adjustment of \$379 million to recognize the net income of the Exchange Fund Account for the period January 1 to March 31. Receipts and other credits consisted of repayments of advances of \$21,571 million and a net valuation adjustment of \$2,378 million.

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

(in millions of dollars)

|   | March 31/2004 | March 31/2003 |
|---|---------------|---------------|
| US dollar cash on deposits .....  | 136           | 146           |
| US dollar short-term deposits .....   | 2,454         | 4,112         |
| US dollar investments .....   | 17,983        | 18,988        |
| Euro short-term deposits .....  | 147           | 481           |
| Euro investments .....  | 18,046        | 18,651        |
| Japanese yen short-term deposits .....  | 103           | 102           |
| Japanese yen investments .....  | 1,259         | 1,247         |
| Special drawing rights .....  | 1,111         | 1,085         |
| Gold .....  | 7             | 36            |
| Canadian cash on deposits .....   |               | 1             |
| <b>Total .....</b>  | <b>41,246</b> | <b>44,849</b> |
| Advances by the Consolidated Revenue<br>Fund were denominated as follows:         |               |               |
| US dollars (2004, \$18,771<br>million US; 2003, \$19,529<br>million US) .....     | 24,615        | 28,665        |
| Euro .....  | 17,394        | 18,460        |
| Japanese yen .....  | 1,358         | 1,344         |
| Special drawing rights<br>(2004, SDR 610 million; 2003,<br>SDR 610 million) ..... | (1,184)       | (1,230)       |
| Canadian dollars .....  | (1,316)       | (3,345)       |
| <b>Total advances from the Consolidated<br/>Revenue Fund .....</b>                | <b>40,867</b> | <b>43,894</b> |
| <b>Total net income from January 1 to<br/>March 31 .....</b>                      | <b>379</b>    | <b>955</b>    |
| <b>Total .....</b>  | <b>41,246</b> | <b>44,849</b> |

**International Monetary Fund—  
Subscriptions**

This account records the value of Canada's subscription (its "quota") to the capital of the International Monetary Fund (IMF).

The amount by which the sum of Canada's subscriptions plus loans to the IMF under special facilities exceeds the IMF's holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand for balance of payments purposes. The subscription is expressed in terms of SDR, a unit of account defined in terms of a "basket" of four major currencies, the Euro, US dollar, Pound sterling and Japanese yen.

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR-value of the IMF's holdings of Canadian dollars.

In 2003-2004, receipts and other credits consisted of a maintenance of value adjustment of \$180 million and a valuation adjustment of \$577 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 2003-2004, notes payable to the IMF increased by \$336 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 2003-2004, payments and other charges consisted of a valuation adjustment of \$58 million.

## SUPPLEMENTARY STATEMENT

### Exchange Fund Account

#### MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the financial statements of the Exchange Fund Account (the Account) and all other information presented in this Annual Report rests with the Department of Finance. The operation of the Account is governed by the provisions of Part II of the *Currency Act*. The Account is administered by the Bank of Canada as fiscal agent.

The financial statements were prepared in accordance with the stated accounting policies set out in Note 2 to the financial statements, which conform to those used by 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.

PAUL JENKINS  
*Senior Deputy Governor  
Bank of Canada*

KEVIN G. LYNCH  
*Deputy Minister  
Department of Finance*

S. VOKEY, CA  
*Chief Accountant  
Bank of Canada*

Ottawa, Canada

#### AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at December 31, 2003 and the statement of revenue for the year then ended. These financial statements have been prepared to comply with Sections 20 and 21 of the *Currency Act*. These financial statements are the responsibility of the Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at December 31, 2003 and its revenues and its cash flows for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements, which conform to the accounting policies of the Government of Canada.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Minister of Finance for complying with Sections 20 and 21 of the *Currency Act* as set out in Note 2 to the financial statements. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part II of the *Currency Act*.

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

Ottawa, Canada  
March 12, 2004

**Exchange Fund Account—Continued**

BALANCE SHEET AS AT DECEMBER 31, 2003  
(in millions of dollars)

| ASSETS  | 2003   |        | 2002   |        | DUE TO THE CONSOLIDATED REVENUE FUND | 2003   | 2002   |
|---|--------|--------|--------|--------|--------------------------------------|--------|--------|
|   | US     | CDN    | US     | CDN    |                                      | CDN    | CDN    |
| Denominated in US dollars                       |        |        |        |        | Advances (Note 10) . . . . .         | 37,599 | 47,668 |
| Cash and short-term deposits . . .              | 2,277  | 2,952  | 2,529  | 3,990  | Net revenue for the year . . . . .   | 2,963  | 2,728  |
| Marketable securities (Notes 5 and 6) . . . . . | 12,812 | 16,611 | 14,635 | 23,088 |                                      |        |        |
|   | 15,089 | 19,563 | 17,164 | 27,078 |                                      |        |        |
| Denominated in other foreign currencies         |        |        |        |        |                                      |        |        |
| Cash and short-term deposits (Note 7) . . . . . | 89     | 116    | 134    | 211    |                                      |        |        |
| Marketable securities (Notes 5 and 7) . . . . . | 15,261 | 19,786 | 13,899 | 21,928 |                                      |        |        |
|   | 15,350 | 19,902 | 14,033 | 22,139 |                                      |        |        |
| Denominated in Special Drawing Rights           |        |        |        |        |                                      |        |        |
| Special Drawing Rights (Note 8) . . . . .       | 842    | 1,090  | 719    | 1,134  |                                      |        |        |
| Gold and gold loans (Note 9) . . .              | 6      | 7      | 28     | 45     |                                      |        |        |
|   | 848    | 1,097  | 747    | 1,179  |                                      |        |        |
| Official international reserve assets . . . . . | 31,287 | 40,562 | 31,944 | 50,396 |                                      | 40,562 | 50,396 |

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

Approved:

PAUL JENKINS  
*Senior Deputy Governor*  
*Bank of Canada*

KEVIN G. LYNCH  
*Deputy Minister*  
*Department of Finance*

S. VOKEY, CA  
*Chief Accountant*  
*Bank of Canada*

**Exchange Fund Account—Continued**

STATEMENT OF REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(in millions of Canadian dollars)

|  | 2003  | 2002  |
|--|-------|-------|
| Revenue from investments   |       |       |
| Marketable securities .....  | 1,931 | 2,110 |
| Cash and short-term deposits .....                                     | 49    | 91    |
| Special Drawing Rights .....   | 21    | 23    |
| Gold .....   |       | 4     |
|  | 2,001 | 2,228 |
| Other revenue  |       |       |
| Net gain on sales of gold .....  | 205   | 175   |
| Net foreign exchange gains .....                                       | 757   | 325   |
|  | 962   | 500   |
| Net revenue for the year due to the<br>Consolidated Revenue Fund ..... | 2,963 | 2,728 |

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

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003

1. Authority and objective

The Exchange Fund Account (the Account) is governed by Part II of the *Currency Act*. The Account is in the name of the Minister of Finance and is administered by the Bank of Canada as fiscal agent. The *Financial Administration Act* does not apply to the Account.

The legislative mandate of the Account is to aid in the control and protection of the external value of the Canadian dollar, and the Minister of Finance acquires or sells for the Account those assets that are deemed appropriate for this purpose in accordance with the *Currency Act*. The Account is empowered to invest in instruments approved by the Minister of Finance in accordance with the *Act*.

The objectives of the Account are to provide general liquidity for the government and to promote orderly conditions in the foreign exchange market for the Canadian dollar. In September 1998, the Department of Finance and the Bank of Canada decided to move away from intervening in the foreign exchange market in a predictable or automatic fashion (selling/buying foreign currencies / buying/selling Canadian dollars when there were market forces on the value of the Canadian dollar). Instead, the current policy is for the Bank of Canada to intervene on a discretionary basis.

Revenue for the year is payable to the Consolidated Revenue Fund (CRF) of the Government of Canada within three months after the end of the year in accordance with the *Currency Act*.

2. Significant accounting policies

As stipulated in the *Currency Act*, the financial statements of the Account are prepared in accordance with the accounting policies used by the Government of Canada to prepare its financial statements. The financial statements of the Account are prepared for the Minister of Finance in compliance with Sections 20 and 21 of the *Currency Act*.

The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles because it excludes the disclosure of the notional cost of advances. The advances are provided interest-free under the terms and conditions prescribed by the Governor in Council and the Account reflects only transactions pertaining to the assets of the Account. The significant accounting policies of the Account are set out below.

(a) Basis of presentation

The purpose of the financial statements is to report to Parliament on the operations of the Account to comply with the *Currency Act*. The Bank of Canada, on behalf of the Minister of Finance, may sell, lend, borrow, or deal in assets under the terms and conditions prescribed by the *Currency Act*. The reporting entity of the Account is limited to those transactions permitted by the *Currency Act* and to the category of expenses determined by the Minister as authorized by legislation. 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.

All expenses determined by the Minister to have been incurred in respect of the operations of the Account are paid out of the Account. This excludes the cost of administrative, custodial, and fiscal-agency services that are provided by the Bank of Canada with regard to the transactions in the Account and that are not recognized in the financial statements.

Interest-free advances to the Account from the CRF are authorized by the Minister under the terms and conditions prescribed by the Governor in Council.

The annual net revenue of the Account is paid to the CRF (or charged to the CRF when net revenue is a negative amount).

All material changes in cash flows are evident from the financial statements. A separate statement of cash flows has not been prepared.



**Exchange Fund Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003—Continued

**(b) Valuation of assets**

The estimated fair market value of cash, short-term deposits, and special drawing rights (SDRs), which are recorded at cost and generally held to maturity, is deemed to be equal to their book value.

Marketable securities are adjusted for unamortized premiums or discounts, where applicable, and are reported at the lower of their amortized costs, including accrued interest and year-end market values. Purchases and sales of securities are recorded at the settlement dates.

Marketable securities, short-term deposits and SDRs include accrued interest. The SDR is a unit of account issued by the International Monetary Fund (IMF), and its value is determined in terms of a basket of four major currencies.

Gold and gold loans include accrued interest. Gold and gold loans are 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*.

**(c) Revenue from investments**

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, revenues from gold loans, and revenues from securities-lending activities. Writedowns of securities to their year-end market values (if applicable) are netted against investment revenue in the year in which they occur.

**(d) Gold**

Net gains on gold sales are recorded at settlement dates and are included in the category *Other revenue* in the *Statement of Revenue*. Interest revenue from gold loans is recorded on an accrual basis and premiums on the sales of call options on gold are recorded when received. Both are included in the category *Revenue from investments* in the *Statement of Revenue*.

**(e) Tri-party Reverse Repurchase Agreement**

In 2003, tri-party reverse repurchase transactions were implemented. Tri-party reverse repurchase trades are money market transactions where the Account lends funds on a secured basis to designated counterparties at prevailing market rates. The collateral on these transactions is held by a tri-party custodian. Tri-party reverse repurchase transactions are recorded on the balance sheet under the category *Cash and short-term deposits*. They include amounts at which the securities were originally loaned plus the accrued interest.

Revenue from these transactions is included in the category *Revenue from investments* in the *Statement of Revenue*.

**(f) Translation of foreign currencies and SDRs**

Assets and advances denominated in foreign currencies and SDRs are translated into Canadian and US-dollar equivalents at year-end market exchange rates, which were as follows:

|                              | Canadian dollars |         |
|------------------------------|------------------|---------|
|                              | 2003             | 2002    |
| US dollars .....             | 1.29650          | 1.57760 |
| Euros .....                  | 1.62820          | 1.65680 |
| Japanese yen .....           | 0.01207          | 0.01328 |
| Special drawing rights ..... | 1.92656          | 2.13699 |

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

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.

**3. Official government operations**

Official government operations involve purchases and sales of Canadian dollars against foreign currencies. These are undertaken to promote orderly conditions in the market for the Canadian dollar or to meet net government requirements for foreign exchange. Since September 1998, no transactions were aimed at moderating movements in the value of the Canadian dollar.

The majority, but not all, of Canada's official international reserves reside inside the Account. The Account represents approximately 89 percent (90 percent in 2002) of Canada's official reserves.

**4. Risk management and financial instruments**

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

To ensure that the Account asset portfolio is prudently diversified with respect to credit risk, the investment guidelines specify limits on holdings by class of issuer (sovereign, agency, supranational, or commercial financial

**Exchange Fund Account—Continued**

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003—Continued

institution) and type of instrument. There are also limits on exposure to any one issuer or counterparty.

With respect to investment guidelines prescribed by the Minister of Finance, the Account may hold debt issued in the designated currencies by highly rated sovereign governments and their agencies, as well as by supranational organizations. Eligible issues must have an A-rating or better from two of four designated rating agencies (Standard & Poor's, Moody's, Fitch, and Dominion Bond Rating Service), one of which must be either Moody's or Standard & Poor's. The Account may also make deposits and execute other transactions with commercial financial institutions that meet the same rating criteria, with the term to maturity of commercial deposits limited to three months or less.

Interest rate and foreign currency risks are managed by adopting a strategy of matching the duration structure and the currency of the Account's assets and the related foreign currency borrowings of the Government of Canada.

Through the securities-lending program, agents can lend securities only up to a prescribed maximum amount and only to a list of counterparties approved by the Government. Each borrower must enter into a Securities Loan Agreement with either of the agents. Borrowers are also required to provide collateral for securities borrowed, according to a specific list approved by the Government. Collateral is limited to specific security types, terms to maturity, and credit ratings. The agents also provide an indemnity in the event of default by the borrower. The Account enters into securities lending in order to earn extra return on investments.

## 5. Term structure of foreign currency investments

|                                     | 2003              |                   |                 |                 | 2002   |                   |                   |
|-------------------------------------|-------------------|-------------------|-----------------|-----------------|--|-------------------|-------------------|
|                                     | Par value         |                   |                 |                 | Unamortized<br>premium/discount<br>and<br>accrued interest | Amortized<br>cost | Amortized<br>cost |
|                                     | Under<br>6 months | 6 to 12<br>months | 1 to 5<br>years | Over<br>5 years |  |                   |                   |
| (in millions of US dollars)         |                   |                   |                 |                 |  |                   |                   |
| US dollar holdings                  |                   |                   |                 |                 |  |                   |                   |
| Government securities.....          | 3,200             |                   |                 |                 | (5)  | 3,195             | 3,114             |
| Other securities.....               | 1,375             | 1,265             | 5,248           | 1,504           | 225  | 9,617             | 11,521            |
| Total US dollar holdings.....       | 4,575             | 1,265             | 5,248           | 1,504           | 220  | 12,812            | 14,635            |
| Other foreign currencies            |                   |                   |                 |                 |  |                   |                   |
| Euro holdings                       |                   |                   |                 |                 |  |                   |                   |
| Other securities.....               | 521               | 927               | 6,539           | 5,838           | 501  | 14,326            | 13,053            |
| Yen holdings                        |                   |                   |                 |                 |  |                   |                   |
| Government securities.....          |                   |                   | 465             | 465             | 5  | 935               | 846               |
| Total other foreign currencies..... | 521               | 927               | 7,004           | 6,303           | 506  | 15,261            | 13,899            |
| Total.....                          | 5,096             | 2,192             | 12,252          | 7,807           | 726  | 28,073            | 28,534            |

## 8.8 FOREIGN EXCHANGE ACCOUNTS

**Exchange Fund Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003—Continued

**6. Marketable securities denominated in US dollars**

| Securities   | 2003                     |                |        | 2002      |                |        |
|--|--------------------------|----------------|--------|-----------|----------------|--------|
|  | Par value                | Amortized cost |        | Par value | Amortized cost |        |
|  | US                       | US             | CDN    | US        | US             | CDN    |
|  | (in millions of dollars) |                |        |           |                |        |
| US government .....                                  | 3,200                    | 3,193          | 4,141  | 3,125     | 3,114          | 4,913  |
| US federal agencies .....                            | 5,124                    | 5,182          | 6,718  | 4,366     | 4,415          | 6,965  |
| Sovereign paper and international institutions ..... | 4,268                    | 4,306          | 5,583  | 6,875     | 6,901          | 10,886 |
| Accrued interest .....                               |                          | 131            | 169    |           | 205            | 324    |
|  | 12,592                   | 12,812         | 16,611 | 14,366    | 14,635         | 23,088 |
| Estimated market value at year-end .....             |                          | 13,199         | 17,113 |           | 15,316         | 24,163 |

Estimated market values are based on quoted market prices.

Loans of securities are effected on behalf of the Account by agents who guarantee the loans and obtain collateral of equal or greater value from their approved counterparties in these transactions. At year-end, a portion of the Account's holdings of US government securities consisting of US\$ 2,250 million (par value) in Treasury Bills (US\$ 2,200 million in 2002) is being used in securities-lending operations with financial institutions.

**7. Assets denominated in other foreign currencies**

|                    | Cash and short-term deposits |     |      |     |
|--------------------|------------------------------|-----|------|-----|
|                    | 2003                         |     | 2002 |     |
|                    | US                           | CDN | US   | CDN |
|                    | (in millions of dollars)     |     |      |     |
| Euros .....        | 13                           | 17  | 65   | 102 |
| Japanese yen ..... | 76                           | 99  | 69   | 109 |
|                    | 89                           | 116 | 134  | 211 |

|  | Marketable securities    |                |        |           |                |        |
|--|--------------------------|----------------|--------|-----------|----------------|--------|
|  | 2003                     |                |        | 2002      |                |        |
|  | Par value                | Amortized cost |        | Par value | Amortized cost |        |
|  | US                       | US             | CDN    | US        | US             | CDN    |
|  | (in millions of dollars) |                |        |           |                |        |
| Euros .....                              | 13,825                   | 14,326         | 18,573 | 12,637    | 13,053         | 20,593 |
| Japanese yen .....                       | 931                      | 935            | 1,213  | 842       | 846            | 1,335  |
|  | 14,756                   | 15,261         | 19,786 | 13,479    | 13,899         | 21,928 |
| Estimated market value at year-end ..... |                          | 15,862         | 20,565 |           | 14,597         | 23,028 |

Estimated market values are based on quoted market prices.

**Exchange Fund Account—Concluded**

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003—*Concluded*

**8. Special Drawing Rights (SDRs)**

|                       | 2003                     |       | 2002 |       |
|-----------------------|--------------------------|-------|------|-------|
|                       | US                       | CDN   | US   | CDN   |
|                       | (in millions of dollars) |       |      |       |
| Held at year-end..... | 838                      | 1,087 | 717  | 1,130 |
| Accrued interest..... | 4                        | 3     | 2    | 4     |
|                       | 842                      | 1,090 | 719  | 1,134 |

**9. Gold and gold loans**

During the year, the Account sold 490,067 fine ounces of gold (452,516 fine ounces in 2002).

|                  | 2003                     |     | 2002 |     |
|------------------|--------------------------|-----|------|-----|
|                  | US                       | CDN | US   | CDN |
|                  | (in millions of dollars) |     |      |     |
| Held at year-end |                          |     |      |     |
| Gold loans.....  |                          |     | 23   | 37  |
| Gold.....        | 6                        | 7   | 5    | 8   |
|                  | 6                        | 7   | 28   | 45  |

The year-end carrying values and market values (based on London fixings) of gold and gold loans, excluding accrued interest, are:

|                |              | 2003                 |                         | 2002                 |                         |
|----------------|--------------|----------------------|-------------------------|----------------------|-------------------------|
|                |              | Price per fine ounce | Total value in millions | Price per fine ounce | Total value in millions |
| Carrying value | —US\$.....   | 52.01                | 6                       | 47.41                | 28                      |
|                | —Canadian \$ | 67.43                | 7                       | 74.79                | 45                      |
| Market value   | —US\$.....   | 417.25               | 45                      | 347.20               | 208                     |
|                | —Canadian \$ | 540.96               | 59                      | 547.74               | 328                     |

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

The Account is funded by advances from the CRF. These are limited to CAN\$ 60 billion by Order-in-Council dated April 26, 2001. At year-end, advances from (deposits with) the CRF consisted of:

|                             | 2003                              | 2002    |
|-----------------------------|-----------------------------------|---------|
|                             | (in millions of Canadian dollars) |         |
| US dollars .....            | 23,898                            | 32,852  |
| Canadian dollars.....       | (4,347)                           | (5,447) |
| Euros .....                 | 17,920                            | 20,132  |
| Japanese yen .....          | 1,303                             | 1,435   |
| Special drawing rights..... | (1,175)                           | (1,304) |
|                             | 37,599                            | 47,668  |

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.

**11. Commitments****(a) Currency swaps**

The Account may enter into short-term currency swap arrangements with the Bank of Canada to assist the Bank in its cash-management operations. There were no drawings under this facility in 2003 or 2002, and there were no commitments outstanding as at December 31, 2003.

**(b) Gold options and forward contracts**

The Minister of Finance has authorized the sale of call options, as well as forward sales, on part of the Account's gold holdings. At year-end, the Account had no commitments to sell gold under gold options (20,000 fine ounces in 2002) or forward contracts (US\$ 66 million in 2002).

**(c) Foreign currency contracts**

The following table presents the fair value of foreign currency contracts with contractual amounts outstanding at December 31:

|                        | 2003                              |            | 2002              |            |
|------------------------|-----------------------------------|------------|-------------------|------------|
|                        | Contractual value                 | Fair value | Contractual value | Fair value |
|                        | (in millions of Canadian dollars) |            |                   |            |
| Forward sales .....    | 4                                 |            | 2,975             | (29)       |
| Forward purchases..... |                                   |            | 2,991             | 29         |

The estimated fair values of foreign exchange contracts are calculated using the year-end exchange rates. Foreign exchange contracts that have a positive fair value are those contracts that, if settled immediately, would result in a gain. Conversely, immediate settlement of a contract with a negative fair value would result in a loss.

# SECTION 9

2003-2004

*PUBLIC ACCOUNTS OF CANADA*

## Loans, Investments and Advances

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## LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada acquired through the use of parliamentary appropriations, except for the portion of the investment balances representing adjustments for the equity of enterprise Crown corporations and other government business enterprises. Some of these appropriations permit repayments to be used for further loans and advances. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II.

The investment in enterprise Crown corporations and other government business enterprises is accounted for under the modified equity method and is carried at cost which is adjusted for the annual profits or losses of the enterprises and reduced by any dividends paid by the corporations to the Government. Under the modified equity approach, the accounting policies of the enterprise Crown corporations and other government business enterprises are not adjusted to conform to the Government's accounting policies. The Government also reports any amounts receivable from or payable to these corporations.

Other loans, investments and advances are recorded at cost and are subject to annual valuation to reflect reductions from the recorded value to the estimated realizable value. Foreign

currency transactions are translated and recorded in Canadian dollar equivalents at the exchange rates prevailing at the transaction dates. Balances of loans, investments and advances resulting from foreign currency transactions are reported at year-end closing rates of exchange; net gains and losses related to these sovereign loans are presented with the return on investments from these loans under other program revenues.

The allowance established to reflect reductions from the recorded value to the estimated realizable value of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under subsection 63(2) of the *Financial Administration Act*.

Revenues received during the year on loans, investments and advances, are credited to other revenues; details are provided in Section 3 of this volume and in Section 11 of Volume III.

Table 9.1 presents the transactions and year-end balances of loans, investments and advances by category.

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

**TABLE 9.1**  
**LOANS, INVESTMENTS AND ADVANCES**

|   | April 1/2003 <sup>(1)</sup> | Payments and<br>other charges | Receipts and<br>other credits | March 31/2004  |
|---|-----------------------------|-------------------------------|-------------------------------|----------------|
|   | \$                          | \$                            | \$                            | \$             |
| Enterprise Crown corporations and other<br>government business enterprises, Table 9.2 ..... | 14,554,708,252              | 2,035,525,011                 | 357,657,440                   | 16,232,575,823 |
| Portfolio investments, Table 9.11 .....   | 1,240,254,680               |                               |                               | 1,240,254,680  |
| National governments including developing countries,<br>Table 9.12 .....                    | 1,678,551,319               | 360,684,755                   | 933,553,829                   | 1,105,682,245  |
| International organizations, Table 9.13 .....   | 13,114,602,656              | 392,627,262                   | 320,161,926                   | 13,187,067,992 |
| Provincial and territorial governments, Table 9.14 .....                                    | 1,809,543,718               | 4,033,780,032                 | 1,575,242,300                 | 4,268,081,450  |
| Other loans, investments and advances, Table 9.15 .....                                     | 8,600,297,821               | 4,578,509,049                 | 2,078,078,213                 | 11,100,728,657 |
|   | 40,997,958,446              | 11,401,126,109                | 5,264,693,708                 | 47,134,390,847 |
| Less: allowance for valuation .....   | 17,250,365,844              | 745,211,814                   | 1,081,206,893                 | 17,586,360,923 |
| Total .....   | 23,747,592,602              | 12,146,337,923                | 6,345,900,601                 | 29,548,029,924 |

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

## Enterprise Crown Corporations and Other Government Business Enterprises

Loans and advances to, and investments in, enterprise Crown corporations and other government business enterprises represent the balance of financial claims held by the Government against corporations for working capital, capital expenditures and other purposes, investment in the capital stock of corporations, and loans and advances to corporations for re-lending.

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries.

Enterprise Crown corporations are a type of government business enterprise that are defined as those Crown corporations which are not dependent on parliamentary appropriations and whose principal activity and source of revenue is the sale of goods and services to outside parties. These include selected Crown corporations listed in Part I, all the Crown corporations listed in Part II of Schedule III of the *Financial Administration Act* and the Bank of Canada. Although a Crown corporation, the Canada Pension Plan Investment Board is not part of the Government reporting entity since its mandate is to manage an investment portfolio on behalf of the Canada Pension Plan which is itself excluded from the reporting entity.

There are also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but which are owned or controlled by the Government and ultimately accountable to Parliament through a Minister of the Crown for the conduct of their affairs. These are referred to as "other government business enterprises" and include the Canadian Wheat Board and the various Port Authorities.

Most of the enterprise Crown corporations and other government business enterprises are agents of Her Majesty for the conduct of all or part of their activities. This status is granted in one of the following ways:

- (i) designation by Parliament, through a special act of incorporation;
- (ii) statutory authorization; or,
- (iii) proclamation by the *Government Corporations Operation Act*.

Further information on the business and activities of all parent Crown corporations and information on all Crown corporations and other corporate interest of Canada is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*. Although no longer included as part of this Report, a compilation of the audited financial statements of the parent Crown corporations is also available upon request.

Table 9.2 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to enterprise Crown corporations and other government business enterprises.



TABLE 9.2

## ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

|   | April 1/2003   | Payments and<br>other charges | Receipts and<br>other credits | March 31/2004  |
|---|----------------|-------------------------------|-------------------------------|----------------|
|   | \$             | \$                            | \$                            | \$             |
| <b>Investments—</b>   |                |                               |                               |                |
| Investments and accumulated<br>profits/losses (Table 9.4) ..... | 9,109,120,949  | 1,868,179,000                 |                               | 10,977,299,949 |
| <b>Loans and advances—</b>                                      |                |                               |                               |                |
| Canada Mortgage and Housing Corporation—                        |                |                               |                               |                |
| Housing .....   | 3,628,607,049  |                               | 116,038,600                   | 3,512,568,449  |
| Real estate .....   | 65,968,785     |                               | 3,916,871                     | 62,051,914     |
| Joint projects .....  | 1,039,432,963  |                               | 35,829,786                    | 1,003,603,177  |
| Student housing projects .....                                  | 238,087,690    |                               | 9,392,998                     | 228,694,692    |
| Sewage treatment projects .....                                 | 411,365,909    |                               | 49,250,852                    | 362,115,057    |
| Assisted home ownership .....                                   | 24,572,594     |                               | 4,661,765                     | 19,910,829     |
|   | 5,408,034,990  |                               | 219,090,872                   | 5,188,944,118  |
| Other—  |                |                               |                               |                |
| Canada Lands Company Limited .....                              | 37,552,313     | 19,996,511                    | 21,447,068                    | 36,101,756     |
| Canadian Dairy Commission .....                                 |                | 147,349,500                   | 117,119,500                   | 30,230,000     |
|   | 37,552,313     | 167,346,011                   | 138,566,568                   | 66,331,756     |
| Total—Loans and advances .....                                  | 5,445,587,303  | 167,346,011                   | 357,657,440                   | 5,255,275,874  |
| Total .....   | 14,554,708,252 | 2,035,525,011                 | 357,657,440                   | 16,232,575,823 |

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, 2004 or 2003.

### Canada Mortgage and Housing Corporation

The Corporation was incorporated, on January 1, 1946, by the *Canada Mortgage and Housing Corporation Act*. The Corporation's mandate, as stated in the *National Housing Act*, is to promote the construction of new houses, the repair and modernization of existing houses, and the improvement of housing and living conditions. Advances have been made to the Canada Mortgage and Housing Corporation to support various programs undertaken by the Corporation.

#### Housing

Advances made for moderate to low income housing bear interest at rates from 4.125 percent to 16.10 percent per annum, and are repayable over 1 to 50 years, with instalments between June 30, 2004 and March 31, 2037.

#### Real estate

Advances made for the acquisition and development of real estate bear interest at rates from 9.50 percent to 15 percent per annum, and are repayable over 50 years, with the final instalment on June 30, 2036.

#### Joint projects

Advances made to undertake housing projects jointly with the provinces bear interest at rates from 3.5 percent to 17.96 percent per annum, and are repayable over 1 to 50 years, with instalments between June 30, 2004 and June 30, 2038.

#### Student housing projects

Advances made for student housing projects bear interest at rates from 5 percent to 10.05 percent per annum, and are repayable over 20 to 50 years, with instalments between June 30, 2004 and March 31, 2030.

#### Sewage treatment projects

Advances made to assist in the establishment or expansion of sewage treatment projects and the construction of trunk storm sewers bear interest at rates from 5 percent to 10.38 percent per annum, and are repayable over 20 to 50 years, with instalments between June 30, 2004 and March 31, 2023.

