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Prepared by the
Receiver General for Canada

public accounts of canada

1988

Volume III

The President of the Treasury Board :

Annual Report to Parliament on Crown Corporations and other Corporate Interests of Canada

Canada

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Canadian Government Publishing Centre
Supply and Services Canada
Ottawa, Canada K1A 0S9

Catalogue No. P51-1/1988-3E
ISBN 0-660-12928-0

For information about matters reported in this volume, contact
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Version française est aussi disponible

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INTRODUCTION TO THE PUBLIC ACCOUNTS

Nature of the Public Accounts

The Public Accounts is the report of the Government of Canada prepared each fiscal year by the Receiver General as required by Section 55 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

The Public Accounts is produced in three volumes.

Volume I presents a summary analysis of the financial transactions of the Government. **Volume II** is published in two parts. **Part I** presents the financial operations of the Government, segregated by ministry while **Part II** presents additional information and analyses.

Volume III responds to Section 153(1) of Part XII of the Financial Administration Act. In it, the President of the Treasury Board provides Parliament with an annual consolidated report on the businesses and activities of all parent Crown corporations. The report includes a list naming, as of a specified date, all Crown corporations and all corporations of which any shares are held by, on behalf of or in trust for the Crown or any Crown corporation. Employment and financial data, including aggregate borrowings of parent Crown corporations and other information, are also provided.

THE PRESIDENT'S MESSAGE

I am pleased to present the fifth consolidated Annual Report to Parliament on the businesses and activities of parent Crown corporations.[1]

The control and accountability framework that governs Crown corporations, comprising Part X (formerly Part XII) of the *Financial Administration Act* (FAA) and its regulations, has been in place for four years. Considerable progress has been made towards the objective of improving the management of Crown corporations, which Parliament envisaged when it amended the FAA in 1984.

In the paragraphs that follow, I have highlighted some of the developments in the Crown corporation environment over the last year. These include information on specific corporations, privatization initiatives, official languages and employment equity programs, as well as changes that have occurred in the government's holdings in mixed and joint enterprise corporations.

The report is divided into two parts:

> Part I provides consolidated financial data on all parent Crown corporations, as reported by each corporation at its financial year-end on or before July 31, 1988, along with other corporation-specific and aggregated information.
>
> Part II lists all wholly-owned corporations and other corporate interests of Canada, and provides supplementary information about them.

OVERVIEW

As of September 1, 1988, there were 52 parent Crown corporations. Forty-four of these are listed in Schedule III (formerly Schedule C) of the FAA, and are therefore required to conduct their businesses and activities in a manner consistent with Part X of the FAA and its related regulations. The remaining eight are exempt from divisions I to IV of Part X of the FAA.

In addition, three subsidiary corporations have been directed by the Governor in Council to report their affairs as if they were listed in Schedule III: Petro-Canada International Assistance Corporation and two of the three subsidiaries of Canada Lands Company Limited. The Order regarding the third subsidiary, Vieux-Port de Québec, was rescinded in March 1988 in anticipation of the corporation transferring its activities to Public Works Canada and subsequent dissolution of the company. Two of the 44 corporations listed in Schedule III are in the process of being dissolved: Canadian National (West Indies) Steamships, Ltd. and Mingan Associates Limited.

At the close of the financial period reported by parent Crown corporations[2], their combined total assets were $58 billion and employment totalled 169,000. Combined debt to the private sector totalled $19.5 billion and their debt to Canada $15.3 billion. Cash budgetary payments from Canada to corporations during the period totalled $5.1 billion.

In the report period, combined total assets declined by $2.2 billion, down four per cent from last year, due primarily to the reduction in assets of four corporations: the value of Farm Credit Corporation's portfolio of loans decreased because of allowance for bad debts; Canada Deposit Insurance Corporation modified its accounting practices; Export Development Corporation's level of new business decreased; and The Canadian Wheat Board reduced its grain inventory.

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1. Pursuant to subsection 151(1) of Part X (formerly s. 153(1) of Part XII) of the *Financial Administration Act* (R.S.C. 1985, c. F-11)
2. The Bank of Canada is excluded from these data.

Employment declined by 12,000, down seven per cent from last year. Employment in Canadian National Railways fell by 5,000, or 11 per cent, due in large part to the sale of subsidiaries; Teleglobe Canada's 1,100 employees became private sector employees with the sale of this business; and employment in Canada Post Corporation was reduced by 3,500, or seven per cent.

Debt to the private sector declined by $1.3 billion, to seven per cent below last year. Canada Deposit Insurance Corporation discharged debt with cash from some of the assets it has had to assume from failed institutions and with new borrowings from Canada. Farm Credit Corporation also discharged debt through federal loans. Canadian National Railways was able to pay down debt, as was The Canadian Wheat Board.

The total of budgetary cash payments from Canada to the corporations was up $0.4 billion, or 9 per cent higher than in the previous year. A few corporations, including Atomic Energy of Canada Limited, Canada Post Corporation and Cape Breton Development Corporation, received less cash than in the prior period but payments increased to other corporations, notably in the housing and agricultural fields, channelled through Canada Mortgage and Housing Corporation, Farm Credit Corporation and The Canadian Wheat Board.

CORPORATE HIGHLIGHTS

Privatization initiatives again played an important role during the period covered by this report. These and other significant developments that affected specific corporations during the year included the following:

On April 12, 1988, the Honourable Don Mazankowski, in his capacity as Minister responsible for Privatization and Regulatory Affairs, announced that shares in Air Canada would be made available to the public. Bill C-129, authorizing this initiative, received Royal Assent on August 18, 1988. On August 25, 1988, the company filed a preliminary prospectus for the initial sale to the public of up to 45 per cent of the company's common shares.

The government has announced its intention to proceed with the privatization of the Radiochemical Company and Medical Products Division of Atomic Energy of Canada Limited. Steps are under way to make these two divisions into separate corporations and transfer them to the Canada Development Investment Corporation in preparation for privatization.

The government's remaining 7.5 million shares in the Canada Development Corporation were sold in October 1987 for $102.9 million.

The intention to merge, and subsequently privatize, the assets of Eldorado Nuclear Limited (Eldorado) and Saskatchewan Mining Development Corporation (SMDC) was announced on February 22, 1988. Legislation to proceed with the reorganization and divestiture received Royal Assent on July 28, 1988. Initially, Canada's 38.5 per cent interest in the new company—Cameco (a Canadian mining and energy corporation)—will be held by Eldorado, which will continue as a wholly-owned subsidiary of the Canada Development Investment Corporation. The remaining shares will be held by SMDC. Both companies will dispose of their respective interests, on behalf of their governments, over a seven-year period, market conditions permitting.

Canada Lands Company (Vieux-Port de Québec) Limited ceased operations on March 31, 1988. Residual properties are being managed by Public Works Canada.

Canada Post Corporation continued to make progress towards the goal of financial self-sufficiency. The corporation's loss from operations, including amortization of extraordinary restructuring costs, was $38 million, or one per cent of its total expenses in 1987-88, down from $129 million in 1986-87. Mail volumes continued to grow slightly in spite of two national postal strikes.

With freight tonnage up .6 per cent and a reduction in operating costs, the Canadian National Railway Company (CN) earned a net income of $120.6 million in 1987, a turnaround of $207 million from its 1986 loss. CN Hotels' chain of nine hotels was sold in March 1988 for $240 million plus working capital of $5 million. Proceeds from the sales of CN Hotels, Terra Nova Telecommunications Inc. ($170 million) and Northwestel Inc. ($200 million), all wholly-owned subsidiaries of CN, will be used to reduce long-term debt.

New appointments were made to the board of directors and executive management of the Farm Credit Corporation during the past year. The corporation lost $511.8 million in 1987-88, mainly because the value of its loans and real estate holdings was reassessed. On July 21, 1988, the Minister of Agriculture announced that the government intends to provide a $400-million equity contribution as part of a long-term plan being developed for the corporation's future operations.

Ownership of the Northwest Territories' portion of the Northern Canada Power Commission was transferred to the territorial government in May 1988 for $53 million.

Petro-Canada's financial performance improved, with earnings increasing by 40 per cent to $172 million and cash flow increasing by 9 per cent to $778 million. Oil and gas production rose while operating costs declined. The successful Olympic Torch Relay promotion built customer support and loyalty at the retail level. Delineation drilling at Terra Nova (offshore Newfoundland) produced very promising results, and the second phase of the Wolf Lake oil sands project was begun.

Bill C-46 was passed in December 1987, amending the *Royal Canadian Mint Act* (RCMA) and the *Currency Act*. The amendments restructured the Mint's financial affairs to conform more closely to those of a private sector, commercially oriented corporation and transferred certain technical provisions relating to Canadian coinage from the *Currency Act* to the RCMA.

Eight million purchase warrants in Varity Corporation were sold in December 1987 for $3.2 million.

OFFICIAL LANGUAGES

Crown corporations are subject to the new *Official Languages Act*, which received Royal Assent on July 28, 1988, in particular to its provisions concerning communications with and services to the public, language of work, and equitable participation of English-speaking and French-speaking Canadians.

In accordance with the Treasury Board's responsibilities under the new Act, the Treasury Board Secretariat will work together with the corporations to ensure the effective implementation of the Act.

EMPLOYMENT EQUITY

Crown corporations have been challenged by Treasury Board to be the leaders for the federally regulated business sector with respect to employment equity and, as a minimum, achieve a workforce representation reflective of the Canadian workforce in general for the designated groups: women, aboriginal peoples, disabled persons and visible minorities.

Crown corporations are required to submit detailed statistical data on the composition of their workforces as well as action plans and progress reports on the implementation of employment equity. Their first statistical reports, for the calendar year ending December 1986, showed a total workforce population of 184,593 employees and, based on results from self-identification surveys, there were 26.4 per cent women, 0.7 per cent aboriginal peoples, 1.8 per cent disabled persons and 6.4 per cent visible minority groups.

In their accompanying three-year action plans for the period 1987-1990, Crown corporations proposed numerical targets to improve the representation of these groups. These plans were subsequently reviewed by Treasury Board ministers and approved, or approved with specific modifications.

Action plans for 1988-1991 were also received during the period covered by this report and included a first-year report on progress in achieving numerical targets in 1987, as well as in the elimination of systemic barriers in employment systems. These are currently undergoing review.

Pursuant to the *Employment Equity Act*, detailed statistical data on Crown corporations will be available through major public libraries.

MIXED AND JOINT ENTERPRISE CORPORATIONS

There are now 11 mixed and joint enterprise corporations, a reduction of two since the last report.

As of July 1988, Canada's investment in these corporations was valued at approximately $162 million, a reduction of $93 million or 36 per cent since April 1, 1987. This reduction was due essentially to the sale of Canada's remaining shares in the Canada Development Corporation. In December 1987, in a step towards another privatization, Canada reorganized its interests in National Sea Products Limited (NSP). This was accomplished by winding up the parent holding company, N.S. Holdco Limited, in order to own shares in NSP directly.

CONCLUSION

Privatization issues were again predominant during the report period as the government continued to honour its commitment to divest itself of any interests that are commercially viable and no longer serve the public policy purposes for which they were created. The government sold its holdings in four companies and commenced several new initiatives. In addition, Canada Development Investment Corporation is currently reviewing the government's investment in National Sea Products and Varity Corporation. The review of other Crown holdings as potential candidates for privatization continues on the basis of a thorough review of all of the policy issues and interests involved.

The government's employment equity program is now well under way in Crown corporations, and we look forward to seeing positive changes in the representation of designated group members within this sector's corporate workforce.

The new *Official Languages Act* imposes new responsibilities on Crown corporations. The Treasury Board Secretariat will be working closely with them to ensure necessary changes are implemented with all deliberate speed.

Pat Carney

Pat Carney

Ottawa, Canada
September 15, 1988

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PART I

ANNUAL CONSOLIDATED REPORT ON THE BUSINESSES AND ACTIVITIES OF ALL PARENT CROWN CORPORATIONS

1. INTRODUCTION TO PART I

Part I of this Annual Report is a document of record on the financial affairs of all parent Crown corporations, comprised as follows:

- **Tables 1 and 2 respond to subsection 151(3)(b) of the *Financial Administration Act* (FAA) in presenting for 57 Crown corporations aggregate financial and employment data relative to their individual financial years. The 57 are:**
  - **46 parent Crown corporations listed in schedule III of the FAA in the twelve months ending July 31, 1988;**
  - **four subsidiaries of listed corporations which, by Orders pursuant to s. 86(2) of the FAA, were required to report their affairs as if they were parent Crown corporations; and,**
  - **seven parent Crown corporations which, by s. 85(1) of the FAA are exempted from the provisions of divisions I to IV of Part X of the FAA. The eighth exempt corporation, the Bank of Canada, is excluded from these tables because of the unique nature of its assets, liabilities, etc.**
- **Table 3 presents financial data for the same 57 corporations but, in contrast to the previous tables, all of the data are as at the single date March 31, 1988.**
- **Audited financial statements for the period covered by the report for each of the above 57 corporations and for the Bank of Canada. The statements of Canagrex to October 8, 1987 are also provided; this corporation is not listed in the tables because it was dissolved on that date.**
- **A Summary Page for each corporation precedes its financial statements. This page presents a financial summary of several years' performance of the particular corporation, along with basic information about the corporation.**

NOTE

References to law in this Report; the *Revised Statutes of Canada, 1985* (R.S.C. 1985).

The references to specific law in the text and tables and Summary Pages in this Report are mostly changed relative to previous Reports. This results from the coming into force of the *Revised Statutes of Canada, 1985 Act*, which repealed the Revised Statutes of 1970.

The revision comprises more than the gathering up of statutes enacted since 1970; for example, the *Financial Administration Act* (FAA) has been changed substantially in *format*, though not of course in content.

Changes of FAA format which are significant when Crown corporations' affairs are at issue include:

- the Part of this Act which provides the control and accountability regime for these corporations is no longer Part XII. It has become Part X;
- the Schedules to this Act which list corporations and define their status under the Act, have been changed from Schedules A, B and C to Schedules I, II and III. Thus, the schedule listing the competitive and self-sustaining corporations is now Schedule III, Part II;
- most sections of the Act have new numbering and integration of the wording in some of them has eliminated some subsections. Thus, the provision that aggregate financial and employment data of parent Crown corporations be reported to Parliament annually was subsection 153(3)(b) and has become s. 151(3)(b) and the provision which authorizes the creation of reserves in the Accounts of Canada which was s. 54(2)(b) has become s. 63(2).

A Table of Concordance has been published by the Queen's Printer for Canada. This document relates the chapters and sections (but, not subsections) of R.S.C. 1985 to those of R.S.C. 1970 and those of S.C. 1970-71-72 through S.C. 1984, excepting repealed or spent Acts or Acts no longer having general application.

2. PARENT CROWN CORPORATION DATA ON INDIVIDUAL FINANCIAL YEAR BASIS

Tables 1 and 2

Tables 1 and 2, which follow, respond to the requirement in the *Financial Administration Act* (FAA) that financial data, including employment and aggregate borrowing by corporations, be reported. The Act calls for data for individual corporations "for their financial years ending on or before July 31," 1988, and totals of these data, therefore, do not relate to a single 12-month period.

Data are presented for 57 corporations comprising: 46 corporations which were listed in schedule III of the FAA in the report period; four subsidiaries, being Petro-Canada International Assistance Corporation and three subsidiaries of Canada Lands Company Limited, all of which had been directed to report as if they were parent corporations, and seven of the eight corporations which, pursuant to s. 85 of the FAA, are exempted from scheduling. The other exempt corporation, the Bank of Canada, is excluded from the tables because of the unique nature of its financial data (see its Summary Page).

Reporting of data is on the following principles:

- **Year-end dates:** December year-ends relate to 1987; other year-ends relate to 1988, except for three corporations. See Note 2.
- **Employment data** describe the number of full-time employees. They relate to the parent corporation and all its subsidiaries. Special cases are listed in Note 5. Bank of Canada (2,200 employees) is excluded.
- **Net new borrowing data** comprise changes during the financial period in outstanding principal amounts of capital leases and long-term and short-term borrowings. The data are essentially on cash basis. To the extent possible, they do not include adjustments for exchange rate variations and they take no account of forgiving of debt by Canada (important in 1987-88), or of transfer of assets and related debts such as those occurring between the port administrations.
- **Budgetary funding from Canada** comprises cash paid to the parent corporation and, as well, that paid directly to its subsidiaries. Payments for which a class or kind of recipient is eligible are excluded from these data. (Examples of such exclusions are Petroleum Incentive Payments and those for Rehabilitation of Prairie Branch Railway Lines.) Canada Post data include cultural and special mail subsidies (in contrast to the data on its Summary Page).
- **Shareholder's equity.** For four corporations, Canadian Dairy Commission, Canada Council, The Canadian Wheat Board and Freshwater Fish Marketing Corporation, the corporate mandate and operation cause the excess of assets over liabilities to be surplus which is due to clients and not Equity of Canada.

Table 1

The financial position of parent Crown corporations
(Data as at year-end; for financial years ending on or before July 31, 1988 $ million.)

FAA Schedule	Year-end	Total Assets	Current Liabilities	Long Term Liabilities	Shareholder's Equity
III-I corporations:[1]					
Atlantic Pilotage Authority	December 31	2.0	1.1	0.9	negl.
Atomic Energy of Canada Limited	March 31	1,036.3	164.8	664.1	207.4
Canada Deposit Insurance Corporation[3]	December 31	735.1	3.0	1,839.7	(1,107.6)
Canada Harbour Place Corporation	March 31	71.0	0.4	nil	70.6
Canada Lands Company Limited	March 31	nil	nil	nil	nil
Canada Lands Company (Mirabel) Ltd.	March 31	2.7	2.7	nil	nil
Canada Lands Company (Le Vieux-Port de Montréal) Ltd.	March 31	0.9	0.9	nil	nil
Canada Lands Company (Vieux-Port de Québec) Inc.	March 31	1.7	1.5	nil	0.2
Canada Mortgage and Housing Corporation	December 31	9,540.1	219.5	9,270.6	50.0
Canada Museums Construction Corporation Inc.	March 31	249.9	23.8	nil	226.1
Canada Post Corporation	March 31	2,574.0	570.0	391.9	1,612.1
Canadian Commercial Corporation	March 31	606.3	576.1	0.8	29.4
Canadian Dairy Commission[2]	July 31	212.2	212.2	nil	nil
Canadian Livestock Feed Board	March 31	2.1	1.8	0.1	0.2
Canadian National (West Indies) Steamships, Ltd.	December 31	1.2	0.3	negl.	0.9
Canadian Patents and Development Limited	March 31	1.2	0.7	0.2	0.3
Canadian Saltfish Corporation	March 31	27.6	32.4	0.6	(5.4)
Cape Breton Development Corporation	March 31	625.4	76.9	negl.	548.5
Defence Construction (1951) Limited	March 31	2.0	2.1	2.8	(2.9)
Export Development Corporation	December 31	6,932.7	2,932.7	3,100.6	899.4
Farm Credit Corporation	March 31	4,307.2	308.8	4,635.0	(636.6)
Federal Business Development Bank	March 31	2,294.1	618.5	1,399.5	276.1
Freshwater Fish Marketing Corporation	April 30	23.6	23.6	nil	nil
Great Lakes Pilotage Authority, Ltd.	December 31	4.6	3.7	2.9	(2.0)
Harbourfront Corporation	March 31	42.4	3.7	nil	38.7
International Centre for Ocean Development	March 31	0.2	0.2	nil	negl.
Laurentian Pilotage Authority	December 31	5.4	5.4	0.6	(0.6)
Marine Atlantic Inc.	December 31	335.0	24.3	313.5	(2.8)
Mingan Associates, Ltd.	December 31	nil	nil	nil	nil
National Capital Commission	March 31	319.7	27.4	6.5	285.8
Northern Canada Power Commission	March 31	138.0	10.5	100.0	27.5
Pacific Pilotage Authority	December 31	4.5	1.6	0.3	2.6
Petro-Canada International Assistance Corporation	March 31	2.7	2.7	nil	negl.
St. Lawrence Seaway Authority, The	March 31	603.0	14.1	12.1	576.8
Standards Council of Canada	March 31	1.7	0.8	0.2	0.7
VIA Rail Canada Inc.	December 31	953.9	169.0	16.2	768.7
Total III-I corporations		31,660.4	6,037.2	21,759.1	3,864.1

III-II corporations:					
Air Canada	December 31	3,084.8	680.0	1,805.6	599.2
Canada Development Investment Corporation	December 31	284.5	58.2	nil	226.3
Canada Ports Corporation	December 31	95.4	3.8	2.9	88.7
Canadian National Railway Company	December 31	7,593.6	1,451.2	3,041.3	3,101.1
Halifax Port Corporation	December 31	62.0	2.3	4.5	55.2
Montreal Port Corporation	December 31	227.4	16.2	12.2	199.0
Petro-Canada	December 31	8,453.0	1,183.0	3,398.0	3,872.0
Port of Quebec Corporation	December 31	67.9	3.2	0.8	63.9
Prince Rupert Port Corporation	December 31	84.2	1.1	48.3	34.8
Royal Canadian Mint	December 31	127.4	97.8	28.5	1.1
Saint John Port Corporation	December 31	91.5	3.3	40.2	48.0
St. John's Port Corporation	December 31	15.6	0.9	2.5	12.2
Teleglobe Canada	December 31	84.2	negl.	nil	84.2
Vancouver Port Corporation	December 31	251.5	10.9	5.1	235.5
Total III-II corporations		20,523.0	3,511.9	8,389.9	8,621.2
Total Schedule III corporations		52,183.4	9,549.1	30,149.0	12,485.3
Exempt (Unscheduled) Corporations					
Canada Council	March 31	166.2	26.8	139.4	nil
Canadian Broadcasting Corporation	March 31	799.4	156.3	135.6	507.5
Canadian Film Development Corporation	March 31	27.3	7.2	0.2	19.9
Canadian Institute for International Peace and Security	March 31	1.8	0.2	nil	1.6
Canadian Wheat Board, The[2]	July 31	4,835.7	917.4	3,918.3	nil
International Development Research Centre	March 31	24.3	10.1	5.6	8.6
National Arts Centre Corporation	August 31	7.3	5.3	0.4	1.6
Total, exempt corporations		5,862.0	1.123.3	4,199.5	539.2
Grand Total, parent Crown corporations (except Bank of Canada)		58,045.4	10,672.4	34,348.5	13,024.5

See Notes to Tables 1 and 2, following these tables.

Table 2

Parent Crown corporations

Employment, Borrowing and Budgetary Funding
(for their financial years ending on or before July 31, 1988)

FAA Schedule	Year-end	Employment	In their financial years; $ million. Net new borrowings, leases from (repaid to) private sector	Net new borrowings, leases from (repaid to) Canada	Budgetary funding from Canada
III-I corporations:[1]					
Atlantic Pilotage Authority[5]	December 31	66	0.1	(0.1)	0.4
Atomic Energy of Canada Limited	March 31	4,892	(1.4)	(25.1)	175.4
Canada Deposit Insurance Corporation	December 31	45	(694.6)	292.6	nil
Canada Harbour Place Corporation	March 31	11	nil	nil	2.0
Canada Lands Company Limited	March 31	nil	nil	nil	nil
Canada Lands Company (Mirabel) Ltd.	March 31	24	nil	nil	5.3
Canada Lands Company (Le Vieux-Port de Montréal) Ltd.	March 31	22	nil	(0.1)	3.4
Canada Lands Company (Vieux-Port de Québec) Inc.	March 31	12	nil	nil	5.1
Canada Mortgage and Housing Corporation	December 31	3,029	nil	(243.2)	1,472.9
Canada Museums Construction Corporation Inc.	March 31	25	nil	nil	68.8
Canada Post Corporation[4]	March 31	49,108	nil	nil	442.6
Canadian Commercial Corporation	March 31	94	nil	nil	11.8
Canadian Dairy Commission[2,5]	July 31	70	nil	(41.5)	287.0
Canadian Livestock Feed Board	March 31	21	nil	nil	18.6
Canadian National (West Indies) Steamships, Ltd.	December 31	nil	nil	nil	nil
Canadian Patents and Development Limited	March 31	26	nil	nil	1.1
Canadian Saltfish Corporation	March 31	44	nil	4.9	nil
Cape Breton Development Corporation	March 31	3,435	nil	14.9	101.4
Defence Construction (1951) Limited	March 31	197	nil	0.6	13.6
Export Development Corporation[4]	December 31	498	(221.7)	(55.0)	nil
Farm Credit Corporation	March 31	560	(271.6)	181.9	15.0
Federal Business Development Bank	March 31	1,202	353.0	(51.0)	77.8
Freshwater Fish Marketing Corporation[5]	April 30	285	0.8	1.1	nil
Great Lakes Pilotage Authority, Ltd.[5]	December 31	115	nil	nil	1.0
Harbourfront Corporation	March 31	145	nil	nil	nil
International Centre for Ocean Development	March 31	30	nil	nil	6.4
Laurentian Pilotage Authority[5]	December 31	289	(negl.)	nil	1.5
Marine Atlantic Inc.	December 31	1,957	nil	nil	147.0
Mingan Associates, Ltd.	December 31	nil	nil	nil	nil
National Capital Commission	March 31	806	nil	nil	103.0
Northern Canada Power Commission	March 31	286	nil	(7.1)	nil
Pacific Pilotage Authority[5]	December 31	61	nil	nil	nil
Petro-Canada International Assistance Corporation	March 31	28	nil	nil	67.4

St. Lawrence Seaway Authority, The	March 31	985	nil	nil	24.5
Standards Council of Canada	March 31	69	nil	nil	6.5
VIA Rail Canada Inc.	December 31	5,726	(3.7)	nil	536.0
Total III-I corporations		74,163	(839.1)	72.9	3,595.5
III-II corporations:					
Air Canada	December 31	21,879	81.6	(22.0)	nil
Canada Development Investment Corporation[5]	December 31	1,011	nil	nil	nil
Canada Ports Corporation[5]	December 31	76	nil	(0.1)	2.1
Canadian National Railway Company	December 31	49,317	(336.9)	(24.3)	20.7
Halifax Port Corporation	December 31	88	nil	(0.3)	nil
Montreal Port Corporation	December 31	673	nil	(0.4)	nil
Petro-Canada	December 31	8,517	154.0	nil	nil
Port of Quebec Corporation	December 31	125	nil	nil	nil
Prince Rupert Port Corporation	December 31	12	nil	nil	nil
Royal Canadian Mint	December 31	832	(0.3)	(3.1)	nil
Saint John Port Corporation	December 31	84	nil	0.5	nil
St. John's Port Corporation	December 31	18	nil	0.9	nil
Teleglobe Canada	December 31	nil	(8.0)	(2.6)	nil
Vancouver Port Corporation	December 31	200	nil	(0.2)	nil
Total III-II corporations		82,832	(109.6)	(51.6)	22.8
Total Schedule III corporations		156,995	(948.7)	21.3	3,618.3
Exempt (Unscheduled) Corporations					
Canada Council	March 31	231	(3.8)	nil	96.9
Canadian Broadcasting Corporation	March 31	10,598	4.8	nil	887.0
Canadian Film Development Corporation	March 31	135	nil	nil	115.6
Canadian Institute for International Peace and Security	March 31	24	nil	nil	4.0
Canadian Wheat Board, The[2,5]	July 31	464	(376.7)	nil	245.0
International Development Research Centre	March 31	438	nil	nil	108.1
National Arts Centre Corporation[5]	August 31	325	nil	nil	14.9
Total, exempt corporations		12,215	(375.7)	nil	1,471.5
Grand Total, parent Crown corporations (except Bank of Canada, 2,200 employees)		169,210	(1,324.4)	21.3	5,089.8

See Notes, following these tables.

Notes to Tables 1 and 2

1. Petro-Canada International Assistance Corporation and three subsidiaries of Canada Lands Company Limited are shown amongst III-I corporations since, though not scheduled in the report period, they had been directed, pursuant to s. 86(2) of the FAA, to report their affairs as if they were (III-I) parent Crown corporations.

2. Financial year ends; exceptional cases.

   Financial data presented are from audited financial statements for a period other than the report period, as follows:

   — Canadian Dairy Commission - 12 months ending July 31, 1987

   — The Canadian Wheat Board - 12 months ending July 31, 1987 and,

   the financial data of National Arts Centre Corporation relates to its financial year ending August 31, 1987, as envisaged by the provisions of law which call for this report.

3. The equity value for Canada Deposit Insurance Corporation takes account of the position of its Deposit Insurance Fund.

4. Funding data for Export Development Corporation are Corporate Account data. Budgetary funding to Canada Post Corporation includes cultural and special mail subsidies.

5. Employment data:

   - for Canadian Dairy Commission, Freshwater Fish Marketing Corporation, National Arts Centre Corporation and The Canadian Wheat Board are as at December 31, 1987.
   - for Canada Development Investment Corporation comprises employment in Eldorado Nuclear Limited and that in the parent corporation.
   - for Canada Ports Corporation do not include employment in the local port corporations named in these Tables.
   - for the four Pilotage Authorities include contract pilots.

3. PARENT CROWN CORPORATION DATA AS AT MARCH 31, 1988

Table 3

This table provides basic information about the 57 corporations listed in tables 1 and 2 but, in contrast to those tables, these data are as at a single date, being March 31, 1988, the closing day of government's financial year.

The data comprise:

- values for Total Assets and for Obligations, being principal amounts outstanding of short and long-term borrowings, bank loans, notes issued and capital leases. Values are derived from audited financial statements or, where a corporation's financial year ends on a date other than March 31, from schedules confirmed by the corporation's auditors; and
- the value recorded in the accounts of Canada as the outstanding balance of loans, investments and advances made by Canada to each corporation. Subject to any related reserve created in those accounts to ensure fair presentation of the financial position of Canada, the value recorded is an asset of Canada. The aggregate of the reserves in place in respect of all of these corporations is noted at the foot of this column of data.

Note: Obligations to the private sector of

— The Canadian Wheat Board include financing provided by agents

— Export Development Corporation are net of the corporation's cash and securities held.

— Petro-Canada include redeemable preferred shares of a subsidiary which could be a charge on the parent.

Note for 1987-88; Forgiving of certain loans, investments and advances.

In 1987-88, through Appropriation Acts No. 4 and No. 6, 1988, Canada forgave and wrote off $1.37 billion of loans and investments it had made to corporations listed in this table. Related unpaid interest was also forgiven. The loans totalled $0.38 billion. They were mostly long-standing debts of port corporations and were recorded as assets in Canada's accounts. Since repayment of the loans was long ago judged to be unlikely a reserve in their full amount had been in place in those accounts for some years.

The investments written off totalled $0.98 billion, being Canada's equity in the St. Lawrence Seaway Authority and in Marine Atlantic Inc. plus relatively minor investments in a few other corporations. These assets of Canada also had been fully reserved against in its accounts since a conventional level of earnings from them was not a likely prospect. The effects of those forgivings are reflected in the third and fourth columns of data in Table 3, as follows:

— *Obligations to Canada* reported by corporations have been reduced by the $0.38 billion principal amounts forgiven.

— Canada's recorded *loans, investments and advances* have been reduced by $1.37 billion. However, since the related prior reserve has been reversed there is no effect upon the net recorded assets total. (Interest due to Canada is not recorded amongst Canada's assets therefore forgiving it does not affect its balance sheet.)

Table 3

Financial data, as at March 31, 1988; parent Crown corporations, $millions

FAA Schedule	From corporation financial statements			Assets recorded in Canada's Accounts
		Outstanding Obligations of corporations		
	Total Assets	to the private sector	to Canada	Loans, Investments and Advances
III-I corporations:				
Atlantic Pilotage Authority	1.8	nil	0.3	nil
Atomic Energy of Canada Limited	1,036.3	22.0	600.5	689.8
Canada Deposit Insurance Corporation	711.0	496.8	1,333.7	1,333.7
Canada Harbour Place Corporation	71.0	nil	nil	nil
Canada Lands Company Limited	nil	nil	nil	nil
Canada Lands Company (Mirabel) Ltd.	2.7	0.6	1.2	nil
Canada Lands Company (Le Vieux-Port de Montréal) Ltd.	0.9	nil	nil	nil
Canada Lands Company (Vieux-Port de Québec) Inc.	1.7	nil	0.9	nil
Canada Mortgage and Housing Corporation	9,352.8	nil	9,151.8	9,176.8
Canada Museums Construction Corporation Inc.	249.9	nil	nil	nil
Canada Post Corporation	2,574.0	nil	nil	nil
Canadian Commercial Corporation	606.3	nil	nil	nil
Canadian Dairy Commission	126.7	61.1	25.8	11.6
Canadian Livestock Feed Board	2.1	nil	nil	nil
Canadian National (West Indies) Steamships, Ltd.	1.2	nil	0.3	0.3
Canadian Patents and Development Limited	1.2	nil	nil	nil
Canadian Saltfish Corporation	27.6	nil	28.9	28.9
Cape Breton Development Corporation	625.4	nil	21.9	21.9
Defence Construction (1951) Limited	2.0	nil	1.0	nil
Export Development Corporation	6,528.5	5,257.4	25.0	722.0
Farm Credit Corporation	4,307.2	1,328.2	3,483.5	3,701.8
Federal Business Development Bank	2,294.1	1,916.0	nil	294.0
Freshwater Fish Marketing Corporation	26.0	nil	nil	5.2
Great Lakes Pilotage Authority, Ltd.	1.0	nil	nil	nil
Harbourfront Corporation	42.4	nil	nil	nil
International Centre for Ocean Development	0.2	nil	nil	nil
Laurentian Pilotage Authority	3.6	0.9	nil	nil
Marine Atlantic Inc.	320.1	0.2	nil	nil
Mingan Associates, Ltd.	nil	nil	nil	nil
National Capital Commission	319.7	nil	nil	nil
Northern Canada Power Commission	138.0	nil	96.1	95.5

Pacific Pilotage Authority	4.4	nil	nil	nil
Petro-Canada International Assistance Corporation	2.7	nil	nil	nil
St. Lawrence Seaway Authority, The	603.0	nil	nil	nil
Standards Council of Canada	1.7	nil	nil	nil
VIA Rail Canada Inc.	993.0	nil	nil	9.3
Total III-I corporations	30,980.2	9,083.2	14,770.9	16,090.8
III-II corporations:				
Air Canada	2,977.8	1,483.2	153.6	482.6
Canada Development Investment Corporation	276.9	nil	nil	395.7
Canada Ports Corporation	95.0	nil	1.6	15.5
Canadian National Railway Company	7,569.2	2,640.4	184.8	2,463.8
Halifax Port Corporation	63.0	nil	4.1	4.1
Montreal Port Corporation	225.3	nil	7.0	7.4
Petro-Canada	8,632.6	2,098.6	nil	4,299.1
Port of Quebec Corporation	68.6	nil	nil	nil
Prince Rupert Port Corporation	85.4	nil	48.3	nil
Royal Canadian Mint	119.3	nil	84.6	24.2
Saint John Port Corporation	92.0	nil	20.1	20.1
St. John's Port Corporation	15.4	nil	2.5	2.5
Teleglobe Canada	84.2	nil	nil	nil
Vancouver Port Corporation	269.4	nil	4.1	4.1
Total III-II corporations	20,574.1	6,222.2	510.7	7,719.1
Total Schedule III corporations	51,554.3	15,305.4	15,281.6	23,809.9
Exempt (Unscheduled) Corporations				
Canada Council	166.2	nil	nil	nil
Canadian Broadcasting Corporation	799.4	5.5	33.0	33.0
Canadian Film Development Corporation	27.3	nil	nil	nil
Canadian Institute for International Peace and Security	1.8	nil	nil	nil
Canadian Wheat Board, The	4,555.5	4,235.5	nil	nil
International Development Research Centre	24.3	nil	nil	nil
National Arts Centre Corporation	8.3	2.7	nil	nil
Total, exempt corporations	5,582.8	4,243.7	33.0	33.0
Grand Total, parent Crown corporations except Bank of Canada	57,137.1	19,549.1	15,314.6	23,842.9
Aggregate reserve in Canada's accounts pursuant to s. 63(2) of the FAA				3,400.0
Net recorded asset total.				20,442.9

4. SUMMARY PAGES AND THE AUDITED FINANCIAL STATEMENTS FOR EACH PARENT CROWN CORPORATION

Notes to Summary Pages

A Summary Page precedes the audited financial statements of each of the Crown corporations (55 parents and 4 subsidiaries).

Each Summary Page presents basic information about a corporation's mandate, origins and present status and names the senior officers as of September 2, 1988. As well, a financial summary provides information such as obligations (which comprise long-term and short-term loan principal outstanding and other funding to be repaid, plus capital leases) and details of the cash provided to the corporation and its subsidiaries by Canada. The non-budgetary amounts displayed in the financial summary have included equity infusions as well as loan funding.

Bracketed values () denote: for assets or equity, a deficit;
for "cash from Canada, net", a net payment to the Consolidated Revenue Fund.

When the word *restated* is shown for a year's financial data, this indicates that changes made by the corporation in its audited financial data subsequent to the publication of its Annual Report for that year are reflected in the summary.

SUMMARY PAGE

AIR CANADA

MANDATE

To provide a safe, reliable and efficient air transportation service, with powers to carry out other businesses incidental to the airline operation, having due regard to sound business principles and, in particular, the contemplation of profit.

BACKGROUND

The corporation began operations in 1937. Until 1978, it was a subsidiary of CNR. In 1987 its revenues totalled $3.13 billion; it employs 21,879 people. No federal funds have been invested in Air Canada since the conversion to equity in 1978 of $324 million of its debt obligations to Canada. On April 12, 1988 the government announced that it had decided to offer participation in the ownership of Air Canada to the public. and authority for this is provided in the *Air Canada Public Participation Act* which received Royal Asseat on August 18.

CORPORATION DATA

HEAD OFFICE	500 Dorchester Boulevard West Montreal, Quebec H2Z 1X5
STATUS	—Schedule III, Part II —not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Don Mazankowski, P.C., M.P. Deputy Prime Minister and President of the Privy Council
YEAR AND MEANS OF INCORPORATION	1937; by the *Trans Canada Airlines Act*, repealed and replaced by *Air Canada Act*, (R.S.C. 1985, c. A-10), which was repealed by the *Air Canada Public Participation Act* (S.C. 1988, c. 44) on August 25, 1988 when a certificate of continance under the *Canada Business Corporations Act* was issued to the corporation.
CHIEF EXECUTIVE OFFICER	Pierre J. Jeanniot
CHAIRMAN	Claude I. Taylor
AUDITOR	Thorne, Ernst & Whinney

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	1985 (restated)	1984 (restated)
At the end of the year				
Total Assets	3,085	2,923	2,555	2,495
Obligations to the private sector	1,559	1,510	1,230	1,087
Obligations to Canada	154	176	196	228
Equity of Canada	599	553	513	528
Cash from Canada in the year				
—budgetary	nil	nil	nil	nil
—non-budgetary	nil	nil	nil	nil

AIR CANADA

MANAGEMENT REPORT

The consolidated financial statements contained in this annual report have been prepared by management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an ongoing basis.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management, the internal auditors and the external auditors at least four times each year.

The external auditors, Thorne Ernst & Whinney, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board and meet with it on a regular basis.

Pierre J. Jeanniot
President & Chief
Executive Officer

Denis J. Groom
Executive Vice President
& Chief Financial Officer

AUDITORS' REPORT

TO THE HONOURABLE
THE MINISTER OF TRANSPORT

We have examined the consolidated balance sheet of Air Canada as at December 31, 1987 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, we have examined the transactions of the Corporation and its subsidiaries that came to our notice in the course of the above-mentioned examination of the consolidated financial statements of Air Canada for the year ended December 31, 1987 to determine whether they were in accordance with Part XII of the Financial Administration Act, its regulations, the Air Canada Act and the By-laws of the Corporation. Our examination of these transactions was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In our opinion, these transactions were, in all significant respects, in compliance with the authorities specified.

Thorne Ernst & Whinney
Chartered Accountants

Montreal, Canada
February 17, 1988

CONSOLIDATED BALANCE SHEET DECEMBER 31
(in millions of dollars)

ASSETS	1987	1986
Current		
Cash and short-term investments	223.1	382.4
Accounts receivable	414.2	326.0
Spare parts, materials and supplies	130.7	99.1
Prepaid expenses	16.2	13.5
Deferred income taxes	35.8	39.1
	820.0	860.1
Property and equipment (Note 2)	1,664.8	1,743.8
Investment in other companies (Note 3)	153.8	59.3
Deferred charges (Note 4)	351.6	259.7
Goodwill (Note 10)	94.6	
	3,084.8	2,922.9

LIABILITIES	1987	1986
Current		
Accounts payable and accrued liabilities	426.6	384.9
Advance ticket sales	186.2	187.2
Current portion of long-term debt and capital lease obligations	67.2	74.3
	680.0	646.4
Long-term debt and capital lease obligations (Note 5)	1,097.5	1,063.6
Other long-term liabilities	28.2	22.1
Deferred credits (Note 7)	334.5	301.3
	2,140.2	2,033.4
Minority interest	9.4	
Subordinated perpetual bonds (Note 8)	336.0	336.0
SHAREHOLDER'S EQUITY		
Share capital		
Authorized: $750 million divided into shares of one thousand dollars each		
Issued and fully paid: 329,009 shares	329.0	329.0
Retained earnings	270.2	224.5
	599.2	553.5
	3,084.8	2,922.9

See accompanying notes.

On behalf of the Board:

CLAUDE I. TAYLOR
Chairman of the Board

AIR CANADA—*Continued*

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS YEAR ENDED DECEMBER 31 (in millions of dollars)

	1987	1986
Operating revenues		
Passenger	2,358.4	2,218.4
Cargo	412.0	354.1
Other	360.7	312.7
	3,131.1	2,885.2
Operating expenses		
Salaries, wages and benefits	953.9	873.2
Aircraft fuel	466.8	480.8
Depreciation, amortization and obsolescence	192.1	189.0
Other	1,414.6	1,215.9
	3,027.4	2,758.9
Operating income	103.7	126.3
Non-operating (income) expense		
Interest on long-term debt and capital lease obligations	129.5	125.4
Gain on disposal of assets	(30.4)	(23.6)
Other	(51.0)	(30.6)
	48.1	71.2
Income before income taxes and extraordinary items	55.6	55.1
Provision for income taxes (Note 9)	9.9	19.2
Net income before extraordinary items	45.7	35.9
Extraordinary items		4.5
Net income	45.7	40.4
Retained earnings at beginning of year	224.5	184.1
Retained earnings at end of year	270.2	224.5

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31 (in millions of dollars)

	1987	1986
Cash provided by (used for)		
Operations		
Net income before extraordinary items	45.7	35.9
Extraordinary items		6.5
Non-cash items included in net income	96.8	148.3
Income results	142.5	190.7
Change in net trade balances	(35.2)	11.9
Increase in spare parts, materials and supplies	(31.0)	(12.7)
Increase (decrease) in advance ticket sales	(2.8)	16.1
Other	(3.7)	(16.0)
	69.8	190.0
Financing		
Repayment of long-term debt and capital lease obligations	(139.0)	(129.3)
Long-term borrowings	76.1	9.1
Debt defeasance	(5.9)	(268.7)
Subordinated perpetual bonds		336.0
Other	(29.1)	(9.1)
	(97.9)	(62.0)
Investments		
Proceeds from disposal of assets	293.6	294.2
Investment in subsidiaries and other companies	(232.1)	(18.5)
Additions to fixed assets	(198.7)	(87.1)
Dividends received	6.0	3.5
	(131.2)	192.1
Increase (decrease) in cash position	(159.3)	320.1
Cash position at beginning of year	382.4	62.3
Cash position at end of year	223.1	382.4

Cash position consists of cash and short-term investments.
See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of Air Canada and its subsidiaries, Touram Inc., enRoute Card Inc., enRoute Card International Inc., Air Ontario Inc., AirBC Limited, Express Messenger Systems, Inc., Northern Express Messenger Systems Ltd., and Gelco Express Limited. All inter-company transactions have been eliminated.

Investment in other companies is accounted for on the equity basis.

The excess of the acquisition cost of investment in subsidiaries and other companies over the Corporation's proportionate share of the underlying value of the net assets at dates of acquisition is recorded as goodwill and is amortized over periods not exceeding 25 years.

(b) Foreign currency translation

Monetary assets and liabilities in foreign currencies, with the exception of subordinated perpetual bonds, are translated at month-end exchange rates. Gains or losses are included in income of the year, except gains or losses relating to long-term debt or capital lease obligations which are deferred and amortized over the remaining life of the debt or obligation. Other assets and liabilities, subordinated perpetual bonds and items affecting income are converted at rates of exchange in effect at the date of the transaction.

(c) Spare parts, materials and supplies

Spare parts, materials and supplies are valued at average cost. A provision for the obsolescence of flight equipment spare parts is accumulated over the estimated service lives of the related flight equipment.

(d) Gains on sale and leaseback of assets

Gains on sale and leaseback of assets are deferred and amortized to income over the term of the leases as a reduction in rental expense.

(e) Airline revenue

Airline passenger and cargo sales are recognized as operating revenues when the transportation is provided. The value of unused transportation is included in current liabilities.

(f) Pension expense

Pension expense consists of the actuarially computed costs using management's best estimate assumptions of the pension benefits in respect of the current year's service, imputed interest on plan assets and pension obligations, and straight-line amortization of experience gains or losses, assumption changes and plan amendments, over the average remaining service life of the employee group.

AIR CANADA—*Continued*

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—*Continued*

(g) Maintenance

Maintenance and repairs are charged to operating expense as incurred, except for significant modification costs which are capitalized.

(h) Depreciation and amortization

Operating property and equipment, including assets under capital lease, are depreciated or amortized to estimated residual value based on the straight-line method over their estimated service lives. Estimated service lives for flight equipment range from 12 to 20 years, except when extended by significant modifications. Estimated service lives for other property and equipment range from 3 to 40 years.

(i) Interest capitalized

Interest on funds used to finance the acquisition of new flight equipment and other property and equipment is capitalized for periods preceding the dates the assets are put into service.

(j) Investment tax credits

Investment tax credits related to assets acquired prior to 1985 are recognized in income net of applicable deferred income taxes, using the flow through method in the year in which the credits are claimed for tax purposes. Investment tax credits related to assets acquired after 1984 are recognized as a reduction of the cost of property and equipment in the year of acquisition.

2. Property and equipment

	1987	1986
	$	$
Cost		
Flight equipment	2,066.0	2,097.0
Flight equipment under capital lease	256.6	292.3
	2,322.6	2,389.3
Other property and equipment	702.9	720.6
	3,025.5	3,109.9
Accumulated depreciation and amortization		
Flight equipment	810.6	738.7
Flight equipment under capital lease	204.7	218.2
	1,015.3	956.9
Other property and equipment	446.7	424.4
	1,462.0	1,381.3
	1,563.5	1,728.6
Progress payments	101.3	15.2
Net book value	1,664.8	1,743.8

Interest capitalized during the year amounted to $2.9 (1986—$2.9)

3. Investment in other companies

Investment in other companies includes GPA Group Limited (24.7%), The Gemini Group Limited Partnership (50.0%), and other companies (30.3% to 50.0%). The Corporation's share of the earnings of these companies has been included in other non-operating income and amounted to $25.7 (1986—$12.7).

4. Deferred charges

	1987	1986
	$	$
Foreign currency exchange losses on long-term debt	151.0	158.8
Employer pension plan contributions in excess of amounts included in income	115.1	51.2
Bond issue costs	49.3	22.8
Other	36.2	26.9
	351.6	259.7

Amortization of deferred charges for the year amounted to $22.3 (1986—$33.3)

5. Long-term debt and capital lease obligations

Long-term debt	Final Maturity	Interest rate (%)	1987	1986
			$	$
U.S. dollar (a)	1991-96	8.0-9.7	451.5	586.0
Canadian dollar				
Government of Canada	1993	7.2	153.6	175.6
Other	1990-2000	Various	125.6	
Swiss franc (b)	1992-95	5.5-6.25	204.5	171.2
German mark (c)	1992-93	7.38-9.0	165.5	143.5
Japanese yen (d)	1995	7.3	160.8	130.9
U.K. sterling (e)	1994	11.25	70.0	70.0
French franc	1993	9.25	29.1	31.6
			1,360.6	1,308.8
Deferred foreign exchange (c)			(68.1)	
In-substance defeasance (Note 6)			(159.3)	(180.1)
Net long-term debt			1,133.2	1,128.7
Capital lease obligations				
Future minimum lease payments net of amounts defeased (Note 6)			23.3	42.0
Interest and holdbacks			(8.2)	(10.9)
Net present value of capital lease obligations			15.1	31.1
Net long-term debt and capital lease obligations			1,148.3	1,159.8
Current portion			(67.2)	(74.3)
Net value of related long-term forward exchange contracts			16.4	(21.9)
			1,097.5	1,063.6

Subsidiaries' debt totalling $118.2 has been secured by certain of their assets. All other debt is unsecured. The Corporation has revolving and term credit agreements totalling $200 with two Canadian chartered banks. The revolving and term periods are three and five years respectively. As at December 31, 1987 there were no outstanding drawings against these agreements.

Capital leases are recorded at the present value of the lease payments using the interest rate implicit in the lease. The average implicit interest rate of these obligations is 7.6% and their expiry dates are from 1989 to 1991.

AIR CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(a) Essentially all the U.S. debt is covered by long-term U.S. currency forward exchange contracts.

The Corporation has entered into interest rate swap agreements expiring in 1988 and 1990 aggregating U.S. $150 in notional principal. The Corporation has assumed the variable interest rate position adjusted quarterly to the prevailing LIBOR rate against an average 10.15% fixed interest rate position assumed by third parties.

(b) In September 1987, the Corporation concluded an agreement with a Swiss bank pursuant to which it issued to the bank SFR 200 million of 5⅛% 15 year bonds in consideration for which the bank will convert the existing SFR 200 million long-term debt into these bonds and fund the interest payment requirement on these bonds until conversion in 1988. The principal component of these bonds will be recorded in the accounts upon actual conversion and until such time, the Corporation will be contingently liable for such obligations. These bonds are unsecured and may be called at a premium until 1997 and at par thereafter.

(c) In February 1987, the Corporation concluded an agreement with a German bank pursuant to which it issued to the bank German Mark 200 million of 6 ⅜% interest adjustable subordinated perpetual bonds in consideration for which the bank will convert the existing German Mark 200 million long-term debt into these subordinated perpetual bonds and fund the interest payment requirements on these perpetual bonds until conversion in 1992 and 1993. The principal component of the subordinated perpetual bonds will be recorded in the accounts upon actual conversion and until such time, the Corporation will be contingently liable for such obligations. The perpetual bonds are unsecured. The interest rate will be 6 ⅜% until 1994 and reset for each subsequent 3 year period based on an interest rate index. The perpetual bonds may be called by the Corporation on each interest rate reset date at par. As a result of this transaction, the deferred foreign exchange position in respect of the German Mark 200 million of existing long-term debt ($68.1 deferred loss as at December 31, 1987) is no longer amortized to income. Upon conversion, any then existing deferred foreign exchange gain or loss will be applied against the value of the perpetual bonds.

(d) In October 1987, the Corporation concluded an agreement with a financial institution pursuant to which it issued JYE 15 billion of 5.8% interest adjustable 20 year notes in consideration for which the institution will convert the existing JYE 15 billion long-term debt into these notes and fund the interest payment requirements on these notes until conversion in 1990. The principal component of these notes will be recorded in the accounts upon actual conversion and until such time, the Corporation will be contingently liable for such obligations. The interest rate will be reset in 2002 based on an interest rate index. These notes are unsecured and may be called at a premium until 1997 and at par thereafter.

(e) The Corporation has a currency swap agreement with a Canadian bank which has the effect of extinguishing future exchange fluctuations of the Sterling debt and interest.

Repayment requirements over the next five years, net of defeasance, and incorporating the above noted debt extensions, are as follows:

	1988	1989	1990	1991	1992
	$	$	$	$	$
Long-term debt	56.1	59.6	66.6	63.6	63.6
Capital lease obligations	12.5	7.3	3.5		

6. In-substance defeasance

The Corporation has deposited government securities in irrevocable trusts solely to satisfy the scheduled interest and principal repayment requirements of certain long-term debt and capital lease obligations. These obligations, which at December 31, 1987 amounted to $159.3 (1986—$180.1) in long-term debt and $42.9 (1986—$62.1) in capital lease obligations, are considered extinguished for financial reporting purposes and, together with the related securities have been removed from the Corporation's balance sheet.

7. Deferred credits

	1987	1986
	$	$
Gains on sale and leaseback of assets	211.9	211.9
Income taxes	105.7	87.2
Other	16.9	2.2
	334.5	301.3

8. Subordinated perpetual bonds

	1987	1986
	$	$
300 million Swiss francs at 6¼% Callable in year 2001 and every fifth year thereafter at 102% of par	201.6	201.6
200 million Swiss francs at 5¾% Callable at 101½% of par in year 1999 and every fifth year thereafter at 102% of par	134.4	134.4
	336.0	336.0

The maturity of these bonds is only upon the liquidation, if ever, of the Corporation. Principal and interest payments on these bonds are subordinated to the prior payment in full of all indebtedness for borrowed money. Since it is not probable that circumstances will arise requiring redemption of the bonds, they are valued at the historical exchange rate and no provision is made for foreign exchange fluctuations.

9. Income taxes

The Corporation's income tax provision consists of the following:

	1987	1986
	$	$
Current (recovery)	(2.4)	
Deferred	12.3	19.2
	9.9	19.2

Income tax expense differs from the amount which would be obtained based on the combined basic Canadian federal and provincial income tax rate. These differences result from the following items:

	1987	1986
	$	$
Provision based on combined rate	25.8	24.8
Tax exempt earnings of related companies	(11.0)	(5.5)
Lower effective income tax rate on capital (gains) losses	(5.3)	1.3
Subsidiary company losses for which no tax benefit recorded	0.6	
Investment tax credits, net of deferred income tax of $.3 (1986—$1.1)	(0.3)	(1.3)
Miscellaneous	0.1	(0.1)
Provision for income taxes	9.9	19.2

AIR CANADA—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Concluded*

As at December 31, 1987 the Corporation has available $6.9 of investment tax credits that can be applied in 1988 as a reduction to future federal income taxes payable. The benefit of these credits has not been recognized in the accounts.

10. Acquisition of subsidiaries

During the year the Corporation accounted for the following acquisitions by the purchase method:

Airlines	
January Air Ontario Inc. (an amalgamation of Air Ontario Limited and Austin Airways Limited)	75%
February AirBC Limited	100%
Courier and messenger services	
June Express Messenger Systems, Inc.	65%
June Northern Express Messenger Systems Ltd.	65%
August Gelco Express Limited	100%

The net assets acquired in these acquisitions and the consideration given is summarized as follows:

	$
Net assets at acquisition, at assigned values	69.6
Minority interest	(9.4)
Net tangible assets acquired	60.2
Goodwill	96.8
Cash consideration	157.0

Consolidated net income includes the operating results of these subsidiaries from the date of acquisition. Subsequent to the acquisition of Gelco Express Limited, events have disclosed discrepancies in the value of its assets at acquisition. The Corporation is taking action. Recoveries will be recorded as a reduction of goodwill or otherwise as is appropriate.

11. Commitments

As at December 31, 1987, the Corporation had undertakings to acquire a majority interest in Northwest Territorial Airways Ltd. and to establish an alliance carrier in the Province of Quebec. These undertakings will require an investment of approximately $16.0.

The Corporation has commitments to purchase aircraft for U.S. $332.7 and CDN $274.5. Contracts for aircraft modifications amounted to approximately U.S. $1.5. Other commitments for property, ground equipment and spare parts, amounted to approximately $27.2 Canadian.

Future minimum lease payments under operating leases of aircraft and other property total $1,148.8 and are payable as follows:

	$
1988	104.0
1989	94.6
1990	93.0
1991	88.4
1992	87.7
Remaining years	681.1

12. Pension plans

Air Canada and its subsidiaries maintain several defined benefit pension plans. Based on the latest actuarial reports prepared as of December 31, 1986 using management's best estimate assumptions, the present value of the accrued pension benefits as at December 31, 1987 amounted to $1,865.8, and the market value of the net assets available to provide these benefits was $2,351.8.

13. Contingencies

Various lawsuits and claims are pending by and against the Corporation. It is the opinion of management supported by counsel that final determination of these claims will not materially affect the financial position or the results of the Corporation.

Under aircraft sale and leaseback agreements, the Corporation may be required to provide residual value support not exceeding $134.6. Independent appraisals have indicated it is unlikely the Corporation will be required to provide this support.

14. Related party transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown corporations. The Corporation derives revenues from related parties for passenger, cargo and contract services. Expenses with related parties include landing fees, terminal assessments, taxes and interest on long-term debt. Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

15. Comparative figures

Certain of the 1986 comparative figures have been reclassified to conform to the presentation adopted in 1987.

16. Act of incorporation

The Corporation operates under the Air Canada Act, 1977, as amended.

SUMMARY PAGE

ATLANTIC PILOTAGE AUTHORITY

MANDATE

To establish, operate, maintain and administer in the interests of safety, an efficient pilotage service within designated waters in and around the Atlantic provinces.

BACKGROUND

Established in 1972, the Authority provides pilotage services and has the power to make regulations, subject to the approval of the Governor in Council, which establish compulsory pilotage areas; prescribe the ships/classes of ships that are subject to compulsory pilotage, the circumstances under which compulsory pilotage may be waived and pilotage tariffs; and which cover the licensing of pilots and issuance of pilotage certificates. Tariffs must be fair and reasonable and sufficient to permit the Authority to operate on a self-sustaining financial basis.

CORPORATION DATA

HEAD OFFICE	Suite 1203 Bank of Montreal Tower 5151 George Street Halifax, Nova Scotia B3J 1M5
STATUS	—Schedule III, Part I —not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	C.R. (Ted) Worthington
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	**1986**	**1985**	**1984**
At the end of the year				
Total Assets	2.0	1.4	1.2	1.7
Obligations to the private sector	0.2	0.1	0.3	nil
Obligations to Canada	0.3	0.4	0.4	0.5
Equity of Canada	negl.	(0.3)	(0.6)	(0.1)
Cash from Canada for the year				
—budgetary	0.4	0.5	0.6	0.1
—non-budgetary	nil	nil	nil	nil

ATLANTIC PILOTAGE AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of Atlantic Pilotage Authority as at December 31, 1987 and the statements of operations, deficit, contributed capital and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Pilotage Act and regulations, and the by-laws of the Authority.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 22, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987

ASSETS	1987	1986
	$	$
Current		
Cash	350	303
Accounts receivable	975,337	667,793
Prepaid expenses	16,153	14,507
	991,840	682,603
Fixed, at cost (Note 4)	1,867,967	1,471,929
Less: accumulated depreciation	854,902	767,177
	1,013,065	704,752
	2,004,905	1,387,355

LIABILITIES	1987	1986
	$	$
Current		
Bank indebtedness	185,970	111,455
Accounts payable and accrued liabilities	766,891	401,281
Obligation under capital lease agreements (Note 5)	91,574	84,340
Current portion of accrued employee termination benefits	52,864	52,969
	1,097,299	650,045
Long-term		
Accrued employee termination benefits	671,285	719,810
Obligation under capital lease agreements (Note 5)	195,300	286,874
	866,585	1,006,684
	1,963,884	1,656,729
CONTRIBUTED CAPITAL AND DEFICIT		
Contributed capital	1,271,810	933,988
Deficit	(1,230,789)	(1,203,362)
	41,021	(269,374)
	2,004,905	1,387,355

Approved by the Authority:

A. D. LATTER
Chairman

C. R. WORTHINGTON
Member

M. R. McGRATH
Treasurer

ATLANTIC PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Income		
Pilotage charges	6,336,404	5,804,151
Interest and other income	36,743	30,267
	6,373,147	5,834,418
Expenses		
Pilots' fees, salaries and benefits	3,144,347	2,976,931
Pilot boats, operating costs	2,085,750	1,889,727
Staff salaries and benefits	375,411	367,469
Transportation and travel	287,381	247,261
Professional and special services	227,885	215,275
Rentals	110,908	123,700
Depreciation	88,006	63,191
Communications	85,176	59,582
Utilities, materials and supplies	72,905	51,080
Interest on capital leases	29,448	36,508
Sundry	15,270	43,194
	6,522,487	6,073,918
Net loss for the year (Note 3(b))	149,340	239,500

STATEMENT OF DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Balance, beginning of the year	1,203,362	1,486,488
Net loss for the year	149,340	239,500
	1,352,702	1,725,988
Parliamentary appropriation to finance cash operating loss (Note 3(a))	121,913	522,626
Balance, end of the year	1,230,789	1,203,362

STATEMENT OF CONTRIBUTED CAPITAL FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Balance, beginning of the year	933,988	845,503
Parliamentary appropriation to finance (Note 3(a))		
Additions to fixed assets	253,482	10,800
Principal payments on capital leases	84,340	77,685
	337,822	88,485
Balance, end of the year	1,271,810	933,988

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Financing activities		
Parliamentary appropriation to finance (Note 3(a))		
Cash operating loss	121,913	522,626
Fixed asset additions	253,482	10,800
Principal payments for capital leases	84,340	77,685
	459,735	611,111
Principal portion of capital lease payments	(84,340)	(77,685)
Increase (decrease) in bank indebtedness	74,515	(188,545)
Cash provided by financing activities	449,910	344,881
Operating activities		
Cash (used for) operations		
Net loss for the year	(149,340)	(239,500)
Items not requiring cash		
Depreciation	88,006	63,191
Increase in accrued employee termination benefits	60,102	82,186
Loss on disposal of fixed assets	659	1,105
	(573)	(93,018)
Cash provided by (used for) non cash working capital	56,420	(139,829)
Employee termination benefits payments	(108,732)	(28,895)
Cash (used for) operating activities	(52,885)	(261,742)
Investing activities		
Additions to fixed assets	(396,978)	(99,637)
Cash (used for) investing activities	(396,978)	(99,637)
Increase (decrease) in cash during the year	47	(16,498)
Cash, beginning of the year	303	16,801
Cash, end of the year	350	303

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1987

1. Nature of activities

The Atlantic Pilotage Authority was established on February 1, 1972 pursuant to the Pilotage Act. The objects of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act provides that pilotage tariffs shall be fair, reasonable and sufficient, together with any revenue from other sources, to permit the Authority to operate on a self-sustaining financial basis.

2. Significant accounting policies

(a) Parliamentary appropriation

When revenues are not sufficient to permit the Authority to operate on a self-sustaining financial basis, cash operating losses are recovered from parliamentary appropriations. These appropriations are recorded in the accounts when approved by Parliament and are reflected in the statement of deficit.

Parliamentary appropriations to finance capital assets and the principal portion of payments under capital lease agreements are shown as contributed capital when approved by Parliament.

ATLANTIC PILOTAGE AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Continued*

(b) Depreciation

Depreciation of fixed assets is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Buildings	20 years
Pilot boats	20 years
Pilot boats under capital lease	25 years
Furniture and equipment	5 to 10 years

(c) Capital leases

The Authority leases three pilot boats from Canada under long term financing leases. Under the terms of the lease agreements, the Authority assumes the rights and obligations of ownership. As a result, the leases are treated as purchases and the principal portion of lease payments is capitalized and depreciated over the estimated useful lives of the boats. The corresponding liability is reduced by the principal portion of lease payments and the interest portion is expensed in the year to which it relates.

(d) Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid, generally over the remaining years of service of the pilots.

(e) Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

3. Parliamentary appropriation

(a) On March 27, 1987, the Government of Canada provided, through Appropriation Act No. 5, 1986-87, for the 1986 cash operating loss and capital expenditures of the Atlantic Pilotage Authority. An amount of $459,735 was received in 1987 by the Authority in respect of this appropriation.

(b) On January 28, 1988, the Treasury Board approved the Authority's application, in the amount of $586,000, to include an item in Supplementary Estimates for 1987-88 for the 1987 cash operating loss and capital expenditures. The actual amounts are as follows:

	$
Cash operating loss	109,305
Fixed asset additions	243,132
Principal payments for capital leases	91,574
	444,011

4. Fixed assets

	1987			1986
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Land and buildings	450		450	450
Pilot boats	737,949	257,609	480,340	153,951
Pilot boats under capital lease	964,000	505,280	458,720	497,280
Furniture and equipment	165,568	92,013	73,555	53,071
	1,867,967	854,902	1,013,065	704,752

The new pilot boat, for use in the Port of St. John's, has been equipped with a fire pump and monitor, at a total cost of $88,643. The pump and monitor were contributed by the Government of Newfoundland and Labrador. These costs are not reflected in the financial statements.

5. Capital lease agreements

The Authority leases three pilot boats under long term financing leases. The payments required under the leases are as follows:

	1987	1986
	$	$
9⅜% lease agreement, due April 1991, payable in blended annual payments of $54,785	219,140	273,930
8% lease agreement, due October 1989, payable in blended annual payments of $31,077	62,154	93,228
8% lease agreement, due November 1989, payable in blended annual payments of $31,077	62,154	93,228
Total lease payments	343,448	460,386
Less: amount representing interest	56,574	89,172
Principal amount of capital lease	286,874	371,214
Less: current portion	91,574	84,340
Principal amount of capital lease agreements net of current portion	195,300	286,874

The following is a schedule of lease payments under the capital leases expiring in 1989 and 1991:

	1987	1986
	$	$
Year ending December 31		
1987		116,939
1988	116,939	116,939
1989	116,939	116,939
1990	54,785	54,784
1991	54,785	54,785
Total lease payments	343,448	460,386

Upon maturity of the leases, the Authority has the option to purchase each of the boats for $1.

ATLANTIC PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

6. Pension plan

Under provisions of the Pilotage Act, pilots may choose to become employees of the Authority and become entitled to count service prior to becoming an employee as pensionable under the Public Service Superannuation Act. For pilots who have elected to purchase pension benefits with respect to past service, the Authority is required to match the employee contribution. Total past service pension expense was $20,493 in 1987 ($19,464 in 1986). The estimated unfunded past service pension contribution with respect to these employees was approximately $100,000 at December 31, 1987 ($128,000 at December 31, 1986) and will be funded over the remaining years of service of the pilots, or the terms of purchase, whichever is the lesser.

7. Related party transactions

The Canadian Coast Guard, through its Vessel Traffic Service Centres in Nova Scotia, New Brunswick and Newfoundland, provides a pilot dispatching service to the Authority without charge.

8. Contingency

In December 1987, a lawsuit was filed against the Authority relating to a contract for pilot boat services. 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.

9. Commitments

The Authority has entered into long term contracts for pilot boat services requiring the following minimum annual payments:

	$
1988	274,945
1989	266,445
1990	36,500
	577,890

10. Income tax

Under the provisions of the Income Tax Act, the Authority is not subject to income tax.

SUMMARY PAGE

ATOMIC ENERGY OF CANADA LIMITED

MANDATE

To develop the utilization of atomic energy for peaceful purposes. The mandate of the corporation is prescribed by s. 10 of the *Atomic Energy Control Act* and by its charter and articles of incorporation.

BACKGROUND

Founded in 1952, AECL developed Candu power generating technology. It operates research and development laboratories at Chalk River, Ontario and at Pinawa, Manitoba. Three provincial utilities received federal financing for nuclear facilities through AECL and make repayments to it which are passed on to Canada. The corporation was responsible for Candu reactors built in Argentina and in Korea and is providing services related to two Candu reactors under construction in Romania. Its design and engineering teams are important to the continued improvement and development of nuclear power stations and nuclear technology in general. The government is taking steps now to privatize the Radio-isotope and Medical Products components of AECL.

CORPORATION DATA

HEAD OFFICE	275 Slater Street Ottawa, Ontario K1A 0S4
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Marcel Masse, P.C., M.P.
DEPARTMENT	Energy, Mines and Resources
YEAR AND MEANS OF INCORPORATION	February 14, 1952 under Part I of *Canada Corporations Act*; continued July 8, 1977 under the *Canada Business Corporations Act*; certificate amended July 15, 1982.
CHIEF EXECUTIVE OFFICER	James Donnelly
CHAIRMAN	Basil A. Bénéteau
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	1,036	1,018	1,107	1,226
Obligations to the private sector	22	23	24	36
Obligations to Canada	601	626	649	720
Equity of Canada	207	196	177	148
Cash from Canada in the period				
— budgetary	175	218	275	326
— non-budgetary	nil	nil	nil	nil

ATOMIC ENERGY OF CANADA LIMITED

MANAGEMENT RESPONSIBILITY

The financial statements and all other information presented in this annual report are the responsibility of the management and the Board of Directors of the corporation. The financial statements have been prepared in accordance with generally accepted accounting principles and include estimates based on the experience and judgement of management.

The corporation maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and accurate financial information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, that operations are carried out effectively and that transactions are in accordance with Part XII of the Financial Administration Act and its regulations, as well as the charter, the by-laws and policies of the corporation. The corporation has met all reporting requirements established by the Financial Administration Act, including submission of a corporate plan, an operating budget, a capital budget, and this annual report.

The corporation's internal auditor has the responsibility for assessing the management systems and practices of the corporation. The Auditor General of Canada conducts an independent examination of the financial statements of the corporation and reports on his examination to the Minister of Energy, Mines and Resources.

The Board of Directors' Audit Committee, composed of directors who are not employees of the corporation, reviews and advises the Board on the financial statements, the Auditor General's reports thereto and the plans and reports related to special examinations, and oversees the activities of internal audit. The Audit Committee meets with management, the internal auditor and the Auditor General on a regular basis.

James Donnelly
President and Chief Executive Officer

D.G. Cuthbertson
Vice-President, Finance and
Chief Financial Officer

AUDITOR'S REPORT

TO THE MINISTER OF ENERGY, MINES AND RESOURCES

I have examined the balance sheet of Atomic Energy of Canada Limited as at March 31, 1988 and the statements of income, contributed capital, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

As explained in Note 3, the corporation has recorded a current asset of $16.4 million on the balance sheet at March 31, 1988 related to the CANDU 300 power reactor program. The effect of this treatment is that the corporation has deferred pre-project costs incurred during the year in anticipation of government funding. The recoverability of these costs from the government is not assured because parliamentary appropriations have not been approved to reimburse the $16.4 million costs already incurred. In these circumstances, generally accepted accounting principles require that these costs be expensed. Had these costs been expensed in the current year, net income for the year and retained earnings at the end of the year would have been reduced by $16.4 million, resulting in a net loss of $6.0 million for the year.

In my opinion, except for the effects of the corporation's decision not to expense the CANDU 300 pre-project costs referred to in the preceding paragraph, these financial statements present fairly the financial position of the corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the charter and the by-laws of the corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
May 6, 1988

BALANCE SHEET AS AT MARCH 31, 1988
(in thousands of dollars)

ASSETS	1988	1987
Current		
Cash and short-term deposits	59,950	57,701
Accounts receivable	168,048	142,182
CANDU 300 pre-project costs (Note 3)	16,410	
Inventories (Note 4)	58,412	49,942
	302,820	249,825
Heavy water inventory (Note 4)	9,488	9,653
Long-term receivables (Note 5)	567,541	597,378
Investment and deferred costs (Note 6)	106,104	107,652
Property, plant and equipment (Note 7)	50,311	53,607
	1,036,264	1,018,115

LIABILITIES	1988	1987
Current		
Accounts payable and accrued liabilities	136,576	130,607
Current portion of long-term debt	28,214	26,353
	164,790	156,960
Deferred revenue	28,465	8,579
Accrued employee termination benefits	41,289	34,370
Long-term debt (Note 8)	594,332	622,545
	828,876	822,454
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—75,000 common shares		
Issued—54,000 common shares	15,000	15,000
Contributed capital	72,418	71,051
Retained earnings	119,970	109,610
	207,388	195,661
	1,036,264	1,018,115

Approved by the Board:

B. A. BÉNÉTEAU
Director

JAMES DONNELLY
Director

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Commercial operations		
Revenue		
Nuclear supply and services	94,203	96,796
Radiation equipment and isotopes	125,223	111,408
Interest on long-term receivables	64,382	63,355
Interest on short-term deposits	5,662	5,965
	289,470	277,524
Costs and expenses		
Cost of sales and services	135,008	123,538
Product development	14,561	18,224
Marketing and administration	51,378	55,034
Interest on long-term debt	56,311	58,303
	257,258	255,099
Operating profit	32,212	22,425
Research and development operations		
Expenses	242,792	232,902
Less: revenue	67,240	46,339
parliamentary appropriations (Note 2)	153,700	181,737
Net expenses	21,852	4,826
Discontinued operations		
Expenses	22,953	36,397
Less: parliamentary appropriations (Note 2)	20,342	34,588
recovery from asset sales	2,611	1,809
Net income	10,360	17,599

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Balance at beginning of the year	71,051	69,795
Parliamentary appropriations for loan principal repayment	1,367	1,256
Balance at end of the year	72,418	71,051

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Balance at beginning of the year	109,610	92,011
Net income	10,360	17,599
Balance at end of the year	119,970	109,610

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Operating activities		
Net income	10,360	17,599
Depreciation and amortization	6,427	6,822
	16,787	24,421
Increase in operating working capital	(9,892)	(13,444)
Cash from operations	6,895	10,977
Investing activities		
Acquisition of commercial property, plant and equipment net of disposal	(3,009)	(7,438)
Increase in deferred costs	(606)	(1,758)
Cash invested	(3,615)	(9,196)
Financing activities		
Repayment of long-term debt	(26,352)	(24,171)
Proceeds from long-term notes receivable	23,954	23,340
Parliamentary appropriations for loan principal repayment	1,367	1,256
Cash from (used in) financing	(1,031)	425
Increase in cash and short-term deposits	2,249	2,206
Cash and short-term deposits at beginning of the year	57,701	55,495
Cash and short-term deposits at end of the year	59,950	57,701

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. The most significant accounting policies are summarized below:

Foreign currency translation

Transactions denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the date of the transaction, except those covered by forward exchange contracts, where the rate established by the terms of the contract is used. Monetary assets and liabilities outstanding at the balance sheet date are adjusted to reflect the exchange rate in effect at that date. Exchange gains and losses arising from the translation of foreign currencies are included in income.

Inventories

Radiation equipment and materials are valued at the lower of average cost and net realizable value. Maintenance and general supplies are valued at cost. Heavy water is valued at the lower of average cost, less related parliamentary appropriations, and net realizable value.

Investment and deferred costs

Investment and deferred costs are recorded at cost and charged to the revenue derived therefrom over the expected period of revenue generation.

Property, plant and equipment

Property, plant and equipment of a research and development nature are recorded at cost and expensed in the year of acquisition.

Other property, plant and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Machinery and equipment	— 3 to 20 years
Buildings	— 20 to 50 years

Costs of decommissioning nuclear facilities are expensed when incurred.

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*Concluded*

Long-term contracts

Revenue and costs on long-term contracts are accounted for by the percentage of completion method, applied on a conservative basis to recognize the absence of certainty on these contracts. Full provision is made for all estimated losses to completion of contracts in progress.

Parliamentary appropriations

The Government of Canada, through parliamentary appropriations, funds certain operations of the corporation as outlined in Note 2. The parliamentary appropriations are offset against the applicable expenditures except for the portion used to discharge certain loan principal which is recognized as an increase in contributed capital.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The corporation's contributions to the plan are limited to an amount equal to the employees' contributions on account of current service. These contributions represent the total pension obligations of the corporation and are charged to income on a current basis.

Employee termination benefits

Employees are entitled to specific termination benefits as provided for under collective agreements and conditions of employment. The liability for these benefits is charged to income as benefits accrue to the employees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1988

1. Accounting policies

The summary of significant accounting policies is an integral part of these financial statements.

2. Parliamentary appropriations

Parliamentary appropriations were used during the year for the following purposes:

	1988	1987
	(in thousands of dollars)	
Research and development operations	153,700	181,737
Discontinued operations		
• Prototype reactors	15,223	11,855
• Heavy water plant closures	2,639	18,839
• LaPrade plant protection	547	1,850
• Heavy water plant loan interest	1,933	2,044
	20,342	34,588
Heavy water plant loan principal	1,367	1,256
	175,409	217,581

3. CANDU 300 pre-project costs

During the year, the corporation invested $16.4 million in initial expenditure on a four-year program, currently estimated to cost $109 million in total, for the pre-project detail engineering of a CANDU 300 power reactor. The Cabinet has so far authorized the provision of $28 million in federal funding for this program. Pending receipt of these funds in the 1988-89 fiscal year, the $16.4 million costs so far incurred are being carried as a current asset in the balance sheet. Additional government funding has been requested and is awaiting approval.

4. Inventories

	1988	1987
	(in thousands of dollars)	
Current		
Radiation equipment and materials	54,247	44,916
Maintenance and general supplies	4,165	5,026
	58,412	49,942
Heavy Water	555,953	564,440
Less: parliamentary appropriations	546,465	554,787
	9,488	9,653

Parliamentary appropriations for heavy water are repayable to the government, together with interest thereon, to the extent of future revenue from sales of related heavy water. Accrued liabilities as at March 31, 1988 include $6.7 million in respect of net proceeds from sales during the year.

5. Long-term receivables

	1988	1987
	(in thousands of dollars)	
Notes receivable from provincial utilities in respect of the financing of nuclear facilities (refer to Note 8 for related debt)	576,265	600,219
Contract receivables maturing through 1995	32,941	34,069
Mortgages receivable and other	4,103	5,523
	613,309	639,811
Current portion	45,768	42,433
	567,541	597,378

6. Investment and deferred costs

	1988	1987
	(in thousands of dollars)	
Investment in Pickering 1 and 2		
The corporation, Ontario Hydro and the Province of Ontario are parties to an agreement for the construction and operation of Units 1 and 2 of the Pickering «A» nuclear generating station, with ownership of these Units being vested in Ontario Hydro. Under the agreement, the corporation is entitled to receive payments until the year 2003 based on the net operational advantage of the power generated by Pickering Units 1 and 2 as compared with the coal-fired Lambton Units 1 and 2	84,012	84,012
Deferred costs		
Costs incurred in modifying non-corporation owned facilities for revenue-producing purposes and other deferred costs	22,092	23,640
	106,104	107,652

Pickering Unit 1 returned to service in October 1987 after a prolonged shutdown for pressure tube replacements. Unit 2 remains shut down for the same purpose and is scheduled to be returned to service in calendar 1988. As a result of the shutdowns, the corporation did not earn any revenue on its investment during 1987 and 1988, and accordingly no amortization of the investment was charged in either year.

Amortization of deferred costs for the year amounted to $1.4 million (1987—$1.5 million).

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988—*Continued*

7. Property, plant and equipment

	1988			1987
	Cost	Government funding and accumulated depreciation	Net	Net
	(in thousands of dollars)			
Commercial operations				
Land and improvements	2,430	1,109	1,321	1,352
Buildings	46,025	17,853	28,172	29,409
Machinery and equipment	40,332	22,134	18,198	20,114
	88,787	41,096	47,691	50,875
Research and development operations				
Land and improvements	11,537	11,537		
Buildings	80,303	77,683	2,620	2,732
Reactors and equipment	219,000	219,000		
Construction in progress	41,296	41,296		
	352,136	349,516	2,620	2,732
Discontinued operations				
Prototype reactors	215,708	215,708		
Heavy water plants	802,777	802,777		
	1,459,408	1,409,097	50,311	53,607

Depreciation of commercial property, plant and equipment for the year ended March 31, 1988, amounted to $5.0 million (1987—$5.3 million).

Research and development property, plant and equipment expensed during the year amounted to $22.0 million (1987—$20.1 million).

The decommissioning of nuclear research and prototype facilities is an integral part of the nuclear program. A program has been developed and implemented to bring the facilities to a safe-storage mode as the initial stage of decommissioning. Currently, the Gentilly 1 and Douglas Point prototype reactors are on a safe-keeping basis. After 25 years of service, decommissioning of the Nuclear Power Demonstration prototype reactor commenced in 1988. Completion of the initial stage of this decommissioning is estimated to cost $13.9 million over the next two years.

The closure of the heavy water plants at Glace Bay and Port Hawkesbury commenced July 1985 and was completed during the year.

Future net costs related to decommissioning nuclear facilities beyond the safe-storage mode cannot be quantified at this time due to the uncertainty as to the exact nature, timing and ultimate disposal alternatives. In accordance with the corporation's accounting policy, any such costs will be expensed when incurred.

8. Long-term debt

	1988	1987
	(in thousands of dollars)	
Loans from Government of Canada		
To finance provincial utility nuclear facilities, maturing through 2008 at fixed interest rates varying from 6.687% to 9.706% (refer to Note 5 for related receivables)	575,678	599,582
To finance leased heavy water and other assets, maturing through 2003 at fixed interest rates varying from 4.125% to 10%	24,854	25,964
Loans from third parties		
To finance the purchase of the Glace Bay heavy water plant, maturing through 1998 at an imputed interest rate of 8.875%	22,014	23,352
	622,546	648,898
Current portion	28,214	26,353
	594,332	622,545

Loan repayments required over succeeding years are as follows (millions of dollars): 1989—$28.2; 1990—$30.3; 1991—$32.9; 1992—$55.1; 1993—$32.1; and subsequent to 1993—$443.9.

9. Related party transactions

In addition to the transactions disclosed elsewhere in these financial statements, the corporation had the following transactions with the Government of Canada:

	1988	1987
	(in thousands of dollars)	
Repayment of loans and interest	84,538	81,358
Payments to the Public Service Superannuation Plan	12,555	12,748

In the normal course of business, the corporation also enters into various transactions with the Government of Canada, its agencies and other Crown corporations.

10. Contingencies

Certain claims against the corporation have arisen in the course of its medical products business and were pending at March 31, 1988. In the opinion of management adequate provision for these matters has been made in the financial statements.

11. Privatization

In a statement dated March 4, 1988, the Government of Canada announced its intention to privatize the Radiochemical Company and the Medical Products Division, both operating divisions of the corporation. The terms, conditions and timing of these transactions have not yet been determined.