#### Assisted home ownership

Advances made for owner-occupied housing bear interest at rates from 8.58 percent to 8.68 percent per annum, and are repayable over 18 to 20 years, with instalments between June 30, 2004 and December 31, 2008.



## Canada Lands Company Limited

Canada Lands Company Limited (originally Public Works Lands Company Limited) was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. The Corporation conducts its business through Canada Lands Company CLC Limited (CLC), its principal wholly-owned subsidiary. CLC's objective is to carry out a commercially-oriented and orderly disposal program of certain Government real properties and the management of certain select properties. In undertaking this objective, CLC may manage, develop and dispose of real properties, either in the capacity of owner or as agent of the Government.

CLC has acquired an interest in a number of real properties from the Government in consideration for the issuance of promissory notes, which bear no interest and are repayable from the proceeds of the sale of the properties in respect of which they were issued. The notes were discounted using the Consolidated Revenue Fund lending rate applicable to Crown corporations and recorded at their discounted value.

During the year, new notes have been issued for an amount of \$15.6 million. An amount of \$14.7 million was repaid during the year and an amount of \$3.9 million was amortized to income. The balance in the account represents the balance of the notes receivable net of the corresponding unamortized discount.

## Canadian Dairy Commission

The Corporation was established by the *Canadian Dairy Commission Act*, to provide, to efficient producers of milk and cream, the opportunity of obtaining a fair return for their labour and investment, and to provide, to consumers of dairy products, a continuous and adequate supply of high quality dairy products.

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is \$300,000,000.

The loans bear interest at rates from 2.1146 percent to 3.3657 percent per annum, and are repayable within 1 year.

## Interest paid to the Government

Interest paid to the Government of Canada with respect to these loans in the years ended March 31, 2004 and 2003 is as follows:

|   | 2004                     | 2003  |
|---|--------------------------|-------|
|   | (in millions of dollars) |       |
| Corporation—                                  |                          |       |
| Canada Mortgage and Housing Corporation ..... | 481.6                    | 502.4 |
| Canadian Dairy Commission .....               | 0.6                      | 1.2   |
| Canadian Commercial Corporation .....         |                          | 0.1   |
| Total .....                                   | 482.2                    | 503.7 |

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

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

Tables 9.3 to 9.5 present the assets, liabilities, revenues, expenses and changes to the equity of enterprise Crown corporations and other government business enterprises grouped in five segments. The segment of competitive, self-sustaining corporations consists of those corporations named in Part I of Schedule III of the *Financial Administration Act* and of other competitive and self-sustaining government business enterprises.

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

The tables summarize the financial transactions and results of operations of each enterprise Crown corporation and other government business enterprises in accordance with its own respective accounting policies. Most enterprise Crown corporations follow the generally accepted accounting principles (GAAP) used by private sector companies, as outlined in the *Handbook of the Canadian Institute of Chartered Accountants*.

Financial assets include cash, receivables, loans and investments. Financial assets are segregated between other parties and Government and Crown corporations. The financial assets reported under Government and Crown corporations represent receivables and loans and investments between related parties. Non-financial assets represent the unexpensed portion of capital assets, inventories and prepayments such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Liabilities include payables, borrowings, and other obligations. Liabilities are segregated between third parties and Government and Crown corporations. Borrowings from third parties represent amounts repayable to financial institutions and other investors. Other liabilities are amounts due in respect of purchases, employee future benefits and pension benefits, accrued interest on borrowings, long-term capital leases and sundry accounts payable. The liabilities reported under Government and Crown corporations represent payables and borrowings between related parties.

Revenues include financial assistance received or receivable from the Government in respect of the current year's operations, when applicable. Expenses are segregated between third parties, and Government and Crown corporations. Equity adjustments and other include prior period adjustments and other miscellaneous items as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as equity contributions provided by the Government. Any intergovernmental transactions are eliminated as part of the modified equity accounting adjustment.

These tables present consolidated financial information on parent enterprise Crown corporations, unconsolidated wholly-owned subsidiaries and other government business enterprises.

Enterprise Crown corporations and other government business enterprises are also categorized as being either agents or non-agents of the Crown. Agent status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In some situations, agent status may be restricted to certain designated activities of a corporation.

A summary of financial assistance under Government budgetary appropriations to enterprise Crown corporations and other government business enterprises for the year ended March 31, 2004 is provided in Table 9.10.

TABLE 9.3

## SUMMARY COMBINED FINANCIAL STATEMENTS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES BY SEGMENT

(in thousands of dollars)

|   | Competitive,<br>self-sustaining | Bank of<br>Canada | Lending and<br>insurance | Marketing | Other     | Total       |
|---|---------------------------------|-------------------|--------------------------|-----------|-----------|-------------|
| <b>ASSETS AND LIABILITIES</b>   |                                 |                   |                          |           |           |             |
| <b>AS AT MARCH 31, 2004</b>   |                                 |                   |                          |           |           |             |
| <b>Assets</b>   |                                 |                   |                          |           |           |             |
| Financial—  |                                 |                   |                          |           |           |             |
| Third parties .....   | 2,058,410                       | 279,159           | 62,985,765               | 6,623,402 | 27,670    | 71,974,406  |
| Government and Crown<br>corporations .....  | 950,620                         | 41,445,477        | 4,380,326                | 86,819    | 16,702    | 46,879,944  |
| Total financial assets .....  | 3,009,030                       | 41,724,636        | 67,366,091               | 6,710,221 | 44,372    | 118,854,350 |
| Non-financial assets .....  | 4,503,462                       | 644,719           | 849,311                  | 817,511   | 12,915    | 6,827,918   |
| Total assets as reported .....  | 7,512,492                       | 42,369,355        | 68,215,402               | 7,527,732 | 57,287    | 125,682,268 |
| Elimination adjustments .....   | 35,039                          |                   | (141,091)                |           | 5         | (106,047)   |
| Total assets .....  | 7,547,531                       | 42,369,355        | 68,074,311               | 7,527,732 | 57,292    | 125,576,221 |
| <b>Liabilities</b>  |                                 |                   |                          |           |           |             |
| Third parties—  |                                 |                   |                          |           |           |             |
| Borrowings .....  | 402,623                         |                   | 44,130,708               | 6,175,602 | 2,015     | 50,710,948  |
| Bank of Canada notes in circulation and<br>amounts owing to depositors .....                    |                                 | 40,073,204        |                          |           |           | 40,073,204  |
| Other liabilities .....   | 3,485,100                       | 450,722           | 10,590,904               | 1,279,468 | 339,376   | 16,145,570  |
| Government and Crown<br>corporations .....  | 223,770                         | 1,815,429         | 5,448,435                | 32,698    | 148,867   | 7,669,199   |
| Total liabilities .....   | 4,111,493                       | 42,339,355        | 60,170,047               | 7,487,768 | 490,258   | 114,598,921 |
| Equity of Canada as reported .....  | 3,400,999                       | 30,000            | 8,045,355                | 39,964    | (432,971) | 11,083,347  |
| Elimination adjustments .....   | 35,039                          |                   | (141,091)                |           | 5         | (106,047)   |
| Equity of Canada .....  | 3,436,038                       | 30,000            | 7,904,264                | 39,964    | (432,966) | 10,977,300  |
| Total liabilities and equity .....  | 7,547,531                       | 42,369,355        | 68,074,311               | 7,527,732 | 57,292    | 125,576,221 |
| Contingent liabilities .....  | 3,550                           |                   | 2,796,030                |           | 1,773     | 2,801,353   |
| Contractual commitments .....   | 1,348,954                       |                   | 4,605,802                | 22,015    | 5,955     | 5,982,726   |
| <b>REVENUES, EXPENSES AND OTHER<br/>CHANGES IN EQUITY<br/>FOR THE YEAR ENDED MARCH 31, 2004</b> |                                 |                   |                          |           |           |             |
| <b>Revenues</b>   |                                 |                   |                          |           |           |             |
| Third parties .....   | 7,148,045                       |                   | 5,179,812                | 3,401,817 | 123,340   | 15,853,014  |
| Government and Crown<br>corporations—   |                                 |                   |                          |           |           |             |
| Financial assistance .....  |                                 |                   |                          | 16,274    | 62,800    | 79,074      |
| Other .....   | 442,234                         | 1,753,889         | 332,289                  |           |           | 2,528,412   |
| Total revenues .....  | 7,590,279                       | 1,753,889         | 5,512,101                | 3,418,091 | 186,140   | 18,460,500  |
| <b>Expenses</b>   |                                 |                   |                          |           |           |             |
| Third parties .....   | 6,936,619                       |                   | 3,034,899                | 3,408,029 | 138,995   | 13,518,542  |
| Government and Crown<br>corporations .....  | 174,615                         |                   | 1,001,193                | 6,245     | 18,006    | 1,200,059   |
| Total expenses .....  | 7,111,234                       |                   | 4,036,092                | 3,414,274 | 157,001   | 14,718,601  |
| Net income/loss(-) for the year .....   | 479,045                         | 1,753,889         | 1,476,009                | 3,817     | 29,139    | 3,741,899   |
| Equity of Canada, beginning of the year .....   | 3,003,416                       | 30,000            | 6,580,025                | 40,777    | (462,110) | 9,192,108   |
| Adjustments .....   | (3,499)                         |                   |                          | (4,630)   |           | (8,129)     |
| Elimination adjustments .....   | 35,039                          |                   | (141,091)                |           | 5         | (106,047)   |
| Equity transactions with the<br>Government—   |                                 |                   |                          |           |           |             |
| Dividends .....   | (141,963)                       | (1,753,889)       | (10,679)                 |           |           | (1,906,531) |
| Capital .....   | 64,000                          |                   |                          |           |           | 64,000      |
| Equity of Canada, end of the year .....   | 3,436,038                       | 30,000            | 7,904,264                | 39,964    | (432,966) | 10,977,300  |

TABLE 9.4

## FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES —ASSETS AND LIABILITIES AS AT MARCH 31, 2004

(in thousands of dollars)

| Enterprise Crown corporations and<br>other government business enterprises <sup>(1)</sup> | Assets            |  |                  |                    |
|---|-------------------|--|------------------|--------------------|
|   | Financial         |  | Non-financial    | Total<br>assets    |
|   | Third<br>parties  | Government<br>and<br>Crown<br>corporations |                  |                    |
| <b>Competitive, self-sustaining</b>   |                   |  |                  |                    |
| Blue Water Bridge Authority .....   | 13,413            | 50,522                                     | 111,402          | 175,337            |
| Canada Development Investment Corporation .....   | 12,657            | 61,118                                     |                  | 73,775             |
| Canada Hibernia Holding Corporation .....   | 77,091            | 27,755                                     | 295,539          | 400,385            |
| Canada Lands Company Limited .....  | 83,512            | 58   | 266,557          | 350,127            |
| Parc Downsview Park Inc. <sup>(2)</sup> .....   | 11,761            | 4,792                                      | 8,937            | 25,490             |
| Canada Post Corporation .....   | 1,591,941         | 662,959                                    | 2,335,623        | 4,590,523          |
| Halifax Port Authority <sup>(3)</sup> .....   | 8,843             | 17,344                                     | 89,346           | 115,533            |
| Montreal Port Authority <sup>(3)</sup> .....  | 10,377            | 69,537                                     | 212,969          | 292,883            |
| Quebec Port Authority <sup>(3)</sup> .....  | 38,703            | 175  | 83,707           | 122,585            |
| Ridley Terminals Inc. ....  | 4,187             | 45   | 11,775           | 16,007             |
| Royal Canadian Mint .....   | 24,229            | 8,346                                      | 107,343          | 139,918            |
| Saint John Port Authority <sup>(3)</sup> .....  | 8,758             | 7,985                                      | 62,866           | 79,609             |
| Toronto Port Authority <sup>(3)</sup> .....   | 20,222            |  | 53,447           | 73,669             |
| Vancouver Port Authority <sup>(3)</sup> .....   | 68,539            | 3,012                                      | 487,171          | 558,722            |
| Other Canada Port Authorities <sup>(3)(4)</sup> .....                                     | 84,177            | 36,972                                     | 376,780          | 497,929            |
| <i>Total—Competitive, self-sustaining</i> .....   | <i>2,058,410</i>  | <i>950,620</i>                             | <i>4,503,462</i> | <i>7,512,492</i>   |
| <b>Bank of Canada</b> .....   | <i>279,159</i>    | <i>41,445,477</i>                          | <i>644,719</i>   | <i>42,369,355</i>  |
| <b>Lending and Insurance</b>  |                   |  |                  |                    |
| Business Development Bank of Canada .....   | 8,107,807         | 97,493                                     | 603,918          | 8,809,218          |
| Canada Deposit Insurance Corporation .....  | 342,692           | 897,925                                    | 1,974            | 1,242,591          |
| Canada Mortgage and Housing Corporation .....   | 16,412,786        | 504,459                                    | 77,874           | 16,995,119         |
| Insurance Programs .....  | 6,571,717         | 2,597,412                                  | 72,565           | 9,241,694          |
| Mortgage Backed Securities Guarantee Fund .....   | 137,687           | 106,392                                    |                  | 244,079            |
| Export Development Canada .....   | 21,306,519        | 106,915                                    | 54,502           | 21,467,936         |
| Farm Credit Canada .....  | 10,106,557        | 69,730                                     | 38,478           | 10,214,765         |
| <i>Total—Lending and insurance</i> .....  | <i>62,985,765</i> | <i>4,380,326</i>                           | <i>849,311</i>   | <i>68,215,402</i>  |
| <b>Marketing</b>  |                   |  |                  |                    |
| Canadian Commercial Corporation .....   | 348,538           |  | 2,269            | 350,807            |
| Canadian Dairy Commission—  |                   |  |                  |                    |
| Marketing operations .....  | 15,682            |  | 94,002           | 109,684            |
| Canadian Wheat Board, The .....   | 6,250,753         | 86,819                                     | 699,179          | 7,036,751          |
| Freshwater Fish Marketing Corporation .....   | 8,429             |  | 22,061           | 30,490             |
| <i>Total—Marketing</i> .....  | <i>6,623,402</i>  | <i>86,819</i>                              | <i>817,511</i>   | <i>7,527,732</i>   |
| <b>Other</b>  |                   |  |                  |                    |
| Atlantic Pilotage Authority .....   | 3,020             | 1,859                                      | 2,810            | 7,689              |
| Cape Breton Development Corporation .....   | 10,722            | 12,800                                     | 4,100            | 27,622             |
| Great Lakes Pilotage Authority .....  | 1,605             |  | 182              | 1,787              |
| Laurentian Pilotage Authority .....   | 7,138             |  | 2,167            | 9,305              |
| Pacific Pilotage Authority .....  | 5,185             | 2,043                                      | 3,656            | 10,884             |
| <i>Total—Other</i> .....  | <i>27,670</i>     | <i>16,702</i>                              | <i>12,915</i>    | <i>57,287</i>      |
| <b>Total</b> .....  | <b>71,974,406</b> | <b>46,879,944</b>                          | <b>6,827,918</b> | <b>125,682,268</b> |
| Elimination adjustments .....   |                   | (106,047)                                  |                  | (106,047)          |
| <b>Total</b> .....  | <b>71,974,406</b> | <b>46,773,897</b>                          | <b>6,827,918</b> | <b>125,576,221</b> |

<sup>(1)</sup> All enterprise Crown corporations listed in this table are parent Crown corporations except the Great Lakes Pilotage Authority.

Although a Crown corporation, Canada Pension Plan Investment Board is designed to operate at arm's length from the Government and manages, on behalf of the Canada Pension Plan, funds not belonging to the Government, therefore, it is considered external to the Government reporting entity. The Public Sector Pension Investment Board is not included in the above list since its activities are included in the Government's results through pension accounting.

<sup>(2)</sup> Parc Downsview Park Inc. became a parent Crown corporation on September 3, 2003.<sup>(3)</sup> Canada Port Authorities, which are not Crown corporations but considered government business enterprises, are agents of the Crown for their port activities.<sup>(4)</sup> Consists of the combined figures of the Canada Port Authorities of Belledune, Fraser River, Nanaimo, North Fraser, Port Alberni, Prince Rupert, Saguenay, Sept-Îles, St. John's, Thunder Bay, Trois-Rivières and Windsor.

| Liabilities   |            |  |                      |                                     |                        |                  |                        |                                       |
|---------------|------------|--|----------------------|-------------------------------------|------------------------|------------------|------------------------|---------------------------------------|
| Third parties |            | Government<br>and<br>Crown<br>corporations | Total<br>liabilities | Accumulated<br>profits/<br>(losses) | Contributed<br>surplus | Capital<br>stock | Equity<br>of<br>Canada | Total<br>liabilities<br>and<br>equity |
| Borrowings    | Other      |  |                      |                                     |                        |                  |                        |                                       |
| 108,102       | 3,779      | 31   | 111,912              | 63,425                              |                        |                  | 63,425                 | 175,337                               |
|               | 14,397     |  | 14,397               | (683,807)                           | 743,184                | 1                | 59,378                 | 73,775                                |
|               | 141,926    | 14,801                                     | 156,727              | 243,658                             |                        |                  | 243,658                | 400,385                               |
| 47,000        | 36,196     | 34,597                                     | 117,793              | 87,253                              | 145,081                |                  | 232,334                | 350,127                               |
|               | 5,828      | 1,286                                      | 7,114                | (624)                               | 19,000                 |                  | 18,376                 | 25,490                                |
| 108,092       | 3,148,963  | 79,031                                     | 3,336,086            | 99,266                              | 1,155,171              |                  | 1,254,437              | 4,590,523                             |
| 6,000         | 6,472      | 1,121                                      | 13,593               | 51,083                              | 50,857                 |                  | 101,940                | 115,533                               |
|               | 25,877     | 953  | 26,830               | 28,790                              | 237,263                |                  | 266,053                | 292,883                               |
| 29,744        | 5,519      | 52,924                                     | 88,187               | 11,975                              | 22,423                 |                  | 34,398                 | 122,585                               |
|               | 2,071      | 157  | 2,228                | (186,263)                           | 64,000                 | 136,042          | 13,779                 | 16,007                                |
| 20,724        | 25,441     | 4,663                                      | 50,828               | 49,090                              |                        | 40,000           | 89,090                 | 139,918                               |
|               | 4,118      |  | 4,118                | 13,832                              | 61,659                 |                  | 75,491                 | 79,609                                |
|               | 11,750     |  | 11,750               | 61,919                              |                        |                  | 61,919                 | 73,669                                |
| 5,425         | 27,581     | 33,729                                     | 66,735               | 341,728                             | 150,259                |                  | 491,987                | 558,722                               |
| 77,536        | 25,182     | 477  | 103,195              | 189,740                             | 204,994                |                  | 394,734                | 497,929                               |
| 402,623       | 3,485,100  | 223,770                                    | 4,111,493            | 371,065                             | 2,853,891              | 176,043          | 3,400,999              | 7,512,492                             |
|               | 40,523,926 | 1,815,429                                  | 42,339,355           |                                     | 25,000                 | 5,000            | 30,000                 | 42,369,355                            |
| 7,302,431     | 275,890    | 12,438                                     | 7,590,759            | 402,281                             | 27,778                 | 788,400          | 1,218,459              | 8,809,218                             |
|               | 561,878    | 100  | 561,978              | 680,613                             |                        |                  | 680,613                | 1,242,591                             |
| 10,441,204    | 1,090,723  | 5,300,035                                  | 16,831,962           | 138,157                             | 25,000                 |                  | 163,157                | 16,995,119                            |
|               | 6,702,564  | 113,810                                    | 6,816,374            | 2,425,320                           |                        |                  | 2,425,320              | 9,241,694                             |
|               | 111,492    | 2,294                                      | 113,786              | 130,293                             |                        |                  | 130,293                | 244,079                               |
| 17,177,927    | 1,790,610  | 19,758                                     | 18,988,295           | 1,496,441                           |                        | 983,200          | 2,479,641              | 21,467,936                            |
| 9,209,146     | 57,747     |  | 9,266,893            | 440,147                             | 507,725                |                  | 947,872                | 10,214,765                            |
| 44,130,708    | 10,590,904 | 5,448,435                                  | 60,170,047           | 5,713,252                           | 560,503                | 1,771,600        | 8,045,355              | 68,215,402                            |
|               | 310,843    |  | 310,843              | 11,964                              | 28,000                 |                  | 39,964                 | 350,807                               |
| 911           | 78,501     | 30,272                                     | 109,684              |                                     |                        |                  |                        | 109,684                               |
| 6,151,603     | 882,722    | 2,426                                      | 7,036,751            |                                     |                        |                  |                        | 7,036,751                             |
| 23,088        | 7,402      |  | 30,490               |                                     |                        |                  |                        | 30,490                                |
| 6,175,602     | 1,279,468  | 32,698                                     | 7,487,768            | 11,964                              | 28,000                 |                  | 39,964                 | 7,527,732                             |
|               | 1,901      |  | 1,901                | 3,484                               | 2,304                  |                  | 5,788                  | 7,689                                 |
|               | 319,883    | 148,867                                    | 468,750              | (441,128)                           |                        |                  | (441,128)              | 27,622                                |
|               | 3,369      |  | 3,369                | (1,664)                             | 82                     |                  | (1,582)                | 1,787                                 |
| 1,486         | 9,281      |  | 10,767               | (3,941)                             | 2,479                  |                  | (1,462)                | 9,305                                 |
| 529           | 4,942      |  | 5,471                | 4,607                               | 806                    |                  | 5,413                  | 10,884                                |
| 2,015         | 339,376    | 148,867                                    | 490,258              | (438,642)                           | 5,671                  |                  | (432,971)              | 57,287                                |
| 50,710,948    | 56,218,774 | 7,669,199                                  | 114,598,921          | 5,657,639                           | 3,473,065              | 1,952,643        | 11,083,347             | 125,682,268                           |
|               |            |  |                      | (106,047)                           |                        |                  | (106,047)              | (106,047)                             |
| 50,710,948    | 56,218,774 | 7,669,199                                  | 114,598,921          | 5,551,592                           | 3,473,065              | 1,952,643        | 10,977,300             | 125,576,221                           |

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, 2004

(in thousands of dollars)

| Enterprise Crown corporations and other government business enterprises | Revenues      |                                     |           |            |
|---|---------------|-------------------------------------|-----------|------------|
|   | Third parties | Government and Crown corporations   |           | Total      |
|   |               | Financial assistance <sup>(1)</sup> | Other     |            |
| <b>Competitive, self-sustaining</b>                                     |               |                                     |           |            |
| Blue Water Bridge Authority.....  | 25,306        |                                     |           | 25,306     |
| Canada Development Investment Corporation.....                          | 376           |                                     |           | 376        |
| Canada Hibernia Holding Corporation.....                                | 262,370       |                                     |           | 262,370    |
| Canada Lands Company Limited.....                                       | 82,719        |                                     |           | 82,719     |
| Parc Downsview Park Inc.....  | 5,384         |                                     | 1,184     | 6,568      |
| Canada Post Corporation.....  | 6,292,367     |                                     | 373,464   | 6,665,831  |
| Halifax Port Authority.....   | 25,532        |                                     | 500       | 26,032     |
| Montreal Port Authority.....  | 62,365        |                                     | 8,821     | 71,186     |
| Quebec Port Authority.....  | 15,311        |                                     | 576       | 15,887     |
| Ridley Terminals Inc.....   | 13,538        |                                     |           | 13,538     |
| Royal Canadian Mint.....  | 178,839       |                                     | 54,062    | 232,901    |
| Saint John Port Authority.....  | 10,560        |                                     | 508       | 11,068     |
| Toronto Port Authority.....   | 16,524        |                                     |           | 16,524     |
| Vancouver Port Authority.....   | 105,166       |                                     | 708       | 105,874    |
| Other Canada Port Authorities.....                                      | 51,688        |                                     | 2,411     | 54,099     |
| Total—Competitive, self-sustaining.....                                 | 7,148,045     |                                     | 442,234   | 7,590,279  |
| <b>Bank of Canada.....</b>  |               |                                     | 1,753,889 | 1,753,889  |
| <b>Lending and insurance</b>  |               |                                     |           |            |
| Business Development Bank of Canada.....                                | 638,190       |                                     |           | 638,190    |
| Canada Deposit Insurance Corporation.....                               | 144,047       |                                     | 26,580    | 170,627    |
| Canada Mortgage and Housing Corporation.....                            | 966,616       |                                     | 140,548   | 1,107,164  |
| Insurance Programs.....   | 1,153,375     |                                     | 155,525   | 1,308,900  |
| Mortgage Backed Securities Guarantee Fund.....                          | 41,961        |                                     | 3,851     | 45,812     |
| Export Development Canada.....  | 1,607,904     |                                     | 4,739     | 1,612,643  |
| Farm Credit Canada.....   | 627,719       |                                     | 1,046     | 628,765    |
| Total—Lending and insurance.....  | 5,179,812     |                                     | 332,289   | 5,512,101  |
| <b>Marketing</b>  |               |                                     |           |            |
| Canadian Commercial Corporation.....                                    | 1,123,635     | 16,274                              |           | 1,139,909  |
| Canadian Dairy Commission   |               |                                     |           |            |
| Marketing operations.....   | 206,808       |                                     |           | 206,808    |
| Canadian Wheat Board, The.....  | 2,011,141     |                                     |           | 2,011,141  |
| Freshwater Fish Marketing Corporation.....                              | 60,233        |                                     |           | 60,233     |
| Total—Marketing.....  | 3,401,817     | 16,274                              |           | 3,418,091  |
| <b>Other</b>  |               |                                     |           |            |
| Atlantic Pilotage Authority.....  | 16,414        |                                     |           | 16,414     |
| Cape Breton Development Corporation.....                                | 2,592         | 62,800                              |           | 65,392     |
| Great Lakes Pilotage Authority.....                                     | 11,340        |                                     |           | 11,340     |
| Laurentian Pilotage Authority.....                                      | 49,030        |                                     |           | 49,030     |
| Pacific Pilotage Authority.....   | 43,964        |                                     |           | 43,964     |
| Total—Other.....  | 123,340       | 62,800                              |           | 186,140    |
| Total.....  | 15,853,014    | 79,074                              | 2,528,412 | 18,460,500 |
| Elimination adjustments.....  |               |                                     |           |            |
| Total net results.....  | 15,853,014    | 79,074                              | 2,528,412 | 18,460,500 |
| Less equity adjustments.....  |               |                                     |           |            |
| Share of annual profit.....   |               |                                     |           |            |

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

(1) This column records only that portion of financial assistance received or receivable from the federal Government that has been credited to operations. Additional amounts representing capital and operating appropriations received by the corporations are included in "Equity transactions with Government". Revenues "Other" include amounts generated from the sale of goods and services, investment income as well as grants where the corporations qualify as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amount reported in Table 9.10 because of differences resulting from the different accounting policies followed.

| Third parties | Expenses                          |            | Net income/or loss(—) | Equity beginning of year | Equity adjustments and other | Equity transactions with the Government |         | Equity end of year |
|---------------|-----------------------------------|------------|-----------------------|--------------------------|------------------------------|---|---------|--------------------|
|               | Government and Crown corporations | Total      |                       |                          |                              | Dividends                               | Capital |                    |
| 18,512        |                                   | 18,512     | 6,794                 | 56,631                   |                              |   |         | 63,425             |
| 6,112         |                                   | 6,112      | (5,736)               | 65,114                   |                              |   |         | 59,378             |
| 125,459       | 33,551                            | 159,010    | 103,360               | 263,335                  | (4,037)                      | (119,000)                               |         | 243,658            |
| 68,765        | (3,219)                           | 65,546     | 17,173                | 240,280                  | (20,119)                     | (5,000)                                 |         | 232,334            |
| 7,248         | 1,063                             | 8,311      | (1,743)               |                          | 20,119                       |   |         | 18,376             |
| 6,245,115     | 108,598                           | 6,353,713  | 312,118               | 960,219                  |                              | (17,900)                                |         | 1,254,437          |
| 17,698        | 972                               | 18,670     | 7,362                 | 94,578                   |                              |   |         | 101,940            |
| 58,189        | 5,846                             | 64,035     | 7,151                 | 258,902                  |                              |   |         | 266,053            |
| 13,728        | 505                               | 14,233     | 1,654                 | 32,416                   | 328                          |   |         | 34,398             |
| 13,523        | 1,039                             | 14,562     | (1,024)               | (49,197)                 |                              |   | 64,000  | 13,779             |
| 214,108       | 19,324                            | 233,432    | (531)                 | 89,621                   |                              |   |         | 89,090             |
| 9,641         | 243                               | 9,884      | 1,184                 | 74,307                   |                              |   |         | 75,491             |
| 16,087        |                                   | 16,087     | 437                   | 61,482                   |                              |   |         | 61,919             |
| 72,619        | 6,312                             | 78,931     | 26,943                | 465,044                  |                              |   |         | 491,987            |
| 49,815        | 381                               | 50,196     | 3,903                 | 390,684                  | 210                          | (63)                                    |         | 394,734            |
| 6,936,619     | 174,615                           | 7,111,234  | 479,045               | 3,003,416                | (3,499)                      | (141,963)                               | 64,000  | 3,400,999          |
|               |                                   |            | 1,753,889             | 30,000                   |                              | (1,753,889)                             |         | 30,000             |
| 576,233       | 2,836                             | 579,069    | 59,121                | 1,170,017                |                              | (10,679)                                |         | 1,218,459          |
| 22,512        | 6,621                             | 29,133     | 141,494               | 539,119                  |                              |   |         | 680,613            |
| 410,667       | 616,876                           | 1,027,543  | 79,621                | 83,536                   |                              |   |         | 163,157            |
| 297,048       | 354,754                           | 651,802    | 657,098               | 1,768,222                |                              |   |         | 2,425,320          |
| 5,404         | 8,375                             | 13,779     | 32,033                | 98,260                   |                              |   |         | 130,293            |
| 1,202,045     | 9,057                             | 1,211,102  | 401,541               | 2,078,100                |                              |   |         | 2,479,641          |
| 520,990       | 2,674                             | 523,664    | 105,101               | 842,771                  |                              |   |         | 947,872            |
| 3,034,899     | 1,001,193                         | 4,036,092  | 1,476,009             | 6,580,025                |                              | (10,679)                                |         | 8,045,355          |
| 1,135,144     | 5,578                             | 1,140,722  | (813)                 | 40,777                   |                              |   |         | 39,964             |
| 201,511       | 667                               | 202,178    | 4,630                 |                          | (4,630)                      |   |         |                    |
| 2,011,141     |                                   | 2,011,141  |                       |                          |                              |   |         |                    |
| 60,233        |                                   | 60,233     |                       |                          |                              |   |         |                    |
| 3,408,029     | 6,245                             | 3,414,274  | 3,817                 | 40,777                   | (4,630)                      |   |         | 39,964             |
| 15,258        |                                   | 15,258     | 1,156                 | 4,632                    |                              |   |         | 5,788              |
| 18,566        | 18,006                            | 36,572     | 28,820                | (469,948)                |                              |   |         | (441,128)          |
| 14,023        |                                   | 14,023     | (2,683)               | 1,101                    |                              |   |         | (1,582)            |
| 48,425        |                                   | 48,425     | 605                   | (2,067)                  |                              |   |         | (1,462)            |
| 42,723        |                                   | 42,723     | 1,241                 | 4,172                    |                              |   |         | 5,413              |
| 138,995       | 18,006                            | 157,001    | 29,139                | (462,110)                |                              |   |         | (432,971)          |
| 13,518,542    | 1,200,059                         | 14,718,601 | 3,741,899             | 9,192,108                | (8,129)                      | (1,906,531)                             | 64,000  | 11,083,347         |
|               |                                   |            |                       | (82,987)                 | (23,060)                     |   |         | (106,047)          |
| 13,518,542    | 1,200,059                         | 14,718,601 | 3,741,899             | 9,109,121                | (31,189)                     | (1,906,531)                             | 64,000  | 10,977,300         |
|               |                                   |            | (31,189)              |                          | 31,189                       |   |         |                    |
|               |                                   |            | 3,710,710             | 9,109,121                |                              | (1,906,531)                             | 64,000  | 10,977,300         |

## 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, 2004, an allowance for borrowings of enterprise Crown corporations and other government business enterprises was established at \$2,005 million.

**TABLE 9.6**  
BORROWINGS BY ENTERPRISE CROWN CORPORATIONS  
AND OTHER GOVERNMENT BUSINESS ENTERPRISES  
(in thousands of dollars)

|   | Balance<br>April 1/2003 | Borrowings<br>and other<br>credits | Repayments<br>and other<br>charges | Balance<br>March 31/2004 |
|---|-------------------------|------------------------------------|------------------------------------|--------------------------|
| <u>Borrowings by agent enterprise Crown corporations</u>  |                         |                                    |                                    |                          |
| Business Development Bank of Canada . . . . .   | 6,263,039               | 19,502,469                         | 18,463,077                         | 7,302,431                |
| Canada Mortgage and Housing Corporation . . . . .   | 11,091,163              | 4,224,177                          | 4,874,136                          | 10,441,204               |
| Canada Post Corporation . . . . .   | 113,711                 | 19,859                             | 25,478                             | 108,092                  |
| Canadian Dairy Commission (Marketing) . . . . .   | 181                     | 17,959                             | 17,229                             | 911                      |
| Canadian Wheat Board, The <sup>(1)</sup> . . . . .  | 378,043                 |                                    | 366,157                            | 11,886                   |
| Export Development Canada . . . . .   | 20,374,911              | 30,113,281                         | 33,310,265                         | 17,177,927               |
| Farm Credit Canada . . . . .  | 8,082,061               | 11,754,609                         | 10,627,524                         | 9,209,146                |
| Freshwater Fish Marketing Corporation . . . . .   | 14,000                  | 23,088                             | 14,000                             | 23,088                   |
| Royal Canadian Mint . . . . .   | 24,422                  |                                    | 3,698                              | 20,724                   |
|   | 46,341,531              | 65,655,442                         | 67,701,564                         | 44,295,409               |
| <u>Borrowings by non-agent enterprise Crown corporations and other government business enterprises</u>  |                         |                                    |                                    |                          |
| Blue Water Bridge Authority . . . . .   | 109,082                 |                                    | 980                                | 108,102                  |
| Canada Lands Company Limited . . . . .  |                         | 47,000                             |                                    | 47,000                   |
| Canadian Wheat Board, The <sup>(1)</sup> . . . . .  | 6,815,356               | 21,263,183                         | 21,938,822                         | 6,139,717                |
| Halifax Port Authority <sup>(2)</sup> . . . . .   | 6,400                   |                                    | 400                                | 6,000                    |
| Laurentian Pilotage Authority . . . . .   | 2,586                   |                                    | 1,100                              | 1,486                    |
| Pacific Pilotage Authority . . . . .  | 988                     |                                    | 459                                | 529                      |
| Quebec Port Authority <sup>(2)</sup> . . . . .  | 29,730                  | 14                                 |                                    | 29,744                   |
| Ridley Terminals Inc. . . . .   | 62,913                  | 1,087                              | 64,000                             |                          |
| Vancouver Port Authority <sup>(2)</sup> . . . . .   |                         | 5,425                              |                                    | 5,425                    |
| Other Canada Port Authorities <sup>(2)</sup> . . . . .  | 91,134                  | 4,120                              | 17,718                             | 77,536                   |
|   | 7,118,189               | 21,320,829                         | 22,023,479                         | 6,415,539                |
| Total . . . . .   | 53,459,720              | 86,976,271                         | 89,725,043                         | 50,710,948               |
| Borrowings expected to be repaid by enterprise Crown corporations and other government business enterprises . . . . .   | 50,480,720              | 86,976,271                         | 88,751,443                         | 48,705,548               |
| Allowance for borrowings of enterprise Crown corporations and other government business enterprises expected to be repaid by the Government and reported on the Statement of Financial Position . . . . . | 2,979,000               |                                    | 973,600                            | 2,005,400                |

<sup>(1)</sup> On December 31, 1998 The Canadian Wheat Board ceased to be an agent of Her Majesty and a Crown corporation under the *Financial Administration Act*.

<sup>(2)</sup> The Authority is an agent of the Crown only for its port activities. It is considered a non-agent of the Crown for borrowings purposes.



## Maturity and Currency of Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.7 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations and other government business enterprises, as at March 31, 2004.

**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                     |
|------------------------|------------|-----------|---------------------------|
| 2005 .....             | 15,805,934 | 5,129,765 | 20,935,699                |
| 2006 .....             | 4,980,539  | 13,967    | 4,994,506                 |
| 2007 .....             | 4,496,574  | 40,848    | 4,537,422                 |
| 2008 .....             | 4,013,357  | 14,646    | 4,028,003                 |
| 2009 .....             | 3,188,042  | 84,627    | 3,272,669                 |
| Subsequent years ..... | 11,810,963 | 1,131,686 | 12,942,649                |
| Total .....            | 44,295,409 | 6,415,539 | 50,710,948 <sup>(1)</sup> |

<sup>(1)</sup> The borrowings are composed of \$14,639,023 US, ¥ 1,988,910, Euro 231,161, NZ dollar \$416,779, AU \$943,951, NOK 588,194 and \$31,902,930 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, 2004 |
|--|----------------|
| <u>Enterprise Crown corporations and other government business enterprises</u> |                |
| Export Development Canada—Loan guarantees and loans with recourse .....        | 2,778,131      |
| Farm Credit Canada—Loan guarantees .....                                       | 17,899         |
| Laurentian Pilotage Authority—Miscellaneous litigations .....                  | 1,773          |
| Other Canada Port Authorities—Miscellaneous litigations .....                  | 3,550          |
| Total .....  | 2,801,353      |

## Contractual Commitments of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.9 summarizes the contractual commitments of enterprise Crown corporations and other government business enterprises. A contractual commitment represents a legal obligation to third organizations or individuals as a result of a contract. Contractual commitments are classified into three main categories: loans authorized but undisbursed, capital expenditures and operating leases.

**TABLE 9.9**

### CONTRACTUAL COMMITMENTS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES AT MARCH 31, 2004

(in thousands of dollars)

|  | Loans            | Capital expenditures | Operating leases | Total            |
|--|------------------|----------------------|------------------|------------------|
| <u>Enterprise Crown corporations and other government business enterprises</u> |                  |                      |                  |                  |
| Atlantic Pilotage Authority . . . . .  |                  |                      | 1,038            | 1,038            |
| Business Development Bank of Canada . . . . .                                  | 968,000          |                      | 160,000          | 1,128,000        |
| Canada Hibernia Holding Corporation . . . . .                                  |                  |                      | 5,600            | 5,600            |
| Canada Mortgage and Housing Corporation . . . . .                              | 8,643            |                      |                  | 8,643            |
| Canada Post Corporation . . . . .  |                  |                      | 1,286,000        | 1,286,000        |
| Canadian Commercial Corporation . . . . .                                      |                  |                      | 1,185            | 1,185            |
| Canadian Dairy Commission . . . . .  |                  | 3,100                |                  | 3,100            |
| Canadian Wheat Board . . . . .   |                  |                      | 17,730           | 17,730           |
| Export Development Canada . . . . .  | 3,040,000        |                      |                  | 3,040,000        |
| Farm Credit Canada . . . . .   | 375,900          |                      | 53,259           | 429,159          |
| Great Lakes Pilotage Authority . . . . .                                       |                  |                      | 938              | 938              |
| Halifax Port Authority . . . . .   |                  |                      | 469              | 469              |
| Laurentian Pilotage Authority . . . . .  |                  |                      | 3,486            | 3,486            |
| Montreal Port Authority . . . . .  |                  | 2,180                | 4,415            | 6,595            |
| Pacific Pilotage Authority . . . . .   |                  |                      | 493              | 493              |
| Quebec Port Authority . . . . .  |                  |                      | 219              | 219              |
| Vancouver Port Authority . . . . .   |                  | 8,800                | 36,700           | 45,500           |
| Other Canada Port Authorities . . . . .  |                  | 4,488                | 83               | 4,571            |
| <b>Total . . . . .</b>   | <b>4,392,543</b> | <b>18,568</b>        | <b>1,571,615</b> | <b>5,982,726</b> |

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

Table 9.10 summarizes financial assistance under budgetary appropriations for both agent, non-agent enterprise Crown corporations and other government business enterprises. It should be read in conjunction with Table 9.5. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts approved through an operating expenditures vote and (b) amounts approved through a capital expenditures vote.

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

Differences in figures reported in Table 9.5 and those reported in Table 9.10 result from the use of different accounting policies and from items in transit.

**TABLE 9.10**

### FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 2004

(in thousands of dollars)

|  | Operating<br>expenditures<br>vote | Capital<br>expenditures<br>vote | Financial assistance<br>under<br>budgetary<br>appropriations <sup>(1)</sup> |
|--|-----------------------------------|---------------------------------|---|
| <u>Enterprise Crown corporations and other government business enterprises</u> |                                   |                                 |   |
| Canada Post Corporation <sup>(2)</sup> .....                                   | 255,752                           |                                 | 255,752   |
| Canadian Commercial Corporation .....  | 16,274                            |                                 | 16,274  |
| Canadian Wheat Board, The <sup>(3)</sup> .....                                 | 98,320                            |                                 | 98,320  |
| Cape Breton Development Corporation .....                                      | 62,800                            |                                 | 62,800  |
| Export Development Canada <sup>(4)</sup> .....                                 | 8,220                             |                                 | 8,220   |
| Ridley Terminals Inc. ....   | 64,000                            |                                 | 64,000  |
| Total .....  | 505,366 <sup>(5)</sup>            |                                 | 505,366   |

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

(2) Includes a payment of \$33,542 from the Department of Indian Affairs and Northern Development for the purpose of providing Northern Air Stage Parcel Service.

(3) Includes a payment of \$13,851 for the acquisition and leasing of hopper cars for the transportation of grain in Western Canada.

(4) Consists of a payment of \$8,220 from the Department of Foreign Affairs and International Trade as administration expenses for the Canada Account.

(5) Of this amount, \$396,243 is presented with Crown corporations expenses on the Statement of Operations and Accumulated Deficit in Section 2 of this volume. The remainder is presented with other program expenses of all other departments and agencies.

## Portfolio Investments

Portfolio investments are entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. Additional information on these entities is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*.

Under the terms of section 147 of the *Bankruptcy and Insolvency Act*, the Superintendent of Bankruptcy has received shares in a number of corporations in lieu of a cash levy payable to the Crown.

Table 9.11 presents a summary of the balances and transactions for the various types of portfolio investments.

**TABLE 9.11**  
**PORTFOLIO INVESTMENTS**

|   | April 1/2003  | Payments and<br>other charges | Receipts and<br>other credits | March 31/2004 |
|---|---------------|-------------------------------|-------------------------------|---------------|
|   | \$            | \$                            | \$                            | \$            |
| Petro-Canada—Finance .....                          | 1,225,167,174 |                               |                               | 1,225,167,174 |
| Other—  |               |                               |                               |               |
| Co-operative Housing Project—Environment—           |               |                               |                               |               |
| Parks Canada Agency .....                           | 337,106       |                               |                               | 337,106       |
| Société du parc industriel et portuaire Québec-Sud— |               |                               |                               |               |
| Industry—Economic Development Agency of Canada      |               |                               |                               |               |
| for the Regions of Quebec .....                     | 400           |                               |                               | 400           |
| Lower Churchill Development Corporation Limited—    |               |                               |                               |               |
| Natural Resources .....                             | 14,750,000    |                               |                               | 14,750,000    |
| North Portage Development Corporation—              |               |                               |                               |               |
| Western Economic Diversification .....              |               |                               |                               |               |
|   | 15,087,506    |                               |                               | 15,087,506    |
| Total .....   | 1,240,254,680 |                               |                               | 1,240,254,680 |

### Petro-Canada

Petro-Canada was initially incorporated under the *Canada Business Corporations Act*, to explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

The *Petro-Canada Public Participation Act*, assented to February 1, 1991, provided for the sale of Government shares.

As of March 31, 2004, the Government's holding represents 49.4 million shares, approximately 18.60 percent ownership of Petro-Canada.

### 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.

### 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 may acquire, sell or exchange lands in this Township.

In 1995, the mandate was modified after the lands were ascertained as inappropriate for industrial infrastructure. The Corporation must now conduct the sale of the Corporation's land and suggest an alternative solution to the two levels of government on the use of the proceeds of this sale.

The Government has purchased 400 common shares of the Corporation at \$1 per share. This represents 40 percent of the authorized shares. The balance of the outstanding shares is owned by the Government of Quebec.

### Lower Churchill Development Corporation Limited

The Corporation was incorporated under the *Companies Act of Newfoundland*, to establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland and Labrador in the development of the hydroelectric power potential of the Lower Churchill River in Labrador, the Government is authorized to purchase approximately 49 percent of the shares of the Lower Churchill Development Corporation Limited.

The Government has purchased 1,475 class A shares, representing 49 percent of the shares outstanding. The balance of the outstanding shares is owned by Newfoundland and Labrador Hydro (an agent of the Government of Newfoundland and Labrador).

### North Portage Development Corporation

The Corporation was incorporated under the *Manitoba Corporations Act*, to foster the social and economic development of the North Portage area in the core area of Winnipeg. The objective of the Government's participation is to stimulate economic recovery in Canada and Manitoba.

The Government's holding of common shares represents 33.3 percent of the shares outstanding. The Corporation is owned equally by the City of Winnipeg, the Province of Manitoba and the Government of Canada.

### National Governments Including Developing Countries

Loans to national governments consist mainly of loans for financial assistance, international development assistance to developing countries, and loans for development of export trade (administered by Export Development Canada).

Table 9.12 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

**TABLE 9.12**

#### NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

|   | April 1/2003  | Payments and<br>other charges | Receipts and<br>other credits | March 31/2004 |
|---|---------------|-------------------------------|-------------------------------|---------------|
|   | \$            | \$                            | \$                            | \$            |
| Finance—  |               |                               |                               |               |
| Bank of Thailand .....  | 132,872,595   |                               | 132,872,595                   |               |
| United Kingdom .....  | 61,089,282    |                               | 18,486,234                    | 42,603,048    |
|   | 193,961,877   |                               | 151,358,829                   | 42,603,048    |
| Foreign Affairs and International Trade—  |               |                               |                               |               |
| Development of export trade (loans administered by<br>Export Development Canada) .....                          | 1,056,535,913 | 29,255,062                    | 336,349,591                   | 749,441,384   |
| Developing countries—Canadian International<br>Development Agency—International development<br>assistance ..... | 428,037,470   | 331,354,503                   | 445,777,526                   | 313,614,447   |
|   | 1,484,573,383 | 360,609,565                   | 782,127,117                   | 1,063,055,831 |
| National Defence—   |               |                               |                               |               |
| North Atlantic Treaty Organization—Damage claims<br>recoverable .....   | 16,059        | 75,190                        | 67,883                        | 23,366        |
| Total .....   | 1,678,551,319 | 360,684,755                   | 933,553,829                   | 1,105,682,245 |

## Bank of Thailand

Under authority of the *Bretton Woods and Related Agreements Act*, a loan had been made to the Bank of Thailand to a maximum of \$500,000,000 US to provide financial assistance.

The loan bore interest at the six-month LIBOR rate established by the British Bankers' Association less 0.100 percent. The interest was calculated every six-month period and the principal was repayable over four equal consecutive semi-annual instalments commencing on the seventh interest payment date.

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

## United Kingdom

*United Kingdom Financial Agreement Act, 1946—Deferred principal*

Under authority of the *United Kingdom Financial Agreement Act, 1946*, a credit of \$1,250,000,000 was extended by the Government of Canada to the government of the United Kingdom to facilitate purchases by the United Kingdom of goods and services in Canada and to assist the government of the United Kingdom in meeting transitional post-war deficits in its current balance of payments, in maintaining adequate reserves of gold and dollars, and in assuming the obligations of multilateral trade.

The agreement, as amended in 1957, provides for the deferment of interest in respect of the year 1956 and of seven instalments of principal and interest after December 31, 1956, under certain conditions. Interest for 1956, and interest and principal for 1957, 1964, 1965, 1968 and 1976 were deferred. The outstanding deferred principal is repayable between December 31, 2004 and December 31, 2006.

## Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize Export Development Canada ("the Corporation") to make loans to foreign customers where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

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.

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

|  | April 1/2003 | Payments and other charges               |             | Receipts and other credits               |             | March 31/2004 |
|--|--------------|--|-------------|--|-------------|---------------|
|  |              | Payments or other charges <sup>(1)</sup> | Revaluation | Receipts or other credits <sup>(2)</sup> | Revaluation |               |
|  | \$           | \$                                       | \$          | \$                                       | \$          | \$            |
| <b>NON-BUDGETARY LOANS<sup>(3)</sup>—</b>  |              |  |             |  |             |               |
| (a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 11 percent interest per annum, with final repayments between May 2000 and November 2005: |              |  |             |  |             |               |
| Madagascar .....   | 6,106,493    |  |             | 895,077                                  |             | 5,211,416     |
| Mexico .....   | 9,814,923    |  |             | 1,762,251                                | 1,049,360   | 7,003,312     |
| Tanzania .....   | 17,680,865   |  |             |  | 13,679,487  | 4,001,378     |
|  | 33,602,281   |  |             | 1,762,251                                | 15,623,924  | 16,216,106    |
| (b) 6 to 10 year term, 5.93 percent (LIBOR) to 10.5 percent interest per annum, with final repayments between July 2000 and March 2007:                                |              |  |             |  |             |               |
| Algeria .....  | 41,280,880   |  |             | 7,027,740                                | 4,486,793   | 29,766,347    |
| Argentina .....  | 38,371,268   |  |             |  | 4,147,117   | 34,224,151    |
| Cameroun .....   | 5,023,799    |  |             |  | 103,239     | 4,920,560     |
| China .....  | 29,696,744   |  |             |  | 29,696,744  |               |
| Congo .....  | 657,977      |  |             |  | 71,113      | 586,864       |
| Ecuador .....  | 890,637      |  |             |  | 96,223      | 794,414       |
| Gabon .....  | 1,929,431    |  |             | 1,805,484                                | 123,947     |               |
| Jamaica .....  | 1,984,288    |  |             | 366,850                                  | 208,427     | 1,409,011     |
| Kenya .....  | 4,236,834    |  |             | 3,695,300                                | 158,349     | 383,185       |
| Lithuania .....  | 754,908      |  |             | 342,979                                  | 75,270      | 336,659       |
| Morocco .....  | 20,344,291   |  |             | 18,432,816                               | 1,911,475   |               |
| Romania .....  | 125,167,277  |  |             | 33,365,095                               | 12,064,873  | 79,737,309    |
| Russia .....   | 1,679,789    |  |             | 788,819                                  | 141,851     | 749,119       |
| Rwanda .....   | 169,313      |  |             | 169,313                                  |             |               |
| Sudan .....  | 6,805,999    |  |             |  | 1,744,838   | 5,061,161     |
| Venezuela .....  | 121,873,784  | 8,043,323                                |             | 2,712,784                                | 13,366,068  | 113,838,255   |
|  | 400,867,219  | 8,043,323                                |             | 68,707,180                               | 68,396,327  | 271,807,035   |

|  | Payments and other charges |  |                | Receipts and other credits               |                   | March 31/2004      |
|--|----------------------------|--|----------------|--|-------------------|--------------------|
|  | April 1/2003               | Payments or other charges <sup>(1)</sup> | Revaluation    | Receipts or other credits <sup>(2)</sup> | Revaluation       |                    |
|  | \$                         | \$                                       | \$             | \$                                       | \$                | \$                 |
| (c) 11 to 15 year term, 5.93 percent (LIBOR) to 11.5 percent interest per annum, with final repayments between July 1996 and January 2007: |                            |  |                |  |                   |                    |
| Argentina .....  | 18,935,851                 |  |                | 18,435,694                               |                   | 500,157            |
| Brazil .....   | 2,722,367                  |  |                | 1,240,423                                | 247,968           | 1,233,976          |
| Peru .....   | 610,092                    |  |                | 204,448                                  | 123,931           | 281,713            |
| Russia .....   | 69,623,851                 |  |                | 3,287,436                                | 8,164,535         | 58,171,880         |
|  | <i>91,892,161</i>          |  |                | <i>23,168,001</i>                        | <i>8,536,434</i>  | <i>60,187,726</i>  |
| Insurance claims paid during the year:   |                            |  |                |  |                   |                    |
| Cuba .....   | 30,420,852                 |  |                |  |                   | 30,420,852         |
| Haiti .....  | 373,129                    |  | 115,857        |  |                   | 488,986            |
| Russia .....   | 15,251,301                 |  |                |  | 999,869           | 14,251,432         |
|  | <i>46,045,282</i>          |  | <i>115,857</i> |  | <i>999,869</i>    | <i>45,161,270</i>  |
| Total—Non-budgetary loans .....  | 572,406,943                | 8,043,323                                | 115,857        | 93,637,432                               | 93,556,554        | 393,372,137        |
| <b>BUDGETARY LOANS<sup>(3)</sup>—</b>  |                            |  |                |  |                   |                    |
| (a) 1 to 15 year term, 6.9 percent (LIBOR) to 11 percent interest per annum, with final repayments between April 1997 and June 2012:       |                            |  |                |  |                   |                    |
| Madagascar .....   | 8,577,499                  |  |                |  | 429,847           | 8,147,652          |
| Poland .....   | 32,249,331                 |  |                | 2,632,268                                | 3,413,584         | 26,203,479         |
| Zambia .....   | 3,826,898                  |  |                |  | 444,429           | 3,382,469          |
|  | <i>44,653,728</i>          |  |                | <i>2,632,268</i>                         | <i>4,287,860</i>  | <i>37,733,600</i>  |
| (b) 16 to 20 year term, 0 percent to 3.5 percent interest per annum, with final repayments between March 2008 and March 2011:              |                            |  |                |  |                   |                    |
| Cameroun .....   | 889,091                    |  |                |  | 118,329           | 770,762            |
| Rwanda .....   | 2,247,265                  |  |                |  | 110,848           | 2,136,417          |
| Thailand .....   | 16,364,179                 |  |                | 2,071,200                                | 1,000,847         | 13,292,132         |
|  | <i>19,500,535</i>          |  |                | <i>2,071,200</i>                         | <i>1,230,024</i>  | <i>16,199,311</i>  |
| (c) 21 to 25 year term, 0 percent to 3.5 percent interest per annum, with final repayments between November 1999 and July 2036:            |                            |  |                |  |                   |                    |
| Algeria .....  | 10,299,592                 |  |                | 670,859                                  | 314,926           | 9,313,807          |
| China .....  | 505,762,960                | 3,350,182                                |                | 3,554,779                                | 48,376,788        | 457,181,575        |
| Congo .....  | 3,103,162                  |  |                |  | 335,386           | 2,767,776          |
| Indonesia .....  | 47,290,168                 |  |                | 553,613                                  | 5,107,657         | 41,628,898         |
|  | <i>566,455,882</i>         | <i>3,350,182</i>                         |                | <i>4,779,251</i>                         | <i>54,134,757</i> | <i>510,892,056</i> |
| (d) 31 to 55 year term, 0 percent interest per annum, with final repayment in July 2042:   |                            |  |                |  |                   |                    |
| Cameroun .....   | 18,832,971                 |  |                |  | 2,504,786         | 16,328,185         |
| China .....  | 179,087,357                |  |                | 4,077,341                                | 19,754,441        | 155,255,575        |
| Egypt .....  | 12,736,250                 |  |                | 472,872                                  | 473,126           | 11,790,252         |
| Gabon .....  | 13,670,653                 |  |                | 335,347                                  | 1,467,309         | 11,867,997         |
| India .....  | 74,520,530                 |  |                | 215,950                                  | 8,045,190         | 66,259,390         |
| Jamaica .....  | 9,544,198                  |  |                | 247,826                                  | 1,023,492         | 8,272,880          |
| Kenya .....  | 9,991,631                  |  |                |  | 1,473,048         | 8,518,583          |
| Morocco .....  | 134,610,021                |  |                | 3,420,260                                | 14,491,866        | 116,697,895        |
| Pakistan .....   | 10,243,547                 |  |                |  | 1,334,115         | 8,909,432          |
| Turkey .....   | 158,299,711                |  |                | 3,696,647                                | 16,986,629        | 137,616,435        |
|  | <i>621,536,869</i>         |  |                | <i>12,466,243</i>                        | <i>67,554,002</i> | <i>541,516,624</i> |
| Total—Budgetary loans .....  | 1,252,147,014              | 3,350,182                                |                | 21,948,962                               | 127,206,643       | 1,106,341,591      |
| Subtotal .....   | 1,824,553,957              | 11,393,505                               | 115,857        | 115,586,394                              | 220,763,197       | 1,499,713,728      |
| Less: portion expensed due to concessionary terms <sup>(4)</sup> .....   | 768,018,044                | 17,745,700                               |                |  |                   | 750,272,344        |
| Total .....  | 1,056,535,913              | 29,139,205                               | 115,857        | 115,586,394                              | 220,763,197       | 749,441,384        |

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

(1) Payments or other charges may include transactions such as loans, adjustments, etc.

(2) Receipts or other credits may include transactions such as repayments, forgiveness, etc.

(3) Prior to April 1, 1986, these loans were authorized by miscellaneous non-budgetary authorities. Subsequently they were authorized by miscellaneous budgetary authorities.

(4) In previous years, the amount expensed due to the concessional nature of loans related to loans issued prior to April 1, 1986 was recorded in the allowance for valuation of assets. In the current year, this amount was reclassified and is recorded as part of the expense related to these loans. Certain comparative figures have been restated to reflect the current year's presentation.

**Developing countries—International development assistance**

Interest-free or low interest bearing loans have been made through the Canadian International Development Agency to developing countries for international development assistance. Loans are recorded in part as expenses when the economic value of the loans is reduced due to their concessionary terms.

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

All loans have been made in Canadian dollars and are therefore not subject to revaluations for foreign exchange fluctuations.