12. Comparative figures

Certain reclassifications have been made to the 1987 comparative figures to conform with the current year's presentation.

ATOMIC ENERGY OF CANADA LIMITED—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1988—*Concluded*

13. Supplementary information

Incorporation

Pursuant to the authority and powers of the Minister of Energy, Mines and Resources under the Atomic Energy Control Act, the corporation was incorporated in 1952 under the provisions of the Canada Corporations Act (and continued in 1977 under the provisions of the Canada Business Corporations Act) to develop the utilization of atomic energy for peaceful purposes.

The corporation is a Schedule C Part I Crown corporation under the Financial Administration Act. The corporation is exempt from income taxes.

Operations

The operations of the corporation are reported in the Statement of Income as commercial operations, research and development operations, and discontinued operations.

Commercial operations consist of nuclear power engineering and design, project management, operating plant support services, manufacturing and selling of medical and industrial radiation equipment and radioisotopes, and investments.

Research and development operations consist of basic and applied nuclear research and development, and contract research and development services.

Discontinued operations consist of placing and maintaining prototype reactors in a safe storage mode as the initial stage of decommissioning, as well as the activities associated with closure and protection of the heavy water plants at Glace Bay, Port Hawkesbury and LaPrade.

Insurance

Historically, the corporation has assumed substantially all risks pertaining to the assets and operations of research and development, and prototype reactors. Effective May 1, 1988, these assets, except for decommissioned prototype reactors, are insured for conventional risks.

Commercial assets and operations, as well as heavy water inventories, are insured to the extent considered appropriate.

Sales agents' remuneration

Guidelines concerning the commercial practices of Crown corporations require disclosure of sales agents and the total remuneration paid to them during the year.

Remuneration and expenses paid to the following sales agents and representatives in 1988, primarily with respect to commercial operations, aggregated $2.4 million (1987—$2.0 million):

B.C. Park, U.S.A.; Bio Nuclear Diagnostica Industria E. Comercio Ltda., Brazil; Costa Rica Dental and Medical Supply Company, Costa Rica; Eastronics Limited, Israel; Equipo Para Hospitales, S.A., Mexico; General Machinery Company Ltda., Chile; Korea General Trading Corporation, Republic of South Korea; Kostas Karayannis, S.A., Greece; Marubeni Corporation, Japan; Medtel Pty Limited, N.S.W. Australia; Novelait (Medical) Limited, Hong Kong; Promed International, S.A., Panama; Spring Port Taiwan Limited, Taiwan; PII-PED International Inc., U.S.A.; P.T. Sanga Kencana International, Indonesia; Radiotherapy & Medical Systems Pty Ltd., Australia; Societa Lombarda Di Televisione s.r.l., Italy; Sumta Inc., Turkey; Tamathe s.r.l., Argentina; Tareq Company, Kuwait; Zelin Limited, Pakistan.

SUMMARY PAGE

BANK OF CANADA

MANDATE

The Bank of Canada is responsible for the formulation and implementation of monetary policy in Canada and acts as the government's fiscal agent. The Bank has the sole right to issue currency intended for circulation in Canada and it fixes the percentage of the deposit liabilities of chartered banks which they must maintain as secondary reserves. It conducts open-market operations, buying or selling securities as, in its judgement, the progress of Canada's economy requires. As fiscal agent, it handles the issue of securities of Canada and payment of related interest and principal; it also cashes and negotiates cheques drawn on the Receiver General. It administers the Exchange Fund Account and acts as agent for the government's operations in the foreign exchange market.

BACKGROUND

The Bank was created by its Act in 1934 as Canada's central bank.

CORPORATION DATA

HEAD OFFICE	234 Wellington Street Ottawa, Ontario K1A 0G9
STATUS	Acts as the fiscal agent of the Government of Canada; is exempted from the provisions of Divisions I to IV of Part X of the *Financial Administration Act.*
APPROPRIATE MINISTER	The Honourable Michael Wilson, P.C., M.P.
DEPARTMENT	Finance
YEAR AND MEANS OF INCORPORATION	1934, by the *Bank of Canada Act* (R.S.C. 1985, c. B-2).
CHIEF EXECUTIVE OFFICER	John Crow
AUDITOR	Arthur Andersen & Co. and Ernst & Whinney.

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	1985	1984
Expenses, before depreciation	151	143	135	118

Note: This Financial Summary is cursory compared with that for any other corporation in this Report. This is appropriate because the nature of the operations of a central bank makes its financial statements unique in their import. For example: the Bank's assets are mostly securities of Canada and its revenues are mostly the interest paid to it by Canada on those securities. Therefore, the substantial net income (1987, $1,844 million; 1986, $1,936 million) which the Bank pays to Canada is essentially the completion of a circular flow of cash, diminished by the amount of the Bank's operating expenses.

BANK OF CANADA

AUDITORS' REPORT

We have examined the statement of assets and liabilities of the Bank of Canada as at December 31, 1987 and the statement of revenue and expense for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Bank as at December 31, 1987 and the results of its operations for the year then ended in accordance with the accompanying summary of significant accounting policies, applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.
Ernst & Whinney

Ottawa, Canada
January 27, 1988

STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 1987
(with comparative figures for 1986)
(in thousands of dollars)

ASSETS	1987	1986
Deposits payable in foreign currencies		
U.S.A. dollars	305,819	314,896
Other currencies	4,877	8,159
	310,696	323,055
Advances to members of the Canadian Payments Association (Note 2)	798,251	867,531
Investments—At amortized values (Note 3)		
Treasury bills of Canada	9,676,651	7,803,859
Other securities issued or guaranteed by Canada maturing within three years	2,603,372	2,969,430
Other securities issued or guaranteed by Canada not maturing within three years	7,915,185	7,437,840
Other investments	1,187,027	1,024,157
	21,382,235	19,235,286
Bank premises (Note 4)	141,290	138,472
Accrued interest on investments	320,732	323,363
Other assets	69,995	57,008
	23,023,199	20,944,715

LIABILITIES	1987	1986
Capital paid up (Note 5)	5,000	5,000
Rest fund (Note 6)	25,000	25,000
Notes in circulation	19,447,407	17,911,360
Deposits		
Government of Canada	23,330	48,647
Chartered banks	2,648,949	2,446,039
Other members of the Canadian Payments Association	287,129	241,211
Other deposits	428,656	159,132
	3,388,064	2,895,029
Liabilities payable in foreign currencies		
Government of Canada	134,409	86,992
Other	12	27
	134,421	87,019
Bank of Canada cheques outstanding	16,448	11,351
Other liabilities	6,859	9,956
	23,023,199	20,944,715

See accompanying notes to the financial statements.

J. W. CROW
Governor

J. E. H. CONDER
Chief Accountant

BANK OF CANADA—*Continued*

STATEMENT OF REVENUE AND EXPENSE
YEAR ENDED DECEMBER 31, 1987
(with comparative figures for 1986)
(in thousands of dollars)

	1987	1986
Revenue		
Revenue from investments and other sources, net of interest paid on deposits of $11,378 ($6,601 in 1986)	2,007,604	2,092,189
Expense		
Salaries[1]	64,668	62,234
Contributions to pension and insurance funds[2]	7,640	7,040
Other staff expenses[3]	1,741	1,411
Directors' fees	114	109
Auditors' fees and expenses	495	740
Taxes—Municipal and business	8,100	8,161
Banknote costs	35,713	32,561
Data processing and computer costs	6,005	5,745
Premises maintenance—Net of rental income[4]	16,810	14,805
Printing of publications	582	541
Other printing and stationery	2,031	2,119
Postage and express	1,572	2,158
Telecommunications	1,545	1,574
Travel and staff transfers	2,063	2,009
Other expenses	2,126	2,067
	151,205	143,274
Depreciation on buildings and equipment	12,502	12,449
	163,707	155,723
Net revenue paid to Receiver General for Canada	1,843,897	1,936,466

See accompanying notes to the financial statements.

[1] Salaries include overtime and are for Bank staff other than those engaged in premises maintenance. The number of employee years worked by such staff (including temporary, part-time and overtime work) was 2,246 in 1987 compared with 2,289 in 1986.

[2] Contributions to pension and insurance funds for Bank staff other than those engaged in premises maintenance.

[3] Other staff expenses include retirement allowances and educational training costs.

[4] Premises maintenance comprises building and equipment maintenance expenses including related staff costs.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. Significant Accounting Policies

The financial statements of the Bank conform to the disclosure and accounting requirements of the Bank of Canada Act and the Bank's by-laws. The significant accounting policies of the Bank are:

(a) Revenues and Expenses

Revenues and expenses are accounted for on the accrual basis except for interest on advances to a bank ordered to be wound up where interest is recorded as received.

(b) Investments

Investments, consisting mainly of Government of Canada treasury bills and bonds, are recorded at cost adjusted for amortization of purchase discounts and premiums. The amortization as well as gains and losses on disposition are included in revenue.

(c) Translation of Foreign Currencies

Assets and liabilities in foreign currencies are translated to Canadian dollars at the rates of exchange prevailing at the year-end. Gains and losses from translation of, and transactions in, foreign currencies are included in revenue.

(d) Bank Premises

Bank premises, consisting of land, buildings and equipment, are recorded at cost less accumulated depreciation. Depreciation is calculated on the declining balance method using the following annual rates:

Buildings	5%
Computer equipment	35%
Other equipment	20%

(e) Pension plan

The Bank's contributions to the Pension Fund are recorded as expenses at the time they are made. Actuarial surpluses or deficiencies, if any, are amortized over periods not exceeding those provided for by the Pension Benefits Standards Act, 1985, and the regular contributions are adjusted accordingly.

2. Advances to Members of the Canadian Payments Association

Advances include a total of $362,151,392 ($790,831,007 in 1986) provided to the Canadian Commercial Bank and the Northland Bank for which winding-up orders have been issued by the courts. The liquidators appointed by the courts were also appointed as agents of the Bank of Canada for the purpose of realizing on the loan portfolios held as security against the respective advances. On the basis of the information available at December 31, 1987, it is the opinion of the Bank of Canada that its advances will be fully repaid from the proceeds of the liquidations.

3. Investments

Investments included securities of the Government of Canada totalling $164,942,690 (nil in 1986) held under Purchase and Resale Agreements.

BANK OF CANADA—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

4. Bank Premises

	1987			1986
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land and buildings	169,262	58,557	110,705	84,752
Computer equipment	29,331	21,755	7,576	8,758
Other equipment	38,909	23,964	14,945	14,553
	237,502	104,276	133,226	108,063
Projects in progress	8,064		8,064	30,409
	245,566	104,276	141,290	138,472

5. Capital

The authorized capital of the Bank is $5,000,000 divided into 100,000 shares of the par value of $50 each. The shares are fully paid and in accordance with the Bank of Canada Act have been issued to the Minister of Finance, who is holding them on behalf of Canada.

6. Rest Fund

The rest fund was established by the Bank of Canada Act and represents the general reserve of the Bank. In accordance with the Act, the rest fund was accumulated out of net revenue until it reached the stipulated maximum amount of $25,000,000 in 1955. Subsequently all net revenues have been paid to the Receiver General for Canada.

7. Contingent Liabilities

The Bank has agreed with the Bank for International Settlements to participate in an international initiative to provide credit facilities to the International Monetary Fund. The Bank's potential liability under this agreement, which expires in June 1988, is limited to the placing of deposits with the Bank for International Settlements, if required, to finance loans made under the facility. Pursuant to the agreement, as at December 31, 1987, the Bank was contingently liable in the amount of SDR 87,140,443 ($160,622,816).

SUMMARY PAGE

CANADA COUNCIL

MANDATE

To foster and promote the study, enjoyment and production of works in the arts; to coordinate UNESCO activities in Canada and Canadian participation in various UNESCO activities abroad.

BACKGROUND

The Council receives a parliamentary grant each year for its operations. As well, it has income from the $50 million Endowment Fund which was created by its Act and from monies and properties donated to the Council and administered as Special Funds. It is a charitable organization for the purposes of the *Income Tax Act*.

CORPORATION DATA

HEAD OFFICE	99 Metcalfe Street Ottawa, Ontario K1P 5V8
STATUS	— exempt from Divisions I to IV of Part X of the *Financial Administration Act*; not listed in the schedules to the Act — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Flora MacDonald, P.C., M.P.
DEPARTMENT	Communications
YEAR AND MEANS OF INCORPORATION	1957, by the *Canada Council Act* (R.S.C. 1985, c. C-2).
CHIEF EXECUTIVE OFFICER	Peter Roberts
CHAIRMAN	Maureen Forrester
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Assets — Endowment Account	128.7	121.2	107.4	97.3
— Special Funds	40.1	38.8	35.9	31.7
Cash from Canada in the period				
— budgetary	96.9	85.5	74.2	72.6
— non-budgetary	nil	nil	nil	nil
Other revenues	9.4	9.6	11.6	11.5
Outlays on grants, services and art	82.7	84.3	69.4	70.4

CANADA COUNCIL

AUDITOR'S REPORT

TO THE CANADA COUNCIL AND THE
MINISTER OF COMMUNICATIONS

I have examined the balance sheets of the Endowment Account and Special Funds of the Canada Council as at March 31, 1988 and the statements of revenue and expenditure and equity of the Endowment Account and Special Funds and the statement of changes in financial position of the Endowment Account for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Council as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 10, 1988

ENDOWMENT ACCOUNT

BALANCE SHEET AS AT MARCH 31, 1988
(in thousands of dollars)

ASSETS	1988	1987	LIABILITIES	1988	1987
Cash and short-term deposits	15,850	9,853	Bank overdraft		3,828
Accrued interest	1,593	1,418	Grants payable	17,047	19,081
Accounts receivable	169	231	Accounts payable and accrued liabilities	1,562	1,649
Prepaid expenses	165	239	Deferred credits (Note 6)	548	392
Investments (Note 4)	97,368	96,785	Due to Special Funds	2,583	2,483
Equipment and leasehold improvements (Note 5)	1,438	1,470	Due to Special Trusts (Note 7)	2,349	1,307
Works of art	12,141	11,249	Provision for employee termination benefits	965	799
				25,054	29,539
			EQUITY		
			Fund capital		
			Principal, established pursuant to Section 14 of the Act	50,000	50,000
			Accumulated net gains on disposal of investments	30,047	26,121
				80,047	76,121
			Contributed surplus—Works of art	12,141	11,249
				92,188	87,370
			Surplus		
			Appropriated	2,700	2,700
			Unappropriated	8,782	1,636
				11,482	4,336
				103,670	91,706
	128,724	121,245		128,724	121,245

Approved by management:

PETER BROWN
Treasurer

Approved by the Council:

MAUREEN FORRESTER
Chairman

CANADA COUNCIL—*Continued*

STATEMENT OF REVENUE AND EXPENDITURE
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Revenue		
Parliamentary grants (Note 8)	96,895	85,311
Interest and dividends	7,996	8,423
Art Bank rental fees	831	737
Cancelled grants, approved in previous years, and refunds	426	399
Other revenue	190	73
	106,338	94,943
Expenditure		
Arts		
Grants and services	81,653	83,020
Administration (Schedule)	8,578	7,151
Works of art	892	922
	91,123	91,093
Canadian Commission for UNESCO		
Administration (Schedule)	980	799
Grants and services	101	124
	1,081	923
General administration (Schedule)	6,988	5,624
	99,192	97,640
Excess of revenue over expenditure (expenditure over revenue) for the year	7,146	(2,697)

STATEMENT OF EQUITY OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	Fund capital				Contributed surplus		Surplus			
	Principal	Accumulated net gains on disposal of investments	Total 1988	Total 1987	Total 1988	Total 1987	Appropriated	Unappropriated	Total 1988	Total 1987
Balance at beginning of the year	50,000	26,121	76,121	63,850	11,249	10,327	2,700	1,636	4,336	7,033
Net gains on disposal of investments		3,926	3,926	12,271						
Works of art purchased during the year					892	922				
Excess of revenue over expenditure (expenditure over revenue) for the year								7,146	7,146	(2,697)
Balance at end of the year	50,000	30,047	80,047	76,121	12,141	11,249	2,700	8,782	11,482	4,336

CANADA COUNCIL—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Operating activities		
Excess of revenue over expenditure (expenditure over revenue) for the year	7,146	(2,697)
Items not affecting cash		
Depreciation and amortization	378	332
Loss on disposal of equipment	9	27
Employee termination benefits	166	(250)
	7,699	(2,588)
Decrease (increase) in accrued interest	(175)	253
Decrease in accounts receivable	62	40
Decrease in prepaid expenses	74	154
(Decrease) in grants payable	(2,034)	(204)
(Decrease) in accounts payable and accrued liabilities	(87)	(113)
Increase (decrease) in deferred credits	156	(593)
Increase in amount due to Special Funds and Special Trusts	1,142	672
Funds provided by (applied to) operation activities	6,837	(2,379)
Investing activities		
Acquisition of equipment and leasehold improvements	(360)	(1,079)
Proceeds on disposal of equipment	5	59
Increase in investments	(583)	(9,661)
Funds applied to investing activities	(938)	(10,681)
Financing activities		
Net gains on disposal of investments transferred to Fund Capital	3,926	12,271
Funds generated by financing activities	3,926	12,271
Increase (decrease) in funds	9,825	(789)
Funds at beginning of the year	6,025	6,814
Funds (cash, short-term deposits and bank overdraft) at end of the year	15,850	6,025

SPECIAL FUNDS

BALANCE SHEET AS AT MARCH 31, 1988
(in thousands of dollars)

ASSETS	1988	1987
Cash and short-term deposits	4,998	2,845
Accrued interest	623	509
Investments (Note 4)	31,617	32,961
Due from Endowment Account	2,583	2,483
Musical instrument	266	
	40,087	38,798

LIABILITIES	1988	198
Grants payable	2,659	2,3
EQUITY		
Fund capital		
Principal	30,975	30,4
Accumulated net gains on disposal of investments	6,469	5,3
	37,444	35,8
Surplus (deficit)	(16)	6
	37,428	36,4
	40,087	38,7

Approved by management:

PETER BROWN
Treasurer
Approved by the Council:

MAUREEN FORRESTER
Chairman

CANADA COUNCIL—*Continued*

STATEMENT OF REVENUE, EXPENDITURE AND EQUITY OF THE SPECIAL FUNDS (NOTE 2)
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	Izaak Walton Killam Memorial	Killam Special Scholarship	Jean A. Chalmers	Molson Prize	Lynch-Staunton	Frances and J.P. Barwick	John B.C. Watkins	Vida Peene	Coburn Fellowship Trust	Total 1988	Total 1987
Revenue and expenditure											
Revenue											
Interest and dividends	1,350	1,135	37	108	111	10	19	42	2	2,814	2,974
Expenditure											
Grants	1,518	1,014	40	100	160			42		2,874	2,287
Administration	204	144	4	11		2				365	377
	1,722	1,158	44	111	160	2		42		3,239	2,664
Excess of revenue over expenditure (expenditure over revenue) for the year	(372)	(23)	(7)	(3)	(49)	8	19		2	(425)	310
Equity											
Fund capital											
Principal											
Balance at beginning of the year	13,442	14,130	500	1,000	699	93		600	20	30,484	30,256
Cash received						279				279	
Net income capitalized	113	99								212	228
Balance at end of the year	13,555	14,229	500	1,000	699	372		600	20	30,975	30,484
Accumulated net gains on disposal of investments											
Balance at beginning of the year	2,651	2,051		288	348					5,338	1,936
Net gains on disposal of investments	556	468		53	54					1,131	3,402
Balance at end of the year	3,207	2,519		341	402					6,469	5,338
	16,762	16,748	500	1,341	1,101	372		600	20	37,444	35,822
Surplus (deficit)											
Balance at beginning of the year	186		30		256	16	132		1	621	539
Excess of revenue over expenditure (expenditure over revenue) for the year	(372)	(23)	(7)	(3)	(49)	8	19		2	(425)	310
Net income capitalized	(113)	(99)								(212)	(228)
Balance at end of the year	(299)	(122)	23	(3)	207	24	151		3	(16)	621
	16,463	16,626	523	1,338	1,308	396	151	600	23	37,428	36,443

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

1. Authority and operations

The Canada Council was established by the Canada Council Act in 1957 which authorized the creation of an Endowment Fund of $50 million. Except for the annual parliamentary grant, monies or properties donated to the Council pursuant to Section 20 of the Act are generally accounted for as Special Funds. The Council is not an agent of Her Majesty. Its objectives are to foster and promote the study, enjoyment and production of works, in the arts.

2. Special funds

(a) Izaak Walton Killam Memorial

A bequest of $12,339,615 in cash and securities was received from the estate of the late Mrs. Dorothy J. Killam for the establishment of the Izaak Walton Killam Memorial Fund for Advanced Studies "to provide scholarships for advanced study or research at universities, hospitals, research or scientific institutes, or other equivalent or similar institutions both in Canada and in other countries in any field of study or research other than the 'arts' as presently defined in the Canada Council Act and not limited to the 'humanities and social sciences' referred to in such Act."

The bequest contains the following provisions: "the Fund shall not form part of the Endowment Account or otherwise be merged with any assets of the Council"; and "in the event that the Canada Council should ever be liquidated or its existence terminated or its powers and authority changed so that it is no longer able to administer any Killam trust, the assets forming any such Killam trust shall thereupon be paid over to certain universities which have also benefited under the will."

The cash and securities received and the proceeds have been invested in a separate portfolio.

(b) Killam Special Scholarship

This fund was established by way of securities received from the late Mrs. Dorothy J. Killam. Dividends and proceeds from the redemption of those securities amounted to $13,653,344. The net income from this fund is available to provide fellowship grants to Canadians for advanced study or research in the fields of medicine, science and engineering at universities, hospitals, research or scientific institutions or other equivalent or similar institutions in Canada.

(c) Jean A. Chalmers

An endowment of $500,000 in cash was received from Mrs. Floyd S. Chalmers to establish a special Jean A. Chalmers Fund for the crafts. In consultation with the Canadian Crafts Council, the income of the fund is used to provide a small number of special project grants for the development or advancement of the crafts in Canada.

(d) Molson Prize

Gifts of $1,000,000 were received from the Molson Foundation for the establishment of the Molson Prize Fund. The income of the fund is used for awarding cash prizes to Canadians "for outstanding achievement in the fields of the Arts, the Humanities or the Social Sciences that enriches the cultural or intellectual heritage of Canada or contributes to national unity". There is no restriction placed on the recipient as to the use of the prize.

(e) Lynch-Staunton

This fund was established by a bequest in cash of $699,0 received from the estate of the late V.M. Lynch-Staunto the income from which is available for the regular pr grammes of the Council.

(f) Frances Elizabeth Barwick and J.P. Barwick

A bequest of $40,000 in cash was received from the estate the late Mrs. Frances Elizabeth Barwick with the conditi that "such bequest be applied for the benefit and encourag ment of the arts". A bequest of $53,000 was also receiv from the estate of J.P. Barwick "for the benefit of the mu cal division of the arts and for the encouragement of t musical arts". The total fund is to be used for the benefit the musical division. These funds, in addition to the don tions received during the year, are being used for the esta lishment of a musical instrument bank.

(g) John B.C. Watkins

This fund was established by a bequest consisting of the r income from the residue of the estate of the late John B. Watkins to provide scholarships for postgraduate studies specified countries.

(h) Vida Peene

This fund was established by a bequest in cash of $599,7 received from the late Vida Peene to provide payments specified organizations.

(i) Funds will eventually be received from the followi bequests:

(i) Edith Davis Webb
This fund, estimated at $400,000, is intended "for t purpose of making grants or establishing scholarsh for musical study in such manner as the Council sh determine".

(ii) Coburn Fellowship Trust
This fund, the amount of which cannot be determin at this time, is to provide for exchanges of schol between Israel and Canada. It consists of an amount $100 from Kathleen Coburn to establish this fund well as a $20,000 donation received from F.E. Cobur

3. Significant accounting policies

(a) Investments

Equities, bonds, debentures and mortgages are recorded cost. The portfolios of two Special Funds (Molson Prize an Lynch-Staunton) are merged with the Endowment Accour The participation of each fund was calculated on the basis market value. Interest, dividends, gains and losses on dispos of investments are allocated to each fund based on the pe centages established at the beginning of each quarter.

Investments are written down to market value when the lo in value is considered to be other than a temporary decline.

(b) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at co and depreciated over their estimated useful lives on tl straight-line method, as follows:

Equipment	3 to 5 yea
Leasehold improvements	term of the lea (maximum 10 year

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Continued*

(c) Works of art

Works of art are recorded at cost.

(d) Musical instruments—Special Funds

Musical instruments are recorded at cost.

(e) Employee termination benefits

Employees are entitled to specific termination benefits as provided for under the Council's policy and conditions of employment. The cost of these benefits is expensed in the year in which they accrue to employees.

(f) Gains and losses on disposal of investments

Pursuant to subsection 19(2) of the Act, net gains on disposal of investments are credited to the fund capital. Net losses on disposal of investments are charged against this account to the extent of the balance available therein. In the event that losses exceed the balance available in the account, the excess is recorded as an expenditure in the year of realization.

(g) Contributed surplus

Amounts paid during the year for the purchase of works of art are expensed. Such purchases are then capitalized as contributed surplus—works of art and no depreciation is recorded.

(h) Appropriated surplus

The Council has established a reserve to reduce the erosion of value of the original endowment due to inflation. Any changes in this account are approved by the Council.

(i) Capitalization of net income of Special Funds

The Council capitalizes 10% of the revenue less administration expenditure of the Izaak Walton Killam Memorial Fund for Advanced Studies and the Killam Special Scholarship Fund, in accordance with advice received from the trustees of these Funds in order to preserve the equity of these Funds for future beneficiaries. However, for the purposes of the Funds, the Council reserves the right to draw at any time on the accumulated net income capitalized.

(j) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Council contribute equally to the cost of the Plan. This contribution represents the total liability of the Council.

(k) Parliamentary grants

Parliamentary grants are recorded as revenue in the fiscal year in which they are approved by Parliament.

(l) Grants

Grants approved by the Council are recorded as expenditure in the appropriate year as determined by the Treasurer in consultation with the Arts Division. Cancelled grants, approved in previous years, and refunds are shown as revenue in the Endowment Account. For Special Funds, such items are deducted from the grants expenditure.

4. Investments

	1988 Cost	1988 Market value	1987 Cost	1987 Market value
	(in thousands of dollars)			
Endowment Account				
Equities	50,853	56,870	51,117	68,336
Bonds and debentures	44,424	46,190	43,323	49,021
Mortgages	2,091	2,091	2,345	2,207
	97,368	105,151	96,785	119,564
Special Funds				
Bonds and debentures	18,031	18,281	18,700	20,084
Equities	13,264	15,516	13,916	20,472
Mortgages	322	322	345	270
	31,617	34,119	32,961	40,826

5. Equipment and leasehold improvements

	1988 Cost	1988 Accumulated depreciation and amortization	1988 Net book value	1987 Net book value
	(in thousands of dollars)			
Equipment	1,560	758	802	739
Leasehold improvements	847	211	636	731
	2,407	969	1,438	1,470

6. Deferred credits

	1988	1987
	(in thousands of dollars)	
Deferred revenue—Art Bank rentals	316	212
Canadian Commission for UNESCO	232	180
	548	392

The deferred credit amount from the Canadian Commission for UNESCO represents funds received for specific programs for which expenditures have not yet been incurred

7. Due to Special Trust

These funds have been accounted for separately due to special conditions related to the donations.

(i) Glenn Gould Prize Fund

The Council received $475,113 from the Glenn Gould Memorial Foundation to provide a prize of $50,000 every three years (funds permitting) to an outstanding individual for his/her original contribution in the field of Music and Communications. Since inception, the fund has earned $128,817, and has received a further advance of $50,000. As at March 31, 1988, the balance stood at $556,053.

(ii) Joseph S. Stauffer Fund

The Council received $350,000 from the Estate of Joseph S. Stauffer, the income from which is to provide prizes to encourage promising young Canadians in the fields of music, visual arts and literature. Since inception, the fund has

CANADA COUNCIL—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

earned $86,462, and had received a further advance of $50,000. As at March 31, 1988, the balance stood at $479,662.

(iii) The Duke and Duchess of York Prize in Photography

The Council received an endowment of $170,000 from the Government of Canada as a wedding gift to The Duke and Duchess of York. The income from this endowment is to be used to provide an annual scholarship to a professional artist for personal creative work or advanced study in photography. Since inception, the endowment has earned $16,460. As at March 31, 1988, the balance stood at $174,141.

(iv) The Gershon Iskowitz Prize

The Gershon Iskowitz Foundation has created the Gershon Iskowitz Prize to be administered and awarded by Council every two years to a mature, successful professional Canadian artist for personal creative work or continuing research in visual arts. As at March 31, 1988, the balance stood at $2,261.

(v) Visiting Foreign Artists Program

The Visiting Foreign Artists Program is administered by the Arts Awards Service of the Canada Council on behalf of the Department of External Affairs. It is a residency program through which professional Canadian organizations receive assistance to invite distinguished foreign artists from any country outside Canada for periods ranging from two weeks to four months. As at March 31, 1988, the balance stood at $117,073.

(vi) Petro Canada Award

During the year, Petro-Canada donated $50,000 towards an award in the media arts. The income from this donation is to be used to provide an annual award to an artist who has achieved outstanding and innovative use of new technology in the media arts. The donation earned $3,454 during the year and the balance stood at $53,454 at March 31, 1988.

(vii) Japan-Canada Fund

On March 31, 1988, the Government of Japan endowed $966,651 to Council "to further strengthen the relations between Canada and Japan". After consultations with the Embassy of Japan, the income from the endowment is to be used to fund programs that will encourage artistic exchange between the two countries.

8. Parliamentary grants

Parliament approved a one time parliamentary grant of $8 million that was received by Council on March 31, 1988 and recorded as revenue. These monies will be expensed in the next fiscal year.

9. Lease commitments

The Council is a party to long-term leases in respect to rental accommodation. The aggregate minimum annual rental is as follows:

	(in thousands of dollars)
1989	1,521
1990	1,527
1991	1,430
1992	1,410
1993	1,410

10. Comparative figures

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

SCHEDULE OF ADMINISTRATION EXPENDITURE
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	Arts	Canadian Commission for UNESCO	General	Total 1988	Total 1987
Salaries	4,906	498	3,202	8,606	8,026
Employee benefits	717	84	479	1,280	762
Office accommodation	942	119	1,114	2,175	786
Staff travel	765	65	128	958	844
Communications	428	36	208	672	638
Professional and special services	320	39	209	568	510
Informatics	5	2	474	481	342
Meeting expenses including members' honoraria	102	103	236	441	307
Depreciation and amortization	43		335	378	332
Investment portfolio management			319	319	300
Printing, publications and duplicating	181	24	95	300	317
Office expenses and equipment	82	9	179	270	318
Miscellaneous	87	1	10	98	92
	8,578	980	6,988	16,546	13,574

SUMMARY PAGE

CANADA DEPOSIT INSURANCE CORPORATION

MANDATE

To provide limited insurance in respect of deposits with federal institutions (banks, trust and loan companies) and approved provincial institutions (trust and loan companies).

BACKGROUND

The corporation was established by the *Canada Deposit Insurance Corporation Act* in 1967. Member institutions pay annual premiums to the Deposit Insurance Fund to meet depositors' claims. Recent payments to depositors of insolvent financial institutions have caused this fund to have a net deficit position. Premium rates were increased in 1985 and annual premium revenue of the Fund is now approximately $200 million.

CORPORATION DATA

HEAD OFFICE	320 Queen Street P.O. Box 2340, Station D Ottawa, Ontario K1P 5W5
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Thomas Hockin, P.C., M.P., Minister of State for Finance.
DEPARTMENT	Finance
YEAR AND MEANS OF INCORPORATION	1967; by the *Canada Deposit Insurance Corporation Act* (R.S.C. 1985, c. C-3).
CHIEF EXECUTIVE OFFICER	Charles C. de Léry
CHAIRMAN	Ronald McKinlay
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986 (restated)	1985	1984 (restated)
At the end of the year				
Total Assets	735	1,001	1,676	830
Obligations to the private sector	581	1,277	1,034	975
Obligations to Canada	1,258	965	956	nil
Equity of Canada*	(1,108)	(1,245)	(1,235)	(827)
Cash from Canada in the year				
— budgetary	nil	nil	nil	nil
— non-budgetary, net	293	16	956	(30)

* [illegible] deficit in the Insurance Fund.

CANADA DEPOSIT INSURANCE CORPORATION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Canada Deposit Insurance Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada which have been consistently applied. Financial information presented elsewhere in the annual report is consistent with that contained 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 are authorized, assets are safeguarded and proper records are maintained in accordance with the Financial Administration Act and regulations as well as the Canada Deposit Insurance Corporation Act and by-laws of the Corporation. The system of internal controls is augmented by internal audit which conducts periodic reviews of different aspects of the Corporation's operations. The Board of Directors acts as an audit committee which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The internal and external auditors have access to the audit committee.

These financial statements have been independently examined by the Corporation's auditor, the Auditor General of Canada, and his report is included herein.

Charles C. de Léry
President & Chief Executive Officer

J. P. Sabourin
Executive Vice-President and
Chief Operating Officer

Johanne R. Lanthier
Comptroller

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have examined the balance sheet of the Canada Deposit Insurance Corporation as at December 31, 1987 and the statements of deposit insurance fund, investment and administrative operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Canada Deposit Insurance Corporation Act and the by-laws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
March 3, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987	1986
Treasury bills and term deposits	22,239	63,251
Premiums and other accounts receivable	13,237	8,688
Mortgages	316	747
Furniture, equipment and leasehold improvements	670	584
	36,462	73,270
Loans to member institutions (net) (Note 3)	257,374	497,414
Claims in respect of insured deposits (net) (Note 4)	804,403	959,324
	1,061,777	1,456,738
General provision for loss (Note 7)	(363,124)	(529,215)
	698,653	927,523
	735,115	1,000,793

LIABILITIES	1987	1986
Bank indebtedness	368	840
Accounts payable	2,636	3,982
Accrued liability (Note 5)		275,000
Loans from member institutions	581,871	1,001,044
Loans from Consolidated Revenue Fund (Note 6)	1,257,803	965,212
	1,842,678	2,246,078
DEPOSIT INSURANCE FUND		
Deficit at year end	(1,107,563)	(1,245,285)
	735,115	1,000,793

Approved by the Board:

R. A. McKINLAY
Chairman

R. M. HAMMOND
Director

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

STATEMENT OF DEPOSIT INSURANCE FUND FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Deficit, beginning of year	(1,245,285)	(1,235,378)
Insurance operations		
Premiums (Note 10)	199,665	216,792
Interest on loans to member institutions	91,826	109,553
Other interest	53	90
	291,544	326,435
Interest on loans from Consolidated Revenue Fund	99,287	82,820
Interest on loans from member institutions	81,224	108,859
Cost of guarantees (Note 5)	2,801	475,000
Interest in respect of insured deposits	570	561
Provision for loss adjustment	(35,000)	(330,000)
	148,882	337,240
Gain (deficiency) from insurance operations for the year	142,662	(10,805)
Deficit before net earnings (loss) from investment and administrative operations	(1,102,623)	(1,246,183)
Net earnings (loss) from investment and administrative operations	(4,940)	898
Deficit, end of year	(1,107,563)	(1,245,285)

STATEMENT OF INVESTMENT AND ADMINISTRATIVE OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Interest revenue		
Treasury bills	3,032	2,859
Other	941	134
Income tax recovery		5,640
	3,973	8,633
Expenses		
Inspection and other fees	5,427	5,191
Salaries and employee benefits	1,955	1,432
General, administrative and other	1,531	1,112
	8,913	7,735
Net earnings (loss) from investment and administrative operations	(4,940)	898

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Cash provided by (used in) Investment and Administrative Operations		
Interest revenue	3,651	8,601
Income tax recovery		44,025
Inspection and other fees	(5,040)	(6,275)
Salaries and employee benefits	(1,903)	(1,421)
General, administrative and other	(1,187)	(1,133)
Purchase of furniture, equipment and leasehold improvements	(284)	(470)
	(4,763)	43,327
Cash provided by (used in) Insurance Operations		
Premiums	194,803	219,054
Recoveries of claims in respect of insured deposits	153,733	144,329
Repayment of loans to member institutions	27,348	23,033
Interest on loans to member institutions	4,597	7,284
Realization of mortgages	381	376
Cost of guarantees	(277,801)	(200,000)
Repayment of loans from member institutions	(201,591)	
Payment of claims in respect of insured deposits	(116,673)	(97,933)
Interest on loans from Consolidated Revenue Fund	(88,908)	(90,271)
Loans to member institutions	(13,050)	(29,076)
Interest in respect of insured deposits	(570)	(1,200)
Quebec sales tax on insurance premiums	(258)	1,023
Repayment of due to member institutions		(27,647)
	(317,989)	(51,028)
Cash provided by (used in) Financing Activities		
Loans from Consolidated Revenue Fund	473,000	260,000
Repayment of loans from Consolidated Revenue Fund	(190,788)	(243,547)
	282,212	16,453
Increase (decrease) in cash	(40,540)	8,752
Cash balance at beginning of year	62,411	53,659
Cash balance at end of year	21,871	62,411
Cash comprised of		
Treasury bills and term deposits	22,239	63,251
Bank indebtedness	(368)	(840)
	21,871	62,411

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. Authority and objective

The Corporation was established in 1967 by the Canada Deposit Insurance Corporation Act (the Act). It is a Crown corporation named in Schedule C Part I of the Financial Administration Act.

The objects of the Corporation are to provide insurance against the loss of part or all of deposits, to be instrumental in the promotion of standards of sound business and financial practices for member institutions, and to promote and otherwise contribute to the stability and competitiveness of the financial system in Canada. The aforementioned objects are to be pursued for the benefit of depositors and in a manner so as to minimize the exposure of the Corporation to loss.

The Corporation has the power to do all things necessary or incidental in the furtherance of its objects including the acquisition of assets from or guarantee of loans to a member institution, it may make or cause to be made inspections of member institutions, prescribe standards of sound business and financial practices, and act as liquidator, receiver or inspector of a member institution or a subsidiary thereof.

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

These financial statements do not reflect the assets, liabilities or operations of member institutions whose operations the Corporation is financing in order to secure an orderly wind down.

The more significant policies adopted are set out below.

Premium recognition

Premiums are based on insured deposits accepted by member institutions as at April 30 of each year and are collectible in two equal installments on June 30 and December 31 of the year. Premiums are recognized when assessed.

General provision for loss

The general provision for loss reflects the Corporation's best estimate of losses in respect of member institutions against which the Corporation has or is certain to have a financial claim. This estimate includes consideration of losses expected in respect of claims arising from payments made to insured depositors, loans to member institutions and operations for the duration of the wind-down period of member institutions under management by agents.

The general provision for loss is reduced by identified losses on loans to member institutions and on claims in respect of insured deposits.

The general provision for loss does not include an estimated contingent liability for potential claims of depositors of any member institutions not specifically identified as being in difficulty.

Identified losses

Identified losses are recognized and recorded against the related assets after a sufficient time has elapsed since the date of intervention by the Corporation to establish, with reasonable assurance, the amount of the loss. In practice, the period to establish an identified loss has been a minimum of two years.

Loans to Member Institutions and Claims in Respect of Insured Deposits

Loans to member institutions and claims in respect of insured deposits are reported net of identified losses.

Interest recognition

The Corporation charges interest on loans advanced directly or indirectly to member institutions that are operating under agency agreements. It ceases to charge interest when a member institution is placed in liquidation. It charges interest on other loans in accordance with the terms of the specific loan agreements. Accrued interest is included on the balance sheet as part of "loans to member institutions".

3. Loans to member institutions

Certain member institutions that have experienced financial difficulties have been placed under the control of regulatory authorities. In accordance with Section 11 of the CDIC Act, the Corporation entered into agency agreements with other member institutions (agents) to ensure that the respective operations of institutions experiencing financial difficulties would be wound down in an orderly fashion over a five year term. The liabilities and operations of these companies are being financed on a continuing basis by way of direct loans or by the respective agents providing loans on behalf of the Corporation. The Corporation has also made direct loans to other member institutions experiencing financial difficulties.

As at December 31, 1987, direct loans or loans made by agents on behalf of the Corporation were as follows:

Member institutions under agency agreements	Direct	By agents	Total 1987	Total 1986
	(in thousands of dollars)			
Fidelity Trust Company	52,349	386,800	439,149	412,670
Crown Trust Company	3,761	89,444	93,205	211,117
CCB Mortgage Investment Corporation	36,599		36,599	50,936
	92,709	476,244	568,953	674,723
In liquidation				
Greymac Trust Company	191,069		191,069	201,381
Seaway Trust Company		129,001	129,001	132,501
Greymac Mortgage Corporation	126,688		126,688	129,789
Seaway Mortgage Corporation		30,234	30,234	54,135
District Trust Company	15,560		15,560	14,510
	333,317	159,235	492,552	532,316
Other				
Bank of British Columbia				3,200
	426,026	635,479	1,061,505	1,210,239
Identified losses	358,896	445,235	804,131	712,825
	67,130	190,244	257,374	497,414

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Continued*

The Corporation has registered a floating charge on all the assets of member institutions under agency agreements as security for the loans. During the term of the agreements, the agents are paying all liabilities on maturity and are disposing of the assets in a manner to optimize recovery. The assets of these member institutions consist primarily of mortgages and real estate. The ultimate realization of these assets is dependent on the state of economy, interest rate levels and the real estate market.

The District Trust Company agency agreement terminated in March 1987. At that time, the Corporation repaid its agent the full amount of loans outstanding and placed the Company into formal liquidation.

The Greymac Trust Company agency agreement terminated on December 31, 1987 and all outstanding agent loans were repaid on that date. On January 11, 1988, a winding-up order was issued placing Greymac Trust into formal liquidation.

On December 31, 1987, the operating and loan agreement between the Corporation and Standard Trust Company, the receiver-manager of Greymac Mortgage, terminated and all outstanding loans were repaid by the Corporation to Standard Trust. At the request of Standard Trust Company, a new receiver-manager was appointed for Greymac Mortgage Corporation on January 11, 1988.

On February 6, 1988, the agency and operating agreement between Central Trust and the Corporation in respect of Crown Trust Company terminated. An extension was entered into for purposes of facilitating the formal winding-up of Crown Trust Company. On February 19, 1988, the Supreme Court of Ontario issued a winding-up order placing Crown Trust into formal liquidation.

4. Claims in respect of insured deposits

When the Corporation pays a depositor's claim it acquires a subrogation of the rights and interest of the depositor against the assets of the member institution. The Corporation's claims in respect of payments to insured depositors of the following member institutions are identified below:

	1987	1986
	(in thousands of dollars)	
Amic Mortgage Investment Corporation	22,791	22,791
Astra Trust Company	339	339
Canadian Commercial Bank	276,839	276,836
Columbia Trust Company	23,787	84,309
Continental Trust Company	15,811	41,008
London Loan Limited	10,019	23,854
Northguard Mortgage Corporation	8,843	27,634
Northland Bank	317,502	317,503
Pioneer Trust Company	56,774	81,721
Principal Savings & Trust Company	116,230	
Seaway Trust Company	9,354	86,968
Western Capital Trust Company	8,859	19,321
	867,148	982,284
Identified losses	62,745	22,960
	804,403	959,324

5. Cost of guarantees

In December 1986, the Corporation made a payment of $200 million to The Hongkong & Shanghai Banking Corporation for purposes of reducing a risk or averting a threatened loss to the Corporation in respect of the Bank of British Columbia.

In March 1987, the Corporation entered into an agreement ("North West Trust Company Rehabilitation Agreement") with the Province of Alberta to make a loan of $275 million to the North West Trust Company. This loan, which was made to reduce a risk or avert a threatened loss to the Corporation, will not be repaid. Since this transaction arose as a result of conditions that existed at December 31, 1986, this loan was charged directly to the Deposit Insurance Fund in 1986. During 1987, a further $2.8 million was paid under this agreement.

6. Loans from consolidated revenue fund

The Financial Institutions and Deposit Insurance System Amendment Act provided specific amendments to the Act, one of which increased the Corporation's borrowing authority to $3 billion with the approval of the Governor in Council.

7. General provision for loss

	1987	1986
	(in thousands of dollars)	
Balance, beginning	529,215	918,836
Provision for loss adjustment	(35,000)	(330,000)
	494,215	588,836
Less identified losses		
Loans to member institutions	91,306	36,661
Claims in respect of insured deposits	39,785	22,960
	131,091	59,621
Balance, ending	363,124	529,215

On December 17, 1987, the Income Tax Act was amended to eliminate the possibility of double taxation of member institutions in liquidation in respect of amounts paid by the Corporation to insured depositors of the institution. Consequently, the Corporation has not taken into account any estimate of potential taxes payable by member institutions in arriving at its estimated recoveries of claims in respect of insured deposits and accordingly the general provision for loss.

8. Contingent liabilities

The Corporation is a defendant in a number of judicial actions arising out of the collapse or insolvency of various member institutions. The Corporation does not believe it has any liability as a result of these actions and has therefore not provided for any potential claims.

9. Income taxes

The Corporation is subject to federal income taxes although it is not subject to taxation on premiums assessed and may not take a deduction for claims paid.

The Corporation has available losses which can be carried forward to reduce future years' earnings otherwise subject to taxation. Such losses total $281 million and expire as follows:

Originating taxation year	Expiring taxation year	Amount (in thousands of dollars)
1984	1991	44,000
1985	1992	81,000
1986	1993	85,000
1987	1994	71,000
		281,000

10. Premiums

The Act provides the Corporation with financing through its premium assessments. The amendments to the Act arising from

CANADA DEPOSIT INSURANCE CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

the Financial Institutions and Deposit Insurance System Amendment Act have provided the Corporation the authority, with Governor in Council approval, to set the premium rate to a maximum of 1/6 of 1% of insured deposits. For the premium year 1987, the rate was set at 1/10 of 1% of insured deposits. The 1986 figure for premiums includes a three month retroactive adjustment representing an additional $29 million.

11. Insured deposits

Deposits insured by the Corporation, on the basis of returns received from member institutions, as at April 30, 1987 and 1986 were as follows:

	1987	1986
	(in billions of dollars)	
Federal Institutions	183	173
Provincial Institutions	16	15
	199	188

12. Long-term operating lease commitments

The following is a schedule of future minimum lease payments for premises expiring in 1991.

Year Ending December 31	Amount $
1988	436,406
1989	436,406
1990	436,406
1991	213,767
	1,522,985

13. Comparative figures

Certain of the 1986 figures have been reclassified so as to conform with the presentation adopted for 1987 as follows:

(a) On the balance sheet, the general provision for loss has been netted against loans to member institutions and claims in respect of insured deposits.

(b) Certain figures in the statement of changes in financial position have been reclassified.

SUMMARY PAGE

CANADA DEVELOPMENT INVESTMENT CORPORATION

MANDATE

To effectively manage Crown corporations and investments which are assigned to it and to effect the privatization of these, where appropriate.

BACKGROUND

CDIC at present manages Eldorado Nuclear Limited, Teleglobe Canada and Canada's participations in Varity Corporation and in National Sea Products Limited plus minor other assets of Canada. The governments of Canada and Saskatchewan announced in February 1988 a plan to merge the assets of Eldorado with those of Saskatchewan Mining Development Corporation and privatize them by way of a public share offering. This initiative is authorized by the *Eldorado Nuclear Limited Reorganization and Divestiture Act* (S.C. 1988, C-41).

Divestitures already effected include, in 1986, The de Havilland Aircraft of Canada, Limited and Canadair Limited and Canada's holdings of Canada Development Corporation shares and, in 1987, the assets and operations of Teleglobe Canada and warrants of Varity Corporation.

CORPORATION DATA

HEAD OFFICE	Suite 4520 1 First Canadian Place Toronto, Ontario M5X 1A4
STATUS	— Schedule III, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Don Mazankowski, P.C., M.P. Deputy Prime Minister and President of the Privy Council.
YEAR AND MEANS OF INCORPORATION	1982; by Canada Development Corporation under the *Canada Business Corporations Act*. Letters patent, May 26, 1982.
CHIEF EXECUTIVE OFFICER	Vacant
CHAIRMAN	W. Darcy McKeough
AUDITOR	Peat, Marwick, Mitchell & Co. and the Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends December 31.

	1987	**1986**	**1985**	**1984**
At the end of the period				
Total Assets	285	336	642	679
Obligations to the private sector*	nil	nil	144	1,261
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	226	287	485**	(709)
Cash from Canada to subsidiaries in the period				
— budgetary	(57)	(111)	500	550
— non-budgetary	nil	nil	nil	nil

* The obligations were largely those of a subsidiary, Canadair Financial Corporation Inc. However, legislation in June 1985 provided authority for the assumption by Canada of this Canadair debt. In that year $1,044 million of it was assumed and the $144 million principal balance was assumed in 1986; accrued interest of approximately $40 million was also assumed, for a total of $1.23 billion to Canada's account. Since then, Canada has discharged all but $333 million of these obligations, in disbursements separate from the Cash from Canada amounts shown above.

**The 1985 assumption of debt by Canada was allocated to contributed surplus in CDIC's accounts and was the main factor in reversing the Equity amounts recorded.

CANADA DEVELOPMENT INVESTMENT CORPORATION

AUDITORS' REPORT

PRESIDENT OF THE TREASURY BOARD

We have examined the consolidated balance sheet of Canada Development Investment Corporation as at December 31, 1987 and the consolidated statements of income (loss) and accumulated deficit, contributed surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the corporation and of its wholly-owned subsidiaries that have come to our notice during our examination of the consolidated financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, and the charters and by-laws of the corporation and its wholly-owned subsidiaries.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada

Peat Marwick
Chartered Accountants

Toronto, Canada
February 22, 1988

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1987
(with comparative figures for 1986)
(in thousands of dollars)

ASSETS	1987	1986
Current assets		
Cash and short-term investments	7,618	11,960
Cash restricted as to use (Note 4)	77,079	88,571
Other receivables	544	178
Current portion of notes receivable		5,400
	85,241	106,109
Investments		
Non-consolidated subsidiary (Note 5)	152,691	140,646
Portfolio investments (Note 6)	26,349	26,349
	179,040	166,995
Notes receivable		43,200
Canadair technology rights (Note 8)	20,000	20,000
Other	216	91
	284,497	336,395

LIABILITIES AND SHAREHOLDER'S EQUITY	1987	1986
Current liabilities		
Accounts payable and accrued liabilities	58,210	49,676
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—Unlimited number of common shares		
Issued and fully paid—101 common shares	1	1
Contributed surplus	3,506,765	3,506,765
Accumulated deficit	(3,280,479)	(3,220,047)
	226,287	286,719
Contingencies (Note 7)		
	284,497	336,395

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

On behalf of the Board:

W, DARCY McKEOUGH
Director

PATRICK J. KEENAN
Director

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF INCOME (LOSS) AND ACCUMULATED DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1987
(with comparative figures for 1986)
(in thousands of dollars)

	1987	1986
Net income (loss) of subsidiaries		
Eldorado Nuclear Limited	12,045	(64,358)
Canadair Limited		96,858
	12,045	32,500
Corporate expenses		
Operating expenses (income), net (Note 9)	(3,023)	1,167
Financial expense		2,183
Provisions for losses and contingencies		
The de Havilland Aircraft of Canada, Limited (Note 7)	19,000	15,000
Massey-Combines Corporation		100,000
Canadair Limited		122,860
	15,977	241,210
Net loss	(3,932)	(208,710)
Accumulated deficit, beginning of year	(3,220,047)	(2,866,337)
	(3,223,979)	(3,075,047)
Dividends	(56,500)	(145,000)
Accumulated deficit, end of year	(3,280,479)	(3,220,047)

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

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1987
(with comparative figures for 1986)
(in thousands of dollars)

	1987	1986
Balance, beginning of year	3,506,765	3,351,848
Assumption of long-term debt of Cartierville Financial by the Government of Canada		154,917
Balance, end of year	3,506,765	3,506,765

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1987
(with comparative figures for 1986)
(in thousands of dollars)

	1987	1986
Operations		
Corporate operations	3,023	(1,167)
Items not requiring cash	535	1,433
	3,558	266
Sale of notes receivable	48,600	
Proceeds received on disposal of Canadair (net of cash restricted as to use)		111,000
Cash portion of dividend received from Canadair		8,400
	48,600	119,400
Cash portion of dividend paid	(56,500)	(111,000)
	(4,342)	8,666
Financing		
Contributed surplus (Cartierville Financial)		154,917
Decrease in long-term debt		(143,864)
Interest and financing expenses net of amortization of foreign exchange losses		(2,183)
Decrease in accrued interest		(9,164)
		(294)
Increase (decrease) in cash and short-term investments	(4,342)	8,372
Cash and short-term investments, beginning of year	11,960	3,588
Cash and short-term investments, end of year	7,618	11,960

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

For purposes of this statement, cash and increase (decrease) in cash excludes cash transactions relating to cash restricted as to use.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1987
(All dollar amounts are stated in thousands)

1. The corporation

Canada Development Investment Corporation ("the corporation") was incorporated on May 26, 1982 under the provisions of the Canada Business Corporations Act and is wholly-owned by Her Majesty in right of Canada. The corporation is subject to the Financial Administration Act and is an agent of Her Majesty.

2. Basis of presentation

In a statement dated October 30, 1984, the Minister of the Government of Canada responsible for the corporation announced the intention of the Government to cause the corporation to dispose of its investments in Massey-Ferguson Limited ("Massey-Ferguson") now Varity Corporation ("Varity") and Massey-Combines Corporation ("Massey-Combines"), Canadair Limited ("Canadair"), The de Havilland Aircraft of Canada, Limited ("de Havilland") and Eldorado Nuclear Limited ("Eldorado") in an orderly fashion. Disposal of the corporation's investments in de Havilland and Canadair was completed in 1986.

Any divestiture plan or proposal for Eldorado will require formal approval by the Government pursuant to the requirements of the Financial Administration Act. As no formal plans of divestiture have been presented for approval with respect to Eldorado, the corporation believes that it is appropriate to continue to carry the investment in Eldorado on the equity basis of accounting. Eventual disposal prices for Eldorado may be more or less than the carrying value.

3. Significant accounting policies

(a) Basis of consolidation

The financial statements of Cartierville Financial Corporation Inc. ("Cartierville Financial") a wholly-owned subsidiary, have been consolidated with those of the corporation.

(b) Investments in non-consolidated subsidiaries

The corporation's investment in a subsidiary originally acquired with the objective of its eventual disposition or privatization is accounted for on the equity basis, unless there is a formal plan, approved by the Government of Canada, to dispose of the investment, in which case the investment is carried at the lower of the equity basis carrying value and net realizable value.

A consolidation of the corporation's financial statements and such subsidiary has not been prepared as the corporation believes that the equity method provides a more informative presentation to the shareholder. The financial statements of the non-consolidated subsidiary are attached.

4. Cash restricted as to use

These funds are held in special accounts (primarily in the Consolidated Revenue Fund of Canada on a non-interest basis) to satisfy payment of contingent liabilities relating to the sale of the corporation's investments in de Havilland and Canadair (see Note 7).

5. Investment in non-consolidated subsidiary

The carrying value of the corporation's investment is as follows:

	Carrying Value December 31, 1986	Equity in Income	Carrying Value December 31, 1987
Eldorado	140,646	12,045	152,691

As at December 31, 1987 the Government of Canada provides authorities and guarantees for the borrowing of Eldorado of $600,000 of which $529,606 is being utilized at December 31, 1987.

6. Portfolio investments

	Carrying Value December 31, 1986 and 1987
Varity	26,348
Massey-Combines	1
	26,349

7. Contingencies

(a) On January 31, 1986 the corporation sold its investment in de Havilland to The Boeing Company ("Boeing"). The corporation and the Government of Canada have agreed to indemnify Boeing and de Havilland for certain contingent liabilities and other expenditures which may be incurred by Beoing and de Havilland over a maximum of six years after closing.

These contingent liabilities include the following:

(1) A portion of de Havilland's product liability insurance premiums;

(2) Certain suppliers' claims which may be asserted against de Havilland for production slow-down or termination and potential claims against de Havilland pursuant to product financing agreements up to a maximum of $60,000; and

(3) Claims related to possible losses caused by health hazards to workers at the de Havilland factory.
Provisions for the contingent liabilities are reflected in these financial statements to the extent that reasonable estimates can be made. Further provisions will be recognized as appropriate in future years when reasonable estimates can be made as to the likely amount, if any, which will ultimately be paid pursuant to the indemnities.

(b) On December 23, 1986 the corporation sold its investment in Canadair Limited to Bombardier-Canadair Inc. The corporation and the Government of Canada have agreed to indemnify Bombardier-Canadair Inc. and Canadair Limited for certain contingent liabilities and other expenditures which may be incurred by Bombardier-Canadair Inc. and Canadair Limited over a maximum of five years from December 23,

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1987—*Concluded*

1986, and for specified product related claims for fifteen years for which insurance coverage is unavailable or economically impracticable to obtain. Reasonable estimates of the effects, if any, of such indemnities cannot be made at this time. Such amounts will be recognized in future years, as appropriate, when reasonable estimates can be made as to the likely amount, if any, which will ultimately be paid pursuant to the indemnities.

8. Canadair technology rights

Effective December 22, 1986, the corporation entered into an exclusive agreement, for a term of twenty-one years, with Canadair Limited with respect to the use of the Challenger technology, in return for which the corporation will receive specified royalties.

The corporation may, at any time to December 23, 1988, terminate the agreement by electing to receive an aggregate amount of $20,000 less royalties received at the time of election. As at December 31, 1987 no royalties in this regard had been received.

9. Net operating income (expenses) of CDIC

	1987	1986
Service fees from subsidiaries		1,704
Interest earned on short-term investments and notes receivable	3,573	308
Other income	96	79
	3,669	2,091
Corporate and divestiture expenses	2,735	4,483
	934	(2,392)
Recovery of divestiture expenses incurred in prior years	2,089	1,225
Net operating income (expenses)	3,023	(1,167)

Divestiture expenses include costs of disposing of Teleglobe Canada which were recovered at the time of sale.

10. Income tax

As at December 31, 1987, Cartierville Financial has tax losses of $269,000 available to reduce taxable income expiring as following:

1990	177,000
1991	92,000
	269,000

11. Subsequent events

(a) On February 22, 1988, CDIC, the Government of Canada, Crown Investments Corporation of Saskatchewan, an agency of the Government of Saskatchewan and the Government of Saskatchewan signed a letter of intent which provides for the sale of substantially all of the assets of Eldorado to a new corporation ("Newco"). Simultaneously, substantially all of the assets of Saskatchewan Mining Development Corporation ("SMDC") will also be sold to Newco. As consideration for the sales, the letter of intent provides that Eldorado and SMDC will receive shares and notes of Newco which will give control of Newco to the Government of Saskatchewan and will give Eldorado a minority shareholding in Newco. The letter of intent contemplates, in part, that the Newco notes will be repaid shortly after the completion of the transaction from the proceeds of bank financing.

Completion of the transactions contemplated by the letter of intent by CDIC and Eldorado is subject to conclusion of definitive agreements and requires the approval of Parliament.

The effect of this transaction on the carrying value of the assets of the corporation at December 31, 1987 cannot be determined at this time.

(b) On January 8, 1988 the corporation disposed of its investment in the Varity warrants for net cash proceeds of approximately $3,000.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX

ELDORADO NUCLEAR LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDER OF ELDORADO NUCLEAR LIMITED

We have examined the statement of consolidated financial position of Eldorado Nuclear Limited as at December 31, 1987 and the statement of consolidated earnings and retained earnings and changes in consolidated financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for pension costs and obligations as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the consolidated financial statements have, in all significant respects, been in accordance with part XII of the Financial Administration Act and regulations, and the charters and by-laws of the Corporation.

Clarkson Gordon
Chartered Accountants

Ottawa, Canada
February 3, 1988
(Except as to note 17 which is as of February 22, 1988)

STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS AT DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Current assets		
Cash and short-term investments		6,903
Accounts receivable	45,730	20,180
Income taxes receivable	6,250	7,062
Inventories	62,096	70,386
Supplies and prepaid expenses	12,213	13,233
	126,289	117,764
Current liabilities		
Bank loans and short-term debt	31,259	82,007
Accounts payable and other liabilities	72,386	59,868
Long-term debt due within one year	153,366	1,745
	257,011	143,620
Working capital (deficiency)	(130,722)	(25,856)
Non-current assets		
Property and equipment	728,772	766,089
Deferred charges	43,610	39,285
Inventory committed under long-term contracts		29,306
Other assets	2,541	2,962
	774,923	837,642
Capital employed	644,201	811,786
Represented by		
Long-term debt	419,673	547,206
Advances under long-term contracts		52,490
Other liabilities	1,000	2,510
Provision for reclamation	27,337	25,434
Minority shareholding in a subsidiary	43,500	43,500
	491,510	671,140
Shareholder's equity		
Share capital	296,586	296,586
Deficit	(143,895)	(155,940)
	152,691	140,646
Total financing of capital	644,201	811,786

See accompanying notes.

Approved by the Board of Directors:

MARCEL BÉLANGER
Director

N. M. EDIGER
Director

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX—*Continued*

ELDORADO NUCLEAR LIMITED—*Continued*

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Revenue		
Sales of products and services	335,015	202,266
Expenses		
Cost of products and services sold	213,075	141,614
Exploration	1,293	5,470
Research and technology	2,336	3,197
Administration	8,928	8,318
Total operating expenses	225,632	158,599
Earnings from operations	109,383	43,667
Financing expense		
Interest	68,853	75,133
Foreign exchange	26,316	24,053
Other expense (income)	(4,371)	1,305
Earnings (loss) before taxes, preferred share distribution and extraordinary items	18,585	(56,824)
Income taxes and mineral royalties	19,472	3,184
Distribution to preferred shareholders of a subsidiary	4,350	4,350
Loss before extraordinary items	(5,237)	(64,358)
Sale of assets from discontinued operation less related income taxes of $2,828	2,519	
Reduction of income taxes due to loss carry forwards	14,763	
Net earnings (loss)	12,045	(64,358)
Deficit—Beginning of year	(155,940)	(91,582)
Deficit—End of year	(143,895)	(155,940)

See accompanying notes.

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Operating activities		
Cash received from sales	269,423	196,518
Cash applied to		
Production costs	113,843	109,547
R&T, exploration & administration	11,661	16,465
Mineral royalties	5,259	9,230
	130,763	135,242
Cash provided from operations	138,660	61,276
Investing activities		
Cash received from		
Sale of property and equipment	2,517	7,035
Income tax receivable	1,171	
	3,688	7,035
Cash applied to		
Additions to property and equipment	14,049	14,357
Additions to deferred charges	2,456	13,906
Mine shutdown	1,711	764
	18,216	29,027
Cash required for investment	14,528	21,992
Net cash provided from operations and investment	124,132	39,284
Financing activities		
Cash received from		
Income on investments	62	595
Cash applied to		
Repayment of long-term debt	6,157	69,475
Net change in short-term debt	50,748	(81,901)
Interest on debt	69,842	81,532
Distribution to preferred shareholders of a subsidiary	4,350	4,350
	131,097	73,456
Cash required for financing	131,035	72,861
Increase (decrease) during the year	(6,903)	(33,577)
Cash and short-term investments at beginning of year	6,903	40,480
Cash and short-term investments at end of year		6,903

See accompanying notes.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX—*Continued*

ELDORADO NUCLEAR LIMITED—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987
(All dollar amounts are stated in thousands)

1. Eldorado Nuclear Limited

Eldorado Nuclear Limited is incorporated under the Canada Business Corporations Act, is subject to the Financial Administration Act, the Government Companies Operations Act, is an agent of Her Majesty in Right of Canada, and is wholly-owned by Canada Development Investment Corporation.

The Company is primarily engaged in the mining, refining and conversion of uranium for sale as fuel for generating electricity in nuclear power reactors in Canada and other countries.

2. Accounting policies

A statement of significant accounting policies of the Company is provided elsewhere herein.

3. Change in accounting policy

Effective January 1, 1987, the Company changed its method of accounting for pension costs and obligations on a prospective basis to conform to the recommendations of the Canadian Institute of Chartered Accountants. Under the new method, the excess of pension plan assets over the present value of accrued pension benefits as at January 1, 1987 and adjustments arising from past service benefits and experience gains and losses are amortized over the expected average remaining service lives of the employee groups covered by the Company's pension plan. In previous years, pension plan costs were charged to operations based on actuarial funding requirements. The effect of this change is to increase income for the current year by $7.2 million.

4. Other expense (income)

	1987	1986
Write-down of fixed assets	386	992
Interest on investments	(84)	(706)
Other	327	1,019
Sale of resources property	(5,000)	
Total	(4,371)	1,305

5. Income taxes and mineral royalties

The provisions for income taxes and mineral royalties are as follows:

	1987	1986
Income taxes	11,935	
Mineral royalties	7,537	3,184
Total	19,472	3,184

The 1987 statutory tax rate of 52.9% (1986—54.2%) has been increased to an effective tax rate of 64.2%, as a result of the non-deductibility for tax purposes of certain expenses, net of rate reductions attributable to resource and depletion allowances available under the Income Tax Act. In 1986, the effective tax rate was further reduced to zero, because the company did not record a tax benefit relating to its accounting loss in that year, as it was not virtually certain that this benefit would be realized.

At December 31, 1987, the Company had tax loss carry-forwards, investment tax credits, earned depletion banks, and timing differences aggregating approximately $104.5 million for which no accounting benefit has been recognized. This amount includes $79.3 million which will expire at various dates up to 1994. The balance can be carried forward indefinitely.

6. Inventories

	1987	1986
Eldorado uranium	48,528	59,367
Customer conversion	11,515	9,681
Specialty metals	2,053	1,338
Total	62,096	70,386

7. Property and equipment

	1987	1986
Mining		
Plant and equipment	285,100	181,175
Development costs	55,685	49,096
Property acquisitions	156,460	156,460
Collins Bay project		100,878
Fuel services		
Plant and equipment	413,783	411,539
Other	11,325	12,907
Total property and equipment	922,353	912,055
Less: accumulated depreciation and amortization	193,581	145,966
Net property and equipment	728,772	766,089
Depreciation and amortization for year	48,517	44,407

8. Joint venture activities

Through a wholly-owned subsidiary, the Company is a one-sixth partner in a joint venture mining operation at Key Lake, Saskatchewan. In accordance with the joint venture agreement, Eldorado is obligated to meet its proportionate share of the commitments of the joint venture. Other than normal operating expenditures, the Company has no outstanding commitments as at December 31, 1987.

The following amounts are included in the financial statements and represent the Company's proportionate share of the assets, liabilities, and operating expenses of the Key Lake mining joint venture:

	1987	1986
Assets	94,220	94,567
Liabilities	1,084	1,330
Net assets	93,136	93,237
Expenses	8,713	8,785

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX—*Continued*

ELDORADO NUCLEAR LIMITED—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987—*Continued*

9. Deferred charges

	1987	1986
Preproduction	32,289	36,815
Financing costs	4,095	2,470
Pension	7,226	
Total	43,610	39,285
Amortization for year	5,357	3,218

10. Minority shareholding in a subsidiary

An Eldorado subsidiary company has $43.5 million redeemable preferred shares outstanding. These shares, with certain restrictions, can be redeemed between 1988 and 1994 and bear a 10 percent annual dividend. As security, the minority shareholders have a lien on certain uranium inventory. At Eldorado's option, the lien can also be satisfied from time to time by a letter of credit. At December 31, 1987, the Company had inventories in excess of the prescribed value.

11. Long-term debt

	1987	1986
Loan due 1988-1992, at 5.0% (1.8 billion Japanese yen)	19,297	17,450
Notes due 1988, at 9.19% (10.108 billion Japanese yen)	108,358	88,192
Debenture due 1988, at 11%	30,000	30,000
Euro notes, due 1989 to be set semi-annually at LIBOR rate ($100 million U.S.)	129,980	138,050
Notes due 1990, at 9.125%	10,093	10,093
Loan due 1991, at 4.75% (95 million Swiss francs)	97,156	85,590
Loan due 1992, at 14.25% ($44.7 million U.S.)	58,037	61,641
Notes due 1992, at 14.5% ($100 million U.S.)	129,980	138,050
Bonds due 1992, at 8.5% (10 billion Japanese yen), with 10% of principal due in each of years 1988-1991	107,201	87,250
Sub-total	690,102	656,316
Less: current portion of long-term debt listed above	153,366	1,745
deferred loss on foreign exchange	117,063	107,365
Total	419,673	547,206

Long-term debt payments due in each of the next five years are: 1988—$153.4 million; 1989—$145.0 million; 1990—$25.1 million; 1991—$112.1 million; 1992—$254.5 million. Interest on long-term debt amounted to $64.9 million (1986—$71.1 million).

12. Share capital

	1987	1986
Authorized		
Common shares	(Unlimited number no par value)	
Preference shares	1,600,000	1,600,000
Issued and fully paid		
Common—3,852,880 shares (1986—3,852,880)	201,586	201,586
Preference—800,000 shares (1986—800,000)	95,000	95,000
	296,586	296,586

Each preference share is redeemable at the option of either party at a value of $118.75 per share and carries a non-cumulative dividend of $7.125 per annum.

13. Commitments and contingencies

(a) In 1986, the government ordered Eldorado to cease its program to site a new waste disposal facility to accommodate the wastes currently at two waste storage sites. Responsibility for selecting a new disposal site now rests with the government. The Company will continue to expense the ongoing maintenance costs of the existing storage facilities. No provision will be made for future disposal costs until a new site is selected and approved, the costs can be reasonably estimated, and the responsibilities for such costs are determined.

(b) To reduce its dependency on oil-generated electricity, the Company has entered into a 10-year commitment, with certain qualifications, to buy 50 GWH per year of hydro electric power at 12 cents per KWH, a price which approximates its current cost of oil-generated electricity.

(c) In connection with its operations, the Company is the defendant in certain litigation. While the amount of any ultimate liability cannot yet be determined, the Company, after discussion with legal counsel, is of the opinion that there will be no material adverse effect on its financial position.

14. Pension plan

The Company has defined benefit pension plans covering all of its regular full-time employees.

The market value of pension fund assets was as follows:

	$
January 1, 1987	106.7 million
December 31, 1987	110.7 million

The actuarial present value of accrued pension benefits attributable to services rendered up to the dates specified was as follows:

	$
January 1, 1987	51.1 million
December 31, 1987	53.1 million

15. Supplementary information

(a) During 1987, the Company paid sales commissions to Marubeni Corporation, Toyomenka Canada Ltd., Mitsubishi Corporation Tokyo, New York Nuclear Corporation and Nukem Inc.

(b) During 1987, the total remuneration paid to the Company's outside directors was $97,334 (1986—$101,792). The Company's officers received remuneration totalling $640,592 (1986—$633,500). Two officers are also directors but are not compensated for service as a member of the Board or its committees.

16. Segmented information

(a) Industry Segment

The Company is of the opinion that virtually all its sales revenues are in the industry segment identified as the nuclear fuel industry.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX—*Continued*

ELDORADO NUCLEAR LIMITED—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987—*Concluded*

(b) Sales

Sales revenues, which are derived primarily from sales to foreign and domestic electric utilities, are as follows:

	1987	1986
Export sales	300,664	159,414
Domestic sales	34,351	42,852
Total sales	335,015	202,266

17. Subsequent event

On February 22, 1988, CDIC, the Government of Canada, Crown Management Board, an agency of the Government of Saskatchewan and the Government of Saskatchewan signed a letter of intent which provides for the sale of substantially all of the assets of Eldorado to a new corporation ("Newco"). Simultaneously, substantially all of the assets of Saskatchewan Mining Development Corporation ("SMDC") will also be sold to Newco. As consideration for the sales, the letter of intent provides that Eldorado and SMDC will receive shares and notes of Newco which will give control of Newco to the Government of Saskatchewan and will give Eldorado a minority shareholding in Newco. The letter of intent contemplates, in part, that the Newco notes will be repaid shortly after the completion of the transaction from the proceeds of bank financing.

Completion of the transactions contemplated by the letter of intent by CDIC and Eldorado is subject to conclusion of definitive agreements and requires the approval of Parliament.

The effect of this transaction on the carrying value of the assets of the Company at December 31, 1987 cannot be determined at this time.

STATEMENT OF ACCOUNTING POLICIES

The accompanying consolidated financial statements were prepared by management in conformance with Canadian generally accepted accounting principles considered to be appropriate in the circumstances, and have been applied, except for the change in the method of accounting for pension costs and obligations as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year. A summary of significant accounting policies of the Company is presented to assist the reader in interpreting the statements contained herein.

Consolidation

The consolidated financial statements include the accounts of Eldorado Nuclear Limited, its wholly-owned subsidiaries, and the Company's proportionate interest in the accounts of the Key Lake mine joint venture.

Inventories

Inventories of mine concentrates, refined and converted products are valued at the lower of weighted average cost or net realizable value. Cost for customer-owned products is the cost of the refining and conversion processes only.

Inventories of mine concentrates are initially measured and accounted for in the financial statements when the material is sealed in containers upon completion of the milling process.

Supplies

Operating and general supplies are carried at lower of cost or market.

Property and Equipment

Assets are carried at cost. Costs of additions, betterments, and renewals are capitalized. When assets are retired or sold, the resulting gains or losses are reflected in current earnings.

Maintenance and repair expenditures are charged to cost of production.

Pension Costs and Obligations

The Company uses an accrued benefit actuarial method and best estimate assumptions to value pension obligations. Adjustments arising from past service benefits and experience gains and losses are amortized over the expected average remaining service lives of the employee groups. Current service costs are expensed in the period.

Depreciation and Amortization

Fuel Services and Mining buildings and equipment, mine development and mineral properties are depreciated or amortized according to the unit-of-production method. This method allocates the cost of these assets to each accounting period. For Fuel Services, the amount is equal to the portion of the facilities' total estimated lifetime production produced in that period. For Mining, the amount is equal to the portion of the mine's total recoverable ore reserves recovered during the period.

Mobile mining equipment and other assets, including Research & Technology, Exploration, Specialty Metals, and Corporate assets, are depreciated according to the composite straight-line method based on the estimated useful lives of these assets, which ranges from 3 to 10 years.

Fuel Services and certain mining facility costs associated with capacity additions are deferred until a commercial level of production is achieved. These costs are then amortized over 10 years. Other costs are charged to production as incurred.

Amortization of Financing Costs

Debt discounts and issue expenses associated with long-term financing are deferred and amortized over the term of the debt.

Provision of Reclamation

The estimated costs of decommissioning and reclaiming producing resource properties are accrued and charged to operations according to the unit-of-production method. Actual costs of decommissioning and reclamation are applied to this accrual.

Research and Technology and Exploration Costs

Expenditures for applied research and technology relative to the products and processes of the Company and expenditures for geological exploration programs are charged against earnings as incurred.

Sales of Products and Services

In accordance with normal industry practices, the Company contracts for future delivery of mine concentrates and conversion services. Sales revenue is recorded in the fiscal year that title passes or, with customer-owned material, when delivery is effected.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Concluded*

APPENDIX—*Concluded*

ELDORADO NUCLEAR LIMITED—*Concluded*

STATEMENT OF ACCOUNTING POLICIES—*Concluded*

Foreign Exchange

Cash and short-term investments, accounts receivable, accounts payable, short-term and long-term debt denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at year-end. Income and expenses are translated at rates in effect at the time of the transaction.

Except for long-term debt that is hedged, the change in value in Canadian funds over the year of long-term debt denominated in a foreign currency is amortized evenly over the remaining life of the debt. For all other accounts, gains or losses resulting from foreign currency translation are reflected in the statement of consolidated earnings and retained earnings.

SUMMARY PAGE

CANADA HARBOUR PLACE CORPORATION

MANDATE

Administer properties at Canada Place in Vancouver, originally constructed as the Canadian pavilion at Expo 86.

BACKGROUND

The Corporation was incorporated in 1982 to design, construct and manage a facility called Canada Place, built by the federal government as its contribution to Expo 86. The facility includes a cruise ship terminal, a hotel, an office complex, a convention centre (formerly the location of the Canadian pavilion at Expo 86) leased to the Province of British Columbia, a parking lot, and various commercial and public use areas.

CORPORATION DATA

HEAD OFFICE	Suite 600 999 Canada Place Vancouver, British Columbia V6C 3C1
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1982; by letters patent (no. 132316) under the *Canada Business Corporations Act.*
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Thomas G. Rust
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	71.0*	86.0*	145.2	88.3
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	70.6	80.3	132.7	76.5
Cash from Canada in the period				
— budgetary	2.0	13.6	55.6	48.1
— non-budgetary	nil	nil	nil	nil

* Amounts relating to construction of the Canada Pavilion at Expo 86 which were capitalized previously were expensed as: in 1986-87, $43.7 million and in 1987-88, $9.4 million.

CANADA HARBOUR PLACE CORPORATION

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of Canada Harbour Place Corporation as at March 31, 1988 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, and the articles and by-laws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 3, 1988

BALANCE SHEET AS AT MARCH 31, 1988
(in thousands of dollars)

ASSETS	1988	1987	LIABILITIES AND EQUITY OF CANADA	1988	1987
Cash and short-term investments	427	8,981			
Accounts receivable	750	2,993	Accounts payable	387	5,726
Fixed assets (Note 3)	69,870	74,052	Equity of Canada	70,660	80,300
	71,047	86,026		71,047	86,026

Approved by the Board:

THOMAS RUST
Director

JIM GREEN
Director

CANADA HARBOUR PLACE CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Canada Pavilion (Note 5)		
Revenues	245	9,352
Expenses	(70)	75,219
Net expenses (revenues)	(315)	65,867
Canada Place (Note 6)		
Revenues	4,790	
Expenses	6,376	
Net expenses before extraordinary items	1,586	
Extraordinary items (Note 7)		
Transfer of access road to City of Vancouver	9,369	
Payment to British Columbia	1,000	
Net expenses	11,955	
Net cost of operations	11,640	65,867

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Capital stock		
Contributed capital		
Balance at beginning of year	80,300	132,703
Parliamentary appropriations received during the year	2,000	13,464
	82,300	146,167
Net cost of operations	11,640	65,867
Balance at end of year	70,660	80,300

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Cash Used for Operations		
Net cost of operations	(11,640)	(65,867)
Items not requiring cash		
Depreciation	1,952	
Transfer of access roads to City of Vancouver	9,369	
Transfer of net deferred costs to operations		43,712
Decrease in accounts payable	(5,339)	(6,753)
Decrease in accounts receivable	2,243	1,512
	(3,415)	(27,396)
Cash Provided by Financing Activities		
Parliamentary appropriations from Canada	2,000	13,464
Cash Invested		
Additions to fixed assets	7,139	6,264
Decrease in cash during the year	(8,554)	(20,196)
Cash and short-term investments		
Beginning of year	8,981	29,177
End of year	427	8,981

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

1. Authority and objectives

Canada Harbour Place Corporation was incorporated on June 9, 1982 under the Canada Business Corporations Act. The Corporation is named as an agency Crown corporation in Part I of Schedule C of the Financial Administration Act. The only three shares issued are all held in right of Canada by the Minister of Transport, the Minister responsible for the Corporation.

The objectives of the Corporation are to act as a developer and acquire, administer and dispose of land, and manage real property for the Government of Canada in Vancouver, B.C. For this purpose it designed and constructed a facility called Canada Place which includes a cruise ship terminal, a trade and convention centre, which was formerly the Canada Pavilion at Expo 86, various commercial and public facilities, a parking lot and infrastructure for a hotel.

The total cost of the facility at Canada Place, including the Canada Pavilion for Expo 86 and the cost to convert the Pavilion to a Trade and Convention Centre, was estimated at $227.4 million of which $151.80 million was expected to be contributed by the Government, $22.8 million by the Vancouver Port Corporation in respect of the cruise ship terminal and $52.8 million from other sources.

The Responsible Minister is to recommend to the Governor in Council prior to December 31, 1988 on the continued activities of the Corporation beyond that date.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles. The more significant accounting policies of the Corporation are as follows:

Fixed Assets

All expenditures including those for acquisition, design, construction and administration for the permanent structures at Canada Place were capitalized at the time the facility was fully developed.

Prior to the completion of the development of the facility, interest income was credited to construction in progress. Receipts from the sale of development rights, leasehold and Imax Theatre sponsorship were also deducted from the construction costs.

Depreciation is calculated on a straight-line basis based on the estimated useful lives of the assets. The building is depreciated over 40 years, while furniture, fixtures and equipment are depreciated over 20 years. Furniture, fixtures and equipment includes items which are not integrated into the building structure.

Canada Pavilion

The expenditures on the Pavilion consist of the costs to design, construct and fit out the Pavilion and to organize, operate and manage the participation of the Government of Canada as exhibitor and host nation for Expo 86, and to dismantle the Pavilion, net of related revenues and proceeds from disposal.

Income Taxes

The Corporation is exempt from any liability for income taxes.

Employee Termination Benefits

On termination of employment, employees of the Corporation are entitled to certain benefits in accordance with corporation policies. The liability for these benefits is recorded in accounts payable.

CANADA HARBOUR PLACE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Continued*

3. Fixed Assets

The fixed assets of the Corporation represent the net book value of Canada Place facility. During the year the Corporation completed construction of the facility and the costs were reclassified from construction in progress to fixed assets. Depreciation commenced in April 1987.

(a) Construction in progress

	Cumulative to March 31, 1987	1988	Cumulative to March 31, 1988
	(in thousands of dollars)		
Construction costs	95,942	1,046	96,988
Soft costs	17,375	146	17,521
Access and site purchase	14,760	7	14,767
Trade and Convention Centre conversion	11,764	5,940	17,704
Total costs	139,841	7,139	146,980
Less receipts (Note 4)	65,789		65,789
Costs, net of receipts	74,052	7,139	81,191
Less Access Roads (Note 7)		9,369	9,369
Transferred to fixed assets	74,052	(2,230)	71,822

Title to that part of the bed of Vancouver harbour on which the facility is located was transferred to the Corporation from Vancouver Port Corporation for one dollar and has been so recorded in site purchase costs.