Similar assistance has been provided to developing countries by way of subscriptions and advances to the International Development Association, advances to the Global Environment Facility, and loans to other international financial institutions. These are reported later in this section under the heading "International organizations".

|  | April 1/2003 | Payments and<br>other charges | Receipts and<br>other credits <sup>(1)</sup> | March 31/2004 |
|--|--------------|-------------------------------|--|---------------|
|  | \$           | \$                            | \$   | \$            |
| (a) rescheduling as per agreement with Government of Egypt in August 1992, Phase III of reorganization schedule. Next principal repayment due January 1, 2017: |              |                               |  |               |
| Egypt .....  | 44,995,933   |                               |  | 44,995,933    |
| (b) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayments between September 1996 and January 2012:                            |              |                               |  |               |
| Brazil .....   | 3,423,180    |                               | 281,228                                      | 3,141,952     |
| Chile .....  | 11           |                               | 11   |               |
| Cuba .....   | 9,547,012    |                               |  | 9,547,012     |
| Malaysia .....   | 978,247      |                               | 326,121                                      | 652,126       |
| Turkey .....   | 632,609      |                               | 210,870                                      | 421,739       |
|  | 14,581,059   |                               | 818,230                                      | 13,762,829    |
| (c) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:                                       |              |                               |  |               |
| Salvador, El .....   | 197,133      |                               | 66,005                                       | 131,128       |
| (d) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:  |              |                               |  |               |
| Thailand .....   | 128,320      |                               | 33,333                                       | 94,987        |
| (e) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:                                     |              |                               |  |               |
| Algeria .....  | 10,481,843   |                               | 334,689                                      | 10,147,154    |
| Argentina .....  | 270,667      |                               | 28,000                                       | 242,667       |
| Bolivia .....  | 805,506      |                               | 42,395                                       | 763,111       |
| Brazil .....   | 345,019      |                               | 31,370                                       | 313,649       |
| Chile .....  | 1,489,553    |                               | 147,092                                      | 1,342,461     |
| Colombia .....   | 407,765      |                               | 38,664                                       | 369,101       |
| Dominican Republic .....   | 4,922,070    |                               | 236,045                                      | 4,686,025     |
| Ecuador .....  | 5,719,761    |                               | 347,990                                      | 5,371,771     |
| Guatemala .....  | 2,381,353    |                               | 99,950                                       | 2,281,403     |
| India .....  | 429,764,511  |                               | 429,764,511                                  |               |
| Indonesia .....  | 216,303,483  |                               | 3,461,240                                    | 212,842,243   |
| Malaysia .....   | 1,797,438    |                               | 62,945                                       | 1,734,493     |

**9. 20 LOANS, INVESTMENTS AND ADVANCES**



|  | April 1/2003         | Payments and<br>other charges | Receipts and<br>other credits <sup>(1)</sup> | March 31/2004      |
|--|----------------------|-------------------------------|--|--------------------|
|  | \$                   | \$                            | \$   | \$                 |
| Malta .....  | 524,980              |                               | 25,000                                       | 499,980            |
| Mexico .....   | 40,185               |                               | 4,158  | 36,027             |
| Morocco .....  | 10,138,402           |                               | 586,001                                      | 9,552,401          |
| Myanmar (Burma) .....  | 8,306,202            |                               |  | 8,306,202          |
| Pakistan .....   | 447,507,534          |                               |  | 447,507,534        |
| Paraguay .....   | 288,080              |                               | 29,995                                       | 258,085            |
| Peru .....   | 49,666               |                               | 5,593  | 44,073             |
| Philippines .....  | 2,188,440            |                               | 153,535                                      | 2,034,905          |
| Sri Lanka .....  | 105,876,691          |                               | 4,425,398                                    | 101,451,293        |
| Thailand .....   | 22,175,284           |                               | 847,121                                      | 21,328,163         |
| Tunisia .....  | 69,910,525           |                               | 3,290,908                                    | 66,619,617         |
|  | <i>1,341,694,958</i> |                               | <i>443,962,600</i>                           | <i>897,732,358</i> |
| (f) 53 year term, 13 year grace period, non-interest bearing,<br>with the final repayment in September 2025: |                      |                               |  |                    |
| Algeria .....  | 29,954,303           |                               | 897,358                                      | 29,056,945         |
| Subtotal .....   | 1,431,551,706        |                               | 445,777,526                                  | 985,774,180        |
| Less: portion expensed due to<br>concessionary terms <sup>(2)</sup> .....                                    | 1,003,514,236        | 331,354,503                   |  | 672,159,733        |
| Total .....  | 428,037,470          | 331,354,503                   | 445,777,526                                  | 313,614,447        |

Note: Grace period refers to interval from date of issuance of the loan to first repayment of loan principal.

<sup>(1)</sup> Receipts and other credits may include transactions such as repayments, forgiveness, etc.

<sup>(2)</sup> In previous years, the amount expensed due to the concessional nature of loans related to loans issued prior to April 1, 1986 was recorded in the allowance for valuation of assets. In the current year, this amount was reclassified and is recorded as part of the expense related to these loans. Certain comparative figures have been restated to reflect the current year's presentation.

### North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

## International Organizations

This group records Canada's subscriptions to the share capital of international banks. It also includes loans and advances to associations and other international organizations.

Canada's subscriptions to the share capital of a number of international banks are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investment but are repayable on termination of the organization or withdrawal from it.

Paid-in capital subscriptions are made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Although payable on demand, these notes are typically encashed according to terms of agreements reached between the organization and participating countries. Canada's subscriptions to the paid-in capital of these organizations are reported in Table 9.13.

Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program. Callable share capital, which has never been drawn on by the banks, would only be utilized in extreme circumstances to repay loans, should a bank's reserves not be sufficient. It represents a contingent liability of the Government, and is listed with other contingent liabilities related to international organizations in Table 11.8 (Section 11 of this volume).

Most loans and advances to international organizations are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms. Loans made on a long-term, low-interest or interest-free basis, and investments in organizations that make similar loans, are recorded in full or in part as expenses through the allowance for valuation when the economic value is reduced due to their concessionary terms.

Table 9.13 presents a summary of the balances and transactions for share capital, loans and advances to international organizations. The revaluation amount represents the conversion of foreign currency balances to the year-end closing rates of exchange. Balances denominated in United States dollars were converted to Canadian dollars at year-end exchange rate of (\$1 US/\$1.3113 Cdn).

Table 11.9 (Section 11 of this volume) presents additional information on contingent liabilities and commitments 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 \$618,823,075 (\$681,024,730 in 2003) are reported in Table 5.3 (Section 5 of this volume).

**TABLE 9.13**  
**INTERNATIONAL ORGANIZATIONS**

|  | April 1/2003  | Payments and<br>other charges        |             | Receipts and<br>other credits         |             | March 31/2004 |
|--|---------------|--------------------------------------|-------------|---------------------------------------|-------------|---------------|
|  |               | Participation<br>or<br>other charges | Revaluation | Reimbursements<br>or<br>other credits | Revaluation |               |
|  |               |                                      |             |                                       |             |               |
|  | \$            | \$                                   | \$          | \$                                    | \$          | \$            |
| Capital subscriptions <sup>(1)</sup> —   |               |                                      |             |                                       |             |               |
| Finance—   |               |                                      |             |                                       |             |               |
| European Bank for Reconstruction<br>and Development.....                                   | 263,854,187   | 17,713,965                           |             | 29,920,495                            |             | 251,647,657   |
| International Bank for Reconstruction and Development<br>(World Bank).....                 | 403,149,642   |                                      |             | 17,894,397                            |             | 385,255,245   |
| International Finance Corporation .....  | 119,393,788   |                                      |             | 12,730,023                            |             | 106,663,765   |
| Multilateral Investment Guarantee Agency.....  | 15,752,796    |                                      |             | 1,679,597                             |             | 14,073,199    |
|  | 802,150,413   | 17,713,965                           |             | 62,224,512                            |             | 757,639,866   |
| Foreign Affairs and International Trade—   |               |                                      |             |                                       |             |               |
| Canadian International Development Agency—   |               |                                      |             |                                       |             |               |
| African Development Bank .....   | 112,773,422   | 3,812,443                            |             | 5,294,422                             |             | 111,291,443   |
| Asian Development Bank.....  | 218,991,245   |                                      |             | 19,637,407                            |             | 199,353,838   |
| Caribbean Development Bank.....  | 26,060,528    | 184,050                              |             | 2,111,884                             |             | 24,132,694    |
| Inter-American Development Bank .....  | 262,489,341   | 824,557                              |             | 27,107,407                            |             | 236,206,491   |
|  | 620,314,536   | 4,821,050                            |             | 54,151,120                            |             | 570,984,466   |
|  | 1,422,464,949 | 22,535,015                           |             | 116,375,632                           |             | 1,328,624,332 |
| Loans and advances—  |               |                                      |             |                                       |             |               |
| Finance—   |               |                                      |             |                                       |             |               |
| Global Environment Facility <sup>(2)</sup> .....   | 10,000,000    |                                      |             |                                       |             | 10,000,000    |
| International Development Association <sup>(2)</sup> .....                                 | 6,396,571,061 | 230,133,000                          |             |                                       |             | 6,626,704,061 |
| International Monetary Fund— Poverty Reduction<br>and Growth Facility <sup>(1)</sup> ..... | 873,699,244   | 41,796,692                           |             | 119,503,557                           | 32,387,062  | 763,605,317   |
|  | 7,280,270,305 | 271,929,692                          |             | 119,503,557                           | 32,387,062  | 7,400,309,378 |

TABLE 9.13

INTERNATIONAL ORGANIZATIONS—*Concluded*

|   | Payments and<br>other charges |                                      |             | Receipts and<br>other credits |             | March 31/2004  |
|---|-------------------------------|--------------------------------------|-------------|-------------------------------|-------------|----------------|
|   | April 1/2003                  | Participation<br>or<br>other charges | Revaluation | Reimbursements<br>or          |             |                |
|   |                               |                                      |             | other credits                 | Revaluation |                |
|   | \$                            | \$                                   | \$          | \$                            | \$          | \$             |
| Foreign Affairs and International Trade—                      |                               |                                      |             |                               |             |                |
| International organizations and associations <sup>(1)</sup> — |                               |                                      |             |                               |             |                |
| Berne Union of the World Intellectual Property                |                               |                                      |             |                               |             |                |
| Organization . . . . .  | 47,521                        |                                      |             |                               | 2,212       | 45,309         |
| Customs Co-operation Council . . . . .                        | 10,948                        |                                      | 77          |                               |             | 11,025         |
| Food and Agriculture Organization . . . . .                   | 1,321,020                     |                                      |             |                               | 140,850     | 1,180,170      |
| General Agreement on Tariffs and Trade . . . . .              | 59,178                        |                                      |             |                               | 2,755       | 56,423         |
| International Maritime Organization . . . . .                 | 2,522                         |                                      | 104         |                               |             | 2,626          |
| International Atomic Energy Agency . . . . .                  | 561,873                       |                                      |             |                               | 59,908      | 501,965        |
| International Civil Aviation Organization . . . . .           | 251,875                       |                                      |             |                               | 26,856      | 225,019        |
| Paris Union of the World Intellectual Property                |                               |                                      |             |                               |             |                |
| Organization . . . . .  | 122,452                       |                                      |             |                               | 5,701       | 116,751        |
| United Nations Educational, Scientific and Cultural           |                               |                                      |             |                               |             |                |
| Organization . . . . .  | 1,097,064                     |                                      |             |                               | 116,972     | 980,092        |
| United Nations organizations . . . . .                        | 4,564,858                     |                                      |             |                               | 486,715     | 4,078,143      |
| World Health Organization . . . . .                           | 227,611                       |                                      |             |                               | 24,268      | 203,343        |
|   | 8,266,922                     |                                      | 181         |                               | 866,237     | 7,400,866      |
| Canadian International Development Agency—                    |                               |                                      |             |                               |             |                |
| International financial institutions <sup>(2)</sup> —         |                               |                                      |             |                               |             |                |
| African Development Bank . . . . .                            | 2,218,896                     |                                      |             | 125,000                       |             | 2,093,896      |
| African Development Fund . . . . .                            | 1,545,121,765                 | 67,227,302                           |             |                               | 11,527,491  | 1,600,821,576  |
| Andean Development Corporation . . . . .                      | 2,562,576                     |                                      |             | 125,076                       |             | 2,437,500      |
| Asian Development Bank—Special . . . . .                      | 27,027,000                    |                                      |             |                               |             | 27,027,000     |
| Asian Development Fund . . . . .                              | 1,716,762,540                 |                                      |             |                               |             | 1,716,762,540  |
| Caribbean Development Bank—                                   |                               |                                      |             |                               |             |                |
| Agricultural Development Fund . . . . .                       | 2,000,000                     |                                      |             |                               |             | 2,000,000      |
| Caribbean Development Bank—                                   |                               |                                      |             |                               |             |                |
| Commonwealth Caribbean Regional . . . . .                     | 5,871,200                     |                                      |             |                               | 614,800     | 5,256,400      |
| Caribbean Development Bank—Special . . . . .                  | 155,012,770                   | 9,022,298                            |             |                               | 1,928,936   | 162,106,132    |
| Central American Bank for Economic Integration . . . . .      | 1,109,279                     |                                      |             |                               | 76,499      | 1,032,780      |
| Global Environment Facility Trust Fund . . . . .              | 272,935,000                   |                                      |             |                               |             | 272,935,000    |
| Inter-American Development Bank—Fund                          |                               |                                      |             |                               |             |                |
| for Special Operations . . . . .                              | 411,658,072                   | 1,162,374                            |             |                               | 27,770,234  | 385,050,212    |
| Multilateral Investment Fund . . . . .                        | 11,388,294                    |                                      |             |                               |             | 11,388,294     |
| International Bank for Reconstruction and                     |                               |                                      |             |                               |             |                |
| Development . . . . .   | 29,356,000                    |                                      |             |                               | 3,074,000   | 26,282,000     |
| International Fund for Agriculture Development . . . . .      | 148,504,876                   | 14,533,867                           |             |                               |             | 163,038,743    |
| International Monetary Fund . . . . .                         | 16,100,933                    |                                      |             |                               | 1,686,002   | 14,414,931     |
| Montreal Protocol Fund . . . . .                              | 55,971,279                    | 6,216,533                            |             |                               | 4,101,400   | 58,086,412     |
|   | 4,403,600,480                 | 98,162,374                           |             | 250,076                       | 50,779,362  | 4,450,733,416  |
|   | 11,692,137,707                | 370,092,066                          | 181         | 119,753,633                   | 84,032,661  | 11,858,443,660 |
| Total <sup>(3)</sup> . . . . .                                | 13,114,602,656                | 392,627,081                          | 181         | 119,753,633                   | 200,408,293 | 13,187,067,992 |

<sup>(1)</sup> Loans and investments made prior to April 1, 1986 which were authorized by non-budgetary authorities.<sup>(2)</sup> Loans and investments made since April 1, 1986 which were authorized by budgetary authorities.<sup>(3)</sup> In previous years, amounts charged directly to budgetary appropriations were deducted from the asset values on Table 9.13. In the current year, these amounts have been reclassified and are recorded as part of the allowance for valuation related to share-capital, loans, and advances. Certain comparative figures have been restated to reflect the current year's presentation.

### **European Bank for Reconstruction and Development**

This account records Canada's subscriptions to the capital of the European Bank for Reconstruction and Development (EBRD), as authorized by the *European Bank for Reconstruction and Development Agreement Act*, and various appropriation acts.

At year-end, Canada has subscribed to 68,000 shares of the EBRD's authorized capital valued at \$828.6 million US. Only \$216.2 million US or about 35 per cent of Canada's share subscription is "paid-in". The balance is callable meaning the institution can request the resources in the unlikely event that it requires them to meet its financial obligations to bondholders. Payments for the share subscription are authorized by the *Act*. Each payment to the EBRD is comprised of cash and a promissory note.

As at March 31, 2004, Canada had paid-in shares valued at \$191,907,006 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, 2004, Canada has subscribed to 44,795 shares. The total value of these shares is \$5,403,844,825 US, of which \$114,341,194 US plus \$235,319,638 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, 2004, 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, 2004, 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 Votes L35 and L35b, *Appropriation Acts No. 2 and No. 4, 2003-2004*).

At year-end, authority had been granted for subscriptions of 7,472 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, 2004, Canada's participation to the paid-in capital is \$111,291,443 Cdn for 7,472 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 \$1,217,951,533 Cdn.

### **Asian Development Bank**

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 12,961 paid-in shares and 172,125 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2004, Canada's participation to the paid-in capital is \$199,353,838 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 \$2,611,768,180 Cdn.

### **Caribbean Development Bank**

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 2,278 paid-in shares and 8,124 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2004, Canada's participation to the paid-in capital is \$24,132,694 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 \$64,393,339 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, 2004, Canada's participation to the paid-in capital is \$236,206,491 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 \$5,080,584,826 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, 2004, advances to the GEF amounted to \$10,000,000 Cdn.

### International Development Association

This account records Canada's contributions and subscriptions to the International Development Association (IDA), as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. The contributions and subscriptions to the Association, which is part of the World Bank Group, are used to lend funds to the poorest developing countries for development purposes, on highly favourable terms (no interest, with a 35 to 40 year maturity and 10 years of grace). Contributions and subscriptions to IDA are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, transactions included participation through the issuance of notes payable.

As at March 31, 2004, Canada's total participation in IDA amounted to \$6,626,704,061 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, 2004, Canada has lent a total of 638,712,500 SDR to the Poverty Reduction and Growth Facility. Of this amount, 245,383,330 SDR has been repaid. The outstanding balance of 393,329,170 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR/\$1.94139 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 182,197,586 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 L30 and L30a, *Appropriation Acts No. 2 and No. 3, 2003-2004*).

In certain cases, loans and advances are made using notes payable that are later encashed. During the year, transactions included loans and advances made in cash and through note issuances, encashments of notes issued in previous years and revaluations for foreign currency fluctuations.

## Provincial and Territorial Governments

This category records loans to provinces and territories made under relief acts and other legislation.

Loans made on a long-term, low-interest or interest-free basis are recorded in part as expenses when the economic value of these loans is reduced due to their concessionary terms.

Table 9.14 presents a summary of the balances and transactions for the various types of loans and advances that have been made to provincial and territorial governments.

**TABLE 9.14**  
**PROVINCIAL AND TERRITORIAL GOVERNMENTS**

|   | April 1/2003      | Payments and<br>other charges | Receipts and<br>other credits | March 31/2004      |
|---|-------------------|-------------------------------|-------------------------------|--------------------|
|   | \$                | \$                            | \$                            | \$                 |
| NEWFOUNDLAND AND LABRADOR—                                |                   |                               |                               |                    |
| Atlantic Canada Opportunities Agency—                     |                   |                               |                               |                    |
| Loans to enterprises in Newfoundland and<br>Labrador..... | 476,680           |                               |                               | 476,680            |
| Finance—  |                   |                               |                               |                    |
| Federal-provincial fiscal arrange-<br>ments .....         | (1,217,600)       | 194,900,000                   | 4,051,400                     | 189,631,000        |
| Municipal Development and Loan<br>Board .....             | 1,178,204         |                               | 197,820                       | 980,384            |
| Winter capital projects fund.....                         | 2,836,758         |                               |                               | 2,836,758          |
|   | <i>2,797,362</i>  | <i>194,900,000</i>            | <i>4,249,220</i>              | <i>193,448,142</i> |
| Industry—   |                   |                               |                               |                    |
| Atlantic Development Board carry-over<br>projects.....    | 141,754           | 6,058                         | 37,668                        | 110,144            |
| Atlantic Provinces Power Development<br>Act .....         | 17,236,280        | 173,098                       | 2,299,722                     | 15,109,656         |
|   | <i>17,378,034</i> | <i>179,156</i>                | <i>2,337,390</i>              | <i>15,219,800</i>  |
| Total Newfoundland and Labrador .....                     | 20,652,076        | 195,079,156                   | 6,586,610                     | 209,144,622        |
| NOVA SCOTIA—  |                   |                               |                               |                    |
| Finance—  |                   |                               |                               |                    |
| Federal-provincial fiscal arrange-<br>ments .....         | (7,441,000)       | 220,317,000                   | 3,324,000                     | 209,552,000        |
| Municipal Development and Loan<br>Board.....              | 57,729            |                               | 15,055                        | 42,674             |
| Total Nova Scotia .....                                   | (7,383,271)       | 220,317,000                   | 3,339,055                     | 209,594,674        |
| PRINCE EDWARD ISLAND—                                     |                   |                               |                               |                    |
| Atlantic Canada Opportunities Agency—                     |                   |                               |                               |                    |
| Comprehensive development plan agreement .....            | 821,928           |                               | 395,454                       | 426,474            |
| Finance—  |                   |                               |                               |                    |
| Federal-provincial fiscal arrange-<br>ments .....         | (425,300)         | 51,965,000                    | 15,358,700                    | 36,181,000         |
| Municipal Development and Loan<br>Board .....             | 170,076           |                               | 24,748                        | 145,328            |
| Winter capital projects fund.....                         | 63,079            |                               |                               | 63,079             |
|   | <i>(192,145)</i>  | <i>51,965,000</i>             | <i>15,383,448</i>             | <i>36,389,407</i>  |
| Total Prince Edward Island .....                          | 629,783           | 51,965,000                    | 15,778,902                    | 36,815,881         |

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Continued*

|   | April 1/2003  | Payments and<br>other charges | Receipts and<br>other credits | March 31/2004 |
|---|---------------|-------------------------------|-------------------------------|---------------|
|   | \$            | \$                            | \$                            | \$            |
| NEW BRUNSWICK—  |               |                               |                               |               |
| Atlantic Canada Opportunities Agency—                   |               |                               |                               |               |
| Special areas and highways agreement.....               | 573,774       |                               |                               | 573,774       |
| Finance—  |               |                               |                               |               |
| Federal-provincial fiscal arrange-<br>ments .....       | (10,841,000)  | 196,196,000                   | 17,164,000                    | 168,191,000   |
| Municipal Development and Loan<br>Board .....           | 743,379       |                               | 172,122                       | 571,257       |
|   | (10,097,621)  | 196,196,000                   | 17,336,122                    | 168,762,257   |
| Industry—   |               |                               |                               |               |
| Atlantic Provinces Power Development<br>Act .....       | 6,447,428     | 56,697                        | 1,267,609                     | 5,236,516     |
| Total New Brunswick .....                               | (3,076,419)   | 196,252,697                   | 18,603,731                    | 174,572,547   |
| QUEBEC—   |               |                               |                               |               |
| Finance—  |               |                               |                               |               |
| Federal-provincial fiscal arrange-<br>ments .....       | 491,569,250   | 1,854,846,150                 | 442,292,000                   | 1,904,123,400 |
| Municipal Development and Loan<br>Board .....           | 7,436,015     |                               | 2,704,062                     | 4,731,953     |
| Total Quebec .....                                      | 499,005,265   | 1,854,846,150                 | 444,996,062                   | 1,908,855,353 |
| ONTARIO—  |               |                               |                               |               |
| Finance—  |               |                               |                               |               |
| Federal-provincial fiscal arrange-<br>ments .....       | (87,916,000)  | 87,916,000                    | 65,078,000                    | (65,078,000)  |
| Mutual fund capital gain refund over-<br>payments ..... | 1,330,000,000 |                               |                               | 1,330,000,000 |
| Total Ontario .....                                     | 1,242,084,000 | 87,916,000                    | 65,078,000                    | 1,264,922,000 |
| MANITOBA—   |               |                               |                               |               |
| Finance—  |               |                               |                               |               |
| Federal-provincial fiscal arrange-<br>ments .....       | (16,584,000)  | 196,549,000                   | 192,204,000                   | (12,239,000)  |
| Mutual fund capital gain refund over-<br>payments ..... | 91,000,000    |                               |                               | 91,000,000    |
| Total Manitoba .....                                    | 74,416,000    | 196,549,000                   | 192,204,000                   | 78,761,000    |
| SASKATCHEWAN—   |               |                               |                               |               |
| Agriculture and Agri-Food—                              |               |                               |                               |               |
| Agricultural service centres .....                      | 9,286         | 1,029                         | 4,630                         | 5,685         |
| Finance—  |               |                               |                               |               |
| Federal-provincial fiscal arrange-<br>ments .....       | 114,639,034   | 404,517,000                   | 141,960,026                   | 377,196,008   |
| Municipal Development and Loan<br>Board .....           | 14,045        |                               | 4,260                         | 9,785         |
|   | 114,653,079   | 404,517,000                   | 141,964,286                   | 377,205,793   |
| Total Saskatchewan .....                                | 114,662,365   | 404,518,029                   | 141,968,916                   | 377,211,478   |
| ALBERTA—  |               |                               |                               |               |
| Finance—  |               |                               |                               |               |
| Federal-provincial fiscal arrange-<br>ments .....       | 214,256,000   | 39,947,000                    | 230,960,000                   | 23,243,000    |
| Municipal Development and Loan<br>Board .....           | 338,222       |                               | 83,498                        | 254,724       |
| Total Alberta .....                                     | 214,594,222   | 39,947,000                    | 231,043,498                   | 23,497,724    |



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

|   | April 1/2003  | Payments and<br>other charges | Receipts and<br>other credits | March 31/2004 |
|---|---------------|-------------------------------|-------------------------------|---------------|
|   | \$            | \$                            | \$                            | \$            |
| <b>BRITISH COLUMBIA—</b>  |               |                               |                               |               |
| Finance—  |               |                               |                               |               |
| Federal-provincial fiscal arrange-<br>ments .....                                   | 45,429,000    | 774,316,000                   | 186,804,000                   | 632,941,000   |
| Municipal Development and Loan<br>Board .....                                       | 282,741       |                               | 87,570                        | 195,171       |
| Total British Columbia .....  | 45,711,741    | 774,316,000                   | 186,891,570                   | 633,136,171   |
| <b>YUKON TERRITORY—</b>   |               |                               |                               |               |
| Finance—  |               |                               |                               |               |
| Federal-provincial fiscal arrange-<br>ments .....                                   | 1,768,000     | 637,000                       | 1,768,000                     | 637,000       |
| Indian Affairs and Northern Development—<br>Government of the Yukon Territory ..... | 15,956        |                               | 15,956                        |               |
| Total Yukon Territory .....   | 1,783,956     | 637,000                       | 1,783,956                     | 637,000       |
| <b>NORTHWEST TERRITORIES—</b>   |               |                               |                               |               |
| Finance—  |               |                               |                               |               |
| Federal-provincial fiscal arrange-<br>ments .....                                   | (8,589,000)   | 8,817,000                     |                               | 228,000       |
| Total Northwest Territories .....   | (8,589,000)   | 8,817,000                     |                               | 228,000       |
| <b>NUNAVUT—</b>   |               |                               |                               |               |
| Finance—  |               |                               |                               |               |
| Federal-provincial fiscal arrange-<br>ments .....                                   | (947,000)     | 2,620,000                     |                               | 1,673,000     |
| Total Nunavut .....   | (947,000)     | 2,620,000                     |                               | 1,673,000     |
| Subtotal .....  | 2,193,543,718 | 4,033,780,032                 | 1,308,274,300                 | 4,919,049,450 |
| Less: portion expensed due to<br>concessionary terms <sup>(1)</sup> .....           | 384,000,000   |                               | 266,968,000                   | 650,968,000   |
| Total .....   | 1,809,543,718 | 4,033,780,032                 | 1,575,242,300                 | 4,268,081,450 |

<sup>(1)</sup> In previous years, the portion expensed due to the concessionary terms of certain loans was recorded in the allowance for valuation of assets. In the current year, this amount was reclassified and is recorded as a reduction to the asset values in Table 9.14. Certain comparative figures have been restated to reflect the current year's presentation.

### Loans to enterprises in Newfoundland and Labrador

Loans have been made to provide financing to small and medium-sized businesses in Newfoundland.

These loans originated from the Newfoundland and Labrador Development Corporation Limited, of which Canada owned 40 percent of the shares. In an agreement dated March 29, 1989, the Newfoundland government purchased Canada's shares to effect the withdrawal of the Government of Canada from the Corporation. A condition of the withdrawal was that the Government of Canada accept these loans as full payment of moneys owing by the Corporation to Canada. These loans are currently being administered by the Department.

The remaining loans are all in recovery and negotiations are being held to recover outstanding amounts.

### Federal-provincial fiscal arrangements

These amounts represent underpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements Act*, and other statutory authority. These 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 December 1, 2004 and July 1, 2008.



### **Winter capital projects fund**

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 7.4 percent to 9.5 percent per annum, and are repayable either in annual instalments over 5 to 20 years, or at maturity.

### **Atlantic Development Board carry-over projects**

Loans have been made to finance certain water projects that were carried over from the Atlantic Development Board.

The remaining loan bears interest at the rate of 8.352 percent, with final instalment due April 1, 2006.

### **Atlantic Provinces Power Development Act**

Loans have been made to the Atlantic provinces, to assist in the generation of electrical energy by steam driven generators in the provinces, and in the control and transmission of electric energy.

The loans bear interest at rates from 4.5 percent to 8.5 percent per annum, and are repayable in equal annual instalments over the next 10 years, with final instalments due March 31, 2014.

### **Comprehensive development plan agreement**

Loans have been made to the Province of Prince Edward Island, to assist in financing the realization of a comprehensive and co-ordinated development plan of the province, pursuant to an agreement with the province, whose territory has been designated a "special rural development area".

The loans bear interest at a rate of 9.375 percent per annum, and are repayable in equal instalments due at various anniversary dates, with final instalments by March 31, 2005.

### **Special areas and highways agreement**

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

Originally, the loans beared interest at rates from 6.3519 percent to 9.5757 percent per annum. As of March 31, the remaining loans bear no interest and are repayable in annual instalments, with final instalments between April 1, 2004 and April 1, 2005.

### **Mutual fund capital gain refund overpayments**

These amounts represent overpayments made to provinces under tax collection agreements for tax years 1997 to 1999 stemming from the misclassification of mutual fund trust capital gains refunds. Recoveries are non-interest bearing and will take place over a 10-year period starting in 2004-2005.

### **Agricultural service centres**

Loans have been made to provincial and municipal authorities, to assist in the construction or expansion of water supply and waste disposal facilities in key agriculture service centres, which are essential to rural adjustment and urban development in the agricultural portion of the Prairie region.

The loans bear interest at rates from 8.6179 percent to 13.4765 percent per annum, and are repayable in annual instalments using the declining balance method of calculation. The final instalment is due April 1, 2004.

### **Government of the Yukon Territory**

Loans had been made to the Government of the Yukon Territory as second mortgage, capital expenditures and capital projects. During the year, the remaining loan has been repaid in full.

## Other Loans, Investments and Advances

This group records loans, investments and advances not classified elsewhere.

Table 9.15 presents a summary of the balances and transactions for the various types of other loans, investments and advances.

**TABLE 9.15**

### OTHER LOANS, INVESTMENTS AND ADVANCES

|  | April 1/2003       | Payments and<br>other charges | Receipts and<br>other credits | March 31/2004      |
|--|--------------------|-------------------------------|-------------------------------|--------------------|
|  | \$                 | \$                            | \$                            | \$                 |
| Unconditionally repayable contributions—   |                    |                               |                               |                    |
| Atlantic Canada Opportunities Agency .....   | 347,356,589        | 80,658,363                    | 69,335,187                    | 358,679,765        |
| Industry—  |                    |                               |                               |                    |
| Department .....   | 61,048,337         | 53,534,171                    | 29,029,513                    | 85,552,995         |
| Economic Development Agency of Canada<br>for the Regions of Quebec .....               | 214,999,861        | 70,134,356                    | 23,548,336                    | 261,585,881        |
|  | 276,048,198        | 123,668,527                   | 52,577,849                    | 347,138,876        |
| Natural Resources .....  | 25,291,458         | 2,878,098                     | 570,411                       | 27,599,145         |
| Western Economic Diversification .....   | 87,707,101         | 2,763,974                     | 17,058,274                    | 73,412,801         |
| <b>Total—Unconditionally repayable contributions .....</b>                             | <b>736,403,346</b> | <b>209,968,962</b>            | <b>139,541,721</b>            | <b>806,830,587</b> |
| Loans and accountable advances—  |                    |                               |                               |                    |
| Foreign Affairs and International Trade—   |                    |                               |                               |                    |
| Missions abroad .....  | 20,374,425         | 690,130,315                   | 693,917,206                   | 16,587,534         |
| Personnel posted abroad .....  | 12,645,203         | 9,025,278                     | 8,915,822                     | 12,754,659         |
|  | 33,019,628         | 699,155,593                   | 702,833,028                   | 29,342,193         |
| National Defence—  |                    |                               |                               |                    |
| Imprest accounts, standing advances and authorized<br>loans .....                      | 29,674,429         | 23,615,545                    | 21,020,250                    | 32,269,724         |
| Other departments—   |                    |                               |                               |                    |
| Miscellaneous accountable advances .....   | 12,685,157         | 3,088,844                     |                               | 15,774,001         |
| Miscellaneous accountable imprest and standing<br>advances .....                       | 21,112,508         | 89,293                        | 292,395                       | 20,909,406         |
|  | 33,797,665         | 3,178,137                     | 292,395                       | 36,683,407         |
| <b>Total—Loans and accountable advances .....</b>                                      | <b>96,491,722</b>  | <b>725,949,275</b>            | <b>724,145,673</b>            | <b>98,295,324</b>  |
| Other—   |                    |                               |                               |                    |
| Agriculture and Agri-Food—   |                    |                               |                               |                    |
| Construction of multi-purpose exhibition buildings .....                               | 115,650            |                               | 42,631                        | 73,019             |
| National Marketing Programs .....  | 111,825,423        |                               | 5,728,541                     | 106,096,882        |
|  | 111,941,073        |                               | 5,771,172                     | 106,169,901        |
| Canadian Heritage—   |                    |                               |                               |                    |
| Cultural property .....  |                    |                               |                               |                    |
| Citizenship and Immigration—   |                    |                               |                               |                    |
| Immigration loans .....  | 43,525,673         | 13,795,761                    | 14,827,154                    | 42,494,280         |
| Finance—   |                    |                               |                               |                    |
| Canadian Commercial Bank .....   | 47,422,429         |                               | 220,000                       | 47,202,429         |
| Financial Consumer Agency of Canada—   |                    |                               |                               |                    |
| Advances .....   | 1,350,000          | 6,000,000                     | 5,850,000                     | 1,500,000          |
| Ottawa Civil Service Recreational Association .....                                    | 35,253             |                               | 6,758                         | 28,495             |
|  | 48,807,682         | 6,000,000                     | 6,076,758                     | 48,730,924         |
| Fisheries and Oceans—  |                    |                               |                               |                    |
| Canadian producers of frozen groundfish .....  | 128,315            |                               |                               | 128,315            |
| Haddock fishermen .....  | 1,343,337          |                               |                               | 1,343,337          |
|  | 1,471,652          |                               |                               | 1,471,652          |
| Foreign Affairs and International Trade—   |                    |                               |                               |                    |
| Development of export trade (loans administered by<br>Export Development Canada) ..... | 747,664,505        | 1,083,432,162                 | 185,769,306                   | 1,645,327,361      |
| Human Resources Development—   |                    |                               |                               |                    |
| Direct financing to students .....   | 5,231,406,288      | 2,063,814,990                 | 925,259,232                   | 6,369,962,046      |
| Provincial workers' compensation boards .....  | 12,959,001         | 14,000                        |                               | 12,973,001         |
|  | 5,244,365,289      | 2,063,828,990                 | 925,259,232                   | 6,382,935,047      |

## 9. 30 LOANS, INVESTMENTS AND ADVANCES

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

|   | April 1/2003       | Payments and<br>other charges | Receipts and<br>other credits | March 31/2004      |
|---|--------------------|-------------------------------|-------------------------------|--------------------|
|   | \$                 | \$                            | \$                            | \$                 |
| Indian Affairs and Northern Development—            |                    |                               |                               |                    |
| Council of Yukon First Nations—Elders .....         | 12,122,381         |                               | 904,743                       | 11,217,638         |
| Farm Credit Canada Guarantee                        |                    |                               |                               |                    |
| Loans Program .....                                 | 5,200,670          |                               | 225,711                       | 4,974,959          |
| First Nations in British Columbia .....             | 252,915,342        | 27,602,704                    |                               | 280,518,046        |
| Indian Economic Development Fund .....              | 100,435            |                               | 13,314                        | 87,121             |
| Indian Economic Development Guarantee               |                    |                               |                               |                    |
| Loans Program .....                                 | 675,361            | 79,595                        | 400,032                       | 354,924            |
| Inuit Loan Fund .....                               | 82,836             |                               |                               | 82,836             |
| Native Claimants .....                              | 332,554,740        | 24,752,794                    |                               | 357,307,534        |
| On Reserve Housing Guarantee                        |                    |                               |                               |                    |
| Loans Program .....                                 | 8,317,734          | 1,061,119                     | 181,007                       | 9,197,846          |
| Stoney Band Perpetual Loan .....                    | 389,615            |                               |                               | 389,615            |
| Yukon Energy Corporation .....                      | 29,018,710         |                               | 589,954                       | 28,428,756         |
|   | <i>641,377,824</i> | <i>53,496,212</i>             | <i>2,314,761</i>              | <i>692,559,275</i> |
| Industry—   |                    |                               |                               |                    |
| Company stock option .....                          |                    |                               |                               |                    |
| Manufacturing, processing and service industries in |                    |                               |                               |                    |
| Canada .....  | 110,000,000        |                               |                               | 110,000,000        |
| Small Business loans .....                          | 63,764,807         | 89,697,060                    | 8,568,379                     | 144,893,488        |
| National Research Council of Canada—                |                    |                               |                               |                    |
| H. L. Holmes Fund .....                             | 3,711,607          | 276,130                       |                               | 3,987,737          |
|   | <i>177,476,414</i> | <i>89,973,190</i>             | <i>8,568,379</i>              | <i>258,881,225</i> |
| National Defence—                                   |                    |                               |                               |                    |
| Canadian Forces housing projects .....              | 236,587            | 497,614                       | 414,147                       | 320,054            |
| Natural Resources—                                  |                    |                               |                               |                    |
| Hibernia Development Project .....                  | 55,200,000         |                               | 9,200,000                     | 46,000,000         |
| Nordion International Inc. ....                     | 90,000,000         |                               | 4,000,000                     | 86,000,000         |
|   | <i>145,200,000</i> |                               | <i>13,200,000</i>             | <i>132,000,000</i> |
| Public Works and Government Services—               |                    |                               |                               |                    |
| Seized Property Working Capital Account .....       | 7,632,892          | 34,807,928                    | 50,156,542                    | (7,715,722)        |
| Solicitor General—Correctional Service—             |                    |                               |                               |                    |
| Parolees .....                                      | 7,952              | 5,951                         | 6,509                         | 7,394              |
| Transport—  |                    |                               |                               |                    |
| Canadian Airport Authorities .....                  | 19,220,996         |                               | 626,259                       | 18,594,737         |
| Saint John Harbour Bridge Authority .....           | 24,152,352         |                               | 671,518                       | 23,480,834         |
| St. Lawrence Seaway Management Corporation .....    | 691,574            |                               | 512,177                       | 179,397            |
|   | <i>44,064,922</i>  |                               | <i>1,809,954</i>              | <i>42,254,968</i>  |
| Veterans Affairs—                                   |                    |                               |                               |                    |
| Commonwealth War Graves Commission .....            | 69,609             | 2,718 <sup>(1)</sup>          |                               | 72,327             |
| Veterans' Land Act Fund—                            |                    |                               |                               |                    |
| Advances .....                                      | 136,354            |                               | 67,585                        | 68,769             |
|   | <i>205,963</i>     | <i>2,718</i>                  | <i>67,585</i>                 | <i>141,096</i>     |
| Other departments—                                  |                    |                               |                               |                    |
| Miscellaneous .....                                 | 404,325            | 2,286                         | 149,320                       | 257,291            |
| Subtotal—Other .....                                | 7,214,382,753      | 3,345,842,812                 | 1,214,390,819                 | 9,345,834,746      |
| Add: consolidation adjustment <sup>(2)</sup> .....  | 553,020,000        | 296,748,000                   |                               | 849,768,000        |
| Total—Other .....                                   | 7,767,402,753      | 3,642,590,812                 | 1,214,390,819                 | 10,195,602,746     |
| Total .....   | 8,600,297,821      | 4,578,509,049                 | 2,078,078,213                 | 11,100,728,657     |

<sup>(1)</sup> This amount represents a revaluation adjustment.<sup>(2)</sup> Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

### Unconditionally repayable contributions

Unconditionally repayable contributions are, in substance loans, and are generally made to businesses pursuant to various Acts of Parliament, with various amounts outstanding.

These loans are aimed at stimulating economic development or for assistance. They bear various interest rates, some of which have concessional terms, and are repayable at various due dates with final instalments due within up to 10 years of initial disbursement.

Loans made on a long-term, low-interest or interest-free basis are recorded in part as expenses when the economic value of the loans is reduced due to their 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, \$9,669,985; advances for medical expenses, \$1,203,483; advances for workmen's compensation, \$5,006; security and other deposits under Foreign Service Directives, \$692,617 and, school and club debentures, \$1,183,568.

The loans to employees bear interest at rates from 2.75 percent to 3.75 percent per annum, and are repayable over 1 to 4 years, with final instalments between April 1, 2004 and March 1, 2008.

### Imprest accounts, standing advances and authorized loans

This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and, (d) authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is \$120,000,000, as last amended by National Defence Vote L11b, *Appropriation Act No. 4, 2001-2002*.

### Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

### Miscellaneous accountable imprest and standing advances

This account is operated to provide imprest funds, accountable advances and recoverable advances to departments and agencies.

The total amount authorized to be outstanding at any time is \$22,000,000.

### Construction of multi-purpose exhibition buildings

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

The loans bear interest at rates from 7.532 percent to 9.351 percent per annum, and are repayable over 20 to 30 years, with final instalments between December 31, 2004 and June 30, 2006.

### National Marketing Programs

Loans made by financial institutions under the *Farm Improvement and Marketing Cooperative Loans Act* and advances made by producer organizations under the *Agricultural Marketing Programs Act* are guaranteed by the Crown. Where the guarantee is honoured, the Crown becomes subrogated to the financial institution's or producer organization's rights to outstanding principal, interest and costs.

### Cultural property

Loans made to designated heritage institutions and public authorities in Canada, for the purchase of objects in respect of which export permits have been refused under the *Cultural Property Export and Import Act*, or for the purchase of cultural property situated outside Canada which is important to the national heritage.

Although authority for additional loans was provided by Canadian Heritage Vote L10, *Appropriation Act No. 2, 2003-2004*, 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 6 years, with a possible deferment of 2 years, bearing interest at rates from 3.6 percent to 15 percent per annum, with final instalments between April 1, 2004 and April 1, 2012, \$41,396,913; 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, \$1,097,367.

During the year, loans totalling \$777,911 were written off by Citizenship and Immigration Vote 2b, *Appropriation Act No. 4, 2003-2004*.

### **Canadian Commercial Bank**

Advances have been made to the Canadian Commercial Bank representing the Government's participation in the support group as authorized by the *Canadian Commercial Bank Financial Assistance Act*. These funds represent the Government's participation in the loan portfolio that was acquired from the Bank and the purchase of outstanding debentures from existing holders.

### **Financial Consumer Agency of Canada—Advances**

Interest-bearing advances have been made to defray the cost of operation of the Agency pursuant to Section 13(1) of the *Financial Consumer Agency of Canada Act*.

The advances are repayable within one year.

### **Ottawa Civil Service Recreational Association**

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

The remaining loan bears interest at the rate of 4.25 percent per annum, and is repayable in equal semi-annual instalments over 45 years, with the final instalment due September 30, 2005.

### **Canadian producers of frozen groundfish**

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories.

The loans bore interest at the rate of 13 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1987. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

### **Haddock fishermen**

Loans have been made to Nova Scotia haddock fishermen whose fishery was closed from February 1 to May 31, 1975, pursuant to an agreement under the International Agreement for the Northwest Atlantic Fisheries. The total loan authority is \$1,650,000.

The loans bore interest at the rate of 8 percent per annum, and were repayable in equal annual instalments over 4 years, with the final instalment in 1979. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

### **Development of export trade**

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize Export Development Canada ("the Corporation") to make loans where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

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.

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

|  | Payments and other charges |  |             | Receipts and other credits               |             | March 31/2004 |
|--|----------------------------|--|-------------|--|-------------|---------------|
|  | April 1/2003               | Payments or other charges <sup>(1)</sup> | Revaluation | Receipts or other credits <sup>(2)</sup> | Revaluation |               |
|  | \$                         | \$                                       | \$          | \$                                       | \$          | \$            |
| (a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 8.5 percent interest per annum, with final repayments between February 1995 and February 2001: |                            |  |             |  |             |               |
| Brazil .....   | 4,858,468                  |  |             |  | 525,097     | 4,333,371     |
| South Africa .....   | 42,470,380                 |  |             | 8,713,201                                | 3,678,563   | 30,078,616    |
|  | 47,328,848                 |  |             | 8,713,201                                | 4,203,660   | 34,411,987    |
| (b) 6 to 10 year term, 5.93 percent (LIBOR) interest per annum, with final repayments June 2004:   |                            |  |             |  |             |               |
| Antigua .....  | 33,172,706                 |  |             |  | 3,585,262   | 29,587,444    |
| Jordan .....   | 5,798,183                  |  |             | 1,457,204                                | 589,168     | 3,751,811     |
|  | 38,970,889                 |  |             | 1,457,204                                | 4,174,430   | 33,339,255    |
| (c) 1 to 15 year term, 7.5 percent to 8.5 percent interest per annum, with final repayments between April 2004 and October 2018:   |                            |  |             |  |             |               |
| China .....  |                            | 29,696,744                               |             | 8,406,015                                | 3,119,792   | 18,170,937    |
| United States .....  | 666,316,957                | 1,046,106,336                            |             | 28,523,326                               | 124,483,705 | 1,559,416,262 |
|  | 666,316,957                | 1,075,803,080                            |             | 36,929,341                               | 127,603,497 | 1,577,587,199 |
| (d) 16 to 20 year term, 0 percent interest per annum, with final repayments in June 2012:  |                            |  |             |  |             |               |
| Spain .....  | 23,098,238                 |  | 506,182     | 1,148,391                                |             | 22,456,029    |
| Thailand .....   | 6,839,592                  |  |             |  | 1,381,360   | 5,458,232     |
|  | 29,937,830                 |  | 506,182     | 1,148,391                                | 1,381,360   | 27,914,261    |
| (e) 40 year term, 0 percent interest per annum, with final repayment in March 2036:  |                            |  |             |  |             |               |
| Antigua .....  | 1,463,956                  |  |             |  | 158,222     | 1,305,734     |
| Subtotal .....   | 784,018,480                | 1,075,803,080                            | 506,182     | 48,248,137                               | 137,521,169 | 1,674,558,436 |
| Less: portion expensed due to concessionary terms .....  | 36,353,975                 | 7,122,900                                |             |  |             | 29,231,075    |
| Total .....  | 747,664,505                | 1,082,925,980                            | 506,182     | 48,248,137                               | 137,521,169 | 1,645,327,361 |

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

<sup>(1)</sup> Payments or other charges may include transactions such as loans, adjustments, etc.

<sup>(2)</sup> Receipts or other credits may include transactions such as repayments, forgiveness, etc.

## Direct financing to students

### *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 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 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, 2004 amounts to \$5,652,051,722 (\$4,277,965,722 as at March 31, 2003).

### *Guaranteed and risk-shared student loans*

Loans issued prior to August 1, 2000 includes 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, 2004 amounts to \$717,910,324 (\$953,440,566 as at March 31, 2003).

## Provincial workers' compensation boards

This account is operated under the authority of subsection 4(6) of the *Government Employees Compensation Act*, to provide operating funds to enable provincial compensation boards to administer the *Act* on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

## Council of Yukon First Nations—Elders

Loans have been made to the Council of Yukon First Nations, to provide interim benefits to elderly Yukon Indians pending settlement of Yukon Indian land claims.

During the year, loans were authorized by Indian Affairs and Northern Development Votes L20 and L20a, *Appropriation Acts No. 2 and No. 3, 2003-2004*.

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, 2004, whichever date is earlier.

All the loans outstanding at year end bear interest at rates from 2.82 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 program will continually decrease in size as the Farm Credit Canada guarantees expire.

Out of the \$1.7 billion authority for the On Reserve Housing program, \$46,755 has been set aside to cover the existing Farm Credit Canada guarantees.

The debt is non-interest bearing.

## First Nations in British Columbia

Loans have been made to First Nations in British Columbia, to support their participation in the British Columbia Treaty Commission process related to the research, development and negotiation of treaties.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L25, *Appropriation Act No. 2, 2003-2004*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a treaty is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a treaty has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable by the First Nations and will pay the loan on the earliest of the following dates:
  - (i) date on which the treaty is settled;
  - (ii) twelfth anniversary of the first loan advance to the First Nations under the earliest First Nations funding agreement;
  - (iii) seventh anniversary after the signing of an agreement-in-principle, or;



- (iv) date the federal minister demands payment of the loans due to an event of default under this agreement or under any First Nations' funding agreement.

The interest-bearing and non-interest bearing portions of the loans outstanding at year end are \$48,777,175 and \$231,740,871 respectively. The rate is 5.185 percent per annum for the interest-bearing portion.

### Indian Economic Development Fund

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time is \$48,550,835, as last amended by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 1996-97*.

All outstanding loans bear interest at rates from 7 percent to 11.25 percent per annum.

### Indian Economic Development Guarantee Loans Program

The Indian Economic Development Guarantee authority, established under Vote L53(b), *Appropriation Act No. 1, 1970*, amended under P.C. 1977-3608, authorized the department to guarantee loans for Indian businesses on a risk-sharing basis with commercial lenders. The guarantee level is not to exceed at any time \$60,000,000, less the total amount of payments made to implement previous guarantees under that authority.

Simple interest, usually based on a percentage plus the prime rate, will accrue on the debt after payout. All payments, including accrued interest, remain as a debt of the client until recovered in full.

### Inuit Loan Fund

Loans have been made to individual Inuit or groups of Inuit, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Inuit, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Inuit.

The total amount authorized to be outstanding at any time is \$6,633,697, as last amended by Indian Affairs and Northern Development Vote 37b, *Appropriation Act No. 4, 1995-96*.

The remaining loan bears interest at a rate of 5.50 percent per annum.

### Native Claimants

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, loans were authorized by Indian Affairs and Northern Development Votes L20 and L20a, *Appropriation Acts No. 2 and No. 3, 2003-2004*.

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 \$159,073,322 and \$198,234,212 respectively. Rates are from 2.13 percent to 11.89 percent per annum for the interest-bearing portion.

During the year, non-interest bearing loans totalling \$96,460 were forgiven by Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 4, 2003-2004*.

### 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 (of which \$46,755 has been set aside for the Farm Credit Canada Program existing guarantees), as last amended by Indian Affairs and Northern Development Vote 5, *Appropriation Act No. 3, 1972*, Indian Affairs and Northern Development Vote 5d, *Appropriation Act No. 1, 1977* and Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 3, 1993-94*.

If a loan made under the Minister's guarantee goes into default, the lender has recourse to the Minister for reimbursement. In 1987, a reserve for losses of \$2 million per annum was established within the department's reference levels to cover all three Guarantee Loan Programs administered by Indian Affairs and Northern Development. Such payments remain a debt of the First Nation to the Crown and interest is accrued and capitalized on these debts at the contract interest rate applicable at the time the loan was assigned to the Minister. Recovery of the debt is made to the extent possible, from the security used as collateral, such as trust money or land claim funds, or through repayment agreements.



### Stoney Band Perpetual Loan

In 1946, loans were made to Stoney Band of Alberta for land acquisition beyond their treaty entitlement.

A loan of \$500,000 was made to purchase additional land. Under the terms of the agreement, as stated in Treasury Board Minutes, P.C. 2/1437 dated April 11, 1946, the Band assigned monies accruing to them, from the rental of their water resources to provide interest payments at the rate of 3 percent annually on the amount of the loan that had actually been expended. In the same agreement, the Band resolved that the Department allots \$200,000 to the Pekisko Group, and \$300,000 for the additions to Morley Reserve.

### Yukon Energy Corporation

In accordance with subsection 4(2) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*, the Northern Canada Power Commission (formerly a Crown corporation) transferred its assets in the Yukon Territory to the Yukon Energy Corporation effective March 31, 1987.

Loans have been made to assist the Yukon Energy Corporation in acquiring the Northern Canada Power Commission Yukon Assets pursuant to subsection 7(1) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*.

The loans for the Flexible Term Note (FTN) bear interest at the rate of 7 percent per annum and are repayable in equal principal annual instalments of \$1,000,000 plus interest. The final instalment is estimated for January 1, 2089. The instalment is subject to certain principal deferral and interest abatement provisions depending on the sales volume of electrical power. Clause 2 of the Flexible Term Note allows for reduced payments when sales on the Whitehorse-Aishihik-Faro (WAF) System are less than 310 GWH per year. The level of sales did not exceed 310 GWH this fiscal year. Furthermore, interpretation of the FTN relating to the sales of power is currently under discussion between the Department and the Yukon Energy Corporation.

### 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 L10, *Appropriation Act No. 2, 2003-2004*.

### 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 L15, *Appropriation Act No. 2, 2003-2004*.

There is one remaining loan which is interest free unless it goes into default, and otherwise is repayable at maturity on April 1, 2017.

### Small Business loans

This account records money owed to the Government by borrowers upon default of loans that are subject to statutory authorities, pursuant to the *Small Business Loans Act* (SBLA) and the *Canada Small Business Financing Act* (CSBFA). These authorities provide for the payment of claims or the sharing of loan losses between lenders and the Government.

### H. L. Holmes Fund

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

### Canadian Forces housing projects

Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.

The loans bear interest at rates from 4 percent to 5.125 percent per annum, and are repayable over 40 years, with final instalments on May 1, 2005.

### Hibernia Development Project

Loans have been made to facilitate the implementation of the Hibernia Development Project pursuant to section 14 of the *Department of Industry Act*.

Loan agreements were signed between Canada and each of the three companies involved in the 1993 purchase of Gulf Canada's Hibernia share. Loans of \$132 million were provided to owners to assist in offsetting the tax consequences of not being able to use the deductions generated by the Hibernia Development Project in the calculation of the companies' taxable income.

Loans in the amount of \$66 million were made on June 30, 1995 as authorized by Natural Resources Vote L15, *Appropriation Acts No. 1 and No. 2, 1995-96*. The remaining \$66 million was loaned on July 2, 1996.

Loans are interest-free and are repayable in 10 equal annual instalments commencing June 30, 1999, with the final instalment on June 30, 2008.

### Nordion International Inc.

A \$100 million loan has been made to Nordion International Inc. for the construction of two nuclear reactors and related processing facilities to be used in the production of medical isotopes pursuant to an agreement reached on June 28, 1996 between MDS Health Group Ltd., Nordion International Inc. and Natural Resources Canada.

The secured loan is interest-free and fully repayable over 15 years commencing 42 months after the first loan drawdown was made.

### Seized Property Working Capital Account

This account was established by section 12 of the *Seized Property Management Act*. Expenses incurred, and advances made, to maintain and manage any seized or restrained property and other properties subject to a management order or forfeited to Her Majesty, are charged to this account. This account is credited when expenses and advances to third parties are repaid or recovered and when revenues from these properties or proceeds of their disposal are received and credited with seized cash upon forfeiture.

The total amount authorized to be outstanding at any time is \$50,000,000.

Any shortfall between the proceeds from the disposition of any property forfeited to Her Majesty and the amounts that were charged to this account and that are still outstanding, is charged to a Seized Property Proceeds Account and credited to this account.

The credit balance in the account represents the excess of seized cash and proceeds of disposal from cases of forfeiture over total expenses incurred to date. Only when cases are finalized and all assets have been liquidated will the net proceeds be transferred to the Seized Property Proceeds Account.

### Parolees

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is \$50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven by the Solicitor General, if certain conditions are met.

During the year, loans totalling \$3,824 were forgiven pursuant to Solicitor General Vote L103b, *Appropriation Act No. 1, 1969*.

### Canadian Airport Authorities

The loans stems from agreements regarding the transfer of chattels and consumable stock to individuals authorities (13) upon transfer of the management, operation and maintenance responsibilities to the authority under the National Airports Policy.

The loans portfolio consist of 13 non-interest bearing loans to Canadian Airport Authorities issued in the years 1997-2003.

### Saint John Harbour Bridge Authority

Advances have been made to the Saint John Harbour Bridge Authority in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, NB. The total amount of advances in each year is to be based on the difference for the year between the operating and financing costs of the toll bridge, and the revenue of the Bridge Authority, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year.

On April 1, 1990, a new agreement was signed. This agreement called for the consolidation of all debts into one non-interest bearing loan. The Authority will remit excess funds from the operation of the bridge to the Government on an annual basis to repay the debt.

### St. Lawrence Seaway Management Corporation

This account was established by subsection 80(1) of the *Canada Marine Act*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence Seaway Management Corporation in accordance with an agreement between the Department of Transport and the Corporation. The repayments of these loans are recorded in this account.

The remaining loan bears interest at rates from 7 percent to 9.5 percent per annum, and is repayable at monthly rates, with the final instalment of the existing terms being March 2005.

### Commonwealth War Graves Commission

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

At year end, the balance of the advances was £30,000 UK. This balance was converted to Canadian dollars, using the year-end rate of exchange.

The advances are non-interest bearing and have no fixed terms of repayments.

### Veterans' Land Act Fund

#### *Advances*

Advances have been made, under Parts I and III of the *Veterans' Land Act*, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security. The total amount authorized to be outstanding at any time is \$605,000,000.

#### *Allowance for conditional benefits*

A provision equal to 1/10 of the benefits to veterans was established each year up to and including 1978-79. Since that time, a forecast of requirements has been performed each year, and provisions are established as necessary. These provisions are charged to expenses and credited to the allowance for conditional benefits account. This account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the *Veterans' Land Act*. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

### Other departments—Miscellaneous

This account represents amounts outstanding in the hands of agencies and individuals, at year end. This group records loans, investments and advances not classified elsewhere.

### Allowance for Valuation

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

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

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# SECTION 10

2003-2004

*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        |

## 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.

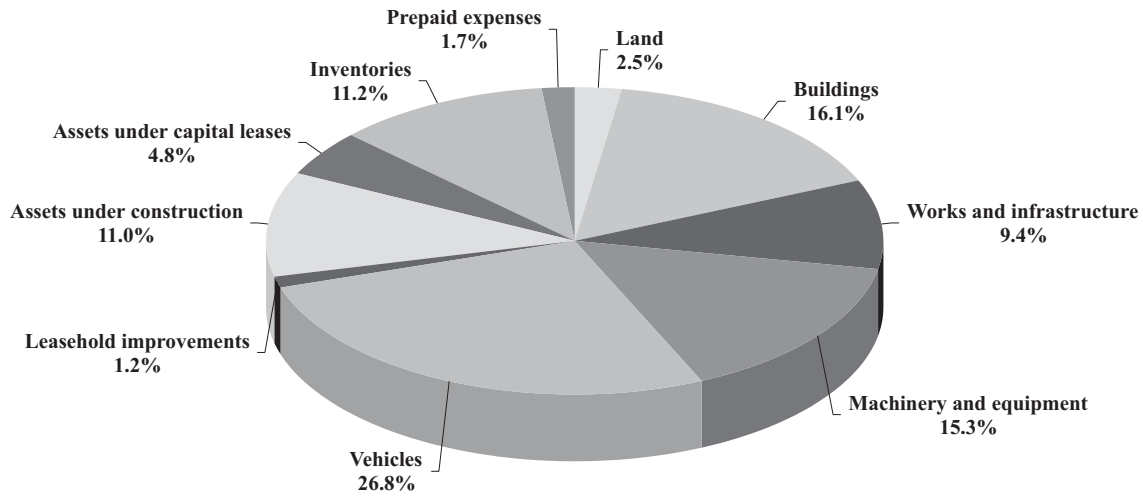
Table 10.1 presents the non-financial assets by category.