(b) Fixed assets and depreciation

For depreciation purposes, fixed assets have been classified as follows:

	Net Cost	Accumulated Depreciation	Net
	$	$	$
Building	65,581	1,640	63,941
Furniture, fixtures and equipment	6,241	312	5,929
	71,822	1,952	69,870

4. Receipts

	(in thousands of dollars)
Lease Agreements	
Hotel Air Rights	29,838
Parking Lot	2,051
Development Agreement	
Cruise Ship Terminal	22,807
Sponsorship Agreement	
Imax Theatre	5,000
Interest Income	5,657
Restaurant	403
Other	33
	65,789

(a) Lease Agreements—Hotel Air Rights and Parking Lot

In 1983, the Corporation entered into 99 year agreement with Tokyu Canada Corporation, for the lease of air rights at Canada Place to Tokyu. The net amount under the lease for air rights and related construction costs is $29.8 million. Tokyu will also pay additional rent for its share of the common area and operating costs.

In 1986, the Corporation entered into a 20 year agreement with Citicom Ltd. to operate the parking facilities at Canada Place. Citicom paid $1 million to the Corporation at the time the agreement was signed and made monthly payments totalling $1.051 million based on varying percentages of gross parking revenues.

(b) Development agreement—Cruise Ship Terminal

The Corporation executed a development agreement with the Vancouver Port Corporation to construct a cruise ship terminal for $22.8 million in the Canada Place project.

(c) Sponsorship agreement—Imax Theatre

The Corporation entered into an agreement with Canadian National which provides CN with certain rights respecting an Imax Theatre at Canada Place. These rights are for the sponsorship of the film "Transitions" and for the theatre to be named the "CN Imax Theatre" for a period of 40 years commencing May 2, 1986. In return for these rights, CN paid the Corporation $5 million which has been allocated wholly against construction costs.

5. Canada Pavilion

	Cumulative to March 31, 1987	1988	Cumulative to March 31, 1988
	(in thousands of dollars)		
Revenues			
Sponsorship	4,350	223	4,573
Food Fair and Retail	5,002	22	5,024
	9,352	245	9,597
Expenses			
Construction and exhibitry	37,742	114	37,856
Imax Theatre	5,414	(221)	5,193
General administration	5,496	2	5,498
Cultural programs	8,433		8,433
Public affairs	4,785	13	4,798
Operations	8,995		8,995
Building management	3,222		3,222
Commissioner General	2,073	22	2,095
Royalty Fees—Expo '86	830		830
Exhibitry disposal proceeds	(1,771)		(1,771)
	75,219	(70)	75,149
Net expenses	65,867	315	65,552

6. Canada Place

The Corporation commenced building management operations in 1987. Previously the Corporation was in the building construction and conversion phase.

	(in thousands of dollars)
Revenues	
Operating and utilities recovery	2,982
Parking	1,103
Interest	327
Imax Theatre	184
Tenant administration fee	111
Restaurant	73
Miscellaneous	10
	4,790

CANADA HARBOUR PLACE CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

Expenses	
Operations	
Central plant and utilities	1,716
Direct operating expenses	1,343
	3,059
Administration and public relations	
Advertising and promotion	609
Salaries	255
Imax	160
Legal and professional	108
Office rental	82
Repair and maintenance	37
Communications	37
Travel	35
Promenade shops	31
Miscellaneous	11
	1,365
Depreciation	1,952
	6,376

Canada Place revenues and expenses relate to the management of Canada Place including the leasing of these facilities to various tenants. Central plant and utilities include the Hydro, natural gas, oil, labour and supplies used to supply power, water, air conditioning and heat for the facility. Direct operating expenses include salaries, insurance, security, and other items which are recoverable from the tenants.

Operating costs recoveries include amounts recovered from the Corporation's tenants for operating expenses, central plant and utilities. During the year these costs exceeded the associated recoveries by approximately $77,000. This is caused by the Corporation incurring expense for areas which it is responsible, but can not charge to tenants.

7. Extraordinary Items

(a) Transfer of access roads to City of Vancouver

In accordance with an agreement with the City of Vancouver, the ownership of the access roads to the facility was transferred at no cost to the City. The $9.4 million cost of the access roads was previously capitalized as construction in progress.

(b) Payment to British Columbia

In accordance with a lease agreement with the Province of B.C., the Corporation, for a nominal consideration of $1, transferred the administration and maintenance of the Trade and Convention Centre space in Canada Place including pre-function areas, meeting rooms and retail space for a term of 20 years with renewal options for three successive similar terms. The terms of this transfer also required payment of $1 million to the Province of B.C. This one time expense, comprising both cash and equipment, is considered an extraordinary initial operational expense and has been accounted for accordingly.

8. Commitments

The Corporation has entered into a long-term lease agreement for the Imax projection system which provides escalation at the rate of the Consumer Price Index. The minimum annual lease payment for the years 1989 to 1993 will be $177,000.

The Corporation has a lease agreement for office accommodation aggregating $189,800 for the period April 1, 1988 to September 30, 1990. The agreement also calls for pro-rata share of operating costs estimated at $44,500 for the year ending March 31, 1989.

9. Retirement Plan

The Corporation has agreed to make annual payments for long term employees to retirement plans of their choice. These benefits are equivalent to 8½% of the annual salary for each of these employees.

10. Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with departments, agencies and Crown corporations in the normal course of business.

SUMMARY PAGE

CANADA LANDS COMPANY LIMITED

MANDATE

The Canada Lands Company Limited has the mandate to hold certain leases for a property in London, England and two properties on Indian reserves in Canada. It is also the shareholder in three subsidiary corporations.

BACKGROUND

Formerly the Public Works Lands Company, the corporation is not active; it transacts no business. It has three subsidiaries, Canada Lands Company (Mirabel) Limited, Canada Lands Company (Le Vieux-Port de Montréal) Limited and Canada Lands Company (Vieux-Port de Québec) Inc.

CORPORATION DATA

HEAD OFFICE	Sir Charles Tupper Building Confederation Heights Riverside Drive Ottawa, Ontario K1A 0M2
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Stewart McInnes, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1956; by letters patent; reorganized under the *Canada Corporations Act*, September 19, 1977. Certificate of Continuance under the *Canada Business Corporations Act* July 7, 1981.
CHIEF EXECUTIVE OFFICER	Robert Giroux
AUDITOR	The Auditor General of Canada

FINANCIAL INFORMATION.

The corporation's financial year ends March 31. No value is assigned in its accounts to any of its assets; the accounts of its subsidiaries are reported separately and are not consolidated with those of this corporation since it is not likely to benefit from any increase in the equity of the subsidiaries.

CANADA LANDS COMPANY LIMITED

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined, in accordance with generally accepted auditing standards, the balance sheet of Canada Lands Company Limited as at March 31, 1988. In my opinion, it presents fairly the financial position of the Corporation at that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the balance sheet have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the articles and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 17, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987	SHAREHOLDER EQUITY	1988	1987
	$	$		$	$
Investments (Notes 2(a), 2(b) and 2(c))			Capital stock (Note 2(d))		

Approved by the Board:

R. J. GIROUX
President

CANADA LANDS COMPANY LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENT
MARCH 31, 1988

1. Authority and activities

The Canada Lands Company Limited, an agent corporation, originally named Public Works Lands Company Limited, was incorporated under the Companies Act on March 7, 1956. It was added to Schedule C to the Financial Administration Act on May 17, 1979 and listed as a parent Crown corporation on June 29, 1984 in Schedule C, Part I of the Financial Administration Act.

The Corporation has, by virtue of its letters patent of incorporation, the power to acquire, purchase, lease, hold, improve, manage, exchange, sell, turn to account or otherwise deal in or dispose of real or personal property or any interest therein. However, it has been used only to hold, in trust for other departments, certain leasehold interests in two properties in London, England, and two properties on Indian reserves in Canada. Funding for these leases is borne by other departments.

2. Significant accounting policies

(a) Investments in subsidiaries

The Corporation wholly owns the following three subsidiary corporations:

Canada Lands Company (Mirabel) Limited

Canada Lands Company (Vieux-Port de Québec) Inc.

Canada Lands Company (Le Vieux-Port de Montréal) Limited.

The shares have been acquired in consideration of services rendered.

(b) Other investments

The Corporation holds two out of the three issued shares of the Canada Museums Construction Corporation Inc. (CMCC). The third share is held by the Minister of Public Works. However, control of CMCC lies with the Minister of Public Works through a shareholders' agreement.

(c) Exclusion of subsidiaries from consolidation

The financial statements of the subsidiaries are excluded from consolidation because increases in their equity are not likely to accrue to the parent.

On January 22, 1987, the Governor General in Council declared that certain sections of the Financial Administration Act apply to the subsidiaries as if each of these corporations were a parent Crown corporation set out in Schedule C, Part I of the Act. Pursuant to this Order, these subsidiaries are required to submit their corporate plans, operating and capital budgets, summaries of the plans and budgets and annual reports in accordance with the Act. On March 24, 1988 the Governor in Council amended that approval to delete Canada Lands Company (Vieux-Port de Québec) Inc. from that requirement because it ceased operations as of March 31, 1988.

(d) Capital stock

The Corporation is authorized to issue three shares which shall not be transferred to any person other than a person approved by the Minister of Public Works. The authorized shares have been issued in consideration of services rendered and are held in trust for Her Majesty in right of Canada by the Minister of Public Works.

3. Financial statement

The Corporation has not been involved in any financial transactions. As a result, the balance sheet has nil balances and no other financial statement is presented.

4. Related party transactions

The Department of Public Works provides the Corporation, without charge, with such executive and administrative functions as are required for its operations.

5. Subsequent events

Canada Lands Company (Vieux-Port de Québec) Inc. has ceased operations effective March 31, 1988. Canada Lands Company (Mirabel) Limited has taken initial steps to wind down its operations. Administrative functions have been assumed by Department of Public Works' personnel. However, decisions have yet to be taken with respect to formal dissolution of these corporations.

SUMMARY PAGE

CANADA LANDS COMPANY (MIRABEL) LIMITED

MANDATE

Administer, pending disposition, and sell on behalf of the Crown, properties peripheral to the airport called Montreal North.

BACKGROUND

Since July 1982, the corporation has managed the lands which the Crown had acquired for the international airport at Mirabel but which were not required for the functioning of the airport. A program for the sale of all those properties has been developed and is being implemented by the corporation. As of March 23, 1988 the management of the corporation's affairs was assumed by the Department of Public Works.

CORPORATION DATA

HEAD OFFICE	9850 Belle Rivière P.O. Box 180 Mirabel, Quebec J0N 1S0
STATUS	— an agent of Her Majesty — A wholly-owned subsidiary of Canada Lands Company Limited; it has been directed by Order in Council (PC 1987-86) to report its affairs as if it is a parent Crown corporation.
APPROPRIATE MINISTER	The Honourable Stewart McInnes, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1981; by Canada Lands Company Limited, under the *Canada Business Corporations Act.*
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Jocelyne Ouellette
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	2.7	5.4	3.2	5.0
Obligations to the private sector	nil	nil	1.2	0.1
Obligations to Canada	nil	nil	1.3	4.3
Equity of Canada	nil	nil	nil	nil
Cash from Canada in the period				
— budgetary, net	5.3	6.8	2.4	5.2
— non-budgetary	nil	nil	nil	nil

CANADA LANDS COMPANY (MIRABEL) LIMITED

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of Canada Lands Company (Mirabel) Limited as at March 31, 1988 and the statements of transactions and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the charter and by-laws of the Corporation, as well as the agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works, except for the situation described in Note 10 to the financial statements for which I report that the Corporation exceeded the total of the expenditures included in its corporate plan, without having obtained the proper authorizations, which is contrary to the provisions of the Financial Administration Act and of the above-mentioned agreement.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 17, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987
	$	$
Cash	957,539	4,521,289
Accounts receivable	373,472	739,019
Due from Minister of Public Works (Note 3)	1,167,436	
Mortgage loan receivable (Note 4)	152,550	
	2,650,997	5,260,308

LIABILITIES	1988	1987
	$	$
Accounts payable	879,331	1,210,277
Deposits on sales of properties awaiting approval	568,182	2,172,072
Due to Receiver General for Canada (Note 5)	1,203,484	1,617,598
Due to Minister of Public Works (Note 3)		260,361
	2,650,997	5,260,308
SHAREHOLDER'S EQUITY		
Capital stock (Note 6)		
	2,650,997	5,260,308

Approved by the Board:

JOCELYNE OUELLETTE
Director

ROBERT LEMAY
Director

CANADA LANDS COMPANY (MIRABEL) LIMITED—*Continued*

STATEMENT OF TRANSACTIONS CARRIED OUT AS AGENT AND ON BEHALF OF THE MINISTER OF PUBLIC WORKS FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Expenditures		
Expenditures incurred for goods received or services rendered		
Operating		
Wages, benefits and termination benefits	1,932,364	1,326,922
Professional services	570,629	956,446
Communications and promotion	471,468	180,822
Materials and maintenance contracts	262,833	854,988
Property appraisal	203,815	1,246,165
Vehicles and related expenses	203,163	133,346
Establishment of cadastres	185,899	766,344
General	137,996	124,316
Public utilities	106,550	105,729
Rentals	101,077	92,868
Hospitality and public relations	96,468	122,821
Office supplies	60,046	91,972
	4,332,308	6,002,739
Capital	12,753	130,360
	4,345,061	6,133,099
Agricultural investment acceleration program		
Contributions	1,853,353	720,350
Professional services and related expenses	600,141	551,555
	2,453,494	1,271,905
Operating grant related to the transfer of a property (Note 7)		250,000
Total of expenditures	6,798,555	7,655,004
Proceeds from other than the direct use of fixed assets		
Interest	338,868	298,369
Net expenditures to be funded (Note 3)	6,459,687	7,356,635
Cumulative net expenditures since April 9, 1981	60,838,511	54,378,824
Proceeds from the direct use of fixed assets		
Sales of properties (after deducting leasehold improvements reimbursed to tenants)	23,114,573	8,336,638
Rentals	487,455	1,235,097
Other	89,771	59,529
Total to be remitted (Note 5)	23,691,799	9,631,264
Cumulative direct proceeds since April 9, 1981	62,656,723	38,964,924
Excess of net expenditures over direct proceeds (excess of direct proceeds over net expenditures)		
For the year	(17,232,112)	(2,274,629)
Cumulative since April 9, 1981	(1,818,212)	15,413,900

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Operating activities		
Transactions carried out as agent and on behalf of the Minister of Public Works		
Proceeds from the direct use of fixed assets	23,691,799	9,631,264
Proceeds from other than the direct use of fixed assets	338,868	298,369
Remittances to the Consolidated Revenue Fund	(24,105,913)	(8,531,986)
Operating expenditures incurred for goods received or services rendered	(4,332,308)	(6,002,739)
Agricultural investment acceleration program	(2,453,494)	(1,271,905)
Operating grant related to the transfer of a property		(250,000)
	(6,861,048)	(6,126,997)
Decrease in accounts receivable	365,547	647,933
Increase (decrease) in accounts payable	(330,946)	564,951
Increase (decrease) in deposits on sales of properties awaiting approval	(1,603,890)	956,387
	(8,430,337)	(3,957,726)
Investing activities		
Mortgage loan receivable	(152,550)	
Capital expenditures carried out as agent and on behalf of the Minister of Public Works	(12,753)	(130,360)
	(165,303)	(130,360)
Financing activities		
Parliamentary appropriation less reimbursement	5,031,890	6,823,052
Increase (decrease) in cash during the year	(3,563,750)	2,734,966
Cash at beginning of the year	4,521,289	1,786,323
Cash at end of the year	957,539	4,521,289

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 1988

1. Authority and activities

Canada Lands Company (Mirabel) Limited was incorporated on April 9, 1981 under the Canada Business Corporations Act and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule C to the Financial Administration Act.

Effective July 1, 1981, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works, the Corporation is responsible for administering and developing a part of the peripheral lands of Mirabel in order to ensure a normal living environment for residents of the lands while safeguarding the operations of the Mirabel International Airport. The Corporation fulfills this responsibility in the name and for the account of the Minister of Public Works who continues to hold title to the fixed assets for the benefit of Her Majesty. On May 21, 1982, the Privy Council authorized the sale of certain properties; on February 23, 1984, it authorized the disposition of the remaining properties within the territory under its responsibility. On September 19, 1984, a moratorium suspended the sales program; the Privy Council authorized on June 11, 1985 an agricultural investment acceleration program and the resumption of sales under revised terms and conditions, approved by the Treasury Board.

CANADA LANDS COMPANY (MIRABEL) LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 1988—*Concluded*

2. Significant accounting policies

(a) Financial statements presentation

The statements present transactions carried out by the Corporation as agent and on behalf of the Minister of Public Works. All expenditures, net of proceeds from other than the direct use of fixed assets, are reimbursable to the Corporation. Proceeds from the direct use of fixed assets, principally rentals and sales of properties, are payable to the Receiver General for Canada.

Differences between parliamentary appropriations received and net reimbursable expenditures are recorded by the Corporation as due from or due to the Minister of Public Works.

(b) Employee termination benefits

On termination of employment, certain employees of the Corporation are entitled to benefits under conditions provided for under their employment contracts. The cost of these benefits is expensed in the year in which they are earned by the employees and the liability is included in accounts payable.

(c) Expenditures of a capital nature

Expenditures of a capital nature represent costs which significantly increase the value or extend the useful lives of properties administered by the Corporation.

(d) Contributions

Financial assistance under the agricultural investment acceleration program is recorded in the expenditures of the year in which the eligible work is carried out.

(e) Sales of properties

Sales of properties are recognized when title passes to buyers and the Corporation is entitled to receive the amount of the proceeds.

(f) Pension plan

All employees of the Corporation participate in the superannuation plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. The Corporation's contributions, representing its total liability, are recorded on a current basis.

3. Due from (due to) Minister of Public Works

	1988	1987
	$	$
Balance at beginning of the year	(260,361)	(793,944)
Net expenditures	6,459,687	7,356,635
	6,199,326	6,562,691
Less:		
funds drawn from Department of Public Works Vote 35 (Vote 30 in 1987) for Canada Lands Company (Mirabel) Limited	(5,292,251)	(6,823,052)
reimbursement of the unused portion of parliamentary appropriations drawn in previous years	260,361	
	(5,031,890)	(6,823,052)
Balance at end of the year	1,167,436	(260,361)

4. Mortgage loan receivable

The Corporation granted a mortgage loan of $152,550, bearing no interest, to a municipality on the sale of a property. The loan is reimbursable on the basis of nine annual instalments of $16,950 starting from April 1, 1988.

5. Due to Receiver General for Canada

	1988	1987
	$	$
Balance at beginning of the year	1,617,598	518,320
Direct proceeds	23,691,799	9,631,264
	25,309,397	10,149,584
Remittances to the Consolidated Revenue Fund	24,105,913	8,531,986
Balance at end of the year	1,203,484	1,617,598

6. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada, which may not be transferred without the consent of the Governor in Council. The authorized share has been issued in consideration of services rendered.

7. Operating grant related to the transfer of a property

On July 23, 1986, the Governor in Council transferred to the Province of Quebec, at no cost and under certain conditions, the administration and control of a property for the purpose of maintaining an educational activity centre. This transfer is conditional to the payment by the Corporation to the Government of the Province of Quebec of operating grants of $250,000 in 1986-87 and of $250,000 in 1988-89.

8. Commitments

Under the agricultural investment acceleration program, the Corporation has agreed to reimburse claimants with a portion of the cost of eligible work when carried out, which amounts to approximately $1,000,000 as at March 31, 1988 ($950,000 as at March 31, 1987).

9. Contingency

Legal action has been instituted against the Corporation, the Attorney General of Canada, the Minister of Transport and the Minister of Public Works by some of the original Mirabel property owners who are asking to have the 1969 expropriation declared invalid. In this context, a number of lessees have ceased to remit their rent to the Corporation. On March 27, 1985, a protocol of understanding was entered into with representatives of the original property owners whereby the parties undertake to discontinue all litigation actions between them. This protocol was approved in principle by the Privy Council on June 11, 1985.

10. Expenditures incurred and authorized

The expenditures incurred during the year amount to $6,798,555 whereas those authorized in the corporate plan of the Corporation amount to $5,583,000, resulting in an overexpenditure of $1,215,555.

This overexpenditure is due mainly to the facts that the eligible work under the agricultural investment acceleration program was greater than expected, that benefits were granted to the employees at the termination of their employment on March 25, 1988, and that communications and promotion expenses, not foreseen in the estimates, were incurred.

11. Management of the Corporation's affairs

Since March 25, 1988, the management of the Corporation's affairs is assumed by the Department of Public Works under the terms of a specific service agreement.

CANADA LANDS COMPANY (MIRABEL) LIMITED—*Continued*

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of Canada Lands Company (Mirabel) Limited as at March 31, 1987 and the statements of transactions and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the charter and by-laws of the Corporation, as well as the agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works.

I wish to bring to your attention that, until quite recently, the Board of Directors of the Corporation was composed exclusively of employees. In my view, such a situation is undesirable as it has the potential to weaken the accountability process. In this case, it did not promote a climate where operational and administrative controls were objectively exercised, at least in appearance. I note, however, that the composition of the Board was modified subsequent to the year-end to include three directors, independent of the Corporation, who constitute a majority of the Board of Directors.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
December 11, 1987

BALANCE SHEET AS AT MARCH 31, 1987

ASSETS	1987	1986	LIABILITIES	1987	1986
	$	$		$	$
Cash	4,521,289	1,786,323	Accounts payable	1,210,277	645,326
Accounts receivable	739,019	1,386,952	Deposits on sales of properties awaiting approval	2,172,072	1,215,685
			Due to Receiver General for Canada (Note 3)	1,617,598	518,320
			Due to Minister of Public Works (Note 4)	260,361	793,944
				5,260,308	3,173,275
			SHAREHOLDER'S EQUITY		
			Capital stock (Note 5)		
	5,260,308	3,173,275		5,260,308	3,173,275

Approved by the Board:

PIERRE HARDY
Director

CLAUDE VERMETTE
Director

CANADA LANDS COMPANY (MIRABEL) LIMITED—*Continued*

STATEMENT OF TRANSACTIONS CARRIED OUT AS AGENT AND ON BEHALF OF THE MINISTER OF PUBLIC WORKS FOR THE YEAR ENDED MARCH 31, 1987

	1987	1986
	$	$
Expenditures		
Expenditures incurred for goods received or services rendered		
Operating		
Wages and benefits	1,326,922	2,442,246
Property appraisal	1,246,165	2,510,541
Professional services	956,446	559,278
Materials and maintenance contracts	854,988	841,159
Establishment of cadastres	766,344	917,903
Communications and promotion	180,822	288,800
Vehicles and related expenses	133,346	101,731
General	124,316	148,654
Hospitality and public relations	122,821	133,072
Public utilities	105,729	108,333
Rentals	92,868	82,674
Office supplies	91,972	96,166
	6,002,739	8,230,557
Capital	130,360	539,445
	6,133,099	8,770,002
Agricultural investment acceleration program		
Contributions	720,350	
Professional services	551,555	
	1,271,905	
Operating grant related to the transfer of a property (Note 6)	250,000	
Total of expenses	7,655,004	8,770,002
Proceeds from other than the direct use of fixed assets		
Interest	298,369	260,232
Net expenditures to be funded (Note 4)	7,356,635	8,509,770
Cumulative net expenditures since April 9, 1981	54,378,824	47,022,189
Proceeds from the direct use of fixed assets		
Sales of properties (after deducting leasehold improvements reimbursed to tenants)	8,336,638	475,796
Rentals	1,235,097	2,688,892
Other	59,529	183,193
Total to be remitted (Note 3)	9,631,264	3,347,881
Cumulative direct proceeds since April 9, 1981	38,964,924	29,333,660
Excess of net expenditures over direct proceeds (excess of direct proceeds over net expenditures)		
For the year	(2,274,629)	5,161,889
Cumulative since April 9, 1981	15,413,900	17,688,529

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1987

	1987	1986
	$	$
Operating activities		
Transactions carried out as agent and on behalf of the Minister of Public Works		
Proceeds from the direct use of fixed assets	9,631,264	3,347,881
Proceeds from other than the direct use of fixed assets	298,369	260,232
Remittances to the Consolidated Revenue Fund	(8,531,986)	(5,675,818)
Operating expenditures incurred for goods received or services rendered	(6,002,739)	(8,230,557)
Agricultural investment acceleration program	(1,271,905)	
Operating grant related to the transfer of a property	(250,000)	
	(6,126,997)	(10,298,262)
Decrease (increase) in accounts receivable	647,933	(49,443)
Increase (decrease) in accounts payable	564,951	(7,314)
Increase in deposits on sales of properties awaiting approval	956,387	1,131,514
	(3,957,726)	(9,223,505)
Investing activities		
Capital expenses carried out as agent and on behalf of the Minister of Public Works	(130,360)	(539,445)
Financing activities		
Parliamentary appropriation	6,823,052	7,874,894
Increase (decrease) in cash during the year	2,734,966	(1,888,056)
Cash at beginning of the year	1,786,323	3,674,379
Cash at end of the year	4,521,289	1,786,323

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 1987

1. Authority and activities

Canada Lands Company (Mirabel) Limited was incorporated on April 9, 1981 under the Canada Business Corporations Act and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule C to the Financial Administration Act.

Effective July 1, 1981, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works, the Corporation is responsible for administering and developing a part of the peripheral lands of Mirabel in order to ensure a normal living environment for residents of the lands while safeguarding the operations of the Mirabel International Airport. The Corporation fulfills this responsibility in the name and for the account of the Minister of Public Works who continues to hold title to the fixed assets for the benefit of Her Majesty. On May 21, 1982, the Privy Council authorized the sale of certain properties; on February 23, 1984, it authorized the disposition of the remaining properties within the territory under its responsibility. On September 19, 1984, a moratorium suspended the sales program; the Privy Council authorized on June 11, 1985 an agricultural investment acceleration program and the resumption of sales under revised terms and conditions, approved by the Treasury Board.

CANADA LANDS COMPANY (MIRABEL) LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1987—*Concluded*

2. Significant accounting policies

(a) Financial statements presentation

The statements present transactions carried out by the Corporation as agent and on behalf of the Minister of Public Works. All expenditures, net of proceeds from other than the direct use of fixed assets, are reimbursable to the Corporation. Proceeds from the direct use of fixed assets, principally rentals and sales of properties, are payable to the Receiver General for Canada.

Differences between parliamentary appropriations received and net reimbursable expenditures are recorded by the Corporation as due from or due to the Minister of Public Works.

(b) Employee termination benefits

On termination of employment, certain employees of the Corporation are entitled to benefits under conditions provided for under their employment contracts. The cost of these benefits is expensed in the year in which they are earned by the employees and the liability is included in accounts payable.

(c) Expenditures of a capital nature

Expenditures of a capital nature represent costs which significantly increase the value or extend the useful lives of properties administered by the Corporation.

(d) Contributions

Financial assistance under the agricultural investment acceleration program is recorded in the expenditures of the year in which the eligible work is carried out.

(e) Sales of properties

Sales of properties are recognized when title passes to buyers and the Corporation is entitled to receive the amount of the proceeds.

(f) Pension plan

All employees of the Corporation participate in the superannuation plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. The Corporation's contributions, representing its total liability, are recorded on a current basis.

3. Due to Receiver General for Canada

	1987	1986
	$	$
Balance at beginning of the year	518,320	2,846,257
Direct proceeds	9,631,264	3,347,881
	10,149,584	6,194,138
Remittances to the Consolidated Revenue Fund	8,531,986	5,675,818
Balance at end of the year	1,617,598	518,320

4. Due to Minister of Public Works

	1987	1986
	$	$
Balance at beginning of the year	793,944	1,428,820
Net expenditures	(7,356,635)	(8,509,770)
	(6,562,691)	(7,080,950)
Less: funds drawn from Department of Public Works Vote 30 (Vote 35 in 1986) for Canada Lands Company (Mirabel) Limited	6,823,052	8,047,000
reimbursement of unused portions of parliamentary appropriations drawn in previous years		(172,106)
	6,823,052	7,874,894
Balance at end of the year	260,361	793,944

5. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada, which may not be transferred without the consent of the Governor in Council. The authorized share has been issued in consideration of services rendered.

6. Operating grant related to the transfer of a property

On July 23, 1986, the Governor in Council transferred to the Province of Quebec, at no cost and under certain conditions, the administration and control of a property for the purpose of maintaining an educational activity centre. This transfer is conditional to the payment by the Corporation to the Government of the Province of Quebec operating grants of $250,000 in 1986-87 and of $250,000 scheduled to be paid during 1988-89.

7. Commitments

Under the agricultural investment acceleration program, the Corporation has agreed to reimburse claimants with the costs of eligible work when carried out, which amounts to approximately $950,000 as at March 31, 1987.

8. Contingency

Legal action has been instituted against the Corporation, the Attorney General of Canada, the Minister of Transport and the Minister of Public Works by some of the original Mirabel property owners who are asking to have the 1969 expropriation declared invalid. In this context, a number of lessees have ceased to remit their rent to the Corporation. On March 27, 1985, a protocol of understanding was entered into with representatives of the original property owners whereby the parties undertake to discontinue all litigation actions between them. This protocol was approved in principle by the Privy Council on June 11, 1985.

9. Comparative figures

Certain figures for the year ended March 31, 1986 were reclassified for comparative purposes.

SUMMARY PAGE

CANADA LANDS COMPANY (LE VIEUX-PORT DE MONTRÉAL) LIMITED

MANDATE

Promote the development of the lands of Le Vieux-Port de Montréal and develop them; administer, manage and maintain Crown property there.

BACKGROUND

Since February 1982, the corporation has managed the Crown lands at Le Vieux-Port, including lands transferred to the Crown in 1983 from Canada Ports Corporation. Planning and consultation with the public and with the other levels of government have resulted in plans for major developments on the lands. Those plans remain a significant issue for the various governments.

CORPORATION DATA

HEAD OFFICE	333 rue de la Commune ouest Montreal, Quebec H2Y 2E2
STATUS	— an agent of Her Majesty — A wholly-owned subsidiary of Canada Lands Company Limited; it has been directed by Order in Council (PC 1987-86) to report its affairs as if it were a parent Crown corporation.
APPROPRIATE MINISTER	The Honourable Stewart McInnes, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1981; by Canada Lands Company Limited, under the *Canada Business Corporations Act.*
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Roger Beaulieu
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	0.9	0.6	1.9	5.7
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	0.1	nil	nil
Equity of Canada	nil	nil	nil	nil
Cash from Canada in the period				
— budgetary	3.4	3.3	5.9	31.6
— non-budgetary	nil	nil	nil	nil

CANADA LANDS COMPANY (LE VIEUX-PORT DE MONTRÉAL) LIMITED

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of Canada Lands Company (Le Vieux-Port de Montréal) Limited as at March 31, 1988 and the statements of transactions and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the charter and by-laws of the Corporation, as well as the agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 7, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987
	$	$
Cash and temporary investments	269,802	382,388
Accounts receivable	110,411	101,741
Due from Receiver General for Canada (Note 3)		124,748
Due from Minister of Public Works (Note 4)	217,849	
Prepaid expenses	343,770	15,801
	941,832	624,678

LIABILITIES	1988	1987
	$	$
Accounts payable	920,650	408,912
Due to Receiver General for Canada (Note 3)	21,182	
Due to Minister of Public Works (Note 4)		215,766
	941,832	624,678
SHAREHOLDER'S EQUITY		
Capital stock (Note 5)		
	941,832	624,678

Approved by the Board:

ROGER L. BEAULIEU
Director

BENOÎT LEMAY
Director

CANADA LANDS COMPANY (LE VIEUX-PORT DE MONTRÉAL) LIMITED—*Continued*

STATEMENT OF TRANSACTIONS CARRIED OUT AS AGENT AND ON BEHALF OF THE MINISTER OF PUBLIC WORKS FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Expenditures		
Operating		
Maintenance of property	1,197,119	850,085
Permanent personnel	872,390	629,199
Animation programs	517,557	280,157
Administration	401,779	422,090
Professional services	219,499	320,547
Communications	55,623	107,985
	3,263,967	2,610,063
Capital	1,400,524	1,139,026
Total expenditures	4,664,491	3,749,089
Proceeds from other than the direct use of fixed assets		
Income produced by animation programs		
Concessions	503,445	204,242
Parking	286,322	134,998
Other	5,815	939
	795,582	340,179
Interest, related principally to the receipt of parliamentary appropriations in advance of needs	35,294	61,071
Other		1,100
	830,876	402,350
Net expenditures to be funded (Note 4)	3,833,615	3,346,739
Cumulative net expenditures since November 26, 1981	64,415,249	60,581,634
Proceeds from the direct use of fixed assets		
Income to be remitted (Note 3)		
Parking	126,196	59,132
Rentals	107,842	85,687
Mooring and anchoring	50,569	39,258
	284,607	184,077
Cumulative direct proceeds since November 26, 1981	896,845	612,238
Excess of net expenditures over direct proceeds		
For the year	3,549,008	3,162,662
Cumulative since November 26, 1981	63,518,404	59,969,396

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Operating activities		
Transactions carried out as agent and on behalf of the Minister of Public Works		
Operating expenditures	(3,263,967)	(2,610,063)
Proceeds from other than the direct use of fixed assets	830,876	402,350
Proceeds from the direct use of fixed assets	284,607	184,077
Remittances to the Consolidated Revenue Fund	(138,677)	(20,030)
	(2,287,161)	(2,043,666)
Increase in accounts receivable	(8,670)	(57,741)
Increase in prepaid expenses	(327,969)	(729)
Increase (decrease) in accounts payable	511,738	(1,198,107)
	(2,112,062)	(3,300,243)
Investing activities		
Capital expenditures carried out as agent and on behalf of the Minister of Public Works	(1,400,524)	(1,139,026)
Financing activities		
Parliamentary appropriation	3,400,000	3,277,000
Cash and temporary investments		
Decrease for the year	(112,586)	(1,162,269)
Balance at beginning of the year	382,388	1,544,657
Balance at end of the year	269,802	382,388

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 1988

1. Authority and activities

Canada Lands Company (Le Vieux-Port de Montréal) Limited was incorporated on November 26, 1981 under the Canada Business Corporations Act and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule C to the Financial Administration Act.

Effective February 1, 1982, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works, the Corporation is responsible for developing and for promoting the development of the lands of Le Vieux-Port de Montréal, and for administering, managing and maintaining the property of Her Majesty located therein. The Corporation fulfills this responsibility in the name and for the account of the Minister of Public Works who continues to hold title to the fixed assets for the benefit of Her Majesty.

2. Significant accounting policies

(a) Financial statement presentation

The statements present transactions carried out by the Corporation as agent and on behalf of the Minister of Public Works. All expenditures, net of proceeds from other than the direct use of fixed assets, are reimbursable to the Corporation. Proceeds from the direct use of fixed assets are payable to the Receiver General for Canada.

Differences between parliamentary appropriations received and net reimbursable expenditures are recorded by the Corporation as due from or due to the Minister of Public Works.

CANADA LANDS COMPANY (LE VIEUX-PORT DE MONTRÉAL) LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1988—*Concluded*

(b) Expenditures of a capital nature

Expenditures of a capital nature represent costs which significantly increase the value or extend the useful lives of properties administered by the Corporation. They also include costs of demolishing structures.

(c) Employee termination benefits

On termination of employment, employees of the Corporation are entitled to certain benefits provided for under the salary administration policy of the Corporation. The cost of these benefits is recorded in the year in which they are earned by the employees. The estimated liability resulting from this policy is included in accounts payable.

(d) Retirement savings plan

The Corporation has established a group retirement savings plan under which a single trust was established with a private sector organization in order to accumulate contributions to provide a retirement income for the employees through individually registered retirement savings plans. All contributions are paid by the employees, the Corporation acting solely as an agent without incurring any liability.

3. Due from (due to) Receiver General for Canada

	1988	1987
	$	$
Balance receivable at beginning of the year	124,748	288,795
Direct proceeds	(284,607)	(184,077)
	(159,859)	104,718
Remittances to the Consolidated Revenue Fund	138,677	20,030
Balance receivable (due) at end of the year	(21,182)	124,748

4. Due from (due to) Minister of Public Works

	1988	1987
	$	$
Balance payable at beginning of the year	(215,766)	(285,505)
Net expenditures	3,833,615	3,346,739
	3,617,849	3,061,234
Less:		
funds drawn from Department of Public Works for Canada Lands Company (Le Vieux-Port de Montréal) Limited		
Vote 36 in 1988	(3,400,000)	
Vote 40 in 1987		(3,277,000)
Balance receivable (payable) at end of the year	217,849	(215,766)

5. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada, which may not be transferred without the consent of the Governor in Council. The authorized share has been issued in consideration of services rendered.

6. Commitments

As at March 31, 1988 the commitments for the leasing of equipment and construction contracts totalled $2,408,765 ($486,117 as at March 31, 1987).

7. Comparative figures

Certain figures of the year ended March 31, 1987 were reclassified for comparison purposes.

SUMMARY PAGE

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.

MANDATE

Implement a general development plan for certain lands of the Vieux-Port de Québec; administer, manage, promote and operate those lands and their developments.

BACKGROUND

Since August 1, 1981, the corporation has developed and managed the Crown lands of the Vieux-Port; for two years, ending February 27, 1986, it held, managed and directed a further parcel of Vieux-Port land and the improvements on it. In 1987-88 its functions were transferred to the Department of Public Works and the corporation ended its operations on March 31, 1988.

CORPORATION DATA

HEAD OFFICE	112 Dalhousie Street P.O. Box 95, Station B Quebec City, Quebec G1K 7A1
STATUS	—an agent of Her Majesty — A wholly-owned subsidiary of Canada Lands Company Limited; For the report period, it had been directed by Order in Council (PC 1987-86) to report its affairs as if it were a parent Crown corporation.
APPROPRIATE MINISTER	The Honourable Stewart McInnes, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1981; by Canada Lands Company Limited, under the *Canada Business Corporations Act.*
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Robert Giroux
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	**1986-87**	**1985-86**	**1984-85**
At the end of the period				
Total Assets	1.7	1.8	2.0*	7.3
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	0.9	0.9	0.4	0.4
Equity of Canada	0.2	0.2	0.2	3.8
Cash from Canada in the period				
— budgetary	5.1	5.0	5.5	27.0
— non-budgetary	nil	nil	nil	nil

* Lands and improvements returned to Canada in the period had been recorded in the corporation's accounts at a value of $3.6 million.

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of Canada Lands Company (Vieux-Port de Québec) inc. as at March 31, 1988 and the statements of transactions and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the charter and by-laws of the Corporation as well as the agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 15, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987
	$	$
Cash and temporary investments	628,045	924,217
Accounts receivable (Note 3)	694,441	862,537
Due from Minister of Public Works (Note 4)	396,601	
	1,719,087	1,786,754

LIABILITIES	1988	1987
	$	$
Accounts payable	631,868	643,864
Due to Receiver General for Canada (Note 5)	883,809	657,623
Due to Minister of Public Works (Note 4)		281,857
	1,515,677	1,583,344
SHAREHOLDER'S EQUITY		
Capital stock (Note 6)		
Contributed surplus	178,250	178,250
Retained earnings	25,160	25,160
	1,719,087	1,786,754

Approved by the Board:

J. G. HÉBERT
Director

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.—*Continued*

STATEMENT OF TRANSACTIONS CARRIED OUT AS AGENT AND ON BEHALF OF THE MINISTER OF PUBLIC WORKS FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Expenditures		
Expenditures incurred for goods received or services rendered		
Operating		
Administration, finance and property	3,717,624	3,246,178
Public affairs and animation (Note 7)	842,419	1,170,751
Management's office	292,388	293,641
	4,852,431	4,710,570
Capital	80,433	704,453
	4,932,864	5,415,023
Operating grant related to the disposal of part of the lands (Note 8)	1,423,000	
Total of expenditures	6,355,864	5,415,023
Proceeds from other than the direct use of fixed assets		
Animation		302,612
Interest, related principally to the receipt of parliamentary appropriations in advance of needs	112,350	88,120
Other	4,056	3,373
	116,406	394,105
Net expenditures to be funded (Note 4)	6,239,458	5,020,918
Cumulative net expenditures since April 9, 1981	106,012,206	99,772,748
Proceeds from the direct use of fixed assets		
Sales of parts of the lands	1,521,000	
Rentals	778,679	778,088
Total to be remitted (Note 5)	2,299,679	778,088
Cumulative direct proceeds since April 9, 1981	4,812,606	2,512,927
Excess of net expenditures over direct proceeds		
For the year	3,939,779	4,242,830
Cumulative since April 9, 1981	101,199,600	97,259,821

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Operating activities		
Transactions carried out as agent and on behalf of the Minister of Public Works		
Operating expenditures	(4,852,431)	(4,710,570)
Operating grant related to the disposal of part of the lands	(1,423,000)	
Proceeds from the direct use of fixed assets	2,299,679	778,088
Proceeds from other than the direct use of fixed assets	116,406	394,105
Remittances to the Consolidated Revenue Fund	(2,073,493)	
	(5,932,839)	(3,538,377)
Increase (decrease) in accounts receivable	168,096	(77,679)
Decrease in accounts payable	(11,996)	(632,356)
	(5,776,739)	(4,248,412)
Investing activities		
Capital expenditures carried out as agent and on behalf of the Minister of Public Works	(80,433)	(704,453)
Financing activities		
Parliamentary appropriations	5,561,000	4,797,615
Cash and temporary investments		
Decrease for the year	(296,172)	(155,250)
Balance at beginning of the year	924,217	1,079,467
Balance at end of the year	628,045	924,217

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1988

1. Authority and activities

Canada Lands Company (Vieux-Port de Québec) inc. was incorporated on April 9, 1981 under the Canada Business Corporations Act and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule C to the Financial Administration Act.

Effective August 1, 1981, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works, the Corporation is responsible for the implementation of a general development plan for the lands of the Vieux-Port de Québec under its jurisdiction and for administering, managing, promoting and operating such lands and their developments. The Corporation fulfills this responsibility in the name and for the account of the Minister of Public Works who continues to hold title to the fixed assets for the benefit of Her Majesty. On May 26, 1988, by order of the Governor General in Council, the Minister of Public Works was authorized to terminate the said agreement.

From February 9, 1984 to February 27, 1986, the Corporation was responsible for its own account for the management, charge and direction of a parcel of land together with the improvements thereon which had been transferred to it, subject to certain limiting conditions, by order of the Governor General in Council on February 9, 1984. This property was retroceded on February 27, 1986.

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 1988—*Continued*

2. Significant accounting policies

(a) Financial statements presentation

The statements present transactions carried out by the Corporation as agent and on behalf of the Minister of Public Works. All expenditures, net of proceeds from other than the direct use of fixed assets, are reimbursable to the Corporation. Proceeds from the direct use of fixed assets are payable to the Receiver General for Canada.

Differences between parliamentary appropriations received and net reimbursable expenditures are recorded by the Corporation as due from or due to the Minister of Public Works.

(b) Expenditures of a capital nature

Expenditures of a capital nature represent costs which significantly increase the value or extend the useful lives of properties administered by the Corporation. They also include costs of demolishing structures.

(c) Fixed assets and depreciation

Fixed assets transferred free of charge from Canada on February 9, 1984 were recorded at their current value at the date of transfer, with the offset being credited to contributed surplus. Depreciation was calculated under the straight line method using a rate of 2.5% per annum based on the estimated useful life for the main structure of the building.

These were retroceded free of charge to Canada on February 27, 1986. The retrocession of these fixed assets was recorded at their net book value.

(d) Sales of parts of the lands

Sales of parts of the lands under the jurisdiction of the Corporation are recognized when title passes to buyers and the Corporation is entitled to receive the amount of the proceeds.

3. Accounts receivable

The accounts receivable include the following amounts:

	1988	1987
	$	$
Public services organization	466,430	471,929
Others	228,011	215,608
Canada Ports Corporation		175,000
	694,441	862,537

The amount receivable from the public services organization is for specific work carried out by the Corporation during the year 1982-83. The related cost is recoverable upon the signing of a protocol by the Corporation, the Canada Ports Corporation and the organization. The protocol, not yet signed, provides for the transfer of certain privileges from the Corporation and the Canada Ports Corporation. The work is completed for all practical purposes. The Corporation has not yet decided to transfer the privileges requested by the organization. It is possible that the Corporation may not recover the related cost which would have to be accounted for as a capital expenditure.

4. Due from (due to) Minister of Public Works

	1988	1987
	$	$
Balance at beginning of the year	(281,857)	(505,160)
Net expenditures	6,239,458	5,020,918
	5,957,601	4,515,758
Less: funds drawn from Department of Public Works vote for Canada Lands Company (Vieux-Port de Québec) inc.		
Vote 40 in 1987-88	5,124,000	
Vote 35 in 1986-87	437,000	4,514,000
Vote 40 in 1985-86		283,615
	5,561,000	4,797,615
Balance at end of the year	396,601	(281,857)

5. Due to (from) Receiver General for Canada

	1988	1987
	$	$
Balance at beginning of the year	657,623	(120,465)
Direct proceeds	2,299,679	778,088
	2,957,302	657,623
Remittances to the Consolidated Revenue Fund	2,073,493	
Balance at end of the year	883,809	657,623

6. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada and which may not be transferred without the consent of the Governor in Council. The authorized share has been issued in consideration of services rendered.

7. Public affairs and animation

Animation expenditures include the payment of an operating grant of $214,765 and the reimbursement of operating expenses amounting to $220,788 to a private sector organization responsible for the animation program on the site of the Vieux-Port de Québec for the summer of 1987 and also the payment of an operating grant of $250,000 to this organization for the animation program on the site of the Vieux-Port de Québec for the summer of 1988. The animation program for the summer of 1986 was administered by the Corporation.

8. Operating grant related to the disposal of part of the lands

On December 23, 1987, the Corporation transferred to the Canada Ports Corporation a certain part of the lands administered by the Corporation and, as compensation for future operating deficits of the site transferred, has paid $1,423,000 as an operating grant.

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 1988—*Concluded*

9. Contingencies

The Corporation and the corporation Québec 1534-1984 signed a protocol of general understanding determining the rights and obligations of each party for the staging in 1984 of a festive event and for the use of the site and of the equipment under the jurisdiction of the Corporation. Under the terms of the agreement, the Corporation has not granted the right to use the totality of the site, reserving for itself some premises that it might rent for commercial purposes. Leases were signed but, because of poor attendance, several were modified, cancelled or abandoned. The Corporation has received claims arising from those leases and from other activities, for a total of approximately $4 million, and more may be received. Management is of the opinion that these claims will not result in any significant financial responsibility for the Corporation.

10. Management of the Corporation's affairs

The Governor in Council authorized the Minister of Public Works, by order dated May 26, 1988, to terminate the Agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works, whereby the Corporation was given the responsibility for implementing the general development plan of the Vieux-Port de Québec. Since April 1st, 1988, the management of the Corporation's affairs is assumed by the Department of Public Works.

SUMMARY PAGE

CANADA MORTGAGE AND HOUSING CORPORATION

MANDATE

To promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions.

BACKGROUND

Established in 1946, the corporation acts as the government's agent in the provision of grants, contributions and subsidies for the advancement of housing and community development. It conducts research and provides policy advice to government; it administers the Mortgage Insurance Fund, the prime purpose of which is to ensure an adequate supply of mortgage funds for housing, and it lends to groups and individuals for housing purposes and invests in housing-related projects.

CORPORATION DATA

HEAD OFFICE	682 Montreal Road Ottawa, Ontario K1A 0P7
STATUS	—Schedule III, Part I —an agent of Her Majesty, except when s.14 of its Act applies.
APPROPRIATE MINISTER	The Honourable Stewart McInnes, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1946; by the *Central Mortgage and Housing Corporation Act* (R.S.C. 1985, c. C-7).
CHIEF EXECUTIVE OFFICER	George D. Anderson
CHAIRMAN	Robert E. Jarvis, Q.C.
AUDITOR	Deloitte Haskins & Sells

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986 (restated)	1985	1984
At the end of the year				
Total Assets	9,540	9,805	10,051	10,277
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	9,271	9,514	9,802	9,990
Equity of Canada	50	50	50	50
Cash from Canada in the year				
—budgetary	1,473	1,355	1,656	1,728
—non-budgetary	270	222	293	374

CANADA MORTGAGE AND HOUSING CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Management of the Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices to provide reasonable assurance that: reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements. The accompanying financial statements of the Corporation as at December 31, 1987 were prepared by Management in accordance with the accounting policies, consistently applied, as described in the notes to the financial statements. The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee which includes a majority of members who are not officers of the Corporation. The Committee meets from time to time with Management, internal audit staff and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

The financial statements have been examined by the auditor, Robert D. Hepburn, C.A. of the firm Deloitte Haskins & Sells and his reports offer an independent opinion on the financial statements to the Minister responsible for Canada Mortgage and Housing Corporation.

G.D. Anderson
President and Chief Executive Officer

G.A. Duncan
Senior Vice-President Corporate Resources

FINANCIAL STATEMENTS DECEMBER 31, 1987

Canada Mortgage and Housing Corporation was incorporated as a Crown Corporation by an Act of Parliament on January 1, 1946. Its activities are regulated by the National Housing Act, the Canada Mortgage and Housing Corporation Act and, in certain respects, the Financial Administration Act, and include:

Corporate Account

Financing housing and community improvement through the making of loans and investments under specific conditions at interest rates normally at market rates which are generally higher than the rates it pays on funds borrowed from the Government of Canada.

Minister's Account

Making certain payments or incurring expenses in the process of delivering housing programs on behalf of the Government of Canada. These payments and expenses include grants, contributions, subsidies, loan forgiveness, losses on real estate, losses under federal-provincial agreements, interest rate losses, research and development, and specified administrative costs. The funding for these activities is provided for in Main and Supplementary Estimates which are tabled in Parliament. Parliamentary approval is by way of the Appropriations Act together with Statutory Authorities which authorize the responsible Minister to reimburse the Corporation for the specified payments and expenses for the fiscal year concerned.

Funds Administered

Administering certain Insurance and Guarantee Funds on behalf of the Government of Canada. The Mortgage Insurance Fund is the chief instrument for establishing a framework of confidence for mortgage lending by private institutions. This instrument facilitates an adequate supply of mortgage funds by reducing the risk to lenders and encouraging the secondary market trading of mortgages, and thereby increasing the access to housing by Canadians.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

AUDITOR'S REPORT

TO THE HONOURABLE STEWART D. McINNES, P.C., M.P.
MINISTER RESPONSIBLE FOR
CANADA MORTGAGE AND HOUSING CORPORATION

I have examined the balance sheet of Canada Mortgage and Housing Corporation, Corporate Account as at December 31, 1987, and the statements of operations and reserve fund, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and procedures as I considered necessary in the circumstances.

In my opinion, these financial statements, present fairly the financial position of the Corporation as at December 31, 1987, and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in accounting for pension costs and obligations as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

I further report that, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements were, in all significant respects, in accordance with the Financial Administration Act and regulations, the Canada Mortgage and Housing Corporation Act, the National Housing Act, the by-laws of the Corporation and any directives given to the Corporation.

Robert D. Hepburn, C.A.
of the firm Deloitte Haskins & Sells

Ottawa, Canada
February 23, 1988

CORPORATE ACCOUNT

BALANCE SHEET AS AT DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987		1986	
Loans and investments—Schedule				
Market housing	1,720,999		1,890,335	
Social housing	6,471,701		6,497,463	
Housing support	1,277,165	9,469,865	1,352,168	9,739,966
Accounts Receivable				
The Minister	33,033		26,301	
Other	10,920	43,953	11,587	37,888
Deferred Income Taxes		6,147		7,691
Business Premises, Office Furniture and Equipment, at cost	42,173		39,030	
Accumulated depreciation	26,999	15,174	24,309	14,721
Other Assets		4,978		4,959
		9,540,117		9,805,225

LIABILITIES	1987		1986	
Borrowings from the Government of Canada		9,270,625		9,513,779
Cheques Issued in Excess of Funds on Deposit		111,883		149,998
Accounts Payable and Accrued Liabilities				
The Receiver General for Canada	41,291		30,472	
Funds administered	13,565		3,675	
Other	52,753	107,609	57,301	91,448
		9,490,117		9,755,225
CAPITAL AND RESERVE FUND				
Capital				
Authorized and fully paid by the Government of Canada	25,000		25,000	
Reserve Fund	25,000	50,000	25,000	50,000
		9,540,117		9,805,225

See accompanying notes.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

STATEMENT OF OPERATIONS AND RESERVE FUND FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987		1986	
Market Housing				
Interest earned	160,567		176,772	
Gain (Loss) on disposal of real estate	3,519		(27)	
	164,086		176,745	
Interest expense	146,524	17,562	159,501	17,244
Social Housing				
Interest earned	582,273		585,456	
Gain on disposal of real estate	2,811		4,528	
	585,084		589,984	
Interest expense	549,892	35,192	551,618	38,366
Housing Support				
Interest earned	112,706		122,141	
Gain on disposal of land assembly projects	32,241		9,535	
Gain (Loss) on disposal of real estate	(1,322)		738	
Writedown of real estate	(8,869)			
	134,756		132,414	
Interest expense	103,881	30,875	113,017	19,397
Other Interest Income		5,443		8,597
Margin on Financing Operations		89,072		83,604
Services to Others		2,387		8,057
		91,459		91,661
Administrative Expenses		24,201		43,243
Income before Income Taxes		67,258		48,418
Income Taxes				
—Current	30,678		24,343	
—Deferred	1,544	32,222	(492)	23,851
Net Income		35,036		24,567
Reserve Fund, beginning of year		25,000		25,000
		60,036		49,567
Transferred to the Receiver General for Canada		35,036		24,567
Reserve Fund, end of year		25,000		25,000

See accompanying notes.

CORPORATE ACCOUNT

STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Cash Generated by Operations		
Income before income taxes	67,258	48,418
Add: net change in accrued interest	813	5,520
depreciation and amortization	2,643	2,393
writedown of real estate	8,869	
	79,583	56,331
Repayments of loans and investments	517,835	453,686
Borrowings from the Government of Canada	269,900	222,100
Increase in accounts payable to Funds administered	9,890	2,789
Other		9,836
	877,208	744,742
Cash Applied to Operations		
Additions to loans and investments	259,700	244,108
Repayment of borrowings from the Government of Canada	510,771	468,606
Increase in accounts receivable from the Minister	6,732	13,113
Paid to Receiver General for Canada		
—Federal income taxes	30,295	25,284
—Excess in reserve fund	24,567	33,895
—Other	33	111
Additions to business premises, office furniture and equipment	3,143	3,091
Other	3,852	
	839,093	788,208
Increase (Decrease) in Cash	38,115	(43,466)

See accompanying notes.

CORPORATE ACCOUNT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1987

1. Significant Accounting Policies

In the Corporate Account, the Corporation follows generally accepted accounting principles. The financial statements of the Mortgage Insurance Fund and the other Insurance and Guarantee Funds are not consolidated with these financial statements. The principal accounting policies followed by the Corporation are:

(a) Loans

Loans are capitalized as funds are advanced. Where loans contain forgiveness clauses, such forgiveness is recorded and recovered from the Minister when the loans are advanced. Loans under certain programs give rise to interest rate losses which are recoverable from the Minister. No provisions are made for possible losses on loans. Losses on insured loans are recoverable from the Mortgage Insurance Fund while property acquired upon default of uninsured loans is subject to loss recovery as described under Real Estate. Other losses on uninsured loans are recoverable from the Minister.

(b) Federal-Provincial Agreements

Loans and investments are made under various cost-sharing agreements with the provinces and territories to encourage development of rental housing, land assembly, co-operative housing, rural and native housing and housing rehabilitation.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Continued*

Only the Corporation's share of costs plus capitalized interest are reflected in these statements. The Corporation's share of subsidies and losses related to these agreements are recovered from the Minister. Gains on the sale of land assembly are recognized as income in the Corporate Account. In accounting for federal-provincial loans and investments, the Corporation relies, in the majority of instances, on information provided by the provinces and territories.

(c) Real Estate

Real estate includes vacant land and properties acquired directly by the Corporation, or through the Government of Canada at no cost, or through default on uninsured loans. All real estate is recorded at cost which includes acquisition costs and any modernization and improvement costs.

Holding costs on real estate acquired directly by the Corporation are capitalized up to appraised values after which the costs are expensed in the Corporate Account. Net gains and losses on the disposal of these properties are recorded in the Corporate Account.

Holding costs on real estate acquired through the Government of Canada at no cost, or through default on uninsured loans, are capitalized. Net gains and losses on the disposal of these properties are paid to or recovered from the Minister.

All net operating losses on real estate are recovered from the Minister.

(d) Depreciation

Depreciation of real estate is recorded on a straight line basis over the expected useful life of the properties.

Depreciation on business premises, office furniture and equipment is recorded on a diminishing balance basis.

(e) Pension Costs and Obligations

The cost of pension benefits earned by employees is determined using the projected benefit method prorated on service and is charged to administrative expense as services are rendered. This cost is actuarially computed using Management's best estimate assumptions of the pension plan expected investment yields, salary escalations, mortality of members, terminations and the ages at which members will retire. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the expected average remaining service life of the employee group.

(f) Reserve Fund

Income or loss after income taxes is transferred to the Reserve Fund which is limited by an Order-in-Council to $25 million. Any excess over this amount is transferred to the credit of the Receiver General for Canada.

(g) Interest Income and Expense

Interest income and expense are accounted for on the accrual basis.

2. Change in Accounting Policy

The Corporation has adopted the new recommendations of the Canadian Institute of Chartered Accountants on accounting for pension costs and obligations on a prospective basis effective January 1, 1987.

Under this policy all adjustments arising from experience gains and losses, changes in assumptions and plan amendments are amortized over the expected average remaining service life of the employee group. Previously, the Corporation recognized such adjustments in the year in which they were determined by actuarial valuation.

The net difference between the actuarially determined pension obligation at January 1, 1987 and the pension obligation previously recognized is being amortized over the expected average remaining service life of the employee group.

If this change had not been made, net income for the year would have increased by $1.3 million.

3. Borrowings from the Government of Canada

The Corporation borrows from the Government of Canada under the provisions of Section 22 of the Canada Mortgage and Housing Corporation Act and Sections 40 and 55 of the National Housing Act to finance loans and investments. The borrowings are evidenced by debentures or other indebtedness, which bear interest at varying rates and are repayable over periods not in excess of 50 years.

4. Contingent Liabilities

In the normal course of operations, the Corporation is subject to legal claims, the effect of which cannot be determined until they are settled. At December 31, 1987, most of the claims outstanding are not expected to have a result which would be significant in relation to the financial position of the Corporation. However, during 1982 a large number of legal actions, which total approximately $48 million at December 31, 1987, were begun against the Corporation jointly with other parties claiming damages arising from installation of urea formaldehyde foam insulation. The Corporation does not admit liability in these cases and, until the actions have been heard by the courts, it is impossible to determine if there is a potential liability in this respect and thus no provision for possible loss arising from these legal actions is included in these financial statements. Should costs arise as a result of these actions they would be expensed in the year when the costs are incurred.

5. Interest Loss Recoveries

The Corporation was authorized by the Government of Canada to approve certain loans and investments at a negative interest margin and to recover this loss from the Government. The interest loss recovered is included in interest earnings. The recoveries by program are as follows:

	1987	1986
	(in millions of dollars)	
Market Housing	64.6	63.8
Social Housing	18.8	18.7
Housing Support	1.2	1.2

6. Services to Others

The major components of services to others are inspections and administration of mortgages for third parties.

7. Pension Plan

The Corporation maintains a compulsory contributory defined benefit pension plan for all regular employees who satisfy certain eligibility conditions. The plan provides pensions based on the highest annual average salaries of any six-year period multiplied by the number of years of credited service.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

The Corporation's funding policy is to contribute the amount required to provide for current benefits attributed to service and for unfunded pension plan liabilities over periods permitted by regulatory authorities.

Based on the actuarial valuation prepared as of January 1, 1987 using Management's best estimate assumptions the status of the plan as at December 31, 1987 is as follows:

	(in millions of dollars)
Projected value of accrued pension benefits	377.3
Net assets available for benefits	370.2
Unfunded pension fund liability	7.1
Amounts to be recovered from the Mortgage Insurance Fund and the Minister's Account	5.0
Corporation's share	2.1

The Corporation's share of the unfunded liability is included in Accounts Payable—Other.

The cost of pension benefits charged to administrative expense, including amounts paid to government pension plans, current service costs and amortization of the difference between the actuarial obligation at January 1, 1987 and that previously recognized was $9.9 million (1986—$9.0 million).

8. Administrative Expenses

Total administrative expenses of the Corporation for the year ended December 31, 1987 amounted to $173.6 million (1986—$178.5 million). These administrative expenses have been allocated to the Corporate Account, Minister's Account and Funds Administered.

9. Commitments for Loans and Investments

Commitments outstanding for loans and investments amounted to $405 million at December 31, 1987 (1986—$435 million).

10. Commitments for Leases

Minimum future commitments for buildings under long-term leases for the next five years will approximate $10 million per annum.

11. Comparative Figures

The 1986 comparative figures have been reclassified to conform to the 1987 statement presentation.

CORPORATE ACCOUNT

SCHEDULE OF LOANS AND INVESTMENTS
DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Market Housing		
Loans	1,650,826	1,813,615
Federal-provincial agreements		
Loans	53,476	61,155
Real estate		
Investments in housing projects		1,314
Land	16,697	14,251
	16,697	15,565
	1,720,999	1,890,335
Social Housing		
Loans	2,367,601	2,432,853
Federal-provincial agreements		
Loans	2,698,997	2,707,817
Investments in housing projects	1,385,694	1,322,964
	4,084,691	4,030,781
Real estate		
Investments in housing projects	18,242	32,660
Land	1,167	1,169
	19,409	33,829
	6,471,701	6,497,463
Housing Support		
Loans	1,167,027	1,247,728
Federal-provincial agreements		
Loans	64,788	49,873
Land assembly projects	35,639	34,719
	100,427	84,592
Real estate		
Land	9,711	19,848
	1,277,165	1,352,168
Total	9,469,865	9,739,966

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

MINISTER'S ACCOUNT

AUDITOR'S REPORT

TO THE HONOURABLE STEWART D. McINNES, P.C., M.P.
MINISTER RESPONSIBLE FOR
CANADA MORTGAGE AND HOUSING CORPORATION

I have examined the Canada Mortgage and Housing Corporation, Minister's Account—Statement of Expenditures and Recoveries for the year ended December 31, 1987. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and procedures as I considered necessary in the circumstances.

In my opinion, this financial statement presents fairly the expenditures for and recoveries from the Minister for the year then ended in accordance with the accounting policy described in Note 1 to this financial statement applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, the transactions in the Minister's Account that have come to my notice during my examination of the financial statement were, in all significant respects, in accordance with the Financial Administration Act and regulations, the Canada Mortgage and Housing Corporation Act, the National Housing Act, the by-laws of the Corporation and any directives given to the Corporation.

Robert D. Hepburn, C.A.
of the firm Deloitte Haskins & Sells

Ottawa, Canada
February 23, 1988

MINISTER'S ACCOUNT

STATEMENT OF EXPENDITURES AND RECOVERIES
YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Expenditures		
Market Housing	77,355	62,990
Social Housing	1,309,299	1,228,578
Housing Support	9,646	13,974
Administrative Expenses	83,357	62,622
Total	1,479,657	1,368,164
Accounts Receivable from the Minister, beginning of year	26,301	13,188
	1,505,958	1,381,352
Recoveries	1,472,925	1,355,051
Accounts Receivable from the Minister, end of year	33,033	26,301

See accompanying notes.

MINISTER'S ACCOUNT

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 1987

1. Significant Accounting Policy

Expenditures made on behalf of the Minister responsible for the Corporation are recorded as recoverable when disbursed. No accruals are made at December 31, 1987 in this account. The year-end for the Government of Canada is March 31, 1988, at which time accruals will be recorded in accordance with Treasury Board Guidelines and reported in the Public Accounts of Canada.

2. Contingent Liabilities

In the normal course of operations, the Corporation is subject to legal claims, the effect of which cannot be determined until they are settled. During 1982, a large number of legal actions, which total approximately $48 million at December 31, 1987, were begun against the Corporation jointly with other parties claiming damages arising from installation of urea formaldehyde foam insulation. The Corporation does not admit liability in this respect and it is unclear whether costs, if any, arising from these actions could be charged to the Government of Canada. Thus, no provision for possible loss arising from these legal actions is included in the accompanying statement of account. Should costs arise as a result of these actions they would be expensed in the year when the costs are incurred.

3. Administrative Expenses

The administrative expenses charged to the Minister by the Corporation for the year ended December 31, 1987 amounted to $83.4 million (1986—$62.6 million).

FUNDS ADMINISTERED

AUDITOR'S REPORT

TO THE HONOURABLE STEWART D. McINNES, P.C., M.P.
MINISTER RESPONSIBLE FOR
CANADA MORTGAGE AND HOUSING CORPORATION

I have examined the balance sheets of the Funds Administered by Canada Mortgage and Housing Corporation: Mortgage Insurance Fund, Home Improvement Loan Insurance Fund and Rental Guarantee Fund as at December 31, 1987, and the related statements of operations and deficit or surplus, and of changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and procedures as I considered necessary in the circumstances.

In my opinion, these financial statements, present fairly the financial position of these funds as at December 31, 1987, and the results of operations and changes in financial position for the year then ended in accordance with generally accepted accounting principles applied,except for the change in accounting as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

I further report that, in my opinion, the transactions that have come to my notice during my examination of these financial statements were, in all significant respects, in accordance with the Financial Administration Act and regulations, the Canada Mortgage and Housing Corporation Act, the National Housing Act, the by-laws of the Corporation and any directives given to the Corporation.

Robert D. Hepburn, C.A.
of the firm Deloitte Haskins & Sells

Ottawa, Canada
February 23, 1988

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

FUNDS ADMINISTERED
MORTGAGE INSURANCE FUND

BALANCE SHEET AS AT DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987		1986	
Accounts Receivable				
Canada Mortgage and Housing Corporation..	13,413		3,553	
Other	7,847	21,260	5,547	9,100
Investments in Securities....		304,282		141,187
Mortgages		72,226		79,298
Real Estate, at cost	347,825		465,563	
Provision for revaluation	175,711	172,114	196,421	269,142
		569,882		498,727

LIABILITIES	1987	1986
Accounts Payable and Accrued Liabilities	11,128	11,188
Provision for Loss on Claims	170,047	263,192
Unearned Premiums	456,450	395,587
Premium Deficiency	190,767	262,043
	828,392	932,010
Deficit	258,510	433,283
	569,882	498,727

See accompanying notes.

FUNDS ADMINISTERED
MORTGAGE INSURANCE FUND

STATEMENT OF OPERATIONS AND DEFICIT
YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Revenue		
Earned premiums	103,075	81,663
Application fees	20,869	25,135
Interest	28,034	12,643
	151,978	119,441
Expenses		
Insurance issuance	40,537	39,913
Loss on claims	7,944	86,939
	48,481	126,852
Adjustment to Premium Deficiency	(71,276)	(54,067)
Income before Recovery of Losses	174,773	46,656
Recovery of Losses		248,000
Net Income	174,773	294,656
Deficit, beginning of year	433,283	727,939
Deficit, end of year	258,510	433,283

See accompanying notes.

FUNDS ADMINISTERED
MORTGAGE INSURANCE FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Cash Generated by Operations		
Premiums	163,938	156,821
Application fees	20,869	25,135
Interest received	25,046	12,109
Claims paid	(175,892)	(213,535)
Proceeds from real estate sales	198,750	212,485
Administrative costs	(65,679)	(62,102)
Other	5,923	20,379
	172,955	151,292
Cash Applied to Investment Activities		
Investment in securities	(163,095)	(141,187)
	(163,095)	(141,187)
Cash Applied to Financing Activities		
Borrowings from the Government of Canada		8,000
Repayment of borrowings		(15,500)
		(7,500)
Increase in Accounts Receivable from Canada Mortgage and Housing Corporation	9,860	2,605

See accompanying notes.

FUNDS ADMINISTERED
HOME IMPROVEMENT LOAN INSURANCE FUND

BALANCE SHEET AS AT DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987	1986
Cash and Investment in Securities	940	1,318
Accounts Receivable from Canada Mortgage and Housing Corporation	1	16
Mortgages	5	5
	946	1,339

SURPLUS	1987	1986
Surplus	946	1,339
	946	1,339

See accompanying notes.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

FUNDS ADMINISTERED
HOME IMPROVEMENT LOAN INSURANCE FUND

STATEMENT OF OPERATIONS AND SURPLUS
YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Revenue		
Interest	107	111
Other	21	51
Total Revenue	128	162
Expenses		
Claims and administrative charges	21	14
Net Income	107	148
Surplus, beginning of year	1,339	1,191
Assets returned to the Government of Canada	500	
Surplus, end of year	946	1,339

See accompanying notes.

FUNDS ADMINISTERED
RENTAL GUARANTEE FUND

BALANCE SHEET AS AT DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987		1986	
Cash and Investment in Securities		2,782		3,514
Accounts Receivable from Canada Mortgage and Housing Corporation		151		106
Real Estate, at cost	11,491		11,457	
Provision for loss	3,791	7,700	3,757	7,700
		10,633		11,320

LIABILITIES	1987	1986
Accrued Liabilities	18	96
Surplus	10,615	11,224
	10,633	11,320

See accompanying notes.

FUNDS ADMINISTERED
RENTAL GUARANTEE FUND

STATEMENT OF OPERATIONS AND SURPLUS
YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Revenue		
Interest	297	305
Other	628	493
Total Revenue	925	798
Expenses		
Provision for loss on real estate	34	571
Net Income	891	227
Surplus, beginning of year	11,224	10,997
Assets returned to the Government of Canada	1,500	
Surplus, end of year	10,615	11,224

See accompanying notes.

FUNDS ADMINISTERED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. Significant Accounting Policies

The principal accounting policies followed by the Corporation in administering the Insurance and Guarantee Funds on behalf of the Government of Canada are:

(a) Premiums

Premiums are deferred and are taken into income over the life of the related policies. Premiums earned in a year reflect the amount of risk in that year as determined by the valuation actuary. The determination is based upon factors prescribed by the Department of Insurance Canada.

(b) Application Fees

Application fees for insurance are recognized as income when received.

CANADA MORTGAGE AND HOUSING CORPORATION—*Concluded*

FUNDS ADMINISTERED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

(c) Issuance Costs

Issuance costs are expensed as incurred.

(d) Premium Deficiency

Annually, the Corporation compares the amount of its unearned premiums by line of business to the discounted costs of claims that have not yet occurred on insurance policies in force. Whenever it is determined that the unearned premiums on a line of business are inadequate to meet the expected net costs of future claims, a premium deficiency is established. The premium deficiency is taken into income on the same basis as the related unearned premiums.

(e) Real Estate

Real estate acquired upon the payment of a claim resulting from a loan default is valued at net realizable value. Cost is comprised of the unpaid loan balance plus interest accrued to the date of acquisition together with acquisition and capital improvement expenditures. Net realizable value is calculated as the current appraised value of the property, as determined by the Corporation, less the discounted value of estimated holding and disposal costs. Depreciation is not recorded on the real estate.

(f) Provision for Loss on Claims

This provision represents the estimated loss on claims in process of payment and the estimated loss on loans, where defaults have occurred, but for which a claim has not yet been received by the Corporation.

(g) Interest Income and Expense

Interest income and expense are recorded on the accrual basis.

(h) Mortgages

Mortgages are shown net of a provision for losses.

(i) Income Tax

The Insurance and Guarantee Funds are not subject to the provisions of the Income Tax Act, Canada.

2. Change in Accounting Policy—Mortgage Insurance Fund

The Corporation has adopted the new recommendations of the Canadian Institute of Chartered Accountants on accounting for pension costs and obligations on a prospective basis effective January 1, 1987.

Under this policy all adjustments arising from experience gains and losses, changes in assumptions and plan amendments are amortized over the expected average remaining service life of the employee group. Previously, the Corporation recognized such adjustments in the year in which they were determined by actuarial valuation.

The net difference between the actuarially determined pension obligation at January 1, 1987 and the pension obligation previously recognized is being amortized over the expected average remaining service life of the employee group.

If this change had not been made, administrative expenses charged to the Mortgage Insurance Fund would have decreased by $2.1 million.

3. Borrowings from the Government of Canada—Mortgage Insurance Fund

The Corporation may borrow from the Government of Canada, on behalf of the Fund, under provisions of Section 9 of the National Housing Act in order to meet the Fund's obligations. Borrowing arrangements pursuant to an Order-in-Council dated August 8, 1984 authorize interest free borrowings secured by promissory notes due on demand to a maximum of $400 million.

4. Actuarial Valuation—Mortgage Insurance Fund

At September 30, 1987, an actuarial study of the Fund undertaken by the Corporation during the year disclosed that the Fund continues to be insufficient to pay all future claims in respect of business in force. The deficit as at September 30, 1987 was estimated to be $251.7 million (September 30, 1986—$454.3 million).

5. Recovery of Losses—Mortgage Insurance Fund

The Corporation has received partial reimbursement for losses on the Assisted Home Ownership and Assisted Rental Programs. The Corporation continues to pursue with the Government of Canada avenues for eliminating the remaining losses.

6. Insurance in Force—Mortgage Insurance Fund

At December 31, 1987, the insurance policies in force totalled approximately $41.7 billion (1986—$39.3 billion).

7. Mortgage-Backed Securities—Mortgage Insurance Fund

This program, which commenced January 1, 1987, is accounted for and consolidated in the Mortgage Insurance Fund. Mortgage-Backed Securities underwritten in 1987 amounted to $456 million. Operations of this program resulted in a deficit of $413 thousand at December 31, 1987.

8. Home Improvement Loan Insurance and Rental Guarantee Funds

The Home Improvement Loan Insurance and Rental Guarantee Programs are no longer active.

9. Administrative Expenses—Funds Administered

The administrative expenses allocated to the Funds by the Corporation for the year ended December 31, 1987 amounted to $66.0 million (1986—$67.3 million).

10. Comparative Figures

The 1986 comparative figures have been reclassified to conform to the 1987 statement presentation.

SUMMARY PAGE

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.

MANDATE

To construct in the National Capital Region the National Gallery of Canada, the Canadian Museum of Civilization, (formerly called The National Museum of Man) and any other museum as the Governor in Council may direct.

BACKGROUND

The new National Gallery came into public use in June 1988. The Museum of Civilization is scheduled for completion in 1989. To March 31, 1988, the government had allocated a total of $409.0 million for these construction projects for the period to March 31, 1990. Some of this money will be disbursed by other agencies (National Museums of Canada, National Capital Commission and the Department of Public Works). Unless the Governor-in-Council directs otherwise, the corporation shall be wound up after these projects have been completed.

CORPORATION DATA

HEAD OFFICE	55 Murray Street P.O. Box 395, Station A Ottawa, Ontario K1N 5M3
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Stewart McInnes, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1982; by letters patent (No. 0132114) under the *Canada Business Corporations Act*.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Robert Giroux
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	249.9	173.2	100.3	50.1
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	226.1	157.4	91.3	44.8
Cash from Canada in the period				
— budgetary	68.8	66.0	46.5	31.5
— non-budgetary	nil	nil	nil	nil

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors of the Canada Museums Construction Corporation Inc. is responsible for the financial statements and the integrity and objectivity of data contained therein. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's estimates and judgement.

Management has developed and maintains books of account, records, financial and management controls and information systems. These are designed to provide reasonable assurance that assets are safeguarded and controlled and that transactions are in accordance with Part XII of the Financial Administration Act and regulations, and the articles and by-laws of the Corporation.

The Board of Directors appoints the Audit Committee which is composed of three directors, two of whom are not employees of the Corporation. The Audit Committee meets at least annually to review and advise the Board of Directors with respect to the financial statements and the auditor's report thereon. The Audit Committee also oversees the internal audit activities of the Corporation and performs such other functions as are assigned to it.

The Corporation's external auditor, the Auditor General of Canada, examines the financial statements and reports to the Minister of Public Works who is responsible for the Canada Museums Construction Corporation Inc.

R. Plourde
Treasurer and Comptroller

R.J. Giroux
Chairman and Chief Executive Officer

AUDITOR'S REPORT

THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of Canada Museums Construction Corporation Inc. as at March 31, 1988 and the statement of changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, and the articles and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 10, 1988

BALANCE SHEET AS AT MARCH 31, 1988
(in thousands of dollars)

ASSETS	1988	1987
Cash	2,843	1,011
Short-term deposits		3,478
Accounts receivable	7,255	549
Construction in progress (Schedule)	239,784	168,138
	249,882	173,176

LIABILITIES	1988	1987
Accounts payable and accrued liabilities	14,281	7,776
Contractors' holdbacks payable	9,504	8,053
	23,785	15,829
SHAREHOLDERS' EQUITY		
Capital stock (Note 3)		
Contributed capital (Note 4)	226,097	157,347
	249,882	173,176

Approved by the Board:

R. J. GIROUX
Chairman and Chief Executive Officer

JEAN PIGOTT
Director

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Operating activities		
Accounts receivable	(6,706)	(433)
Construction in progress (Schedule)	(71,646)	(72,181)
Accounts payable and accrued liabilities	6,505	2,327
Contractors' holdbacks payable	1,451	4,599
Cash used in operating activities	(70,396)	(65,688)
Financing activities		
Contributed capital (Note 4)	68,750	66,000
Cash provided by financing activities	68,750	66,000
Increase (decrease) in cash	(1,646)	312
Cash and short-term deposits		
Beginning of year	4,489	4,177
End of year	2,843	4,489

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

1. Authority and activities

The Corporation was incorporated on June 21, 1982 under the Canada Business Corporations Act as an agent of Her Majesty pursuant to the Government Companies Operations Act, and was named as a parent Crown corporation on February 7, 1985 in Schedule C, Part I of the Financial Administration Act. Two-thirds of the capital stock is held by the Canada Lands Company Limited, also a parent Crown corporation. On May 16, 1985 one-third was transferred from the Minister of Communications to the Minister of Public Works, the Responsible Minister with whom the control of the Corporation lies.

The business of the Corporation is limited to construction, in the National Capital Region, of buildings for the National Gallery of Canada (NGC), the Canadian Museum of Civilization (CMC) (previously known as National Museum of Man) and any other national museum which the Governor in Council may direct, including the acquisition, control, administration and disposal of land required for the construction. Unless otherwise directed by the Governor in Council, the Corporation shall be wound up after completion of the museum construction projects.

(a) Funding

In September 1981, the Government allocated $185 million for the two projects. This was revised in November 1983 to $191.45 million and subsequent additional increases were approved by Treasury Board as follows:

- October 1985 increase of $69.54 million
- January 1987 increase of $46.79 million
- July 1987 increase of $0.75 million
- November 1987 increase of $4.5 million

bringing the total of funds allocated for construction of the museums to $313.03 million for the period to March 31, 1990 as follows:

	NGC	CMC	Total
	(in millions of dollars)		
Construction	117.84	149.28	267.12
Architects and consultants	13.81	19.55	33.36
	131.65	168.83	300.48
Administration expenses	6.28	6.27	12.55
	137.93	175.10	313.03

In January 1987, Treasury Board approved the establishment of a special reserve of $142.8 million to provide the required funding to March 31, 1990 for all agencies (Department of Public Works, National Museums of Canada, National Capital Commission and Canada Museums Construction Corporation) involved in completing the Canadian Museum of Civilization. The reserve is to cover all incremental costs associated with completing the Museum, including construction, fit-up, exhibit development and initial operating costs of the Museum. Treasury Board also approved a project level of $168.8 million to complete construction of the Museum. Any further cost increases are to be absorbed within the reserve and/or from approved funds within the portfolios of the Ministers of Public Works and of Communications.

(b) Construction

In February 1983, the Government approved the construction sites and architects and, in November 1983 the building concepts, construction schedule, and funding requirements for each museum. No provision was made for the cost of the sites. Major portions of the sites for the two museums are federally owned with the legal title to the lands currently belonging to the National Capital Commission. In keeping with the intent of the projects, which includes the eventual transfer of the completed buildings to Her Majesty in right of Canada, the Commission disclaims title to the construction in progress. In June 1986 Governor in Council approval was obtained to transfer the lands owned by the Commission to the Department of Public Works through a land exchange. The transfer has been delayed pending the redrafting of the Order-in-Council in order to reflect certain changes to the legal descriptions of the sites. Negotiations by Public Works and the National Capital Commission to acquire parts of the sites that are not federally owned are underway.

(c) Authority for Canada Museum Construction Corporation to act as agent for National Museums of Canada

On February 25, 1988, Treasury Board gave approval to amend the contract authority for NMC in Part II of the Treasury Board Contracts Directive to include the following: "The NMC may, without the approval of the Treasury Board, enter into or amend a competitive construction contract related to the fit-up requirements for integration into the base building for the Canadian Museum of Civilization and the National Gallery of Canada provided the total amount payable under each contract does not exceed $2.5 million and any amendments thereof do not exceed $250,000. This authority is only valid for requirements where the CMCC is used as the contracting agent for the NMC."

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Continued*

(d) Fit-up and Exhibit development

On June 26, 1987, Treasury Board gave preliminary project approval for fit-up and exhibit development of the Canadian Museum of Civilization at an estimated cost of $75.3 million to March 31, 1990 and expenditure authority of $60 million. The Treasury Board has assigned responsibility for the fit-up and exhibition development to the National Museums of Canada (NMC), Canadian Museum of Civilization (CMC).