**TABLE 10.1**

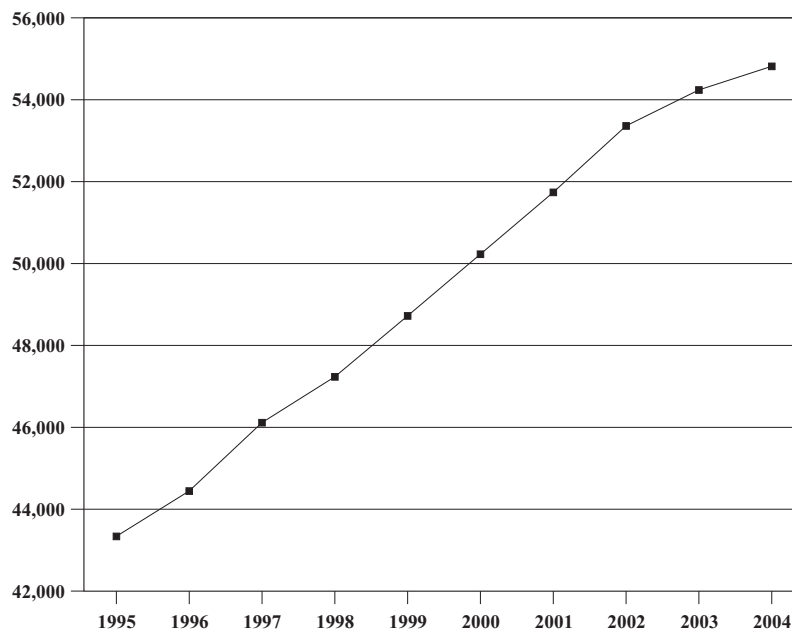
### NON-FINANCIAL ASSETS BY CATEGORY

(in thousands of dollars)

|   | March 31/2003     | March 31/2004     |
|---|-------------------|-------------------|
| Net tangible capital assets, Table 10.2—      |                   |                   |
| Land .....                                    | 1,345,283         | 1,398,150         |
| Buildings .....                               | 8,543,727         | 8,819,686         |
| Works and infrastructure .....                | 5,297,960         | 5,147,007         |
| Machinery and equipment .....                 | 8,357,760         | 8,386,739         |
| Vehicles, Table 10.3 .....                    | 14,485,861        | 14,682,241        |
| Leasehold improvements .....                  | 512,538           | 646,436           |
| Assets under construction .....               | 5,947,940         | 6,017,679         |
| Assets under capital leases, Table 10.4 ..... | 2,543,399         | 2,646,584         |
|   | <u>47,034,468</u> | <u>47,744,522</u> |
| Inventories .....                             | 6,112,813         | 6,133,671         |
| Prepaid expenses .....                        | 1,092,761         | 938,577           |
| Total .....                                   | <u>54,240,042</u> | <u>54,816,770</u> |

**CHART 10A****NON-FINANCIAL ASSETS BY CATEGORY AT MARCH 31, 2004****CHART 10B****NON-FINANCIAL ASSETS AT MARCH 31**

(in millions of dollars)



## Tangible Capital Assets

Table 10.2 presents tangible capital assets by main custodian ministries.

**TABLE 10.2**

### TANGIBLE CAPITAL ASSETS BY MAIN CUSTODIAN MINISTRIES

(in thousands of dollars)

|  | Land             | Buildings         | Works and infrastructure | Machinery and equipment |
|--|------------------|-------------------|--------------------------|-------------------------|
| Capital assets at cost —                   |                  |                   |                          |                         |
| Environment .....                          | 172,475          | 784,430           | 2,174,480                | 610,910                 |
| Fisheries and Oceans .....                 | 19,734           | 383,890           | 1,727,770                | 415,245                 |
| Industry .....                             | 12,353           | 496,619           | 34,955                   | 2,257,727               |
| National Defence .....                     | 76,480           | 4,971,073         | 1,384,101                | 9,801,503               |
| Public Works and Government Services ..... | 270,619          | 3,214,862         | 721,895                  | 148,756                 |
| Solicitor General .....                    | 51,327           | 2,155,923         | 372,522                  | 521,409                 |
| Transport .....                            | 204,709          | 1,212,745         | 3,079,865                | 116,298                 |
| Other ministries .....                     | 226,885          | 2,191,446         | 48,734                   | 1,805,530               |
|  | <i>1,034,582</i> | <i>15,410,988</i> | <i>9,544,322</i>         | <i>15,677,378</i>       |
| Consolidated Crown corporations .....      | 363,568          | 1,208,046         | 1,005,516                | 1,955,812               |
| Gross total capital assets .....           | 1,398,150        | 16,619,034        | 10,549,838               | 17,633,190              |
| Accumulated amortization —                 |                  |                   |                          |                         |
| Environment .....                          |                  | 470,003           | 1,309,882                | 445,886                 |
| Fisheries and Oceans .....                 |                  | 229,606           | 774,858                  | 325,555                 |
| Industry .....                             |                  | 236,972           | 13,370                   | 1,137,274               |
| National Defence .....                     |                  | 2,104,545         | 881,047                  | 4,445,711               |
| Public Works and Government Services ..... |                  | 1,688,968         | 238,817                  | 90,690                  |
| Solicitor General .....                    |                  | 742,653           | 203,119                  | 312,017                 |
| Transport .....                            |                  | 653,838           | 1,435,317                | 66,935                  |
| Other ministries .....                     |                  | 1,004,045         | 20,413                   | 1,080,448               |
|  |                  | <i>7,130,630</i>  | <i>4,876,823</i>         | <i>7,904,516</i>        |
| Consolidated Crown corporations .....      |                  | 668,718           | 526,008                  | 1,341,935               |
| Total accumulated amortization .....       |                  | 7,799,348         | 5,402,831                | 9,246,451               |
| Total net capital assets —                 |                  |                   |                          |                         |
| Environment .....                          | 172,475          | 314,427           | 864,598                  | 165,024                 |
| Fisheries and Oceans .....                 | 19,734           | 154,284           | 952,912                  | 89,690                  |
| Industry .....                             | 12,353           | 259,647           | 21,585                   | 1,120,453               |
| National Defence .....                     | 76,480           | 2,866,528         | 503,054                  | 5,355,792               |
| Public Works and Government Services ..... | 270,619          | 1,525,894         | 483,078                  | 58,066                  |
| Solicitor General .....                    | 51,327           | 1,413,270         | 169,403                  | 209,392                 |
| Transport .....                            | 204,709          | 558,907           | 1,644,548                | 49,363                  |
| Other ministries .....                     | 226,885          | 1,187,401         | 28,321                   | 725,082                 |
|  | <i>1,034,582</i> | <i>8,280,358</i>  | <i>4,667,499</i>         | <i>7,772,862</i>        |
| Consolidated Crown corporations .....      | 363,568          | 539,328           | 479,508                  | 613,877                 |
| Total net capital assets .....             | 1,398,150        | 8,819,686         | 5,147,007                | 8,386,739               |

Comparative figures have been reclassified to conform to the current years' presentation

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

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



| Vehicles <sup>(1)</sup> | Leasehold improvements | Assets under construction | Assets under capital leases <sup>(2)</sup> | Total<br>March 31/2004 | Total<br>March 31/2003 |
|-------------------------|------------------------|---------------------------|--|------------------------|------------------------|
| 124,023                 | 33,825                 | 152,397                   | 18,199                                     | 4,070,739              | 3,977,214              |
| 1,658,078               | 522,835                | 400,086                   |  | 5,127,638              | 5,063,270              |
| 26,228                  | 14,806                 | 493,173                   | 814  | 3,336,675              | 3,157,650              |
| 25,125,027              | 2,210                  | 3,129,723                 | 1,069,852                                  | 45,559,969             | 44,178,435             |
| 9,036                   | 151,893                | 667,178                   | 967,092                                    | 6,151,331              | 5,608,404              |
| 410,528                 | 7,682                  | 239,577                   | 111  | 3,759,079              | 3,530,304              |
| 797,867                 | 7,366                  | 67,177                    | 818,820                                    | 6,304,847              | 6,289,244              |
| 173,907                 | 231,088                | 500,154                   | 31,098                                     | 5,208,842              | 4,686,810              |
| 28,324,694              | 971,705                | 5,649,465                 | 2,905,986                                  | 79,519,120             | 76,491,331             |
| 1,121,146               | 68,843                 | 368,214                   | 549,786                                    | 6,640,931              | 5,891,323              |
| 29,445,840              | 1,040,548              | 6,017,679                 | 3,455,772                                  | 86,160,051             | 82,382,654             |
| 87,565                  | 14,947                 |                           | 1,455                                      | 2,329,738              | 2,224,746              |
| 1,102,581               | 260,097                |                           |  | 2,692,697              | 2,582,242              |
| 19,041                  | 2,733                  |                           | 352  | 1,409,742              | 1,190,895              |
| 12,098,530              |                        |                           | 174,194                                    | 19,704,027             | 18,241,911             |
| 5,114                   | 15,980                 |                           | 382,099                                    | 2,421,668              | 2,178,538              |
| 191,145                 | 652                    |                           | 36   | 1,449,622              | 1,308,750              |
| 516,521                 | 3,764                  |                           | 55,953                                     | 2,732,328              | 2,578,539              |
| 103,365                 | 72,503                 |                           | 15,713                                     | 2,296,487              | 2,006,633              |
| 14,123,862              | 370,676                |                           | 629,802                                    | 35,036,309             | 32,312,254             |
| 639,737                 | 23,436                 |                           | 179,386                                    | 3,379,220              | 3,035,932              |
| 14,763,599              | 394,112                |                           | 809,188                                    | 38,415,529             | 35,348,186             |
| 36,458                  | 18,878                 | 152,397                   | 16,744                                     | 1,741,001              | 1,752,468              |
| 555,497                 | 262,738                | 400,086                   |  | 2,434,941              | 2,481,028              |
| 7,187                   | 12,073                 | 493,173                   | 462  | 1,926,933              | 1,966,755              |
| 13,026,497              | 2,210                  | 3,129,723                 | 895,658                                    | 25,855,942             | 25,936,524             |
| 3,922                   | 135,913                | 667,178                   | 584,993                                    | 3,729,663              | 3,429,866              |
| 219,383                 | 7,030                  | 239,577                   | 75   | 2,309,457              | 2,221,554              |
| 281,346                 | 3,602                  | 67,177                    | 762,867                                    | 3,572,519              | 3,710,705              |
| 70,542                  | 158,585                | 500,154                   | 15,385                                     | 2,912,355              | 2,680,177              |
| 14,200,832              | 601,029                | 5,649,465                 | 2,276,184                                  | 44,482,811             | 44,179,077             |
| 481,409                 | 45,407                 | 368,214                   | 370,400                                    | 3,261,711              | 2,855,391              |
| 14,682,241              | 646,436                | 6,017,679                 | 2,646,584                                  | 47,744,522             | 47,034,468             |

## 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<br>amortization | March 31/2004 | March 31/2003 |
|-----------------------------|------------|-----------------------------|---------------|---------------|
| Ships and boats . . . . .   | 13,531,115 | 5,296,186                   | 8,234,929     | 8,363,100     |
| Aircraft . . . . .          | 11,785,524 | 6,904,929                   | 4,880,595     | 4,632,322     |
| Motor vehicles . . . . .    | 1,722,823  | 986,494                     | 736,329       | 720,489       |
| Military vehicles . . . . . | 1,142,932  | 837,574                     | 305,358       | 253,230       |
| Other vehicles . . . . .    | 1,263,446  | 738,416                     | 525,030       | 516,720       |
| Total . . . . .             | 29,445,840 | 14,763,599                  | 14,682,241    | 14,485,861    |

## 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<br>amortization | March 31/2004 | March 31/2003 |
|------------------------------------|-----------|-----------------------------|---------------|---------------|
| Land . . . . .                     | 44,996    |                             | 44,996        | 44,942        |
| Buildings . . . . .                | 1,572,340 | 579,012                     | 993,328       | 917,539       |
| Works and infrastructure . . . . . | 818,820   | 55,953                      | 762,867       | 771,056       |
| Machinery and equipment . . . . .  | 40,230    | 18,238                      | 21,992        | 98,279        |
| Vehicles . . . . .                 | 979,386   | 155,985                     | 823,401       | 711,583       |
| Total . . . . .                    | 3,455,772 | 809,188                     | 2,646,584     | 2,543,399     |

# SECTION 11

2003-2004

*PUBLIC ACCOUNTS OF CANADA*

## Other Information Related to the Financial Statements

### CONTENTS

|                               | <i>Page</i> |
|-------------------------------|-------------|
| Contractual commitments ..... | 11.2        |
| Contingent liabilities .....  | 11.14       |

## OTHER INFORMATION RELATED TO THE FINANCIAL STATEMENTS

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

### Contractual Commitments

A contractual commitment represents a legal obligation to outside organizations or individuals as a result of a contract. 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 commitments to international organizations, some will result in future budgetary expenses while others will result in non-budgetary payments.

Contractual commitments 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 commitments 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 commitments in excess of \$1 million at year end are reported.

In accordance with the Government's significant accounting policies, the contractual commitments of consolidated Crown corporations are included with those of the Government.

Table 11.1 summarizes these contractual commitments. Details of the four types of contractual commitments can be found in other tables in this section.

**TABLE 11.1**

#### CONTRACTUAL COMMITMENTS

(in millions of dollars)

|                   | Transfer<br>payments | Acquisition<br>of property<br>and purchases | Operating<br>leases | International<br>organizations | Total  |
|-------------------|----------------------|---|---------------------|--------------------------------|--------|
| Information from: |                      |   |                     |                                |        |
| Table 11.3 .....  | 41,015               | 7,723                                       | 3,492               |                                | 52,230 |
| Table 11.4 .....  |                      |   |                     | 3,882                          | 3,882  |
| Total .....       | 41,015               | 7,723                                       | 3,492               | 3,882                          | 56,112 |

Table 11.2 summarizes the information presented in Table 11.1 to indicate the minimum amounts required to satisfy obligations under contractual commitments each year from 2005 to 2009 inclusive, and a total for amounts due in the year 2010 and subsequently.

**TABLE 11.2**

#### SCHEDULE OF MINIMUM PAYMENTS

(in millions of dollars)

| Minimum payments<br>to be made in: | Transfer<br>payment<br>agreements | Acquisition<br>of fixed<br>assets<br>and<br>purchases | Commitments<br>under<br>operating<br>lease<br>arrangements | Commitments<br>to<br>international<br>organizations | Total  |
|------------------------------------|-----------------------------------|---|--|---|--------|
| 2005 .....                         | 5,614                             | 3,030   | 341  | 1,602   | 10,587 |
| 2006 .....                         | 4,102                             | 1,652   | 311  | 625   | 6,690  |
| 2007 .....                         | 3,037                             | 908   | 314  | 774   | 5,033  |
| 2008 .....                         | 2,640                             | 394   | 309  | 686   | 4,029  |
| 2009 .....                         | 2,140                             | 252   | 255  | 195   | 2,842  |
| 2010 and subsequently .....        | 23,482                            | 1,487   | 1,962  |   | 26,931 |
| Total .....                        | 41,015                            | 7,723   | 3,492  | 3,882   | 56,112 |

## Transfer Payment Agreements, Fixed Assets, Purchases and Operating Leases

Table 11.3 provides details of contractual commitments that involve: transfer payment agreements, fixed assets, purchases and operating leases. It discloses individual contractual commitments by category and by entity. Contractual commitments are summarized in Note 13 to the audited financial statements in Section 2 of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, including military equipment and land, from which benefits are expected to be derived during their useful life.

Purchase commitments are commitments supported by a contract to supply goods or services. An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee.

**TABLE 11.3**

### TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2004 (in millions of dollars)

|   |                            |                      |                     |                           | Outstanding commitments to be disbursed by March 31 |       |       |       |       |                               |  |
|---|----------------------------|----------------------|---------------------|---------------------------|---|-------|-------|-------|-------|-------------------------------|--|
|   | Total<br>estimated<br>cost | Amount<br>contracted | Amount<br>disbursed | Outstanding<br>commitment | 2005  | 2006  | 2007  | 2008  | 2009  | 2010 and<br>subse-<br>quently |  |
| <b>Transfer payment agreements—</b>   |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Canada Mortgage and Housing Corporation (Government account)—                             |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Social Housing Program . . . . .  | 56,567 <sup>(1)</sup>      | 56,567               | 24,874              | 31,693 <sup>(2)</sup>     | 1,758   | 1,725 | 1,714 | 1,698 | 1,691 | 23,107                        |  |
| Agriculture and Agri-Food—  |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Province of Saskatchewan—Prairie  |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Grain Roads Program . . . . .   | 73                         | 73                   | 40                  | 33                        | 18  | 15    |       |       |       |                               |  |
| Industry—   |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Canadian Space Agency—  |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Telesat Canada—Payload Flight Demonstration Program . . . . .                             | 60                         | 60                   | 60                  | (3)                       |   |       |       |       |       |                               |  |
| European Space Agency—  |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Earth Observation and Telecommunications Programs . . . . .                               | 239                        | 211                  | 98                  | 113                       | 30  | 24    | 22    | 16    | 12    | 9                             |  |
| Cascade Data Services Inc.—   |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Cassiope Program . . . . .  | 63                         | 63                   | 6                   | 57                        | 14  | 25    | 17    | 1     |       |                               |  |
| University of Calgary—  |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Cassiope Program . . . . .  | 10                         | 10                   |                     | 10                        | 3   | 4     | 2     | 1     |       |                               |  |
| Health—   |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Control and provision of Health Services to Indian Bands, associations or groups. . . . . | 993                        | 993                  | 571                 | 422                       | 183   | 116   | 85    | 37    | 1     |                               |  |
| Government of Nunavut . . . . .   | 31                         | 31                   | 21                  | 10                        | 10  |       |       |       |       |                               |  |
| First Canadian Health . . . . .   | 154                        | 154                  | 73                  | 81                        | 20  | 21    | 23    | 17    |       |                               |  |
| Canadian International Development Agency—  |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Geographic Programs . . . . .   | 1,434                      | 1,434                | 665                 | 769                       | 242   | 196   | 154   | 94    | 52    | 31                            |  |
| Partnership Program . . . . .   | 438                        | 438                  | 275                 | 163                       | 73  | 45    | 30    | 14    | 1     |                               |  |
| Country in Transition Program. . . . .  | 101                        | 101                  | 86                  | 15                        | 7   | 7     | 1     |       |       |                               |  |
| Multilateral Program . . . . .  | 777                        | 777                  | 512                 | 265                       | 157   | 75    | 7     | 12    |       | 14                            |  |
| Citizenship and Immigration—  |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Canada-Quebec Accord. . . . .   | 950                        | 950                  | 150                 | 800                       | 160   | 160   | 160   | 160   | 160   |                               |  |
| Canada-Manitoba Accord . . . . .  | 41                         | 41                   | 6                   | 35                        | 7   | 7     | 7     | 7     | 7     |                               |  |
| Canada-British Columbia Accord. . . . .   | 228                        | 228                  | 38                  | 190                       | 38  | 38    | 38    | 38    | 38    |                               |  |
| Canadian Heritage—  |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| Contributions—  |                            |                      |                     |                           |   |       |       |       |       |                               |  |
| National Association of Friendship Center. . . . .  | 79                         | 79                   | 48                  | 31                        | 16  | 15    |       |       |       |                               |  |
| Corporation Katimavik—OPCAN . . . . .   | 53                         | 53                   | 13                  | 40                        | 20  | 20    |       |       |       |                               |  |
| Volunteer Canada . . . . .  | 16                         | 16                   | 7                   | 9 <sup>(3)</sup>          | 5   | 4     |       |       |       |                               |  |

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2004—Continued

(in millions of dollars)

|  |  |  |  |  | Outstanding commitments to be disbursed by March 31 |                      |                     |                           |      |      | 2010 and subse-<br>quently |      |      |     |     |     |     |    |    |    |    |    |    |
|--|--|--|--|--|---|----------------------|---------------------|---------------------------|------|------|----------------------------|------|------|-----|-----|-----|-----|----|----|----|----|----|----|
|  |  |  |  |  | Total<br>estimated<br>cost                          | Amount<br>contracted | Amount<br>disbursed | Outstanding<br>commitment | 2005 | 2006 | 2007                       | 2008 | 2009 |     |     |     |     |    |    |    |    |    |    |
|  |  |  |  |  |   |                      |                     |                           |      |      |                            |      |      |     |     |     |     |    |    |    |    |    |    |
| Society for Educational<br>Visits and Exchanges<br>in Canada .....   |  |  |  |  | 14  | 14                   | 5                   | 9 <sup>(3)</sup>          | 5    | 4    |                            |      |      |     |     |     |     |    |    |    |    |    |    |
| Multiplex contribution—<br>2007 Canada Winter<br>Games.....  |  |  |  |  | 20  | 20                   | 6                   | 14                        | 4    | 8    | 2                          |      |      |     |     |     |     |    |    |    |    |    |    |
| Environment—   |  |  |  |  |   |                      |                     |                           |      |      |                            |      |      |     |     |     |     |    |    |    |    |    |    |
| Office of Infrastructure<br>of Canada—<br>Canadian Opera House<br>Corporation—Construction of<br>opera house, Toronto .....  |  |  |  |  | 25  | 25                   | 16                  | 9 <sup>(3)</sup>          | 4    | 2    | 3                          |      |      |     |     |     |     |    |    |    |    |    |    |
| Province of New Brunswick—<br>Twinning of Trans Canada<br>Highway .....  |  |  |  |  | 200   | 200                  | 7                   | 193                       | 46   | 69   | 59                         | 19   |      |     |     |     |     |    |    |    |    |    |    |
| Province of Saskatchewan—<br>Twinning of the Trans Canada<br>Highway .....   |  |  |  |  | 65  | 65                   |                     | 65                        | 21   | 15   | 19                         | 10   |      |     |     |     |     |    |    |    |    |    |    |
| Halifax Regional Municipality—<br>Construction of sewage<br>treatment plant .....  |  |  |  |  | 30  | 30                   | 3                   | 27                        | 7    | 20   |                            |      |      |     |     |     |     |    |    |    |    |    |    |
| Province of Manitoba—<br>Expansion of Manitoba Red<br>River Floodway .....   |  |  |  |  | 120   | 120                  | 2                   | 118                       | 5    | 38   | 48                         | 27   |      |     |     |     |     |    |    |    |    |    |    |
| Regional Municipality of York—<br>Quick Start component of the<br>York Region Transit Plan .....   |  |  |  |  | 50  | 50                   |                     | 50                        | 41   | 9    |                            |      |      |     |     |     |     |    |    |    |    |    |    |
| Government of the Northwest<br>Territories—Improve three<br>highway corridors in the<br>Northwest Territories.....   |  |  |  |  | 20  | 20                   | 3                   | 17                        | 8    | 5    | 4                          |      |      |     |     |     |     |    |    |    |    |    |    |
| Town of Stratford—Expansion of<br>water distribution and sewage<br>collection systems .....  |  |  |  |  | 4   | 4                    | 1                   | 3 <sup>(3)</sup>          | 1    | 1    | 1                          |      |      |     |     |     |     |    |    |    |    |    |    |
| City of Thunder Bay—Waste<br>water treatment project .....   |  |  |  |  | 25  | 25                   | 9                   | 16                        | 16   |      |                            |      |      |     |     |     |     |    |    |    |    |    |    |
| City of St. John's—Phase 2<br>of the St. John's Harbour<br>Clean-Up Project .....  |  |  |  |  | 31  | 31                   |                     | 31                        | 8    | 7    | 8                          | 8    |      |     |     |     |     |    |    |    |    |    |    |
| Saskatchewan Property<br>Management Corporation—<br>Regina's Wascana Lake<br>Enhancement Project.....  |  |  |  |  | 9   | 9                    | 6                   | 3 <sup>(3)</sup>          | 3    |      |                            |      |      |     |     |     |     |    |    |    |    |    |    |
| Vancouver Convention Centre<br>Expansion Project Ltd—<br>Construction of new facility<br>and connector for the<br>Vancouver Convention and<br>Exhibition Centre..... |  |  |  |  | 222   | 222                  | 5                   | 217                       | 44   | 40   | 49                         | 43   | 41   |     |     |     |     |    |    |    |    |    |    |
| Government of Quebec—<br>Phase 1 of the extension of<br>Autoroute 30, South of<br>Montreal .....   |  |  |  |  | 11  | 11                   |                     | 11                        | 5    | 4    | 2                          |      |      |     |     |     |     |    |    |    |    |    |    |
| Indian Affairs and<br>Northern Development—<br>Comprehensive Land Claims<br>Agreement—<br>Indian and Inuit Affairs.....  |  |  |  |  |   |                      |                     |                           |      |      |                            |      |      | 597 | 597 | 320 | 277 | 80 | 67 | 25 | 19 | 14 | 72 |

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2004—*Continued*

(in millions of dollars)

|   | Total<br>estimated<br>cost | Amount<br>contracted | Amount<br>disbursed | Outstanding<br>commitment | Outstanding commitments to be disbursed by March 31 |      |      |      |      | 2010 and<br>subse-<br>quently |
|---|----------------------------|----------------------|---------------------|---------------------------|---|------|------|------|------|-------------------------------|
|   |                            |                      |                     |                           | 2005  | 2006 | 2007 | 2008 | 2009 |                               |
| Financial Transfer Arrangement.....     | 1,138                      | 1,138                | 711                 | 427                       | 196   | 100  | 59   | 55   | 17   |                               |
| Comprehensive Funding                   |                            |                      |                     |                           |   |      |      |      |      |                               |
| Arrangement.....                        | 426                        | 426                  | 91                  | 335                       | 335   |      |      |      |      |                               |
| Canada First Nations Funding            |                            |                      |                     |                           |   |      |      |      |      |                               |
| Agreement.....                          | 1,690                      | 1,690                | 890                 | 800                       | 339   | 192  | 128  | 119  | 22   |                               |
| Canada First Nations Funding            |                            |                      |                     |                           |   |      |      |      |      |                               |
| Agreement (RETRO).....                  | 39                         | 39                   | 9                   | 30                        | 6   | 8    | 8    | 8    |      |                               |
| DIAND/First Nations                     |                            |                      |                     |                           |   |      |      |      |      |                               |
| Funding Arrangement.....                | 949                        | 949                  | 571                 | 378                       | 192   | 84   | 54   | 31   | 17   |                               |
| Contribution Agreement.....             | 205                        | 205                  | 11                  | 194                       | 17  | 46   | 34   | 39   | 6    | 52                            |
| Indian and Inuit Affairs                |                            |                      |                     |                           |   |      |      |      |      |                               |
| Program.....                            | 503                        | 503                  | 264                 | 239                       | 92  | 73   | 37   | 37   |      |                               |
| Canada Infrastructure                   |                            |                      |                     |                           |   |      |      |      |      |                               |
| Works Agreement.....                    | 2                          | 2                    | 2                   | (3)                       |   |      |      |      |      |                               |
| Atlantic Canada Opportunities           |                            |                      |                     |                           |   |      |      |      |      |                               |
| Agency—                                 |                            |                      |                     |                           |   |      |      |      |      |                               |
| Economic Development                    |                            |                      |                     |                           |   |      |      |      |      |                               |
| Programs—                               |                            |                      |                     |                           |   |      |      |      |      |                               |
| Canada/Newfoundland Infrastructure      |                            |                      |                     |                           |   |      |      |      |      |                               |
| Program Agreement.....                  | 51                         | 51                   | 21                  | 30                        | 16  | 14   |      |      |      |                               |
| Canada/Prince Edward Island             |                            |                      |                     |                           |   |      |      |      |      |                               |
| Infrastructure Program                  |                            |                      |                     |                           |   |      |      |      |      |                               |
| Agreement.....                          | 13                         | 13                   | 7                   | 6 <sup>(3)</sup>          | 4   | 2    |      |      |      |                               |
| Canada/Nova Scotia                      |                            |                      |                     |                           |   |      |      |      |      |                               |
| Infrastructure Program                  |                            |                      |                     |                           |   |      |      |      |      |                               |
| Agreement.....                          | 65                         | 65                   | 20                  | 45                        | 30  | 15   |      |      |      |                               |
| Canada/New Brunswick                    |                            |                      |                     |                           |   |      |      |      |      |                               |
| Infrastructure Program                  |                            |                      |                     |                           |   |      |      |      |      |                               |
| Agreement.....                          | 55                         | 55                   | 25                  | 30                        | 21  | 9    |      |      |      |                               |
| Industry—                               |                            |                      |                     |                           |   |      |      |      |      |                               |
| Bioniche Life Science Inc. ....         | 17                         | 17                   | 7                   | 10                        | 5   | 5    |      |      |      |                               |
| Goodrich Aerospace                      |                            |                      |                     |                           |   |      |      |      |      |                               |
| Canada Ltd. ....                        | 47                         | 47                   | 30                  | 17                        | 11  | 6    |      |      |      |                               |
| Honeywell ASCA Inc. ....                | 54                         | 54                   | 47                  | 7 <sup>(3)</sup>          | 2   | 2    | 2    | 1    |      |                               |
| CAE Inc. - Visual technologies. ....    | 39                         | 39                   | 21                  | 18                        | 9   | 9    |      |      |      |                               |
| Pratt & Whitney Canada Inc. ....        | 99                         | 99                   | 99                  | (3)                       |   |      |      |      |      |                               |
| Aventis Pasteur Ltd—Cancer              |                            |                      |                     |                           |   |      |      |      |      |                               |
| Vaccines.....                           | 60                         | 60                   | 31                  | 29                        | 6   | 6    | 6    | 6    | 5    |                               |
| International Telecommunication         |                            |                      |                     |                           |   |      |      |      |      |                               |
| Union—                                  |                            |                      |                     |                           |   |      |      |      |      |                               |
| ITU operations.....                     | 27                         | 27                   | 12                  | 15                        | 15  |      |      |      |      |                               |
| Shire Biochem Inc.—                     |                            |                      |                     |                           |   |      |      |      |      |                               |
| Recombinant vaccine technology.....     | 80                         | 80                   | 21                  | 59                        | 10  | 10   | 9    | 30   |      |                               |
| Rolls-Royce Canada Inc.—                |                            |                      |                     |                           |   |      |      |      |      |                               |
| Industrial gas turbines.....            | 75                         | 75                   | 46                  | 29                        | 10  | 10   | 9    |      |      |                               |
| ATS Automation Tooling System Inc. .... | 25                         | 25                   | 11                  | 14                        | 9   | 5    |      |      |      |                               |
| Cascade Data Services Inc. ....         | 77                         | 77                   | 6                   | 71                        | 14  | 16   | 11   | 16   | 14   |                               |
| CMC Electronics Inc.—Aeronautical       |                            |                      |                     |                           |   |      |      |      |      |                               |
| sustainable technology.....             | 23                         | 23                   | 5                   | 18                        | 2   | 3    | 13   |      |      |                               |
| Dupont Canada Inc.—Fuel cell            |                            |                      |                     |                           |   |      |      |      |      |                               |
| components.....                         | 19                         | 19                   | 8                   | 11                        | 4   | 7    |      |      |      |                               |
| Ontario Ministry of Agriculture,        |                            |                      |                     |                           |   |      |      |      |      |                               |
| Food and Rural Affairs—                 |                            |                      |                     |                           |   |      |      |      |      |                               |
| Small town and rural                    |                            |                      |                     |                           |   |      |      |      |      |                               |
| infrastructure.....                     | 174                        | 174                  | 74                  | 100                       |   | 20   | 80   |      |      |                               |
| Ontario Ministry of Tourism, Culture    |                            |                      |                     |                           |   |      |      |      |      |                               |
| and Recreation—Sports, culture and      |                            |                      |                     |                           |   |      |      |      |      |                               |
| tourism partnership.....                | 233                        | 233                  | 89                  | 144                       | 67  | 77   |      |      |      |                               |
| Ontario Superbuild Corporation.....     | 177                        | 177                  | 100                 | 77                        | 31  | 46   |      |      |      |                               |

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2004—*Continued*

(in millions of dollars)

|   |                            |                      |                     |                           | Outstanding commitments to be disbursed by March 31 |      |      |      |      |                               |  |
|---|----------------------------|----------------------|---------------------|---------------------------|---|------|------|------|------|-------------------------------|--|
|   | Total<br>estimated<br>cost | Amount<br>contracted | Amount<br>disbursed | Outstanding<br>commitment | 2005  | 2006 | 2007 | 2008 | 2009 | 2010 and<br>subse-<br>quently |  |
| Voisey's Bay Nickel Co. Ltd—<br>Hydrometallurgical process<br>for Nickel Sulphides .....  | 60                         | 60                   | 10                  | 50                        | 7   | 12   | 7    | 8    |      | 16                            |  |
| Mitel Network Corporation—<br>Development of broadband multi-<br>media platform.....  | 60                         | 60                   | 45                  | 15                        | 15  |      |      |      |      |                               |  |
| Westport Innovations Inc. ....  | 19                         | 19                   | 11                  | 8 <sup>(3)</sup>          | 4   | 4    |      |      |      |                               |  |
| MARS Discovery District—Incubation<br>Centre for Medicial and<br>Related Agencies .....   | 20                         | 20                   | 10                  | 10                        | 10  |      |      |      |      |                               |  |
| Economic Development Agency of<br>Canada for the Regions of<br>Quebec—<br>Canada Infrastructure<br>Works Agreement-Quebec ..... | 469                        | 469                  | 125                 | 344                       | 244   | 100  |      |      |      |                               |  |
| Innovation Development<br>Entrepreneurship and Export<br>Program (IDEA—SME) .....   | 541                        | 541                  | 453                 | 88                        | 66  | 19   | 3    |      |      |                               |  |
| Community Futures<br>Program (CFP) .....  | 238                        | 238                  | 202                 | 36                        | 19  | 17   |      |      |      |                               |  |
| Regional Strategic Initiative<br>Program .....  | 607                        | 607                  | 422                 | 185                       | 87  | 51   | 16   | 5    | 3    | 23                            |  |
| Contributions to the Province<br>of Quebec under the<br>Infrastructure Canada Program.....                                      | 636                        | 636                  | 625                 | 11                        | 1   | 10   |      |      |      |                               |  |
| Justice—<br>Legal Aid .....   | 307                        | 284                  | 99                  | 185                       | 94  | 91   |      |      |      |                               |  |
| Youth Justice Services .....  | 746                        | 746                  | 597                 | 149                       | 149   |      |      |      |      |                               |  |
| Industry—<br>National Research Council<br>of Canada—<br>James Clerk Maxwell Telescope<br>Mauna Kea, Hawaii, U.S.A. ....         | 40                         | 40                   | 30                  | 10                        | 1   | 1    | 1    | 1    | 1    | 5                             |  |
| Gemini Twin Telescope Project—<br>Cerro Pachon, Chile and<br>Mauna Kea, Hawaii, U.S.A. ....                                     | 109                        | 109                  | 49                  | 60                        | 7   | 7    | 7    | 7    | 7    | 25                            |  |
| Tri-University Meson<br>Facility (TRIUMF)<br>Vancouver, B.C. ....   | 394                        | 394                  | 297                 | 97                        | 40  | 19   | 19   | 19   |      |                               |  |
| Canada-France-Hawaii Telescope<br>Corporation—Mauna Kea,<br>Hawaii U.S.A. ....  | 110                        | 110                  | 77                  | 33                        | 4   | 4    | 4    | 4    | 4    | 13                            |  |
| Natural Resources—<br>Development of Renewable<br>Energy—Saskatchewan<br>Power Corporation. ....                                | 12                         | 12                   | 2                   | 10                        | 1   | 1    | 2    | 1    | 1    | 4                             |  |
| Hibernia Development Project—<br>Interest Assistance Loan<br>Agreement .....  | 237                        | 221                  | 41                  | 180                       | 36  | 33   | 24   | 23   | 16   | 48                            |  |
| Production of electricity from<br>wind energy resources—Vision Quest<br>Windelectric Inc. ....                                  | 34                         | 34                   | 2                   | 32                        | 3   | 4    | 3    | 3    | 4    | 15                            |  |
| Transport—<br>Province of Quebec<br>Road Agreement .....  | 271                        | 271                  | 206                 | 65                        | 4   | 4    | 4    | 4    | 4    | 45                            |  |
| Western Economic<br>Diversification—<br>Rick Hansen Man In Motion<br>Foundation .....   | 15                         | 15                   | 2                   | 13                        | 2   | 2    | 2    | 2    | 2    | 3                             |  |

11.6 OTHER INFORMATION RELATED TO  
THE FINANCIAL STATEMENTS



TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2004—Continued

(in millions of dollars)

|   | Outstanding commitments to be disbursed by March 31 |                      |                     |                           |              |              |              |              |              |                               |
|---|---|----------------------|---------------------|---------------------------|--------------|--------------|--------------|--------------|--------------|-------------------------------|
|   | Total<br>estimated<br>cost                          | Amount<br>contracted | Amount<br>disbursed | Outstanding<br>commitment | 2005         | 2006         | 2007         | 2008         | 2009         | 2010 and<br>subse-<br>quently |
| Infrastructure Canada .....   | 557   | 528                  | 158                 | 370                       | 206          | 158          | 6            |              |              |                               |
| Subtotal .....  | 75,594  | 75,498               | 34,618              | 40,880                    | 5,502        | 4,088        | 3,028        | 2,640        | 2,140        | 23,482                        |
| Consolidated Crown<br>Corporations—   |   |                      |                     |                           |              |              |              |              |              |                               |
| The Canada Council for the Arts—  |   |                      |                     |                           |              |              |              |              |              |                               |
| Future year grants .....  | 64  | 64                   |                     | 64                        | 41           | 14           | 9            |              |              |                               |
| Telefilm Canada—  |   |                      |                     |                           |              |              |              |              |              |                               |
| Financial assistance to<br>producers and distributors .....                           | 71  | 71                   |                     | 71                        | 71           |              |              |              |              |                               |
| Subtotal .....  | 135   | 135                  |                     | 135                       | 112          | 14           | 9            |              |              |                               |
| <b>Total transfer<br/>payment agreements .....</b>                                    | <b>75,729</b>                                       | <b>75,633</b>        | <b>34,618</b>       | <b>41,015</b>             | <b>5,614</b> | <b>4,102</b> | <b>3,037</b> | <b>2,640</b> | <b>2,140</b> | <b>23,482</b>                 |
| <b>Fixed assets and purchases—</b>  |   |                      |                     |                           |              |              |              |              |              |                               |
| Fixed assets—   |   |                      |                     |                           |              |              |              |              |              |                               |
| Fisheries and Oceans—   |   |                      |                     |                           |              |              |              |              |              |                               |
| Bedford Institute of Oceanography (BIO)—  |   |                      |                     |                           |              |              |              |              |              |                               |
| Construction of new<br>Level II Laboratory<br>Facility .....                          | 19  | 19                   | 2                   | 17                        | 7            | 10           |              |              |              |                               |
| Renovation and conversion of Van<br>Steelburg building to scientific<br>support ..... | 15  | 15                   |                     | 15                        | 1            | 1            | 9            | 4            |              |                               |
| St. Andrew's Biological<br>Station (SABS)—  |   |                      |                     |                           |              |              |              |              |              |                               |
| Construction of new science and<br>administration building .....                      | 17  | 17                   | 1                   | 16                        | 1            |              | 8            | 7            |              |                               |
| St. Andrew's Biological Station (SABS)—   |   |                      |                     |                           |              |              |              |              |              |                               |
| Construction of wet laboratory facility ..  | 15  | 15                   | 1                   | 14                        | 1            | 5            | 7            | 1            |              |                               |
| Search and Rescue Lifeboat<br>Replacement (SEPA) .....                                | 41  | 41                   | 13                  | 28                        | 16           | 9            | 2            | 1            |              |                               |
| National Defence—   |   |                      |                     |                           |              |              |              |              |              |                               |
| CF18 Modernization-Engineering<br>change proposal 583 .....                           | 1,009   | 706                  | 571                 | 135                       | 60           | 61           | 12           | 2            |              |                               |
| Armoured Personnel<br>Carriers .....  | 2,355   | 1,752                | 1,471               | 281                       | 88           | 106          | 87           |              |              |                               |
| Evolved Sea Sparrow<br>Missile Project .....  | 514   | 483                  | 263                 | 220                       | 114          | 70           | 20           | 16           |              |                               |
| Light Wheeled Utility Vehicle .....   | 226   | 187                  | 40                  | 147                       | 145          | 2            |              |              |              |                               |
| Aurora Data—  |   |                      |                     |                           |              |              |              |              |              |                               |
| Management System 192—  |   |                      |                     |                           |              |              |              |              |              |                               |
| General Dynamics<br>Canada Ltd. ....  | 239   | 239                  | 61                  | 178                       | 45           | 43           | 27           | 25           | 24           | 14                            |
| O113 Advanced Distributed<br>Combat Training System .....                             | 188   | 171                  |                     | 171                       | 116          | 25           | 11           | 14           | 5            |                               |
| Other fixed assets (DND) .....  | 6,029   | 4,458                | 3,284               | 1,174                     | 697          | 300          | 93           | 33           | 12           | 39                            |
| Public Works and<br>Government Services—  |   |                      |                     |                           |              |              |              |              |              |                               |
| Laurier-Taché Garage Repairs .....  | 63  | 63                   | 21                  | 42                        | 10           | 15           | 15           | 2            |              |                               |
| Library of Parliament—  |   |                      |                     |                           |              |              |              |              |              |                               |
| Renovations .....   | 119   | 119                  | 73                  | 46                        | 26           | 20           |              |              |              |                               |
| Subtotal .....  | 10,849  | 8,285                | 5,801               | 2,484                     | 1,327        | 667          | 291          | 105          | 41           | 53                            |
| Consolidated Crown<br>Corporations—   |   |                      |                     |                           |              |              |              |              |              |                               |
| Canadian Museum of<br>Civilization .....  | 102   | 102                  | 57                  | 45                        | 45           |              |              |              |              |                               |
| Subtotal .....  | 102   | 102                  | 57                  | 45                        | 45           |              |              |              |              |                               |
| Total fixed assets .....  | 10,951  | 8,387                | 5,858               | 2,529                     | 1,372        | 667          | 291          | 105          | 41           | 53                            |

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2004—Continued

(in millions of dollars)

|                                     | Total<br>estimated<br>cost | Amount<br>contracted | Amount<br>disbursed | Outstanding<br>commitment | Outstanding commitments to be disbursed by March 31 |      |      |      |      | 2010 and<br>subse-<br>quently |
|-------------------------------------|----------------------------|----------------------|---------------------|---------------------------|---|------|------|------|------|-------------------------------|
|                                     |                            |                      |                     |                           | 2005  | 2006 | 2007 | 2008 | 2009 |                               |
| Purchases—                          |                            |                      |                     |                           |   |      |      |      |      |                               |
| Privy Council—                      |                            |                      |                     |                           |   |      |      |      |      |                               |
| Chief Electoral Officer—            |                            |                      |                     |                           |   |      |      |      |      |                               |
| IBM Canada—Facilities Management    |                            |                      |                     |                           |   |      |      |      |      |                               |
| Support Services .....              | 20                         | 20                   | 10                  | 10                        | 5   | 4    | 1    |      |      |                               |
| Foreign Affairs and                 |                            |                      |                     |                           |   |      |      |      |      |                               |
| International Trade—                |                            |                      |                     |                           |   |      |      |      |      |                               |
| Canadian Bank Note Company Ltd ...  | 42                         | 42                   | 13                  | 29                        | 7   | 7    | 7    | 7    | 1    |                               |
| Citizenship and Immigration—        |                            |                      |                     |                           |   |      |      |      |      |                               |
| IT Professional services, purchase  |                            |                      |                     |                           |   |      |      |      |      |                               |
| of software licenses                |                            |                      |                     |                           |   |      |      |      |      |                               |
| and maintenance .....               | 33                         | 33                   | 22                  | 11                        | 11  |      |      |      |      |                               |
| Solicitor General—                  |                            |                      |                     |                           |   |      |      |      |      |                               |
| Correctional Service—               |                            |                      |                     |                           |   |      |      |      |      |                               |
| NAV Canada—Management               |                            |                      |                     |                           |   |      |      |      |      |                               |
| Training .....                      | 23                         | 23                   | 5                   | 18                        | 2   | 2    | 2    | 3    | 3    | 6                             |
| Industry—                           |                            |                      |                     |                           |   |      |      |      |      |                               |
| Canadian Space                      |                            |                      |                     |                           |   |      |      |      |      |                               |
| Agency—                             |                            |                      |                     |                           |   |      |      |      |      |                               |
| Radarsat-2 construction—            |                            |                      |                     |                           |   |      |      |      |      |                               |
| MacDonald Dettwiler Ltd. ....       | 381                        | 381                  | 333                 | 48                        | 12  | 35   | 1    |      |      |                               |
| Scientific activities—MSS           |                            |                      |                     |                           |   |      |      |      |      |                               |
| operations—McDonald Dettwiler       |                            |                      |                     |                           |   |      |      |      |      |                               |
| Space and Advanced                  |                            |                      |                     |                           |   |      |      |      |      |                               |
| Robotics Ltd. ....                  | 109                        | 109                  | 23                  | 86                        | 30  | 27   | 26   | 3    |      |                               |
| National Research Council           |                            |                      |                     |                           |   |      |      |      |      |                               |
| of Canada—                          |                            |                      |                     |                           |   |      |      |      |      |                               |
| Atco Frontec Corporation—           |                            |                      |                     |                           |   |      |      |      |      |                               |
| Construction services .....         | 23                         | 23                   | 2                   | 21                        | 5   | 5    | 5    | 5    | 1    |                               |
| National Defence—                   |                            |                      |                     |                           |   |      |      |      |      |                               |
| North Warning System                |                            |                      |                     |                           |   |      |      |      |      |                               |
| support .....                       | 577                        | 310                  | 147                 | 163                       | 58  | 61   | 44   |      |      |                               |
| Bombardier—NATO Flying              |                            |                      |                     |                           |   |      |      |      |      |                               |
| Training Centre .....               | 2,536                      | 1,826                | 353                 | 1,473                     | 72  | 84   | 86   | 88   | 89   | 1,054                         |
| Serco Ltd.—Goose Bay ASD .....      | 480                        | 478                  | 33                  | 445                       | 40  | 41   | 42   | 43   | 44   | 235                           |
| IMP Group Ltd—Cormorant             |                            |                      |                     |                           |   |      |      |      |      |                               |
| Integrated Services .....           | 160                        | 160                  | 40                  | 120                       | 36  | 38   | 39   | 7    |      |                               |
| Provision of Health Care Services—  |                            |                      |                     |                           |   |      |      |      |      |                               |
| Santé Montfort .....                | 185                        | 185                  | 1                   | 184                       | 1   | 1    | 10   | 18   | 18   | 136                           |
| Other purchases (DND) .....         | 2,227                      | 2,120                | 1,146               | 974                       | 493   | 304  | 108  | 65   | 4    |                               |
| Human Resources                     |                            |                      |                     |                           |   |      |      |      |      |                               |
| Development—                        |                            |                      |                     |                           |   |      |      |      |      |                               |
| Canada Student                      |                            |                      |                     |                           |   |      |      |      |      |                               |
| Financial Assistance Act—           |                            |                      |                     |                           |   |      |      |      |      |                               |
| Service providers—Private           |                            |                      |                     |                           |   |      |      |      |      |                               |
| Institutions .....                  | 324                        | 236                  | 134                 | 102                       | 102   |      |      |      |      |                               |
| Reprofiling of HRDC contribution    |                            |                      |                     |                           |   |      |      |      |      |                               |
| for the Census—                     |                            |                      |                     |                           |   |      |      |      |      |                               |
| Statistics Canada .....             | 40                         | 40                   | 24                  | 16                        | 8   | 8    |      |      |      |                               |
| Replacement of support hardware and |                            |                      |                     |                           |   |      |      |      |      |                               |
| software—Unisys Canada .....        | 16                         | 16                   | 5                   | 11                        | 1   | 2    | 2    | 2    | 2    | 2                             |
| Telecommunications equipment and    |                            |                      |                     |                           |   |      |      |      |      |                               |
| services—Sprint Canada Inc. ....    | 53                         | 53                   | 30                  | 23                        | 12  | 5    | 6    |      |      |                               |
| Printing, warehousing and           |                            |                      |                     |                           |   |      |      |      |      |                               |
| distribution—Dymment Distribution   |                            |                      |                     |                           |   |      |      |      |      |                               |
| Services Ltd. ....                  | 16                         | 16                   | 1                   | 15                        | 7   | 8    |      |      |      |                               |

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2004—Continued

(in millions of dollars)

|  | Total<br>estimated<br>cost | Amount<br>contracted | Amount<br>disbursed | Outstanding<br>commitment | Outstanding commitments to be disbursed by March 31 |              |            |            |            | 2010 and<br>subse-<br>quently |
|--|----------------------------|----------------------|---------------------|---------------------------|---|--------------|------------|------------|------------|-------------------------------|
|  |                            |                      |                     |                           | 2005  | 2006         | 2007       | 2008       | 2009       |                               |
| Hardware purchase,<br>system integration and<br>support services—<br>—IBM Canada .....   | 26                         | 26                   | 15                  | 11                        | 11  |              |            |            |            |                               |
| Canada Customs and Revenue<br>Agency—<br>Bell Canada—Canada Revenue<br>Agency's cabling requirements<br>for all computers<br>and servers ..... | 16                         | 16                   | 1                   | 15                        | 5   | 5            | 5          |            |            |                               |
| Sita Advanced Travel<br>Solutions—Informatic System<br>Integration .....   | 38                         | 38                   | 12                  | 26                        | 21  | 3            | 2          |            |            |                               |
| Solicitor General—<br>Royal Canadian Mounted Police—<br>Niche Technology Inc.<br>PROS Project .....  | 37                         | 24                   | 10                  | 14                        | 3   | 5            | 2          | 2          | 1          | 1                             |
| Sierra Systems—Project<br>management—PROS Project .....  | 19                         | 12                   | 7                   | 5                         | 5   |              |            |            |            |                               |
| Morneau Sobeco—<br>Pension Administration .....  | 14                         | 14                   | 4                   | 10                        | 3   | 2            | 2          | 2          | 1          |                               |
| Public Works and<br>Government Services—<br>Quantum Management<br>Services Ltd.—Canadian<br>Enquiry Centre .....                               | 35                         | 30                   | 9                   | 21                        | 11  | 10           |            |            |            |                               |
| Brookfield LePage Johnson Controls<br>Property Management Services—<br>Quebec West .....   | 178                        | 178                  | 138                 | 40                        | 40  |              |            |            |            |                               |
| Quebec East .....  | 87                         | 87                   | 67                  | 20                        | 20  |              |            |            |            |                               |
| Ottawa, Ont. (NCA-1, 2 and 3) .....  | 749                        | 749                  | 615                 | 134                       | 134   |              |            |            |            |                               |
| Greater Toronto Area, Ont. ....  | 131                        | 131                  | 110                 | 21                        | 21  |              |            |            |            |                               |
| AJJA Information Technology<br>Consultants Inc. ....   | 15                         | 15                   | 2                   | 13                        | 4   | 6            | 3          |            |            |                               |
| EDS Canada .....   | 27                         | 27                   | 5                   | 22                        | 6   | 5            | 5          | 5          | 1          |                               |
| TPG Technology .....   | 135                        | 135                  | 121                 | 14                        | 14  |              |            |            |            |                               |
| IBM Canada Ltd. ....   | 18                         | 18                   | 4                   | 14                        | 3   | 3            | 3          | 3          | 2          |                               |
| IBM Canada Ltd. ....   | 73                         | 73                   | 63                  | 10                        | 10  |              |            |            |            |                               |
| <b>Subtotal .....</b>  | <b>8,843</b>               | <b>7,644</b>         | <b>3,505</b>        | <b>4,139</b>              | <b>1,213</b>  | <b>671</b>   | <b>401</b> | <b>253</b> | <b>167</b> | <b>1,434</b>                  |
| Consolidated Crown<br>Corporations—<br>Canadian Broadcasting<br>Corporation—<br>Sports Rights .....  | 533                        | 533                  | 185                 | 348                       | 112   | 89           | 69         | 34         | 44         |                               |
| Canadian Air Transport<br>Security Authority—<br>Screening services .....  | 682                        | 682                  |                     | 682                       | 320   | 215          | 145        | 2          |            |                               |
| National Capital<br>Commission—<br>LaFleur de la Capitale Inc. ....  | 15                         | 15                   | 3                   | 12                        | 5   | 5            | 2          |            |            |                               |
| Other service contracts .....  | 18                         | 18                   | 5                   | 13                        | 8   | 5            |            |            |            |                               |
| <b>Subtotal .....</b>  | <b>1,248</b>               | <b>1,248</b>         | <b>193</b>          | <b>1,055</b>              | <b>445</b>  | <b>314</b>   | <b>216</b> | <b>36</b>  | <b>44</b>  |                               |
| <b>Total purchases .....</b>   | <b>10,091</b>              | <b>8,892</b>         | <b>3,698</b>        | <b>5,194</b>              | <b>1,658</b>  | <b>985</b>   | <b>617</b> | <b>289</b> | <b>211</b> | <b>1,434</b>                  |
| <b>Total fixed assets<br/>and purchases .....</b>  | <b>21,042</b>              | <b>17,279</b>        | <b>9,556</b>        | <b>7,723</b>              | <b>3,030</b>  | <b>1,652</b> | <b>908</b> | <b>394</b> | <b>252</b> | <b>1,487</b>                  |

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2004—*Continued*

(in millions of dollars)

|  | Total<br>estimated<br>cost | Amount<br>contracted | Amount<br>disbursed | Outstanding<br>commitment | Outstanding commitments to be disbursed by March 31 |      |      |      |      | 2010 and<br>subse-<br>quently |
|--|----------------------------|----------------------|---------------------|---------------------------|---|------|------|------|------|-------------------------------|
|  |                            |                      |                     |                           | 2005  | 2006 | 2007 | 2008 | 2009 |                               |
| <b>Operating leases—</b>   |                            |                      |                     |                           |   |      |      |      |      |                               |
| Environment—   |                            |                      |                     |                           |   |      |      |      |      |                               |
| Lease of land—Capilano<br>Indian Reserve No. 5<br>Vancouver, B.C. ....                       | 488                        | 488                  | 80                  | 408                       | 10  | 10   | 10   | 10   | 10   | 358                           |
| I.B.M. Canada Ltd—<br>Rental and maintenance of<br>supercomputer system. ....                | 42                         | 42                   | 3                   | 39                        | 7   | 8    | 8    | 9    | 7    |                               |
| Foreign Affairs and  |                            |                      |                     |                           |   |      |      |      |      |                               |
| International Trade—<br>Mitsui Fudosan, New York . . . . .                                   | 52                         | 52                   | 18                  | 34                        | 3   | 3    | 3    | 3    | 4    | 18                            |
| Provision of services—Low<br>Risk Detention Centre, Toronto. ....                            | 19                         | 19                   |                     | 19                        | 3   | 4    | 4    | 4    | 4    |                               |
| Public Works and   |                            |                      |                     |                           |   |      |      |      |      |                               |
| Government Services—<br>174 Stone Road Ltd., Toronto. ....                                   | 25                         | 25                   | 15                  | 10                        | 1   | 1    | 1    | 1    | 2    | 4                             |
| 1600 Star Top, 519719 Ontario Inc. ....  | 95                         | 95                   | 8                   | 87                        | 7   | 5    | 5    | 5    | 5    | 60                            |
| 550 Blvd Cité, Alex Nihon Inc. ....  | 131                        | 131                  | 3                   | 128                       | 7   | 7    | 7    | 7    | 7    | 93                            |
| BTC Properties II Ltd and<br>3160343 Canada Inc., Toronto . . . . .                          | 18                         | 18                   | 2                   | 16                        | 2   | 2    | 2    | 2    | 2    | 6                             |
| Elron Development, Toronto. ....   | 18                         | 18                   | 4                   | 14                        | 1   | 1    | 1    | 1    | 1    | 9                             |
| 160 Elgin, Portfolio Inc. ....   | 60                         | 60                   |                     | 60                        |   |      |      | 9    | 5    | 46                            |
| 269 Laurier Street—Great West<br>Life Assurance Co. and<br>London Life<br>Insurance Co. .... | 152                        | 152                  |                     | 152                       | 20  | 11   | 11   | 11   | 11   | 88                            |
| 155 Queen Street, GWL Realty Inc. ....   | 20                         | 20                   | 8                   | 12                        | 4   | 4    | 4    |      |      |                               |
| Old Oak Properties Inc., London, Ont. . . . .  | 38                         | 38                   | 27                  | 11                        | 2   | 2    | 2    | 3    | 2    |                               |
| 1138 Melville St., Oxford Management<br>Services, Vancouver, B.C. ....                       | 43                         | 43                   | 15                  | 28                        | 5   | 5    | 4    | 4    | 4    | 6                             |
| Place Moncalm, Phase III,<br>70 Crémazie . . . . .   | 139                        | 139                  | 28                  | 111                       | 7   | 7    | 7    | 7    | 7    | 76                            |
| SITQ—5 Place Ville-Marie, Montreal . . . . .   | 21                         | 21                   | 2                   | 19                        | 2   | 2    | 2    | 2    | 2    | 9                             |
| The Regional Group of 1550 Carling,<br>Ottawa . . . . .                                      | 29                         | 29                   | 6                   | 23                        | 2   | 2    | 2    | 2    | 2    | 13                            |
| WPBI Property Management Inc.,<br>825 St-Antoine West, Montreal . . . . .                    | 11                         | 11                   | 1                   | 10                        | 1   | 1    | 1    | 1    | 1    | 5                             |
| Gespa CDPQ Inc.,<br>160 Elgin Street . . . . .   | 30                         | 30                   | 11                  | 19                        | 6   | 6    | 6    | 1    |      |                               |
| Standard Life Assurance Co.—<br>280 Slater Street. . . . .                                   | 51                         | 51                   | 3                   | 48                        | 5   | 5    | 5    | 5    | 5    | 23                            |
| 333 Laurier Street . . . . .   | 14                         | 14                   | 2                   | 12                        | 3   | 3    | 3    | 3    |      |                               |
| 333 Laurier Street . . . . .   | 35                         | 35                   |                     | 35                        | 4   | 5    | 5    | 5    | 5    | 11                            |
| Aon Inc., Peterborough, Ont. ....  | 25                         | 25                   | 15                  | 10                        | 1   | 1    | 1    | 1    | 1    | 5                             |
| Orlando Corporation, Mississauga, Ont. . . . .   | 48                         | 48                   | 16                  | 32                        | 5   | 5    | 5    | 5    | 5    | 7                             |
| National Capital Commission—<br>40 Elgin Street, Ottawa . . . . .                            | 20                         | 20                   | 7                   | 13                        | 1   | 1    | 1    | 1    | 1    | 8                             |
| 1258898 Ontario Ltd.—400 Cumberland<br>Street, Ottawa. ....                                  | 35                         | 35                   | 9                   | 26                        | 3   | 3    | 3    | 3    | 3    | 11                            |
| Société de Gestion Cogir Inc.—<br>Brossard, Quebec. ....                                     | 65                         | 65                   | 13                  | 52                        | 7   | 7    | 7    | 7    | 7    | 17                            |
| Société en commandite Redbourne<br>Brossard et Immeubles Régime XI. ....                     | 24                         | 24                   | 3                   | 21                        | 2   | 2    | 2    | 2    | 2    | 11                            |
| 3878309 Canada Inc. and First National<br>Funding Corp.—Laval, Quebec . . . . .              | 39                         | 39                   | 6                   | 33                        | 4   | 4    | 4    | 4    | 4    | 13                            |
| Bona Building & Management Co.—<br>155, McArthur Road, Ottawa . . . . .                      | 23                         | 23                   | 6                   | 17                        | 3   | 3    | 3    | 3    | 3    | 2                             |
| 333-335 River Road, Ottawa . . . . .   | 113                        | 113                  | 32                  | 81                        | 7   | 7    | 7    | 7    | 7    | 46                            |
| 285 Coventry Road, Ottawa . . . . .  | 79                         | 79                   | 12                  | 67                        | 4   | 3    | 3    | 3    | 3    | 51                            |
| 295 Coventry Road, Ottawa . . . . .  | 73                         | 73                   | 8                   | 65                        | 3   | 3    | 3    | 3    | 3    | 50                            |