An agreement in principle has been reached between NMC and CMCC for the Corporation to provide certain services related to the design, supply and installation of elements of the exhibition development and fit-up work in conjunction with the Department of Public Works. This service is being provided by the Corporation on a cost recovery basis.

The Corporation is providing project management services on a cost recovery basis and is directing the work of the consultant designers and construction managers under an arrangement with the NMC for the NGC fit-up program.

2. Significant accounting policies

(a) Basis of accounting

These financial statements account for the costs incurred by the Corporation in the construction of the museums. They do not account for costs incurred by the National Capital Commission for sites or by the National Museums of Canada for accommodation planning and fit-ups.

(b) Capitalization

All expenditures, including those for site evaluation, design, construction and administration, will be capitalized until the museums are completed. Interest, management fees and other income are credited to construction in progress. Costs are allocated directly to each museum when they can be specifically identified. All other costs are allocated equally to the two museums.

3. Capital stock

The Corporation is authorized to issue three shares with a nominal value of $1 which shall not be transferred without the approval of the Governor in Council.

4. Contributed capital

During the year funding of $68.75 million was provided through Vote 20 of the Department of Public Works for the expenditures of the Corporation (1987—$66 million, Vote 20 of the Department of Public Works).

	1988	1987
	(in thousands of dollars)	
Opening balance	157,347	91,347
Funds provided during the year	68,750	66,000
Ending balance	226,097	157,347

5. Pension plan

The Corporation has instituted, with a private sector organization, a contributory pension plan covering all its regular employees. The employees and the Corporation contribute equally to the cost of the plan. The Corporation's contributions represent its total liability and are recognized in the accounts on a current basis. Pension costs for the plan amounted to $78,392 for the year ended March 31, 1988 (1987—$69,850).

6. Contractual obligations

As at March 31, 1988, commitments for construction and related costs amounted to approximately $43.7 million as follows:

	(in thousands of dollars)
National Gallery of Canada	7,598
Canadian Museum of Civilization	36,088
	43,686

7. Lease commitment

The Corporation has renewed its lease agreement until March 31, 1989, for office space. Under the terms of the lease the Corporation is responsible for payment of operating expenses and taxes to the lessor and the amount of future minimum annual rental payments for 1988-89 is $267,847.

8. Contingencies and claims

(a) Claims have been made against the Corporation totalling approximately $12 million for additional fees and other costs. The final outcome of these claims is not determinable and accordingly these items are not reflected in the accounts. Settlements, if any, resulting from the resolution of these claims will be accounted for in the year in which the settlements occur.

The Corporation has given notice to its architects of possible claims under professional liability insurance policies. These claims are under review. To date no actions have been taken by its architects or insurers and no provision for amounts to be recovered has been made in the financial statements.

(b) The City of Hull is seeking building permit fees from the Corporation in the amount between $480,000 and $720,000 relating to the construction of Canadian Museum of Civilization. It is anticipated that payment for permit fees will be resolved on behalf of the Corporation by the Department of Public Works and accordingly no provision has been made in these financial statements.

(c) As of March 31, 1988, grants in lieu of taxes for the sites and construction of the two Museums amounted to approximately $5.0 million. Management is of the opinion that the payment of grants in lieu of taxes, will be resolved on behalf of the Corporation by the Department of Public Works. Therefore, the Corporation has not recorded the liability nor the expense in its accounts.

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

9. Related party transactions

(a) Under arrangements with the Department of Public Works, National Museums of Canada and National Capital Commission, the Corporation receives or provides various services. The following summarizes the transactions:

	Account receivable (payable) March 31, 1987	Amount billed to (from) during 1988	Amount (received) paid during 1988	Account receivable (payable) March 31, 1988
	(in thousands of dollars)			
Department of Public Works				
Technical and engineering support services	(36)	(251)	206	(81)
Public utilities for NGC		265		265
National Museums of Canada				
Rideau Street Chapel in NGC	296	1,524	(665)	1,155
Public space fit-up in NGC		3,681	(2,208)	1,473
Imax/Omnimax Theatre in CMC		1,990	(205)	1,785
Public space fit-up in CMC		823	(39)	784
National Capital Commission				
Landscaping of NGC and CMC	233	3,607	(2,305)	1,535

(b) Under an agreement relating to landscaping of both museums with the National Capital Commission, the Corporation is to be reimbursed for 65% of the expenditures incurred to a maximum of $7 million.

10. Administration expenditures

The Corporation incurred the following administration expenditures which have been allocated equally to each museum on the schedule of construction in progress:

	1988	1987
	(in thousands of dollars)	
Salaries and employee benefits	1,119	1,246
Office accommodation	348	702
Technical and engineering support	251	108
Professional and special services	113	115
Office furniture and equipment, net of proceeds from disposal	70	(7)
Communications	55	47
Travel and transportation	45	21
Utilities, material and supplies	35	44
Public information	31	19
Rental of equipment	25	76
Other	17	15
	2,109	2,386

11. Comparative figures

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

12. Subsequent event

The National Gallery of Canada was officially opened on May 21, 1988.

SCHEDULE OF CONSTRUCTION IN PROGRESS FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	National Gallery of Canada			Canadian Museum of Civilization			Total		
	Cumulative to March 31, 1987	1988	Cumulative to March 31, 1988	Cumulative to March 31, 1987	1988	Cumulative to March 31, 1988	Cumulative to March 31, 1987	1988	Cumulative to March 31, 1988
Site evaluation	108		108	108		108	216		216
Architects and consultants	10,429	2,203	12,632	14,871	4,053	18,924	25,300	6,256	31,556
Construction managers	4,211	1,033	5,244	3,507	1,565	5,072	7,718	2,598	10,316
Landscaping	359	3,874	4,233		1,675	1,675	359	5,549	5,908
Other construction costs	85,711	22,584	108,295	39,147	36,633	75,780	124,858	59,217	184,075
	100,818	29,694	130,512	57,633	43,926	101,559	158,451	73,620	232,071
Administration (Note 10)	5,937	1,054	6,991	5,937	1,055	6,992	11,874	2,109	13,983
	106,755	30,748	137,503	63,570	44,981	108,551	170,325	75,729	246,054
Less: funding by NCC for landscaping	233	2,518	2,751		1,089	1,089	233	3,607	3,840
interest income	977	238	1,215	977	238	1,215	1,954	476	2,430
	1,210	2,756	3,966	977	1,327	2,304	2,187	4,083	6,270
	105,545	27,992	133,537	62,593	43,654	106,247	168,138	71,646	239,784

SUMMARY PAGE

CANADA PORTS CORPORATION

MANDATE

Planning and coordinating the development of the 15 ports and harbours, previously administered by the National Harbours Board, to achieve the objectives of the national ports policy and support Canadian international trade objectives, as well as other social and economic objectives. The corporation is also responsible for the direct administration, management and control of the ports and harbours not granted local port corporation status.

BACKGROUND

The corporation was established in 1983 with responsibility for the 15 ports and harbours across Canada that previously fell under the jurisdiction of the National Harbours Board. Subsequently, local port corporations were established at Montreal and Vancouver (in July 1983), at Halifax, Quebec and Prince Rupert (in June 1984), at St. John's (in June 1985), and at Saint John (in December 1986). These corporations are now operating with a high degree of local autonomy.

CORPORATION DATA

HEAD OFFICE	99 Metcalfe Street Ottawa, Ontario K1A 0N6
STATUS	—Schedule III, Part II —an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1983; pursuant to the *National Harbours Board Act* (R.S.C. 1970, N-8, s. 3); reconstituted by the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9).
CHIEF EXECUTIVE OFFICER	Jean Michel Tessier
CHAIRMAN	The Honourable Ronald Huntington, P.C.
AUDITOR	Coopers & Lybrand

FINANCIAL SUMMARY* ($ million) The financial year is the calendar year.

	1987	**1986 (restated)**	**1985 (restated)**	**1984 (restated)**
At the end of the year				
Total Assets*	95.4	100.4	231.6	246.5
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	1.6**	19.5	85.0	85.1
Equity of Canada	88.7	67.5	93.1	106.9
Cash from Canada in the year				
—budgetary***	2.1	13.0	14.1	35.0
—non-budgetary	nil	nil	2.6	4.9

* Assets and related liabilities of this corporation have been transferred to new local port corporations.

** In 1987, $17.8 million loan principal owed to Canada was forgiven. That amount and related interest forgiven was added to the corporation's contributed capital.

*** Takes no account of payments to Canada: 1987, dividend, $1.0 million and, 1986, special contributions to Canada, $26.7 million.

CANADA PORTS CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE JOHN CROSBIE, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of Canada Ports Corporation as at December 31, 1987 and the statements of income, surplus, contributed capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Coopers & Lybrand
Chartered Accountants

Ottawa, Canada
February 19, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987	1986
Current		
Cash	351	225
Investments (Note 3)	26,715	27,864
Accounts receivable	2,303	2,252
Due from Canada	1,940	458
Materials and supplies	338	352
	31,647	31,151
Investments (Note 3)	18,293	18,225
Investment in Ridley Terminals Inc. (Note 4)	7,465	11,459
Fixed assets (Note 6)	38,009	39,528
	95,414	100,363

LIABILITIES	1987	1986
Current		
Accounts payable and accrued liabilities (Note 7)	3,268	6,158
Grants in lieu of municipal taxes	542	491
	3,810	6,649
Accrued employee benefits	1,392	1,303
Loans from Canada (Note 8)	1,487	24,893
	2,879	26,196
EQUITY OF CANADA		
Contributed capital	73,638	55,896
Contribution to Canada (Note 10)		(5,589)
Surplus	15,087	17,211
	88,725	67,518
	95,414	100,363

On behalf of the Board:

THE HONOURABLE A.R. HUNTINGTON
Chairman

JEAN MICHEL TESSIER
President and Chief Executive Officer

CANADA PORTS CORPORATION—*Continued*

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Revenue from operations	13,331	14,959
Operating and administrative expenses—Net	10,677	11,510
Depreciation	2,822	2,877
Grants in lieu of municipal taxes	1,202	1,255
	14,701	15,642
Net loss from operations	(1,370)	(683)
Investment income	4,368	5,149
Interest expense	(123)	(128)
Net income before the undernoted items	2,875	4,338
Net loss of a port established as a local port corporation (Note 11)		(988)
Share in loss of Ridley Terminals Inc. (Note 4)	(3,994)	(5,090)
Net loss	(1,119)	(1,740)

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Balance at beginning of the year	55,896	130,734
Contributed capital transferred to a local port corporation (Note 11)		(79,209)
Forgiveness of non-interest bearing loans and accrued interest (Note 8)	23,331	4,371
Contribution to Canada (Note 10)	(5,589)	
Balance at end of the year	73,638	55,896

STATEMENT OF SURPLUS (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Balance at beginning of the year		
As previously reported	16,889	(57,966)
Adjustment of prior year's share in loss of Ridley Terminals Inc. (Note 4)	322	322
As restated	17,211	(57,644)
Deficit transferred to a local port corporation (Note 11)		76,595
Net loss	(1,119)	(1,740)
Dividend to Canada	(1,005)	
Balance at end of the year	15,087	17,211

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Operating Activities		
Net loss	(1,119)	(1,740)
Items not affecting cash		
Depreciation	2,822	5,483
Share in loss of Ridley Terminals Inc.	3,994	5,090
Other	95	127
Increase in operating components of working capital	(4,358)	(2,727)
Cash provided by operating activities	1,434	6,233
Financing Activities		
Capital grants	2,144	12,993
Loans from Canada	(75)	(5,524)
Contribution to Canada		(26,694)
Dividend to Canada	(1,005)	
Other		(175)
Cash provided (required) by financing activities	1,064	(19,400)
Investing Activities		
Additions to fixed assets	3,517	16,379
Proceeds on disposal of fixed assets	4	(187)
Cash required by investing activities	3,521	16,192
Decrease in cash and short-term investments	(1,023)	(29,359)
Cash and short-term investments at beginning of the year	28,089	62,381
Cash and short-term investments transferred to a local port corporation (Note 11)		(4,933)
Cash and short-term investments at end of the year	27,066	28,089

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. Canada Ports Corporation Act

Canada Ports Corporation is established under the Canada Ports Corporation Act. The Act provides for the establishment of local port corporations to manage and operate selected ports. The Corporation is named in Part II of Schedule C of the Financial Administration Act and is exempt from income tax.

2. Significant accounting policies

(a) Financial statements

The financial statements of the Corporation include the accounts of all the ports and other facilities under its administration. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

(b) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

(c) Investment in Ridley Terminals Inc.

The investment in Ridley Terminals Inc. is accounted for on the equity basis.

(d) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Continued*

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

(e) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(f) Insurance

The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

(g) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(h) Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

3. Investments

Investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. As at December 31, 1987, and 1986, the market value of the current investments approximates their amortized cost. At December 31, 1987, the market value of the long-term investments is $20,248,000 ($22,050,000 in 1986).

4. Investment in Ridley Terminals Inc.

Ridley Terminals Inc. ("RTI") was incorporated on December 18, 1981, under the Canada Business Corporations Act for the purpose of constructing and operating coal terminal facilities on Ridley Island in Prince Rupert, British Columbia. RTI is exempt from income taxes.

RTI's throughput revenue is currently dependent upon the production of two coal producers. The coal producer who currently ships the larger tonnage through RTI's facilities has entered into a price arbitration process with its customers. The results of this arbitration process could have a significant economic impact on the coal producer, which in turn could affect the relations of RTI with this customer. The current carrying value of RTI's terminal facility is dependent on a viable level of coal throughput from its customers.

At December 31, 1987, the Corporation had acquired, at a cost of $23,021,400, 90% of the issued common shares ($900) and 100% of the Class A preference shares ($23,020,500) of RTI. As of that date, Fednav Limited had acquired, at a cost of $23,020,600, 10% of the issued common shares ($100) and 100% of the Class B preference shares ($23,020,500) of RTI.

The Corporation's investment in RTI is accounted for on the equity basis. Application of this method in years in which RTI has a deficit requires that the Corporation recognize a share of the results of operations of RTI equal to its participation in the total equity of RTI which, at December 31, 1987, was 50%. In years in which RTI has retained earnings, the Corporation's share of the results of operations will be proportionate to its shareholding in common shares, after recognizing the dividend requirements of the two classes of preference shares.

During the year, RTI has negotiated a reduction of $644,000 in the property tax assessments for 1985. The Corporation's deficit balance at January 1, 1986, has been adjusted accordingly by $322,000 representing the Corporation's 50% share of the amount received.

The investment in Ridley Terminals Inc. is composed of:

	1987	1986
	(in thousands of dollars)	
Balance at beginning of the year	11,459	16,549
Share in loss	(3,994)	(5,090)
Balance at end of the year	7,465	11,459

A summary of the balance sheet of RTI as at December 31, 1987 as reported in its audited financial statements shows:

	1987	1986
	(in thousands of dollars)	
Assets		
Current	1,786	4,285
Fixed	219,245	224,792
Other	75	83
	221,106	229,160
Liabilities		
Current	1,387	1,225
Long-term debt	203,608	203,835
	204,995	205,060
Equity	16,111	24,100
	221,106	229,160

RTI has two long-term financing agreements with a major Canadian bank as follows:

(a) A construction credit loan agreement which is guaranteed unconditionally by Canada and is further secured by a $250,000,000 subordinate fixed and floating charge collateral demand debenture. On July 1, 1985, all borrowings converted to a fifteen year term loan with specified semi-annual repayments commencing July 31, 1991 through January 31, 2000. Interest on any bank loan is at the bank's prime rate, payable monthly. The Bankers' Acceptance fee is currently ½% per annum.

(b) A revolving credit loan agreement which provides an $80,000,000 credit facility for advances on a revolving basis until June 30, 1989 at which time all borrowings will convert to a term loan repayable in specified semi-annual instalments commencing July 31, 1989 through January 31, 1992. Interest on the bank loans is at the bank's prime rate plus ¼% per annum, payable monthly. The Bankers' Acceptance fee is currently ¾% per annum.

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Continued*

This agreement is secured by a $350,000,000 first fixed and floating charge collateral demand debenture with the terminal facility as security and an assignment of the lease from the Prince Rupert Port Corporation.

As at December 31, 1987, drawings under these agreements were as follows:

	1987	1986
	(in thousands of dollars)	
(a) Construction credit loan agreement		
Bankers' acceptances, net of unamortized interest charges	198,625	197,940
(b) Revolving credit loan agreement—		
Bank loans	1,000	1,900
Bankers' acceptances, net of unamortized interest charges	3,983	3,995
	4,983	5,895
	203,608	203,835

Based on the amounts borrowed under the credit facilities as at December 31, 1987, annual principal repayments over the next five years amount to $625,000 in 1989, $1,625,000 in 1990, $6,862,500 in 1991 and $10,850,000 in 1992.

The Class A preference shares carry a fixed cumulative dividend at a rate of 18% per annum on their stated value. The Class B preference shares carry a fixed cumulative dividend at a rate sufficient to net 20% after tax per annum on their stated value. The annual dividend of 20% on the Class B preference shares is a net sum after deducting an amount equal to the prevailing aggregate federal and provincial corporate income and profits taxes applicable to the dividend.

Holders of the Class A and B preference shares are entitled to interest at the respective dividend rates in the event that dividends accrued are not paid. Unpaid interest compounds annually at the same respective rates. Interest has accrued since April 30, 1982. The preference shares are redeemable at any time at their stated value plus accrued dividends and unpaid interest thereon. Preference dividends and related interest in arrears at December 31, 1987, calculated at tax rates prevailing as at that date with respect to the Class B shares amount to:

	1987	1986
	(in thousands of dollars)	
Class A preference shares held by Canada Ports Corporation	27,835	19,745
Class B preference shares held by Fednav Limited	65,847	46,567
	93,682	66,312

The results of operations of RTI for the year ended December 31, 1987, in comparison with the year ended December 31, 1986, are as follows:

	1987	1986
	(in thousands of dollars)	
Revenue from operations	27,625	28,793
Operating and administrative expenses	11,736	12,408
Depreciation	6,530	6,594
Interest expense	17,348	19,971
	35,614	38,973
Net loss	(7,989)	(10,180)

5. Debentures of Saint John Harbour Bridge Authority

The Saint John Harbour Bridge Authority ("the Authority") is indebted in the amount of $14,041,000 (1986—$14,153,000) to the Corporation which in turn is indebted to Canada in the same amount, in accordance with the provisions of Vote L106B, Appropriation Act No. 7, 1967, 1967-68, c. 8. The interest and repayment terms of the parliamentary advances to the Corporation are identical to those of the debentures of the Authority. Under the terms of the agreement between Canada and the Authority, Canada has, in effect, guaranteed the repayment of both principal and interest on the debentures. Accordingly, the debentures received have been offset against the advances and loans payable to Canada such that they are not reflected as an asset and a liability on the balance sheet. Interest income and expense of $964,000 (1986—$971,000) have been similarly offset and do not appear in the statement of income.

On July 9, 1981, Treasury Board agreed to the transfer of the responsibility for the administration of the indebtedness of the Authority as well as the equivalent loan payable to Canada from the accounts of the Corporation to those of Transport Canada. As at December 31, 1987, Transport Canada has not completed the transfer.

6. Fixed assets

(a) Summary

	1987				1986
	Depreciation rates	Cost	Accumulated depreciation	Net	Net
	%	(in thousands of dollars)			
Land		4,419		4,419	5,591
Dredging	2.5-6.7	9,475	5,363	4,112	4,229
Berthing structures	2.5-10	34,261	16,258	18,003	17,293
Buildings	2.5-10	15,763	11,709	4,054	3,929
Utilities	3.3-10	2,741	1,210	1,531	1,602
Roads and surfaces	2.5-10	2,220	1,515	705	433
Machinery and equipment	5-100	18,659	14,450	4,209	5,042
Office furniture and equipment	20	2,590	2,270	320	412
Works under construction		656		656	997
		90,784	52,775	38,009	39,528

(b) Capital grants

During the year, the Corporation received capital grants totalling $2,144,000 (1986—$12,993,000) towards the construction of capital projects.

(c) Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $476,000, of which most will be expended in the year ending December 31, 1988.

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are deferred revenues for $144,000 (1986—$192,000) and current portion of long-term liabilities for $75,000 (1986—$70,000).

CANADA PORTS CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

8. Loans from Canada

	1987	1986
	(in thousands of dollars)	
Loans bearing interest at 6.44% and 9.09% repayable in blended annual instalments of principal and interest of $193,000 and maturing on December 31, 2000	1,562	1,632
Less: current portion	(75)	(70)
	1,487	1,562
Non-interest bearing loans with indefinite due date		17,841
Accrued interest on loans not due and payable		5,490
	1,487	24,893

During the year, the non-interest bearing loans and the related accrued interest in the amount of $23,331,000 were forgiven by Canada. This amount has been credited to Contributed Capital.

In 1986, deferred interest of $4,371,000 on loans for the construction of terminal facilities at the Port of Saint John was forgiven and was treated as Contributed Capital.

Principal repayment requirements over the next five years amount to $75,000 in 1988, $81,000 in 1989, $87,000 in 1990, $93,000 in 1991 and $100,000 in 1992.

9. Contingencies

Claims aggregating approximately $1,131,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

10. Contribution to Canada

Payments from excess cash made in 1986 to Canada and treated as Contribution to Canada in the amount of $5,589,000 have been reclassified to Contributed Capital.

11. Local port corporation

At the closing of business on December 31, 1986, the Port of Saint John, New Brunswick was established as a local port corporation under the name of Saint John Port Corporation. In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred to Saint John Port Corporation on that date at their carrying value in the accounts of the Corporation.

The statement of income of the Corporation includes the results of operations of the Port of Saint John for the year ended December 31, 1986.

SUMMARY PAGE

CANADA POST CORPORATION

MANDATE

To operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of Canadians.

BACKGROUND

The *Canada Post Corporation Act* requires the corporation to fulfill its mandate while "improving and extending its products and services," having regard to "the need to conduct its operations on a self-sustaining financial basis." The corporation is also called upon to manage its human resources "in a manner that will both attain the objects of the corporation and ensure the commitment and dedication of its employees." Canada pays subsidies to the corporation in support of the publishing industry, for Northern parcel mails, parliamentary free mail, and blind persons' free mail. The actual operating subsidy today is about 1 per cent of the corporation's operating expenses.

CORPORATION DATA

HEAD OFFICE	Sir Alexander Campbell Building Confederation Heights Ottawa, Ontario K1A 0B1
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Harvie Andre, P.C., M.P.
DEPARTMENT	Consumer and Corporate Affairs
YEAR AND MEANS OF INCORPORATION	1981; by the *Canada Post Corporation Act* (R.S.C. 1985, c. C-10), proclaimed October 16, 1981.
CHIEF EXECUTIVE OFFICER	Donald H. Lander
CHAIRMAN	Sylvain Cloutier
AUDITOR	Maheu Noiseux and the Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	**1986-87**	**1985-86**	**1984-85**
At the end of the period				
Total Assets	2,574	2,629	2,451	2,370
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	1,612	1,598	1,576	1,602
Cash from Canada in the period				
— budgetary*	191	232	184	347
— non-budgetary	nil	nil	nil	nil

* Budgetary amounts do not include payments for cultural and special mails.

CANADA POST CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Directors is responsible for the financial statements and all other information presented in this annual report in accordance with the Financial Administration Act and regulations. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's estimates and judgement.

Management has developed and maintains books of account, records, financial and management control and information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the Financial Administration Act and regulations as well as the Canada Post Corporation Act and by-laws of the Corporation. Internal audits are conducted to assess these systems and practices.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through the Audit Committee which is composed of five directors, four of whom are not employees of the Corporation. The Audit Committee meets at least annually to review and advise the Board of Directors with respect to the financial statements and the auditors' annual report. The Audit Committee also oversees the internal audit activities of the Corporation and performs such other functions as are assigned to it.

The Corporation's external auditors, the Auditor General of Canada and Maheu Noiseux, examine the financial statements and report to the Minister responsible for Canada Post Corporation.

AUDITORS' REPORT

TO THE MINISTER RESPONSIBLE FOR CANADA POST CORPORATION

We have examined the balance sheet of Canada Post Corporation as at March 31, 1988 and the statements of equity of Canada, operations and extraordinary restructuring costs and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Canada Post Corporation Act and the by-laws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Maheu Noiseux
Chartered Accountants

Ottawa, Canada
June 8, 1988

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

ASSETS	1988	1987
Current		
Cash	551,893	608,248
Accounts receivable		
Government of Canada	9,759	5,534
Foreign postal administrations	32,423	78,829
Other	13,518	10,298
Prepaid expenses	46,343	37,833
	653,936	740,742
Fixed (Notes 3 and 8a)		
Land, buildings and equipment	2,031,954	1,913,668
Less: accumulated depreciation	503,740	412,829
	1,528,214	1,500,839
Other		
Deferred employee termination benefits	391,844	386,939
National Postal Museum (Note 4)	1	1
	391,845	386,940
	2,573,995	2,628,521

LIABILITIES AND EQUITY OF CANADA	1988	1987
Current liabilities		
Accounts payable and accrued liabilities		
Government of Canada	102,504	140,020
Foreign postal administrations	9,784	6,408
Other	88,849	98,610
Salaries and benefits	135,615	183,186
Deferred revenues	160,106	145,973
Outstanding money orders	64,597	61,362
Deposits	8,578	7,683
	570,033	643,242
Employee termination benefits (Note 5)	391,844	386,939
EQUITY OF CANADA		
Contributed capital	1,943,425	1,739,388
Accumulated unfunded losses from operations	(110,063)	(102,300)
Accumulated extraordinary restructuring costs, recoverable in future postal rates	(221,244)	(38,748)
	1,612,118	1,598,340
	2,573,995	2,628,521

Contingent liabilities (Note 6)

Approved by the Board:

SYLVAIN CLOUTIER
Chairman of the Board

DANIEL J. SCANLAN
Chairman, Audit Committee

CANADA POST CORPORATION—*Continued*

STATEMENT OF EQUITY OF CANADA
YEAR ENDED MARCH 31
(in thousands of dollars)

	1988	1987
Contributed capital		
At beginning of year	1,739,388	1,678,218
Parliamentary appropriations for capital, extraordinary restructuring costs and special purposes (Note 8a)	204,037	61,170
At end of year	1,943,425	1,739,388
Accumulated unfunded losses from operations		
At beginning of year	102,300	102,300
Loss from operations and amortization of extraordinary restructuring costs	37,763	128,981
Less: government funding (Note 8c)	30,000	128,981
At end of year	110,063	102,300
Accumulated extraordinary restructuring costs, recoverable in future postal rates		
At beginning of year	38,748	
Additions during the year (Note 7)	190,246	38,748
Less: amortization for the year	7,750	
At end of year	221,244	38,748
Equity of Canada	1,612,118	1,598,340

STATEMENT OF OPERATIONS AND EXTRAORDINARY RESTRUCTURING COSTS
YEAR ENDED MARCH 31
(in thousands of dollars)

	1988	1987
Revenues		
Postage	2,671,961	2,500,129
Payments on behalf of postal users (Note 8b)	251,593	254,093
Other	214,998	215,834
	3,138,552	2,970,056
Expenses		
Salaries and benefits	2,268,485	2,243,224
Transportation	331,854	317,979
Accommodation	187,585	191,170
Depreciation	92,925	85,690
Other	287,716	260,974
	3,168,565	3,099,037
Loss from operations	30,013	128,981
Amortization of extraordinary restructuring costs	7,750	
Loss from operations and amortization or extraordinary restructuring costs	37,763	128,981
Extraordinary restructuring costs, recoverable in future postal rates (Note 7)	190,246	38,748

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED MARCH 31
(in thousands of dollars)

	1988	1987
Cash from operations		
Loss from operations	(30,013)	(128,981)
Items not requiring cash		
Depreciation	92,925	85,690
Loss on disposal of fixed assets	46	4,369
	62,958	(38,922)
Government funding	30,000	128,981
Changes in non-cash working capital items		
Accounts receivable	38,961	3,915
Accounts payable and accrued liabilities	(43,901)	71,089
Deferred revenues	14,133	12,467
Outstanding money orders	3,235	2,145
Other	(55,186)	37,624
	50,200	217,299
Cash for extraordinary restructuring		
Extraordinary restructuring costs, recoverable in future postal rates	(190,246)	(38,748)
Cash from financing		
Parliamentary appropriations for capital, extraordinary restructuring costs and special purposes	204,037	61,170
Cash invested		
Land and building acquisitions	(41,569)	(42,185)
Equipment acquisitions	(79,365)	(72,828)
	(120,934)	(115,013)
Parliamentary appropriation for special purposes	106	502
Proceeds on disposal of fixed assets	482	2,030
	(120,346)	(112,481)
Cash increase (decrease)	(56,355)	127,240
Cash at beginning of year	608,248	481,008
Cash at end of year	551,893	608,248
Represented by		
Cash	483,180	549,997
Money order funds in trust	68,713	58,251

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

1. Incorporation

The Corporation was established by the Canada Post Corporation Act on October 16, 1981 to operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada. The Corporation is a Crown corporation included in Part I of Schedule C to the Financial Administration Act and is an agent of Her Majesty. The Corporation is exempt from income taxes.

The Canada Post Corporation Act provided that all the property, assets, rights, obligations and liabilities of the Post Office Department be transferred to the Corporation from the Government of Canada.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles. A summary of the significant accounting policies of the Corporation follows:

(a) Rate regulation

The Canada Post Corporation Act provides that the Corporation may make regulations prescribing rates of postage that

CANADA POST CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Continued*

are fair and reasonable so as to provide revenue together with any revenue from other sources, sufficient to defray the costs incurred by the Corporation in the conduct of its operations. The Corporation is required to publish each proposed regulation for interested persons to make representations to the Minister responsible for the Corporation, who thereafter submits the regulation to the Governor in Council for consideration and subsequent approval or refusal.

With the approval of the Governor in Council, as rate regulator, the Corporation may include certain costs in its future operating cost base for purposes of establishing postal rates at that time. Such costs are amortized and recovered in future postal rates on the basis specified by the rate regulator.

(b) Fixed assets and depreciation

Land, buildings and equipment transferred from the Government of Canada on October 16, 1981 were recorded at their fair value at that date, determined as follows:

Land	— Market value based on existing use
Buildings	— Depreciated replacement cost
Plant equipment, vehicles, and sales counter and office furniture and equipment	— Depreciated replacement cost or original cost less estimated depreciation

The market value of land and the depreciated replacement cost of buildings transferred by the Government of Canada was determined by independent appraisals. Acquisitions subsequent to October 16, 1981 are recorded at cost.

Minor equipment was recorded at estimated depreciated replacement cost at October 16, 1981. Subsequent additions to the base amount are recorded at cost. Replacement of mailbags and lockboxes are expensed as purchased.

Depreciation is provided on the straight-line basis over the estimated useful lives of the following assets:

Buildings	30 and 40 years
Plant equipment	4 to 30 years
Vehicles (other than passenger and light duty commercial)	6 to 10 years
Sales counter and office furniture and equipment	5 to 20 years
Minor equipment—Street furniture and monotainers	5 to 15 years

Depreciation is provided on the diminishing balance basis at an annual rate of 30 per cent for all passenger and light duty commercial vehicles.

(c) Employee termination benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment.

With the approval of the rate regulator, the Corporation defers the costs of unpaid employee termination benefits accruing to employees until such time as the Corporation becomes self-sustaining (anticipated to be the year ending March 31, 1989). Accordingly, the present value of the projected costs of unpaid employee termination benefits is recorded in the accounts as a long-term liability offset by a deferred charge, since such costs will be recovered from future postal revenues and/or Government funding (Notes 5 and 8c). The deferred costs are amortized and charged to operations on the same basis as the liability is paid and recovered from revenues and/or Government funding.

(d) Revenue recognition

Amounts received for which services have not been rendered prior to the end of the year are deferred.

(e) Parliamentary appropriations

Parliamentary appropriations representing Government contributions are credited to equity of Canada when costs are incurred. However, when capital items are funded under a Government assistance program, the funding is applied to reduce the capital cost. As outlined in Note 8(a), unexpended amounts are set up as a current liability due to the Government of Canada.

Parliamentary appropriations representing payments on behalf of postal users and Government funding are credited to operations in the year to which they relate, as outlined in Note 8(b) and (c).

(f) Workers' compensation

The Corporation assumes all risks for workers' compensation claims. The estimated costs of such claims, as a result of injuries on duty, are recorded as expenses in the year of injury. All payments for injuries suffered by employees prior to October 16, 1981 are the responsibility of the Government of Canada, since they are the liability of the Department of Labour.

(g) Pension plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions, which amounted to $96,085,000 (1987—$96,265,000), represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for indexation payments under the Supplementary Retirement Benefits Act.

(h) Extraordinary restructuring costs, recoverable in future postal rates

The Corporation has undertaken certain programs which form part of a major restructuring of the current postal system to meet specified operating and service performance standards. The costs of these programs are of an unusual, non-recurring and strategic nature.

With the approval of the rate regulator, these costs are to be recovered in future postal rates and, as such, are amortized on a straight-line basis over the ensuing five years.

Pending the amortization and recovery of such costs in future postal rates, these costs are reflected in the statement of operations and extraordinary restructuring costs as incurred, and are accumulated as a reduction of the equity of Canada.

In the event that the Corporation determines there is no reasonable assurance that particular amounts will be recovered, such unrecoverable costs will be charged to current operations.

CANADA POST CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Continued*

(i) Foreign currency translation

Revenues and expenses relating to transactions with foreign postal administrations are translated into Canadian dollars at the exchange rates at the time of transaction. Amounts due to or from foreign postal administrations at the balance sheet date are translated at the then prevailing exchange rates. Gains or losses arising from translation of foreign currencies are included in operations.

3. Fixed assets

	1988			1987
	Cost or fair value	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land	241,889		241,889	241,704
Buildings	1,054,615	237,279	817,336	818,083
Plant equipment	440,966	174,923	266,043	282,744
Vehicles	85,745	44,355	41,390	35,630
Minor equipment				
Mail bags and lock boxes	24,325		24,325	24,325
Street furniture and monotainers	73,163	16,924	56,239	27,942
Sales counter and office furniture and equipment	111,251	30,259	80,992	70,411
	2,031,954	503,740	1,528,214	1,500,839

4. National postal museum

The Corporation operates a museum which contains philatelic material, postal artifacts, a postal library, and exhibits that trace the history of the mail and other postal memorabilia. Since these collections, exhibits and books are not for resale and are of undetermined value, they have been recorded at a nominal amount of $1,000. On April 1, 1988 with the agreement of the Government of Canada, the custody of these assets was transferred to the National Archives of Canada and the Canadian Museum of Civilization. The memorandum of understanding outlining the specific details of this transaction is currently under review.

5. Employee termination benefits

At the time of incorporation on October 16, 1981, the Corporation assumed the liability related to termination benefits which had accrued to employees of the Post Office Department. In addition, the Corporation recognizes in the accounts the liability for benefits accruing to employees of the Corporation since October 16, 1981. The present value of these projected liabilities and the corresponding deferred charge remaining to be amortized and charged to operations at March 31, amounted to:

	1988	1987
	(in thousands of dollars)	
Accumulated to October 16, 1981	222,937	240,949
Accumulated subsequent to October 16, 1981	168,907	145,990
	391,844	386,939

The total charge to operations for employee termination benefits amounted to $22,180,300 (1987 — $15,633,900).

6. Contingent liabilities

(a) A complaint has been filed with the Canadian Human Rights Commission, alleging discrimination by the Corporation concerning work of equal value. The Commission's investigation of this complaint is continuing and the outcome is not presently determinable. Settlement, if any, arising from resolution of this matter will be recovered in future postal rates (as determined in accordance with the Canada Post Corporation Act) and/or from the Government of Canada.

(b) Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and are dependent on future illness. The amount of accumulated sick leave entitlements which will become payable cannot reasonably be determined. Sick leave benefits are expensed as paid.

7. Extraordinary restructuring costs, recoverable in future postal rates

During the year, the Corporation incurred costs which contribute to the restructuring of the current postal system to meet specified operating and service performance standards. These costs relate to negotiation of contractual flexibility, development and implementation of management and operating systems, and personnel downsizing and are recoverable in future postal rates. These costs are amortized on a straight-line basis over the ensuing five years.

8. Parliamentary appropriations

(a) Parliamentary appropriations for capital, extraordinary restructuring costs and special purposes

The Government of Canada has provided contributions towards the acquisition of fixed assets and the extraordinary restructuring costs in the form of a parliamentary appropriation for capital and extraordinary cost requirements. No further such contributions are anticipated. In previous years, the Corporation also received appropriations for other special purposes. Appropriations have been allocated as follows:

	1988	1987
	(in thousands of dollars)	
Unexpended balance at beginning of year	43,589	2,261
Parliamentary appropriations		
Capital and extraordinary cost requirements	161,000	103,000
Total available	204,589	105,261
Credited to		
Equity of Canada		
Capital and extraordinary restructuring costs	204,037	59,963
Special purposes		1,207
Fixed asset acquisitions (Government assistance)	106	502
Expended during the year	204,143	61,672
Unexpended balance at end of year (in current liabilities)	446	43,589

CANADA POST CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

(b) Payments on behalf of postal users

The Government of Canada provides assistance to the publishing industry by making payments which compensate the Corporation for foregone postage revenue from that source. In accordance with Government policy, the Corporation also receives compensation for government free mail, literature for the blind and northern air stage services. Payments received are as follows:

	1988	1987
	(in thousands of dollars)	
Department of Consumer and Corporate Affairs	196,500	199,000
Department of Communications	55,093	55,093
	251,593	254,093

It is anticipated that where Government policy requires the Corporation to provide postal services at rates less than cost, the Corporation will continue to receive payments as compensation for foregone postage revenue.

(c) Government funding

The Canada Post Corporation Act provides that where the annual revenues of the Corporation are insufficient to permit the Corporation to pay all its operating and income charges, the amount of the insufficiency shall be included in the form of a deficit appropriation in the next Estimates laid before Parliament.

The annual deficit appropriation in respect of the loss from operations was limited to $30,000,000 (1987 — $128,981,000). No further deficit appropriations are anticipated.

9. Lease commitments

The Corporation occupies certain facilities under operating leases which expire at various dates between 1989 and 2027. The Corporation's future minimum rental payments required under operating leases that have terms in excess of one year, are as follows:

	(in thousands of dollars)
1989	37,234
1990	30,201
1991	22,594
1992	17,916
1993	13,105
1994 to 2027	25,346
	146,396

10. Related party transactions

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

(a) Property management

The Corporation has a property management arrangement with the Department of Public Works to manage substantially all the Corporation's real property. Operating, maintenance, leasing and other accommodation costs including grants in lieu of taxes, incurred by the Department of Public Works, plus a management fee charged to operations amounted to $181,259,000 (1987—$176,200,000). Rental income from third parties of $8,129,000 (1987—$10,130,000) is included in other revenues. Capital expenditures including a management fee amounted to $33,452,000 (1987—$31,240,000).

(b) Financing

At the present time, the Corporation's receipts are deposited to the credit of the Corporation in the Consolidated Revenue Fund of the Government of Canada and its expenditures are paid out of the amounts held to its credit in this Fund. Where, at any time, the available revenues of the Corporation are not sufficient to pay all the operating and income charges as and when due, the Minister of Finance may, with approval, place at the disposal of the Corporation such amounts as may be required to enable the Corporation to meet all such charges. The Corporation was not charged interest, nor did it receive interest, on its balance in the Consolidated Revenue Fund.

(c) Money orders

Funds received from the issue of money orders are held in trust to the credit of the Corporation in the Consolidated Revenue Fund of the Government of Canada until required for redemption of the money orders and/or settlement with foreign postal administrations. Interest was not received on the funds on deposit, nor was there a charge by the Government of Canada for expenses relating to the redemption of money orders.

(d) Other

In the normal course of business, the Corporation enters into various other transactions, such as the provision of postal services and the purchase of air and rail transportation, with the Government of Canada, its agencies and other Crown corporations.

11. Labour agreements

Labour agreements between the Corporation and certain bargaining units have expired and are at various stages of negotiation, arbitration or ratification.

SUMMARY PAGE

CANADIAN BROADCASTING CORPORATION

MANDATE

Develop and provide a national broadcasting service for all Canadians in both official languages, in television and radio, and provide an international service.

BACKGROUND

Established in 1936 by the *Broadcasting Act*; major amendments were made to this Act in 1958 and 1968 and Bill C-136, tabled on June 23, 1988 seeks further amendment of it, in particular to increase Canadian production of programming.

CORPORATION DATA

HEAD OFFICE	1500 Bronson Avenue P.O. Box 8478 Ottawa, Ontario K1G 3J5
STATUS	— an agent of Her Majesty — exempted from Divisions I to IV of Part X of the *Financial Administration Act*; subject to Part VIII of this Act as it read immediately before the 1984 repeal thereof
APPROPRIATE MINISTER	The Honourable Flora MacDonald, P.C., M.P.
DEPARTMENT	Communications
YEAR AND MEANS OF INCORPORATION	1936, by *the Broadcasting Act* (R.S.C. 1985, c. B-9).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	The Honourable Pierre Juneau, P.C., O.C.
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86 (restated)	1984-85
At the end of the period				
Total Assets	799	755	731	691
Obligations to the private sector	6	1	nil	nil
Obligations to Canada	33	33	33	33
Equity of Canada	508	461	448	413
Cash from Canada in the period				
— budgetary	887	855	857	905
— non-budgetary	nil	nil	nil	nil

CANADIAN BROADCASTING CORPORATION

AUDITOR'S REPORT

TO THE CANADIAN BROADCASTING CORPORATION
AND
THE MINISTER OF COMMUNICATIONS

I have examined the balance sheet of the Canadian Broadcasting Corporation as at March 31, 1988 and the statements of income and expense and reconciliation to government funding basis, proprietor's equity account and cash flow for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied, except for the change (required to conform to the recommendations of the Canadian Institute of Chartered Accountants) in the method of accounting for pension costs as explained in Note 4 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the former Part VIII of the Financial Administration Act and regulations as they apply to the Corporation, the Broadcasting Act and the by-laws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 10, 1988

BALANCE SHEET AS AT MARCH 31, 1988
(in thousands of dollars)

ASSETS	1988	1987
Current		
Cash and treasury bills	17,638	11,932
Accounts receivable	74,741	70,020
Engineering and production supplies and merchandise	12,400	13,213
Programs completed and in process of production	69,916	83,456
Prepaid film and script rights and other expenses	23,609	23,729
	198,304	202,350
Fixed assets (Note 3)	592,229	552,224
Deferred charge (Note 4)	8,904	
	799,437	754,574

LIABILITIES	1988	1987
Current		
Accounts payable and accrued liabilities	110,261	122,165
Accrued vacation pay	46,016	42,864
	156,277	165,029
Long-term		
Employee termination benefits	99,085	95,355
Advances from Government of Canada (Note 5)	33,000	33,000
Obligations under capital leases (Note 6)	3,482	709
	135,567	129,064
PROPRIETOR'S EQUITY		
Proprietor's equity account	507,593	460,481
	799,437	754,574

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

Approved on behalf of the Board of Directors:

PIERRE JUNEAU
Director

ROBERT KOZMINSKI
Director

S. COTSMAN
Vice-President, Finance

CANADIAN BROADCASTING CORPORATION—*Continued*

STATEMENT OF INCOME AND EXPENSE AND RECONCILIATION TO GOVERNMENT FUNDING BASIS FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Expense		
National Broadcasting Service, program and distribution costs (See Schedule A)	1,009,746	956,711
Radio Canada International, broadcasting service	17,212	17,269
Corporate engineering services	8,946	9,969
Corporate management and services	47,586	46,478
Commissions to agencies	41,242	33,681
Selling and merchandising	41,322	42,677
	1,166,054	1,106,785
Income		
Advertising	295,546	238,668
Miscellaneous	30,155	27,641
Parliamentary operating appropriation (Note 7)	792,266	782,673
	1,117,967	1,048,982
Excess of expense over income before income tax and extraordinary item	48,087	57,803
Income tax (Note 8)	3,139	
Excess of expense over income before extraordinary item	51,226	57,803
Extraordinary item, income tax reduction (Note 8)	(3,139)	
Excess of expense over income	48,087	57,803
Reconciliation to Government Funding Basis		
Deduct: net items not requiring current operating funds (Note 7)	62,611	45,857
Surplus (deficit) for the year	14,524	(11,946)
(Deficit) surplus, beginning of year	(10,191)	1,755
Surplus (deficit), end of year	4,333	(10,191)

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

SCHEDULE OF NATIONAL BROADCASTING SERVICE PROGRAM AND DISTRIBUTION COSTS FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

SCHEDULE A

	1988	1987
Programs		
English language		
Radio		
Network	46,841	43,723
Regional contribution to network	21,183	19,386
Regional	51,998	52,079
Television		
Network	266,418	226,310
Regional contribution to network	47,607	43,193
Regional	106,817	109,837
French language		
Radio		
Network	38,568	34,442
Regional contribution to network	6,791	6,071
Regional	28,501	27,597
Television		
Network	188,146	188,104
Regional contribution to network	14,141	14,786
Regional	43,407	40,459
	860,418	805,987
Distribution		
Radio		
Network distribution	19,776	19,548
Station transmission	21,042	22,053
Television		
Network distribution	65,460	65,636
Station transmission	27,536	28,114
Payments to private stations	15,514	15,373
	149,328	150,724
	1,009,746	956,711

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

STATEMENT OF PROPRIETOR'S EQUITY ACCOUNT FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Balance, beginning of year	460,481	447,518
Add (Deduct): parliamentary capital appropriations (Note 7)	91,344	68,260
parliamentary working capital appropriations (Note 7)	4,000	4,000
loss on disposal of fixed assets	(145)	(1,494)
surplus (deficit) for the year	14,524	(11,946)
net items not requiring current operating funds (Note 7)	(62,611)	(45,857)
Balance, end of the year	507,593	460,481

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

CANADIAN BROADCASTING CORPORATION—*Continued*

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Operating Activities		
Excess of expense over income before extraordinary item	(51,226)	(57,803)
Items not involving cash		
Extraordinary item—Income tax reduction	3,139	
Depreciation and amortization	54,732	48,455
Employee termination benefits	3,730	404
Net change in non-cash working capital balances (Note 9)	(515)	(838)
	9,860	(9,782)
Financing Activities		
Parliamentary capital appropriation	91,344	68,260
Capital lease obligations assumed	6,453	692
Parliamentary working capital appropriation	4,000	4,000
	101,797	72,952
Investing Activities		
Acquisition of fixed assets	(89,621)	(69,006)
Proceeds on disposal of fixed assets	1,191	776
Capital portion of lease payments	(2,164)	(30)
Equipment acquired under capital leases	(6,453)	(692)
	(97,047)	(68,952)
Deferred pension contribution	(8,904)	
Increase (decrease) in cash and treasury bills	5,706	(5,782)
Cash and treasury bills, beginning of year	11,932	17,714
Cash and treasury bills, end of year	17,638	11,932

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

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

1. Authority and objective

The Canadian Broadcasting Corporation was established by the 1936, 1958 and 1968 Broadcasting Acts. The Corporation is an agent of Her Majesty and all property acquired by the Corporation is the property of Her Majesty.

The objective of the Corporation is to develop and provide a national broadcasting service for all Canadians in both official languages, in television and radio, and to provide an international service. The television and radio services should be primarily Canadian in content and character.

2. Significant accounting policies

(a) Engineering and production supplies and merchandise

The inventory of engineering and production supplies is stated at the lower of average cost and replacement cost. The inventory of merchandise is stated at the lower of cost and net realizable value.

(b) Programs completed and in process of production

Programs completed and in process of production are stated at cost. Cost includes the cost of goods and services, and the share of labour and overhead expenses applicable to each program.

Program costs are charged to operations as the programs are broadcast or deemed unusable.

(c) Film rights

The Corporation enters into contracts for film broadcasting rights. As payments are made under the terms of each contract they are reflected in the accounts as prepaid film rights. The film rights are charged to operations as the films are broadcast or deemed unusable.

(d) Fixed assets

Fixed assets are recorded at cost. The cost of assets constructed by the Corporation includes material, engineering services, direct labour and related overhead. Depreciation is calculated on the straight-line method using rates based on the estimated useful life of the assets, as follows:

Buildings	33 years
Technical equipment	
Transmitters and towers	20 years
Other	10 years
Furnishings and office equipment	10 years
Automotive	5 years

Major leasehold improvements are capitalized and amortized over the terms of the leases to a maximum period of five years. Amounts included in uncompleted capital projects are transferred to the appropriate fixed asset classification upon completion, and are then depreciated according to the Corporation's policy. Gains and losses on disposals of fixed assets are credited or charged to Proprietor's Equity Account.

(e) Capital leases

Assets recorded as capital leases are amortized on the straight-line method over the estimated useful life of the assets or the lease terms as appropriate. Obligations recorded under the capital leases are reduced by rental payments net of imputed interest.

(f) Pension costs and obligations

The Corporation's pension plan is a defined benefit final average pension plan. The cost of pension benefits earned by employees is determined using the projected benefit method of actuarial valuation with projected salary increases where appropriate, pro-rated on services and charged to expense as services are rendered. This cost reflects management's best estimate of the pension plan's expected investment yields, and of salary escalations, mortality of members, terminations and ages at which members will retire. The surplus recognized for accounting purposes on the introduction of this accounting policy, adjustments arising from plan amendments, experienced gains and losses and changes in assumptions are amortized over the estimated average remaining service life of the employee group.

The pension plan is funded in accordance with standard actuarial practice and legal requirements.

The difference between the accumulated amounts expensed and the funding contributions is reflected in the balance sheet as a long term deferred charge or accrual as the case may be.

(g) Employee termination benefits and vacation pay

Employee termination benefits and vacation pay are expensed as benefits accrue to employees under their respective terms of employment.

(h) Parliamentary appropriations

Parliamentary appropriations for operating expenditures are recorded as income. Parliamentary appropriations for capital and working capital are credited to Proprietor's Equity Account.

CANADIAN BROADCASTING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Continued*

3. Fixed assets

	1988			1987
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
	(in thousands of dollars)			
Land	35,387		35,387	35,807
Buildings	257,609	109,107	148,502	145,890
Technical equipment	644,588	323,479	321,109	308,434
Furnishings and office equipment	28,470	8,876	19,594	16,501
Automotive	13,053	8,862	4,191	4,258
Leasehold improvements	5,397	4,715	682	1,813
Computer equipment under capital leases	7,844	2,707	5,137	1,295
Uncompleted capital projects	57,627		57,627	38,226
	1,049,975	457,746	592,229	552,224

4. Deferred charge

The Corporation maintains a defined benefit final average pension plan which covers substantially all its continuing employees. The plan provides pensions based on length of service and final average earnings.

Effective April 1, 1987, the Corporation adopted on a prospective basis, the accounting recommendations for pension costs and obligations issued in 1986 by the Canadian Institute of Chartered Accountants. An actuarial valuation was last made as of December 31, 1986. Projections from that valuation show a present value of accrued pension benefits of $1,265,621,000 and $1,380,438,000 as at March 31, 1987 and March 31, 1988 respectively. Market related values have been used for valuing pension fund assets which, based on financial information as at March 31, 1987 and March 31, 1988, are estimated at $1,412,107,000 and $1,521,820,000 respectively.

The deferred charge at March 31, 1988 is the difference between the pension expense for the year and the funding contributions.

5. Advances from Government of Canada

Advances from the Government of Canada are made for working capital purposes and are non-interest bearing. These advances become repayable when cash and treasury bills exceed the Corporation's requirements for working capital.

6. Lease obligations

As at March 31, 1988, the Corporation's obligations related to capital leases and operating leases for terms in excess of one year are as follows:

	Capital Leases	Operating Leases
	(in thousands of dollars)	
1989	2,402	54,610
1990	2,044	36,263
1991	1,582	21,666
1992	407	17,740
1993		14,833
1994-2061		15,224
Total future payments	6,435	160,336
Deduct: imputed interest	983	
Present value of capital lease obligation	5,452	
Deduct: current portion	1,970	
Long-term obligations under capital leases	3,482	

7. Parliamentary appropriations

The Corporation receives funds from the Parliament of Canada through annual appropriations. These funds are used to develop and provide a national broadcasting service. The appropriations approved and the payments received by the Corporation for 1988 and 1987 are noted below.

	1988	1987
	(in thousands of dollars)	
Appropriations		
Operating	792,266	782,673
Capital	91,344	68,260
Working Capital	4,000	4,000
	887,610	854,933

The 1988 capital appropriation includes $589,000 which represents unspent accumulated capital appropriations from previous years.

The following summarizes the net items not requiring current operating funds.

	1988	1987
	(in thousands of dollars)	
Depreciation and amortization	54,732	48,455
Employee termination benefits and vacation pay	8,459	1,727
Program inventory costs	8,324	(4,325)
Deferred pension contribution	(8,904)	
	62,611	45,857

CANADIAN BROADCASTING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

8. Income tax

The Corporation is a prescribed federal Crown corporation under Part LXXI of the Income Tax Regulations and is subject to the provisions of the federal Income Tax Act. Depreciation and capital cost allowance are not allowable deductions in the determination of the Corporation's taxable income. Therefore, the Corporation may have taxable income even when there is an excess of expense over income in any year.

During the year, the Corporation recognized previously unrecorded tax benefits of prior years' losses. The Corporation has accumulated losses carried forward for income tax purposes of $7.4 million which has not been recognized in the financial statements. The tax benefits pertaining to this loss carry-forward are available until 1994.

9. Changes in non-cash working capital

	1988	1987
	(in thousands of dollars)	
Cash provided (used for)		
Accounts receivable	(4,721)	(4,354)
Engineering and production supplies and merchandise	813	(1,145)
Programs completed and in process of production	13,540	(6,854)
Prepaid film and script rights and other expenses	120	1,661
Accounts payable and accrued liabilities	(13,419)	8,531
Accrued vacation pay	3,152	1,323
	(515)	(838)

10. Commitments

As at March 31, 1988, commitments for procured programs, film rights and co-productions amounted to $51.0 million.

11. Contingencies

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation. In the opinion of management, the losses, if any, which may result from the settlement of these matters are not likely to be material and accordingly no provision has been made in the accounts of the Corporation.

12. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations and is mainly financed by Parliament of Canada.

During the year, transactions with these related departments, agencies and Crown corporations were in the normal course of business on normal trade terms applicable to all individuals and enterprises. Transactions with the Parliament of Canada are outlined in notes 5 and 7.

13. Subsequent events

On April 8, 1988, the federal cabinet gave approval to the Corporation to proceed with the Broadcast Centre Development Project in Toronto. The project is a mixed use property including commercial office, retail, residential and hotel space, in addition to a consolidated Broadcast Centre for the Corporation's Toronto based operations. It will be located on the Corporation's 9.3 acre site in downtown Toronto. The project involves the lease of this land to a developer who will finance and develop both the Broadcast Centre and the commercial elements of the project. The Corporation will then lease back the broadcasting facilities over a 35 year period.

14. Comparative figures

Certain of the 1987 comparative figures have been reclassified to conform to the current year's presentation.

SUMMARY PAGE

CANADIAN COMMERCIAL CORPORATION

MANDATE

To assist in the development of trade between Canada and other nations.

BACKGROUND

Established in 1946, the corporation serves as prime contractor when other countries wish to purchase goods and services from Canada on a government-to-government basis. As well, it assists in sales to international agencies.

CORPORATION DATA

HEAD OFFICE	Metropolitan Life Building 50 O'Connor Street Ottawa, Ontario K1A 0S6
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John Crosbie, P.C., Q.C., M.P., Minister for International Trade
DEPARTMENT	External Affairs
YEAR AND MEANS OF INCORPORATION	1946; by the *Canadian Commercial Corporation Act* (R.S.C. 1985, c. C-14).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Hugh Mullington
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	606.3	493.8	399.5	380.9
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	29.4	31.4	35.7	36.3
Cash from Canada in the period				
— budgetary	11.8	16.1	15.8	17.6
— non-budgetary	nil	nil	nil	nil

CANADIAN COMMERCIAL CORPORATION

AUDITOR'S REPORT

TO THE MINISTER FOR INTERNATIONAL TRADE

I have examined the balance sheet of the Canadian Commercial Corporation as at March 31, 1988 and the statements of operations and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards in Canada, conforming with International Auditing Guidelines, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the result of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Canadian Commercial Corporation Act and by-laws of the Corporation.

D. Larry Meyers, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 7, 1988

BALANCE SHEET AS AT MARCH 31, 1988
(in thousands of dollars)

ASSETS	1988	1987
Cash and short-term deposits	74,499	55,008
Deposit with Receiver General for Canada (Note 1)		8,000
Accounts receivable		
Foreign governments (Note 3)	104,923	111,141
Government of Canada—Parliamentary appropriations (Note 4)	37	461
Defence Production Revolving Fund	760	
Other	190	548
Advances to suppliers	112,765	5,419
Progress claims paid or due	313,158	313,276
	606,332	493,853

LIABILITIES	1988	1987
Accounts payable and accrued liabilities	105,291	106,034
Advances from customers	150,024	36,073
Progress payments received or due	314,681	313,217
Due to Government of Canada (Note 4)	2,119	2,945
Due to Defence Production Revolving Fund		292
Provision for additional costs (Note 5)	4,014	3,181
	576,129	461,742
Employee termination benefits	763	723
	576,892	462,465
EQUITY OF CANADA		
Paid in capital (Note 6)		10,000
Contributed surplus (Note 6)	20,000	10,000
Retained earnings	9,440	11,388
	29,440	31,388
	606,332	493,853

Certified correct:

F. O. KELLY
Comptroller

Approved by the Board:

H. J. MULLINGTON
President

J. CAMILLE GALLANT
Director

CANADIAN COMMERCIAL CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Revenues		
Contract billings	681,601	774,879
Fees and other income	2,404	715
Interest income	3,674	2,763
	687,679	778,357
Expenses		
Cost of contract billings	681,601	774,879
Additional contract costs	1,213	2,465
Bad debts (recovery)	(15)	142
Services provided by Supply and Services Canada	9,360	10,354
Administrative	7,515	7,665
Other	11	22
Legal fees and expenses charged by Department of Justice (Note 7)	635	505
Consolidation		493
	700,320	796,525
Cost of operations before loss on foreign exchange and extraordinary item	12,641	18,168
Loss on foreign exchange (Note 8)	1,115	1,235
Cost of operations before extraordinary item	13,756	19,403
Extraordinary item (Note 9)		959
Net cost of operations	13,756	20,362
Parliamentary appropriations	11,808	16,095
Excess of net cost of operations over parliamentary appropriations	1,948	4,267
Retained earnings at beginning of the year	11,388	15,655
Retained earnings at end of the year	9,440	11,388

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Financing Activities		
Parliamentary appropriations		
Amount drawn down	11,808	16,095
Adjusted for decrease in receivable from Government of Canada	424	628
	12,232	16,723
Operating Activities		
Operations		
Net cost of operations	13,756	20,362
Adjustments for		
Extraordinary item		(959)
Operating balances from customers and to suppliers	(4,828)	10,731
Advances and progress claims from customers and to suppliers	(8,187)	(9,566)
Total cash used	741	20,568
Increase (decrease) in cash and cash equivalents	11,491	(3,845)
Cash and cash equivalents at beginning of year	63,008	66,853
Cash and cash equivalents at end of year	74,499	63,008
Represented by		
Cash and short-term deposits	74,499	55,008
Deposit with Receiver General for Canada		8,000
	74,499	63,008

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988

1. Authority and operations

The Corporation was established in 1946 by the Canadian Commercial Corporation Act and is an agent Crown Corporation listed in Part I, Schedule C of the Financial Administration Act. The Corporation is not subject to income taxes.

The Corporation acts as the prime contracting agency when other countries and international agencies wish to purchase products and services from Canada on a government-to-government basis.

Contracts are made with foreign governments and corresponding contracts are entered into with Canadian firms by the Corporation.

In December 1987, the Government rescinded the fee for service system, thus ratifying the suspension by the Minister for International Trade of December 1986.

Supply and Services Canada provides contracting services to the Corporation at predetermined rates approved by Treasury Board, based on the amounts of contracts procured, and provides certain administrative functions at cost.

If the Minister so directs, the Corporation is required to pay to the Receiver General for Canada any funds that the Minister considers to be in excess of requirements. Any such payments are on deposit with the Receiver General for Canada and can, on the request and in the opinion of the Minister, be returned to the Corporation when required. During the year, an amount of $8 million that had been deposited with the Receiver General for Canada was returned to the Corporation. In the opinion of the Corporation and the Minister, these funds were required to meet funding requirements.

2. Significant accounting policies

(a) Contract billings

Revenues from contracts are recorded at the time of delivery except in the case of contracts involving progress payments; in these cases, revenues are recorded at the time the progress payments become due from customers. Since title to work-in-progress covered by progress claims has not passed to customers, the Corporation sets up a corresponding liability and cost of contract billings. The Corporation records all progress claims by its suppliers as assets. These assets and liabilities are reduced, in accordance with contract terms, as deliveries are accepted.

(b) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the month in which the transactions occur. Gains and losses resulting from translations are shown in the statement of operations and retained earnings.

(c) Parliamentary appropriations

Parliamentary appropriations are recorded in the year in which the corresponding expenses are incurred but are drawn upon only as cash disbursements are made.

(d) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation. These contributions represent the total obligation of the Corporation and are charged to income on a current basis.

CANADIAN COMMERCIAL CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

(e) Employee termination benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

3. Accounts receivable from foreign governments

As at March 31, 1988, the Corporation has provided $981,000 (1987—$996,000) to cover the possible non-collection of certain accounts receivable from foreign governments.

4. Government of Canada

As at March 31, 1988, funds to cover expenses of $37,000 applicable to 1987-88 appropriations had not been drawn and $2,119,000 had not been paid to various government departments.

5. Contractual obligations

As at March 31, 1988, the Corporation was obligated to fulfill contracts with customers amounting to $1.176 billion (1987—$1.132 billion).

The Corporation is responsible to its customers for the performance of its suppliers and thus may incur additional contract costs on default of a supplier. A provision of $4,014,000 (1987—$3,181,000) has been made for estimated additional contract costs which may be incurred if certain suppliers are unable to meet their contractual obligations.

6. Contributed surplus

In accordance with the Government's policy to adjust Canada's recorded loans, investments and advances to Crown Corporations, Treasury Board authorized the forgiveness of an advance of $10 million previously recorded by the Corporation as paid in capital. The forgiveness of this advance was subsequently approved by Parliament in 1987-88 Supplementary Estimates (C) and has been credited to contributed surplus.

7. Legal fees and expenses charged by Department of Justice

The Corporation has been directed by Treasury Board to reimburse the Department of Justice for legal fees and expenses resulting from the action taken against the Corporation related to the contract referred to in Note 10(a). These costs amounted to $635,000 (1987—$505,000).

8. Loss on foreign exchange

Contracts with foreign governments and corresponding contracts with Canadian suppliers are entered into the same currency. This reduces the Corporation's exposure to gains or losses due to fluctuation in foreign exchange. The Corporation maintains some working capital in U.S. currency to facilitate the cash flow between foreign customers and Canadian suppliers. The Corporation earns income from investments of the U.S. currency working capital and, at times, may be required to incur expenses in U.S. currency for additional contract costs, should suppliers not meet their obligations under a contract. The reported loss on foreign exchange for the years ended March 31, 1988 and 1987 is mainly attributable to the change in exchange value of the currency.

9. Extraordinary item

In 1986-87, the Corporation adopted the accrual basis for accounting for employees' annual leave and termination benefits. Previously, annual leave and termination benefits were expensed as disbursements were made. This change was made prospectively and its effect was to increase the cost of operations in 1986-87 by the net amount of $959,000 required to set up a liability for annual leave and a provision for employee termination benefits.

10. Contingencies

(a) The Corporation has been named as defendant in a lawsuit instituted in 1975 alleging losses resulting from the termination of a portion of a contract and seeking damages of $6.8 million plus accrued interest and costs. Based on the advice of legal counsel, management is of the opinion that no provision for possible loss in respect of this suit is required.

(b) The Corporation has been named as defendant in legal proceedings instituted in 1985, alleging losses resulting from a breach of contract by the Corporation and seeking damages of $744,000. The action is being contested by the Corporation and the ultimate outcome is uncertain. A review of the facts and law by counsel indicates that there is no liability on the part of the Corporation. On the basis of that opinion, management is of the view that no provision for possible loss in respect to these proceedings is required.

SUMMARY PAGE

CANADIAN DAIRY COMMISSION

MANDATE

To provide efficient producers of milk and cream with an opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality.

BACKGROUND

Established in 1966, the corporation administers the following elements of the federal dairy program: calculation of Target Price for manufacturing milk and cream; market support for the Target Price through a nationwide offer to purchase butter and skim milk powder; payment of subsidy on eligible milk and cream shipments; international marketing of dairy products not required for domestic consumption; receipt of levies collected by provinces from farmers to finance the cost of exporting products surplus to domestic requirements; and coordination of national supply management of industrial milk production.

CORPORATION DATA

HEAD OFFICE	Pebb Building 2197 Riverside Drive Ottawa, Ontario K1A 0Z2
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John Wise, P.C., M.P.
DEPARTMENT	Agriculture
YEAR AND MEANS OF INCORPORATION	1966; by the *Canadian Dairy Commission Act* (R.S.C. 1985, c. C-15).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Roch Morin
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends July 31.

	1986-87	1985-86	1984-85	1983-84
At the end of the period				
Total Assets	212.2	259.8	333.6	304.0
Obligations to the private sector	77.9	89.9	58.2	60.6
Obligations to Canada	85.8	127.2	234.3	180.4
Equity of Canada	nil	nil	nil	nil
Cash from Canada in the period				
— budgetary*	287.0	292.2	314.4	303.6
— non-budgetary, net	(41.5)	(108.0)	53.9	(51.3)

* Includes payments via the Agricultural Stabilization Board.

CANADIAN DAIRY COMMISSION

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 1988
WERE NOT AVAILABLE AT DATE OF PRINTING

CANADIAN DAIRY COMMISSION—*Continued*

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the financial statements and related information presented in this annual report in accordance with the *Financial Administration Act (FAA)* and its regulations. The financial statements have been prepared in accordance with generally accepted accounting principles and where appropriate, include amounts based on management's estimate and judgement.

The Commission has maintained books of account, records, financial and management control, information systems and management practices. These are designed to provide reasonable assurance that assets are safeguarded and controlled, the transactions of the Commission are in accordance with the FAA, the applicable regulations, the *Canadian Dairy Commission Act* and its by-laws.

The audit committee meets to review internal controls, financial statements and reports from external and internal auditors. It also discusses the implementation of the suggested improvements in internal controls with the auditors and management.

The Commission's financial statements, accounting records and internal controls are independently audited by the Auditor General of Canada whose report is included herein.

Roch Morin
Chairman

Paul Simard
Director of Finance

AUDITOR'S REPORT

TO THE MINISTER OF AGRICULTURE

I have examined the balance sheet of the Canadian Dairy Commission as at July 31, 1987 and the statements of marketing operations and financing by producer levies and dairy support program operations financed by Government of Canada for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at July 31, 1987 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Canadian Dairy Commission Act and the by-laws of the Commission.

D. Larry Meyers, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
October 7, 1987

BALANCE SHEET AS AT JULY 31, 1987
(in thousands of dollars)

ASSETS	1987	1986
Accounts receivable		
Trade (Note 3)	13,063	20,118
Government of Canada	55,263	53,940
Producer levies	78,398	95,794
Inventories (Note 4)	65,455	89,950
	212,179	259,802

LIABILITIES	1987	1986
Accounts payable and accrued liabilities	41,053	34,067
Subsidies payable to producers	54,621	53,887
Allowance for losses on purchase commitments (Note 5)	7,491	8,595
Loans from Government of Canada (Note 6)	85,769	127,241
	188,934	223,790
FINANCING BY PRODUCER LEVIES		
Excess of financing over cost of marketing operations (Note 7)	23,245	36,012
	212,179	259,802

Approved:

ROCH MORIN
Chairman

KENNETH McKINNON
Vice-Chairman

PAUL SIMARD
Director of Finance

CANADIAN DAIRY COMMISSION—*Continued*

STATEMENT OF MARKETING OPERATIONS AND FINANCING BY PRODUCER LEVIES FOR THE YEAR ENDED JULY 31, 1987
(in thousands of dollars)

	1987	1986
Sales —Export	128,188	152,546
—Domestic	87,766	77,974
	215,954	230,520
Costs of goods sold —Export	285,081	289,024
—Domestic	58,788	51,944
	343,869	340,968
Loss on sales	127,915	110,448
Assistance and expenses		
Dairy product assistance	60,698	60,695
Inventory write down and losses on purchase commitments	29,321	64,203
Carrying charges	6,549	4,648
Provision for doubtful accounts	3,700	2,300
Promotion and donation	3,584	1,220
Transport assistance	634	359
Capital assistance recoveries	(220)	(615)
	104,266	132,810
Cost of marketing operations	232,181	243,258
Financing by producer levies (Note 7)		
Industrial milk (Schedule B)	237,460	271,400
Fluid milk (Schedule C)	7,954	7,870
	245,414	279,270
Excess of financing over cost of marketing operations (Schedule D)	13,233	36,012
Excess at beginning of year	36,012	
	49,245	36,012
Refunds of excess of financing over cost of marketing operations	(26,000)	
Excess of financing over cost of marketing operations at end of year	23,245	36,012

STATEMENT OF DAIRY SUPPORT PROGRAM OPERATIONS FINANCED BY GOVERNMENT OF CANADA FOR THE YEAR ENDED JULY 31, 1987
(in thousands of dollars)

	1987	1986
Subsidies to producers of industrial milk and cream (Schedule A)	279,912	277,311
Carrying charges		
Freight	812	1,884
Interest	619	6,477
Storage	577	2,000
Handling and other	220	365
	2,228	10,726
Administrative expenses	4,503	4,191
Cost of production study	440	
Cost of dairy support program operations	287,083	292,228
Financing by Government of Canada (Note 7)		
Agricultural Stabilization Board	282,580	288,037
Parliamentary appropriation	4,426	4,119
Government departments which provided services without charge	77	72
	287,083	292,228

NOTES TO FINANCIAL STATEMENTS JULY 31, 1987

1. The Commission

The Canadian Dairy Commission is a Crown corporation named in Schedule C, Part I of the Financial Administration Act and is not subject to the provisions of the Income Tax Act. The objectives of the Commission, as established by the Canadian Dairy Commission Act 1966-67, are "to provide efficient producers of milk and cream with the opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality".

2. Significant accounting policies

Foreign currency translation

Each asset, liability, revenue and expense arising from a foreign currency transaction is translated into Canadian dollars at the exchange rate in effect at the date of transaction. Monetary items denominated in a foreign currency at the balance sheet date are adjusted to reflect the exchange rate in effect at that date. Any exchange loss or gain, arising on translation or settlement of a foreign currency item, is charged or credited to marketing operations financed by producer levies.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Purchase commitments

Purchase commitments are made pursuant to the offer-to-purchase program or for other dairy products not in inventory to meet sales commitments. The offer-to-purchase program is designed to manage the supply of industrial milk and cream in Canada so that domestic and export requirements for manufactured dairy products are met while avoiding surplus production.

Losses on commitments to purchase production prior to July 31, 1987 of skim milk powder at Canadian support prices and other dairy products at negotiated contract prices, which are usually higher than export prices, are charged to marketing operations financed by producer levies at the time the purchase commitment is made.

3. Trade accounts receivable

Trade accounts receivable are net of an allowance for doubtful accounts of $8.3 million (1986—$4.6 million).

4. Inventories

	1987	1986
	(in thousands of dollars)	
Cost		
Butter	53,171	93,063
Skim milk powder	25,574	39,692
Other dairy products	8,541	12,803
	87,286	145,558
Less allowance for write down		
Butter	390	24,749
Skim milk powder	16,668	26,468
Other dairy products	4,773	4,391
	21,831	55,608
Net book value	65,455	89,950

Inventories, which are initially recorded at cost, have been written down to their net realizable values as the prices of surplus dairy products are substantially lower on the world market than domestic support prices and costs. The inventory write down has been charged to marketing operations financed by producer levies.

CANADIAN DAIRY COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1987—*Concluded*

5. Commitments

As at July 31, 1987, the Commission was committed to purchase skim milk powder produced prior to that date at Canadian support prices and other dairy products at negotiated contract prices for approximately $11.4 million (1986—$13.7 million). Losses which may result from these purchases at higher than export prices have been estimated at approximately $7.5 million (1986—$8.6 million) and have been charged to marketing operations financed by producer levies.

6. Loans from Government of Canada

The loans are obtained to finance the purchase of dairy products under the dairy support program. There are no specific terms of repayment. However, loans are repaid on a regular basis as and when funds are available. The Commission is authorized to borrow to a maximum of $300 million. Interest is calculated on a simple basis and paid at the time of any principal repayment. The interest rates during the year varied from 6.923% to 9.25% (1986—8.125% to 11.875%).

Loan transactions for the year are summarized as follows:

	1987	1986
	(in thousands of dollars)	
Balance at beginning of year	127,241	238,599
Borrowings	299,608	289,410
Repayments	(341,683)	(401,719)
Accrued interest at end of year	603	951
Balance at end of year	85,769	127,241

7. Financing

Government of Canada

The Agricultural Stabilization Board, through Agriculture Canada Vote 15, provides financing to the Commission for the benefit of producers for the purpose of stabilizing the price of industrial milk and cream. During the year ended July 31, 1987, financing for this purpose amounted to $279.9 million. In addition, interest expense and carrying charges associated with the purchase of skim milk powder amounting to $2.2 million are financed by the Government of Canada up to a maximum of $10 million.

Administrative expenses are financed by Agriculture Canada Votes 40 and 45 (1986—Votes 40 and 55).

Producers

Producers are responsible for all costs of disposal of surplus products including all losses on special export production under the export quota program and for carrying charges on surplus dairy products except for skim milk powder. These costs are financed through producer levies which are charged and collected by the provincial marketing boards and agencies and remitted to the Commission.

In accordance with Section 36 of the Memorandum of Agreement to the National Milk Marketing Plan, the treatment of any excess of financing by producer levies in respect of marketing operations is determined by the Canadian Milk Supply Management Committee.

8. Agents' commissions

The Commission has used the services of agents for the sale of dairy products on the export market. Sales commissions, which are included in cost of goods sold, are as follows:

	1987	1986
	(in thousands of dollars)	
Coopérative Fédérée de Québec, Canada	780	1,895
L. & M. Exports Inc., Canada	565	631
Intercontinental, Mexico	710	555
Gestion Y. Dessarrollo—Commercial S.A., Peru	581	433
Canada Expa (1980) Inc., Canada	3	3
	2,639	3,517

9. Financial statement presentation

A statement of changes in financial position has not been included because, in the opinion of management, it would not provide any meaningful additional information. Further, certain comparative amounts have been reclassified to conform with the presentation adopted in the current year.

SUBSIDIES TO PRODUCERS OF INDUSTRIAL MILK AND CREAM FOR THE YEAR ENDED JULY 31, 1987 SCHEDULE A

	Subsidies[1] 1987	1986
	(in thousands of dollars)	
Prince Edward Island	5,286	5,215
Nova Scotia	3,531	3,483
New Brunswick	3,683	3,632
Quebec	133,747	132,004
Ontario	86,450	86,227
Manitoba	10,903	10,759
Saskatchewan	7,231	7,199
Alberta	18,718	18,518
British Columbia	10,363	10,274
	279,912	277,311
	(in thousands of kilograms)	
Eligible shipments	167,112	165,559

[1]Subsidies are paid at a rate of $1.675 per kilogram of butterfat on eligible shipments.

CANADIAN DAIRY COMMISSION—*Continued*

PRODUCER LEVIES ON INDUSTRIAL MILK FOR THE YEAR ENDED JULY 31, 1987

SCHEDULE B

	Milk Shipments		Producer Levies					
			In Quota		Over Quota		Total	
	1987	1986	1987	1986	1987	1986	1987	1986
	(in thousands of litres)		(in thousands of dollars)					
Prince Edward Island	76,132	76,826	4,239	4,629		130	4,239	4,759
Nova Scotia	58,014	53,249	2,937	3,105	1,966	612	4,903	3,717
New Brunswick	54,546	53,793	3,018	3,247	164		3,182	3,247
Quebec	2,174,790	2,174,677	117,861	127,749			117,861	127,749
Ontario	1,246,143	1,291,746	62,882	76,385		11,463	62,882	87,848
Manitoba	151,467	147,709	8,376	8,696	492		8,868	8,696
Saskatchewan	104,360	100,133	5,454	5,775			5,454	5,775
Alberta	296,777	287,651	16,111	17,162	3,059	1,449	19,170	18,611
British Columbia	173,088	169,961	9,123	9,834	1,778	1,164	10,901	10,998
	4,335,317	4,355,745	230,001	256,582	7,459	14,818	237,460	271,400

PRODUCER LEVIES ON FLUID MILK FOR THE YEAR ENDED JULY 31, 1987

SCHEDULE C

	Producer Levies[1]	
	1987	1986
	(in thousands of dollars)	
Prince Edward Island	42	42
Nova Scotia	347	350
New Brunswick	212	211
Quebec	2,034	2,017
Ontario	2,981	2,927
Manitoba	329	320
Saskatchewan	298	293
Alberta	780	776
British Columbia	931	934
	7,954	7,870
	(in thousands of litres)	
Sales	2,645,303	2,610,789

[1]Calculated at a rate of 30.15¢ per hectolitre of sales.

CANADIAN DAIRY COMMISSION—*Concluded*

MARKETING OPERATIONS AND FINANCING BY PRODUCER LEVIES
FOR THE YEAR ENDED JULY 31, 1987

SCHEDULE D

	1987					1986				
	Butter	Skim Milk Powder	Evaporated Milk	Other Products[1]	Total	Total	Butter	Skim Milk Powder	Evaporated Milk	Others Products[1]
	(in thousands of dollars)									
Sales —Export	1,938	73,879	28,128	24,243	128,188	152,546	621	72,929	71,027	7,969
—Domestic	82,027	5,739			87,766	77,974	77,974			
	83,965	79,618	28,128	24,243	215,954	230,520	78,595	72,929	71,027	7,969
Cost of goods sold										
—Export	9,532	171,280	41,856	62,413	285,081	289,024	1,909	161,417	105,584	20,114
—Domestic	55,081	3,707			58,788	51,944	51,944			
	64,613	174,987	41,856	62,413	343,869	340,968	53,853	161,417	105,584	20,114
(Profit) loss on sales	(19,352)	95,369	13,728	38,170	127,915	110,448	(24,742)	88,488	34,557	12,145
Assistance and expenses										
Dairy product assistance	828	22,042	1,410	36,418	60,698	60,695	951	25,086	36	34,622
Inventory write down and losses on purchase commitments	390	22,524	1,175	5,232	29,321	64,203	24,749	34,301	3,916	1,237
Carrying charges	5,701	96	572	180	6,549	4,648	3,316	27	1,242	63
Provision for doubtful accounts			2,800	900	3,700	2,300			1,700	600
Promotion and donation	2,004	1,571	9		3,584	1,220		804	416	
Transport assistance	634				634	359	359			
Capital assistance recoveries			(220)		(220)	(615)			(132)	(483)
	9,557	46,233	5,746	42,730	104,266	132,810	29,375	60,218	7,178	36,039
Cost of marketing operations	(9,795)	141,602	19,474	80,900	232,181	243,258	4,633	148,706	41,735	48,184
Financing by producer levies					245,414	279,270				
Excess of financing over cost of marketing operations					13,233	36,012				

	Volume (in millions)				Volume (in millions)			
	Kilograms	Kilograms	Cases	Kilograms	Kilograms	Kilograms	Cases	Kilograms
Sales	18.3	73.0	1.5	14.8	16.4	69.9	4.1	5.1
Purchases	9.8	67.9	1.1	15.9	13.2	63.4	3.5	4.7

[1]Includes whole milk powder and cheese.

SUMMARY PAGE

CANADIAN FILM DEVELOPMENT CORPORATION

MANDATE

To foster and promote the development of a feature film industry in Canada. To administer the Canadian Broadcast Program Development Fund and the Feature Film Fund for private sector development of television and feature film productions meeting specific standards of Canadian content.

BACKGROUND

The scale of the corporation's activities has increased since 1981 with the inception of new government programs in support of the domestic television and feature film productions industry.

CORPORATION DATA

HEAD OFFICE	National Bank Tower 600 de la Gauchetière Street, West Montreal, Quebec H3B 4L2
STATUS	— an agent of Her Majesty — exempted from Divisions I to IV of Part X of the *Financial Administration Act*; subject to Part VIII of this Act as it read immediately before the (1984) repeal thereof.
APPROPRIATE MINISTER	The Honourable Flora MacDonald, P.C., M.P.
DEPARTMENT	Communications
YEAR AND MEANS OF INCORPORATION	1967; by the *Canadian Film Development Corporation Act*, (R.S.C. 1985, c. C-16).
CHIEF EXECUTIVE OFFICER	Pierre Desroches
CHAIRMAN	Edmund Bovey
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87 (restated)	1985-86	1984-85
At the end of the period				
Total Assets	27.3	27.0	13.0	12.2
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil*	6.3	6.3	6.3
Equity of Canada**	19.9	19.8	10.1	8.2
Cash from Canada in the period				
— budgetary	115.6	86.0	75.9	46.6
— non-budgetary, net of repayments	nil	nil	nil	(2.7)

* In 1987-88, pursuant to authorization, Canada forgave $6.3 million loan principal.

CANADIAN FILM DEVELOPMENT CORPORATION

AUDITOR'S REPORT

TO THE MINISTER OF COMMUNICATIONS

I have examined the balance sheet of the Canadian Film Development Corporation as at March 31, 1988 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for the parliamentary appropriation as explained in Note 7 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canadian Film Development Corporation Act and the by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 3, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987	LIABILITIES	1988	1987
	$	$ (Restated)		$	$ (Restated)
Current			Current		
Loans			Accounts payable	7,251,763	6,934,431
Canadian programming	628,950	3,568,245	Provision for employee termination benefits	190,494	276,504
Feature films				7,442,257	7,210,935
Interim financing	4,367,763	3,548,591			
Permanent financing	1,052,182	2,345,986			
	6,048,895	9,462,822	EQUITY OF CANADA		
Parliamentary appropriation receivable (Notes 3 and 7)	16,057,183	14,251,365	Equity of Canada (Note 7)	19,892,439	19,763,971
Accounts receivable	423,862	995,769			
Prepaid expenses	949,818	696,265			
	23,479,758	25,406,221			
Long-term loans					
Canadian programming	100,000				
Feature films					
Interim financing	917,400	242,500			
Permanent financing	1,000,000	395,000			
	2,017,400	637,500			
Fixed assets (Note 4)	1,837,538	931,185			
	27,334,696	26,974,906		27,334,696	26,974,906

Approved by the Board:

EDMUND BOREY
President

Approved by Management:

PIERRE DESROCHES
Executive Director

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1988

	1988			1987
	Canadian programming	Feature films	Total	Total
	$	$	$	$
Assistance expenses (Note 5)				
English production	39,468,897	16,520,907	55,989,804	45,005,233
French production	27,492,887	9,395,701	36,888,588	23,397,535
Marketing and distribution		7,718,909	7,718,909	4,665,204
Development of the industry		3,550,017	3,550,017	3,381,277
	66,961,784	37,185,534	104,147,318	76,449,249
Revenues				
Management fees	665,913	239,062	904,975	1,679,040
Interest on loans	214,981	794,663	1,009,644	627,189
	880,894	1,033,725	1,914,619	2,306,229
Cost of operations before administration expenses	66,080,890	36,151,809	102,232,699	74,143,020
Administration expenses (Note 6)			6,160,833	3,760,018
Cost of operations for the year			108,393,532	77,903,038

STATEMENT OF EQUITY OF CANADA FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$ (Restated)
Balance at beginning of the year		
As previously reported	28,495,921	10,093,723
Write-off of a portion of the parliamentary appropriation receivable for previous years (Note 7)	(8,731,950)	(8,491)
As restated	19,763,971	10,085,232
Parliamentary appropriation for the year (Note 7)	108,522,000	87,581,777
	128,285,971	97,667,009
Cost of operations for the year	108,393,532	77,903,038
Balance at end of the year	19,892,439	19,763,971

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$ (Restated)
Operating activities		
Cost of operations for the year	(108,393,532)	(77,903,038)
Items not affecting liquidity		
Write-off of loans	2,523,090	444,510
Depreciation	455,554	301,196
Increase (decrease) in the provision for employee termination benefits	(86,010)	101,004
	(105,500,898)	(77,056,328)
Net change in non liquidity items of working capital related to operations	635,686	2,919,623
	(104,865,212)	(74,136,705)
Investing activities		
Loans		
Investments	(12,914,428)	(9,369,445)
Reimbursements	12,425,365	2,688,068
	(489,063)	(6,681,377)
Acquisition of fixed assets	(1,361,907)	(690,391)
	(1,850,970)	(7,371,768)
Financing activities		
Parliamentary appropriation for the year	108,522,000	87,581,777
Parliamentary appropriation receivable (Note 7)		
Increase for the year	1,805,818	6,073,304
Balance at beginning of the year	14,251,365	8,178,061
Balance at end of the year	16,057,183	14,251,365

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988

1. Authority and activities

The Corporation was established in 1967 by the Canadian Film Development Corporation Act with the objective of fostering and promoting the development of a feature film industry in Canada. The Corporation has since been charged with the administration of the Canadian Broadcast Program Development Fund, established on July 1, 1983, within the framework of the Broadcasting Strategy for Canada as well as with the management of various new programs established under the National Film and Video Policy of May 1984.

The Corporation is a Crown corporation subject to the provisions of Part VIII of the Financial Administration Act as it read before its repeal and as if it continued to be named in Schedule C of the Act.

2. Significant accounting policies

(a) Liquidity

The financial operations of the Corporation are processed through the Consolidated Revenue Fund of Canada, thus the absence of bank accounts. For the purposes of the statement of changes in financial position, its liquidity consists of a parliamentary appropriation receivable.

(b) Loans

Loans are shown on the balance sheet at their face value, less an allowance for losses.

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Continued*

(c) Investments

Funds advanced for feature films and Canadian programming, in return for a share in the proceeds, are expensed as assistance expenses in the year in which the advances are made.

All proceeds, up to the amount of the related investment, are credited to expenses as a reduction of assistance expenses made during the year. Any amount in excess thereof is accounted for as revenues.

(d) Fixed assets

Fixed assets are recorded at cost.

Depreciation for furniture and equipment and the computer installations is provided for using the diminishing-balance method, at the annual rate of 20%. Leasehold improvements are amortized, using the straight-line method, based on the terms of the leases.

(e) Parliamentary appropriation

The parliamentary appropriation voted to the Corporation for its objectives comprises an amount for the development of a feature film industry which can be carried forward to future years up to the amount of unused film receipts and another lapsing amount for the production of Canadian programming. The unlapsed parliamentary appropriation is credited to the Equity of Canada. The admissible unlapsed amount not used at the end of the year is presented on the balance sheet as a parliamentary appropriation receivable.

(f) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(g) Pension plan

All employees participate in the superannuation plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. This contribution represents the total liability of the Corporation. Contributions in respect of current service and admissible past service are expensed during the year in which payments are made. The terms of payment for past service are set by the applicable purchase conditions in effect, generally over the number of years of service remaining prior to retirement.

3. Parliamentary appropriation receivable

	1988	1987
	$	$ (Restated)
Development of the feature film industry (Note 7)	7,675,238	10,568,818
Canadian programming production	5,667,108	3,473,638
Interim financing to producers and distributors of feature films	2,714,837	208,909
	16,057,183	14,251,365

4. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Furniture and equipment	1,259,517	602,097	657,420	515,499
Computer installations	1,100,397	345,006	755,391	324,086
Leasehold improvements	638,392	213,665	424,727	77,707
Automobile				13,893
	2,998,306	1,160,768	1,837,538	931,185

5. Assistance expenses

	1988			1987
	Canadian programming	Feature films	Total	Total
	$	$	$	$
Investments	74,305,523	33,481,737	107,787,260	76,647,101
Proceeds from investments	(9,448,194)	(2,245,759)	(11,693,953)	(6,914,633)
Loans written-off	520,120	2,002,970	2,523,090	444,510
Reimbursements of loans previously written-off				(43,318)
	65,377,449	33,238,948	98,616,397	70,133,660
Operating expenses (Note 6)	1,584,335	3,946,586	5,530,921	6,315,589
	66,961,784	37,185,534	104,147,318	76,449,249

6. Operating expenses

	1988	1987
	$	$
Salaries and employee benefits	5,472,958	4,507,156
Professional services	1,585,663	1,058,176
Printing, postage and office expenses	1,152,535	992,897
Rent, taxes, heating and electricity	1,088,347	1,100,546
Travel	647,703	750,434
Depreciation	455,554	301,196
Telephone and telex	371,745	319,978
Consultants' fees	271,377	293,035
Advertising	265,584	462,957
Hospitality	196,927	174,619
Relocation expenses	183,361	114,613
	11,691,754	10,075,607
Portion applicable to assistance expenses (Note 5)	5,530,921	6,315,589
Portion applicable to administration expenses	6,160,833	3,760,018

7. Parliamentary appropriation receivable

The Corporation has considered in the past that the unused portion of the parliamentary appropriation for the development of the feature film industry during a year could be carried forward to future years. During the current year, the Treasury Board has decided to limit this carry-forward, with retroactive effect, to the unused film receipts. In order to comply with this decision, the Corporation has retroactively written-off the amount of

CANADIAN FILM DEVELOPMENT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

$8,731,950 of the parliamentary appropriation receivable shown in its financial statements as at March 31, 1987, with a contra entry to the Equity of Canada of $8,723,459 in respect of the parliamentary appropriation for the year 1986-87 and of $8,491 in respect of previous years. The financial statements for 1986-87 were restated accordingly.

8. Commitments

As at March 31, 1988, the Corporation is contractually committed to advance funds totalling $33,455,470 as loans and investments, of which $14,693,686 are for French productions and $18,761,784 are for English productions. Further, it has accepted financing projects that may call for disbursements of approximately $9,902,173 which $2,431,683 are for French productions and $7,470,490 are for English productions.

The Corporation has entered into long-term leases for the rental of office space and equipment used in its operations. The aggregate minimum annual rentals payable during subsequent years are as follows:

	$
1989	1,285,002
1990	1,289,899
1991	1,291,358
1992	1,212,788
1993	1,347,182
1994-1998	4,798,577
	11,224,806

SUMMARY PAGE

CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY

MANDATE

To increase knowledge and understanding of the issues relating to international peace and security from a Canadian perspective, with particular emphasis on arms control, disarmament, defence and conflict resolution.

BACKGROUND

The corporation was established in 1984 by special Act of Parliament. That Act was amended (R.S.C. 1985, 1st Supp. c. 46) to give the corporation status under the *Financial Administration Act* resembling that of the cultural Crown corporations, being exempt from most provisions of Part X of the Act. The corporation is authorized to fulfill its mandate by the following means:

(a) foster, fund and conduct research;
(b) promote scholarship;
(c) study and prepare ideas and policies; and
(d) collect and disseminate information on, and encourage public discussion as they relate to matters of international peace and security.

CORPORATION DATA

HEAD OFFICE	307 Gilmour Street Ottawa, Ontario K1P 6L4
STATUS	— not an agent of Her Majesty — exempt from divisions I to IV of Part X of the *FAA* by s. 85(1) of that Act.
APPROPRIATE MINISTER	The Right Honourable Joe Clark, P.C., M.P.
DEPARTMENT	External Affairs
YEAR AND MEANS OF INCORPORATION	1984; by the *Canadian Institute for International Peace and Security Act*, (R.S.C. 1985, c. C-18).
CHIEF EXECUTIVE OFFICER	Geoffrey Pearson
CHAIRMAN	William H. Barton
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	**1986-87**	**1985-86**	**6 months to March 31, 1985**
At the end of the period				
Total Assets	1.8	1.6	1.9	1.3
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	1.6	1.4	1.7	1.2
Cash from Canada in the period				
— budgetary	4.0	3.0	2.5	1.5
— non-budgetary	nil	nil	nil	nil

CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY

AUDITOR'S REPORT

TO THE CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY
AND
SECRETARY OF STATE FOR EXTERNAL AFFAIRS

I have examined the balance sheet of the Canadian Institute for International Peace and Security as at March 31, 1988 and the statements of operations and equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Institute as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

D. Larry Meyers, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 21, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987
	$	$
Current		
Cash and term deposits	1,640,860	1,368,743
Accrued interest	11,612	11,227
Prepaid expenses	41,120	15,557
	1,693,592	1,395,527
Furniture, equipment and leasehold improvements (Note 3)	143,309	160,718
	1,836,901	1,556,245

LIABILITIES	1988	1987
	$	$
Current		
Accounts payable and accrued liabilities	240,093	154,297
EQUITY OF CANADA		
Equity of Canada	1,596,808	1,401,948
	1,836,901	1,556,245

Approved by the Board:

WILLIAM H. BARTON
Chairman of the Board

GEOFFREY A. H. PEARSON
Executive Director

CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY—*Continued*

STATEMENT OF OPERATIONS AND EQUITY OF CANADA FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Expenses		
Programmes		
Responsive grants, awards and scholarships	905,114	727,838
Public programmes	875,387	706,359
Research	831,692	829,194
Information services	250,438	245,567
	2,862,631	2,508,958
General administration and support		
Administration	627,939	582,778
Executive	291,356	251,338
Board of Directors	98,644	63,655
	1,017,939	897,771
	3,880,570	3,406,729
Revenue		
Interest income	75,430	67,332
Net cost of operations	3,805,140	3,339,397
Parliamentary appropriation	4,000,000	3,000,000
Excess (deficiency) of parliamentary appropriation over net cost of operations	194,860	(339,397)
Equity of Canada at beginning of the year	1,401,948	1,741,345
Equity of Canada at end of the year	1,596,808	1,401,948

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Operating activities		
Cash used by operations		
Net cost of operations	3,805,140	3,339,397
Item not requiring an outlay of funds		
Depreciation and amortization	(79,243)	(50,684)
	3,725,897	3,288,713
Increase in accounts payable and accrued liabilities	(85,796)	(43,074)
Increase (decrease) in accrued interest	385	(465)
Increase (decrease)in prepaid expenses	25,563	(60,339)
	3,666,049	3,184,835
Investing activities		
Acquisition of furniture, equipment and leasehold improvements	61,834	70,408
Financing activities		
Parliamentary appropriation	(4,000,000)	(3,000,000)
Increase (decrease) during the year	272,117	(255,243)
Cash and term deposits at the beginning of the year	1,368,743	1,623,986
Cash and term deposits at the end of the year	1,640,860	1,368,743

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988

1. Authority and operations

The Institute was established in June 1984 under the Canadian Institute for International Peace and Security Act (the Act) which was amended by Bill C-69. The Institute is exempt from Divisions I to IV of Part XII of the Financial Administration Act by s. 96(1) of that Act.

The purpose of the Institute is to increase knowledge and understanding of the issues relating to international peace and security from a Canadian perspective with particular emphasis on arms control, disarmament, defence and conflict resolution, and to:

(a) foster, fund and conduct research on matters relating to international peace and security;

(b) promote scholarship in matters relating to international peace and security;

(c) study and propose ideas and policies for the enhancement of international peace and security; and

(d) collect and disseminate information on, and encourage public discussion of, issues of international peace and security.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies followed are:

(a) Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements are recorded at cost. Furniture and equipment are depreciated on the straight-line basis at an annual rate of 20%. Leasehold improvements are amortized, using the straight-line method, based on the duration of the lease.

(b) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Institute's contributions are equal to the contributions paid by its employees in respect of current services. These contributions represent the total liability of the Institute in respect of the pension plan and are recorded as expenses in the same period as the employees' services are rendered.

(c) Income taxes

The Institute is exempt from any income taxes.

(d) Parliamentary appropriation

Parliamentary appropriation is recorded in the accounts on an accrual basis. Furthermore, the Act states that the Institute shall be paid from the Consolidated Revenue Fund the following sums:

	$
1988-89	5 million
thereafter	5 million or such greater amount as may be appropriated by Parliament.

(e) Grants, awards and scholarships

Grants, awards and scholarships are charged to operations when the conditions of the agreement are met by the recipient.

CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

3. Furniture, equipment and leasehold improvements

	1988			1987
	Cost	Accumulated depreciation and amortization	Net	Net
	$	$	$	$
Furniture	152,843	84,160	68,683	93,747
Equipment	110,890	40,680	70,210	36,058
Leasehold improvements	45,872	41,456	4,416	30,913
	309,605	166,296	143,309	160,718

4. Commitments

(a) Office lease agreements

The Institute is in the process of finalizing an additional lease agreement for its new office premises effective June 1, 1988. Total commitments for lease payments are estimated at $224,000 for the fiscal year 1988-89 and $365,000 for each of the nine subsequent fiscal years.

(b) Programmes

The Institute is committed to make payments totalling approximately $1,155,700 in subsequent years ($1,069,500 in 1988-89) subject to compliance by the recipients with the terms of the agreements.

	$
Responsive grants, awards and scholarships	644,300
Research	360,000
Public programmes	149,000
Information services	2,400
	1,155,700

SCHEDULE OF EXPENSES
FOR THE YEAR ENDED MARCH 31, 1988

	Programmes					General Administration and Support					
	Responsive Grants, Awards and Scholarships	Public Programmes	Research	Information Services	Total	Administration	Executive	Board of Directors	Total	1988	1987
	$	$	$	$	$	$	$	$	$	$	$
Grants	784,687	240,451	222,273	62,603	1,310,014					1,310,014	1,186,098
Salaries and employee benefits	113,128	283,964	346,868	115,748	859,708	187,581	229,716		417,297	1,277,005	1,104,771
Publications		281,811	120,435		402,246					402,246	354,458
Transportation and communications	4,206	15,656	47,398	12,335	79,595	77,390	31,170	39,020	147,580	227,175	178,164
Rent		12,812	11,242	3,348	27,402	168,684			168,684	196,086	184,713
Conferences, workshops and seminars		7,710	76,624	18,680	103,014		24,953		24,953	127,967	121,665
Professional and special services	3,093	31,067	4,936	7,954	47,050	23,505	5,517	24,874	53,896	100,946	77,073
Materiel and supplies		1,916	1,916	29,770	33,602	64,238			64,238	97,840	78,300
Depreciation and amortization						79,243			79,243	79,243	50,684
Directors' fees								34,750	34,750	34,750	27,700
Repair and upkeep						24,596			24,596	24,596	42,951
Miscellaneous						2,702			2,702	2,702	152
	905,114	875,387	831,692	250,438	2,862,631	627,939	291,356	98,644	1,017,939	3,880,570	3,406,729

SUMMARY PAGE

CANADIAN LIVESTOCK FEED BOARD

MANDATE

To ensure: availability of adequate feed grain to meet the needs of livestock feeders; availability of adequate storage for feed grain in eastern Canada; reasonable stability in prices for feed grain in eastern Canada, British Columbia and the Yukon and Northwest Territories; and fair equalization of feed grain prices in those regions.

BACKGROUND

Established in 1967, the Board executes its mandate by subsidizing the transportation costs of feed grains; by assessing requirements for feed grains and storage space and by collecting and disseminating related information; and by negotiating and coordinating with respect to storage, handling, transportation and cost of feed grains. Its programs are financed by budgetary payments from Canada.

CORPORATION DATA

HEAD OFFICE	Suite 400 5180 Queen Mary Road P.O. Box 177, Snowdon Station Montreal, Quebec H3X 3T4
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Charles Mayer, P.C., M.P. Minister of State for Grains and Oilseeds
DEPARTMENT	Agriculture
YEAR AND MEANS OF INCORPORATION	1967; pursuant to the *Livestock Feed Assistance Act*, (R.S.C. 1985, c. L-10).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Denis Ethier
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	**1986-87**	**1985-86**	**1984-85**
At the end of the period				
Total Assets	2.1	2.4	2.5	2.9
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	0.2	0.3	0.5	0.7
Cash from Canada in the period				
— budgetary	18.6	17.2	16.8	18.7
— non-budgetary	nil	nil	nil	nil

CANADIAN LIVESTOCK FEED BOARD

AUDITOR'S REPORT

TO THE MINISTER OF AGRICULTURE
AND THE
CANADIAN LIVESTOCK FEED BOARD

I have examined the balance sheet of the Canadian Livestock Feed Board as at March 31, 1988 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Board that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Livestock Feed Assistance Act and regulations and the by-laws of the Board.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 31, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987
	$	$
Current		
Accounts receivable	2,633	6,038
Parliamentary appropriations receivable	1,762,837	1,968,320
	1,765,470	1,974,358
Amounts recoverable under the new inland elevator construction assistance program (Note 3)	348,184	459,879
	2,113,654	2,434,237

LIABILITIES	1988	1987
	$	$
Current		
Accounts payable	75,961	59,095
Contributions payable	1,723,963	1,933,994
	1,799,924	1,993,089
Provision for employee termination benefits	136,439	127,716
	1,936,363	2,120,805
EQUITY OF CANADA		
Equity of Canada	177,291	313,432
	2,113,654	2,434,237

Approved by Management:

PIERRE MORIN
Director of Finance

Approved by the Board:

DENIS ÉTHIER
Chairman

CANADIAN LIVESTOCK FEED BOARD—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Contributions		
Feed freight assistance	17,233,844	15,834,547
New inland elevator construction assistance (Note 3)	14,000	13,000
	17,247,844	15,847,547
Administrative expenses		
Salaries and employee benefits	943,180	883,696
Travel	92,397	79,380
Rentals	91,548	89,759
Telephone	49,188	48,180
Stationery and office supplies	48,711	52,130
Publication of reports	46,623	40,649
Postage	44,732	39,727
Professional and special services	34,411	41,092
Equipment and office furniture	33,718	11,023
Electricity	10,865	10,507
Advisory committee fees	4,000	2,375
Accounting and cheque issue services	3,000	3,000
Miscellaneous	6,306	8,562
	1,408,679	1,310,080
Cost of operations for the year	18,656,523	17,157,627

STATEMENT OF EQUITY OF CANADA FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Balance at beginning of the year	313,432	474,505
Parliamentary appropriations	18,517,382	16,993,554
Services provided without charge by a government department	3,000	3,000
	18,833,814	17,471,059
Cost of operations for the year	18,656,523	17,157,627
Balance at end of the year	177,291	313,432

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Operating activities		
Cost of operations for the year	(18,656,523)	(17,157,627)
Items not affecting liquidity		
Provision for losses in respect of amounts recoverable under the new inland elevator construction assistance program	14,000	13,000
Services provided without charge by a government department	3,000	3,000
Increase in the provision for employee termination benefits	8,723	19,616
	(18,630,800)	(17,122,011)
Decrease in accounts receivable	3,405	4,944
Increase (decrease) in accounts payable	16,866	(22,637)
Increase (decrease) in contributions payable	(210,031)	127,728
	(18,820,560)	(17,011,976)
Financing activities		
Parliamentary appropriations	18,517,382	16,993,554
Investing activities		
Amounts recovered under the new inland elevator construction assistance program	97,695	138,328
Parliamentary appropriations receivable		
Increase (decrease) for the year	(205,483)	119,906
Balance at beginning of the year	1,968,320	1,848,414
Balance at end of the year	1,762,837	1,968,320

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988

1. Authority and objectives

The Board, a Crown corporation named in Part I of Schedule C to the Financial Administration Act, was established in 1967 under the Livestock Feed Assistance Act with the objective of ensuring:

— the availability of feed grain to meet the needs of livestock feeders;

— the availability of adequate storage space in Eastern Canada for feed grain to meet the needs of livestock feeders; and

— reasonable stability in, and fair equalization of, feed grain prices in Eastern Canada, British Columbia, the Yukon Territory and the Northwest Territories.

2. Significant accounting policies

(a) Liquidity

The financial operations of the Board are processed through the Consolidated Revenue Fund of Canada, thus the absence of bank accounts. For the purposes of the statement of changes in financial position, the liquidity consists of parliamentary appropriations receivable or payable.

(b) Contributions

Feed freight assistance is charged to operations in the year in which shipments are made.

Write-offs or provisions for losses of amounts recoverable under the new inland elevator construction assistance program are charged to operations in the year in which collection is considered doubtful.

CANADIAN LIVESTOCK FEED BOARD—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

(c) Capital expenditures

Purchases of equipment, office furniture, vehicles and costs of office renovations are expensed in the year of acquisition.

(d) Parliamentary appropriations

Parliamentary appropriations are recorded in the Statement of Equity of Canada for the year to which they apply.

(e) Services provided without charge

An estimated amount for services provided without charge by a government department is included in expenses with an offset to the equity of Canada.

(f) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(g) Pension plan

All employees participate in the superannuation plan administered by the Government of Canada. The employees and the Board contribute equally to the cost of the plan. This contribution represents the total liability of the Board. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

3. Amounts recoverable under the new inland elevator construction assistance program

Under the new inland elevator construction assistance program, the Board contributed towards certain construction costs. As at March 31, 1983, all contributions by the Board had been paid to operators of the elevators. These operators are called upon to reimburse, without interest, part of the contributions received. Reimbursements are based on stored quantities from the fourth to the tenth year of operation of the new facility without exceeding 40% of the contribution received.

As at March 31, 1988, the Board estimates that the amounts that will be recovered, net of a provision for losses, total $348,184 ($459,879 as at March 31, 1987). Because of the basis for the calculation of reimbursements, it is not possible to determine the amounts that will be recovered during each applicable year.

SUMMARY PAGE

CANADIAN NATIONAL RAILWAY COMPANY

MANDATE

To operate a national railway system and other transportation and related services.

BACKGROUND

The corporation was created out of more than 200 companies, many of them insolvent. Its creation avoided the emergence of a monopoly in railway transport. The corporation's role was to mold a number of railway companies into one strong and commercially-competitive system, serving the entire nation. It was recapitalized in 1937, in 1952 and again in 1978.

CORPORATION DATA

HEAD OFFICE	935 de la Gauchetière Street West Montreal, Quebec H3B 2M9
STATUS	—Schedule III, Part II —not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1919; by the *Canadian National Railway Act* which was superseded by the 1955 Act of the same name (R.S.C. 1985, c. C-19).
CHIEF EXECUTIVE OFFICER	Ronald E. Lawless
CHAIRMAN (ACTING)	Brian O'N. Gallery
AUDITOR	Touche Ross & Co.

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.***

	1987	1986	1985	1984
At the end of the year				
Total Assets	7,594	7,843	8,139	7,467
Obligations to the private sector	2,901	3,380	3,217	2,696
Obligations to Canada	185	209	266	274
Equity of Canada	3,101	3,005*	3,418	3,324
Cash from Canada in the year				
—budgetary**	21	20	9	7
—non-budgetary	nil	nil	nil	18

* $328 million of capital stock cancelled as CN Marine Inc. was transferred to the Crown.

** Excludes payments of a kind made to a general class of recipients and excludes cash for CN Marine Inc.

*** Until 1986, CN Marine Inc. was consolidated within CNR.

CANADIAN NATIONAL RAILWAY SYSTEM

AUDITORS' REPORT

TO THE MINISTER OF TRANSPORT

We have examined the consolidated balance sheets of the Canadian National Railway System as at December 31, 1987 and 1986 and the consolidated statements of income, retained earnings and changes in financial position for each of the years in the three year period ended December 31, 1987. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the System as at December 31, 1987 and 1986 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1987 in accordance with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand
Chartered Accountants
(For the years ended
December 31, 1986 and 1985)

Touche Ross
Chartered Accountants
(For the years ended
December 31, 1987, 1986 and 1985)

Montreal, Canada
March 8, 1988

CONSOLIDATED BALANCE SHEET DECEMBER 31
(in thousands of dollars)

ASSETS	1987	1986
Current		
Accounts receivable	451,322	494,597
Material and supplies	284,850	377,132
Other	229,613	252,915
	965,785	1,124,644
Insurance Fund	10,598	8,905
Investments	170,859	75,270
Properties	6,212,562	6,248,505
Other Assets and Deferred Charges	233,845	385,290
	7,593,649	7,842,614

LIABILITIES		1987		1986
Current				
Bank indebtedness		63,260		106,894
Accounts payable and accrued charges		942,250		899,189
Current portion of long-term debt		208,649		305,812
Other		237,027		186,273
		1,451,186		1,498,168
Provision for Insurance		10,598		8,905
Other Liabilities and Deferred Credits		298,110		274,097
Long-Term Debt		2,728,331		3,052,486
Minority Interest in Subsidiary Companies		4,345		4,345
SHAREHOLDER'S EQUITY				
Capital stock	2,278,867		2,278,867	
Retained earnings	822,212	3,101,079	725,746	3,004,613
		7,593,649		7,842,614

See accompanying notes to consolidated financial statements.

On behalf of the Board:

BRIAN O'N. GALLERY
Director

RONALD E. LAWLESS
Director

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1987	1986	1985
CN Rail			
Revenues	3,716,385	3,652,655	3,753,190
Expenses*	3,605,010	3,663,826	3,647,658
Income (loss)	111,375	(11,171)	105,532
Grand Trunk Corporation			
Revenues	486,044	531,399	551,782
Expenses	464,197	545,556	538,200
Income (loss)	21,847	(14,157)	13,582
Enterprises group			
CN Communications			
Revenues	296,517	299,744	303,930
Expenses	275,122	263,505	260,882
Income	21,395	36,239	43,048
CN Exploration			
Revenues	37,293	33,869	56,730
Expenses	26,672	29,368	26,123
Income	10,621	4,501	30,607
CN Real Estate			
Revenues	54,102	35,157	29,582
Expenses	16,300	16,330	14,885
Income	37,802	18,827	14,697
Other			
Income	7,548	7,487	4,215
Total Enterprises group	77,366	67,054	92,567
Total CN Rail, Grand Trunk Corporation, Enterprises	210,588	41,726	211,681
Imposed public duty: TerraTransport			
Loss	(38,964)	(41,291)	(39,908)
Total continuing operations	171,624	435	171,773
Discontinued operations*			
CN Hotels			
Loss	(13,113)	(6,324)	(8,147)
CN Route			
Loss		(70,961)	(42,590)
Dockyard			
Income (loss)	6,268	(9,430)	(2,933)
Total discontinued operations	(6,845)	(86,715)	(53,670)
Income (loss) before income taxes and extraordinary items	164,779	(86,280)	118,103
Income taxes	57,486		57,823
Income (loss) before extraordinary items	107,293	(86,280)	60,280
Extraordinary items**	13,289		57,359
Net income (loss)	120,582	(86,280)	117,639

*See Note 2.
**See Note 3.
See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1987	1986	1985
Balance, beginning of year	725,746	812,026	717,915
Net income (loss)	120,582	(86,280)	117,639
	846,328	725,746	835,554
Dividend	24,116		23,528
Balance, end of year	822,212	725,746	812,026

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1987	1986	1985
Cash provided from (used for)			
Operating activities			
Net income (loss)	120,582	(86,280)	117,639
Non-cash charges to income			
Depreciation and amortization	293,045	311,807	282,817
Loss (income) of equity investees less dividends	1,473	1,055	308
Provision for property impairment*	43,075		
Loss on disposal of investment			737
Loss on disposal of CN Route		45,320	
Changes in working capital items**	252,674	(21,194)	(73,273)
Other	33,584	9,928	(23,600)
	744,433	260,636	304,628
Investing activities			
Additions to properties	(482,058)	(484,072)	(744,475)
Net proceeds from disposal of properties	67,590	48,094	39,670
Investments	(6,723)	(5,202)	(23,010)
Proceeds from sale of CN Marine Inc. and related assets		327,558	
Redemption of capital stock		(327,558)	
Proceeds from sale of CN Route		23,000	
Proceeds from sale of Newfoundland Dockyard	23,596		
Proceeds from sale of investment			1,571
Working capital of previously consolidated entities	(2,747)	(7,633)	
	(400,342)	(425,813)	(726,244)
Cash provided (used) before financing activities	344,091	(165,177)	(421,616)
Cash (bank indebtedness) beginning of year	(106,894)	(152,719)	(91,687)
	237,197	(317,896)	(513,303)
Financing activities			
Issuance of long-term debt	19,020	435,492	597,060
Reduction of long-term debt	(319,477)	(224,490)	(236,476)
	(300,457)	211,002	360,584
Bank indebtedness, end of year	(63,260)	(106,894)	(152,719)

*See Note 3.
**Excluding cash, bank indebtedness, and current portion of long-term debt.
See accompanying notes to consolidated financial statements.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Introduction

All references in these Notes to the "Company" refer to Canadian National Railway Company which is wholly owned by the Government of Canada and, unless the context otherwise requires, its consolidated subsidiaries, and all references to the "System" mean Canadian National Railway Company and its consolidated subsidiaries together with the lines of railway, telecommunications and other property entrusted by the Government of Canada to the Company for management and operation. A division designated in the Consolidated Statement of Income as an "Imposed public duty", as is TerraTransport, is one whose operations are continued by the Company in accordance with directions from the Government of Canada despite the fact that such continued operations are contrary to the economic interests of the Company.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all significant subsidiaries and the Company's share of the assets, liabilities, revenues and expenses of CNCP Telecommunications which is accounted for by the proportionate consolidation method; CN's share in the activities of CNCP Telecommunications represents slightly more than half of the activities of CN Communications. Also, consistent with the legislation governing the System, the accounts of the Canadian Government Railways entrusted to the Company by the Government of Canada are included in the consolidated financial statements.

Once a formal plan for the disposition of a significant segment has been adopted, the segment is no longer consolidated but reported under the equity method and included in "Investments" in the consolidated financial statements. The related operating results are reported as results of discontinued operations.

Investments in entities in which the Company has less than a majority interest are accounted for by the equity method, where appropriate.

(b) Reporting by Division

In presenting the results by division, interdivisional charges for services have not been eliminated. Consolidated net income is not affected by this practice.

(c) Material and Supplies

The inventory is valued at laid down cost based on weighted average cost for ties and rails, latest invoice price for fuel and new materials in stores, and at estimated utility or sales value for usable second hand, obsolete and scrap materials.

(d) Insurance Fund

Certain System components are self-insured for various risks, with a separately-invested fund being maintained. The provision for insurance represents the estimated amount of self-insured losses to be settled.

(e) Properties

Accounting for railway and telecommunications properties is carried out in accordance with rules issued by the Canadian Transport Commission and the Canadian Radio-television and Telecommunications Commission respectively (Canadian properties), and the Interstate Commerce Commission (United States properties). Generally, major additions and replacements are capitalized and interest costs are charged to expense.

The cost of depreciable railway and telecommunications assets retired or disposed of, less salvage, is charged to accumulated depreciation, in accordance with the group plan of depreciation. Other depreciable assets retired or disposed of are accounted for in accordance with the unit plan whereby gains or losses are taken into income as they occur.

The Company follows the successful efforts method of accounting for its oil and gas operations whereby the acquisition costs of oil and gas properties, the costs of successful exploratory wells and the costs of drilling and equipping development wells are capitalized.

(f) Depreciation

Depreciation is calculated at rates sufficient to write off properties over their estimated useful lives, generally on a straight-line basis. For railway and telecommunications properties, rates are authorized by the Canadian Transport Commission, the Canadian Radio-television and Telecommunications Commission and the Interstate Commerce Commission. The rates for significant classes of assets are as follows:

	Annual Rate
Ties	2.46%-2.89%
Rails	1.87%
Other track material	2.23%-2.83%
Ballast	2.76%
Road locomotives	5.23%
Freight cars	1.73%-3.18%
Commercial communication systems	5.78%

Acquisition costs of oil and gas properties are amortized on a straight-line basis over the term of the lease until such time as the properties are determined to be productive or judged to be impaired. Acquisition costs of productive properties and costs of successful exploratory drilling and of drilling and equipping development wells are charged against income on the unit-of-production method based upon proven reserves of oil and gas. Exploratory dry hole and acquisition costs judged to be impaired are charged against income in the current period. Other exploratory expenditures are charged against income as incurred.

(g) Transportation Revenues

Transportation revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier. Costs associated with movements not completed are generally deferred.

(h) Pensions

Pension costs are determined periodically by independent actuaries. Pension expense is charged annually to operations and comprises the total of the following:

—the cost of pension benefits provided in exchange for employees' services rendered during the year, and

—amortization of past service costs over the expected average remaining service life of the employee group covered by the plans.

The pension plans are funded through contributions determined in accordance with the accrued benefit actuarial cost method.

(i) Foreign Exchange

The Company's foreign operations are classified as integrated and are translated and accounted for on the following bases. Current assets (excluding material and supplies), current liabilities and

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

long-term debt are translated at the rates in effect at the balance sheet date, whereas all other assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates during the year except for depreciation which is translated at exchange rates prevailing when the related properties were acquired.

The Company's own foreign denominated assets and liabilities are accorded similar treatment. Revenues and expenses are translated at rates prevailing at the time of the transactions except for revenues designated as a hedge against repayment of foreign denominated long-term debt which are translated at the rate in effect at the inception of the debt.

Currency gains and losses are reflected in net income for the year, except for unrealized foreign currency losses on long-term debt. The Company has designated future U.S. dollar revenue streams as a hedge against the repayment of most of its long-term debt denominated in U.S. dollars, and has thus deferred reflecting the related unrealized foreign currency translation losses in net income until the earlier of the debt repayment or the expiry of the hedge. Unrealized foreign currency losses related to long-term debt denominated in U.S. dollars not covered by the hedge are deferred and amortized over the remaining life of the debt. Such deferred amounts are included in the Consolidated Balance Sheet as part of Other Assets and Deferred Charges.

(j) Leases

Leases which satisfy the criteria for capital leases and which have been entered into after 1981 have been capitalized. Other leases entered into prior to 1982, satisfying the criteria for capital leases, have been recorded as operating leases.

Note 2: Discontinued Operations and Special Charge

(a) Discontinued Operations

During 1987 the Company entered into negotiation for the sale of its CN Hotels division and disposed of its former dockyard operations in Newfoundland. Details of the losses (income) incurred on these and other operations discontinued within the three years ended December 31, 1987 are as follows:

	Year ended December 31		
	1987	1986	1985
	(in thousands of dollars)		
CN Hotels (see Note 16)			
Operating loss	13,113	6,324	8,147
CN Route			
Operating loss		25,641	42,590
Loss arising from disposal		45,320	
		70,961	42,590
Dockyard			
Operating (income) loss	(6,268)	4,530	2,933
Provision for loss arising from disposal		4,900	
	(6,268)	9,430	2,933
Total discontinued operations	6,845	86,715	53,670

(b) Special Charge

CN Rail expenses include a special charge of $6.0 million (1986—$60.2 million, 1985—$40.4 million) relating to a provision for rationalization costs in connection with an ongoing program to reduce the size of the CN Rail work force.

Note 3: Extraordinary Items

	Year ended December 31		
	1987	1986	1985
	(in thousands of dollars)		
Reduction in income taxes on application of prior years' losses	56,364		57,359
Less provision to write down the non-monetary assets of TerraTransport to a nominal value in view of their continuing inability to generate net income	43,075		
	13,289		57,359

Note 4: Investments

	Percentage of Voting interest	December 31	
		1987	1986
		(in thousands of dollars)	
Entities accounted for by equity method			
CNCP Niagara-Detroit Partnership	50%	14,757	17,834
The Toronto Terminals Railway Company	50%	10,682	10,682
CN Hotels (see Notes 2 (a) and 16)		120,025	
Dockyard (see Note (2(a))			26,417
Other		13,791	11,253
		159,255	66,186
Other companies and investments, at cost less provisions for impairment where applicable		11,604	9,084
Total		170,859	75,270

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

Note 5: Properties

	December 31, 1987			December 31, 1986		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
	(in thousands of dollars)					
CN Rail	8,150,866	2,953,747	5,197,119	7,978,729	2,869,139	5,109,590
Grand Trunk Corporation	531,609	142,715	388,894	557,864	153,150	404,714
Enterprises group						
CN Communications	761,979	312,858	449,121	742,175	312,045	430,130
CN Exploration	94,480	35,627	58,853	85,728	25,261	60,467
CN Real Estate	78,881	16,204	62,677	63,279	13,861	49,418
Other	71,513	15,615	55,898	71,353	14,354	56,999
TerraTransport (see Note 3)				89,919	56,429	33,490
Discontinued operations						
CN Hotels				164,894	61,197	103,697
	9,689,328	3,476,766	6,212,562	9,753,941	3,505,436	6,248,505
Amounts included above with respect to Canadian Government Railways entrusted to the Company by the Government of Canada	1,073,992	564,974	509,018	1,060,097	569,633	490,464

At December 31, 1987 the gross value of assets under capital leases included above was $132.5 million (1986—$119.4 million) and related accumulated amortization thereon amounted to $14.1 million (1986—$9.3 million).

Note 6: Long-Term Debt

	Maturity	Currency in which Payable	December 31 1987	December 31 1986
			(in thousands of dollars)	
Bonds, Debentures and Notes				
Canadian National 8⅞%, 10 Year Bonds (b)	Mar. 1, 1987	Canadian		45,947
Canadian National 5%, 27 Year Bonds (a, b)	Oct. 1, 1987	Canadian		93,596
Canadian National 14⅝%, 10 Year Notes (c)	Dec. 1, 1991	United States	117,817	117,817
Canadian National 11⅜%, 8 Year Notes	June 11, 1993	Canadian	100,000	100,000
Canadian National 9⅞%, 8 Year Notes	Mar. 18, 1994	Canadian	100,000	100,000
Canadian National 12½%, 10 Year Notes	Apr. 15, 1995	Canadian	100,000	100,000
Canadian National 6½%, 10 Year Japanese Yen Notes (d)	Mar. 26, 1996	Canadian	70,000	70,000
Canadian National 9⅜%, 10 Year Notes	Oct. 1, 1996	Canadian	100,000	100,000
Canadian National 9¼%, 20 Year Sinking Fund Debentures	Mar. 15, 1998	United States	89,022	106,826
Canadian National 5⅜%, 15 Year Swiss Franc Bonds (e)	Aug. 22, 2000	Canadian	98,617	98,617
Canadian National 8⅞%, 15 Year Notes	May 21, 2001	Canadian	150,000	150,000
Canadian National 8⅜%, 25 Year Sinking Fund Debentures	July 1, 2002	United States	75,124	84,748
Canadian National 9.70%, 25 Year Sinking Fund Debentures	July 15, 2004	United States	174,940	174,940
Canadian National 13%, 20 Year Sinking Fund Debentures	Nov. 15, 2004	Canadian	96,732	100,000
Canadian National 12¼%, 20 Year Sinking Fund Debentures	May 1, 2005	Canadian	125,000	125,000
Canadian National 14%, 25 Year Sinking Fund Debentures	Jan. 15, 2006	United States	178,783	178,783
Canadian National 15%, 25 Year Sinking Fund Debentures	June 1, 2006	United States	181,238	181,238
Canadian National 16¼%, 25 Year Sinking Fund Debentures	Mar. 1, 2007	United States	183,053	183,053
Canadian National 14¾%, 30 Year Sinking Fund Debentures	Sept. 1, 2012	United States	247,984	247,984
Canadian National 12%, 30 Year Sinking Fund Debentures	Mar. 15, 2013	United States	122,548	122,548
Buffalo and Lake Huron 5½%, 1st Mortgage Bonds	Perpetual	Sterling	795	795
Buffalo and Lake Huron 5½%, 2nd Mortgage Bonds	Perpetual	Sterling	1,228	1,228
Total Bonds, Debentures and Notes			2,312,881	2,483,120
Government of Canada Loan and Advances (f)				
Government of Canada loan		Canadian	184,765	195,169
Canadian Government Railways advances for working capital		Canadian		13,918
Total Government of Canada Loan and Advances			184,765	209,087

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

Other			
Amounts owing under equipment purchase agreements (g)	United States	137,916	162,736
Swiss borrowings	Swiss Francs		64,684
Syndicated loan (h)	Canadian	42,610	42,610
Capital lease obligations (i)	Various	119,037	108,895
Term loan (j)	United States	2,634	
Promissory note 9⅜%	Canadian		778
Income debenture	Canadian		8,065
Adjustment to current exchange rate (see Note 1(i))		143,861	285,794
Total Other		446,058	673,562
		2,943,704	3,365,769
Less: current portion of long-term debt		208,649	305,812
unamortized discount and other		6,724	7,471
		215,373	313,283
Long-Term Debt		2,728,331	3,052,486

(a) Guaranteed by the Government of Canada.

(b) These bonds are subject to repurchase arrangements.

(c) It is the Company's intention, given continuing favourable interest rates, to redeem this issue on its "call" date of December 1, 1988. The amount of the issue is accordingly included in the current portion of long-term debt.

(d) The Company borrowed $70.0 million at an all-in cost of 10.25% by means of a Euro-yen public note issue and a currency swap.

(e) The Company borrowed $98.6 million at an all-inclusive cost of 11.17% by means of a public bond issue in Switzerland and a currency swap.

(f) The Government of Canada loan bears interest at 8¾% per annum and is payable in equal semi-annual payments of $13.63 million covering principal and interest to June 30, 1998.

(g) Secured by rolling stock and payable by semi-annual or quarterly instalments over various periods to 1995 at interest rates ranging from 8% to 17¾%. As at December 31, 1987, the principal amounts are payable as U.S. $121.1 million (December 31, 1986—U.S. $144.4 million).

(h) The Company borrowed $42.6 million at an all-inclusive cost of 11.535% by means of a yen syndicated loan and currency swap.

(i) Interest rates for these leases range from approximately 7⅞% to 14 ½% with expiry dates occurring during the years 1988 through 2004. The imputed interest on these leases amounts to $107.0 million (1986—$116.2 million).

(j) Repayable by annual principal instalments of $400,000 over a five year term, to August 15, 1992. The interest is charged at favourable varying rates.

(k) Principal repayments, including sinking fund repayments, repurchase arrangements and capital lease repayments, on debt outstanding at December 31, 1987, are as follows:

	Year ended December 31 (in thousands of dollars)
1988	208,649
1989	74,127
1990	76,910
1991	101,197
1992	111,776
1993-1997	1,115,606
1998-2002	740,149
2003-2007	391,668
2008-2012	101,995
2013	12,993

Note 7: Shareholder's Equity

(a) Capital stock

The capital stock of Canadian National Railway Company, $2,278,866,774, consists of 5,868,786 common shares of no par value authorized, issued and outstanding which are owned by the Government of Canada.

(b) Retained Earnings

Under its governing legislation, the Company is required to pay to the Receiver General for Canada a dividend equal to 20% of net income for the year or such greater percentage as the Governor in Council may direct. Accordingly, a dividend representing 20% of the net income for the year has been accrued and is included in Other Current Liabilities. The dividend accrued on 1985 income which has not yet been paid is also included in that caption.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

Note 8: Major Commitments

(a) Leases

(i) The Company's commitments as at December 31, 1987, under leases, excluding those which have been capitalized and for which the lease obligations are recorded as long-term debt (see Note 6), are as follows:

Non-Cancellable Leases

	Pre-1982 Capital Leases	Operating Leases
	Year ended December 31	
	(in thousands of dollars)	
1988	37,802	89,765
1989	31,838	81,755
1990	13,118	53,657
1991	5,904	47,502
1992	4,393	44,683
1993-1997	6,611	168,221
1998-2002	2,927	29,626
thereafter	447	4,622
Total minimum lease payments	103,040	519,831
Less amount representing imputed interest	17,858	
Present value of net minimum lease payments under capital leases	85,182	

A significant portion of the leases is in respect of railway rolling stock and many of them provide renewal options and an option to purchase the property at fair market value at the end of the lease term.

(ii) Rental expenses under all lease arrangements which have not been capitalized were:

	Year ended December 31		
	1987	1986	1985
	(in thousands of dollars)		
Total expenses	173,298	178,034	187,949
Expenses under pre-1982 capital leases included in total expenses	43,188	46,825	50,863

(iii) Increases in income, assets and liabilities in the consolidated financial statements, which would have arisen if leases entered into prior to 1982 and which satisfied the criteria for capital leases had been capitalized, are as follows:

	Year ended December 31		
	1987	1986	1985
	(in thousands of dollars)		
Net increase in income	13,132	11,609	10,776
Increase in Assets			
Properties			
Leased properties under capital leases	174,101	194,092	238,429
Less accumulated amortization	127,481	128,565	156,672
	46,620	65,527	81,757
Other assets and deferred charges			
Unamortized deferred exchange loss	10,172	17,508	23,990
	56,792	83,035	105,747
Increase in Current Liabilities			
Present value of obligations under capital leases	30,900	33,935	33,387
Increase in Non-Current Liabilities			
Present value of obligations under capital leases	73,726	101,622	127,180
Adjustment to current exchange rate (see Note 1(i))	11,456	22,324	30,699
	85,182	123,946	157,879
Less current portion	30,900	33,935	33,387
	54,282	90,011	124,492

(b) Other

The Company has commitments at December 31, 1987, for capital expenditures of $21.6 million for railway ties and $9.7 million for rail.

Note 9: Subsidies

Revenues include the following subsidies:

	Year ended December 31		
	1987	1986	1985
	(in thousands of dollars)		
Government of Canada			
(a) Payments under the Railway Act paid under authority of that Act and the related Appropriation Act in respect of certain uneconomic operations, services and prescribed rates which railways are required by the Railway Act to maintain	37,661	39,641	37,151
(b) Maritime Freight Rates Act and Atlantic Region Freight Assistance Act subsidies	18,520	18,735	20,460
(c) Sundry	1,884	2,502	6,074
Other assistance	134	163	167
	58,199	61,041	63,852

Note 10: Pensions

The Company has retirement benefit plans covering substantially all its employees under which they are entitled to benefits at retirement age generally based on compensation and length of service and/or contributions.

Effective January 1, 1987, the Company implemented prospectively the new recommendations of the Canadian Institute of Chartered Accountants using actuarial valuations as at December 31, 1986 for all significant pension plans. These December 31, 1986 valuations revealed a consolidated actuarial liability of $6.2 billion and a consolidated actuarial asset value of $4.9 billion. For purposes of the new CICA recommendations, it is estimated that those amounts could approximate $6.3 billion and $5.3 billion respectively as at December 31, 1987. Subsequent actuarial valuations will determine the actual values at that date.

Annual pension costs were:

Year ended December 31		
1987	1986	1985
(in thousands of dollars)		
200,731	194,425	139,956

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

Note 11: System Interest Expense

	Year ended December 31		
	1987	1986	1985
	(in thousands of dollars)		
Interest			
Total interest on long-term debt	367,142	380,977	333,574
Interest on short-term borrowings	7,175	6,889	5,381
Interest income	(2,435)	(5,567)	(2,713)
	371,882	382,299	336,242

Note 12: Income Taxes

(a) The Company has timing differences of approximately $390 million which are available to reduce taxable income of future years. Of that amount, about $119 million is due to the excess of the undepreciated capital cost for income tax purposes over net book value of depreciable assets.

(b) Investment tax credits are also available to reduce future income taxes otherwise payable until the related year of expiry:

Year of Expiry	(in millions of dollars)
1988	4.3
1993	25.9
1994	33.9
1995	29.7
1996	18.9
1997	12.7

The Company is eligible for a refund of 20% of the current year's investment tax credits in respect of qualified expenditures and has recognized the resulting benefit as a reduction of such expenditures.

(c) The Company's provision for income taxes is made up as follows:

	Year ended December 31		
	1987	1986	1985
	(in thousands of dollars)		
Provision for (recovery of) income taxes based on combined basic Canadian federal and provincial tax rate of 48.6% (1986—49.8%, 1985—48.9%)	59,148	(42,967)	57,752
Increase (decrease) in taxes resulting from			
Non-taxable portion of capital gain on disposals of discontinued operations		(21,631)	
Non-allowable foreign exchange loss on conditional sale agreements	1,347	1,535	437
Profit on sale of land	(6,785)	(2,528)	(2,874)
Unapplied losses		62,256	
Other	3,776	3,335	2,508
Actual provision for income taxes resulting in an effective tax rate of 47.2% (1986—Nil, 1985—49.0%)	57,486		57,823

Note 13: Segmented Information

(a) Geographic Areas

Virtually all of the System's operations and assets are within Canada with the exception of Grand Trunk Corporation which operates in the United States.

(b) International Traffic

In addition to the revenue generated by Grand Trunk Corporation, the System derives revenue from traffic originating or terminating on railroads in the United States. In 1987, such revenues approximated $612 million (1986—$587 million, 1985—$628 million).

(c) Revenues by Division

	December 31		
	1987	1986	1985
	(in thousands of dollars)		
CN Rail	3,716,385	3,652,655	3,753,190
Grand Trunk Corporation	486,044	531,399	551,782
Enterprises group			
CN Communications	296,517	299,744	303,930
CN Exploration	37,293	33,869	56,730
CN Real Estate	54,102	35,157	29,582
Other	38,608	38,130	29,439
TerraTransport	20,170	25,002	25,919
Discontinued operations			
CN Hotels	135,010	126,131	111,631
CN Route		123,643	144,681
Dockyard		8,786	10,906
	4,784,129	4,874,516	5,017,790

(d) Identifiable Assets by Division

	December 31		
	1987	1986	1985
	(in thousands of dollars)		
CN Rail	6,203,938	6,301,242	6,496,422
Grand Trunk Corporation	623,715	630,428	633,296
Enterprises group			
CN Communications	528,223	506,242	498,873
CN Exploration	67,157	68,583	73,401
CN Real Estate	93,603	79,253	81,982
Other	67,139	68,239	66,485
TerraTransport (see Note 3)	9,874	52,304	56,906
Discontinued operations			
CN Hotels		136,323	118,367
CN Route			76,493
Dockyard			36,556
	7,593,649	7,842,614	8,138,781

CANADIAN NATIONAL RAILWAY SYSTEM—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Concluded*

(e) Capital Expenditures and Depreciation by Division

	Year ended December 31					
	Capital Expenditures*			Depreciation		
	1987	1986	1985	1987	1986	1985
	(in thousands of dollars)					
CN Rail	355,146	356,746	594,303	211,045	212,305	196,297
Grand Trunk Corporation	12,554	21,990	20,903	14,473	18,773	13,593
Enterprises group						
CN Communications	68094	58,152	64,658	45,585	47,492	46,192
CN Exploration	9,147	10,859	33,283	10,723	13,093	6,994
CN Real Estate	17,981	13,720	5,687	1,027	815	1,026
Other	340	341	279	1,437	1,453	1,440
TerraTransport	589	5	3,037	2,461	5,964	5,443
Discontinued operations						
CN Hotels	18,207	22,393	20,296	6,023	5,278	4,783
CN Route			925		5,174	5,490
Dockyard		(134)	1,104		1,004	1,061
	482,058	484,072	744,475	292,774	311,351	282,319

*Represents additions to properties.

Note 14: Other Matters

(a) The Company carries on ordinary business transactions with various entities controlled by the Government of Canada on the same terms and conditions as current transactions with unrelated parties.

In addition, the Company provides, under contractual arrangements, rail transportation and maintenance services to the Government of Canada and to entities controlled by the latter. The revenue derived from such services rendered in 1987 aggregated $148.2 million (1986—$203.0 million, 1985—$320.0 million).

(b) Following enactment of the Western Grain Transportation Act, which became effective on January 1, 1984, the Government of Canada, in order to minimize the cost to grain shippers, pays a portion of the cost of shipping grain. Amounts received from the Government of Canada under the Western Grain Transportation Act amounted to $435.3 million in 1987 (1986—$378.0 million, 1985—$278.9 million), a reflection of the volume of grain handled.

(c) Commencing in 1977, the Government of Canada has agreed to pay to the Company, by way of capital grants not exceeding $557.9 million, certain amounts with respect to expenditures incurred in carrying out rehabilitation programs for branch lines in Western Canada. Total payments received up to December 31, 1987, amounted to $457.0 million of which $25.6 million was received in 1987 (1986—$34.5 million, 1985—$43.7 million).

(d) As part of a funding plan for the period from 1986 to 1990 for certain railway operating improvements in Newfoundland, the Company received $12.1 million from the Government of Canada in 1987 out of an expected $29.1 million to be received over the four year period. As part of an earlier program for the testing and evaluation of such railway operations, billings to the Government of Canada amounted to $5.3 million in 1986.

Note 15: Reclassification of Comparative Figures

During 1987, changes were made to improve the classification of certain items and for comparative purposes the 1986 and 1985 figures have been reclassified.

Note 16: Subsequent Event

On January 29, 1988, the Board of Directors of the Company approved the sale of substantially all of the net assets of the CN Hotels Division for a consideration of $260 million plus working capital.

The net assets have been deconsolidated and are included in "Investments" in the consolidated financial statements (see Note 4).

SUMMARY PAGE

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LTD.

MANDATE

To collect monies due to it from the sale of eight steamships to Cuban interests.

BACKGROUND

The corporation, which provided a steamship service to the West Indies, has been inactive since 1958 when its fleet of ships was sold to Banco Cubana of Havana. In 1959, the corporate management was transferred to federal government officials for the purpose of collecting the proceeds from the sale. An irrevocable letter of credit issued through the Bank of America to cover the final principal payment was not honoured because of the imposition of the Cuban Assets Control Regulations by the U.S. government on July 3, 1963. The sole purpose of maintaining the company has been to collect the outstanding principal plus interest, totalling $1.2 million as of December 31, 1987. Authority to dissolve the corporation was given in the *Crown Corporations Dissolution Authorization Act*, which received Royal Assent on October 29, 1985.

CORPORATION DATA

HEAD OFFICE	Tower C Place de Ville Ottawa, Ontario K1A 0N5
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1927; created by CNR in 1927 under the *Dominion Companies Act* and continued under the *Canada Business Corporations Act*, November 21, 1978.
CHIEF EXECUTIVE OFFICER	N. Van Duyvendyk
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	1985	1984
At the end of the year				
Total Assets	1.2	1.1	1.1	1.0
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	0.3	0.3	0.3	0.3
Equity of Canada	0.9	0.8	0.7	0.6
Cash from Canada in the year				
— budgetary	nil	nil	nil	nil
— non-budgetary	nil	nil	nil	nil

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS LTD.

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of Canadian National (West Indies) Steamships Ltd. as at December 31, 1987 and the statement of income and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1987 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Canada Business Corporations Act and the by-laws of the corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 31, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987

ASSETS	1987	1986
	$	$
Cash	1,496	1,465
Deposit with Receiver General for Canada	95,000	95,000
Blocked funds (Note 2)	1,155,280	1,074,430
	1,251,776	1,170,895

LIABILITIES	1987	1986
	$	$
Account payable	30	
Matured bonds—Unclaimed (Note 3)	14,025	14,025
Due to Canada (Note 4)	324,024	324,024
	338,079	338,049
EQUITY OF CANADA		
Capital stock		
Authorized and issued		
10 Class A shares without nominal or par value	976	976
Retained earnings	912,721	831,870
	913,697	832,846
	1,251,776	1,170,895

Approved by the Board of Directors:

N. VAN DUYVENDYK
Chairman

M. BRENNAN
Director

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS LTD.—*Concluded*

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Interest income	80,894	97,584
Filing fee and bank charges	43	30
Net income for the year	80,851	97,554
Retained earnings at beginning of the year	831,870	734,316
Retained earnings at end of the year	912,721	831,870

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1987

1. Authority and activities

The Corporation is continued under the Canada Business Corporations Act and is a parent Crown corporation named in Schedule C Part I to the Financial Administration Act. It ceased all active operations in 1957, at which time it sold its fleet of eight vessels to Cuban interests.

On October 29, 1985, Parliament passed the Crown Corporations Dissolution Authorization Act which authorized the Minister of Finance to dissolve the Corporation.

An assignment has been prepared in which the Corporation transfers to Her Majesty in Right of Canada all its rights and interests in, to or arising out of the letter of credit referred to in Note 2 below. However, this document has not yet been executed since the consent from BankAmerica International to this assignment and their acknowledgement that payment under the letter of credit will be made to Her Majesty in Right of Canada, have not yet been received.

Accordingly, the Corporation remains to be dissolved and as such the blocked funds are still recorded as an asset of the Corporation.

The dissolution process will be completed when the consent and acknowledgement are received from BankAmerica International.

2. Blocked funds

The final installment of $470,400 on the sale of the eight vessels to Cuban interests was due to be paid August 19, 1963 by an irrevocable letter of credit issued through BankAmerica International (then known as Bank of America). However, on July 3, 1963, the United States Cuban Assets Control Regulations became effective and prohibited the Bank from honouring payment of the draft. Amendments to the Regulations, effective March 2, 1979 required blocked funds to be held in an interest-bearing account. At December 31, 1987, accrued interest amounted to $684,880 (1986—$604,030).

Negotiations to obtain a preferred status in order to receive the blocked funds have not been successful. In the opinion of management, based on legal counsel, these funds will be collected when the Regulations are repealed by the United States. A waiver of the application of the statute of limitations has been obtained until January 1, 1989, and further extensions will be obtained as required.

Since 1984, the BankAmerica International has withheld 15% of interest earned on the funds blocked at the Bank by the Cuban Asset Regulations as a tax on non-resident earnings. To date $64,656 has been withheld including interest on the withheld funds of $12,300. In management's opinion, the tax exempt status of the Corporation is preserved in the United States by the Tax Convention of 1984. Therefore, amounts withheld and the interest forgone thereupon have been included in income and assets and accordingly no liability recorded.

3. Matured bonds—Unclaimed

The matured bonds have been unclaimed since March 1, 1955 and as a result of the statute of limitations there is no legal obligation to redeem them. However, the Corporation intends to honour any of the outstanding bonds should they be presented.

4. Due to Canada

The advances from Canada bear no interest and are repayable when the blocked funds are received.

SUMMARY PAGE

CANADIAN PATENTS AND DEVELOPMENT LIMITED

MANDATE

To maximise benefits to Canada by promotion and use of innovations produced on behalf of the Crown, by publicly funded institutions and agencies and by others.

BACKGROUND

The corporation makes available to the public the industrial and intellectual property resulting from government-funded research and development. It makes licensing arrangements with industry and monies received thereby are used to cover most of its operating expenses. Awards are paid to inventors under the *Public Service Inventors Act*.

CORPORATION DATA

HEAD OFFICE	275 Slater Street Ottawa, Ontario K1A 0R3
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Robert R. de Cotret, P.C., M.P.
DEPARTMENT	Regional Industrial Expansion and Science and Technology
YEAR AND MEANS OF INCORPORATION	1947; by letters patent under the *Companies Act*; continued under the *Canada Business Corporation Act* in 1979.
CHIEF EXECUTIVE OFFICER (ACTING)	W. Dallas Gordon
CHAIRMAN	Jacques A. Léger
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	1.2	0.8	1.1	1.3
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	0.3	negl.	0.4	0.7
Cash from Canada in the period				
— budgetary	1.1	0.5	0.4	0.4
— non-budgetary	nil	nil	nil	nil

CANADIAN PATENTS AND DEVELOPMENT LIMITED

AUDITOR'S REPORT

TO THE MINISTER OF REGIONAL INDUSTRIAL EXPANSION

I have examined the balance sheet of Canadian Patents and Development Limited as at March 31, 1988 and the statements of operations and surplus (deficit) and changes in cash resources for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Canada Business Corporations Act and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 8, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987
	$	$
Current		
Cash	190,223	322,832
Term deposits	525,000	
Accounts receivable	468,437	512,102
Accrued interest	5,514	1,212
Prepaid expenses	18,436	13,623
	1,207,610	849,769
Industrial and intellectual property rights (Notes 2, 3 and 5)	1	1
Experimental equipment (Notes 2 and 4)	1	1
	1,207,612	849,771

LIABILITIES	1988	1987
	$	$
Current		
Accounts payable and accrued liabilities	581,909	529,183
Royalties received in advance	95,992	124,226
	677,901	653,409
Provision for employee termination benefits	204,683	211,954
	882,584	865,363
EQUITY (DEFICIENCY) OF CANADA		
Capital stock		
Authorized—10,000 shares of no par value		
Issued—5,000 shares fully paid	296,199	296,199
Surplus (deficit)	28,829	(311,791)
	325,028	(15,592)
	1,207,612	849,771

Approved by the Board:

JACQUES A. LÉGER
Director

WILLIAM F. GRAYDON
Director

CANADIAN PATENTS AND DEVELOPMENT LIMITED—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS (DEFICIT) FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Revenue		
Royalties	1,707,938	1,640,384
Service charges under agency agreements	74,976	53,976
Interest on investments	40,347	36,103
Interest on overdue accounts	10,867	3,564
Miscellaneous	9,283	7,642
	1,843,411	1,741,669
Expenses		
Salaries and employee benefits	1,232,341	1,221,757
Industrial and intellectual property agents' fees and related expenses, for obtaining and maintaining proprietary protection (Note 5)	573,131	576,030
Accommodation, equipment and other rentals	214,012	210,995
Amounts paid or owed to third parties in respect of royalty revenue	130,044	198,809
Awards to inventors	125,193	107,169
Office supplies, printing, furnishings and equipment	87,722	63,284
Legal fees	70,010	38,403
Provision for doubtful accounts	48,810	89,301
Travel and removal	46,194	34,654
Professional and special services	43,393	57,865
Communications	36,970	41,134
Miscellaneous	7,971	1,815
	2,615,791	2,641,216
Cost of operations	772,380	899,547
Parliamentary appropriation	1,113,000	478,000
Excess of parliamentary appropriation over cost of operations (cost of operations over parliamentary appropriation) for the year	340,620	(421,547)
Surplus (deficit) at beginning of the year	(311,791)	109,756
Surplus (deficit) at end of the year	28,829	(311,791)

STATEMENT OF CHANGES IN CASH RESOURCES FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Cash used in operating activities		
Cost of operations	772,380	899,547
Items not requiring cash		
Provision for employee termination benefits	(12,377)	(18,180)
Loss on disposal of Canada bonds		(3,750)
	760,003	877,617
Cash used in (provided by) non-cash working capital components		
Accounts receivable	(43,665)	(11,831)
Other current assets	9,115	381
Accounts payable and accrued liabilities	(52,726)	(123,854)
Royalties received in advance	28,234	(21,551)
	(59,042)	(156,855)
Payment of employee termination benefits	19,648	
Cash used in operating activities	720,609	720,762
Cash provided by financing activities		
Parliamentary appropriation	1,113,000	478,000
Cash provided by investing activities		
Proceeds from sale of Canada bonds		243,750
Increase during the year	392,391	988
Cash and term deposits at beginning of year	322,832	321,844
Cash and term deposits at end of year	715,223	322,832

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988

1. Authority and operations

Canadian Patents and Development Limited is a Crown corporation named in Part I of Schedule C to the Financial Administration Act and is incorporated under the Canada Business Corporations Act. The Corporation was established to make available to the public, through licensing arrangements with industry, the industrial and intellectual property which results from publicly-funded research and development.

The Corporation receives and processes industrial and intellectual property under arrangements with federal government departments, Crown corporations and agencies, universities, and other publicly-financed institutions. Suitable protection is sought in Canada and other countries for such property in instances where there is a promise of commercial use. In respect of money received from the exploitation of such property, the Corporation pays awards to public servants under the Public Servants Inventions Act and makes payments to other originators of such property in accordance with the agreements entered into with them.

2. Significant accounting policies

Industrial and intellectual property rights

Industrial and intellectual property rights are recorded at a nominal value of $1. The net cost of acquisition, protection and maintenance of industrial and intellectual property rights is charged to operations as incurred.

Experimental equipment

Experimental equipment is recorded at a nominal value of $1. The cost of this equipment is charged to operations in the year of acquisition.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

Pension plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contributions to the cost of the Plan under present legislation are limited to an amount equal to the employees' contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are recognized in the accounts on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account or with respect to charges to the Consolidated Revenue Fund for indexation payments under the Supplementary Retirement Benefits Act.

3. Industrial and intellectual property rights

The accumulated cost of current inventory of unexpired patent and other rights in respect of industrial and intellectual property amounts to $3,839,430 (1987—$3,399,799).

4. Experimental equipment

The accumulated cost of experimental equipment purchased under active development contracts and held by a licensee amounts to $123,500 (1987—$123,500).

During the year, the Corporation acquired experimental equipment from another federal government entity at no cost. Any proceeds resulting from the sale of this equipment are credited to revenue in the year of disposal.

CANADIAN PATENTS AND DEVELOPMENT LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

5. Industrial and intellectual property agents' fees and related expenses, for obtaining and maintaining proprietary protection

	1988	1987
	$	$
Fees and related expenses	867,627	793,838
Less: recoveries	294,496	217,808
	573,131	576,030

6. Lease commitments

Under a lease agreement dated September 30, 1983 the Corporation pays an annual rent of $169,425 for accommodation. The period covered by this agreement is November 1, 1983 to October 31, 1988.

SUMMARY PAGE

CANADIAN SALTFISH CORPORATION

MANDATE

To regulate interprovincial and export trade in saltfish from participating provinces (Quebec - Lower North Shore, and Newfoundland) to improve earnings of primary producers of cured cod fish.

BACKGROUND

By its enabling legislation, the corporation must buy all saltfish offered to it which is of reasonable quality, and must conduct its operations on a self-sustaining basis without appropriations.

CORPORATION DATA

HEAD OFFICE	Saltfish Building Torbay Road P.O. Box 9440 St. John's, Newfoundland A1A 2Y3
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Thomas E. Siddon, P.C., M.P.
DEPARTMENT	Fisheries and Oceans
YEAR AND MEANS OF INCORPORATION	1970; by the *Saltfish Act* (R.S.C. 1985, c. S-4).
CHIEF EXECUTIVE OFFICER	W.R. Moyse
CHAIRMAN	James G. Barnes
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	27.6	24.4	16.6	14.5
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	28.9	24.0	17.4	12.3
Equity of Canada	(5.4)	(4.2)	(5.4)	(3.3)
Cash from Canada in the period				
— budgetary	nil	nil	nil	nil
— non-budgetary, net	4.9	6.6	5.1	(1.8)

CANADIAN SALTFISH CORPORATION

AUDITOR'S REPORT

TO THE MINISTER OF FISHERIES AND OCEANS

I have examined the balance sheet of the Canadian Saltfish Corporation as at March 31, 1988 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Saltfish Act and the bylaws of the Corporation, except for the following activities: involvement in frozen fish products described in Notes 1 and 4; the provision of loans described in Notes 5 and 9(ii); and the guarantee of bank loans described in Note 9(i). In my opinion, these activities are not within the powers of the Corporation under the Saltfish Act.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
May 27, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987
	$	$
Current		
Cash	176,894	542,565
Accounts receivable		
Trade	10,195,069	6,071,422
Other	4,202,616	2,130,834
Inventories (Note 3)	6,186,814	12,898,236
Advances to frozen fish producers (Note 4)	4,158,708	451,575
	24,920,101	22,094,632
Long-term		
Loans receivable (Note 5)	1,041,022	
Account receivable (Note 6)		972,600
	1,041,022	972,600
Fixed (Note 7)		
Land, buildings and equipment	4,025,111	3,382,286
Less: accumulated depreciation	2,370,914	2,084,361
	1,654,197	1,297,925
	27,615,320	24,365,157

LIABILITIES	1988	1987
	$	$
Current		
Working capital loans from Canada (Note 8)	28,500,000	23,500,000
Accounts payable and accrued liabilities	3,796,668	4,275,725
Current portion of capital asset loans from Canada (Note 8)	150,000	150,000
	32,446,668	27,925,725
Long-term		
Capital asset loans from Canada (Note 8)	200,000	350,000
Accrued employee termination benefits	352,535	307,081
	552,535	657,081
Commitments and contingencies (Note 9)		
DEFICIT OF CANADA		
Deficit	(5,383,883)	(4,217,649)
	27,615,320	24,365,157

Approved by the Board:

J. BARNES
Director

W. R. MOYSE
Director

CANADIAN SALTFISH CORPORATION—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Saltfish products		
Sales	52,824,043	39,338,151
Less: freight and insurance	2,115,100	1,897,554
	50,708,943	37,440,597
Cost of goods sold		
Production costs	45,067,630	30,057,154
Transportation, storage and packaging	1,412,454	1,744,357
Other buying costs	1,196,184	1,067,821
	47,676,268	32,869,332
Gross profit on saltfish products	3,032,675	4,571,265
Frozen fish (Note 1)		
Sales	32,390,802	36,411,944
Cost of goods sold	32,390,802	36,411,944
Gross profit on frozen fish		
Gross profit before expenses	3,032,675	4,571,265
Expenses		
Interest—Long-term	48,354	63,500
—Current (Net of recoveries of $875,654; 1987—$663,031) (Note 1)	1,148,326	1,083,285
Net interest expense	1,196,680	1,146,785
Loss on foreign exchange	138,665	201,430
Selling (Net of recoveries of $1,060,903; 1987—$1,083,234) (Note 1)	694,402	658,609
Administrative (Net of recoveries of $183,139; 1987—$152,627) (Note 1)	738,574	735,209
	2,768,321	2,742,033
Net profit on operations	264,354	1,829,232
Additional contributions to primary producers of cured codfish		620,000
Unusual items		
Legal fees (Note 9(iv))	522,599	
Bad debt allowance (Note 6)	907,989	
Net profit (loss) for the year	(1,166,234)	1,209,232

STATEMENT OF DEFICIT FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Balance at beginning of the year	(4,217,649)	(5,426,881)
Net profit (loss) for the year	(1,166,234)	1,209,232
Balance at end of the year	(5,383,883)	(4,217,649)

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Funds were provided by (used for)		
Financing activities		
Increase in working capital loans from Canada	5,000,000	6,750,000
Repayment of capital asset loans from Canada	(150,000)	(150,000)
	4,850,000	6,600,000
Operating activities		
Net profit (loss) for the year	(1,166,234)	1,209,232
Adjustments for non-cash items		
Bad debt allowance	907,989	
Depreciation	313,067	196,954
(Gain) on sale of fixed assets	(8,312)	(3,234)
Employee termination benefits	45,454	50,057
	91,964	1,453,009
(Increase) in trade and other balances	(10,381,619)	(472,020)
(Increase) decrease in inventories	6,711,422	(7,213,871)
	(3,578,233)	(6,232,882)
Investing activities		
(Increase) in long-term loans receivable	(1,041,022)	
Purchase of fixed assets	(661,027)	(455,039)
Collection of long-term account receivable	64,611	
	(1,637,438)	(455,039)
Net funds used	(365,671)	(87,921)
Cash at beginning of the year	542,565	630,486
Cash at end of the year	176,894	542,565

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988

1. Authority, objectives and operations of the Corporation

The Canadian Saltfish Corporation was established by the Saltfish Act in 1970, to improve the earnings of the primary producers of cured codfish. The Corporation is a Crown corporation of Canada without share capital, named in Schedule C, Part I to the Financial Administration Act, is an agent of Her Majesty, and is required to conduct its operations on a self-sustaining financial basis. The Corporation is dependent on the Government of Canada for working capital and capital asset loans and is not subject to income taxes.

The Corporation has the exclusive right to trade in and market cured cod-fish and its by-products in the Province of Newfoundland and the Lower North Shore of Quebec and is required to buy all cured cod-fish of an acceptable standard of quality offered for sale therein. Fish is purchased from fishermen, processed through its own facilities or by agents and is subsequently marketed by the Corporation, primarily to foreign countries.

Frozen fish products

The Corporation markets frozen fish products under contractual arrangements with a number of companies. Under these agreements, the Corporation may make advances based on the projected market value to the producer. The balance of the market value received by the producing company is determined by the ultimate selling price and all related expenses. The Corporation also is involved in the role of marketing frozen fish products (traded fish) on behalf of independent producing companies. For providing these services the Corporation recovers its direct costs, certain overhead expenses and charges interest on advances.

CANADIAN SALTFISH CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Continued*

To secure the Corporation's position against any possible third party claims against the producer, the Corporation takes title to the product when it leaves the plant. These transactions are recorded as sales and cost of goods sold in the statement of operations. The agreement with the producing company attributes any gain or loss on the ultimate sale of the product to the producer.

The total frozen fish sales that the Corporation was involved in marketing are as follows:

	1988	1987
	$	$
Frozen fish products	32,084,990	34,541,085
Traded frozen fish products	305,812	1,870,859
	32,390,802	36,411,944

2. Significant accounting policies

Depreciation

Depreciation is calculated on the straight-line method and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Equipment	3 to 10 years
Furniture and fixtures	5 years

Foreign currency translation

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the rate of exchange prevailing on the transaction date. The resulting foreign currency translation gains and losses are included in the results of operations.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employee and the Corporation. Contributions with respect to current services are expensed on a current basis.

Employee termination benefits

Employees are entitled to specific benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

Additional contributions to primary producers of cured codfish

The Corporation purchases saltfish at initial prices established by the Board of Directors and obtains processing services at negotiated rates. Additional contributions, if any, to primary producers of cured codfish are determined by the Board based on the results of operations for the year. Contributions are charged to operations in the year in which they are approved for distribution.

3. Inventories

Inventories are made up of the following categories:

	1988	1987
	$	$
Saltfish, at lower of cost and net realizable value	3,435,777	1,723,546
Packages and supplies, at cost	668,329	468,235
Salt, at cost	192,376	247,739
	4,296,482	2,439,520
Frozen fish, at lower of cost and net realizable value	1,890,332	10,458,716
	6,186,814	12,898,236

4. Advances to frozen fish producers

This account consists of working capital advances to frozen fish producers. The advances are secured by inventories, title to which has not yet passed to the Corporation, and by mortgages on plant and equipment and floating charges on other assets of the producers.

5. Loans receivable

This account consists of loans to fish producers to acquire and refurbish fishing vessels. Under the various agreements and arrangements, the Corporation and certain of its agents have been assured a source of supply of larger sized cod-fish for the next five years (see Note 9(ii)).

The loans are secured by mortgages on the vessels and other plant and equipment. Repayment requirements are approximately as follows:

	$
1990	387,000
1991	426,000
1992	119,000
1993	109,000
	1,041,000

6. Account receivable

In 1986, the Corporation provided an allowance of $1,000,000 against an account receivable outstanding since 1984. At that time, the Corporation hoped to realize the balance of the receivable from its security on property owned by this account. During 1987, however, the Corporation had little success in realizing on its security, and as management is now uncertain of collecting the remaining balance of the receivable, a further allowance of $907,989 has been provided.

7. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	117,274		117,274	117,274
Buildings	1,196,806	504,036	692,770	604,562
Equipment	2,437,743	1,688,500	749,243	487,732
Furniture and fixtures	273,288	178,378	94,910	88,357
	4,025,111	2,370,914	1,654,197	1,297,925

8. Loans from Canada

Working capital loans are interest bearing (based upon current rates as set by the Bank of Canada) and are repayable within one year.

Total loans outstanding from Canada and banks shall not exceed $50 million.

CANADIAN SALTFISH CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

Loans obtained to finance capital expenditures bear interest and are subject to repayment in ten equal annual instalments. Outstanding capital asset loans are as follows:

Due date	Interest rate	1988	1987
	%	$	$
March 27, 1989	10⅛	10,000	20,000
September 28, 1989	10	160,000	240,000
September 30, 1990	12⅜	180,000	240,000
		350,000	500,000
Less: current portion		150,000	150,000
		200,000	350,000

Repayment requirements are $150,000 in 1989, $140,000 in 1990 and $60,000 in 1991.

9. Commitments and contingencies

(i) Loan guarantees

The Corporation has guaranteed bank loans of a fish producer in the amount of $3,720,000 as at March 31, 1988. The loans were used to finance the construction and refurbishing of fishing vessels. In addition, as at March 31, 1988, the Corporation has a commitment to the fish producer to provide up to $1,200,000 in further financing, either as loans or loan guarantees, for the construction of fishing vessels.

The loan guarantees are secured by mortgages on the vessels owned or controlled by the fish producer and its affiliated companies. Additional security is provided by a debenture containing a fixed charge on plant and equipment and by a floating charge on inventories and other assets of the fish producer and its affiliated companies, subject to other amounts owing to the Corporation.

(ii) Loans receivable

The Corporation is committed, as at March 31, 1988, to a loan of approximately $500,000 to a fish producer for the acquisition of a vessel. Security for the loan will be a mortgage on the vessel.

(iii) Operating lease

During the year, the Corporation obtained a five year contract from the Department of Fisheries and Oceans to operate a fishermen's service facility at Punchbowl, Labrador for a nominal annual consideration.

Under the terms of the contract, the Corporation is to provide and maintain a fish purchasing and processing station and certain facilities for the fishermen during the regular fishing season.

(iv) Legal action

The Corporation, other segments of the Canadian saltfish industry and certain Puerto Rican importers have been named in an anti-trust action. At this time, the Corporation is defending the action but is not in a position to reasonably determine its liability, if any.

10. Related party transactions

The Corporation sold approximately $2,700,000 (1987—$5,600,000) of saltfish products to the Canadian International Development Agency. These transactions were in the normal course of business and at regular commercial rates.

11. Remuneration to foreign sales agents

During the year $133,711 (1987—$115,021) was paid to fourteen foreign sales agents with whom the Corporation has commission agents' agreements. For reasons of commercial confidentiality, the Corporation does not publish the names of its foreign sales agents.

SUMMARY PAGE

THE CANADIAN WHEAT BOARD

MANDATE

The Board's mandate is to market wheat, oats and barley grown in western Canada in the best interests of western Canada's grain producers. It administers the *Prairie Grain Advance Payments Act*.

BACKGROUND

The Board was established in 1935 by Act of Parliament and is now responsible for all exports of wheat, oats, and barley grown in a designated area which includes the prairie provinces and small parts of British Columbia. It is also responsible for sales of these grains for human consumption in Canada. The Board may sell domestic feed grains, but in general these sales are handled by producers themselves or by the private trade. The Board does not own or operate grain handling facilities. Co-operative and private companies handle Board grain as agents. The Board issues a government-guaranteed initial payment when the producer delivers grain. Receipts are pooled, and a final payment net of marketing costs is made after the full year's returns, by grain and grade, have been calculated. Deficits are rare but, if they occur they are, by statute, a charge upon the Consolidated Revenue Fund of Canada. The Board negotiates directly with customers, or through Accredited Exporters. Most sales are cash, but the Board does offer credit at commercial rates for up to three years if the credit is guaranteed by the Federal Government.

CORPORATION DATA

HEAD OFFICE	423 Main Street P.O. Box 816 Winnipeg, Manitoba R3C 2P5
STATUS	An agent of Her Majesty; exempted from the provisions of divisions I to IV of Part X of the *Financial Administration Act*.
APPROPRIATE MINISTER	The Honourable Charles J. Mayer, P.C., M.P. Minister of State for Grains and Oilseeds.
YEAR AND MEANS OF INCORPORATION	1935; by *The Canadian Wheat Board Act* (R.S.C. 1985, c. C-24).
CHIEF EXECUTIVE OFFICER	W. Esmond Jarvis
AUDITOR	Deloitte Haskins & Sells

FINANCIAL SUMMARY ($ million) The financial year ends July 31.

	1986-87	1985-86	1984-85	1983-84
At the end of the period				
Total Assets	4,836	5,234	5,210	5,030
Obligations to the private sector	4,684	5,060	4,694	4,259
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	nil	nil	nil	nil
Cash from Canada in the period				
—budgetary	245	58	131	121
—non-budgetary	nil	nil	nil	nil

THE CANADIAN WHEAT BOARD

AUDITORS' REPORT

TO THE CANADIAN WHEAT BOARD

We have examined the balance sheet of The Canadian Wheat Board as at July 31, 1987, and the statements of operations for the 1986-87 pool accounts for wheat, amber durum wheat, oats, designated oats, barley and designated barley for the period August 1, 1986 to completion of operations on October 31, 1987, the statement of administative and general expenses and allocations to operations for the year ended July 31, 1987, the statement of advance payments to producers under the Prairie Grain Advance Payments Act as at July 31, 1987, and the statement of special account transactions for the year ended July 31, 1987. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Board as at July 31, 1987 and the results of operations for the periods shown, in accordance with generally accepted accounting principles consistently applied.