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2004—Continued

(in millions of dollars)

|  | Total<br>estimated<br>cost | Amount<br>contracted | Amount<br>disbursed | Outstanding<br>commitment | Outstanding commitments to be disbursed by March 31 |      |      |      |      | 2010 and<br>subse-<br>quently |
|--|----------------------------|----------------------|---------------------|---------------------------|---|------|------|------|------|-------------------------------|
|  |                            |                      |                     |                           | 2005  | 2006 | 2007 | 2008 | 2009 |                               |
| 219 Laurier Avenue Development               |                            |                      |                     |                           |   |      |      |      |      |                               |
| 219 Laurier Ave, Ottawa . . . . .            | 22                         | 22                   | 6                   | 16                        | 2   | 2    | 2    | 2    | 2    | 6                             |
| 219 Laurier Ave, Ottawa . . . . .            | 21                         | 21                   | 5                   | 16                        | 2   | 2    | 2    | 2    | 2    | 6                             |
| Kidinks Holdings Inc.—                       |                            |                      |                     |                           |   |      |      |      |      |                               |
| 200 Laurier Avenue, Ottawa . . . . .         | 18                         | 18                   | 5                   | 13                        | 2   | 2    | 2    | 2    | 2    | 3                             |
| Urbandale Corporation—                       |                            |                      |                     |                           |   |      |      |      |      |                               |
| 100 Metcalfe Street, Ottawa . . . . .        | 18                         | 18                   | 5                   | 13                        | 2   | 2    | 2    | 2    | 2    | 3                             |
| 100 Metcalfe Street, Ottawa . . . . .        | 23                         | 23                   | 4                   | 19                        | 2   | 2    | 2    | 2    | 2    | 9                             |
| Capital City Shopping Centre,                |                            |                      |                     |                           |   |      |      |      |      |                               |
| Billings Bridge Tower, Ottawa . . . . .      | 44                         | 44                   | 9                   | 35                        | 4   | 4    | 4    | 4    | 4    | 15                            |
| O & Y Enterprise National—                   |                            |                      |                     |                           |   |      |      |      |      |                               |
| Billings Bridge Tower, Ottawa . . . . .      | 13                         | 13                   |                     | 13                        | 13  |      |      |      |      |                               |
| 320 Queen Street, Ottawa . . . . .           | 43                         | 43                   | 21                  | 22                        | 4   | 4    | 4    | 4    | 4    | 2                             |
| 3840743 Canada Inc.,                         |                            |                      |                     |                           |   |      |      |      |      |                               |
| 975 St. Joseph Boulevard, Gatineau . . . . . | 19                         | 19                   | 11                  | 8 <sup>(3)</sup>          | 2   | 2    | 2    | 2    |      |                               |
| 350/360 Albert Street, Ottawa . . . . .      | 39                         | 39                   | 9                   | 30                        | 4   | 4    | 4    | 4    | 4    | 10                            |
| 750 Heron Road, Ottawa . . . . .             | 19                         | 19                   | 5                   | 14                        | 2   | 2    | 2    | 2    | 2    | 4                             |
| Gladwin Corporation—                         |                            |                      |                     |                           |   |      |      |      |      |                               |
| 2215 Gladwin, Ottawa . . . . .               | 23                         | 23                   | 8                   | 15                        | 3   | 3    | 3    | 3    | 3    |                               |
| 25 Fitzgerald Road . . . . .                 | 30                         | 30                   | 7                   | 23                        | 4   | 4    | 4    | 4    | 4    | 3                             |
| 130 Colonnade Road . . . . .                 | 25                         | 25                   | 9                   | 16                        | 2   | 2    | 2    | 2    | 2    | 6                             |
| Pinecrest Office Park . . . . .              | 16                         | 16                   | 6                   | 10                        | 2   | 2    | 2    | 2    | 2    |                               |
| 103-106 Counter Street Corp.,                |                            |                      |                     |                           |   |      |      |      |      |                               |
| Hamilton, Ont. . . . .                       | 11                         | 11                   |                     | 11                        | 1   | 1    | 1    | 1    | 1    | 6                             |
| 3173763 Canada Inc.,                         |                            |                      |                     |                           |   |      |      |      |      |                               |
| 25 Nicholas Street . . . . .                 | 17                         | 17                   | 11                  | 6 <sup>(3)</sup>          | 2   | 2    | 2    |      |      |                               |
| 725844 Alberta Inc.,                         |                            |                      |                     |                           |   |      |      |      |      |                               |
| Barclay Centre, Calgary, Alta. . . . .       | 36                         | 36                   | 20                  | 16                        | 4   | 4    | 4    | 4    |      |                               |
| B.C. Hydro,                                  |                            |                      |                     |                           |   |      |      |      |      |                               |
| 333 Dunsmuir, Vancouver, B.C. . . . .        | 13                         | 13                   | 2                   | 11                        | 2   | 3    | 3    | 3    |      |                               |
| Blue Capital Canada Real                     |                            |                      |                     |                           |   |      |      |      |      |                               |
| Estate Ltd. Partnership,                     |                            |                      |                     |                           |   |      |      |      |      |                               |
| Toronto . . . . .                            | 16                         | 16                   | 1                   | 15                        | 2   | 2    | 2    | 2    | 3    | 4                             |
| Cadillac Fairview Corp. Ltd.,                |                            |                      |                     |                           |   |      |      |      |      |                               |
| 191 Laurier Avenue West . . . . .            | 43                         | 43                   |                     | 43                        | 3   | 5    | 5    | 5    | 5    | 20                            |
| Canadian Broadcasting Corporation,           |                            |                      |                     |                           |   |      |      |      |      |                               |
| 181 Queen Street . . . . .                   | 129                        | 129                  | 15                  | 114                       | 5   | 5    | 5    | 5    | 5    | 89                            |
| Great West Life Assurance Co.                |                            |                      |                     |                           |   |      |      |      |      |                               |
| and London Life                              |                            |                      |                     |                           |   |      |      |      |      |                               |
| Insurance Co.                                |                            |                      |                     |                           |   |      |      |      |      |                               |
| 255 Albert Street, Ottawa . . . . .          | 27                         | 27                   |                     | 27                        | 3   | 2    | 2    | 2    | 2    | 16                            |
| Morguard Investments Ltd.,                   |                            |                      |                     |                           |   |      |      |      |      |                               |
| 59 Camelot Drive . . . . .                   | 13                         | 13                   |                     | 13                        | 1   | 2    | 2    | 2    | 2    | 4                             |
| Omers Realty Corporation,                    |                            |                      |                     |                           |   |      |      |      |      |                               |
| 350 Albert Street . . . . .                  | 19                         | 19                   | 1                   | 18                        | 3   | 3    | 3    | 3    | 3    | 3                             |
| Oxford Properties Group,                     |                            |                      |                     |                           |   |      |      |      |      |                               |
| 110 Place d'Orleans Drive . . . . .          | 11                         | 11                   |                     | 11                        | 1   | 1    | 1    | 1    | 1    | 6                             |
| Saskpen Properties Ltd,                      |                            |                      |                     |                           |   |      |      |      |      |                               |
| Hamilton Centre, Regina . . . . .            | 14                         | 14                   | 2                   | 12                        | 2   | 2    | 2    | 2    | 2    | 2                             |
| WPBI Property Management Inc.,               |                            |                      |                     |                           |   |      |      |      |      |                               |
| 800 La Gauchetière Montreal-West . . . . .   | 40                         | 40                   | 2                   | 38                        | 3   | 3    | 3    | 3    | 3    | 23                            |
| O & Y REIT Holdings Inc.,                    |                            |                      |                     |                           |   |      |      |      |      |                               |
| 300 Slater Street and                        |                            |                      |                     |                           |   |      |      |      |      |                               |
| 365 Laurier Avenue, West, Ottawa . . . . .   | 161                        | 161                  |                     | 161                       | 26  | 15   | 15   | 15   | 15   | 75                            |
| The Hi-Rise Group, Hamilton. . . . .         | 182                        | 182                  | 9                   | 173                       | 12  | 12   | 12   | 12   | 12   | 113                           |

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2004—*Concluded*

(in millions of dollars)

|                                      | Total<br>estimated<br>cost | Amount<br>contracted | Amount<br>disbursed | Outstanding<br>commitment | Outstanding commitments to be disbursed by March 31 |              |              |              |              | 2010 and<br>subse-<br>quently |
|--------------------------------------|----------------------------|----------------------|---------------------|---------------------------|---|--------------|--------------|--------------|--------------|-------------------------------|
|                                      |                            |                      |                     |                           | 2005  | 2006         | 2007         | 2008         | 2009         |                               |
| Solicitor General—                   |                            |                      |                     |                           |   |              |              |              |              |                               |
| Royal Canadian Mounted Police—       |                            |                      |                     |                           |   |              |              |              |              |                               |
| Dispatch radio service—Manitoba      |                            |                      |                     |                           |   |              |              |              |              |                               |
| Telecom Services Inc (MTS)—          |                            |                      |                     |                           |   |              |              |              |              |                               |
| Mobility .....                       | 60                         | 60                   | 37                  | 23                        | 6   | 6            | 6            | 5            |              |                               |
| <i>Subtotal</i> .....                | <i>3,240</i>               | <i>3,240</i>         | <i>573</i>          | <i>2,667</i>              | <i>268</i>  | <i>238</i>   | <i>237</i>   | <i>236</i>   | <i>214</i>   | <i>1,474</i>                  |
| Consolidated Crown                   |                            |                      |                     |                           |   |              |              |              |              |                               |
| Corporations—                        |                            |                      |                     |                           |   |              |              |              |              |                               |
| Canadian Air Transport               |                            |                      |                     |                           |   |              |              |              |              |                               |
| Security Authority—                  |                            |                      |                     |                           |   |              |              |              |              |                               |
| Equipment and Office Space .....     | 25                         | 25                   |                     | 25                        | 3   | 3            | 3            | 3            | 3            | 10                            |
| National Capital                     |                            |                      |                     |                           |   |              |              |              |              |                               |
| Commission—                          |                            |                      |                     |                           |   |              |              |              |              |                               |
| Chalmers Building,                   |                            |                      |                     |                           |   |              |              |              |              |                               |
| 40 Elgin St., Ottawa .....           | 181                        | 181                  | 49                  | 132                       | 6   | 6            | 6            | 6            | 6            | 102                           |
| VIA Rail Canada Inc.—                |                            |                      |                     |                           |   |              |              |              |              |                               |
| Central Station—Montreal .....       | 48                         | 48                   | 29                  | 19                        | 4   | 4            | 4            | 4            | 3            |                               |
| Union Station—Toronto .....          | 159                        | 159                  | 7                   | 152                       | 2   | 2            | 2            | 2            | 2            | 142                           |
| Canadian Broadcasting                |                            |                      |                     |                           |   |              |              |              |              |                               |
| Corporation—                         |                            |                      |                     |                           |   |              |              |              |              |                               |
| Satellite lease (Telesat) .....      | 197                        | 197                  | 27                  | 170                       | 13  | 13           | 13           | 14           | 13           | 104                           |
| Profac Facility and Property         |                            |                      |                     |                           |   |              |              |              |              |                               |
| Management .....                     | 126                        | 126                  | 24                  | 102                       | 24  | 25           | 26           | 27           |              |                               |
| Morguard Investments .....           | 143                        | 143                  |                     | 143                       | 7   | 6            | 7            | 7            | 7            | 109                           |
| TQS Inc.—                            |                            |                      |                     |                           |   |              |              |              |              |                               |
| Cogaco Radio—Tel Inc. ....           | 16                         | 16                   | 3                   | 13                        | 3   | 2            | 3            | 2            | 3            |                               |
| Telefilm Canada—                     |                            |                      |                     |                           |   |              |              |              |              |                               |
| Office leases .....                  | 14                         | 14                   |                     | 14                        | 2   | 2            | 2            | 1            | 1            | 6                             |
| International Development            |                            |                      |                     |                           |   |              |              |              |              |                               |
| Research Centre—                     |                            |                      |                     |                           |   |              |              |              |              |                               |
| Pension Realty Limited—              |                            |                      |                     |                           |   |              |              |              |              |                               |
| Office Space and Maintenance Lease . | 94                         | 30                   | 5                   | 25                        | 6   | 7            | 8            | 4            |              |                               |
| Canada Council for the Arts—         |                            |                      |                     |                           |   |              |              |              |              |                               |
| Operating leases .....               | 31                         | 31                   | 1                   | 30                        | 3   | 3            | 3            | 3            | 3            | 15                            |
| <i>Subtotal</i> .....                | <i>1,034</i>               | <i>970</i>           | <i>145</i>          | <i>825</i>                | <i>73</i>   | <i>73</i>    | <i>77</i>    | <i>73</i>    | <i>41</i>    | <i>488</i>                    |
| <b>Total operating</b>               |                            |                      |                     |                           |   |              |              |              |              |                               |
| <b>leases</b> .....                  | <b>4,274</b>               | <b>4,210</b>         | <b>718</b>          | <b>3,492</b>              | <b>341</b>  | <b>311</b>   | <b>314</b>   | <b>309</b>   | <b>255</b>   | <b>1,962</b>                  |
| <b>Grand total</b> .....             | <b>101,045</b>             | <b>97,122</b>        | <b>44,892</b>       | <b>52,230</b>             | <b>8,985</b>  | <b>6,065</b> | <b>4,259</b> | <b>3,343</b> | <b>2,647</b> | <b>26,931</b>                 |

(1) The amount shown under “Total estimated cost” is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this commitment were first reported in the *Public Accounts of Canada*, plus the outstanding commitment reported at fiscal year end.

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

(3) Particulars of this commitment, shown for continuity purposes, will not be reported in future years since it has either been retired in full or the outstanding obligation is now less than \$10 million.

## International Commitments

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

Commitments reported in this table include loans and advances to international organizations and developing countries, which Canada has agreed to disburse in the future. Future paid-in share capital represents commitments made by

Canada for future purchases of non-budgetary share capital in international organizations. The amounts reported in Table 11.4 as undisbursed loans and advances and as future paid-in share capital exclude notes that have been issued and that are still unpaid as at March 31, 2004.

Table 11.4 presents information that is summarized in Note 13 to the financial statements.

**TABLE 11.4**

### INTERNATIONAL ORGANIZATIONS COMMITMENTS

(in millions of dollars)<sup>(1)</sup>

|  | Undisbursed<br>loans and<br>advances | Future paid-in<br>share<br>capital | Total        |
|--|--------------------------------------|------------------------------------|--------------|
| <b>NON BUDGETARY SHARE CAPITAL AND LOANS—</b>          |                                      |                                    |              |
| African Development Bank .....                         |                                      | 11                                 | 11           |
| European Bank for Reconstruction and Development ..... |                                      | 32                                 | 32           |
| International Monetary Fund .....                      | 119                                  |                                    | 119          |
| Developing countries—Canada Account .....              | 3,190                                |                                    | 3,190        |
|  | <i>3,309</i>                         | <i>43</i>                          | <i>3,352</i> |
| <b>BUDGETARY LOANS AND ADVANCES—</b>                   |                                      |                                    |              |
| African Development Fund .....                         | 70                                   |                                    | 70           |
| Asian Development Fund .....                           | 49                                   |                                    | 49           |
| International Fund for Agricultural Development .....  | 29                                   |                                    | 29           |
| Montreal Protocol Fund .....                           | 12                                   |                                    | 12           |
| Caribbean Development Bank—Special .....               | 2                                    |                                    | 2            |
| International Development Association .....            | 230                                  |                                    | 230          |
| International Monetary Fund .....                      | 15                                   |                                    | 15           |
| Global Environment Facility (GEF) Trust Fund .....     | 119                                  |                                    | 119          |
| Developing countries—Canada Account .....              | 4                                    |                                    | 4            |
|  | <i>530</i>                           |                                    | <i>530</i>   |
| <b>Total .....</b>                                     | <b>3,839</b>                         | <b>43</b>                          | <b>3,882</b> |

<sup>(1)</sup> Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2004 (1\$US = \$1.3113 Cdn; 1SDR = \$1.94139 Cdn).

Note: Canada has agreed to lend the Poverty Reduction and Growth Facility (formerly the Enhanced Structural Adjustment Facility) special drawing rights (SDR) 700 million of which SDR 639 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 182 million has been paid-in.

## Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. Contingent liabilities are recorded in the accounts when it becomes likely that a payment will be made and the amount of that payment can be reasonably estimated. The contingent liabilities of the Government are classified into five categories: Guarantees, International Organizations, Contaminated Sites, Claims and Pending and Threatened Litigation, and Insurance Programs. Additional information regarding each category is provided below.

For details of contingent liabilities of consolidated Crown corporations, refer to Table 4.3 "Contingent Liabilities of Consolidated Crown Corporations" in Section 4 of this volume. Particulars of contingent liabilities of enterprise Crown corporations and other government business enterprises are not consolidated with those of the Government but details of these contingencies may be found in Table 9.9 "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 13 to the financial statements of the Government in Section 2 of this volume.

**TABLE 11.5**

### GUARANTEES BY THE GOVERNMENT AS AT MARCH 31, 2004

|  | Authorized<br>limit<br>(where<br>applicable) <sup>(1)</sup> | Contingent<br>liability       |
|--|---|-------------------------------|
|  | \$  | \$                            |
| GUARANTEES BY THE GOVERNMENT—  |   |                               |
| Borrowings by enterprise Crown corporations which are agents of Her Majesty.....   |   | 44,295,409,000 <sup>(2)</sup> |
| Borrowings by other than enterprise Crown corporations   |   |                               |
| From agents  |   |                               |
| Loans to Indians by the Canada Mortgage and Housing Corporation<br>and the Farm Credit Canada, for on-reserve housing .....                    | 1,700,000,000 <sup>(3)</sup>                                | 489,674,942                   |
| From other than agents   |   |                               |
| Guarantee programs of the Government   |   |                               |
| <i>Canada Student Loans Act</i> .....  | 10,781,963,150  | 444,291,942                   |
| <i>Small Business Loans Act</i> .....  | 2,771,240,435   | 970,051,557                   |
| <i>Farm Improvement Loans Act and Farm<br/>                Improvement and Marketing<br/>                Cooperatives Loans Act</i> .....      | 3,000,000,000   | 242,459,650                   |
| <i>Advance Payments for Crops Act</i> .....  | 1,900,000,000   | 220,880,002                   |
| Atlantic Enterprise Program .....  |   | 471,487                       |
| Enterprise Development Program .....   | 1,200,000,000   | 212,300                       |
| Loans to Indians by approved lenders for on-reserve<br>housing .....   | <sup>(3)</sup>  | 799,699,832                   |
| Financial obligations incurred by air carriers regarding purchase of The<br>Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft. .... | 952,825,000   | 243,008,446                   |
| Indian economic development .....  | 60,000,000 <sup>(4)</sup>                                   | 1,316,222 <sup>(5)</sup>      |
| Aboriginal Economic Program .....  |   | 10,230,500                    |
| Time Air (1982) Ltd .....  | 10,000,000  | 471,238                       |
|  | 20,676,028,585  | 2,933,093,176                 |



TABLE 11.5

GUARANTEES BY THE GOVERNMENT  
AS AT MARCH 31, 2004—*Concluded*

|  | Authorized<br>limit<br>(where<br>applicable) <sup>(1)</sup> | Contingent<br>liability      |
|--|---|------------------------------|
|  | \$  | \$                           |
| Other explicit loan guarantees   |   |                              |
| Loans with respect to the <i>Hibernia Development Project Act</i> .....  | 1,660,000,000   | 64,396,132                   |
| Loans to NewGrade Energy Inc to finance construction of a heavy<br>oil upgrader .....  | 275,000,000   | 37,867,806 <sup>(6)</sup>    |
|  | <i>1,935,000,000</i>  | <i>102,263,938</i>           |
| Insurance programs of the Government   |   |                              |
| Accounts administered for the Government by the Export<br>Development Canada—Insurance and related guarantees .....                            | 13,000,000,000 <sup>(7)</sup>                               | 1,482,859,066                |
| Insurance against accidents at nuclear installations under<br>the <i>Nuclear Liability Act</i> <sup>(8)</sup> .....                            | 1,050,000,000   | 583,809,524                  |
|  | <i>14,050,000,000</i>                                       | <i>2,066,668,590</i>         |
| Other explicit guarantees  |   |                              |
| Guarantees under the <i>Prairie Grain Advance Payments Act</i> .....   | 1,900,000,000   | 217,758,033                  |
| Guarantees under the <i>Spring Credit Advance Program</i> .....  | 1,500,000,000   | 3,902,592                    |
| Guarantees to holders of mortgages insured by the Mortgage Insurance Company of<br>Canada and GE Capital Mortgage Insurance Co. (Canada) ..... |   | 616,286,519                  |
| Guarantees under Section 19 of the <i>Canadian Wheat Board Act</i> .....   |   | 6,139,717,000 <sup>(9)</sup> |
| Guarantees under the <i>Agricultural Marketing Programs Act</i> .....  |   | 17,906,216                   |
|  | <i>3,400,000,000</i>  | <i>6,995,570,360</i>         |
| Total gross guarantees .....   | <u>41,761,028,585</u>                                       | <u>56,882,680,006</u>        |
| Less: allowance for losses .....   |   | <u>2,770,400,000</u>         |
| Total net exposure under guarantees .....  |   | <u>54,112,280,006</u>        |

(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 \$1.7 billion 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 \$489,652,579 of undisbursed commitment by CMHC, \$22,363 by FCC and \$799,699,832 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 \$60,000,000. As at March 31, 2004, \$27,401,617 had been disbursed in cumulative defaults as well there were outstanding contingent liabilities totaling \$1,316,222 leaving a free balance of \$31,282,161 available to issue further guarantees.

(5) The contingent liability related to guaranteed loans for Indian Economic Development includes \$1,316,222 of undisbursed commitment to borrowers for Indian Economic Development Guaranteed Loans (IEDG), for loans that will be advanced by lenders. These remaining loan advances will be made to the borrowers on the basis of progress made on the project for which they were approved.

(6) 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.

(7) 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 \$8.3 billion outstanding against this limit, consisting of \$1.5 billion in contingent liabilities, \$3.4 billion in financing, \$207 million in undisbursed loan guarantees and \$3.2 billion in undisbursed loan commitments.

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

(9) 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 13 to the financial statements.

**TABLE 11.6**

### INTERNATIONAL ORGANIZATIONS CONTINGENT LIABILITIES

(in millions of dollars)<sup>(1)</sup>

|   | Callable<br>share<br>capital |
|---|------------------------------|
| NON-BUDGETARY SHARE CAPITAL<br>AND LOANS—                                   |                              |
| African Development Bank .....  | 1,218                        |
| Asian Development Bank .....  | 2,612                        |
| Caribbean Development Bank .....  | 64                           |
| International Bank for Reconstruction<br>and Development (World Bank) ..... | 6,647                        |
| Multilateral Investment Guarantee Agency .....                              | 60                           |
| European Bank for Reconstruction<br>and Development .....                   | 803                          |
| Inter-American Development Bank .....                                       | 5,081                        |
| Total .....   | 16,485                       |

<sup>(1)</sup> Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2004 (1\$US = \$1.3113 Cdn; 1SDR = \$1.94139 Cdn).

## Contaminated Sites

Environmental liabilities reflect the estimated costs related to the management and remediation of contaminated sites.

Based on management's best estimates, a liability 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, 2004, the Government has recorded a liability of \$3,564 million for approximately 2,400 sites (\$3,378 million in 2003 for approximately 2,200 sites).

The Government has estimated additional clean-up costs of \$1,045 million (\$915 million in 2003) that are not accrued as these are not considered likely to be incurred at this time. The Government's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued in the year in which they become known.

## 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, 2004, contingent liabilities for claims and pending and threatened litigation have been estimated to approximate \$9,500 million (\$12,336 million in 2003). This estimate of possible loss covers only a portion of all claims against the Government. The total contingency relating to pending claims is not determinable. Certain large and significant claims not included in the estimate of contingent liabilities, are described below:

**Comprehensive land claims:** There are currently 78 (73 in 2003) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of \$3,700 million (\$2,500 in 2003), 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, 2004, an amount of \$7,615 million (\$7,641 million in 2003) of taxes assessed was under objection at Canada Customs and Revenue Agency and an amount of \$986 million (\$1,420 million in 2003) was being appealed to either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

## 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 13 to the financial statement of the Government in Section 2 of this volume.

**TABLE 11.7**

**SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS  
FOR THE YEAR ENDED MARCH 31, 2004**

(in millions of dollars)

|   | Canada Deposit Insurance Corporation <sup>(1)</sup> |           | Canada Mortgage and Housing Corporation <sup>(2)</sup> |           |   |           | Export Development Canada <sup>(3)</sup> |                    |
|---|---|-----------|--|-----------|---|-----------|--|--------------------|
|   |   |           | Mortgage Insurance Fund                                |           | Mortgage-Backed Securities Guarantee Fund |           |  |                    |
|   | 2003-2004   | 2002-2003 | 2003-2004  | 2002-2003 | 2003-2004                                 | 2002-2003 | 2003-2004                                | 2002-2003          |
| Insurance in force as at reporting date.....      | 375,563   | 362,872   | 234,891  | 225,648   | 64,879                                    | 46,214    | 12,877                                   | 11,219             |
| Opening balance of Fund/Allowance .....           | 539   | 486       | 1,768  | 1,229     | 98  | 80        | (3)                                      | (3)                |
| Revenues for the period—                          |   |           |  |           |   |           |  |                    |
| Premiums and fees .....                           | 109   | 76        | 866  | 755       | 27  | 22        | 156                                      | 139                |
| Investment income .....                           | 35  | 33        | 364  | 294       | 10  | 7         |  |                    |
| Other revenues.....                               | 16  |           | 79   | 67        | 9   | 6         |  |                    |
| Total revenues .....                              | 160   | 109       | 1,309  | 1,116     | 46  | 35        | 156                                      | 139                |
| Expenses for the period—                          |   |           |  |           |   |           |  |                    |
| Loss on/provision for claims .....                | -8  | 39        | 165  | 120       |   |           | 124                                      | 115                |
| Interest on loans .....                           |   |           |  |           |   |           |  |                    |
| Administrative and tax .....                      | 26  | 16        | 132  | 122       | 6   | 5         |  |                    |
| Funds returned to Government.....                 |   |           |  |           |   |           |  |                    |
| Other expenses.....                               | 1   | 1         | 355  | 335       | 8   | 12        | -47 <sup>(4)</sup>                       | -35 <sup>(4)</sup> |
| Total expenses .....                              | 19  | 56        | 652  | 577       | 14  | 17        | 77                                       | 80                 |
| Net income/loss (-) for the period .....          | 141   | 53        | 657  | 539       | 32  | 18        | 79                                       | 59                 |
| Closing balance of Fund/Allowance .....           | 680   | 539       | 2,425  | 1,768     | 130                                       | 98        | (3)                                      | (3)                |
| Net claims during the period <sup>(5)</sup> ..... | 1   |           | 172  | 180       | *   | *         | 24                                       | 101                |
| Five year average of net claims paid.....         |   |           | 232  | 247       | *   | *         | 81                                       | 85                 |

\* Not applicable.

<sup>(1)</sup> The Canada Deposit Insurance Corporation (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to \$60,000 per depositor, per institution. The Corporation is funded by premiums assessed against its member institutions.

<sup>(2)</sup> Canada Mortgage and Housing Corporation (CMHC) administers two funds: the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund (MBSGF). The MIF provides insurance for a fee, to lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by lending institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF is produced as of 30 September each year. The Corporation determines provisions for claims and unearned premiums at 31 December using valuation factors taking into account new business, claims and interest for the last quarter. The Mortgage-Backed Securities Guarantee Fund (MBSGF) supports two CMHC guarantee products: *National Housing Act* (NHA) Mortgage Backed Securities and Canada Mortgage Bonds.

The Mortgage Backed Securities (MBS) program was implemented in 1987. For a guarantee fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of monthly principal and interest to MBS investors who participate in a pool of insured residential mortgages which have been repackaged by the financial institution into investments which can be sold to investors in denominations as low as \$1,000.

The Canada Mortgage Bond (CMB) program was implemented in 2001. Under this program, bonds are issued by a special purpose trust known as Canada Housing Trust and sold to investors in denominations as low as \$1,000. The proceeds of the bonds are used to purchase mortgages packaged into newly issued NHA MBS. Canada Mortgage Bonds issued by the Trust carry the full faith and credit of the Government of Canada and the timely payment of semi-annual interest and principal at maturity is guaranteed by the Government of Canada through CMHC.

<sup>(3)</sup> Export Development Canada (EDC) provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance program has been adequate to provide for the full cost of claims experienced to date and for the cost of future claims established based on previous claims experience. The Corporation does not maintain a separate fund for its insurance program and therefore the balance of the fund is not available. EDC maintains an allowance for claims on insurance which is based on an actuarial review of net loss experience and potential net losses. The balance of the allowance is \$589 million (\$438 million in 2003). Comparative figures have been restated to conform to the current year's presentation.

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

<sup>(5)</sup> Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

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# SECTION 12

**2003-2004**

***PUBLIC ACCOUNTS OF CANADA***

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