Deloitte, Haskins & Sells
Chartered Accountants

Winnipeg, Canada
March 14, 1988

BALANCE SHEET AS AT JULY 31, 1987
(with prior year figures for comparison)

EXHIBIT I

ASSETS	1987	1986
	$	$
Stocks of grain		
Wheat	793,856,772	983,030,499
Durum	153,585,284	69,281,906
Oats	12,640,197	10,643,612
Designated Oats	384,915	216,145
Barley	88,731,182	159,086,431
Designated Barley	21,915,448	13,809,239
	1,071,113,798	1,236,067,832
Bills of exchange plus accrued interest (Note 2)	3,466,552,320	3,552,049,345
Accounts receivable (Note 3)		
Amounts due on completed sales	39,083,941	102,178,934
Sundry	45,840,454	43,108,832
Prairie Grain Advance Payments Act	23,665,258	16,101,510
Due from the Government of Canada re deficit on Pool Account Operations		
Pool Account		
Wheat		22,994,777
Oats		6,919,810
Barley	92,543,884	171,370,689
Designated Barley	17,970,279	
The Canadian Wheat Board Building, Winnipeg, at cost less depreciation	1,831,777	1,941,914
Covered hopper cars, at cost less depreciation (Note 4)	66,759,624	69,904,057
Office furniture, equipment and automobiles, at cost less depreciation	1,010,834	1,084,679
Deferred and prepaid expenses	9,346,640	10,682,075
	4,835,718,809	5,234,404,454

LIABILITIES	1987	1986
	$	$
Liability to banks (Note 5)	3,851,899,419	3,884,278,500
Debentures payable (Note 6)	66,350,000	69,015,000
Liability to agents for grain purchased from producers (Note 7)	658,389,287	962,178,232
Liability to agents for deferred cash tickets (Note 8)	107,072,682	144,884,269
Accrued expenses and accounts payable (Note 9)	84,830,034	114,614,257
Outstanding adjustment and final payment cheques to producers		
Wheat	101,607	355,645
Durum	32,858	55,415
Oats	1,271	2,186
Designated Oats	391	391
Barley	35,300	73,752
Designated Barley	22,565	15,955
Special Account—Net balance of undistributed payment accounts (Note 10)	7,125,079	4,174,428
Provision for final payment expenses (Note 11)	2,342,578	7,439,828
Surpluses resulting from operations		
Pool Account		
Wheat	8,028,507	
Durum	44,748,991	25,466,720
Oats	4,642,071	
Designated Oats	96,169	635,944
Designated Barley		21,213,932
	4,835,718,809	5,234,404,454

W. E. JARVIS
Chief Commissioner

R. L. KRISTJANSON
Assistant Chief Commissioner

F. M. HETLAND
Commissioner

W. H. SMITH
Commissioner

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1986-87 POOL ACCOUNT—WHEAT
FOR THE PERIOD AUGUST 1, 1986, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1987
(with prior year figures for the 1985-86 Pool Account for comparison)

EXHIBIT II

	1986-87		1985-86	
	Tonnes	Amount	Tonnes	Amount
		$		$
Wheat acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	18,555,981	2,150,584,269	18,931,918	2,762,203,255
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	178,783	19,921,478	153,256	22,701,518
Purchased from prior year Pool Account—Wheat	1,861,457	244,206,898	2,643,047	485,321,721
	20,596,221	2,414,712,645	21,728,221	3,270,226,494
Wheat sold				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill				
Domestic	916,987		1,356,661	
Export	13,045,777		12,522,048	
Weight losses in transit and in drying	19,039		96,067	
	13,981,803	1,728,115,439	13,974,776	2,436,669,118
Wheat stocks—Being Wheat stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill				
Completed sales for the period subsequent to July 31				
Domestic	355,537		470,329	
Export	5,694,438		5,421,659	
Sale to the subsequent Pool Account—Wheat	564,443		1,861,457	
	6,614,418	793,856,772	7,753,445	983,030,499
	20,596,221	2,521,972,211	21,728,221	3,419,699,617
Surplus on Wheat transactions		107,259,566		149,473,123
Operating costs				
Carrying charges				
Carrying charges on Wheat stored in country elevators		49,772,667		80,147,712
Storage on Wheat stored in terminal elevators		16,582,309		27,039,928
		66,354,976		107,187,640
Interest, bank charges and net interest on other Board accounts		(6,375,164)		(2,674,500)
Demurrage		1,770,643		6,530,228
Additional freight—Wheat shipped from country stations to terminal position		8,749,488		8,087,425
—Freight rate changes		825,363		(126,518)
Handling and stop-off on Wheat warehoused at interior terminals		(99,389)		508,282
Drying charges		3,724,128		23,113,388
Interest and depreciation on Wheat Board hopper cars		7,150,182		10,681,214
Wheat Board administrative and general expenses		17,130,832		19,160,741
		99,231,059		172,467,900
Surplus (Deficit) on operations of the Board on the Pool Account—Wheat, for the period from August 1, 1986, to October 31, 1987 (1985-86 November 30, 1986)		8,028,507		(22,994,777)

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1986-87 POOL ACCOUNT—AMBER DURUM WHEAT
FOR THE PERIOD AUGUST 1, 1986, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1987
(with prior year figures for the 1985-86 Pool Account for comparison)

EXHIBIT III

	1986-87		1985-86	
	Tonnes	Amount	Tonnes	Amount
		$		$
Durum acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	2,865,836	343,855,111	1,685,977	256,984,980
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	5,895	658,074	7,299	990,521
Purchased from prior year Pool Account—Durum	189,565	22,875,459	119,646	22,440,181
	3,061,296	367,388,644	1,812,922	280,415,682
Durum sold				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill				
Domestic	111,960		131,955	
Export	1,770,302		1,158,296	
Weight losses in transit and in drying	2,102		20,075	
	1,884,364	277,152,352	1,310,326	250,864,551
Durum stocks—Being Durum stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill				
Completed sales for the period subsequent to July 31				
Domestic	41,559		26,635	
Export	514,245		286,396	
Sale to the subsequent Pool Account—Durum	621,128		189,565	
	1,176,932	153,585,284	502,596	69,281,906
	3,061,296	430,737,636	1,812,922	320,146,457
Surplus on Amber Durum Wheat transactions		63,348,992		39,730,775
Operating costs				
Carrying charges				
Carrying charges on Durum stored in country elevators		9,493,349		6,528,593
Storage on Durum stored in terminal elevators		4,496,472		2,763,732
		13,989,821		9,292,325
Interest and bank charges		(570,302)		(1,439,525)
Demurrage		839,952		888,837
Additional freight—Durum shipped from country stations to terminal position		332,687		201,681
—Freight rate changes		234,532		(1,024)
Handling and stop-off on Durum warehoused at interior terminals		(145,302)		916,763
Drying charges		168,588		1,819,147
Interest and depreciation on Wheat Board hopper cars		1,104,293		951,213
Wheat Board administrative and general expenses		2,645,732		1,634,638
		18,600,001		14,264,055
Surplus on operations of the Board on the Pool Account—Durum, for the period from August 1, 1986, to October 31, 1987 (1985-86 October 31, 1986)		44,748,991		25,466,720

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1986-87 POOL ACCOUNT—OATS
FOR THE PERIOD AUGUST 1, 1986, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1987
(with prior year figures for the 1985-86 Pool Account for comparison) EXHIBIT IV

	1986-87		1985-86	
	Tonnes	Amount	Tonnes	Amount
		$		$
Oats acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	254,144	18,936,141	198,411	19,614,453
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	397	42,958	234	23,774
Purchased from prior year Pool Account—Oats	28,990	2,199,808	4,310	440,331
	283,531	21,178,907	202,955	20,078,558
Oats sold				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	178,261	15,007,238	59,640	5,044,472
Weight losses in transit and in drying	47			
Oats stocks—Being Oats stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver				
Completed sales for period subsequent to July 31	34,938	3,774,908	114,325	8,443,804
Sale to subsequent Pool Account—Oats	70,285	8,865,289	28,990	2,199,808
	283,531	27,647,435	202,955	15,688,084
Surplus (Deficit) on Oats transactions		6,468,528		(4,390,474)
Operating costs				
Carrying charges				
Carrying charges on Oats stored in country elevators		696,193		1,056,922
Storage on Oats stored in terminal elevators		589,322		538,960
		1,285,515		1,595,882
Interest and bank charges		(59,352)		236,658
Demurrage		(6,196)		37,344
Additional freight —Oats shipped from country stations to terminal position		243,254		147,068
—Freight rate changes		17,779		17,206
Drying charges		12,903		171,454
Interest and depreciation on Wheat Board hopper cars		97,929		111,942
Wheat Board administrative and general expenses		234,625		211,782
		1,826,457		2,529,336
Surplus (Deficit) on operations of the Board on the Pool Account—Oats, for the period from August 1, 1986, to October 31, 1987 (1985-86 November 30, 1986)		4,642,071		(6,919,810)

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1986-87 POOL ACCOUNT—DESIGNATED OATS
FOR THE PERIOD AUGUST 1, 1986, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1987
(with prior year figures for the 1985-86 Pool Account for comparison) EXHIBIT V

	1986-87		1985-86	
	Tonnes	Amount	Tonnes	Amount
		$		$
Designated Oats acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	55,386	7,037,675	36,714	4,644,373
Designated Oats sold				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	52,367	6,794,003	34,968	5,052,964
Designated Oats stocks—Being Designated Oats stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver				
Completed sales for the period subsequent to July 31	3,019	384,915	1,746	216,145
	55,386	7,178,918	36,714	5,269,109
Surplus on Designated Oats transactions		141,243		624,736
Operating costs				
Interest		(27,400)		(67,518)
Interest and depreciation on Wheat Board hopper cars		21,342		20,714
Wheat Board administrative and general expenses		51,132		35,596
		45,074		(11,208)
Surplus on operations of the Board on the Pool Account—Designated Oats, for the period from August 1, 1986, to October 31, 1987 (1985-86 October 31, 1986)		96,169		635,944

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1986-87 POOL ACCOUNT—BARLEY
FOR THE PERIOD AUGUST 1, 1986, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1987
(with prior year figures for the 1985-86 Pool Account for comparison)

EXHIBIT VI

	1986-87		1985-86	
	Tonnes	Amount	Tonnes	Amount
		$		$
Barley acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	5,428,259	431,547,562	4,947,005	539,124,215
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	15,532	1,230,828	18,862	2,411,708
Purchased from prior year Pool Account—Barley			480,853	53,604,187
	5,443,791	432,778,390	5,446,720	595,140,110
Barley sold				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill	4,124,421	275,473,667	3,156,990	303,417,269
Weight losses in transit and in drying	4,750		21,463	
Barley stocks—Being Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill				
Completed sales for the period subsequent to July 31	1,314,620	88,731,182	2,268,267	159,086,431
Sales to subsequent Pool Account—Barley				
	5,443,791	364,204,849	5,446,720	462,503,700
(Deficit) on Barley transactions		(68,573,541)		(132,636,410)
Operating costs				
Carrying charges				
Carrying charges on Barley stored in country elevators		8,767,644		10,622,501
Storage on Barley stored in terminal elevators		1,725,059		3,957,268
		10,492,703		14,579,769
Interest and bank charges		3,365,236		5,593,975
Demurrage		448,507		975,328
Additional freight—Barley shipped from country stations to terminal position		986,917		2,165,184
—Freight rate changes		212,161		19,309
Handling and stop-off on Barley warehoused at interior terminals		(21,312)		1,703,300
Drying charges		1,383,103		6,109,994
Interest and depreciation on Wheat Board hopper cars		2,091,673		2,791,055
Wheat Board administrative and general expenses		5,011,355		4,796,365
		23,970,343		38,734,279
(Deficit) on operations of the Board on the Pool Account—Barley, for the period from August 1, 1986, to October 31, 1987 (1985-86 October 31, 1986)		(92,543,884)		(171,370,689)

STATEMENT OF OPERATIONS

1986-87 POOL ACCOUNT—DESIGNATED BARLEY
FOR THE PERIOD AUGUST 1, 1986, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1987
(with prior year figures for the 1985-86 Pool Account for comparison)

EXHIBIT VII

	1986-87		1985-86	
	Tonnes	Amount	Tonnes	Amount
		$		$
Designated Barley acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	1,035,883	164,254,027	645,255	101,758,993
Designated Barley sold				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	876,186	125,802,562	574,947	108,116,420
Designated Barley stocks—Being Designated Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver				
Completed sales for the period subsequent to July 31	159,697	21,915,448	70,308	13,809,239
	1,035,883	147,718,010	645,255	121,925,659
(Deficit) Surplus on Designated Barley transactions		(16,536,017)		20,166,666
Operating costs				
Interest		(39,614)		(2,036,919)
Demurrage		118,395		
Interest and depreciation on Wheat Board hopper cars		399,157		364,047
Wheat Board administrative and general expenses		956,324		625,606
		1,434,262		(1,047,266)
(Deficit) Surplus on operations of the Board on the Pool Account—Designated Barley, for the period from August 1, 1986, to October 31, 1987 (1985-86 October 31, 1986)		(17,970,279)		21,213,932

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES AND ALLOCATIONS TO OPERATIONS FOR THE YEAR ENDED JULY 31, 1987
(with prior year figures for comparison)

EXHIBIT VIII

	1986-87	1985-86
	$	$
Administrative and General Expenses		
Salaries—Board members, officers and staff	15,091,466	15,339,013
Unemployment insurance, pension, group insurance, medical and other employee benefits	2,032,540	2,022,676
Manitoba Health and Education Tax	255,791	225,074
Advisory Committee—Travelling expenses and per diem allowances	176,096	77,769
Rental and lighting of offices including maintenance of The Canadian Wheat Board Building	1,419,340	1,590,643
Telephones—Exchange service and long distance calls	423,592	347,095
Telegrams, cables and telex expense	151,400	145,468
Postage	575,798	636,982
Printing, stationery and supplies	612,703	595,479
Annual report, mini report and "Grain Matters", etc	142,946	139,041
District meetings	18,429	13,564
Office expense	626,626	566,028
Travelling and transfer of staff	739,336	893,265
Travelling expenses—Inspectors	178,144	162,716
Legal fees and court costs	37,301	47,586
Audit fees	91,000	91,000
Computing equipment—Rental and sundries	2,628,148	3,481,523
Repair and upkeep of office machines and equipment	52,562	47,889
Grain market publications and services	109,226	88,272
The Canadian Wheat Board share of operating expenses of Canadian International Grains Institute	1,100,446	997,623
Bonds and insurance	42,712	40,408
Winnipeg Commodity Exchange dues	12,120	10,370
Depreciation on building, furniture, equipment and automobiles	334,808	339,715
	26,852,530	27,899,199

		1986-87	1985-86
		$	$
Allocations to Operations			
1. Marketing of Producers' Grain			
1986-87 Pool Account—Wheat	9,053,849		
1986-87 Pool Account—Durum	1,398,301		
1986-87 Pool Account—Oats	124,002		
1986-87 Pool Account—Designated Oats	27,024		
1986-87 Pool Account—Barley	2,648,560		
1986-87 Pool Account—Designated Barley	505,429		
1985-86 Pool Account—Wheat	8,730,194		
1985-86 Pool Account—Durum	708,737		
1985-86 Pool Account—Oats	102,819		
1985-86 Pool Account—Designated Oats	15,433		
1985-86 Pool Account—Barley	2,079,580		
1985-86 Pool Account—Designated Barley	271,247		
		25,665,175	26,560,892
2. Distributing Final Payments to Producers			
(a) Wheat and Durum			
1985-86 Pool Account—Durum	90,676		
1984-85 Pool Account—Wheat	18,484		
1984-85 Pool Account—Durum	3,227		
1983-84 Pool Account—Wheat	1,643		
1983-84 Pool Account—Durum	223		
1982-83 Pool Account—Wheat	896		
1982-83 Pool Account—Durum	124		
1981-82 Pool Account—Wheat	1,044		
1981-82 Pool Account—Durum	144		
1980-81 Pool Account—Wheat	747		
1980-81 Pool Account—Durum	103		
		117,311	233,801
(b) Coarse Grains			
1985-86 Pool Account—Designated Oats	4,771		
1985-86 Pool Account—Designated Barley	26,382		
1984-85 Pool Account—Oats	819		
1984-85 Pool Account—Designated Oats	201		
1984-85 Pool Account—Barley	19,442		
1984-85 Pool Account—Designated Barley	14,386		
1983-84 Pool Account—Oats	798		
1983-84 Pool Account—Designated Oats	78		
1983-84 Pool Account—Barley	1,011		
1983-84 Pool Account—Designated Barley	178		
1982-83 Pool Account—Oats	145		
1982-83 Pool Account—Designated Oats	25		
1982-83 Pool Account—Designated Barley	103		
1981-82 Pool Account—Designated Oats	339		
1981-82 Pool Account—Barley	578		
1981-82 Pool Account—Designated Barley	103		
1980-81 Pool Account—Oats	173		
1980-81 Pool Account—Barley	434		
1980-81 Pool Account—Designated Barley	78		
		70,044	104,506
3. Allocation authorized by Order-in-Council from Special Account—Undistributed Payment Accounts in partial payment of Administrative and General Expense incurred in respect of the Prairie Grain Advance Payments Act		1,000,000	1,000,000
		26,852,530	27,899,199

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF ADVANCE PAYMENTS TO PRODUCERS
UNDER THE PRAIRIE GRAIN ADVANCE PAYMENTS ACT
AS AT JULY 31, 1987

EXHIBIT IX

	Cash Advances to Producers	Advances Repaid by Producers	Balance to be Refunded by Producers
	$	$	$
1957-58 Crop Year	35,203,467	35,200,848	2,619
1958-59 Crop Year	34,369,653	34,366,768	2,885
1959-60 Crop Year	38,492,505	38,490,061	2,444
1960-61 Crop Year	63,912,550	63,904,499	8,051
1961-62 Crop Year	16,656,713	16,651,472	5,241
1962-63 Crop Year	29,251,526	29,245,974	5,552
1963-64 Crop Year	62,136,418	62,129,679	6,739
1964-65 Crop Year	32,961,844	32,955,727	6,117
1965-66 Crop Year	40,600,386	40,596,511	3,875
1966-67 Crop Year	36,668,270	36,664,915	3,355
1967-68 Crop Year	47,280,533	47,277,578	2,955
1968-69 Crop Year	151,852,319	151,772,155	80,164
1969-70 Crop Year	272,777,516	272,476,426	301,090
1970-71 Crop Year	91,105,890	91,076,244	29,646
1971-72 Crop Year	68,142,360	68,109,097	33,263
1972-73 Crop Year	20,754,104	20,743,234	10,870
1973-74 Crop Year	35,259,387	35,219,656	39,731
1974-75 Crop Year	46,635,399	46,604,087	31,312
1975-76 Crop Year	20,236,528	20,208,199	28,329
1976-77 Crop Year	130,592,220	130,477,908	114,312
1977-78 Crop Year	119,090,916	118,927,013	163,903
1978-79 Crop Year	151,316,450	151,195,088	121,362
1979-80 Crop Year	99,146,581	99,092,368	54,213
1980-81 Crop Year	61,640,150	61,598,229	41,921
1981-82 Crop Year	333,688,190	333,218,361	469,829
1982-83 Crop Year	309,022,755	308,165,295	857,460
1983-84 Crop Year	286,736,519	285,846,300	890,219
1984-85 Crop Year	201,289,320	200,209,940	1,079,380
1985-86 Crop Year	340,670,596	338,069,668	2,600,928
1986-87 Crop Year	642,511,850	611,467,079	31,044,771
	3,820,002,915	3,781,960,379	

Balance to be refunded by Producers as at July 31, 1987		38,042,536
Add: bank interest to July 31, 1987 payable by the Government of Canada	136,344,609	
Less: amount paid to July 31, 1987	136,061,601	283,008
		38,325,544
Deduct: balance of funds received to cover advance payments in default		
Government of Canada	1,546,600	
Line Elevator Companies	78,621	
Interest received on default payments	13,035,065	14,660,286
Owing to The Canadian Wheat Board as at July 31, 1987		23,665,258

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF SPECIAL ACCOUNT TRANSACTIONS
FOR THE YEAR ENDED JULY 31, 1987

EXHIBIT X

	$	$
Balance of Special Account as at July 31, 1986		4,174,428
Transfer to Special Account authorized by Order-in-Council P.C. 1987-1121 from the following		
1979 Wheat Payment Account	3,495,187	
1979 Durum Payment Account	449,702	
1979 Barley Payment Account	741,992	
1979 Designated Barley Payment Account	366,630	5,053,511
		9,227,939

Expenditures

Authorized by Order-in-Council No.	Description of Purpose	Unexpended as at July 31, 1986	Authorized Crop Year 1986-87	Unexpended as at July 31, 1987	Expended Crop Year 1986-87	
		$	$	$	$	
P.C. 1987-1122	Canadian International Grains Institute—Capital Expenditures		150,000	123,984	26,016	
P.C. 1987-439	General Promotion and Overseas Advertising	133,086	750,000	455,787	427,299	
P.C. 1986-1874	Market Development	461,972		191,263	270,709	
P.C. 1986-1058	Prairie Grain Advance Payment Act—Administration	2,000,000		1,000,000	1,000,000	
P.C. 1985-2262	Remote Sensing Crop Monitoring Project	33,000			33,000	
P.C. 1985-1945	Customer Mission Program—50th Anniversary	220,678		169,936	50,742	
P.C. 1984-2690	Customer Mission Program	266,137		223,759	42,378	
P.C. 1983-2007	Canadian International Grains Institute—Capital Expenditures	45,048		42,097	2,951	
P.C. 1983-2003	Joint Policy Coordinating Committee of Canada and United States Wheat Producers	88,133		88,133		
P.C. 1981-3436	Scholarship and Assistantship Program	44,118	235,882	37,330	242,670	
		3,292,172	1,135,882	2,332,289		2,095,765
						7,132,174

Less: payments to producers against old payment accounts	7,095
Balance of Special Account as at July 31, 1987	7,125,079

As at July 31, 1987, there were unexpended authorizations totalling $2,332,289 leaving an unexpended balance of $4,791,984 in the Account.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS

The Financial Statements of the Canadian Wheat Board including notes thereto for the crop year under review are presented in this section of the report. These statements consist of the Balance Sheet (Exhibit I), which sets forth the financial position of the Board as at July 31, 1987, together with other statements (Exhibits II to X) showing the results of Board operations for the year.

The practice of the Board is to include in its accounts at July 31, the final operating results of pool accounts when marketing operations have been completed before the issuance of the annual report. Operations on the 1986-87 Pool Accounts for Wheat Amber Durum Wheat, Oats, Designated Oats, Barley and Designated Barley were completed on October 31, 1987. Details of the final operating results of these pool accounts with commentary thereon are presented in this section of the report.

Although the basic measurement for grain has been the "tonne" since February 1, 1978, for your information a tonne equals 36.74371 bushels of Wheat, 64.84183 bushels of Oats or 45.92963 bushels of Barley.

Pool Account — Wheat

Initial Payments

During the crop year the Board was authorized to purchase wheat from producers at a fixed initial price of $130.00 per tonne for No. 1 Canada Western Red Spring.

Supplies of Wheat

Supplies of wheat in the 1986-87 Pool were 20,596,221 tonnes, comprised of 18,555,981 tonnes delivered by producers, 178,783 tonnes acquired from other than producers and 1,861,457 tonnes purchased from the previous pool.

Grade Pattern

Deliveries of grain to the 1986-87 Pool Account were of similar quality compared with receipts in the previous pool. Deliveries of Nos. 1 and 2 Canada Western Red Spring totalled 9.528 million tonnes or 51.34 per cent of total receipts, while No. 3 Canada Western Red Spring receipts of 5.056 million tonnes amounted to 27.25 per cent of total receipts. Deliveries of Utility grades including Canada Feed amounted to 2.700 million tonnes or 14.55 per cent of total producer deliveries. Approximately 6.03 per cent of producer deliveries graded tough while .24 per cent graded damp compared to 19.32 per cent grading tough and 3.92 per cent grading damp in the previous year.

Final Statement of Operations and Surplus for Distribution to Producers—Wheat—Table A

Marketing operations on the Pool Account for Wheat resulted in an operating surplus of $8,028,507. After allowing for the cost of issuing the final payment and adding estimated interest earnings subsequent to October 31, 1987, the net surplus for distribution to producers amounted to $8,118,973. This represents an average of $0.437 on producer deliveries of 18,555,981 tonnes. Table B shows the total price realized by producers at $130.00 for No. 1 CW Red Spring compared to $160.00 for the previous pool.

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1986-87 POOL ACCOUNT—WHEAT FOR THE PERIOD AUGUST 1, 1986 TO OCTOBER 31, 1987
(with prior year figures for the 1985-86 Pool Account for comparison)

TABLE A

	1986-87 Pool Account		1985-86 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	18,555,981 tonnes		18,931,918 tonnes	
	$	$	$	$
Sales value	2,257,843,835	121.677	2,911,676,378	153.797
Initial payments to producers	2,150,584,269	115.897	2,762,203,255	145.902
Gross Surplus	107,259,566	5.780	149,473,123	7.895
Deduct Operating Costs				
Carrying charges				
Country elevators	49,772,667	2.682	80,147,712	4.233
Terminal storage	16,582,309	.894	27,039,928	1.428
Total Carrying Charges	66,354,976	3.576	107,187,640	5.661
Bank interest and net interest on other Board accounts	(6,375,164)	(.344)	(2,674,500)	(.141)
Demurrage	1,770,643	.095	6,530,228	.345
Additional freight—To terminals	8,749,488	.472	8,087,425	.427
—Freight rate change	825,363	.045	(126,518)	(.006)
Handling and stop-off	(99,389)	(.005)	508,282	.027
Drying	3,724,128	.201	23,113,388	1.221
Interest and depreciation on Wheat Board hopper cars	7,150,182	.385	10,681,214	.564
Wheat Board administrative expenses	17,130,832	.923	19,160,741	1.012
Total Operating Costs	99,231,059	5.348	172,467,900	9.110
Surplus (Deficit) on Operations	8,028,507	.432	(22,994,777)	(1.215)
Add: interest earned after October 31	132,913	.007		
Deduct: cost of issuing final payment	42,447	.002		
Surplus for Distribution to Producers	8,118,973	.437		

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

PAYMENT RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF WHEAT BASIS IN STORE THUNDER BAY OR VANCOUVER

TABLE B

Grade	Initial payments	Final payments	Total
	(dollars per tonne)		
Red Spring Wheat Grades			
No. 1 Canada Western Red Spring	130.00		130.000
No. 2 Canada Western Red Spring	124.21		124.210
No. 3 Canada Western Red Spring	110.21		110.210
No. 1 Canada Utility	104.21	2.497	106.707
No. 2 Canada Utility	92.21	1.322	93.532
No. 1 Canada Prairie Spring	95.21	11.497	106.707
No. 2 Canada Prairie Spring	91.21	13.497	104.707
Canada Feed	90.00		90.000
No. 1 Canada Western Red Winter	109.21		109.210
No. 2 Canada Western Red Winter	107.21		107.210
No. 1 Canada Western Soft White Spring	105.00	2.707	107.707
No. 2 Canada Western Soft White Spring	102.00	4.707	106.707

Operating Costs

Operating costs incurred applicable to the pool were $99,231,059 or $5.348 per tonne. Details of the principal costs and comment thereon follows:

Carrying Charges — $66,354,976

Total carrying charges incurred by the Board, including storage and interest charges on wheat in country elevators and storage on wheat in terminal elevators amounted to $66,354,976 or $3.576 per tonne.

Bank Interest and Net Interest on Other Board Accounts — ($6,375,164)

This consists mainly of bank interest and interest paid to, or received from, other Board accounts. Interest earned exceeded interest paid by $6,375,164 or $.344 per tonne.

Additional Freight — to Terminals — $8,749,488 — Freight Rate Change — $825,363

During the crop year the Board paid $8,749,488 of additional freight arising out of the movement of grain in adverse direction.

With the abolition of the Crows Nest Pass Freight rate on December 31, 1983, freight rates are reviewed annually under the Western Grain Transportation Act. On August 1, 1987 freight rates increased by a net amount of approximately $.34 per metric tonne and the Board was required to pay the additional freight on the country stocks held by its agents on August 1, 1987 amounting to $825,363 in the Wheat Account.

Drying Charges — $3,724,128

Drying charges for 1986-87 totalled $3,724,128, a very significant decrease from the previous year, reflecting the substantially lower quantities of tough and damp grain delivered to the pool under review.

Interest and Depreciation on Wheat Board Hopper Cars — $7,150,182

Costs for the use of the Board's 2,000 hopper cars include depreciation and interest. Hopper car expenses attributable to the 1986-87 Wheat Account totalled $7,150,182 compared to $10,681,214 for the previous pool.

Pool Account — Amber Durum Wheat

Initial Payments

During the crop year the Board was authorized to purchase Amber Durum Wheat from producers at a fixed initial price of $130.00 per tonne for No. 1 Canada Western Amber Durum Wheat.

Supplies of Amber Durum Wheat

Supplies of Amber Durum Wheat in the 1986-87 Pool were 3,061,296 tonnes, comprised of 2,865,836 tonnes delivered by producers, and 5,896 tonnes acquired from other than producers and 189,564 tonnes purchased from the previous pool.

Grade Pattern

Receipts of Nos. 1, 2 and 3 Canada Western Amber Durum totalled 2.179 million tonnes or 76.02 per cent of total producer deliveries. Approximately 6.53 per cent of producer deliveries graded tough while 4.07 per cent graded damp.

Final Statement of Operations and Surplus for Distribution to Producers — Amber Durum Wheat — Table C

Table C shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a surplus of $44,748,991. Operating expenses totalled $18,600,001 for the year or $6.490 per tonne. The principal cost was carrying charges amounting to $13,989,821 or $4.882 per tonne. After allowing for the cost of issuing the final payment and estimated interest earnings subsequent to October 31, 1987, the net surplus for distribution to producers was $45,448,982. This represents an overall average of $15.859 per tonne on producer deliveries of 2,865,836 tonnes. Table D shows the total payment received by producers for the principal grades of Amber Durum Wheat delivered during the crop year. This table shows the total price realized by producers for No. 1 Canada Western Amber Durum Wheat of $150.204 per tonne, compared to $181.302 per tonne for the previous pool.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1986-87 POOL ACCOUNT—AMBER DURUM WHEAT FOR THE PERIOD AUGUST 1, 1986 TO OCTOBER 31, 1987

(with prior year figures for the 1985-86 Pool Account for comparison)

TABLE C

	1986-87 Pool Account		1985-86 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	2,865,836 tonnes		1,685,977 tonnes	
	$	$	$	$
Sales value	407,204,103	142.089	296,715,755	175.990
Initial payments to producers	343,855,111	119.984	256,984,980	152.425
Gross Surplus	63,348,992	22.105	39,730,775	23.565
Deduct Operating Costs				
Carrying charges				
Country elevators	9,493,349	3.313	6,528,593	3.872
Terminal storage	4,496,472	1.569	2,763,732	1.639
Total Carrying Charges	13,989,821	4.882	9,292,325	5.511
Interest	(570,302)	(.199)	(1,439,525)	(.854)
Demurrage	839,952	.293	888,837	.527
Additional freight —To terminals	332,687	.116	201,681	.120
—Freight rate changes	234,532	.082	(1,024)	(.001)
Handling and stop-off	(145,302)	(.051)	916,763	.544
Drying	168,588	.059	1,819,147	1.079
Interest and depreciation on Wheat Board hopper cars	1,104,293	.385	951,213	.564
Wheat Board administrative expenses	2,645,732	.923	1,634,638	.970
Total Operating Costs	18,600,001	6.490	14,264,055	8.460
Surplus on Operations	44,748,991	15.615	25,466,720	15.105
Add: interest earned after October 31	740,827	.258	576,261	.342
Deduct: cost of issuing final payment	40,836	.014	34,602	.021
Surplus for Distribution to Producers	45,448,982	15.859	26,008,379	15.426

TOTAL PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF AMBER DURUM WHEAT BASIS IN STORE THUNDER BAY OR VANCOUVER

TABLE D

Grade	Initial payments	Final payments	Total
	(dollars per tonne)		
Amber Durum Wheat Grades			
No. 1 Canada Western Amber Durum	130.00	20.204	150.204
No. 2 Canada Western Amber Durum	127.00	18.204	145.204
No. 3 Canada Western Amber Durum	125.00	15.204	140.204
No. 4 Canada Western Amber Durum	100.00	8.377	108.377
No. 5 Canada Western Amber Durum	90.00		90.000

Pool Account—Oats

Commencing August 1, 1981, as authorized by Order-in-Council, oats selected and accepted from producers for use in processing and milling for human consumption, has been set up in a separate pool under the caption "Designated Oats". As a result, the transactions described here consist mainly of marketing results related to feeding grades of oats.

Initial Payments

During the crop year the Board was authorized to purchase oats from producers at a fixed initial price of $81.00 per tonne for No. 1 Feed Oats.

Grade Pattern

Deliveries of Nos. 1 and 2 Canada Western Oats comprised .44 per cent of producer deliveries with feeding grades constituting the remaining 99.56 per cent of total receipts. Board receipts of tough and damp oats made up 3.10 per cent of deliveries.

Final Statement of Operations—Oats—Table E

Table E shows the operating results of the Pool Account for the 1986-87 crop year. Marketing operations resulted in a surplus of $4,642,071. Operating expenses totalled $1,826,457 or $7.187 per tonne. The principal cost was carrying charges amounting to $1,285,515 or $5.058 per tonne. After allowing for the cost of issuing the final payment and estimated interest earnings subsequent to October 31, 1987, the net surplus for distribution to producers was $4,706,517 which represents an overall average of $18.519 per tonne on producer deliveries of 254,144 tonnes. Table F shows the total payment received by producers for the principal grades of oats delivered during the crop year.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1986-87 POOL ACCOUNT—OATS
FOR THE PERIOD AUGUST 1, 1986 TO OCTOBER 31, 1987
(with prior year figures for the 1985-86 Pool Account for comparison)

TABLE E

	1986-87 Pool Account		1985-86 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	254,144 tonnes		198,411 tonnes	
	$	$	$	$
Sales value	25,404,669	99.962	15,223,979	76.729
Initial payments to producers	18,936,141	74.510	19,614,453	98.857
Gross Surplus (Deficit)	6,468,528	25.452	(4,390,474)	(22.128)
Deduct Operating Costs				
Carrying charges				
Country elevators	696,193	2.739	1,056,922	5.327
Terminal storage	589,322	2.319	538,960	2.716
Total Carrying Charges	1,285,515	5.058	1,595,882	8.043
Interest	(59,352)	(.233)	236,658	1.193
Demurrage	(6,196)	(.024)	37,344	.188
Additional freight—To terminals	243,254	.957	147,068	.741
—Freight rate changes	17,779	.070	17,206	.087
Drying Charges	12,903	.051	171,454	.864
Interest and depreciation on Wheat Board hopper cars	97,929	.385	111,942	.564
Wheat Board administrative expenses	234,625	.923	211,782	1.068
Total Operating Costs	1,826,457	7.187	2,529,336	12.748
Surplus (Deficit) on Operations	4,642,071	18.265	(6,919,810)	(34.876)
Add: interest earned after October 31	76,850	.302		
Deduct: cost of issuing final payment	12,404	.048		
Surplus for Distribution to Producers	4,706,517	18.519		

PAYMENT RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF OATS
BASIS IN STORE THUNDER BAY OR VANCOUVER

TABLE F

Grade	Initial payments	Final payments	Total
	(dollars per tonne)		
Oats Grades			
No. 1 Canada Western	81.00	24.766	105.766
No. 2 Canada Western	79.00	24.766	103.766
Extra No. 1 Feed	77.00	20.624	97.624
No. 1 Feed	75.00	18.266	93.266
No. 2 Feed	70.92	19.346	90.266

Pool Account—Designated Oats

Beginning with the crop year commencing on August 1, 1981, oats delivered to the Board to be sold by the Board to purchasers who have selected and accepted the oats for use in processing and milling for human consumption, have been set up in a separate account. This account has been labeled "Designated Oats" and the results of operations on this account with comment thereon are contained in this section of the report.

Initial Payments

During the crop year the Board was authorized to purchase Designated Oats from producers at fixed initial prices of $130.00 and $128.00 per tonne for Nos. 1 and 2 Canada Western Oats respectively and $124.00 per tonne for No. 1 Feed Oats.

Supplies and Grade Pattern

Supplies of oats in the designated pool were 55,386 tonnes representing deliveries to the Board by producers during the crop year of oats which were selected and accepted by purchasers for use in processing and milling for human consumption. Receipts of Nos. 1 and 2 Canada Western Oats totalled 31,300 tonnes or 56.51 per cent of total deliveries. Feeding grades totalled 24,086 tonnes or 43.49 per cent of total receipts.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

Final Statement of Operations and Surplus for Distribution to Producers—Designated Oats—Table G

Table G shows the operating results of this pool account for the crop year. Marketing operations resulted in a surplus of $96,169. As to operating costs, it should be noted that the Designated Oats Pool, by its very nature does not incur the handling expenses normally related to feeding grades of oats. It is not stored by the Board, being selected by the purchaser and shipped at his request from farm to processing plant via the country elevator. As a result, the only expenses incurred attributable to such oats were costs related to hopper cars owned by the Wheat Board and administrative charges totalling $72,474 or $1.308 per tonne. These expenses were reduced by interest earnings of $27,400 or $.494 per tonne on the accumulating surplus in the pool. After providing for the cost of issuing the final payment and adding estimated interest earnings subsequent to October 31, 1987, the net surplus for distribution to producers was $96,452 or $1.742 per tonne on producer deliveries of 55,386 tonnes. Table H shows the total payment received by producers for the principal grades of Designated Oats delivered during the crop year.

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1986-87 POOL ACCOUNT—DESIGNATED OATS
FOR THE PERIOD AUGUST 1, 1986 TO OCTOBER 31, 1987
(with prior year figures for the 1985-86 Pool Account for comparison)

TABLE G

	1986-87 Pool Account		1985-86 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	55,386 tonnes		36,714 tonnes	
	$	$	$	$
Sales value	7,178,918	129.617	5,269,109	143.518
Initial prices paid to producers	7,037,675	127.067	4,644,373	126.502
Gross Surplus	141,243	2.550	624,736	17.016
Deduct Operating Costs				
Interest and bank charges	(27,400)	(.494)	(67,518)	(1.839)
Interest and depreciation on Wheat Board hopper cars	21,342	.385	20,714	.564
Wheat Board administrative expenses	51,132	.923	35,596	.970
Total Operating Costs	45,074	.814	(11,208)	(.305)
Surplus on Operations	96,169	1.736	635,944	17.321
Add: interest earned after October 31	1,592	.029	14,390	.392
Deduct: cost of issuing final payment	1,309	.023	838	.022
Surplus for Distribution to Producers	96,452	1.742	649,496	17.691

TOTAL PAYMENTS RECEIVED BY PRODUCERS
FOR PRINCIPAL GRADES OF DESIGNATED OATS
BASIS IN STORE THUNDER BAY OR
VANCOUVER

TABLE H

Grade	Initial payments	Final payments	Total
	(dollars per tonne)		
Oats Grades			
No. 1 Canada Western	130.00	2.585	132.585
No. 2 Canada Western	128.00	2.585	130.585
Extra No. 1 Feed	126.00	.638	126.638
No. 1 Feed	124.00	.638	124.638

Pool Account—Barley

Since August 1, 1975, as authorized by Order-in-Council, barley selected and accepted from producers for the use of malting, pot or pearling, has been set up in a separate pool under the caption "Designated Barley". As a result, the transactions remaining in the Barley Pool Account described here consist mainly of marketing results related to feeding grades of barley.

Initial Payments

At the beginning of the crop year the Board was authorized to purchase barley from producers at fixed initial prices of $80.00 and $77.00 per tonne for Nos. 1 and 2 Canada Western Barley respectively.

Supplies and Grade Pattern

Supplies in the regular Feed Barley pool were 5,443,791 tonnes comprised of 5,428,259 tonnes delivered by producers, 15,532 tonnes acquired from other than producers. Deliveries of Nos. 1 and 2 Canada Western Barley comprised 99.71 per cent of the producer deliveries in the pool. Board receipts of tough and damp barley made up 4.95 per cent of deliveries.

Final Statement of Operations—Barley—Table I

Table I shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a deficit of $92,543,884 which is recoverable from the Government of Canada with funds provided by Parliament. The total payment realized by producers is therefore, equal to the initial payments as shown in Table J. Operating expenses totalled $23,970,343 for the year or $4.416 per tonne. The principal cost was carrying charges amounting to $10,492,703 or $1.933 per tonne.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS ON THE 1986-87 POOL ACCOUNT—BARLEY FOR THE PERIOD AUGUST 1, 1986 TO OCTOBER 31, 1987
(with prior year figures for the 1985-86 Pool Account for comparison)

TABLE I

	1986-87 Pool Account		1985-86 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	5,428,259 tonnes		4,947,005 tonnes	
	$	$	$	$
Sales value	362,974,021	66.867	406,487,805	82.169
Initial payments to producers	431,547,562	79.500	539,124,215	108.980
Gross (Deficit)	(68,573,541)	(12.633)	(132,636,410)	(26.811)
Deduct Operating Costs				
Carrying charges				
Country elevators	8,767,644	1.615	10,622,501	2.147
Terminal storage	1,725,059	.318	3,957,268	.800
Total Carrying Charges	10,492,703	1.933	14,579,769	2.947
Interest	3,365,236	.620	5,593,975	1.131
Demurrage	448,507	.083	975,328	.197
Additional freight—To terminals	986,917	.182	2,165,184	.438
—Freight rate changes	212,161	.039	19,309	.004
Handling and stop-off	(21,312)	(.004)	1,703,300	.344
Drying	1,383,103	.255	6,109,994	1.235
Interest and depreciation on Wheat Board hopper cars	2,091,673	.385	2,791,055	.564
Wheat Board administrative expenses	5,011,355	.923	4,796,365	.970
Total Operating Costs	23,970,343	4.416	38,734,279	7.830
(Deficit) on Operations	(92,543,884)	(17.049)	(171,370,689)	(34.641)

PAYMENT RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF BARLEY BASIS IN STORE THUNDER BAY OR VANCOUVER

TABLE J

Grade	Initial payments
	(dollars per tonne)
Barley Grades	
No. 1 Canada Western	80.00
No. 2 Canada Western	77.00
No. 2 Canada Western Mixed Grain	67.43

Pool Account — Designated Barley

As stated previously, since August 1, 1975, barley that has been delivered to the Board to be sold by the Board to purchasers who have selected and accepted the barley for the use in malting, pot or pearling, has been set up in a separate pool account. This account has been labelled "Designated Barley" and the results of operations on this account with comment thereon are contained in this section of the report.

Initial Payments

At the beginning of the crop year the Board was authorized to purchase Designated Barley from producers at a fixed initial price of $155.00 per tonne for Special Select Canada Western Six-Row and $165.00 per tonne for Special Select Canada Western Two-Row.

Supplies and Grade Pattern

Supplies of barley in the designated pool were 1,035,883 tonnes representing deliveries to the Board by producers during the crop year of barley which has been selected and accepted by purchasers for the use in malting, pot or pearling. Of these receipts 483,383 tonnes or 46.67 per cent were Special Select grades and 552,500 tonnes or 53.33 per cent were Select grades. Receipts of tough and damp grades totalled 23,444 tonnes or 2.26 per cent of total.

Final Statement of Operations—Designated Barley—Table K

Table K shows the operating results of this pool account for the crop year. Marketing operations resulted in a deficit of $17,970,279 which is recoverable from the Government of Canada with funds provided by Parliament. The total payment realized by producers, therefore, is equal to the initial payments as shown in Table L. As to operating costs, it should be noted that the Designated Barley by its very nature does not incur the handling expenses normally related to feeding grades of barley or other grains. It is not stored by the Board, being selected by the processor (buyer) from a producer's sample and is shipped on buyer's call directly from farm to processing plant via the country elevator. As a result the only expenses incurred attributable to such barley were costs related to hopper cars owned by the Wheat Board, administrative charges and demurrage totalling $1,473,876 or $1.422 per tonne. These expenses were reduced by interest earnings of $39,614 or $.037 per tonne.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS ON THE 1986-87 POOL ACCOUNT—DESIGNATED BARLEY FOR THE PERIOD AUGUST 1, 1986 TO OCTOBER 31, 1987
(with prior year figures for the 1985-86 Pool Account for comparison)

TABLE K

	1986-87 Pool Account		1985-86 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	1,035,883 tonnes		645,255 tonnes	
	$	$	$	$
Sales value	147,718,010	142.601	121,925,659	188.957
Initial payments to producers	164,254,027	158.564	101,758,993	157.703
Gross (Deficit) Surplus	(16,536,017)	(15.963)	20,166,666	31.254
Deduct Operating Costs				
Interest	(39,614)	(.037)	(2,036,919)	(3.157)
Demurrage	118,395	.114		
Interest and depreciation on Wheat Board hopper cars	399,157	.385	364,047	.564
Wheat Board administrative expenses	956,324	.923	625,606	.970
Total Operating Costs	1,434,262	1.385	(1,047,266)	(1.623)
(Deficit) Surplus on Operations	(17,970,279)	(17.348)	21,213,932	32.877
Add: interest earned after October 31			480,029	.744
Deduct: cost of issuing final payment			10,125	.016
Surplus for Distribution to Producers			21,683,836	33.605

TOTAL PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF DESIGNATED BARLEY BASIS IN STORE THUNDER BAY OR VANCOUVER

TABLE L

Grade	Initial payments (dollars per tonne)
Designated Barley Grades	
Special Select Canada Western 2 Row	165.00
Special Select Canada Western 6 Row	155.00
Select Canada Western 2 Row	160.00
Select Canada Western 6 Row	150.00

NOTES TO FINANCIAL STATEMENTS

The following are an integral part of the financial statements.

1. Accounting policies

(a) Operating results and valuation of stocks of grain

The annual accounts at July 31 include the final operating results of all pool accounts for the crop year ended July 31, when marketing operations have been completed before the issuance of the annual report for that year. In determining the financial results for such pools the accounts of the Board at July 31 include:

(i) the stocks of such grains on hand at that date at the values which were ultimately received from the sale thereof basis in store Thunder Bay, Vancouver or Churchill; and

(ii) provision for all expenses incurred or to be incurred before the sales proceeds are realized in cash or in bills of exchange, including a charge for the portion of administrative and general expenses to be incurred subsequent to July 31 but relating to the marketing and accounting for the grains in the various pools before they are closed.

For pool accounts for which marketing operations have not been completed before the issuance of the annual report, the unsold stocks at July 31 are valued at cost, which is the initial price paid to producers, and no provision is made for carrying costs, interest, and administrative expenses beyond that date. Any debit or credit balance in these accounts is carried on the balance sheet.

(b) Foreign currency translations

Bills of exchange receivable in United States funds which are covered by forward exchange contracts are translated at the contract rates. In all other cases, bills of exchange receivable and bank loans payable in United States funds are translated at the rate of exchange in effect as at the balance sheet date, as is also the liability for debentures repayable in United States funds.

Foreign exchange adjustments arising from conversion of bills of exchange and bank loans are included in operating results. Adjustments arising from conversion of debenture debt are amortized over the term of the debentures.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

NOTES TO FINANCIAL STATEMENTS—*Continued*

(c) Depreciation

The rates of depreciation being applied are intended to fully depreciate assets over their expected lives and are as follows:

Hopper cars	30 years
Office building	40 years
Office furniture and equipment	10 years
Automotive equipment (to ⅓ residual value)	2 years

(d) Administration and general expenses

Administration and general expenses, except for that portion of such expenses attributable to distributing final payments to producers, are allocated to the various pool account operations to which the services relate on the basis of the relative tonnage. Expenses attributable to final payments are allocated on the basis of the number of producers receiving payments from the various pool accounts.

2. Bills of exchange plus accrued interest

Of the total bills of exchange receivable, $1,327,184,835 (1986—$1,348,265,483) represents the Canadian equivalent of $1,000,139,288 (1986—$976,791,627) repayable in United States funds.

The balances receivable arise from sales of grain to Algeria, Brazil, Colombia, Egypt, German Democratic Republic, Haiti, Iraq, Israel, Jamaica, Mexico, Peru, Poland and Zambia. The terms call for payment in full within 36 months or less from time of shipment, except for Brazil, Egypt, Haiti, Jamaica, Mexico, Peru, Poland and Zambia where the Board, together with the Canadian Government, have agreed to reschedule certain receivables beyond their original maturity dates. Terms of such reschedulings call for payment of interest and the rescheduled debt within ten years. As at July 31, 1987 total reschedulings amounted to $2,236,743,689 including $903,435,198 which is the Canadian equivalent of $680,810,247 receivable in United States funds.

As at July 31, 1987 amounts due and not paid by Poland total $401,171,293 which includes the Canadian equivalent of $137,024,573 receivable in United States funds. During the crop year the Board together with the Government of Canada concluded a bilateral rescheduling agreement with the Government of the Polish People's Republic, rescheduling all amounts due and not paid for the period January 1, 1985 to December 31, 1985, amounting to $175,362,048 which includes the Canadian equivalent of $121,752,728 receivable in United States funds. Further, in accordance with a multilateral arrangement reached between Poland and official creditors, Poland is presently in the process of negotiating a further rescheduling of amounts due and unpaid to December 31, 1987 and post maturity not paid thereon, on all prior rescheduling agreements. Under this arrangement the amounts due to mature in the year ending December 31, 1988 are also to be rescheduled. At year end the amounts which will be subject to this rescheduling total $385,927,476 which includes the Canadian equivalent of $134,128,527 receivable in United States funds.

During the crop year, ending July 31, 1986 the Government of Canada and other creditor nations agreed to a further deferral of certain Zambian obligations that had earlier been rescheduled. The bilateral agreement to reschedule payments due and not paid as at December 31, 1985 and due and not paid for the period January 1, 1986, to December 31, 1986 has yet to be negotiated. The accounts of the Board at July 31, 1987, include $15,058,519 which may be subject to this rescheduling.

During the crop year the Board together with the Government of Canada concluded a bilateral rescheduling agreement with Brazil rescheduling all obligations due and not paid for the period January 1, 1985 to December 31, 1986 amounting to $202,831,955.

During the crop year the Government of Canada and other creditor nations agreed with Egypt to reschedule over a ten-year period certain obligations due and not paid as at December 31, 1986 and due and not paid for the period January 1, 1987 to June 30, 1988. The accounts of the Board at July 31, 1987 include $82,130,828 which will be subject to this rescheduling.

During the crop year the Government of Canada and other creditor nations agreed to reschedule over a nine-year period certain obligations owing by Mexico. The accounts of the Board at July 31, 1987, include $6,761,195 which is the Canadian equivalent of $5,095,098 receivable in United States funds which was subject to this rescheduling agreement. This rescheduling was concluded subsequent to the year end.

Credit sales are made within limits established by the Government of Canada which guarantees the Board's borrowings incurred to finance such sales, both as to principal and interest. Because of these Guarantees the Board does not consider itself to be at risk should any of the unpaid amounts prove to be uncollectable; therefore, no provision is made in its accounts with respect to the possibility of debtors defaulting on their obligations.

3. Accounts receivable

Settlement on amounts due on completed sales as at July 31 were received shortly after that date. Sundry accounts receivable consists mainly of freight costs which are recovered on completed sales.

4. Covered hopper cars

The Board purchased 2,000 covered hopper cars in 1979-80 having an original cost of $90,555,623. Of these 2,000 cars, 34 cars have been wrecked and dismantled leaving 1,966 still in the fleet having an original cost of $89,016,177 with accumulated depreciation of $22,256,553 to July 31, 1987. The Board is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

5. Liability to banks

Details of liability to banks are as follows:

	July 31	
	1987	1986
	$	$
Ordinary operations	386,636,692	367,538,849
Loans to finance credit sales	3,465,262,727	3,516,739,651
	3,851,899,419	3,884,278,500

Of the total liability $1,325,582,645 (1986—$1,344,002,480) represents the Canadian equivalent of $998,931,910 (1986—$973,703,166) repayable in United States funds.

The Board's borrowings are guaranteed by the Government of Canada.

THE CANADIAN WHEAT BOARD—*Concluded*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Concluded*
NOTES TO FINANCIAL STATEMENTS—*Concluded*

6. Debentures payable

The debentures with a face value of U.S. $50,000,000 were issued on December 1, 1982, at a price of $99.50 per $100, and bear interest at 11¼ per cent per annum payable each December 1. No principal repayments are required until maturity on December 1, 1990. Subsequent to the year end, the Board arranged to redeem all the debentures as at April 15, 1988. A premium of one per cent of principal is payable on redemption.

The debentures are secured by a charge against grain held by the Board.

7. Liability to agents for grain purchased from producers

Grain companies acting in the capacity of agents of the Board accept deliveries from producers at country elevators and pay the producers on behalf of the Board based on the Board's initial price in effect. Settlement is not made by the Board for these purchases until delivery to the Board is completed by its Agents at terminal or mill position. Liability to agents amounting to $658,389,287 (1986—$962,178,232) represents the amount payable by the Board to its agents for 5,895,917 (1986—6,961,181) tonnes of wheat, amber durum wheat, oats and barley on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the Board is to be completed subsequent to year end date.

8. Liability to agents for deferred cash tickets

Grain companies as agents of the Board deposit with the Board in trust the proceeds of deferred cash tickets issued for Board grain. These monies are returned to the grain companies to cover producer deferred cash tickets maturing predominately during the first days of the following calendar year.

9. Accrued expenses and accounts payable

This item principally comprises accrued carrying charges, storage, interest and transportation charges to July 31, 1987 together with all other unpaid sundry accounts as at the foregoing date. It also includes provisions for all charges relating to the marketing of Pool Accounts for wheat, amber durum wheat, oats, designated oats, barley and designated barley for the period from August 1, 1987 to completion of operations on October 31, 1987.

10. Special account — Net balance of undistributed payment accounts

In accordance with the provision of Section 30 of the Canadian Wheat Board Act the Governor in Council may authorize the Board to transfer to a Special Account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the Section further provides that these funds shall be used for purposes as the Governor in Council upon the recommendations of the Board may deem to be for the benefit of producers.

11. Provision for final payment expenses

This represents the balance of the Board's reserve for final payment expenses of pool accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools are transferred to the Special Account by Order-in-Council.

12. Lease commitments

The Board, as an agent of Her Majesty in Right of Canada, is the lessor of 2,000 covered hopper cars for the Government of Canada. All lease costs are recoverable from the Government and are not a charge to the operations of the Board. Total payments associated with leases in the year ended July 31, 1987 amounting to $16,970,573 (1986—$16,809,962) have been recovered by the Board. Lease terms are for 20 and 25 years.

SUMMARY PAGE

CANAGREX

MANDATE

To promote, facilitate and, when specifically requested, to engage in the export of agricultural and food products from Canada.

BACKGROUND

Incorporated in 1983, the corporation began operations in 1984. The government decided to dissolve the corporation and transfer its operations to other government departments and agencies. Legislation (S.C. 1987, C. 38) to authorize dissolution of Canagrex was given Royal Assent on October 8, 1987 and the corporation was then dissolved.

CORPORATION DATA

YEAR AND MEANS OF INCORPORATION	The *Canagrex Act* (S.C. 1980-81-82-83, C.152).
STATUS	Dissolved

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987; April 1 to October 8	**1986-87**	**1985-86**	**1984-85**
At the end of the period				
Total Assets	nil	0.2	0.3	2.3
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	nil	0.2	0.2	1.8
Cash from Canada in the period				
— budgetary	(0.2)	nil	nil	5.4
— non-budgetary	nil	nil	nil	nil

CANAGREX

AUDITOR'S REPORT

TO THE MINISTER OF AGRICULTURE

I have examined the statement of financial position and distribution of assets of Canagrex as at October 8, 1987 and for the period then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this financial statement presents fairly the financial position of Canagrex as at October 8, 1987 and the results of its operations for the period then ended in accordance with generally accepted accounting principles.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statement have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Canagrex Act, the Canagrex Dissolution Act and the by-laws of the Corporation.

D. Larry Meyers, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
April 7, 1988

STATEMENT OF FINANCIAL POSITION AND DISTRIBUTION OF ASSETS AS AT AND FOR THE PERIOD ENDED OCTOBER 8, 1987

	$
Assets as at April 1, 1987—Cash	168,218
Interest earned, net of administrative expenses of $1,657	4,134
Assets as at October 8, 1987—Cash	172,352
Distribution: payment to Consolidated Revenue Fund (Note 2)	172,352

Approved:

JAMES STONEHOUSE

NOTES TO THE FINANCIAL STATEMENT

1. The Corporation

The Corporation was established in June 1983 by the Canagrex Act and commenced operations in January 1984. It was a Crown corporation named in Part I of Schedule C to the Financial Administration Act.

Bill C-2, "An Act to dissolve Canagrex and to amend certain Acts in consequence thereof" (Canagrex Dissolution Act) received royal assent on October 8, 1987, and provided for the orderly dissolution of the Corporation. Immediately prior to this date, the Corporation had no employees or outstanding obligations.

Subsection 5(1) of the Canagrex Dissolution Act provides that any "... action, suit or other legal proceeding in respect of an obligation or liability incurred by the Corporation, or by the Minister in closing out the affairs of the Corporation, may be brought against Her Majesty...". No such claims or obligations have been identified.

2. Distribution

The Corporation's bank accounts were closed on January 28, 1988. Interest of $2,712 earned subsequent to dissolution together with the assets of $172,352 at October 8, 1987 were paid to the Consolidated Revenue Fund on January 28, 1988.

SUMMARY PAGE

CAPE BRETON DEVELOPMENT CORPORATION

MANDATE

To operate, reorganize and rationalize coal production from the Sydney coal field. Until the coming into force of the *Government Organization Act, Atlantic Canada, 1987,* to broaden the economic base and develop new job opportunities on Cape Breton Island.

BACKGROUND

Two divisions of the corporation were established in 1967 by the *Cape Breton Development Corporation Act*:

— Established to close down the Cape Breton coal mining industry with minimum dislocation, the Coal Division is still the major employer in the Sydney/Glace Bay area. A resurgence in coal demand locally for power generation has led to an expanded and modernized industry employing approximately 3,400 people. In addition to the Prince and Lingan mines, the corporation operates a coal preparation plant, a complete rail transportation system and a shipping pier. A new Phalen colliery was completed in 1987. When the 1987 legislation is proclaimed, this division will be the sole operating entity of this corporation.

— The Industrial Development Division was created to develop alternative employment opportunities and broaden the base of the local economy. By the new legislation, this division and its development activities will be subsumed in the new entity, Enterprise Cape Breton Corporation.

CORPORATION DATA

HEAD OFFICE	P.O. Box 2500 Sydney, Nova Scotia B1P 6T7
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Robert R. de Cotret, P.C., M.P.
DEPARTMENT	Regional Industrial Expansion and Science and Technology
YEAR AND MEANS OF INCORPORATION	1967; by the *Cape Breton Development Corporation Act*, (R.S.C. 1985, c. C-25).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Teresa MacNeil
AUDITOR	Touche, Ross & Co.

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	626	581	454	397
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	22	7	3	13
Equity of Canada	548	511	401	335
Cash from Canada in the period				
— budgetary	101	164	120	108
— non-budgetary	15	4	(10)	2

CAPE BRETON DEVELOPMENT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE
THE MINISTER OF REGIONAL INDUSTRIAL EXPANSION

We have examined the balance sheet and the statement of equity of the Coal Division and of the Industrial Development Division of the Cape Breton Development Corporation as at March 31, 1988, and the related income and operating statements and the statements of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The financial statements of the Industrial Development Division and of its subsidiaries have been presented on a consolidated basis. As required by the provisions of the Cape Breton Development Corporation Act, the financial statements of the Coal Division and of the Industrial Development Division are being presented separately.

In our opinion, these financial statements present fairly the financial position of the Coal Division and of the Industrial Development Division of the Cape Breton Development Corporation as at March 31, 1988, and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and its regulations, and the Cape Breton Development Corporation Act and the by-laws of the Corporation.

Touche Ross & Co.
Chartered Accountants

Sydney, Canada
May 25, 1988

COAL DIVISION

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

ASSETS	1988	1987	LIABILITIES	1988	1987
Current			Current		
Cash	1,232	15,738	Accounts payable—Trade	19,934	29,139
Accounts receivable (Note 2)	36,774	16,662	Accrued wages and vacation pay	12,496	13,006
Inventories, at the lower of cost and net realizable value			Accrued charges	14,492	14,006
			Employees' deductions	6,116	5,240
Coal	34,089	17,921	Advances—Government of Canada	21,919	7,022
Operating materials and supplies	20,829	17,000		74,957	68,413
Prepaid expenses	65	76			
	92,989	67,397	EQUITY		
Fixed (Note 3)	500,143	486,054	Equity of Canada	518,175	485,038
	593,132	553,451		593,132	553,451

Commitments (Note 4)
Contingencies (Note 5)

On Behalf of the Board:

TERESA MacNEIL
Director

JOHN F. BURKE
Director

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

COAL DIVISION

STATEMENT OF EQUITY AS AT MARCH 31
(in thousands of dollars)

	1988	1987
Balance at beginning of year	485,038	378,617
Add: payments by Canada in respect of mining losses—Vote 35 (Note 1(a))	1,672	17,685
payments by Canada in respect of capital expenditures—Votes 40 and 40b (Note 1(a))	89,163	135,597
	575,873	531,899
Deduct: mining losses	1,672	17,685
depreciation of fixed assets	56,026	29,176
	57,698	46,861
Balance at end of year	518,175	485,038

COAL DIVISION

STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1988	1987
Revenue		
Coal sales	206,386	184,572
Less: external selling expense	5,106	3,839
	201,280	180,733
Outside railway revenue	3,558	3,075
Operating revenue	204,838	183,808
Operating expenses		
Wages and salaries	90,820	77,268
Holidays and vacations	9,742	8,942
Workers' Compensation	9,902	8,528
Surcharges	11,432	7,267
Materials and supplies	25,307	19,913
Repair materials	11,427	9,517
Electric power	6,661	5,303
Grants in lieu of taxes	2,797	2,777
Royalties	796	605
Hired heavy equipment	6,823	5,993
Other expenses	5,804	6,229
Purchased and capital coal	20,617	23,499
Depreciation	56,026	29,176
(Increase) decrease in coal inventory	(16,168)	4,897
Total operating expenses	241,986	209,914
Excess operating expenses over operating revenue	37,148	26,106
Pensions	16,696	15,279
Pre-retirement leave	3,120	3,467
Early retirement incentive	1,309	
Workers' Compensation (Note 1(d))		2,800
Interest and other income	(575)	(791)
	57,698	46,861
Deduct: depreciation not deductible in determining mining losses (Note 1(c))	56,026	29,176
Net mining losses for the year	1,672	17,685

COAL DIVISION

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1988	1987
Cash from (for) operating activities		
Net mining losses	(1,672)	(17,685)
(Increase) decrease in non-cash operating working capital*	(48,451)	20,093
	(50,123)	2,408
Cash from financing activities		
Payments by Canada		
In respect of mining losses	1,672	17,685
In respect of capital expenditures	89,163	135,597
Increase (decrease) in repayable working capital advances	14,897	4,379
	105,732	157,661
Cash from (for) investing activities		
Purchase of fixed assets	(70,141)	(155,002)
Proceeds from sale of fixed assets	26	356
	(70,115)	(154,646)
Increase (decrease) in cash	(14,506)	5,423
Cash at beginning of year	15,738	10,315
Cash at end of year	1,232	15,738
(Increase) decrease in non-cash operating working capital*		
Accounts receivable	(20,112)	7,211
Coal inventory	(16,168)	4,898
Material inventory	(3,829)	(4,054)
Prepaid expenses	11	(32)
Accounts payable—Trade	(9,205)	8,720
Accrued wages and vacation pay	(510)	403
Accrued charges	486	1,275
Employees' deductions	876	1,672
	(48,451)	20,093

COAL DIVISION

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 1988

1. Significant accounting policies

(a) Financing

The Corporation is financed by way of votes of the Parliament of Canada. These votes are for the purpose of funding mining losses and to finance capital projects.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Fixed assets

Fixed assets are stated at cost. The Corporation has provided depreciation on its fixed assets based on their estimated useful lives. The Treasury Board of Canada has indicated that depreciation should not be provided in determining mining losses for Parliamentary appropriation. Accordingly, the depreciation provision has been eliminated in arriving at this amount.

(d) Workers' Compensation

Cape Breton Development Corporation is in a single pool with respect to the Nova Scotia Workers' plan. Prior to the fire at, and closure of, No. 26 Colliery, the expense for

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

COAL DIVISION

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

Workers' Compensation was allocated to the overhead of each operating unit on a formula basis. The Corporation continued this accounting treatment with the exception of the fixed portion of the expense that would have been absorbed by No. 26 Colliery. This item is shown separately on the Statement of Income as a non-operational expense. As this colliery has been replaced, the Corporation has reverted to its original policy.

2. Accounts receivable

	1988	1987
	(in thousands of dollars)	
Trade	36,726	16,657
Employees	148	105
	36,874	16,762
Less: allowance for doubtful accounts	100	100
	36,774	16,662

3. Fixed assets

	1988	1987
	(in thousands of dollars)	
Lingan Colliery	167,252	153,455
Prince Colliery	105,769	100,782
Donkin-Morien Colliery	80,679	80,920
Phalen Colliery	185,928	147,998
Coal Preparation Plant	90,451	84,247
Devco Railway	76,750	74,007
Carbogel	5,195	4,082
Other fixed assets	41,044	37,462
	753,068	682,953
Accumulated depreciation (Note 1(c))	252,925	196,899
	500,143	486,054

Included in fixed assets above is $80,678,573 of cumulative costs to March 31, 1988 on the Donkin-Morien Colliery development project. The Corporation has evaluated the viability of the overall project, taking into consideration the economic, commercial and strategic considerations with regards to the substantial costs involved in completion of the underground development of the colliery to realize commercial production. It has decided to maintain the completed access tunnels to ensure the future benefit of the funds expended. Depreciation is being provided for on this colliery based on its estimated useful life.

4. Commitments

(a) Commitments on capital projects include the following:

Approximately $2,050,000 for underground mining equipment
Approximately $225,000 for other facilities

(b) The Corporation leases the General Mining Building which houses the offices of the Coal Division. The lease is for a 20-year period, commencing June, 1984, with lease payments of approximately $1,300,000 per annum, at a current interest rate of 11%. The annual lease payments fluctuate with changes in the lessor's mortgage interest rates.

5. Contingent liabilities and claims

(a) Legal matters

(i) On February 13, 1981, an explosion occurred on board a vessel carrying a shipment of coal supplied by the Corporation. In the 1987 fiscal year an action was commenced by the claimant against the Corporation.

(ii) A supplier has commenced an action for an alleged breach of contract relating to the supply of coal. The Corporation has filed a counter claim on this matter.

(iii) A former employee has asserted a claim for alleged wrongful dismissal, and damages for a personal injury from an industrial accident sustained while in the employ of the Corporation.

(iv) A contractor has commenced an action for an alleged breach of contract relating to coal handling.

The total amount of these claims is approximately $11 million and the Corporation intends to oppose these claims in their entirety. Accordingly, no provision for any possible claim is included in the financial statements.

(b) Insurance

The Corporation self insures against the potential loss of underground assets and for a portion of its liability insurance.

6. Long-term sales agreement

The Corporation has signed an agreement with the Nova Scotia Power Corporation which calls for the delivery of a substantial portion of the Corporation's coal production to the Power Corporation. The agreement expires in the year 2010.

7. Pensions

For the March 31, 1988 fiscal year, the Corporation has adopted the new accounting rules relating to the calculation of pension expense. For accounting purposes, the pension expense in each year is comprised of a current and a past service cost. The past service cost, which represents an allocation of the unfunded obligation, is being amortized at the rate it is being funded. The Corporation is of the opinion that this is the most appropriate method since it provides for a systematic manner of amortization which conforms to the Corporation's overall funding by the Government of Canada.

An actuarial valuation of the Corporation's Non-Contributory Pension Plan as at December 31, 1985, extrapolated to March 31, 1988, indicated an unfunded actuarial liability of $73,410,000 (assets of $92,090,000 and liabilities of $165,500,000). The minimum annual amount required for past and current service, including pension payments, will be approximately $11,100,000 in each year from 1988 to 1992, $6,200,000 in 1992 and $5,500,000 from 1994 to 1997. The Corporation has expensed pension payments of approximately $16,700,000 for the year.

An actuarial valuation of the Corporation's Contributory Pension Plan as at December 31, 1984, extrapolated to March 31, 1988, indicated a fund surplus of $5,911,000 (assets of $18,893,000 and liabilities of $12,982,000). Required Corporation payments in respect of current service costs are funded each year and amounted to approximately $750,000 for the year ended March 31, 1988.

8. Income taxes

The Corporation will be applying for refundable investment tax credits in respect of qualified expenditures incurred and qualifying assets purchased after April 19, 1983. The Corporation estimates the refund to be approximately $14,500,000. This amount has not been reflected in these financial statements and will be recorded as a reduction to the related expenditures or assets when received.

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

INDUSTRIAL DEVELOPMENT DIVISION

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

ASSETS	1988	1987	LIABILITIES	1988	1987
Current			Current		
Cash	106	1,414	Accounts payable	1,970	1,466
Accounts and interest receivable	687	924	EQUITY		
Receivable from Province of Nova Scotia		33	Equity of Canada	30,263	25,999
Receivable from Government of Canada	2,200				
Inventories (Note 2(d))	242	232			
Prepaid expenses	36	36			
	3,271	2,639			
Loans and investments					
Loans	9,243	7,893			
Investments	320	322			
	9,563	8,215			
Fixed (Notes 2(b) and 3)	19,398	16,610			
Other					
Deferred charges	1	1			
	32,233	27,465		32,233	27,465

Guarantees (Note 4)
Commitments and Contingency (Note 5)

On Behalf of the Board:

TERESA MacNEIL
Director

JOHN F. BURKE
Director

INDUSTRIAL DEVELOPMENT DIVISION

CONSOLIDATED STATEMENT OF EQUITY
AS AT MARCH 31
(in thousands of dollars)

	1988	1987
Equity at beginning of year	25,999	22,639
Payments during year from Government of Canada—Vote 45 (Note 1)	10,600	10,600
	36,599	33,239
Deduct: net operating expenses	6,336	7,240
Equity at end of year	30,263	25,999

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

INDUSTRIAL DEVELOPMENT DIVISION

CONSOLIDATED OPERATING STATEMENT FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1988	1987
Development and operating expenses		
Industrial operations and assistance	892	1,530
Tourist operations and promotions	1,391	1,163
New business development assistance	3,367	2,498
Marine farming operations	4	38
Real estate operating costs	737	923
Community planning and projects	226	176
Primary production operations	451	482
Scholarships and apprentice programs	28	28
Loss (Gain) on disposal of fixed assets	(15)	198
	7,081	7,036
Administration expenses		
Salaries	926	737
Office and miscellaneous expenses	541	559
Professional fees	102	68
Travelling expenses	112	35
	1,681	1,399
Depreciation and amortization	1,604	1,355
Provision for unrecoverable loans and receivables	(114)	1,365
	1,490	2,720
Total operating expenses for the year	10,252	11,155
Revenue		
Tourist operations	1,037	1,271
Real estate rentals	1,323	1,104
Industrial operations	586	564
Interest	938	889
Primary production operations	32	87
	3,916	3,915
Net operating expenses	6,336	7,240

INDUSTRIAL DEVELOPMENT DIVISION

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1988	1987
Cash from financing activities		
Payments by Canada—Vote 45	10,600	10,600
Cash for operating activities		
Net operating expenses	(6,336)	(7,240)
Charges (credits) not affecting cash		
Depreciation and amortization	1,604	1,355
Loans forgiven	129	165
Loss (gain) on sale of fixed assets	(15)	198
Provision for (recovery of) doubtful accounts	(91)	1,365
	(4,709)	(4,157)
(Increase) decrease in non-cash operating working capital*	(1,435)	4,249
	(6,144)	92
Cash for investing activities		
Loan repayments	3,477	763
Loan drawdowns	(4,866)	(7,121)
Purchase of fixed assets	(5,277)	(4,868)
Proceeds from sale of fixed assets	900	427
Purchase of investments	2	45
	(5,764)	(10,754)
Decrease in cash	(1,308)	(62)
Cash at beginning of year	1,414	1,476
Cash at end of year	106	1,414
(Increase) decrease in non-cash operating working capital*		
Accounts receivable	(1,930)	3,476
Inventories	(10)	(24)
Prepaid expenses	1	(16)
Accounts payable	504	813
	(1,435)	4,249

INDUSTRIAL DEVELOPMENT DIVISION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 1988

1. General policy

The mission of the Industrial Development Division, as stated in the approved five year plan (1985-86 — 1989-90), is to support the establishment and maintenance of viable enterprises on Cape Breton Island, thereby improving the economic base and employment opportunities on the Island. In accomplishing these objectives, the Corporation makes loans and investments, the amounts of which may be in excess of those which would be available through normal commercial sources. The Corporation also makes non-repayable contributions to assist enterprises which are considered likely to make a substantial improvement to the development of Cape Breton Island.

The Industrial Development Division is financed by way of Vote of the Parliament of Canada. Parliament voted $10,600,000 for this purpose during the fiscal year ended March 31, 1988.

CAPE BRETON DEVELOPMENT CORPORATION—*Concluded*

INDUSTRIAL DEVELOPMENT DIVISION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

2. Significant accounting policies

(a) Basis of consolidation

(i) The financial statements of the Industrial Development Division include the results of the Division and all its subsidiaries as explained below:

	Corporation Interest	Company Year end
Darr (Cape Breton) Limited (Real Estate)	100%	Dec. 31
Cape Breton Marine Farming Limited (Inactive)	100%	March 31
Whale Cove Summer Village Limited (Tourist Accommodations)	62.5%	March 31
Dundee Estates Limited (Tourist Accommodations)	100%	March 31

(ii) As the financial statements of Whale Cove Summer Village Limited report a deficit equity position as at March 31, 1988, and the minority interest in losses to date have been absorbed against the total of the minority invested capital, the losses of this company are included in the consolidated net operating expenses. As a consequence, no minority interest for this subsidiary is shown in the consolidated balance sheet.

(b) Fixed assets

Fixed assets are recorded at cost. The cost and related depreciation of items retired or disposed of are removed from the books and any gains or losses are included in the consolidated operating statement. Depreciation is provided on the straight-line method using rates based on the estimated useful lives of the assets generally as follows:

Buildings	Up to 25 years
Equipment	4 to 10 years
Vehicles	3 to 4 years

(c) Accounting policy—Certain subsidiaries

The statements of Dundee Estates Limited include notes indicating that their statements have been prepared on the assumption that the company can continue to operate as a going concern, which assumption depends on the continued financial support of Cape Breton Development Corporation.

(d) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost determined on a first in, first out basis.

(e) Comparative figures

Interest income and the provision for unrecoverable loans and receivables have both been increased by $126,000 to conform to the presentation adopted for the current year.

3. Fixed assets

	1988	1987
	(in thousands of dollars)	
Rental facilities	10,937	9,870
Tourist facilities	6,757	6,734
Primary industry facilities	1,757	1,735
Secondary industry facilities	10,490	7,673
	29,941	26,012
Less: accumulated depreciation	10,543	9,402
	19,398	16,610

The four categories of fixed assets shown above each include land, buildings and equipment.

4. Guarantees

During the 1976 year, the Corporation guaranteed the repayment by Sydney Steel Corporation of that corporation's $70,000,000—11¼% Series D Debentures and the repayment of interest thereon. These funds were borrowed by Sydney Steel Corporation for the purpose of financing its plant rehabilitation program. The balance of the outstanding debentures has since been reduced to $34,160,000.

The Corporation in 1971 guaranteed the repayment of bank advances to Stora Kopparbergs Bergslags Aktiebolag. This guarantee originally amounted to $30,000,000. The balance of advances has since been reduced to $6,140,000.

The Corporation made the guarantees for and on behalf of Her Majesty the Queen in right of Canada; therefore, any amounts required to be paid shall be paid out of the Consolidated Revenue Fund of Canada and not out of funds of Cape Breton Development Corporation.

5. Commitments and contingencies

(a) As at March 31, 1988, the Industrial Development Division of the Corporation was committed to expenditures and loans over and above the amounts included in the financial statements at that time, totalling $5,800,000.

(b) The Corporation entered an agreement to lease premises in Commerce Tower, effective May 1, 1987, to provide office space for the Industrial Development Division and Enterprise Cape Breton. The lease is for a five year period with lease payments of approximately $254,000 per annum.

(c) As at March 31, 1988 two legal claims have been commenced against the Corporation. One relates to the damage of materials stored on Sydport property and the other arises from the sale of agricultural products. The amount of these claims is in excess of $300,000 and the Corporation intends to oppose these claims in their entirety. Accordingly, no provision for any possible claim is included in the financial statements.

(d) Legislation has been introduced in the House of Commons which, if passed, would separate the Industrial Development Division from the Cape Breton Development Corporation. The proposed legislation provides for the continuation of the operations of the division under the name of the Enterprise Cape Breton Corporation and subject to the terms and provisions of the Government Organization Act, Atlantic Canada, 1987.

SUMMARY PAGE

DEFENCE CONSTRUCTION (1951) LIMITED

MANDATE

To contract for and supervise major military construction and maintenance projects required by the Department of National Defence; to provide technical and administrative assistance concerning construction matters to government departments and agencies on a cost-recovery basis.

BACKGROUND

The corporation has been in operation since 1951.

CORPORATION DATA

HEAD OFFICE	Sir Charles Tupper Building Riverside Drive Ottawa, Ontario K1A 0K3
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Stewart McInnes, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1951; by the *Defence Production Act* (R.S.C. 1985, c. D-1); continued under the *Canada Business Corporations Act*, November 21, 1978
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	J.R. Lorne Atchison
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	2.0	1.5	2.6	1.2
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	1.0	0.3	1.4	nil
Equity of Canada	(2.9)	(2.9)	(3.1)	(3.1)
Cash from Canada in the period				
— budgetary	13.6	13.2	14.3	14.5
— non-budgetary	nil	nil	nil	nil

DEFENCE CONSTRUCTION (1951) LIMITED

MANAGEMENT REPORT

The Management of the Corporation is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an annual report and the production of its contents, including the financial statements. These statements, approved by the Board of Directors, were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied. Other financial and operating information appearing in the annual report are consistent with that contained in the financial statements.

Management maintains financial and management control systems and practices designed to provide assurance that transactions are in accordance with Part XII of the Financial Administration Act and its regulations as well as the charter and by-laws of the Corporation and any directives given to it. Management also ensures that assets are safeguarded and controlled and that the operations of the Corporation are carried out effectively. In addition, the Audit Committee, appointed by the Board of Directors, oversees the internal audit activities of the Corporation and performs other such functions as are assigned to it.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon.

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of Defence Construction (1951) Limited as at March 31, 1988 and the statements of operations and deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Defence Production Act and the by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 3, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987
	$	$
Current		
Cash	1,519,260	1,163,349
Accounts receivable from government departments and agencies (Note 6)	108,881	11,424
Other	42,159	23,785
	1,670,300	1,198,558
Fixed, at cost		
Furniture and equipment	1,156,399	1,029,803
Less: accumulated depreciation	851,815	734,031
	304,584	295,772
	1,974,884	1,494,330

LIABILITIES	1988	1987
	$	$
Current		
Accounts payable and accrued liabilities	997,330	1,083,149
Due to Canada	970,946	343,074
Contractors' security deposits (Note 3)	126,953	181,784
	2,095,229	1,608,007
Provision for employee benefits (Note 4)	2,820,854	2,801,391
	4,916,083	4,409,398
CAPITAL STOCK AND DEFICIT		
Capital stock		
Authorized—1,000 shares of no par value		
Issued—31 shares fully paid	31	31
Deficit (Note 5)	(2,941,230)	(2,915,099)
	(2,941,199)	(2,915,068)
	1,974,884	1,494,330

Approved by the Board:

J. R. L. HATCHINSON
Director

E. J. HEALEY
Director

DEFENCE CONSTRUCTION (1951) LIMITED—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Expenses		
Salaries	8,969,909	9,160,516
Employee benefits	1,137,504	1,146,510
Travel and removal	850,638	672,623
Telephone	332,214	279,757
Office accommodation	324,646	481,239
Advertising	237,722	208,843
Office supplies and maintenance	226,047	175,696
Postage, express and freight	216,473	201,620
Training and professional development	173,387	109,044
Depreciation	150,262	129,613
Rental of machinery	115,641	112,289
Professional services	85,121	113,523
Other	51,648	43,359
	12,871,212	12,834,632
Recoveries of expenses (Note 6)	266,027	125,067
Cost of operations	12,605,185	12,709,565
Parliamentary appropriations	12,579,054	12,856,926
Excess of cost of operations over parliamentary appropriations (parliamentary appropriations over cost of operations)	26,131	(147,361)
Deficit at beginning of the year	2,915,099	3,062,460
Deficit at end of the year	2,941,230	2,915,099

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Financing activities		
Parliamentary appropriations	12,579,054	12,856,926
Operating activities		
Reported cost of operations	12,605,185	12,709,565
Provision for employee benefits	(243,696)	(262,818)
Depreciation	(150,262)	(129,613)
Gain on sale of fixed assets		1,686
Net increase (decrease) in non-cash working capital balances related to operations*	(371,391)	1,127,921
Cash applied to operations	11,839,836	13,446,741
Employee benefits paid	224,233	338,425
Cash applied to operating activities	12,064,069	13,785,166
Investing activities		
Acquisition of equipment	159,074	124,578
Disposal of equipment		(4,229)
Cash invested	159,074	120,349
Increase (decrease) in cash during the year	355,911	(1,048,589)
Cash at beginning of the year	1,163,349	2,211,938
Cash at end of the year	1,519,260	1,163,349

* Consisting of changes in receivables, other assets, accounts payable and accrued liabilities, due to Canada, and contractors' security deposits.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988

1. Authority, objectives and operations

The Corporation was incorporated under the Canada Corporations Act in 1951 and is continued under the Canada Business Corporations Act, pursuant to the authority of the Defence Production Act, to contract for major military construction and maintenance projects required by the Department of National Defence. The Corporation is a Crown corporation named in Part I of Schedule C to the Financial Administration Act. The Corporation is not subject to income taxes.

The Corporation's principal functions in the field of construction management are to obtain tenders, make recommendations regarding proposed awards and to award and administer contracts. As an integral part of its responsibility for contract administration, the Corporation inspects the work to ensure completion in accordance with the contract and certifies contractors' progress claims for payment from funds of the Department of National Defence. It also engages architectural and engineering firms to prepare plans and specifications in accordance with the requirements of the Department of National Defence. It may provide technical and administrative assistance on construction matters to other government departments when required.

2. Significant accounting policies

Expenses

The accounts of the Corporation reflect only the administrative expenses incurred in procuring the construction and maintenance of defence projects on behalf of the Department of National Defence and in procuring the construction of such other projects as are approved by Treasury Board.

Depreciation

Depreciation is provided by the straight-line method over five years.

Employee benefits

Employee benefits are expensed when earned by employees.

Pensions

During the year, the Corporation made payments of $482,329 ($513,050 in 1987) in respect of current contributions to the Public Service Superannuation Account of the Government of Canada. The Account is actuarially valued every five years. The Corporation's contributions and recorded liabilities are limited to the matching of the current and certain arrears contributions of employees. The Corporation is not required to make contributions with respect to actuarial deficiencies of the Account.

Parliamentary appropriations

The cost of operations is funded by parliamentary appropriations through the Department of Public Works Vote 75 (1987—Department of National Defence Vote 15) to the extent of net annual cash requirements.

3. Contractors' security deposits

	1988	1987
	$	$
Bid deposits	74,403	144,534
Deposits on plans and specifications	52,550	37,250
	126,953	181,784

DEFENCE CONSTRUCTION (1951) LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

4. Provision for employee benefits

	1988	1987
	$	$
Termination benefits	2,520,628	2,503,721
Life insurance	79,115	95,881
Furlough benefits	221,111	201,789
	2,820,854	2,801,391

5. Deficit

The deficit of the Corporation is comprised primarily of the liabilities for employee benefits which will require funding from parliamentary appropriations in future years as they are paid.

6. Recoveries of expenses

The Corporation provides certain technical and administrative assistance to the Department of National Defence and other government departments and agencies on a cost-recovery basis. As at March 31, 1988, accounts receivable for recoveries were $108,456 (1987—$10,999).

During the year, in the normal course of operations, the Department of National Defence provided office space free of charge for 161 employees of the Corporation.

7. Lease commitments

The Corporation leases certain equipment and accommodation in the performance of its operations. These arrangements include an occupancy agreement expiring August 1991 with the Department of Public Works for office accommodation. The future aggregate minimum lease payments are:

Year ending March 31	$
1989	282,438
1990	255,388
1991	228,451
1992	95,188
	861,465

8. Contingencies

Claims aggregating approximately $6,730,000 in respect of contractual obligations have been received by the Corporation, but are not reflected in the accounts. In the opinion of management and legal counsel, the position of the Corporation is defensible, however the final outcome of such claims is not determinable. Any settlements resulting from the resolution of these claims will be funded through parliamentary appropriations of the Department of National Defence, in the year in which the settlements occur.

9. Supplementary information

The Corporation's contracting activity on behalf of government departments and agencies is summarized below:

	1988	1987
	(in thousands of dollars)	
Contracts in progress at beginning of the year	522,472	491,880
Contracts awarded	273,537	265,878
	796,009	757,758
Contracts completed	204,038	235,286
Contracts in progress at end of the year	591,971	522,472
Payments on contracts in progress at end of the year	472,282	388,303
Work outstanding on contracts in progress at end of the year	119,689	134,169

SUMMARY PAGE

EXPORT DEVELOPMENT CORPORATION

MANDATE

Export Development Corporation (EDC) is Canada's official export credit agency, responsible for providing export credit insurance, loans, guarantees, and other financial services to promote Canadian export trade.

BACKGROUND

In addition to its corporate activities, EDC administers for Canada certain export insurance and financing in support of export transactions considered to be in the national interest.

CORPORATION DATA

HEAD OFFICE	151 O'Connor Street P.O. Box 655 Ottawa, Ontario K1P 5T9
STATUS	—Schedule III, Part I —an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John Crosbie, P.C., Q.C., M.P., Minister for International Trade.
DEPARTMENT	External Affairs
YEAR AND MEANS OF INCORPORATION	1969; by the *Export Development Act*, (R.S.C. 1985, c. E-20).
CHIEF EXECUTIVE OFFICER	R. L. Richardson
CHAIRMAN	V.E. Daughney
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

CORPORATE ACCOUNT	1987	1986	1985	1984 (restated)
At the end of the year				
Total Assets	6,933	7,173	7,296	6,635
Obligations to the private sector*	4,560	4,727	4,948	4,431
Obligations to Canada	25	80	154	258
Equity of Canada	899	898	896	855
Cash from Canada in the year				
—budgetary	nil	nil	nil	nil
—non-budgetary	nil	nil	37	79
CANADA ACCOUNT				
At the end of the year				
Canada funds administered	871	880	1,142	1,061

* Obligations to the private sector reported here have been reduced by the amount of EDC's cash and marketable securities (1987, $1,039 million; 1986, $1,094 million).

EXPORT DEVELOPMENT CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied, which conform in all material respects with international accounting standards. The integrity and objectivity of the data in these financial statements are management's responsibility. The financial statements include some amounts, such as the allowance for losses on loans, that are necessarily based on management's best estimates and judgement. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements. In support of its responsibility, management maintains financial and management control systems and practices to provide reasonable assurance as to the reliability of financial information, that the assets are safeguarded and the operations are carried out effectively. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an on-going basis

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management, the internal auditors and the Auditor General of Canada on a regular basis.

The Board of Directors is responsible for all business undertaken by the Corporation. Contracts which, in the opinion of the Board of Directors, involve risks for a term or an amount in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Governor General in Council where the Minister considers them to be in the national interest. The Board of Directors is not accountable for such contracts, its obligation in relation thereto being limited to ensuring that they are administered in a sound manner. Funds required for such contracts are paid to the Corporation by Canada, and funds recovered are remitted to Canada, net of amounts withheld to cover related administrative expenses. The administration of accounts on behalf of Canada are shown in Note 12 to the Corporation's financial statements.

The Auditor General of Canada conducts an independent examination, in accordance with generally accepted auditing standards, and expresses his opinion on the financial statements. His examination includes a review of the Corporation's system of internal control and appropriate tests and procedures to enable him to report whether the financial statements are presented fairly and whether the transactions that have come to his notice during his examination of the financial statements have been in accordance with stated authorities. The Auditor General has full and free access to the Audit Committee of the Board and meets with it on a regular basis.

R.L. Richardson
President and Chief Executive Officer

B.A. Culham
Senior Vice-President, Finance and Treasurer

EXPORT DEVELOPMENT CORPORATION—*Continued*

AUDITOR'S REPORT

TO THE MINISTER FOR INTERNATIONAL TRADE

I have examined the balance sheet of Export Development Corporation as at December 31, 1987 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards in Canada, conforming with International Auditing Guidelines, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles in Canada, conforming with International Accounting Standards, applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Export Development Act and the by-laws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
February 24, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987	1986
Loans receivable (Note 3, 4, 5 and 6)		
Long-term	4,608,377	4,701,894
Current portion of long-term	1,152,258	1,118,453
	5,760,635	5,820,347
Accrued interest and fees	223,220	305,945
	5,983,855	6,126,292
Less: allowance for losses on loans	163,135	136,366
	5,820,720	5,989,926
Cash and marketable securities		
Cash and short-term deposits	732,996	523,212
Marketable securities (Market value: 1987—$314,726; 1986—$571,138)	305,673	570,554
Accrued interest	15,460	12,494
	1,054,129	1,106,260
Other assets		
Unamortized debt discount and issue expenses	39,755	50,537
Other	18,124	26,756
	57,879	77,293
	6,932,728	7,173,479

LIABILITIES	1987	1986
Loans payable (Note 7)		
Long-term	2,899,497	3,569,766
Current portion of long-term	1,030,025	767,724
	3,929,522	4,337,490
Short-term	1,694,595	1,563,275
	5,624,117	5,900,765
Accrued interest	202,660	214,143
	5,826,777	6,114,908
Other liabilities and deferred revenues		
Accounts payable	5,369	5,462
Deferred revenues and other credits	165,769	121,752
Allowance for claims on insurance and guarantees	35,369	33,411
	206,507	160,625
SHAREHOLDER'S EQUITY		
Share capital (Note 8)	697,000	697,000
Reserve for contingencies	100,000	25,000
Retained earnings	102,444	175,946
	899,444	897,946
	6,932,728	7,173,479

Commitments and contingent liabilities (Note 9)

Approved by the Board of Directors:

R. L. RICHARDSON
President and Chief Executive Officer

B. A. CULHAM
Senior Vice-President, Finance and Treasurer

EXPORT DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Loans and guarantees		
Interest earned	522,213	556,540
Fees earned	25,238	26,650
Investment interest earned	92,612	71,313
	640,063	654,503
Interest expense		
Long-term	446,390	493,131
Short-term	123,400	104,257
Provision for losses on loans	50,710	36,265
	620,500	633,653
	19,563	20,850
Insurance and guarantees		
Premiums and fees earned	19,762	17,439
Investment interest earned	5,042	4,909
	24,804	22,348
Provision for claims	8,468	7,200
	16,336	15,148
Income from operations	35,899	35,998
Administrative expenses	34,401	34,109
Net income	1,498	1,889
Retained earnings		
Beginning of year	175,946	199,057
Less: transfer to reserve for contingencies	75,000	25,000
End of year	102,444	175,946

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Operations		
Net Income	1,498	1,889
Items not affecting cash		
Provision for claims and losses on loans	59,178	43,465
Amortization of fees and premiums	(27,112)	(36,198)
Decrease in accruals of interest and fees	67,019	13,734
Rescheduling of interest	(151,738)	(53,320)
Fees and premiums received	41,366	47,224
Other changes	(16,647)	(40,967)
	(26,436)	(24,173)
Loans receivable disbursed	(622,940)	(627,422)
Loans receivable repaid	581,777	888,851
Cash provided from (used in) operations	(67,599)	237,256
Treasury		
Issue of long-term debt	635,816	572,104
Repayment of long-term debt	(824,348)	(578,956)
Increase (decrease) in short-term loans payable	201,034	(56,934)
Cash provided from (used in) financing	12,502	(63,786)
Increase (decrease) in cash and marketable securities	(55,097)	173,470
Cash and marketable securities		
Beginning of year	1,093,766	920,296
End of year	1,038,669	1,093,766

NOTES TO FINANCIAL STATEMENTS

1. Act of incorporation and corporate mandate

Export Development Corporation was established on October 1, 1969 by the Export Development Act, a statute of the Parliament of Canada. The Corporation was created as an agent of Her Majesty in right of Canada for the purpose of facilitating and developing trade between Canada and other countries, by the provision of loans, guarantees and insurance. The Corporation is accountable for its affairs to Parliament through the Minister for International Trade.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with accounting principles generally accepted in Canada, consistently applied, and conform in all material respects with international accounting standards. A summary of significant accounting policies follows:

Marketable securities

Marketable securities are valued at the lower of cost and market value as at the balance sheet date.

Allowance for losses on loans receivable

The allowance for losses on loans is based on a review of collectibility of all outstanding loans to sovereign and commercial borrowers. In respect of this review, the Corporation recognizes that the economies in some of the countries where the Corporation has made loans have weakened over time to the extent that indefinite delays in repayment of principal and interest may have to be accepted. It is not possible at this time for management to determine the amounts, if any, of potential losses associated with these uncertainties and delays. Therefore, in addition to any specific provisions made as a result of the review of the outstanding loans, the Corporation charges to income an amount sufficient to maintain a general allowance to reflect management's best estimate of the amount necessary to cover the risks in the non-current loans portfolio.

Allowance for claims on insurance and guarantees

The Corporation provides for claims based on claims experience augmented, if necessary, by a specific provision based on a review of contingent liabilities. Claims payments are recorded at estimated recoverable values and included with other assets and non-recoverable amounts are charged to the allowance. Subsequent net gains or losses on recovery are credited or charged to the allowance.

Reserve for contingencies

The Corporation has in 1986 established, through transfers from retained earnings, a reserve for contingencies with respect to possible unforeseen decreases in the value of loans receivable or claims on insurance and guarantees. Subsequent reductions, if any, in the reserve for contingencies will be credited to retained earnings.

Loan interest and fees earned

Interest is accrued on principal receivable until such time as the loan becomes non-current. Non-current is defined as any loan where there is significant doubt as to collectibility, where significant payments have not been received for a period of two years and a rescheduling agreement has not been negotiated, or when a rescheduling agreement has been signed and a significant payment has not been received for one year.

In subsequent years, interest income on non-current loans is recognized on a cash basis.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS—*Continued*

Non-current loans are restored to an accrual basis when regular repayment patterns of all or substantially all amounts due have been established, which is usually over a one to two year time period and normally after a rescheduling agreement has been signed, and there is reasonable assurance that the repayment pattern will continue in future years.

Loan fees are taken into income over the disbursement and repayment periods of a loan.

Investment interest earned

Investment interest, which is substantially earned outside Canada, is prorated between loans and guarantees and insurance and guarantees on the basis of average funds invested.

Interest expense

Interest expense includes hedging expenses, and the amortization of debt discount and issue expenses which are charged to income over the life of the debt on a straight line basis.

Insurance premiums

Insurance premiums and fees are earned in Canada. For short-term insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies. Foreign investment insurance premiums are taken into income evenly over the terms of coverage, except that the premium in the first year is taken into income in its entirety when received.

Translation of foreign currency

The Corporation hedges its U.S. dollar assets and liabilities on a total portfolio basis. Any net exposure to future changes in the U.S. dollar foreign exchange rate is due to short-term timing differences in cash flows. It is the Corporation's policy to manage assets and liabilities denominated in U.S. dollars in such a way as to minimize this net exposure. Accordingly, assets and liabilities denominated in U.S. dollars are translated into Canadian dollars at exchange rates prevailing at year-end.

Gains and losses relating to the translation of any unhedged long-term foreign currency assets or liabilities in other than U.S. dollars are deferred and amortized on a straight line basis over the remaining life of the asset or liability. The unamortized balance of the deferred exchange gains or losses is included in deferred revenues or other assets.

Income and expenses are translated at average monthly exchange rates in effect during the year. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are reported with investment interest earned.

3. Loans receivable

Loans receivable from both sovereign and commercial borrowers are mostly at fixed interest rates established in competition with similar export credit agencies in other countries and generally below commercial rates. These loans mature as follows:

	December 31	
	1987	1986
	(in thousands of dollars)	
Within 12 months		
—Fixed	650,724	659,039
—Floating	101,635	64,417
Overdue	399,899	394,997
1988		779,624
1989	758,077	759,469
1990	733,582	679,787
1991	699,328	620,294
1992	618,941	513,500
1993-1997	1,479,520	1,070,722
1998 and thereafter	318,929	278,498
Total	5,760,635	5,820,347
Commercial loans included above	992,344	1,034,291
Floating rate loans, generally based on LIBOR rates, included in total loans	1,126,556	731,407

The geographic distribution of these loans is as follows:

Pacific and North Asia	628,873	550,064
South Asia	341,868	310,891
Middle East and East Africa	410,692	471,345
North and West Africa	1,143,924	1,214,101
Eastern Europe	769,871	737,921
Western Europe	502,203	595,762
USA and Caribbean	539,614	546,625
Mexico and Central America	335,954	293,332
South America East	529,014	537,162
South America West	558,622	563,144
	5,760,635	5,820,347

4. Overdue loans receivable

Amounts overdue consist of principal instalments and billed interest and fees that have not been received in accordance with the specified terms contained in the related loan agreements.

The geographic distribution of the overdue principal and recognized interest, in the amounts of $399,899 thousand (1986—$394,997 thousand) and $86,741 thousand (1986—$218,588 thousand) respectively, is as follows:

	December 31	
	1987	1986
	(in thousands of dollars)	
Pacific and North Asia	5,389	1,062
South Asia	11	3
Middle East and East Africa	71,294	15,907
North and West Africa	30,114	54,225
Eastern Europe	40,865	105,620
Western Europe	20,898	16,053
USA and Caribbean	103,644	122,309
Mexico and Central America	35,150	48,678
South America East	67,930	129,978
South America West	111,345	119,750
Total	486,640	613,585

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS—*Continued*

5. Rescheduled and restructured loans receivable

The principal method of alleviating the debt repayment problems of sovereign nations continues to be the use of rescheduling agreements. The Governments of debtor and creditor countries meet, usually under the auspices of the Paris Club, to negotiate guidelines covering the rescheduling of debt coming due within a specific time frame. These rescheduling agreements are accompanied by International Monetary Fund (IMF) disciplines to improve the underlying economies of the countries and usually result in structural adjustments covering several years until the problems are resolved. Once the government to government multilateral guidelines have been established, the Corporation and other government departments and agencies bilaterally negotiate their relevant loans. This method of facilitating repayments is considered normal in collecting sovereign debts and reflects government direction.

In addition, through the Corporation's membership in the International Union of Credit and Investment Insurers (Berne Union), and indirectly through Canada's membership in organizations such as the Organization for Economic Cooperation and Development, the International Bank for Reconstruction and Development and the IMF, the Corporation is provided with exchanges of international financial and credit information aiding the negotiation of repayments from international borrowers.

Commercial debt repayment problems are generally alleviated by restructuring agreements wherein loan repayment terms and schedules are adjusted to match projected cash flows of the commercial entity involved.

Rescheduled and restructured amounts during the year are as follows:

	December 31	
	1987	1986
	(in thousands of dollars)	
Principal	232,973	95,919
Interest	151,738	53,320
	384,711	149,239

The geographic distribution of rescheduled and restructured loans is as follows:

	December 31	
	1987	1986
	(in thousands of dollars)	
Pacific and North Asia	9,076	10,146
South Asia	799	2,826
North and West Africa	148,462	82,843
Eastern Europe	106,387	2,372
Western Europe	99,890	112,939
USA and Caribbean	43,196	39,476
Mexico and Central America	102,823	32,935
South America East	183,815	84,685
South America West	49,910	46,717
Total	744,358	414,939
Commercial amounts included above	67,930	35,552
Amounts overdue	78,923	28,068

6. Non-current loans receivable

Due to the weakening of economic conditions over time, certain loans where there is risk of long repayment delays or significant doubt as to collectibility are placed in the non-current category. Total non-current amounts receivable are as follows:

	December 31	
	1987	1986
	(in thousands of dollars)	
Sovereign, mainly in Eastern Europe and South America West	636,663	624,218
Commercial, mainly in the USA	141,030	135,084
	777,693	759,302

In addition to not recognizing interest on these loans, any undisbursed balances on signed loan agreements are cancelled or frozen, and sovereign borrowers are declared ineligible for further financing, to prevent any increased exposure resulting from new business.

Total interest on non-current loans not recognized as revenue in 1987 amounted to $79,729 thousand (1986—$71,929 thousand). At December 31, 1987, the accumulated interest not recognized on loans amounted to $205,890 thousand (1986—$114,487 thousand) of which $133,343 thousand related to sovereign loans (1986—$74,504 thousand).

7. Loans payable

Loans payable mature as follows:

	December 31	
	1987	1986
	(in thousands of dollars)	
Within 12 months		
—Fixed	1,045,223	767,724
—Floating	1,679,397	1,563,275
1988		1,144,970
1989	511,220	551,233
1990	804,305	773,741
1991	336,693	351,849
1992	570,718	236,205
1993 to 1997	676,561	511,768
Total	5,624,117	5,900,765
Commercial loans included above: Fixed interest rates from 5.38% to 14.13% (1986—5.38% to 15.55%)	3,336,229	4,216,407
Floating rate and short-term fixed rate revolving loans	2,262,888	1,604,358
Canada loans included above: Fixed interest rates at 8.375% (1986—8.25% to 8.5%)	25,000	80,000

The Corporation also had lines of credit and overdraft facilities aggregating $3,555 million at December 31, 1987 (1986—$3,201 million).

EXPORT DEVELOPMENT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS—*Concluded*

8. Share capital

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares issued and fully paid is 6,970 thousand (1986—6,970 thousand).

9. Statutory limits, commitments and contingent liabilities

The Export Development Act (the Act) allows the Corporation to have outstanding loans and commitments to foreign borrowers up to a maximum of $15 billion. The position against this limit, determined in accordance with the requirements of the Act, is $7,704 million (1986—$8,370 million). Of this amount, undisbursed commitments on signed loan agreements at face rates from 6.74% to 12.50% is $1,868 million (1986—$2,549 million) with the balance representing loans receivable and loans with recourse to the Corporation.

The Corporation expects to fund these undisbursed commitments near the time of their disbursement, typically over a three year period, by issuing a combination of debt instruments in world capital markets at commercial rates of interest and capital stock. The Corporation generally attempts to match debt maturities and currencies with those of its average export loans.

The Act also specifies that the Corporation can incur liabilities under contracts of insurance, related guarantees and guarantees pertaining to the lending program up to a maximum of $15 billion. The position against this limit, determined in accordance with the requirements of the Act, is $3,047 million (1986—$2,930 million).

Contingent liabilities of the Corporation included in the above positions amounted to $2,273 million (1986—$2,123 million). Of this amount, $67 million (1986—$245 million) related to loan guarantees and loans with recourse to the Corporation. The balance pertained to the Corporation's insurance activities.

The Act allows the Corporation to borrow up to a maximum of ten times the aggregate of its paid-in capital from time to time and the retained earnings determined in accordance with the most recent audited financial statements. As at December 31, 1987, this formula produced a limit of $8,729 million (1986—$8,961 million) against which borrowings amounted to $5,624 million (1986—$5,901 million).

10. Foreign currency balances

The Corporation has substantial assets and liabilities in U.S. dollars and in other currencies. The Canadian dollar equivalent after taking into consideration forward exchange contracts is as follows:

	December 31 1987	December 31 1986
	(in thousands of dollars)	
U.S. Dollars		
Assets	5,082,409	5,250,209
Liabilities	5,236,999	5,389,775
Net exposure	(154,590)	(139,566)
Rate of exchange U.S. $1.00	1.2993	1.3805
British pounds, Deutsche marks, European Currency Units, Swiss francs and Yen		
Assets	119,284	77,936
Liabilities	95,964	66,601
Net exposure	23,320	11,335

11. Related party transactions

Transactions with Canada are summarized as follows:

	Year ended December 31 1987	Year ended December 31 1986
	(in thousands of dollars)	
Income and expense items		
Interest expense	3,603	8,320
Less: administrative expenses recovered	6,622	7,101
interest earned	469	472
	(3,488)	747

	December 31 1987	December 31 1986
	(in thousands of dollars)	
Amounts due to (due from) Canada		
Canada bonds, bearing interest at the rate of 9.50% maturing in 1994	(5,033)	(5,038)
Accrued interest receivable	(22)	(23)
Accounts administered for Canada (Note 12)	426	3,085
Long-term loans payable	25,000	80,000
Accrued interest payable	447	1,420
	20,818	79,444

The Government of Canada has established an understanding that it will seek Parliamentary appropriations to eliminate any losses the Corporation might incur. No such appropriation has been required to date.

The Corporation is not subject to the requirements of the Income Tax Act with respect to its earnings.

The Corporation also enters into transactions with other Crown corporations in the normal course of business.

12. Accounts administered for Canada

(a) Pursuant to the Act, the Corporation administers for Canada certain loans and insurance programs entered into under the authority of the Governor General in Council for which the Board of Directors is not accountable other than in respect of the administration of the contracts. These accounts are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada which are reported upon separately by the Auditor General of Canada. The assets administered for Canada, mainly loans receivable and accrued interest and fees recorded in accordance with accounting policies and practices approved by the Government of Canada, amounted to $871 million (1986—$880 million).

(b) Canada account statutory limits, commitments and contingent liabilities

The Act allows the Accounts administered for Canada to have outstanding loans and commitments to foreign borrowers up to a maximum of $6 billion. The position against this limit, determined in accordance with the requirements of the Act, is $956 million (1986—$823 million), including contingent liabilities of $4 million (1986—$9 million).

The Act also specifies that the Accounts administered for Canada can incur liabilities under contracts of insurance, related guarantees and guarantees pertaining to the lending program up to a maximum of $7 billion. The position against this limit, determined in accordance with the requirements of the Act, was $370 million (1986—$430 million) including contingent liabilities of $330 million (1986—$376 million).

SUMMARY PAGE

FARM CREDIT CORPORATION

MANDATE

To assist Canadian farmers to establish and develop viable farm enterprises through the provision of long-term credit and other financial services.

BACKGROUND

Since 1959, under the authority of the *Farm Credit Act*, the corporation has made mortgage loans to farmers for the purchase of farm land, livestock and machinery, for permanent farm improvements and to refinance debt. Under the authority of the *Farm Syndicates Credit Act*, the corporation may make loans to groups of farmers for the joint acquisition of agricultural facilities and equipment. The maximum loan for an individual farm is $600,000 and for a syndicate is $100,000. As of March 31, 1988 the corporation had 72,182 loans outstanding. The corporation maintains six regional offices and about 105 district and field offices.

CORPORATION DATA

HEAD OFFICE	P.O. Box 2314, Station D 434 Queen Street Ottawa, Ontario K1P 6J9
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John Wise, P.C., M.P.
DEPARTMENT	Agriculture
YEAR AND MEANS OF INCORPORATION	1959; by the *Farm Credit Act* (R.S.C. 1985, c. F-2). Its predecessor was the Canadian Farm Loan Board, founded in 1929.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	James J. Hewitt
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	4,307	4,909	5,015	4,940
Obligations to the private sector	1,328	1,600	984	571
Obligations to Canada	3,484	3,305	3,896	4,110
Equity of Canada	(637)	(125)	8	129
Cash from Canada in the period				
— budgetary	15*	5	nil	nil
— non-budgetary, net of loans repaid	182	(591)	(214)	(171)

* In addition to the direct payments from Canada, the corporation received from the Department of Agriculture in 1987-88 a total of $18.4 million in compensation for financial concessions to clients.

FARM CREDIT CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Farm Credit Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts, such as the allowance for loan losses, that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared in accordance with accounting principles which are generally accepted in Canada and which have been consistently applied. Financial information presented elsewhere in the annual report is consistent with that contained 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 are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal audit which conducts periodic reviews of different aspects of the Corporation's operations. In addition, the internal and external auditors have full and free access to the Audit Committee of the Board, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon.

James J. Hewitt, C.M.A.
Chairman and Chief Executive Officer

William G. Mann, C.A.
Chief Financial Officer

AUDITOR'S REPORT

TO THE MINISTER OF AGRICULTURE

I have examined the balance sheet of Farm Credit Corporation as at March 31, 1988 and the statements of operations and deficit and changes in cash position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Farm Credit Act and the by-laws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 7, 1988

BALANCE SHEET AS AT MARCH 31, 1988
(in thousands of dollars)

ASSETS	1988	1987
Cash and short-term investments	18,981	88,494
Accounts receivable	632	1,678
Loans receivable (Note 3)	4,701,630	4,955,941
Less: allowance for loan losses (Note 4)	500,000	219,000
	4,201,630	4,736,941
Real estate	63,000	53,771
Fixed assets	3,481	2,957
Unamortized debt discount and issue expenses	19,467	24,799
	4,307,191	4,908,640

LIABILITIES	1988	1987
Accounts payable and accrued liabilities	3,970	3,779
Short-term notes	181,943	271,571
Provision for employee termination benefits	2,340	4,190
Loans payable (Notes 5 and 6)	4,755,567	4,753,891
	4,943,820	5,033,431
DEFICIENCY OF CANADA		
Contributed capital (Note 7)	218,333	218,333
Deficit	(854,962)	(343,124)
	(636,629)	(124,791)
	4,307,191	4,908,640

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

Approved by:

JAMES J. HEWITT, C.M.A.
Chairman and Chief Executive Officer

WILLIAM G. MANN, C.A.
Chief Financial Officer

FARM CREDIT CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Interest income		
Loans receivable	377,867	465,380
Investments	2,132	13,727
	379,999	479,107
Interest expense		
Loans payable	452,045	462,102
Short-term notes	15,054	21,985
	467,099	484,087
Net interest (income) expense	87,100	4,980
Provision for loan losses (Note 4)	393,419	98,322
	480,519	103,302
Other income	(4,019)	(3,885)
Loss before administrative expenses	476,500	99,417
Administrative expenses		
Salaries and employee benefits	25,423	23,947
Office accommodation and equipment	4,035	3,913
Travel and relocation	2,505	2,358
Other	3,375	2,855
	35,338	33,073
Loss for the year	511,838	132,490
Deficit at beginning of the year	343,124	210,634
Deficit at end of the year	854,962	343,124

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

STATEMENT OF CHANGES IN CASH POSITION FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Operating activities		
Loss for the year	(511,838)	(132,490)
Items not involving cash		
Provision for loan losses	393,419	98,322
Increase in accrued interest on loans receivable	(3,150)	(53,236)
Increase in accrued interest on loans payable	1,676	5,077
Other	5,595	6,053
	(114,298)	(76,274)
Loans to farmers	(240,626)	(315,060)
Loans receivable repaid	328,360	323,198
Proceeds from disposal of real estate	33,060	19,465
Government compensation for loan losses	15,000	5,000
Other	(1,381)	(1,080)
Cash provided by (used in) operating activities	20,115	(44,751)
Financing activities		
Loans from Canada	345,600	
Loans repaid to Canada	(345,600)	(591,155)
Loans from capital markets		581,554
Debt issue expenses		(3,576)
Net increase (decrease) in short-term notes	(89,628)	34,074
Cash provided by (used in) financing activities	(89,628)	20,897
Net decrease in cash and short-term investments	(69,513)	(23,854)
Cash and short-term investments at beginning of the year	88,494	112,348
Cash and short-term investments at end of the year	18,981	88,494

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

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988

1. The Corporation

Farm Credit Corporation ("FCC" or "the Corporation") was established in 1959 by the Farm Credit Act as the successor to the Canadian Farm Loan Board and is a Crown corporation named in Schedule C, Part I of the Financial Administration Act. Its role is to provide financial services to enable Canadian farmers to establish, develop and maintain viable farm enterprises.

The Corporation makes and administers farm loans under the authority of the Farm Credit Act and the Farm Syndicates Credit Act, and administers programs as assigned by the federal government.

In view of the deficiency of Canada's equity in the Corporation and FCC's current financial condition, discussions are underway with the government to develop a financial recovery plan. A wide range of options is being considered.

The Corporation operates in one business segment, providing long-term loans to Canadian farmers.

2. Significant accounting policies

(a) Allowance for loan losses

The allowance for loan losses represents an estimate of probable losses on the accounts outstanding at the end of the year and is based on a review of collectibility of outstanding loans. The allowance has a specific component which is based on the review of outstanding loans in arrears and a general component, which is prudential in nature, to provide for loan losses which have not yet been specifically identified. With respect to this estimate of losses, the Corporation recognizes that future economic and agricultural conditions are not predictable and, therefore, their impact on the collectibility of loans is uncertain.

Actual loan losses and writedowns of acquired real estate to net realizable value are charged to the allowance while recoveries are credited to the allowance. The adjustment of the allowance to the level regarded by management as being appropriate is charged to operations as the provision for loan losses.

(b) Revenue recognition

Interest income is recorded on an accrual basis until such time as a loan is classified as non-performing. Loans are classified as non-performing when principal or interest is six months past due unless the loan is well secured, or when circumstances indicate doubt as to the ultimate collectibility of principal or interest. When a loan is classified as non-performing, uncollectible accrued interest recognized in the year is reversed, and uncollectible accrued interest recognized in previous years is provided for in the allowance for loan losses. Payments received on non-performing loans are generally applied to principal, unless management has determined that the loans do not require a specific provision for loss. In this case, interest income is recognized on a cash basis.

Non-performing loans may return to the accrual status when principal and interest are current and ultimate collection is reasonably assured.

Where a non-performing loan is refinanced or renegotiated, uncollected interest is capitalized and recognized as income. The refinanced loan is carried on an accrual basis as long as there is reasonable assurance regarding the ultimate collectibility of principal and interest, and principal or interest is not six months past due.

Loan fees and charges are recorded as other income when earned.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Continued*

(c) Real estate

Real estate represents farm property acquired in the process of administering the outstanding loans receivable and must be disposed of within five years of acquisition or such further period as the Governor in Council may prescribe. It is carried at the lower of cost and net realizable value.

(d) Fixed assets

Fixed assets are recorded at cost less accumulated depreciation or amortization. Depreciation and amortization are generally determined using the straight-line method over the estimated useful lives of the related assets.

(e) Debt discount and issue expenses

Discounts and expenses relating to the issuance of debt are amortized on a straight-line basis over the life of the debt and included in interest expense on loans payable.

(f) Translation of foreign currencies

Loans payable in foreign currencies are hedged by currency conversion agreements and are translated into Canadian dollars at the rates provided therein. The differences between the ultimate amounts payable at the contracted rates and the cash proceeds of the debt issues are included with unamortized debt discount and issue expenses. These amounts are amortized by charges to interest expense over the lives of the obligations on a straight-line basis. The interest payable in foreign currencies on this debt is also hedged by currency conversion agreements and is translated into Canadian dollars at the contract rates.

(g) Pension plan

The Corporation participates in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are made equally by both employees and the Corporation. These contributions are expensed during the year in which the services are rendered.

(h) Employee termination benefits

On termination of employment, employees are entitled to severance benefits provided for under their terms of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

(i) Income taxes

The Corporation records income taxes on the tax allocation basis which recognizes the income tax effect of transactions when they are recorded in accounting income, regardless of when such items are recognized for tax purposes.

3. Loans receivable

	Annual interest rate	1988	1987
	%	(in thousands of dollars)	
Loans to farmers, secured by mortgages	5-7 ⅞	484,682	556,501
	8-10 ⅞	2,119,134	2,067,218
	11-12 ⅞	1,443,065	1,558,875
	13-16 ¾	608,433	730,084
		4,655,314	4,912,678
Loans to farm syndicates, secured by notes	6 ¼-17 ½	5,951	7,573
Loans receivable from real estate sales, secured by agreements for sale or mortgages	5-15 ¾	40,365	35,690
		4,701,630	4,955,941

Amounts due by fiscal year are as follows:

Principal past due	63,533	56,325
1988		142,476
1989	147,069	163,554
1990	492,665	581,787
1991	267,072	289,975
1992	306,063	316,935
1993	296,655	240,567
1994 and beyond	2,795,921	2,776,783
	4,368,978	4,568,402
Accrued interest —Current	112,176	96,944
—Arrears	220,476	290,595
	4,701,630	4,955,941

At March 31, 1988 the Corporation had 7,950 loans representing $1,056.7 million of loans receivable classified as non-performing (1987—4,211 representing $695.9 million). During the year, interest not recognized on non-performing loans amounted to $130.8 million (1987—$55.4 million). At March 31, 1988 the accumulated interest not recognized on outstanding non-performing loans amounted to $190.8 million (1987—$95.4 million).

Prepayments of principal from farmers of $157.9 million (1987—$215.9 million) were received during the year.

During the year, Commodity-based Loans in the amount of $167.8 million (1987—$242.6 million) were disbursed. Of this amount, $10.0 million (1987—$13.5 million) was used to pay arrears on the Corporation's previous loans.

4. Allowance for loan losses

The allowance for loan losses is management's best estimate of the probable losses on outstanding accounts. In this regard, a number of events and conditions are not predictable and their impact on losses is uncertain. These include future land values, commodity prices, federal and provincial governments' legislation and initiatives, climatic conditions, and so on; all of which could affect the Corporation's loan losses. Management has made its best estimate of the effect of these events and conditions on loan losses.

In addition, as discussed in Note 11, the federal government has agreed to reimburse the Corporation for concessions made to farmers over the next three years as a result of its participation in the Farm Debt Review Board process. The nature of the concessions to be made through the process and the extent to which they will reduce the Corporation's loan losses is not currently determinable. Accordingly, the impact of the Farm Debt Review process has not been considered in establishing the allowance for loan losses. Such amounts are credited to operations as the benefits of the concessions are passed to the farmers.

A summary of the changes in the allowance for loan losses follows:

	1988	1987
	(in thousands of dollars)	
Allowance for loan losses		
Balance at beginning of the year	219,000	155,800
Actual loan losses and losses on the sale of real estate, net of recoveries	(16,128)	(11,622)
Write-down of real estate to net realizable value	(96,291)	(23,500)
Provision for loan losses	393,419	98,322
Balance at end of the year	500,000	219,000

FARM CREDIT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

5. Loans payable

	Annual interest rate	1988	1987
	%	(in thousands of dollars)	
Loans from Canada, secured by notes			
Farm Credit Act	6-7 ¾	463,604	538,748
	8-10 ¾	1,686,685	1,460,830
	11-12	1,148,187	1,298,898
		3,298,476	3,298,476
Farm Syndicates Credit Act	9 ¼-15 ½	6,030	6,030
		3,304,506	3,304,506
Loans from capital markets, secured by notes			
Farm Credit Act	8 ¾-12 ¼	1,328,156	1,328,156
		4,632,662	4,632,662
Accrued interest		122,905	121,229
		4,755,567	4,753,891

Amounts due by fiscal year are as follows:

	1988	1987
1988		201,851
1989	220,787	209,756
1990	641,371	855,290
1991	463,864	454,229
1992	435,554	334,697
1993	660,983	205,494
1994 and beyond	2,210,103	2,371,345
	4,632,662	4,632,662
Accrued interest	122,905	121,229
	4,755,567	4,753,891

6. Limits on borrowing

The Farm Credit Act limits the aggregate amount outstanding of the principal borrowings by the Corporation pursuant to the Act to twenty-five times the capital of the Corporation. At March 31, 1988 the Corporation's outstanding borrowings under this Act, comprising short-term notes of $179.0 million and loans payable of $4,617.6 million, were 21.97 times the capital of $218.3 million (1987—22.39 times).

The Farm Syndicates Credit Act limits the loans from Canada pursuant to the Act to $25.0 million. At March 31, 1988 the Corporation's loans from Canada under this Act were $6.0 million (1987—$6.0 million).

The Corporation continues to be restricted in its borrowings. Both short- and long-term funding requirements must be met from the Consolidated Revenue Fund of the Government of Canada, and only with the specific approval of the Governor in Council and the Minister of Finance. Further, FCC has been requested to manage its affairs so that, during the next fiscal year, no net increase in total debt will be required.

7. Contributed capital

The contributed capital of the Corporation represents the amount received from Canada under Section 12 of the Farm Credit Act. The statutory limit on this amount is $225.0 million (1987—$225.0 million). During the current year, no capital was contributed by Canada.

8. Income taxes

As at March 31, 1988 the Corporation has available various timing differences of approximately $813.0 million which have not been recognized in the accounts as these will not be utilized in the foreseeable future. They result primarily from differences between the provision for loan losses charged to operations and the amount claimed for tax purposes pursuant to Section 33 of the Income Tax Act.

In addition, the loss carry-forward for income tax purposes, which has not been recognized in the financial statements, amounts to $21.8 million. Of this amount, $7.7 million will expire on March 31, 1993 and $14.1 million on March 31, 1994.

9. Commitments to farmers

As at March 31, 1988 loans to farmers approved but not disbursed amounted to $22.6 million (1987—$62.2 million). Of this amount, $21.0 million was for regular loan approvals, most of which were approved at rates from 11.75% to 12.25%. The balance of $1.6 million relates to Commodity-based Loans approved at rates of 6% and 9.125%. It is expected that the majority of these loans will be disbursed within the six-month period ending September 30, 1988 from funds to be borrowed by the Corporation at prevailing rates of interest at the time of borrowing.

10. Operating leases

Future minimum lease payments by fiscal year required under operating leases having initial non-cancellable lease terms in excess of one year are as follows:

	(in thousands of dollars)
1989	1,767
1990	1,678
1991	1,402
1992	1,114
1993	785
1994 and beyond	1,087
	7,833

These leases generally provide for the payment by the Corporation of real estate taxes and operating expenses in excess of the amounts established at the commencement of the lease term.

11. Government programs

In the February 26, 1986 Budget, the Government directed the Corporation to establish a Commodity-based Loan Program for existing clients who are experiencing financial difficulty and who meet certain eligibility criteria. Under this program, reduced interest rates are available to borrowers and the loan principal is indexed to changes in commodity prices. The resulting net cash flow deficiencies, if any, are made up by the Government. During the year, the Corporation received $10.3 million from the Government in respect of these cash flow deficiencies (1987—$0.9 million).

The Minister of Agriculture has, subject to annual parliamentary appropriation, been authorized to make payments to the Corporation in amounts equal to concessions that the Corporation has granted to farmers under arrangements made pursuant to the Farm Debt Review Act. The Government has allocated up to $270 million for concessions to be granted over the period ending March 31, 1991. The Corporation is reimbursed at the time farmers realize the benefits of the concessions, which may be over a period as long as five years. Since the inception of the Farm Debt Review process, the Corporation has offered $46.5 million in concessions and received $8.1 million in payments. The difference of $38.4 million will be due and received over the next five years.

12. Comparative figures

Certain 1987 comparative figures have been reclassified to reflect the presentation adopted in 1988.

SUMMARY PAGE

FEDERAL BUSINESS DEVELOPMENT BANK

MANDATE

To promote and assist in the establishment and development of business enterprises in Canada by providing financial assistance, management counselling, management training, information and advice.

BACKGROUND

Since 1974, the Bank has provided financial assistance to Canadian firms by acting as a supplementary lender and a source of equity financing. It also provides financial planning, counselling and training, information and other management services to small and medium-sized business.

CORPORATION DATA

HEAD OFFICE	800 Victoria Square Box 335 Stock Exchange Tower Station Montreal, Quebec H4Z 1L4
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Robert R. de Cotret, P.C., M.P.
DEPARTMENT	Regional Industrial Expansion and Science and Technology
YEAR AND MEANS OF INCORPORATION	1974; by the *Federal Business Development Bank Act* (R.S.C. 1985, c. F-6); (successor to the Industrial Development Bank, established 1944).
CHIEF EXECUTIVE OFFICER	Guy A. Lavigueur
CHAIRMAN	William J. McAleer, Q.C.
AUDITOR	Price Waterhouse

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	2,294	1,920	1,595	1,566
Obligations to the private sector	1,916	1,563	1,184	1,023
Obligations to Canada	nil	51	144	263
Equity of Canada	276	242	207	202
Cash from Canada in the period				
— budgetary	78	55	26	31
— non-budgetary	nil	nil	nil	nil

FEDERAL BUSINESS DEVELOPMENT BANK

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements were prepared by the management of the Federal Business Development Bank in accordance with accounting principles generally accepted in Canada, which were consistently applied except for a change in accounting for pension costs and obligations. The financial data contained in other sections of this annual report is consistent with the content of the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains a system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal controls is augmented by audit and inspection staff who conduct periodic reviews of different aspects of the Bank's operations. In addition, the Vice-President, Internal Audit and the Independent Auditor have full and free access to the Audit Committee of the Bank's Board of Directors which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

These financial statements have been examined and reported upon by the Bank's independent auditor, Mr. Raymond J. Morcel, F.C.A. of Price Waterhouse, Chartered Accountants.

Guy A. Lavigueur
President

AUDITOR'S REPORT

THE HONOURABLE MINISTER OF REGIONAL INDUSTRIAL EXPANSION
AND MINISTER OF STATE
FOR SCIENCE AND TECHNOLOGY

THE HONOURABLE MINISTER OF STATE
(SMALL BUSINESSES AND TOURISM)
AND MINISTER OF STATE
(INDIAN AFFAIRS AND NORTHERN DEVELOPMENT)

I have examined the balance sheet of the Federal Business Development Bank as at March 31, 1988, and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Federal Business Development Bank as at March 31, 1988, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in accounting for pension costs and obligations, with which I concur and as described in Note 10, on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of the above mentioned examination of the financial statements of the Federal Business Development Bank for the year ended March 31, 1988, to determine whether they were in accordance with Part XII of the Financial Administration Act, the regulations, the FBDB Act and the by-laws of the Bank. My examination of these transactions was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances. In my opinion, these transactions were, in all significant respects, in compliance with the authorities specified.

Raymond J. Morcel, F.C.A.
of Price Waterhouse

Montreal, June 8, 1988

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

ASSETS	1988	1987
Cash	2,423	2,272
Treasury bills	91,072	15,664
	93,495	17,936
Loans	2,194,017	1,921,884
Venture capital investments (Note 3)	53,462	43,133
Interest due and accrued	10,198	14,623
	2,257,677	1,979,640
Less: accumulated provision for losses (Note 4)	137,870	125,565
	2,119,807	1,854,075
Long-term investment (Note 5)	56,000	28,000
Fixed assets, less accumulated depreciation	1,670	2,007
Unamortized debt issue expenses	9,861	10,392
Other assets	13,275	7,814
	2,294,108	1,920,224

LIABILITIES	1988	1987
Cheques outstanding	5,903	6,755
Short-term notes	516,405	430,226
Accrued interest on short and long-term notes	55,028	48,031
Other liabilities	18,194	9,874
	595,530	494,886
Amount on deposit from Canada (Note 5)	23,000	
Notes held by Canada		51,000
Notes payable, other than to Canada (Note 6)	1,399,531	1,132,718
	2,018,061	1,678,604
CAPITAL		
Capital paid in by Canada (Note 7)	512,600	484,600
Deficit	(236,553)	(242,980)
	276,047	241,620
	2,294,108	1,920,224

Approved by the Board:

H. BLOOMFIELD
Director

GUY A. LAVIGUEUR
Director

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

FINANCIAL SERVICES

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

	1988	1987
Interest and Investment Income		
Loans	260,214	230,806
Venture capital investments	6,634	8,072
	266,848	238,878
Interest Expense		
Long-term notes	121,945	111,628
Short-term notes	44,643	36,534
	166,588	148,162
Net interest and investment income	100,260	90,716
Provision for losses on loans, guarantees and venture capital investments	34,779	29,671
Net interest and investment income after provision for losses	65,481	61,045
Non-Interest Expenses		
Salaries and staff benefits	36,852	34,123
Premises and equipment, including depreciation	8,763	7,335
Other expenses	13,439	12,859
	59,054	54,317
Net income (Note 12)	6,427	6,728
Net income attributable to Loans Division	2,882	1,379
Venture Capital Division	3,545	5,349

STATEMENT OF DEFICIT FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1988	1987
Deficit, beginning of year	(242,980)	(249,708)
Net income	6,427	6,728
Deficit, end of year	(236,553)	(242,980)

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1988	1987
Operations		
Net income	6,427	6,728
Items not requiring an outlay of cash		
Provision for losses	34,779	29,671
Depreciation	1,012	860
Amortization of debt issue expenses	3,191	2,603
Net changes in accrued interest	11,422	13,464
Other	5,588	3,762
	62,419	57,088
Disbursements to borrowers and investees	(716,648)	(701,667)
Purchase of long-term investment	(28,000)	(28,000)
Repayments by borrowers and investees	408,308	369,492
Cash used in operations	(273,921)	(303,087)
Treasury		
Issue of long-term notes	539,413	460,000
Repayment of long-term notes	(323,600)	(238,653)
Net increase in short-term notes	86,179	64,867
Capital paid in by Canada	28,000	28,000
Deposit from Canada	23,000	
Debt issue expenses	(2,660)	(4,494)
	350,332	309,720
Increase in cash and Treasury bills, net of cheques outstanding	76,411	6,633
Cash and Treasury bills, net of cheques outstanding		
Beginning of year	11,181	4,548
End of year	87,592	11,181

MANAGEMENT SERVICES

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

	1988	1987
Salaries and staff benefits	19,581	18,724
Premises and equipment	4,112	3,664
Other expenses	10,995	11,303
Total expenditures	34,688	33,691
Less: revenue from CASE counselling, training seminar registration and other activities	7,923	6,840
Amount recovered from the Department of Regional Industrial Expansion Vote 50 (Vote 50 in 1987)	26,765	26,851
Net expenditures were incurred as follows:		
Management Counselling	9,513	9,537
Management Training	4,795	5,223
Information Services	12,457	12,091
	26,765	26,851

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

1. Objectives and operations of the Corporation

Federal Business Development Bank is a Crown corporation wholly-owned by the Government of Canada, which was established December 20, 1974, by the Federal Business Development Bank Act, as the successor to the Industrial Development Bank which commenced operations in 1944.

The objectives of the Bank, as stated in the Act, are to promote and assist in the establishment of business enterprises in Canada by providing financial assistance, management counselling, management training, information and advice; giving particular consideration to the needs of small business enterprises.

The Bank's lending and venture capital operations are carried out by Financial Services. Management Services includes counselling, training and information services. A statement of operations is shown for Management Services since it is funded separately by Parliamentary appropriation.

Federal Business Development Bank is for all purposes of its Act an agent of the Government of Canada, and as such all liabilities of the Corporation are direct obligations of the Government of Canada.

The Bank is exempt from income taxes.

2. Significant accounting policies

Loans and venture capital investments

Loans and venture capital investments are recorded at principal amounts.

Provision for losses on loans, guarantees and venture capital investments

Provisions are established for specifically identified probable losses on loans, guarantees and venture capital investments, as well as for anticipated but unidentified losses. The specific provision is established on an account by account basis whereas the general provision is based on historical experience and is intended to cover losses on loans, guarantees and venture capital investments which have not yet been specifically identified.

Revenue recognition

Interest on loans is recorded as income on an accrual basis except that interest is not accrued on loans where management believes that the interest will not be recovered. Dividends, interest and capital gains on venture capital investments are recorded as income when received.

Fixed assets and depreciation

Fixed assets are recorded at cost.

Depreciation is charged against income using the straight-line or diminishing balance methods in amounts sufficient to amortize the cost of fixed assets over their estimated useful lives. With respect to the Management Services function of the Bank, all capital expenditures are recovered from the Department of Regional Industrial Expansion and hence are not capitalized.

Debt issue expenses

Discounts, premiums and expenses related to the issue of the long term debt are amortized on a straight-line basis over the term of the obligations to which they pertain and charged to interest expense.

Translation of foreign currencies

Notes payable in foreign currencies are hedged by forward exchange contracts and are translated into Canadian dollars at the rates provided therein. The difference between the ultimate amount payable at the contracted rate and the cash proceeds of the issue is considered to be a financing cost and is therefore amortized by a charge to interest expense over the life of the obligation on a straight-line basis. The unamortized portion of these costs is included with unamortized debt issue expenses in the balance sheet. The related interest payable on these note issues is also hedged by forward exchange contracts and is translated into Canadian dollars at such contract rates.

3. Venture capital investments

	1988	1987
	(in thousands of dollars)	
Shares	35,715	24,960
Shareholder advances	1,508	1,927
Participating debentures	14,764	14,476
Convertible debentures	1,475	1,770
	53,462	43,133

4. Accumulated provision for losses

	1988	1987
	(in thousands of dollars)	
Accumulated provision, beginning of year	125,565	141,831
Amounts written off during the year	(25,878)	(48,961)
Recovery of amounts previously written off	3,404	3,024
	103,091	95,894
Additional provision required for the year	34,779	29,671
Accumulated provision, end of year	137,870	125,565

5. Long-term investment

Pursuant to a directive dated October 16, 1986, given by the Government of Canada to the Federal Business Development Bank under section 99 of the Financial Administration Act, the Bank was directed to purchase from Cominco Ltd. 790,000 series "E" preferred shares for an amount of $79 million in three tranches. The first and second tranches totalling 560,000 preferred shares for $56 million were made in fiscals 1987 and 1988 and were funded by capital paid into the Bank by the Government of Canada. The final tranche of $23 million, funded by a deposit from the Government of Canada in fiscal 1988, was made on April 5, 1988.

Cominco Ltd. is a Canadian mining producer of zinc and lead. This investment forms part of a $260 million programme of modernization relating to lead smelting operations in Trail, B.C. A twenty-year agreement between the Government of Canada and Cominco Ltd. provides for a sharing in the risks of the project. The redemption of the Bank's investment and payment of dividends thereon are tied to the success of the project as determined by a profitability index which is related to the performance of lead and silver prices over the life of the agreement.

This investment is carried at cost and any dividends will be recorded when received.

FEDERAL BUSINESS DEVELOPMENT BANK—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

6. Notes payable, other than to Canada

Maturities by fiscal year were as follows:

Rate %	1989	1990	1991	1992	1993	1994-97	Total
	(in thousands of dollars)						
7		50,000					50,000
8¼-9¾	110,000	245,013	103,968	205,000	149,975	125,000	938,956
10¼-11	53,000	69,875	78,000	53,000	3,000	6,000	262,875
12.7			42,000				42,000
14	105,700						105,700
	268,700	364,888	223,968	258,000	152,975	131,000	1,399,531

The above includes notes payable of United States $100 million, Yen 19.2 billion, Australian $50 million and New Zealand $50 million.

7. Capital paid in by Canada

	1988	1987
	(in thousands of dollars)	
Capital, beginning of year	484,600	456,600
Cash paid in	28,000	28,000
Capital, end of year	512,600	484,600

8. Contingent liabilities and commitments

The Bank is contingently liable as guarantor of loans aggregating $1.1 million.

The undisbursed amount as at March 31, 1988, on loans and venture capital investments authorized aggregated $174 million (1987—$212.1 million).

9. Lease commitments

Future minimum lease commitments under operating leases related to the rental of Bank premises are as follows:

	(in thousands of dollars)
1989	5,645
1990	5,054
1991	4,441
1992	4,134
1993	3,559
Thereafter	12,978
	35,811

10. Pension plan

The Bank maintains a defined benefit pension plan for eligible employees. In fiscal 1988, the Bank adopted prospectively the Canadian Institute of Chartered Accountants' new recommendations on accounting for pension costs and obligations. The effect of this change was to increase expenses by $679,000.

Based on the latest actuarial report prepared as of December 31, 1987, the present value of the accrued pension benefits amounted to $145.5 million and the market related value of the net assets was $154.7 million.

11. Statutory limitations on operations

The Minister of Finance may, with the approval of the Governor in Council, authorize capital payments to the Bank not in excess of an aggregate amount determined by the application of Section 28 of the Federal Business Development Bank Act. Under current ministerial interpretation of the provisions of this Section, the Bank is presently authorized to receive capital payments to the extent that total capital paid in by Canada does not exceed $554 million. The total of direct and contingent liabilities of the Bank is limited to a maximum of 12 times the amounts of its capital and deficit (or up to 15 times with the approval of the Governor in Council) and may not exceed $3.2 billion.

12. Financial services

The statement of operations for Financial Services is comprised of the results of the Loans Division and the Venture Capital Division which are segregated below. Within the capital of the Bank as at March 31, 1987 and 1988, was an amount of $35.6 million provided by the Government of Canada to fund the venture capital investment portfolio.

	1988			1987		
	Loans	Venture capital	Total	Loans	Venture capital	Total
	(in thousands of dollars)					
Interest and investment income	260,214	6,634	266,848	230,806	8,072	238,878
Interest expense	166,588		166,588	148,162		148,162
Net interest and investment income	93,626	6,634	100,260	82,644	8,072	90,716
Provision for losses	34,306	473	34,779	29,608	63	29,671
Net interest and investment income after provision for losses	59,320	6,161	65,481	53,036	8,009	61,045
Non-interest expenses	56,438	2,616	59,054	51,657	2,660	54,317
Net income	2,882	3,545	6,427	1,379	5,349	6,728

SUMMARY PAGE

FRESHWATER FISH MARKETING CORPORATION

MANDATE

To regulate inter-provincial and export trade in freshwater fish.

BACKGROUND

The corporation's Act gives it a monopoly over inter-provincial and export trade in freshwater fish originating in the Northwest Territories, the three prairie provinces and parts of northern Ontario. The objectives of the corporation are (a) to market fish in an orderly manner; (b) to increase returns to fishermen; and (c) to promote international markets for, and increase inter-provincial and export trade in, fish. The Act also requires the corporation to conduct its operations on a self-sustaining financial basis without appropriations.

CORPORATION DATA

HEAD OFFICE	1199 Plessis Road Winnipeg, Manitoba R2C 3L4
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Thomas E. Siddon, P.C., M.P.
DEPARTMENT	Fisheries and Oceans
YEAR AND MEANS OF INCORPORATION	1969; by the *Freshwater Fish Marketing Act* (R.S.C. 1985, c. F-13).
CHIEF EXECUTIVE OFFICER	Tom Dunn
CHAIRMAN	John McFarlane
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends April 30.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	23.6	18.9	25.5	25.0
Obligations to the private sector	3,2	2.4	1.9	1.9
Obligations to Canada	2.0	0.9	14.7	13.6
Equity of Canada	nil	nil	nil	nil
Cash from Canada in the period				
— budgetary	nil	nil	nil	nil
— non-budgetary	1.1	(13.8)	2.2	3.5

FRESHWATER FISH MARKETING CORPORATION

AUDITOR'S REPORT

TO THE MINISTER OF FISHERIES AND OCEANS

I have examined the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1988 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at April 30, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Freshwater Fish Marketing Act and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 25, 1988

BALANCE SHEET AS AT APRIL 30, 1988

ASSETS	1988	1987
	$	$
Current		
Accounts receivable		
Trade	5,868,334	4,818,391
Contributions (Note 3)	30,000	79,319
Other	731,832	911,265
Inventory		
Finished fish products	8,938,292	5,441,418
Packaging material and parts	1,188,414	996,559
Prepaid expenses	67,740	50,313
	16,824,612	12,297,265
Property, plant and equipment (Note 4)	6,785,476	6,652,677
	23,610,088	18,949,942

LIABILITIES	1988	1987
	$	$
Current		
Bank indebtedness	529,447	159,189
Accounts payable	2,646,945	2,002,912
Accrued interest payable	20,838	1,992
Loans from Canada (Note 5)	2,000,000	900,000
Provision for final payments to fishermen	15,760,422	13,659,913
	20,957,652	16,724,006
EQUITY		
Retained earnings	2,652,436	2,225,936
	23,610,088	18,949,942

Approved by the Board:

R. E. ENGLAND
Director

D. M. GAUVIN
Director

FRESHWATER FISH MARKETING CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED APRIL 30, 1988

	1988	1987
	$	$
Sales		
Domestic	7,253,139	7,575,999
Export	50,851,717	51,071,240
	58,104,856	58,647,239
Expenses		
Cost of sales	38,551,009	41,204,509
Interest (Note 6)	325,326	826,142
Salaries and employee benefits	996,199	933,920
Depreciation and amortization	1,160,502	938,705
Bad debts	118,534	59,858
Other	766,364	659,871
	41,917,934	44,623,005
Income before provision for final payments to fishermen	16,186,922	14,024,234
Provision for final payments to fishermen	15,760,422	13,659,913
Net income for the year	426,500	364,321
Retained earnings at beginning of the year	2,225,936	1,861,615
Retained earnings at end of the year	2,652,436	2,225,936

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED APRIL 30, 1988

	1988	1987
	$	$
Cash provided by (used for)		
Operating activities		
Income before provision for final payments to fishermen	16,186,922	14,024,234
Add (deduct):		
Items not affecting working capital		
Depreciation and amortization	1,160,502	938,705
Gain on sale of fixed assets	(48,302)	
Net changes in non-cash working capital balances relating to operations	(3,959,470)	4,516,267
Cash provided by operations	13,339,652	19,479,206
Investing activities		
Additions to property, plant and equipment	(1,379,831)	(1,174,146)
Proceeds on sale of property, plant and equipment	160,125	70,339
Cash applied to investing activities	(1,219,706)	(1,103,807)
Financing Activities		
Repayment of capital loans		(2,652,589)
Contributions for plant and equipment	78,834	109,106
Cash provided by (applied to) financing activities	78,834	(2,543,483)
Final payments to fishermen	(13,669,038)	(6,294,115)
Increase (decrease) in cash during the year	(1,470,258)	9,537,801
Cash and cash equivalents beginning of year	(1,059,189)	(10,596,990)
Cash and cash equivalents end of year	(2,529,447)	(1,059,189)
Cash and cash equivalents are composed of		
Bank indebtedness	(529,447)	(159,189)
Working capital loans from Canada	(2,000,000)	(900,000)
	(2,529,447)	(1,059,189)

NOTES TO FINANCIAL STATEMENTS APRIL 30, 1988

1. Objectives and operations

The Corporation was established by the Freshwater Fish Marketing Act in 1969, as a corporation without share capital, for the purpose of marketing and trading in fish, fish products and fish by-products in and out of Canada. The Corporation is an agent Crown corporation named in Schedule C, Part I of the Financial Administration Act and is required to conduct its operations on a self-sustaining basis. Total loans outstanding from Canada and from banks may not exceed $30 million.

The Corporation has the exclusive right to market the products of the commercial fishery in the provinces participating in the program in inter-provincial and export trade. Participation of the provinces of Manitoba, Saskatchewan, Alberta and Ontario and the Northwest Territories was established by agreement with the Government of Canada.

2. Significant accounting policies

Inventories

Finished fish products are valued at the lower of cost and net realizable value. Packaging material and parts are valued at the lower of cost and replacement cost.

Depreciation and amortization

Depreciation is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	—Lake stations	Straight-line	10%
	—Plants	Straight-line	2 ½%
Equipment	—Machinery and office equipment	Declining balance	10-25%
	—Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 ⅔%

Leasehold improvements are amortized on a straight-line basis over the term of the lease. Lease terms vary in length up to 20 years.

Payments to fishermen

The Corporation purchases fish at initial prices established by the Board of Directors and the cost of such purchases is included in the cost of sales. A guide used in the determination of the initial price is 80% of the projected total payments to fishermen (initial plus final), based upon forecasts prepared by the Corporation. Final payments, if any, to fishermen are determined by the Board after the end of the year, based on the results of operations for the year. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year.

Foreign currency translation

Accounts receivable and payable denominated in foreign currency are translated into Canadian dollars at the year-end exchange rate. Transactions in foreign currency during the year are translated at the rate in effect at the time of the transaction. Foreign exchange gains and losses are included in interest expense.

Contributions

Contributions received in respect of property, plant and equipment are credited to the cost of the assets; those received in respect of job creation programs are credited against salaries and wages expense.

FRESHWATER FISH MARKETING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1988—*Concluded*

3. Contributions receivable

	1988	1987
	$	$
Government of the Northwest Territories Agricultural and Regional Development Act	30,000	
Government of Canada		
Department of Regional Industrial Expansion		78,834
National Research Council		485
	30,000	79,319

Total contributions from the Government of Canada and the Government of the Northwest Territories towards the cost of property, plant and equipment, and job creation programs during the year were $47,793 (1987—$256,775).

4. Property, plant and equipment

	1988			1987
	Cost	Accumulated depreciation and amortization	Net	Net
	$	$	$	$
Land	263,065		263,065	214,428
Buildings	5,586,495	2,418,564	3,167,931	3,171,763
Equipment	7,745,333	4,993,072	2,752,261	2,196,227
Fresh fish delivery tubs	1,819,178	1,318,495	500,683	651,534
Vessels	59,698	3,446	56,252	80,652
Leasehold improvements	420,904	375,620	45,284	56,529
Construction in progress				281,544
	15,894,673	9,109,197	6,785,476	6,652,677

5. Loans from Canada

These loans are secured by promissory notes and are made under Section 17 of the Act. At the end of the year, the outstanding amounts were as follows:

	1988		1987	
	Interest rate	Amount	Interest rate	Amount
	%	$	%	$
Working capital loans (payable on demand)	8.474	2,000,000	7.02	400,000
			8.134	500,000
		2,000,000		900,000

6. Interest expense

	1988	1987
	$	$
Interest on loans from Canada		
Working capital	226,418	725,192
Capital		29,488
	226,418	754,680
Losses on foreign exchange	234,868	187,949
Interest income (net)	(135,960)	(116,487)
	325,326	826,142

7. Income taxes

The Corporation is eligible to deduct for tax purposes a portion of its eligible capital cost allowance, and accordingly has no taxable income for the year. At April 30, 1988, the excess of undepreciated capital cost over net book value of property, plant and equipment amounted to $3,227,433 (1987—$3,648,521) which can be used to reduce future years' taxable income.

8. Remuneration to foreign agents

During the year, the Corporation paid an aggregate amount of $966,708 (1987—$1,147,614) to the following foreign sales agents: Frohman International, Juhl Brokerage Incorporation, Bill Bush & Associates, R.M. Sloan Co., Mile Hi Country Sales Co., Sahakian, Salm & Gordon, Benolken Brokerage Company, International Pacific Seafoods, Inc.—U.S.; I. LeGrand H. Malo et Cie—France; Lejos Oy—Finland; AB.P. Jorgensen—Sweden; Rud Kanzow Gmbh & Co.—Germany.

SUMMARY PAGE

GREAT LAKES PILOTAGE AUTHORITY, LTD.

MANDATE

To establish, operate, maintain and administer in the interests of safety, an efficient pilotage service in designated Canadian waters in the Great Lakes area and in and around Ontario, and in designated waters in Manitoba, and in the St. Lawrence River, south of the St. Lambert Lock in Quebec.

BACKGROUND

Established in 1972, the Authority provides pilotage services and has the power to make regulations, subject to the approval of the Governor in Council, which establish compulsory pilotage areas; prescribe the ships/classes of ships that are subject to compulsory pilotage, the circumstances under which compulsory pilotage may be waived and pilotage tariffs; and which cover the licensing of pilots and issuance of pilotage certificates. Tariffs must be fair and reasonable and sufficient to permit the Authority to operate on a self-sustaining financial basis.

CORPORATION DATA

HEAD OFFICE	132 Second Street East P.O. Box 95 Cornwall, Ontario K6H 5R9
STATUS	— Schedule III, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14), incorporated under the *Canada Corporations Act* in May 1972 as a subsidiary of The St. Lawrence Seaway Authority.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Richard G. Armstrong
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	1985	1984
At the end of the year				
Total Assets	4.6	5.2	2.0	4.3
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	(2.0)	(1.0)	(5.2)	(2.2)
Cash from Canada for the year				
— budgetary	1.0	nil	3.4	0.3
— non-budgetary	nil	nil	nil	nil

GREAT LAKES PILOTAGE AUTHORITY, LTD.

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of Great Lakes Pilotage Authority, Ltd. as at December 31, 1987 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Pilotage Act and regulations, and the by-laws of the Authority.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
January 27, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987

ASSETS	1987	1986	LIABILITIES	1987	1986
	$	$		$	$
Current			Current		
Cash and short-term deposits	2,984,235	3,195,752	Accounts payable and accrued liabilities	2,627,230	2,710,085
Accounts receivable	1,618,157	1,936,068	Accrued life insurance experience loss (Note 3)	250,000	
	4,602,392	5,131,820	Accrued retirement incentives (Note 4)	227,500	
Fixed, at cost			Accrued employee termination benefits	634,605	35,477
Buildings	63,642	63,642		3,739,335	2,745,562
Furniture and equipment	100,427	94,418	Long-term		
	164,069	158,060	Accrued employee termination benefits	2,879,389	3,462,137
Less: accumulated depreciation	132,757	122,462		6,618,724	6,207,699
	31,312	35,598			
			SHAREHOLDER'S DEFICIENCY		
			Capital stock		
			Authorized—Unlimited		
			Issued and fully paid—15 shares	1,500	1,500
			Contributed capital	82,074	82,074
			Deficit	(2,068,594)	(1,123,855)
				(1,985,020)	(1,040,281)
	4,633,704	5,167,418		4,633,704	5,167,418

Approved by the Board:

RICHARD ARMSTRONG
Director

GUY ST. MARSEILLE
Director

GREAT LAKES PILOTAGE AUTHORITY, LTD.—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Revenues		
Pilotage charges	9,507,841	11,082,134
Despatching and pilot boat income	176,352	198,350
Interest and other income	166,210	103,522
	9,850,403	11,384,006
Expenses		
Pilots' salaries and benefits	7,627,641	7,955,568
Staff salaries and benefits	1,035,697	1,008,555
Transportation and travel	707,070	724,116
Pilot boats	485,681	494,474
Life insurance experience loss (gain) (Note 3)	275,836	(90,344)
Retirement incentives (Note 4)	227,500	
Employee termination benefits	215,172	310,089
Communications	49,583	57,072
Professional and special services	44,241	33,363
Rentals	41,749	40,166
Purchased despatching services	36,983	41,385
Utilities, materials and supplies	28,156	26,043
Depreciation	10,295	9,687
Repairs and maintenance	9,538	16,277
Bad debt recoveries		(16,223)
	10,795,142	10,610,228
Profit (loss) for the year	(944,739)	773,778

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Balance, beginning of the year	1,123,855	5,258,133
Parliamentary appropriation (Note 5)		(3,360,500)
(Profit) loss for the year	944,739	(773,778)
Balance, end of the year	2,068,594	1,123,855

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Financing activities		
Parliamentary appropriation		3,360,500
Operating activities		
Cash provided from (used in) operations		
Profit (loss) for the year	(944,739)	773,778
Items not requiring cash		
Employee termination benefits	215,172	310,089
Depreciation	10,295	9,687
	(719,272)	1,093,554
Increase in accrued life insurance experience loss	250,000	
Increase in retirement incentives payable	227,500	
Decrease in accounts payable and accrued liabilities	(82,855)	(519,759)
Decrease (increase) in accounts receivable	317,911	(284,363)
Decrease in accrued employee termination benefits	(198,792)	(755,477)
	(205,508)	(466,045)
Investing activities		
Additions to fixed assets	(6,009)	(21,017)
Increase (decrease) in cash	(211,517)	2,873,438
Cash and short-term deposits, beginning of the year	3,195,752	322,314
Cash and short-term deposits, end of the year	2,984,235	3,195,752

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. Authority and objectives

The Great Lakes Pilotage Authority was established on February 1, 1972 pursuant to the Pilotage Act, incorporated as a limited company on May 17, 1972, and is continued under the Canada Business Corporations Act. Pursuant to the Financial Administration Act, the Authority is deemed to be a parent Crown corporation listed in Schedule C Part I thereto. The majority of shares issued by the Authority are held by The St. Lawrence Seaway Authority, also a parent Crown corporation. The balance is held by the Authority's Chairman and six Directors appointed by the Governor in Council.

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act provides that the pilotage tariffs shall be fair, reasonable and sufficient and together with any revenue from other sources, shall permit the Authority to operate on a self-sustaining financial basis.

The Authority is exempt from any income taxes.

2. Significant accounting policies

Parliamentary appropriations

When revenues are not sufficient to permit the Authority to operate on a self-sustaining financial basis, cash operating losses are recovered from parliamentary appropriations. These appropriations are recorded in the accounts when approved by Parliament and are reflected in the statement of deficit.

Parliamentary appropriations to finance capital expenditures are recorded as contributed capital.

GREAT LAKES PILOTAGE AUTHORITY, LTD.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

Depreciation

Depreciation of fixed assets is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture and equipment	5 to 10 years

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid, generally over the remaining years of service of the employees.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees. The current liability reflects the accrued termination benefits of only those employees who have indicated their intention to terminate their employment within the coming year.

Employee life insurance plan

The Authority provides an annual life insurance plan for its employees on a self-insurance basis. Surpluses, premiums and deficits from the plan are included in revenues and/or expenses in the year in which they apply.

3. Life insurance experience loss (gain)

During 1987, the Authority experienced an unusual number of claims against the employee life insurance plan which resulted in an expense of $275,836, of which $250,000 is payable subsequent to the year end.

4. Retirement incentives

The Authority instituted a one-time retirement incentive plan for a number of its employees during the current year. Twelve employees decided to take the option of early retirement and left employment at December 31, 1987. The total cost of this plan was $227,500.

5. Parliamentary appropriation

The parliamentary appropriation of 1986 — $3,360,500 reflected in the statement of deficit appeared in Supplementary Estimates "C" and represents funding of the 1985 cash operating loss. The Authority is seeking a further parliamentary appropriation to fund the 1987 cash operating loss and the 1988 estimated cash operating loss.

6. Pension plan

Under provisions of the Pilotage Act, pilots who choose to become employees of the Authority are entitled to count service prior to becoming an employee as pensionable under the Public Service Superannuation Act. For pilots who have elected to purchase pension benefits with respect to past service, the Authority is required to match the employee contribution. The estimated unfunded past service pension contribution with respect to these employees was approximately $208,400 as of December 31, 1987 (1986 — $293,000) and will be funded over the remaining years of service of the pilots, or the terms of purchase, whichever is the lesser.

In 1987, the pension expense was $524,148 (1986 — $541,158) including $42,679 (1986 — $48,028) for past service contributions.

7. Commitments

The Authority has entered into a long-term lease for the rental of office space. The minimum annual rental payments which will be paid over the remaining life of the lease are as follows:

	$
1988	35,500
1989	2,970
	38,470

In addition, the Authority has contract commitments for its pilot boat services for the next year. The estimated commitment with respect to these contracts is approximately $300,000. Tenders have been requested for the land transportation services for the next two years. The estimated commitment is approximately $150,000 a year.

SUMMARY PAGE

HALIFAX PORT CORPORATION

MANDATE

Administration, management and control of the Halifax harbour and all works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Halifax Port Corporation was established on June 1, 1984, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. Total cargo handled by the port in 1987 amounted to 15.8 million tonnes. Of this, the corporation's facilities handled 4.2 million tonnes including 2.8 million tonnes of containerized cargo.

CORPORATION DATA

HEAD OFFICE	P.O. Box 336 Ocean Terminal Halifax, Nova Scotia B3J 2P6
STATUS	— Schedule III, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1984; letters patent of incorporation issued by the Minister of Transport pursuant to subsection 25(1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	David F. Bellefontaine
CHAIRMAN	Donald A. Parker
AUDITOR	Doane Raymond

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	1985	7 months to Dec. 31, 1984
At the end of the year				
Total Assets	62.0	60.6	60.2	58.3
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	4.1*	30.0	28.2	25.6
Equity of Canada	55.2*	23.2	23.9	22.2
Cash from Canada in the period				
— budgetary**	nil	nil	(negl.)	0.6
— non-budgetary	nil	4.1	2.6	nil

* In 1987, $25.6 million loan principal outstanding was forgiven by Canada. That amount, with related interest forgiven, was added to the corporation's contributed capital.

** Takes no account of payments to Canada: in 1987, dividend $0.3 million and, in 1986, special contributions, $1.9 million.

HALIFAX PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE JOHN CROSBIE, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the Halifax Port Corporation as at December 31, 1987, and the statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act, and the by-laws of the Corporation.

Doane Raymond
Chartered Accountants

Halifax, Canada
February 3, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987

ASSETS	1987	1986
	$	$
Current		
Cash	227,232	52,148
Investments (Note 3)	5,620,579	3,999,445
Accounts receivable	2,741,320	2,590,519
Materials and supplies	102,783	92,842
	8,691,914	6,734,954
Investments (Note 3)	33,300	33,195
Fixed (Note 4)	53,243,487	53,839,280
	61,968,701	60,607,429

LIABILITIES	1987	1986
	$	$
Current		
Accounts payable and accrued liabilities	911,350	837,109
Grants in lieu of municipal taxes	201,002	32,702
Deferred revenues	892,851	858,106
Current portion of long-term debt	303,688	276,080
	2,308,891	2,003,997
Accrued employee benefits	662,746	682,648
Loans from Canada (Note 5)	3,820,233	34,680,853
	6,791,870	37,367,498
EQUITY		
Contributed capital (Note 6)	53,796,865	72,136,346
Contribution to Canada (Note 6)		(1,920,000)
Surplus (deficit)	1,379,966	(46,976,415)
	55,176,831	23,239,931
	61,968,701	60,607,429

On behalf of the Board:

DONALD A. PARKER
Chairman

DAVID F. BELLEFONTAINE
General Manager and Chief Executive Officer

HALIFAX PORT CORPORATION—*Continued*

STATEMENT OF INCOME AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Revenue from operations	12,866,025	11,037,012
Operating and administrative expenses	8,211,102	6,788,356
Depreciation	2,033,490	2,002,115
Grants in lieu of municipal taxes	907,200	668,352
	11,151,792	9,458,823
Income from operations	1,714,233	1,578,189
Investment income	418,840	361,937
Interest expense	(440,000)	(476,582)
Gain (loss) on disposal of fixed assets	3,778	(407,262)
	(17,382)	(521,907)
Net income before extraordinary item	1,696,851	1,056,282
Extraordinary item		
Gain on sale of land		249,000
Net income	1,696,851	1,305,282
Deficit, beginning of year	(46,976,415)	(48,281,697)
Deficit reduction (Note 6)	46,976,415	
	1,696,851	(46,976,415)
Dividend to Canada	316,885	
Surplus (deficit), end of year	1,379,966	(46,976,415)

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Operating activities		
Net income before extraordinary item	1,696,851	1,056,282
Depreciation	2,033,490	2,002,115
Other	(24,388)	437,762
Decrease (increase) in operating components of working capital	116,545	(3,997,423)
Cash provided by (applied to) operating activities	3,822,498	(501,264)
Financing activities		
Loans from Canada	(276,079)	4,123,920
Contribution to Canada		(1,920,000)
Dividend to Canada	(316,885)	
Cash provided by (applied to) financing activities	(592,964)	2,203,920
Investing activities		
Proceeds from sale of land		249,000
Additions to fixed assets	(1,443,777)	(2,080,510)
Other	10,461	355,179
Cash applied to investing activities	(1,433,316)	(1,476,331)
Increase in cash and short-term investments	1,796,218	226,325
Cash and short-term investments, beginning of year	4,051,593	3,825,268
Cash and short-term investments, end of year	5,847,811	4,051,593

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1987

1. In accordance with the Canada Ports Corporation Act, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

   In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of Halifax to the Halifax Port Corporation.

2. Significant accounting policies

   (a) Investments

   The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

   (b) Fixed assets

   Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.
   Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

   (c) Pension costs

   All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

   (d) Insurance

   Canada Ports Corporation assumes substantially all risks against fire and general perils, as well as worker compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

   (e) Grants in lieu of municipal taxes

   The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

   (f) Employee benefits

   The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

HALIFAX PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

3. Investments

	1987		1986	
	Amortized cost	Face value	Amortized cost	Face value
	$	$	$	$
Short-term	5,620,579	5,706,200	3,999,445	4,045,400
	Amortized cost	Market value	Amortized cost	Market value
Long-term	33,300	32,342	33,195	33,242

4. Fixed assets

	1987				1986
	Depreciation rates	Cost	Accumulated depreciation	Net book value	Net book value
	%	$	$	$	$
Land		23,324,988		23,324,988	23,324,979
Dredging	2.5-6.7	2,596,947	2,227,834	369,113	395,672
Berthing structures	2.5-10	32,296,191	17,396,301	14,899,890	15,351,283
Buildings	2.5-10	17,229,911	11,115,912	6,113,999	6,515,802
Utilities	3.3-10	4,442,159	1,832,375	2,609,784	2,750,137
Roads and surfaces	2.5-10	7,426,910	3,689,886	3,737,024	3,230,524
Machinery and equipment	5-100	9,276,740	7,556,896	1,719,844	1,840,976
Office furniture and equipment	20	865,401	607,691	257,710	301,249
Projects under construction		211,135		211,135	128,658
		97,670,382	44,426,895	53,243,487	53,839,280

5. Loans from Canada

	1987	1986
	$	$
Non-interest bearing loan with indefinite due date		25,555,762
Accrued interest on loans not due and payable		5,001,171
		30,556,933
10% loan maturing on December 31, 1996 repayable in blended annual principal and interest payments of $716,080	4,123,920	4,400,000
Less: current portion repayable within one year	303,687	276,080
	3,820,233	4,123,920
	3,820,233	34,680,853

The loans from Canada are unsecured.

6. Contributed capital

	1987	1986
	$	$
Balance at beginning of year	72,136,347	72,136,347
Forgiveness of non-interest bearing loans and related accrued interest (Note a)	30,556,933	
Contribution to Canada (Note b)	(1,920,000)	
Deficit reduction (Note c)	(46,976,415)	
Balance at end of year	53,796,865	72,136,347

(a) During the year, the non-interest bearing loans and the related accrued interest in the amount of $30,556,933 were forgiven by Canada. This amount has been credited to Contributed Capital.

(b) Contribution to Canada

Payments from excess cash made in 1986 to Canada and treated as Contribution to Canada in the amount of $1,920,000 have been reclassified to Contributed Capital.

(c) Equity of Canada

During the year, the Minister of Transport approved a reduction of the deficit as at January 1, 1987, in the amount of $46,976,415 with a corresponding reduction in Contributed Capital.

SUMMARY PAGE

HARBOURFRONT CORPORATION

MANDATE

a) To develop, manage and operate the waterfront in accordance with the development framework.

b) To initiate, conduct or sponsor cultural, recreational, scientific and educational programs which, in its opinion are of advantage to the public.

BACKGROUND

The Harbourfront site was delineated by the federal government in 1972 through the assembly of lands it owned plus other lands it expropriated. Extensive decayed properties were removed. With the efforts of all levels of government and an interim board, a long-term development plan was established and the mandate for Harbourfront Corporation was put in place in 1978. Since 1976, active Harbourfront programs of cultural, recreational and educational activities have made the site an attractive, busy public place. In addition to its spending on facilities for public use, the corporation has furthered private sector development on the site by leasing some land and selling air rights and with its cash flow from related development Harbourfront is aiming for financial self-sufficiency in its operation.

CORPORATION DATA

HEAD OFFICE	Suite 500 410 Queen's Quay West Toronto, Ontario M5V 1A2
STATUS	— Schedule III, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Stewart McInnes, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1936; as Terminal Warehouses Ltd, under the Ontario *Companies Act*; July 14, 1978, as Harbourfront Corporation, under the *Business Corporations Act* of Ontario; continued under the *Canada Business Corporations Act*, December 21, 1984.
CHIEF EXECUTIVE OFFICER (ACTING)	Frank Mills
CHAIRMAN	Consiglio Di Nino
AUDITOR	KPMG Peat, Marwick

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87* (restated)	1985-86	1984-85 (restated)
At the end of the period				
Total Assets	42.4**	52.7	36.3	27.9
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	38.7	49.6	0.3	0.2
Cash from Canada in the period				
— budgetary	nil	1.0	6.1	20.9
— non-budgetary	nil	nil	nil	nil

* The 1986-87 and subsequent financial statements reflect a change in the corporation's accounting so as to recognize that Harbourfront's proceeds from development have contributed to the funding of the corporation's activities.

** The value assigned to Receivables from developers on the balance sheet was reduced by $12 million in the period.

HARBOURFRONT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE STEWART McINNES, P.C., M.P.
MINISTER OF PUBLIC WORKS

We have examined the balance sheet of Harbourfront Corporation as at March 31, 1988 and the statements of operations, contributed surplus and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the retroactive changes in accounting policies disclosed in Note 3 with which we concur, on a basis consistent with that of the preceding year.

Further, we have examined the transactions that came to our notice in the course of the above mentioned examination of the financial statements of Harbourfront Corporation for the year ended March 31, 1988, to determine whether they were in accordance with Part XII of the Financial Administration Act, the regulations, the charter and by-laws of the Corporation and the seven year management agreement dated June 13, 1980 as amended and renewed from time to time and expiring March 31, 1989. In our opinion, these transactions were, in all significant respects, in compliance with the authorities specified.

The financial statements for the prior year were reported on by another firm of chartered accountants.

Peat Marwick
Chartered Accountants

Toronto, Canada
August 9, 1988

BALANCE SHEET MARCH 31, 1988
WITH COMPARATIVE FIGURES FOR 1987

ASSETS	1988	1987
	$	$ (Restated Note 3)
Current assets		
Cash and term deposits	2,793,999	2,533,538
Receivable from the Crown (Note 4)	9,222,809	357,022
Receivable from developers (Note 5)	9,796,866	12,253,534
Other receivables and assets	1,713,188	1,821,857
	23,526,862	16,965,951
Non-current assets		
Receivable from the Crown (Note 4)	731,931	6,972,765
Receivable from developers (Note 5)	12,164,691	21,467,358
Prepaid leases	580,000	
Deferred development costs (Note 6)	4,141,052	6,229,390
Fixed assets (Note 7)	1,265,505	1,044,157
	18,883,179	35,713,670
	42,410,041	52,679,621

LIABILITIES AND SHAREHOLDER'S EQUITY	1988	1987
	$	$ (Restated Note 3)
Current liabilities		
Accounts payable and accrued liabilities	2,957,918	1,562,781
Deferred revenues	772,133	1,488,144
	3,730,051	3,050,925
SHAREHOLDER'S EQUITY		
Share capital (Note 8)	1	1
Contributed surplus	34,441,284	41,605,107
Retained earnings	4,238,705	8,023,588
	38,679,990	49,628,696
	42,410,041	52,679,621

See accompanying notes to financial statements.

On behalf of the Board:

CONSIGLIO Di NINO
Director

SESPO DELUCA
Director

HARBOURFRONT CORPORATION—*Continued*

STATEMENT OF OPERATIONS YEAR ENDED MARCH 31, 1988 WITH COMPARATIVE FIGURES FOR 1987

	1988	1987
	$	$ (Restated Note 3)
Public programming and facilities		
Revenues		
Event admissions	1,689,202	1,348,047
Corporate sponsorships	1,084,337	1,076,897
Government grants	835,117	754,051
Parking, concessions and other income	3,217,530	2,662,153
Facility rentals	869,932	649,682
	7,696,118	6,490,830
Expenses		
Event production	4,668,672	3,855,495
Event administration	1,045,972	898,424
Marketing	2,336,683	1,527,188
Operation of public facilities	3,012,936	2,570,291
Operation of programming facilities	2,094,625	2,082,864
	13,158,888	10,934,262
Loss on public programming and facilities	(5,462,770)	(4,443,432)
Commercial and corporate activities		
Revenues		
Commercial income	2,519,884	2,172,496
Interest on receivables from developers	867,845	1,271,947
Interest on Harbourfront Capital Account	642,794	533,637
	4,030,523	3,978,080
Expenses		
Commercial management	1,030,136	1,074,271
Corporate administration	1,322,500	815,433
	2,352,636	1,889,704
Profit on commercial and corporate activities	1,677,887	2,088,376
Net loss for the year	(3,784,883)	(2,355,056)

See accompanying notes to financial statements.

STATEMENT OF CONTRIBUTED SURPLUS AND RETAINED EARNINGS YEAR ENDED MARCH 31, 1988 WITH COMPARATIVE FIGURES FOR 1987

	1988	1987
	$	$ (Restated Note 3)
Contributed surplus		
Balance, at beginning of year	41,605,107	45,269,705
Net proceeds on development activity	375,694	450,000
Cost of parkland and public infrastructure conveyed to municipal governments	(3,474,781)	
Period development and other public infrastructure costs	(4,064,736)	(4,114,598)
Balance, end of year	34,441,284	41,605,107
Retained earnings		
Balance, at beginning of year	1,416,856	335,510
Restatement	6,606,732	10,043,134
Revised balance, at beginning of year	8,023,588	10,378,644
Net loss for the year	(3,784,883)	(2,355,056)
Balance, at end of year	4,238,705	8,023,588

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED MARCH 31, 1988 WITH COMPARATIVE FIGURES FOR 1987

	1988	1987
	$	$ (Restated Note 3)
Operations		
Net loss for the year	(3,784,883)	(2,355,056)
Depreciation	287,372	156,516
	(3,497,511)	(2,198,540)
Receivables and other assets	108,669	(435,034)
Prepaid leases	(580,000)	
Accounts payable and accrued liabilities	1,395,137	(644,123)
Deferred revenues	(716,011)	(27,530)
	(3,289,716)	(3,305,227)
Investing		
Investment in fixed assets	(1,352,570)	(2,920,913)
Harbourfront Capital Account		
—Contributions	(11,059,166)	(7,999,520)
—Withdrawals	8,400,000	9,800,000
—Interest	34,213	(12,289)
	(3,977,523)	(1,132,722)
Financing		
Grants and sponsorship of fixed assets	843,850	1,981,711
Development		
Net proceeds on development activity	375,694	450,000
Cost of parkland and public infrastructure conveyed to municipal governments	(3,474,781)	
Period development and other public infrastructure costs	(4,064,736)	(4,114,598)
Deferred development costs	2,088,338	(3,817,980)
Receivable from developers	11,759,335	11,641,599
	6,683,850	4,159,021
Change in the year	260,461	1,702,783
Cash and term deposits, beginning of the year	2,533,538	830,755
Cash and term deposits, end of the year	2,793,999	2,533,538

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988

1. Authority and mandate of the Corporation

Harbourfront Corporation (the "Corporation"), continued under the Canada Business Corporations Act December 21, 1984, is a parent Crown corporation listed under Part I of Schedule C of the Financial Administration Act. The share capital of the Corporation is held by Her Majesty the Queen in Right of Canada (the "Crown") as represented by the Minister of Public Works. The Corporation is exempt from corporate income tax under Section 149(1)(d) of the Income Tax Act.

The Harbourfront site, owned by the Crown, totals approximately 100 acres and occupies a central position on the Toronto waterfront.

Under a Management Agreement with the Crown dated June 13, 1980 as amended and renewed from time to time and expiring March 31, 1989, the Corporation has the dual role and mandate to:

- Develop, manage and operate the Harbourfront site in accordance with a development framework approved by the Crown; and,

HARBOURFRONT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Continued*

- Initiate, conduct or sponsor cultural, recreational, scientific and educational programs which, in its view, are of advantage to the public.

Title to the lands of the Harbourfront site is held by the Crown with the exception of parkland and public infrastructure conveyed to municipal governments and certain lands transferred to the Corporation by the Crown. All development activity by the Corporation relates to the sale of air rights or the lease of lands of the Harbourfront site on behalf of the Crown.

In order that the Corporation achieve financial self-sufficiency, all profits generated by the Corporation, particularly from the development of the Harbourfront site, are available to the Corporation in fulfilling its mandate.

All funds derived from the capitalized leasing, sale or resale of lands or development rights are held on deposit with the Crown in the Harbourfront Capital Account, an interest bearing trust account. The principal may be withdrawn by the Corporation with the approval of the Crown. The interest is distributable to the Corporation on request.

2. Development freezes

During the period April through October, 1987, a policy review of the role and mandate of the Corporation was performed at the request of the Minister of Public Works. All development projects of the Corporation were held in abeyance during the review and subsequently released.

On February 22, 1988, Toronto City Council passed the Interim Control Bylaw suspending, with very few exceptions, all development activity on the Harbourfront site until December 14, 1988. Negotiations to end this second development freeze are in progress.

Due to the uncertainty of the impact on the Corporation, the possible ramifications of these actions have not been reflected in these financial statements.

3. Accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

To provide more appropriate disclosure of the Corporation's activities in fulfilling its mandate, the method of accounting for the development activities of the Corporation has been changed on a retroactive basis. The net proceeds generated by the Corporation from the development to date of the Harbourfront site on behalf of the Crown have been credited to contributed surplus to recognize the Crown's contribution to the funding of the Corporation's activities. Previously, all proceeds and costs related to development activities had been reported in the statement of income. The effect of this change is to decrease income by $11,215,000 in the current year and by $3,436,402 in 1987.

On a retroactive basis, the Corporation has consolidated the accounts of non-share-capital cultural corporations under its control. The impact of this change is not material to these financial statements.

After giving effect to these changes, the significant accounting policies of the Corporation are as follows:

(a) Basis of consolidation

These financial statements include the accounts of the Corporation, its subsidiaries and non-share-capital cultural corporations under its control.

(b) Revenue recognition

Revenues from public programming activities are recognized on performance of the related event. Revenues from public facilities and commercial activities are recognized as the related services are provided.

(c) Development proceeds and costs

All development proceeds and costs directly attributable to a project are deferred until approval of the related development agreement is received from the Crown, at which time, the proceeds are recorded, net of related development costs, as contributed surplus. Development costs not attributable to a particular project are charged to contributed surplus as incurred.

(d) Parkland and public infrastructure

Costs related to parkland and public infrastructure expected to be conveyed are deferred and charged to contributed surplus when title is passed to the appropriate municipal government. All other public infrastructure costs are charged to contributed surplus as incurred.

(e) Government grants and corporate sponsorship

Grants and sponsorship income are recorded as receivable when receipt is reasonably assured. Grants and sponsorship income are recognized as revenue on performance of the related event or applied against the costs of the related capital project, as appropriate. Grants from the Crown for the development of the site are made in its capacity as shareholder and are recorded as contributed surplus. Grants from the Crown to fund programming and other operations are recorded as revenue in the year received.

(f) Fixed assets

Fixed assets are recorded at cost, net of related government grants and corporate sponsorship. Depreciation is calculated on the straight-line basis over the estimated useful life of each asset. Transfers of land to the Corporation from the Crown, required to facilitate certain development agreements, are recorded at a cost of $1.

(g) Comparative figures

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

4. Receivable from the Crown

	1988	1987
	$	$
Receivable from the Harbourfront Capital Account	9,631,931	6,972,765
Interest receivable on the Harbourfront Capital Account	322,809	357,022
	9,954,740	7,329,787
Less non-current portion	731,931	6,972,765
	9,222,809	357,022

At March 31, 1988, $1,000,000 (1987 — $500,000) received on the sale of air rights and included in cash and term deposits, remained to be remitted to the Harbourfront Capital Account.

HARBOURFRONT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

5. Receivable from developers

	1988	1987
	$	$
Due on sale of air rights	20,605,249	32,137,045
Interest and construction allowances	1,356,308	1,171,347
Development fee		412,500
	21,961,557	33,720,892
Less non-current portion	12,164,691	21,467,358
	9,796,866	12,253,534

6. Deferred development costs

	1988	1987
	$	$
Deferred costs of projects under development	713,676	425,052
Deferred costs of parkland and public infrastructure	3,427,376	5,804,338
	4,141,052	6,229,390

7. Fixed assets

	1988	1987
	$	$
Land	1	1
Building	3,658,659	2,800,845
Equipment	1,185,384	690,628
	4,844,044	3,491,474
Less government grants and corporate sponsorship	3,068,353	2,224,503
	1,775,691	1,266,971
Less accumulated depreciation	510,186	222,814
	1,265,505	1,044,157

Construction of The Art Gallery at Harbourfront was completed in the year. As the capital costs of this facility are expected to be recovered from pledges, no depreciation of the unrecovered capital costs of $590,306 has been recorded in the year.

8. Share capital

As at March 31, 1988, the authorized share capital of the Corporation consists of 500,000 common shares without par value of which 215,500 shares are issued and fully paid for consideration of $1.

9. Cumulative contributions by the Crown

The following unaudited historical cost information in millions of dollars has been supplied by the Department of Public Works:

	Fiscal 1972 to 1980	Fiscal 1981 to 1988	Total
	$	$	$
Land acquisition	54.4		54.4
Operating and capital expenditures	21.5		21.5
Operating contributions		8.5	8.5
Development and land acquisition contributions		51.3	51.3
	75.9	59.8	135.7

Amounts contributed subsequent to fiscal 1980 represent expenditures pursuant to the Management Agreement with the Crown.

Only that portion which represents cash received from the Crown has been recorded in the accounts of the Corporation.

10. Litigation

The Corporation is the defendent in a number of legal actions and, in a number of instances, instituted counterclaims. In the opinion of management, these actions will not have a material adverse effect on the financial position of the Corporation.

SUMMARY PAGE

INTERNATIONAL CENTRE FOR OCEAN DEVELOPMENT

MANDATE

To initiate, encourage and support cooperation between Canada and developing countries in the field of ocean resource development.

BACKGROUND

ICOD was established by statute as a parent Crown corporation in February 1985. Its work complements that of CIDA, the International Development Research Centre, and other development assistance organizations. It is seen as an important new dimension in Canada's efforts to assist less developed countries through its long experience and expertise in marine resource management.

CORPORATION DATA

HEAD OFFICE	5670 Spring Garden Road 9th Floor Halifax, Nova Scotia B3J 1H6
STATUS	— Schedule III, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Right Honourable Joe Clark, P.C., M.P.
DEPARTMENT	External Affairs
YEAR AND MEANS OF INCORPORATION	1985; *The International Centre For Ocean Development Act*, (R.S.C. 1985, 1st Suppl. c. 17).
CHIEF EXECUTIVE OFFICER	G.C. Vernon
CHAIRMAN	Elisabeth Mann Borgese
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	0.2	0.1	0.1	negl
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	negl	negl	negl	nil
Cash from Canada in the period				
— budgetary	6.4	4.0	1.1	0.8
— non-budgetary	nil	nil	nil	nil

INTERNATIONAL CENTRE FOR OCEAN DEVELOPMENT

AUDITOR'S REPORT

TO THE MINISTER FOR EXTERNAL RELATIONS

I have examined the balance sheet of the International Centre for Ocean Development as at March 31, 1988 and the statements of operations, deficit, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Centre as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Centre that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the International Centre for Ocean Development Act and regulations, and the by-laws of the Centre.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 18, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987
	$	$
Current		
Cash	37,464	70,119
Accounts receivable	34,977	39,897
Accounts receivable—Projects administered on behalf of other agencies	169,867	34,117
	242,308	144,133

LIABILITIES	1988	1987
	$	$
Current		
Accounts payable and accrued liabilities	208,991	100,190
EQUITY		
Contributed surplus (Note 3)	54,227	54,227
Deficit	(20,910)	(10,284)
	33,317	43,943
	242,308	144,133

Approved by the Board:

ELIZABETH MANN BORGESE
Director

ROY L. CHEESEMAN
Director

INTERNATIONAL CENTRE FOR OCEAN DEVELOPMENT—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Program activities		
Technical assistance		
Technical assistance projects (Schedule A)	2,010,195	947,885
Program —Development and related expenses	88,334	87,894
—Administration costs (Schedule E)	341,747	223,678
	2,440,276	1,259,457
Information		
Information —Projects (Schedule B)	123,412	214,739
—Services expenses	139,647	105,183
Program administration costs (Schedule E)	277,571	127,768
	540,630	447,690
Training		
Course development projects (Schedule C)	1,145,878	548,091
Scholarship projects (Schedule D)	910,709	514,583
Program —Development and related expenses	11,720	18,564
—Administration costs (Schedule E)	324,563	181,611
	2,392,870	1,262,849
Total program activities expenditures	5,373,776	2,969,996
Administrative expenditures (Schedule F)	1,184,579	1,078,130
Deduct: revenues		
Recoveries—Projects administered on behalf of other agencies	(135,750)	(34,117)
Interest income	(11,979)	(22,184)
	(147,729)	(56,301)
Cost of operations for the year	6,410,626	3,991,825

STATEMENT OF DEFICIT FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Deficit, at beginning of the year	10,284	18,459
Parliamentary appropriations	6,400,000	4,000,000
	6,389,716	3,981,541
Deduct: cost of operations for the year	6,410,626	3,991,825
Deficit, at end of the year	20,910	10,284

STATEMENT OF CONTRIBUTED SURPLUS FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Contributed surplus, at beginning of the year	54,227	52,790
Assets contributed by predecessor non-government organization—International Centre for Ocean Development		1,437
Contributed surplus, at end of the year	54,227	54,227

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Financing activities		
Parliamentary appropriations	6,400,000	4,000,000
Cash balance contributed by predecessor non-government organization—International Centre for Ocean Development		1,437
	6,400,000	4,001,437
Operating activities		
Cash used for operations		
Cost of operations for the year	(6,410,626)	(3,991,825)
Increase in working capital items other than cash	(22,029)	(14,162)
	(6,432,655)	(4,005,987)
Net funds used	(32,655)	(4,550)
Cash, at beginning of the year	70,119	74,669
Cash, at end of the year	37,464	70,119

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988

1. Authority and objectives

The International Centre for Ocean Development was established by the International Centre for Ocean Development Act in 1985 as a Crown corporation without share capital, named in Schedule C, Part I to the Financial Administration Act. The Centre is dependent on the Government of Canada for operating appropriations.

The objectives of the Centre are to initiate, encourage and support cooperation between Canada and developing countries in the field of ocean resource development by:

(a) initiating and supporting programs in developing countries for the improved management and utilization of ocean resources, particularly as a source of food;

(b) supporting the development of indigenous expertise and institutions in developing countries in order to increase the capacity of developing countries in integrated ocean use management;

(c) enlisting the expertise of people and institutions in Canada, developing countries and elsewhere;

(d) developing and sponsoring the collection and dissemination of information relating to ocean resource development;

(e) developing and sponsoring training programs, technical assistance and advisory services relating to ocean resource development; and

(f) supporting research relating to ocean resource development.

INTERNATIONAL CENTRE FOR OCEAN DEVELOPMENT—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

2. Significant accounting policies

The financial statements reflect the following policies:

(a) Capital expenditures

Purchases of equipment, office furniture, and costs of leasehold improvements are expensed in the year of acquisition.

(b) Parliamentary appropriations

Parliamentary appropriations are recorded in the Statement of Deficit for the year to which they apply.

(c) Project expenditures

The Centre enters into agreements with third parties to undertake projects. Project expenditures are charged to operations when disbursed and as they become due under the terms of the contractual agreement.

(d) Pension plan

Employees of the Centre are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required equally from the employees and the Centre. These contributions represent the total liability of the Centre and are recognized in the accounts on a current basis.

3. Contributed surplus

Contributed surplus represents the net book value of assets contributed to the Centre by the predecessor, non-government organization, International Centre for Ocean Development.

4. Income taxes

The Centre is exempt from income taxes.

5. Operating leases

The Centre has entered into various operating lease arrangements for office premises and equipment. The future minimum lease payments are as follows:

Year ending March 31	$
1989	221,000
1990	216,000
1991	211,000
1992	211,000
	859,000

6. Contractual commitments

The Centre is committed to the following project expenditures, subject to compliance by recipients with the terms of their agreements.

Year ending March 31	$
1989	3,183,000
1990	2,250,000
1991	465,000
1992	323,000
	6,221,000

TECHNICAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED MARCH 31, 1988 — SCHEDULE A

Project Number		1988	1987
		$	$
850010	OECS Fisheries Desk	346,233	182,642
850011	FFA Surveillance	252,857	234,597
860036	Sea Moss Cultivation Programme	105,187	22,784
860049	Caribbean Fisheries Training —Phase II	92,310	
860041	CCOP/SOPAC—Regional Marine Geology	90,002	60,996
860072	Economic Analysis of Costa Rica	80,087	26,324
870107	Guidelines Fish Quality Control —Seychelles	78,634	
860094	Maldives Surveillance	78,013	
870132	Fisheries Data Management, Institutional Enhancement Program	63,900	
860030	Research Vessel Operation	61,654	22,163
860032	Fisheries Surveillance —South and West Indian Ocean	51,328	
860100	Coral/Sand Removal—Mauritius	50,047	
870116	Research Coordination Unit	50,000	
860055	Morocco Fisheries Data Management	49,521	
870173	Legal Affairs Unit—Forum Fisheries Agency, South Pacific	43,000	
870164	South Pacific Prosecutions Procedures Study	42,000	
860082	VFDP Evaluation	41,668	11,725
860083	Vanuatu—Fisherman's Tour	33,000	
870178	VSS Feasibility Test	30,000	
870162	Regional Fisheries Database Implementation	28,000	
870163	Cook Islands Boundary Delimitation Assistance	27,721	
870124	OECS Workshop on Regional Fisheries Access	26,250	
860098	Consultancy in Fisheries Management (Dominica)	25,504	
860034	Fisherman's Assistance —Dominican Republic	9,771	60,219
860086	Research Institute Evaluation	4,666	44,000
850035	Fisherman's Training—Pictou		63,858
850013	Fisheries Research Needs and Assessment		55,065
860056	Master Fisherman's Programme		26,041
	Projects under $25,000	248,842	137,471
		2,010,195	947,885

INFORMATION PROJECTS
FOR THE YEAR ENDED MARCH 31, 1988 — SCHEDULE B

Project Number		1988	1987
		$	$
860063	Training Directory—Phase II	43,343	6,818
860023	World Fisheries Map		69,804
860037	Marine Information Sri Lanka		50,000
860077	Regional Compendium—Indian Ocean		34,970
850021	Ocean Training Directory		28,900
	Projects under $25,000	80,069	24,247
		123,412	214,739

INTERNATIONAL CENTRE FOR OCEAN DEVELOPMENT—*Concluded*

COURSE DEVELOPMENT PROJECTS FOR THE YEAR ENDED MARCH 31, 1988 — SCHEDULE C

Project Number		1988	1987
		$	$
860060	Stock Assessment—CECAF	326,523	4,148
850014	Marine Affairs Diploma Course	272,286	175,037
860070	Marine Affairs Diploma Materials	135,622	85,325
870111	SPC Fisheries Extension Skills Course	80,000	
870115	Fisheries Enforcement Workshop, FFA	55,253	
870123	Erindale Maritime Boundary Delimitation Course	52,825	
870127	WMU Training Modules Phase II	52,650	
860102	Maritime Boundary Delimitation Course	38,511	
860027	WMU Sea Use Planning Course	31,043	2,066
850015	WMU Marine Affairs Course	14,044	26,180
850059	SEAPOL Ocean Boundary Making	(1,967)	82,200
850078	Maritime Boundary Delimitation Course	(1,295)	32,000
850022	Stand Alone Materials		56,514
860028	Non-Fuel Minerals Course—Halifax		30,872
	Projects under $25,000	90,383	53,749
		1,145,878	548,091

SCHOLARSHIP PROJECTS FOR THE YEAR ENDED MARCH 31, 1988 — SCHEDULE D

Project Number		1988	1987
		$	$
860074	Marine Affairs Diploma Scholarships	334,683	1,045
860097	CIDA/WMU Africa Scholarships	101,011	34,117
860076	ICOD Scholarship Programme (1987-91)	91,014	1,234
860062	Tropical Fisheries Diploma	70,263	58,965
850019	WMU Scholarships	67,512	34,117
860103	Coopération des Pêches	46,890	
860025	Regional University Scholarships	41,212	43,605
850018	IOI Scholarships (Halifax Course)	40,500	37,174
870167	CIDA Fellowships	34,740	
850017	ICOD Scholarship Programme (1985-87)	14,686	238,850
860081	IOI Scholarships (Indian Ocean)		49,933
	Projects under $25,000	68,198	15,543
		910,709	514,583

TOTAL PROGRAM ADMINISTRATION COSTS FOR THE YEAR ENDED MARCH 31, 1988 — SCHEDULE E

	Salaries	Travel	Total 1988	Total 1987
	$	$	$	$
Program activities				
Technical assistance	219,983	121,764	341,747	223,678
Information	227,452	50,119	277,571	127,768
Training	255,519	69,044	324,563	181,611
	702,954	240,927	943,881	533,057

ADMINISTRATIVE EXPENDITURES FOR THE YEAR ENDED MARCH 31, 1988 — SCHEDULE F

	1988	1987
	$	$
Employee and contract staff salary and benefits	474,506	468,404
Accommodation and leasehold improvements	222,399	156,317
Office equipment	118,135	102,763
Communications and postage	82,883	61,501
Recruitment and relocation	71,708	75,465
Office supplies and services	59,328	57,861
Travel and hospitality	48,969	72,408
Directors' honoraria, travel and meetings	48,096	40,665
Professional services	40,259	28,227
Miscellaneous services and expenses	18,296	14,519
	1,184,579	1,078,130

SUMMARY PAGE

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

MANDATE

To initiate, encourage, support and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical and other knowledge to the economic and social advancement of those regions.

BACKGROUND

IDRC was created to help resolve, through research carried out by Third World scientists, the problems of poverty in the developing countries. To this end, it has established the following main program areas: Agriculture, Food and Nutrition Sciences; Health Sciences; Information Sciences; Social Sciences; and, through collaborative research, the Earth Sciences and Technologies for Local Enterprises.

CORPORATION DATA

HEAD OFFICE	250 Albert Street Ottawa, Ontario K1G 3H9
STATUS	— not an agent of Her Majesty — exempt from provisions of Divisions 1 to IV of Part X of the *Financial Administration Act*
APPROPRIATE MINISTER	The Right Honourable Joe Clark, P.C., M.P.
DEPARTMENT	External Affairs
YEAR AND MEANS OF INCORPORATION	1970; by *The International Development Research Centre Act*, (R.S.C. 1985, c. I-19).
CHIEF EXECUTIVE OFFICER	Ivan L. Head
CHAIRMAN	Janet M. Wardlaw
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85 (restated)
At the end of the period				
Total Assets	24.3	14.3	16.7	20.3
Obligations to the private sector	nil	nil	nil	0.3
Obligations to Canada	nil	nil	4.0	nil
Equity of Canada	8.6	2.6	1.1	10.9
Cash from Canada in the period				
— budgetary	108.1	96.0*	82.0*	81.0
— non-budgetary	nil	nil	nil	nil

* Net of $4.0 million repaid to Canada in each of these two years.

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

AUDITOR'S REPORT

TO THE INTERNATIONAL DEVELOPMENT RESEARCH CENTRE
AND THE
SECRETARY OF STATE FOR EXTERNAL AFFAIRS

I have examined the balance sheet of the International Development Research Centre as at March 31, 1988 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards in Canada, conforming with International Auditing Guidelines, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Centre as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 6, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987
	$	$
Current		
Cash and short-term deposits (Note 3)	18,804,032	9,181,248
Accounts receivable	739,013	555,699
Prepaid expenses	973,566	700,665
	20,516,611	10,437,612
Recoverable deposits	197,721	444,754
Property and equipment (Note 4)	3,427,620	3,310,258
Endowment funds (Note 5)	151,273	138,465
	24,293,225	14,331,089

LIABILITIES	1988	1987
	$	$
Current		
Accounts payable and accrued liabilities (Note 6)	9,421,661	7,974,540
Contract research (Note 7)	685,697	915,689
	10,107,358	8,890,229
Accrued employee separation benefits	2,541,719	2,477,240
Deferred rent—Head Office	2,921,709	270,229
Endowment funds (Note 5)	151,273	138,465
EQUITY		
Equity of Canada	8,571,166	2,554,926
	24,293,225	14,331,089

Approved:

IVAN L. HEAD
President

ANTOINE HAWARA
Treasurer

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Expenses		
Development research		
Project grants	53,953,596	51,999,681
Centre projects	6,301,802	6,959,083
Contract research (Note 7)	2,107,575	1,422,803
	62,362,973	60,381,567
Research-related activities		
Project development and support	4,909,033	4,893,498
Information dissemination	2,428,098	2,131,104
Development-research library	1,482,233	1,396,237
	8,819,364	8,420,839
Research operational support		
Technical support	13,612,515	12,876,019
Regional offices	5,827,616	5,394,586
Division management	5,415,467	4,541,789
	24,855,598	22,812,394
Total research and support expenses (Schedule 1)	96,037,935	91,614,800
General management expenses (Schedule 2)	10,362,988	9,353,755
	106,400,923	100,968,555
Revenue		
Grant from Parliament of Canada	108,100,000	100,000,000
Investment and other income	2,209,588	977,911
Contract research (Note 7)	2,107,575	1,422,803
	112,417,163	102,400,714
Excess of revenue over expenses	6,016,240	1,432,159

STATEMENT OF EQUITY OF CANADA FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Balance at the beginning of the year	2,554,926	1,122,767
Excess of revenue over expenses	6,016,240	1,432,159
Balance at the end of the year	8,571,166	2,554,926

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Operating activities		
Funds provided by (used for) operations		
Excess of revenue over expenses	6,016,240	1,432,159
Items not affecting funds		
Depreciation and amortization	944,724	1,095,018
Provision for employee separation benefits	356,694	357,568
Loss (gain) on disposal of equipment	(79,157)	11,502
	7,238,501	2,896,247
Accounts receivable	(183,314)	(94,684)
Prepaid expenses	(272,901)	44,858
Recoverable deposits	247,033	11,155
Accounts payable and accrued liabilities	1,447,121	(471,981)
Payment of employee separation benefits	(292,215)	(316,600)
Contract research	(229,992)	224,552
Deferred rent	2,651,480	270,229
	10,605,713	2,563,776
Financing activities		
Due to Government of Canada		(4,000,000)
Investing activities		
Additions to property and equipment	(1,088,862)	(1,354,825)
Proceeds on disposal of equipment	105,933	46,763
	(982,929)	(1,308,062)
Increase (Decrease) in funds	9,622,784	(2,744,286)
Cash and short-term deposits, beginning of the year	9,181,248	11,925,534
Cash and short-term deposits, end of the year	18,804,032	9,181,248

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 1988

1. Authority and objective

The International Development Research Centre, a Corporation without share capital, was established in 1970 by the Parliament of Canada through the International Development Research Centre Act. The annual grant received from the Parliament of Canada is pursuant to External Affairs Votes 50 and 60 for the years ended March 31, 1988 and 1987 respectively.

The objective of the Centre is to initiate, encourage, support, and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical, and other knowledge to the economic and social advancement of those regions.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies.

Property and equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives. Leasehold improvements are amortized over the terms of the respective leases. The methods and rates used to provide for the depreciation and amortization of property and equipment are:

	Method	Rate (%)
Computer hardware	Straight-line	20
Leasehold improvements	Straight-line	5-100
Office furniture and equipment	Diminishing balance	20
Vehicles	Diminishing balance	30
Telephone system	Straight-line	20

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1988—*Continued*

Expenses

Expenses are recorded on the accrual basis, except for contract research expenses, which are charged to operations when disbursed.

Recognition of revenue

Parliamentary grants are recorded as revenue when received. Investment interest and endowment funds income are recorded when earned.

Revenue in respect of contract research is recognized at the time the related project expenses are incurred. Contract research funds received in excess of expenses are included in current liabilities.

Accrued employee separation benefits

Employees are entitled to specified termination benefits, calculated at salary levels in effect at the time of separation as provided for by conditions of employment. The liability for these benefits is recorded as the benefits accrue to employees.

Deferred rent

Any rent-free period or other benefits associated with long-term leases are deferred and amortized over the term of the lease on a straight-line basis.

Pension costs

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from the employees and the Centre. These contributions represent the total liability of the Centre and are recognized in the accounts on a current basis.

Income taxes

The Centre is exempt from any liability for income taxes.

Foreign-currency translation

Monetary assets and liabilities are translated into Canadian dollars at the rate of exchange in effect at year-end. Non-monetary assets are translated at rates prevailing at the respective transaction dates. Foreign-currency transactions are translated into Canadian dollars by the use of an average exchange rate that closely approximates the rate in effect at the transaction date. Exchange gains and losses are included in operations for the current year.

3. Cash and short-term deposits

	1988	1987
	$	$
Cash (bank overdraft)	211,052	(2,062)
Short-term deposits		
Canadian chartered banks	13,731,820	6,904,367
Trust and mortgage companies	3,867,140	
Commercial enterprises	994,020	990,300
Governments and governmental enterprises		1,288,643
	18,804,032	9,181,248

4. Property and equipment

	1988			1987
	Cost	Accumulated depreciation and amortization	Net	Net
	$	$	$	$
Computer hardware	3,326,957	1,611,086	1,715,871	1,523,464
Office furniture and equipment	1,673,489	1,049,157	624,332	743,182
Vehicles	1,062,733	522,188	540,545	502,084
Telephone system	740,903	453,341	287,562	394,525
Leasehold improvements	448,783	189,473	259,310	147,003
	7,252,865	3,825,245	3,427,620	3,310,258

Depreciation and amortization for the year amounted to $944,724 (1987, $1,095,018).

5. Endowment funds

In 1987, the estate of the late John Bene established a fund to provide a postgraduate fellowship in the field of social forestry. During the year, a former member of the Board of Governors of the Centre established a fund for applied or mission-oriented research.

	1988	1987
	$	$
Balance at the beginning of the year	138,465	
Donations received	5,150	131,059
Interest income	12,658	7,406
Expenses	(5,000)	
Balance at the end of the year	151,273	138,465
John Bene	146,160	138,465
Governor	5,113	
Total endowment funds	151,273	138,465

6. Accounts payable and accrued liabilities

	1988	1987
	$	$
Accrued liabilities—Projects	5,704,488	4,198,635
Accrued annual and other leave benefits	1,313,885	1,235,921
Other	2,403,288	2,539,984
	9,421,661	7,974,540

7. Contract research

Contract research relates to research conducted or managed by the Centre which is funded by other international agencies, the Canadian International Development Agency (CIDA), and other federal government entities.

Contract research expenses of $2,107,575 (1987, $1,422,803), include $1,436,190 received from CIDA (1987, $1,198,162). In addition, the Centre received $56,489 as an administration fee from CIDA (1987, $51,334) which is included in investment and other income.

Contract research current liabilities of $685,697 (1987, $915,689) include $332,537 held on behalf of CIDA (1987, $661,459).

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1988—*Concluded*

8. Operating leases

The Centre has entered into various lease arrangements for office premises, equipment, and staff accommodation, in Canada and in various countries. The total annual payments under such lease arrangements will be:

Year ending March 31	$
1989	5,071,598
1990	3,691,120
1991	3,608,161
1992	3,659,203
1993-1997	19,721,343
	35,751,425

9. Contractual commitments—Project grants and project development

The Centre is committed to make payments totalling up to $96,000,000 during the next 4 years subject to funds being provided by Parliament and subject to compliance by recipients with the terms of project agreements. The Centre has also submitted formal grant offers to prospective recipients totalling $26,100,000 and is awaiting acceptance of these offers.

10. Contingencies

The Centre is a defendant in two actions for damages and costs allegedly sustained by the plaintiffs. Management and counsel are of the opinion that the Centre has defences against these claims and accordingly no provision has been made in the financial statements in respect of them. The claims are not significant to the operations of the Centre.

11. Comparative figures

The 1987 figures have been reclassified to conform to the statement presentation adopted in 1988.

SCHEDULE OF RESEARCH AND SUPPORT EXPENSES
FOR THE YEAR ENDED MARCH 31, 1988

SCHEDULE 1

	1988				1987
	Development research	Research related activities	Research operational support	Total	Total
	$	$	$	$	$
Programs					
Agriculture, Food and Nutrition Sciences	21,708,441	785,668	4,639,817	27,133,926	26,177,781
Social Sciences	10,691,650	675,855	3,526,323	14,893,828	14,437,468
Information Sciences	8,990,723	641,695	2,872,013	12,504,431	11,350,106
Health Sciences	8,300,072	572,072	2,945,824	11,817,968	10,915,165
Fellowships and Awards	5,670,774	178,400	990,230	6,839,404	6,779,376
Earth and Engineering Sciences	4,232,677	528,413	1,288,443	6,049,533	6,449,158
Program-related activities					
Regional offices		939,811	5,827,617	6,767,428	6,242,333
Information dissemination	564,460	2,428,098	2,009,035	5,001,593	4,251,811
Special program activities	2,204,176	371,463		2,575,639	2,677,739
Development-research library		1,482,233		1,482,233	1,396,237
External liaison and relations		215,656	756,296	971,952	937,626
	62,362,973	8,819,364	24,855,598	96,037,935	91,614,800

SCHEDULE OF GENERAL MANAGEMENT EXPENSES
FOR THE YEAR ENDED MARCH 31, 1988 SCHEDULE 2

	1988	1987
	$	$
Salaries and benefits	6,523,077	6,065,602
Rent and utilities	1,460,730	1,004,136
Office and sundry	643,705	638,654
Travel and relocation	513,214	488,402
Governors' meetings	363,618	238,885
Depreciation and amortization	323,311	535,439
Professional and special services	270,587	185,141
Telecommunications	174,484	164,208
Working group expenses	62,258	
Insurance	28,004	33,288
	10,362,988	9,353,755

SUMMARY PAGE

LAURENTIAN PILOTAGE AUTHORITY

MANDATE

To establish, operate, maintain and administer in the interests of safety an efficient pilotage service in the St. Lawrence River between Les Escoumins and the north end of the St. Lambert Lock, in the Saguenay River and in the Bay of Chaleur.

BACKGROUND

Established in 1972, the Authority provides pilotage services and has the power to make regulations, subject to the approval of the Governor in Council, which establish compulsory pilotage areas; prescribe the ships/classes of ships that are subject to compulsory pilotage, the circumstances under which compulsory pilotage may be waived and pilotage tariffs; and which cover the licensing of pilots and issuance of pilotage certificates. Tariffs must be fair and reasonable and sufficient to permit the Authority to operate on a self-sustaining financial basis.

CORPORATION DATA

HEAD OFFICE	Suite 1402 1080 Beaver Hall Hill Montreal, Quebec H2Z 1S8
STATUS	— Schedule III, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Jacques Chouinard
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	1985	1984
At the end of the year				
Total Assets	5.4	7.9	6.3	5.1
Obligations to the private sector	0.7	0.8	0.7	0.4
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	(0.6)	0.8	(0.3)	(0.1)
Cash from Canada for the year				
— budgetary	1.5	1.3	2.0	1.5
— non-budgetary	nil	nil	nil	nil

LAURENTIAN PILOTAGE AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of Laurentian Pilotage Authority as at December 31, 1987 and the statements of operations, contributed capital, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Pilotage Act and regulations and the by-laws of the Authority.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 10, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987

ASSETS	1987	1986
	$	$
Current		
Cash		359,138
Accounts receivable	4,535,593	6,435,570
	4,535,593	6,794,708
Fixed (Note 3)		
Land, buildings, pilot boats and other facilities	2,210,378	2,187,785
Less: accumulated depreciation	1,306,693	1,132,370
	903,685	1,055,415
	5,439,278	7,850,123

LIABILITIES	1987	1986
	$	$
Current		
Bank loan	712,595	750,000
Accounts payable	4,774,964	5,735,300
	5,487,559	6,485,300
Provision for employee termination benefits	597,000	604,000
	6,084,559	7,089,300
EQUITY (DEFICIENCY) OF CANADA		
Contributed capital	996,758	971,621
Deficit	(1,642,039)	(210,798)
	(645,281)	760,823
	5,439,278	7,850,123

Approved by the Authority:

JACQUES CHOUINARD
Chairman

YVON MATTE
Member

LAURENTIAN PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Revenues		
Pilotage charges	27,182,029	26,957,431
Interest and other revenues	38,626	72,122
Rewards for rescuing ships in distress—Net		9,986
	27,220,655	27,039,539
Expenses		
Pilots' fees, salaries and benefits	23,157,963	22,253,678
Operating costs of pilot boats	2,671,772	2,814,374
Staff salaries and benefits	1,570,402	1,693,947
Professional services and members' allowances	666,214	826,235
Rentals	255,882	236,651
Communications	147,733	147,042
Transportation and travel	125,685	137,336
Financing costs	61,654	74,306
Utilities, material and supplies	60,010	63,146
Bad debts	30,119	14,416
Maintenance	24,635	21,391
Other	139,852	170,961
	28,911,921	28,453,483
Net loss for the year	1,691,266	1,413,944

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Balance at beginning of the year	971,621	914,293
Parliamentary appropriation to finance the previous year's acquisition of fixed assets	25,137	57,328
Balance at end of the year	996,758	971,621

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Balance at beginning of the year	210,798	1,207,576
Net loss for the year	1,691,266	1,413,944
Parliamentary appropriations to finance operating deficits		
—Previous year	(256,775)	(1,398,722)
—Current year (Note 5)		(1,000,000)
Services provided without charge by a government department	(3,250)	(12,000)
Balance at end of the year	1,642,039	210,798

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Operating activities		
Net loss for the year	1,691,266	1,413,944
Non-cash items		
Depreciation	(176,359)	(182,169)
Services provided without charge by a government department	(3,250)	(12,000)
Decrease in the provision for employee termination benefits	7,000	37,000
	1,518,657	1,256,775
Increase (decrease) in accounts receivable	(1,899,977)	1,393,691
Decrease (increase) in accounts payable	960,336	(457,166)
	579,016	2,193,300
Investing activities		
Additions to fixed assets	24,629	25,137
Financing activities		
Parliamentary appropriations	(281,912)	(2,456,050)
Bank loan, net of cash		
Increase (decrease) for the year	321,733	(237,613)
Balance at beginning of the year	390,862	628,475
Balance at end of the year	712,595	390,862

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. Authority and activities

The Laurentian Pilotage Authority was established on February 1, 1972 under the Pilotage Act. Its objectives are to establish, operate, maintain and administer in the interests of safety an efficient pilotage service within certain designated Canadian waters in and around the Province of Quebec. The Act provides that pilotage tariffs shall be fair and reasonable and assure a revenue which, together with any revenue from other sources, is sufficient to permit the Authority to operate on a self-sustaining basis.

The Authority is a Crown corporation named in Part I of Schedule C to the Financial Administration Act.

2. Significant accounting policies

Fixed assets

Fixed assets obtained from Canada when the Authority was established were recorded at the then assigned values. Fixed assets purchased subsequently by the Authority are recorded at cost.

Fixed assets are depreciated using the straight-line method, at rates based on the estimated useful lives of the assets.

Contributed capital

The values assigned to the fixed assets obtained from Canada when the Authority was established and the net cost of fixed assets financed from parliamentary appropriations are recorded as contributed capital.

Parliamentary appropriations

Parliamentary appropriations received to finance the excess of expenditures over revenues are recorded in the year in which they are voted by Parliament, to contributed capital for that portion pertaining to the acquisition of fixed assets and to the deficit for that pertaining to operations. In this respect, operating expenditures include only those which require an outlay of funds.

LAUNTIAN PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

Services provided without charge

Estimated amounts for services provided without charge by a government department are included in expenses with an offset to the deficit.

Pension plan

Employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the Authority contribute equally to the cost of the Plan. This contribution represents the total liability of the Authority. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

3. Fixed assets

Details of fixed assets are as follows:

	1987			1986
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Land	9,300		9,300	9,300
Buildings	23,622	23,622		
Pilot boats	1,386,892	829,733	557,159	665,654
Furniture and fixtures	143,384	78,766	64,618	51,089
Communications equipment	179,399	134,634	44,765	61,427
Boarding facilities	216,689	132,909	83,780	99,019
Wharf improvements	169,033	59,161	109,872	118,323
Leasehold improvements	82,059	47,868	34,191	50,603
	2,210,378	1,306,693	903,685	1,055,415

Depreciation for the year is $176,359 ($182,169 in 1986).

The estimated useful lives for the principal categories of fixed assets for the purposes of calculating depreciation are as follows:

Pilot boats	10 and 15 years
Furniture and fixtures	10 years
Communications equipment	10 years
Boarding facilities	10 and 20 years
Wharf improvements	20 years
Leasehold improvements	duration of the leases

4. Pension plan

The estimated unrecorded liability for employees' past services is $65,600 as at December 31, 1987 ($69,600 as at December 31, 1986).

5. Parliamentary appropriation

On January 28, 1988, the Treasury Board approved a temporary allotment of $500,000 from its Vote 5, Government Contingencies, prior to the release, in Supplementary Estimates, for 1987-88, of an appropriation to cover the Authority's cash deficit for the year 1987.

SUMMARY PAGE

MARINE ATLANTIC INC.

MANDATE

To acquire, establish, manage and operate a marine transportation service, a marine maintenance, repair and refit service, a marine construction business and any service or business related thereto.

BACKGROUND

The company provides marine ferry services to Atlantic Canada. As CN Marine Inc., it was a subsidiary of Canadian National Railway Company. Pursuant to the *Marine Atlantic Inc. Acquisition Authorization Act* (S.C. 1986, C. 36), which was proclaimed on June 27, 1986, the company's name was changed to Marine Atlantic Inc. and was added to Part I of Schedule III of the *Financial Administration Act*. At close of business on December 31, 1986, ownership was transferred to Her Majesty in right of Canada. In 1987 the corporation acquired the shares and operations of Coastal Transport Limited, which manages a ferry between New Brunswick ports and, as well, acquired the Newfoundland Dockyard Corporation, of St. John's. These subsidiaries operate autonomously.

CORPORATION DATA

HEAD OFFICE	100 Cameron Street Moncton, New Brunswick E1C 5Y6
STATUS	—Schedule III, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1979; by the *Canada Business Corporations Act*. Status and ownership changed as of December 31, 1986, pursuant to S.C. 1986, C. 36.
CHIEF EXECUTIVE OFFICER	R. J. Tingley
CHAIRMAN	J. D. Wilson
AUDITOR	Peat, Marwick, Mitchell & Co.

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987*	1986	1985	1984
At the end of the year				
Total Assets	335	339	361	364
Obligations to the private sector	nil	nil	nil	negl.
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	(3)	(6)	284	283
Cash from Canada in the year				
—budgetary	147	124	143	161
—non-budgetary	nil	nil	nil	nil

* Beginning in 1987, the financial data are from consolidated financial statements.

MARINE ATLANTIC INC.

MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

The consolidated financial statements presented in this Annual Report are the responsibility of Marine Atlantic Inc.'s management. They have been approved by its Board of Directors.

Management prepared the consolidated financial statements in accordance with generally accepted accounting principles in Canada. The financial information contained in the Annual Report is consistent with the data presented in the financial statements.

Marine Atlantic Inc. maintains books of account, systems of information, systems of financial and management control, as well as a comprehensive internal audit program which provide reasonable assurance that accurate financial information is available, that assets are protected, that resources are managed efficiently, and that transactions are conducted in accordance with relevant legislation and the corporation's Articles of Association and by-laws.

The Board of Directors oversees internal audit activities through its audit committee. The committee reviews matters related to accounting, auditing, internal control systems, and the financial statements and annual report of the independent external auditors.

D.J. Weaver
Director General
Finance and Planning

R.J. Tingley
President and Chief
Executive Officer

AUDITORS' REPORT

TO THE HONOURABLE JOHN CROSBIE
MINISTER OF TRANSPORT

We have examined the consolidated balance sheet of Marine Atlantic Inc. as at December 31, 1987 and the consolidated statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles which, except for the change in the method of accounting for pension costs and obligations explained in Note 3, have been applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the charter and by-laws of the Corporation.

Peat, Marwick
Chartered Accountants

Moncton, Canada
February 15, 1988

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1987
(with comparative figures for 1986)
(in thousands of dollars)

ASSETS	1987	1986
Current assets		
Cash	3,420	7,534
Accounts receivable	8,870	5,777
Inventory of fuel and supplies	6,541	5,688
Work in progress	701	
Prepaid expenses	2,608	2,117
Total current assets	22,140	21,116
Long-term receivables	245	175
Fixed assets and deferred charges (Note 4)	312,605	318,128
	334,990	339,419

LIABILITIES AND SHAREHOLDERS' DEFICIENCY	1987	1986
Current liabilities		
Accounts payable and accruals	22,580	19,642
Deferred government and other contract revenue	708	7,549
Deferred capital assistance	625	
Note payable (Note 5)	424	
Total current liabilities	24,337	27,191
Long-term debt (Note 6)	8,065	
Provision for capital assistance (Note 7)	305,369	318,128
SHAREHOLDERS' DEFICIENCY		
Capital stock		
Common shares without par value		
Authorized—Unlimited number		
Issued and fully paid—517,061 shares	258,530	258,530
Deficit	(261,311)	(264,430)
Total shareholders' deficiency	(2,781)	(5,900)
Commitments and contingencies (Notes 8, 9 and 10)		
	334,990	339,419

See accompanying notes to consolidated financial statements.

On Behalf of the Board:

J. D. WILSON
Director

R. J. TINGLEY
Director

MARINE ATLANTIC INC.—*Continued*

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1987
(with comparative figures for 1986)
(in thousands of dollars)

	1987	1986
Commercial revenues	62,697	56,043
Vessel repairs	5,290	
	67,987	56,043
Operating expenses		
Marine Atlantic Inc.	173,223	179,754
Other services	13,223	
Depreciation and amortization	20,563	15,874
	207,009	195,628
	139,022	139,585
Government contract revenue	115,014	122,966
Subsidies and contracted services	5,113	
Reduction in provision for capital assistance (Note 7)	20,363	15,874
Interest and other income	1,651	1,744
	142,141	140,584
Net income for the year (Note 11)	3,119	999

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF DEFICIT
YEAR ENDED DECEMBER 31, 1987
(with comparative figures for 1986)
(in thousands of dollars)

	1987	1986
Retained earnings (deficit), beginning of year	(264,430)	25,166
Net income for the year	3,119	999
	(261,311)	26,165
Less: adjustment for capital assistance (Note 7)		(290,595)
Deficit, end of year	(261,311)	(264,430)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1987
(with comparative figures for 1986)
(in thousands of dollars)

	1987	1986
Operating activities		
Net income for the year	3,119	999
Add (deduct)		
Items not affecting working capital	196	(693)
Net changes in non-cash working capital balances relating to operations	(1,510)	1,791
Deferred government and other contract revenue	(6,841)	7,367
Cash provided by (applied to) operations	(5,036)	9,464
Investing activities		
Additions to fixed assets and deferred charges	(15,143)	(43,081)
Net proceeds on disposal of fixed assets	4	693
Change in accounts payable—Fixed assets	(888)	(2,309)
Long-term receivables	(70)	43
Cash applied to investing activities	(16,097)	(44,654)
Financing activities		
Increase in long-term debt	8,657	
Payments on note payable	(219)	
Capital assistance	8,581	1,410
Collections from CNR and shipbuilding subsidies		41,232
Cash provided by financing activities	17,019	42,642
Increase (decrease) in cash during the year	(4,114)	7,452
Cash, beginning of year	7,534	82
Cash, end of year	3,420	7,534

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1987
(in thousands of dollars)

1. Nature of operations and authority

Bill C-88, the Marine Atlantic Inc. Acquisition Authorization Act was proclaimed in 1986. In accordance with the Act, the Corporation's articles restrict the business that it may carry on to the acquisition, establishment, management and operation of a marine transportation service, a marine maintenance repair and refit service, a marine construction business and any service or business related thereto.

The Corporation's activities are also governed by agreements negotiated with the Government of Canada. The agreements provided, among other things, for the Corporation to receive contract revenues from the Government of Canada to the extent that the estimated cost of providing ferry, coastal, terminal and water services is not recovered from estimated commercial revenues. In addition, and subject to parliamentary appropriations, amounts are received to finance the acquisition of fixed assets on a proven cash needs basis. The allocation of funds received in respect of contract revenue and the acquisition of fixed assets are subject to ministerial directive. As a result, the Corporation is economically dependent on the Government of Canada for the funds it receives through these arrangements.

2. Significant accounting policies

Basis of presentation

In 1987, the Corporation acquired all of the outstanding shares of Coastal Transport Limited and Newfoundland Dockyard Corporation as of January 1, 1987 and March 31, 1987 respectively from CNR at the original cost to CNR, reduced by a cash contribution provided by the Government of Canada to effect the acquisition. Details of the acquisitions are as follows:

Current assets	3,334
Current liabilities	2,435
Working capital	899
Fixed assets, net of contribution by the Government of Canada of $23,596	7,791
	8,690
Debit assumed	8,657
Cash consideration	33

For 1987, these consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries. All intercompany transactions have been eliminated in these consolidated financial statements.

Inventory of fuel and supplies

Inventories are valued at the lower of cost and replacement cost. Cost is determined on a weighted-average basis.

Fixed assets

Fixed assets are carried at the cost to acquire them less accumulated depreciation. Due to a change in funding arrangements with the Corporation's shareholder in 1986, and as explained further in Note 7, a provision for those capital costs not considered recoverable from future revenue sources has been made and was charged to retained earnings in 1986.

Depreciation

Depreciation is calculated at rates sufficient to write off fixed assets over their estimated useful lives generally on a straight line basis. The rates for significant classes of assets are as follows:

Vessels	5%
Terminal properties	2.5%
Equipment	10%, 12.5% and 25%

Deferred charges

Deferred charges are accounted for at cost less accumulated amortization. They are being amortized to income on a straight line basis over periods not exceeding 60 months.

MARINE ATLANTIC INC.—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Continued*

Government contract revenue

Revenues received under contract to provide ferry service to Atlantic Canada are based on operating budgets approved by the Government of Canada for each year and are included in income in the year received to fund operating expenses in excess of commercial revenues. Deferred contract revenue at December 31, represents January government contract revenue received by the Company before December 31.

Accruals for vacation pay and vessel refits are reduced to the extent that the amounts are reasonably assured of being paid and recovered from future contract revenues to be received from the Government of Canada.

Capital assistance

Amounts received from the Government of Canada to finance the acquisition of fixed assets are recorded as deferred capital assistance in the year in which they are reasonably assured of being received, and are amortized to income on the same basis and over the same periods as the related fixed assets are depreciated. Deferred capital assistance as at December 31, 1987 represents capital assistance received before the related capital expenditures has been incurred.

Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated at exchange rates in effect at the year end. Other assets and liabilities, revenues and expenses are translated using exchange rates in effect at the date of the transaction. Gains and losses arising on translation are included in net income.

Employee compensation

Pension plans

Substantially all of the Corporation's employees are covered by a defined benefit retirement plan. Pension costs related to benefits earned by employees in the current year are charged to income. The value of the accrued pension benefits for services rendered to December 31, 1987, of $184 million, has been determined by the Corporation's actuaries using best estimated assumptions provided by management. The pension fund assets of $149 million as at December 31, 1987 have been valued using market related values calculated on a basis whereby they will be adjusted to market values over a 5 year period.

The net deficiency at January 1, 1987 for the plan is being amortized on a straight line basis over the estimated average remaining service lives of the related employee group.

Personal injury costs

Certain employees, retired as a result of injury, receive specified pension benefits. The Corporation recognizes the benefit payouts as an expense in the year paid.

Vessel spare parts

The Company maintains spare parts for vessels in service. The cost of spare parts is charged to operations in the period the purchase is made.

3. Change in accounting principle

Effective January 1, 1987, the Corporation adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants for pension costs and obligations. The standard requires that for defined benefit plans, the difference between the accrued pension benefit and the value of the pension fund assets be measured at the date of implementation and amortized to income on a prospective basis. In addition, the cost of current pension benefits earned are included in income in the year the related employee service has been rendered. In the past, the company had included its pension cost on the same basis as it had funded the plan. The effect of this accounting change to the current period is considered insignificant.

4. Fixed assets and deferred charges

	1987			1986
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
	(in thousands of dollars)			
Land	604		604	
Vessels	288,215	65,009	223,206	236,351
Terminal properties	84,561	18,438	66,123	65,388
Equipment	18,898	9,196	9,702	3,241
Leasehold improvements	255	90	165	179
	392,533	92,733	299,800	305,159
Assets under construction	8,303		8,303	7,279
	400,836	92,733	308,103	312,438
Deferred charges	6,128	1,626	4,502	5,690
	406,964	94,359	312,605	318,128

5. Note payable

The note payable, which was assumed on the acquisition of the *MV Grand Manan* and in connection with the purchase of the shares of Coastal Transport Limited, bears interest at the rate of 9⅝% per annum and is due August 1, 1988.

6. Long-term debt

Government of Newfoundland debenture, with interest at the rate of 16.55% per annum and maturing in 2008, payable by subsidiary, Newfoundland Dockyard Corporation. Under the terms of the debenture, payment of non-cumulative annual interest and principal are required to the extent that annual funds are available from Newfoundland Dockyard Corporation. To date, no payments have been required. At maturity, the unpaid balance of the principal amount of the debentures shall cease to be an obligation of the Newfoundland Dockyard Corporation.

7. Provision for capital assistance

In accordance with changes in 1986 in the contractual funding agreements, future depreciation and amortization on those fixed assets and deferred charges acquired prior to January 1, 1987, and which has substantially been financed through the issue of capital stock, were no longer recoverable under contracts with the Government of Canada. Management considers it unlikely that the Corporation will generate sufficient commercial revenue to recover these costs. Accordingly, in 1986 management provided $290.6 million (after net related deferred income taxes of $44.6 million) as an adjustment to retained earnings. This provision for capital assistance is reduced as the related assets are depreciated, amortized or upon their disposition.

MARINE ATLANTIC INC.—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

8. Commitments and contingencies

(a) The Corporation has been directed by the Government of Canada to contract with a shipbuilder for a new vessel. The directive authorizes an expenditure of $130 million, subject to an economic price adjustment, of which the Corporation was required and has paid $5 million which is included in assets under construction. The balance will become payable by the Corporation upon delivery of the vessel, scheduled for 1989.

The total amount required to complete contracted fixed assets under construction at December 31, 1987 is estimated to be $130 million (1986—$134.7 million).

(b) The Corporation has received a claim of approximately $14 million plus interest from the builder of one of the Corporation's vessels. The Corporation has filed a claim of approximately $14 million plus interest against the builder. An arbitration of this matter was completed in October, 1986 and the Corporation is awaiting the decision of the arbitrators. The final outcome of this matter cannot be determined at this time.

The Corporation is also in receipt of claims, an estimated $1 million of which are in litigation and another $1.9 million of which has not yet reached litigation; however any final determination as to the Corporation's exposure is presently unknown.

9. Operating leases

The Corporation makes use of property which is available through operating leases. The minimum lease payments are as follows:

1988	932
1989	481
1990	443
1991	364
1992	354
1993	354
Total minimum lease payments	2,928

10. Vessel charter

The Corporation charters vessels to complement its existing fleet. The minimum vessel charter payments are as follows:

1988	2,139
1989	2,139
1990	1,684
1991	760
	6,722

11. Income taxes

The Corporation has not been prescribed as a taxable Federal Crown Corporation under the Canadian Income Tax Act.

SUMMARY PAGE

MINGAN ASSOCIATES, LTD

MANDATE

To purchase land for eventual disposition.

BACKGROUND

Ownership of the corporation was purchased for Canada in 1983 to obtain the land and fishing rights it owns. Those assets are to become Indian reserve property and, as a first step, they have been transferred to the Crown in right of Canada. The further steps towards reserve status are underway now and the corporation is in position to be dissolved.

CORPORATION DATA

HEAD OFFICE	10 Wellington Street 18th Floor Les Terrasses de la Chaudière Hull, Quebec K1A 0H4
STATUS	— Schedule III, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable William H. McKnight, P.C., M.P.
DEPARTMENT	Indian Affairs and Northern Development
YEAR AND MEANS OF INCORPORATION	1983; by Order in Council P.C. 1983-4029; a corporation under Part 1A of the Quebec *Companies Act.*
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Vacant
FINANCIAL SUMMARY	This is not an operating company. Total assets have only nominal value.

MINGAN ASSOCIATES, LTD.

THE CORPORATION HAS NEGLIGIBLE ASSETS AND WAS INACTIVE
DURING THE REPORT PERIOD

SUMMARY PAGE

MONTREAL PORT CORPORATION

MANDATE
Administration, management and control of the Montreal harbour and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND
The Montreal Port Corporation was established on July 1, 1983, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. The Port of Montreal is the largest on the east coast of Canada and handles more diversified traffic than any of the other ports previously administered by the Canada Ports Corporation. The port handled 21.9 million tonnes of cargo in 1987 including 4.1 million tonnes of grain and 5.5 million tonnes of containerized cargo.

CORPORATION DATA

HEAD OFFICE	Edifice du Port de Montréal Cité du Havre Aile No. 1 Montréal, Québec H3C 3R5
STATUS	— Schedule III, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1983; letters patent of incorporation issued by the Minister of Transport pursuant to subsection 25(1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	Dominic J. Taddeo
CHAIRMAN	Ronald Corey
AUDITOR	Samson Bélair

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	1985	1984
At the end of the period				
Total Assets	227.4	212.2	253.7	237.2
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	7.4*	140.7	141.1	141.4
Equity of Canada	199.0*	(47.6)	(2.3)	(22.1)
Cash from Canada in the period				
— budgetary**	nil	nil	nil	nil
— non-budgetary	nil	nil	nil	nil

* In 1987, $133.0 million loan principal outstanding was forgiven by Canada. That amount, with related interest forgiven, was added to the corporation's contributed capital.

** Takes no account of special contributions to Canada in 1986 of $55.0 million and a further $4.1 million in dividends declared in 1986 and $4.6 million declared in 1987.

MONTRÉAL PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE JOHN CROSBIE, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the statements of income, contributed capital, contributions to Canada, retained earnings and changes in financial position of the Montréal Port Corporation for the fiscal year ended December 31, 1987 and its balance sheet at that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the results of operations and the changes in the financial position of the Corporation for the year ended December 31, 1987 and its financial position at that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act, and the by-laws of the Corporation.

Samson Bélair
Chartered Accountants

Montréal, Canada
February 11, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987	1986
Current		
Cash	632	567
Investments (Note 3)	36,025	27,280
Accounts receivable	10,596	13,206
Materials and supplies	859	832
	48,112	41,885
Investments (Note 3)	39,395	39,218
Fixed assets (Note 4)	139,489	130,682
Other	433	459
	227,429	212,244

LIABILITIES	1987	1986
Current		
Accounts payable and accrued liabilities (Note 5)	11,260	8,590
Dividends payable		4,136
Grants in lieu of municipal taxes	5,000	3,315
	16,260	16,041
Long-term		
Accrued employee benefits	5,225	5,283
Loans from Canada (Note 6)	6,968	238,508
	12,193	243,791
EQUITY OF CANADA		
Contributed capital	183,569	19,243
Contribution to Canada (Note 7)		(59,119)
Retained earnings (deficit)	15,407	(7,712)
	198,976	(47,588)
	227,429	212,244

On behalf of the Board:

RONALD COREY
Chairman

DOMINIC J. TADDEO
General Manager and Chief Executive Officer

MONTRÉAL PORT CORPORATION—*Continued*

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Revenue from operations	59,770	56,659
Operating and administrative expenses	38,530	39,690
Depreciation	8,926	7,254
Grants in lieu of municipal taxes	3,954	3,873
	51,410	50,817
Net income from operations	8,360	5,842
Investment income	7,529	8,446
Interest expense	(482)	(503)
	7,047	7,943
Net income for the year	15,407	13,785

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Balance at beginning	19,243	19,243
Forgiveness of loans (Note 6)	231,157	
Contributions to Canada (Note 7)	(59,119)	
Elimination of deficit (Note 8)	(7,712)	
Balance at end	183,569	19,243

STATEMENT OF CONTRIBUTIONS TO CANADA
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Balance at beginning	59,119	
Special contributions for the year	-	54,983
Dividend on net income for the year		4,136
Reclassification to contributed capital (Note 7)	(59,119)	
Balance at end		59,119

STATEMENT OF RETAINED EARNINGS (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Balance at beginning	(7,712)	(21,497)
Elimination of deficit (Note 8)	7,712	
Net income for the year	15,407	13,785
Balance at end	15,407	(7,712)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Inflow (Outflow) of cash related to the following activities		
Operating		
Net income for the year	15,407	13,785
Items not affecting cash		
Depreciation	8,926	7,254
Other	360	871
	24,693	21,910
Changes in non-cash operating working capital balances	2,461	(3,175)
	27,154	18,735
Financing		
Repayment of current portion of loans from Canada	(361)	(339)
Contributions to Canada		(54,983)
	(361)	(55,322)
Investing		
Acquisition of long-term investments	(177)	(177)
Receipt of long-term receivables	26	93
Acquisition of fixed assets	(17,832)	(15,374)
	(17,983)	(15,458)
Increase (decrease) in cash	8,810	(52,045)
Cash at beginning	27,847	79,892
Cash at end	36,657	27,847

Cash comprises cash and current investments.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987

1. Status

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with paragraph 6.2(1) of the Canada Ports Corporation Act on July 1, 1983.

Under Section 6.5 of the same Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour as are administered by the Board, shall be deemed to have been transferred to the local port corporation, in this case the Montréal Port Corporation.

2. Significant Accounting Policies

(a) Fixed Assets and Depreciation

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost. Depreciation on fixed assets is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

(b) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

MONTRÉAL PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1987—*Concluded*

(c) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(d) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with Corporation policy.

3. Investments

Funds are invested in Government of Canada direct securities and guaranteed by the Government of Canada which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. As at December 31, 1987, the market value of the short-term investments is equivalent to their amortized cost, and market value of long-term investments is $42,636,000 ($46,246,000 in 1986).

4. Fixed assets

	1987				1986
	Depreciation rates	Cost	Accumulated depreciation	Net value	Net value
	%	(in thousands of dollars)			
Land		19,113		19,113	19,058
Dredging	2.5	15,825	12,087	3,738	3,823
Berthing structures	2.5	59,231	37,637	21,594	21,962
Buildings	2.5-10	67,734	29,151	38,583	32,827
Utilities	3.3-10	15,270	6,705	8,565	7,526
Roads and surfaces	2.5-10	38,908	12,008	26,900	20,375
Machinery and equipment	5-20	51,609	31,254	20,355	13,527
Office furniture and equipment	20	1,478	1,034	444	567
		269,168	129,876	139,292	119,665
Projects under construction		197		197	11,017
		269,365	129,876	139,489	130,682

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are amounts for deferred revenues of $979,612 ($652,589 in 1986) and for the current portion of long-term liabilities of $383,111 ($360,576 in 1986).

6. Loans from Canada

	1987	1986
	(in thousands of dollars)	
Loans bearing interest at 6.25% with blended annual principal and interest repayment requirements of $842,561 and maturing in the year 2000	7,351	7,712
Less: current portion	383	361
	6,968	7,351
Non-interest bearing loans with indefinite due date		132,995
Accrued interest on loans not due nor payable		98,162
	6,968	238,508

During the year, the non-interest bearing loans with indefinite due date and the related accrued interest in the amount of $231,157,000 were forgiven by Canada. This amount has been credited to Contributed Capital.

Principal repayment requirements over the next five years amount to:

	$
1988	383,112
1989	407,056
1990	432,497
1991	459,528
1992	488,249

7. Contributions to Canada

The dividend declared in 1986 and payments from excess cash made to Canada in the same year treated as Contributions to Canada in the amount of $59,119,000, have been reclassified to Contributed Capital.

8. Equity of Canada

During the year, the Minister of Transport has approved the elimination of the deficit as at January 1, 1987, in the amount of $7,712,000, with a corresponding reduction in Contributed Capital.

9. Contingencies

Claims aggregating approximately $6,318,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

10. Commitments

(a) Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $1,500,000.

(b) In accordance with a decision by the Government of Canada, the Corporation is required to issue a dividend, in respect of the 1987 fiscal year, set at 30% of net income and payable before March 31, 1988. This dividend would amount to $4,622,100 and would be applied against retained earnings.

11. Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown corporations.

The Corporation derives revenues from related parties principally from grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

SUMMARY PAGE

NATIONAL ARTS CENTRE CORPORATION

MANDATE

To operate and maintain the National Arts Centre; to develop the performing arts in the National Capital Region; and to assist the Canada Council in the development of the performing arts elsewhere in Canada.

BACKGROUND

In 1969, the corporation was given the lease of the National Arts Centre complex for twenty years without charge. The corporation's revenues meet about 50 per cent of its cash requirements; payments from Canada cover the remainder. The corporation is a charitable organization for the purposes of the *Income Tax Act*.

CORPORATION DATA

HEAD OFFICE	1 Confederation Square Ottawa, Ontario K1P 5W1
STATUS	— exempt from the provisions of divisions I to IV of Part X of the *Financial Administration Act* — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Flora MacDonald, P.C., M.P.
DEPARTMENT	Communications
YEAR AND MEANS OF INCORPORATION	1966; by the *National Arts Centre Act*, (R.S.C. 1985, c. N-3).
CHIEF EXECUTIVE OFFICER	Yvon DesRochers
CHAIRMAN	Robert E. Landry
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends August 31.

	1986-87	1985-86	1984-85	1983-84
At the end of the period				
Total Assets	7.3	6.7	14.7	14.1
Obligations to the private sector*	2.7	2.4	2.8	2.0
Obligations to Canada	nil	nil	nil	0.1
Equity of Canada	1.6	1.1	negl.	(0.4)
Cash from Canada for the period				
— budgetary	14.9	16.9	15.3	15.5
— non-budgetary	nil	nil	nil	nil

* These are advance ticket sales.

NATIONAL ARTS CENTRE CORPORATION

AUDITOR'S REPORT

TO THE CHAIRMAN OF THE BOARD OF TRUSTEES
NATIONAL ARTS CENTRE CORPORATION

I have examined the balance sheet of the National Arts Centre Corporation as at August 31, 1987 and the statements of revenue and expenses, surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at August 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
October 30, 1987

BALANCE SHEET AS AT AUGUST 31, 1987

ASSETS	1987	1986
	$	$
Current		
Cash	3,853	
Short-term investments	331,321	876,889
Accounts receivable (Note 3)	2,096,063	1,400,293
Inventories (Note 4)	422,555	467,144
Programmes in progress	791,002	511,335
Prepaid expenses (Note 5)	214,100	342,067
	3,858,894	3,597,728
Fixed assets (Note 6)	3,395,117	3,097,229
	7,254,011	6,694,957

LIABILITIES	1987	1986
	$	$
Current		
Bank overdraft		16,697
Accounts payable and accrued liabilities (Note 7)	2,255,204	2,243,881
Deferred revenue (Note 8)	2,711,146	2,407,824
Deferred parliamentary appropriation Extraordinary building repairs (Note 9)	300,389	461,086
	5,266,739	5,129,488
Long-term obligation under capital lease	20,511	
Provision for employee termination benefits	360,745	469,278
	381,256	469,278
	5,647,995	5,598,766
EQUITY OF CANADA		
Surplus	1,606,016	1,096,191
	7,254,011	6,694,957

Approved by Management:

RONALD BLACKBURN
Acting Director General

RICHARD LUSSIER
Manager, Financial Service

Approved by the Board of Trustees:

PIERRE BOUTIN
Chairman

TOM ASSALY
Vice-Chairman

NATIONAL ARTS CENTRE CORPORATION—*Continued*

STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED AUGUST 31, 1987

	1987	1986
	$	$
Operating revenue		
Performing arts programmes (Schedule 1)	8,462,485	8,509,765
Commercial services (Schedule 2)	6,625,429	5,151,483
Rental of halls	650,311	587,399
Programme support services (Schedule 6)	465,517	540,056
Other	18,875	13,782
	16,222,617	14,802,485
Operating expenses		
Performing arts programmes (Schedule 1)	14,902,588	14,466,704
Commercial services (Schedule 2)	4,966,300	3,901,559
Operation of the buildings (Schedule 7)	4,633,776	4,374,459
Programme support services (Schedule 6)	3,121,340	2,980,123
Administrative services (Schedule 8)	2,831,254	2,905,181
Rental of halls	296,802	266,596
Board of trustees	207,784	79,542
	30,959,844	28,974,164
Excess of operating expenses over operating revenue	14,737,227	14,171,679
Other income		
Regional municipal grant	270,000	270,112
Interest on short-term investments	91,552	309,549
	361,552	579,661
Excess of expenses over revenue	14,375,675	13,592,018

STATEMENT OF SURPLUS FOR THE YEAR ENDED AUGUST 31, 1987

	1987	1986
	$	$
Surplus at beginning of the year	1,096,191	8,378
Excess of expenses over revenue	(14,375,675)	(13,592,018)
	(13,279,484)	(13,583,640)
Parliamentary appropriation—Operating	14,885,500	14,679,831
Surplus at end of the year	1,606,016	1,096,191

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED AUGUST 31, 1987

	1987	1986
	$	$
Operating		
Excess of expenses over revenue	(14,375,675)	(13,592,018)
Items not affecting funds		
Depreciation and amortization	823,064	687,414
Provision for employee termination benefits	(108,533)	74,783
(Increase) decrease of components of operating working capital other than cash	(101,768)	775,114
	(13,762,912)	(12,054,707)
Financing		
Parliamentary appropriations		
Operating	14,878,000	5,550,000
Extraordinary building repairs including interest earned	31,448	2,020,631
Long-term obligation under capital lease	20,511	
	14,929,959	7,570,631
Investing		
Additions to fixed assets	(1,120,952)	(405,864)
Extraordinary building repairs	(192,145)	(2,171,008)
Major capital project	(378,968)	
	(1,692,065)	(2,576,872)
Decrease in cash during the year	(525,018)	(7,060,948)
Cash and short-term investments at beginning of year	860,192	7,921,140
Cash and short-term investments at end of year	335,174	860,192

NATIONAL ARTS CENTRE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1987

1. Objectives and operations

The objectives of the Corporation are: to operate and maintain the National Arts Centre; to develop the performing arts in the National Capital Region; and to assist the Canada Council in the development of the performing arts elsewhere in Canada.

In furtherance of its objectives, the Corporation may arrange for and sponsor performing arts activities at the Centre; encourage and assist in the development of performing arts companies resident at the Centre; arrange for or sponsor radio and television broadcasts and the showing of films in the Centre; provide accommodation at the Centre, on such terms and conditions as the Corporation may fix, for national and local organizations whose objects include the development and encouragement of the performing arts in Canada; and, at the request of the Government of Canada or the Canada Council, arrange for performances elsewhere in Canada by performing arts companies, whether resident or non-resident in Canada, and arrange for performances outside Canada by performing arts companies resident in Canada.

With a view to achieving the objectives, Her Majesty demised and leased the National Arts Centre building complex to the Corporation for a period of twenty years, expiring May 31, 1989. Under the terms of the lease, the Corporation is responsible for maintenance and operation of the building complex, but is not required to pay for the use of the complex.

2. Significant accounting policies

(a) Short-term investments

Short-term investments are carried at cost which approximates market value.

(b) Grants

Grants are recorded as revenue in the year in which the grantors make firm commitments to the Corporation.

(c) Inventories

Inventories are valued at the lower of cost and net realizable value for food, beverages and boutique materials or replacement cost for production materials.

(d) Programmes in progress

Direct costs, including advances to performing companies and artists, incurred prior to the end of the year for programmes in progress are deferred and charged to expenses in the year in which the programmes terminate. Indirect costs and common services not attributable to particular performances are charged to expenses in the year in which they are incurred.

(e) Fixed assets

Fixed assets used in the operations, other than the NAC complex, are recorded at cost. Depreciation and amortization are calculated on the straight-line method, as follows:

Building—l'Atelier	20 years
Equipment	5 and 7 years
Equipment under capital lease	5 and 7 years
Leasehold improvements	4 and 10 years

Extraordinary acquisitions and repairs to the NAC building complex are deducted from the parliamentary appropriation received for that purpose and are neither capitalized nor expensed.

(f) Deferred revenue

Revenue from tickets sold prior to the end of the year for programmes in progress is deferred and credited to revenue in the year in which the programmes terminate. Gift certificates and exchange vouchers not redeemed within three years of the year of their issuance are written off and credited to revenue. A percentage of those less than three years old is also credited to revenue.

(g) Operating expenses

Expenses of performing arts programmes do not include costs relating to building and equipment maintenance, utilities, administrative services, furniture and equipment. Expenses of restaurants, garage and boutique do not include costs relating to utilities, administrative services and building maintenance. These costs are disclosed respectively as operation of the buildings expenses and administrative services.

(h) Pension plan

Employees of the Corporation participate in the Public Service Superannuation plan, administered by the Government of Canada. Contributions to the plan are required by both the employees and the Corporation. These contributions represent the Corporation's total obligation and are recorded as they become due.

(i) Employee termination benefits

Employees of the Corporation are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees under the respective terms of employment.

(j) Parliamentary appropriations

The parliamentary appropriation for operations, received during the period April 1 to August 31, is in respect of the Government of Canada's fiscal year ending on March 31 of the following year. The Corporation credits to surplus each month one-twelfth of the approved appropriation. Accordingly, of the amount received to August 31, the amount received which is in excess of 5/12ths of the appropriation is deferred to the following year. In the event that the amount received is less than 5/12ths of the appropriation, the difference is recorded as a receivable.

The parliamentary appropriation received for extraordinary building repairs is deferred until used. An amount equal to the repairs incurred during the year is deducted from the deferred parliamentary appropriation. Should the total cost of the repairs be less than the amount received, the balance will be returned to the Consolidated Revenue Fund.

The parliamentary appropriation received for major capital projects is deferred until used. An amount equal to the cost of the project incurred during the year is deducted from the deferred parliamentary appropriation.

(k) Capital lease

The equipment and related obligation for capital lease are recorded at an amount equal to the present value of future lease payments using an implicit lease interest rate of 11.47%. This obligation expires in 1991.

NATIONAL ARTS CENTRE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1987—*Concluded*

3. Accounts receivable

	1987	1986
	$	$
Customer accounts	861,542	525,081
Allowance for bad debts	(19,474)	(11,284)
	842,068	513,797
Parliamentary appropriation—Operating	635,831	628,331
Parliamentary appropriation—Major capital projects	378,968	
Grants	135,000	135,056
Loans to musicians for the purchase of instruments	86,350	81,260
Accrued interest	3,899	7,037
Other	13,947	34,812
	2,096,063	1,400,293

At August 31, an amount of $378,968 is recorded as an account receivable to offset the acquisition of a lighting board during 1986-87; a parliamentary appropriation for major capital projects has been approved by the Treasury Board and will be received during 1987-88.

4. Inventories

	1987	1986
	$	$
Production materials	226,254	236,618
Food, beverages and tobacco	150,079	185,624
Boutique	46,222	44,902
	422,555	467,144

5. Prepaid expenses

	1987	1986
	$	$
Supplies	147,236	175,724
Souvenirs and other items	34,285	34,285
Commissions	6,143	81,480
Miscellaneous	26,436	50,578
	214,100	342,067

6. Fixed assets

	1987			1986
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
	$	$	$	$
Land	90,000		90,000	90,000
Building—l'Atelier	298,069	88,782	209,287	224,191
Equipment	3,995,893	2,592,704	1,403,189	1,580,775
Equipment under capital lease	28,750		28,750	
Leasehold improvements	2,722,526	1,063,235	1,659,291	1,193,535
Uncompleted capital projects	4,600		4,600	8,728
	7,139,838	3,744,721	3,395,117	3,097,229

7. Accounts payable and accrued liabilities

	1987	1986
	$	$
Trade	1,193,023	1,053,355
Accrued salaries and annual leave	710,644	704,318
Payroll deductions and sales tax	351,537	292,553
Holdbacks on contracts		193,655
	2,255,204	2,243,881

8. Deferred revenue

	1987	1986
	$	$
Tickets sold prior to the end of the year for programmes in progress	2,547,087	2,271,278
Unredeemed gift certificates and other	164,059	136,546
	2,711,146	2,407,824

9. Deferred parliamentary appropriation—Extraordinary building repairs

	1987	1986
	$	$
Deferred from the previous year	461,086	611,463
Received during the year		2,000,000
Interest earned during the year	31,448	20,631
Expenses for the year	(192,145)	(2,171,008)
Deferred to the following year	300,389	461,086

10. Parliamentary appropriation—Operating

	1987	1986
	$	$
Receivable (deferred) at beginning of year	628,331	(8,501,500)
Credited to surplus	14,885,500	14,679,831
Received during the year	(14,878,000)	(5,550,000)
Receivable at end of year	635,831	628,331

11. Commitments

As at August 31, 1987, commitments for operating and capital leases and box office management services, with terms of more than one year, amounted to $903,252. Future minimum payments under these arrangements are payable as follows:

Year ending August 31	$
1988	270,991
1989	139,670
1990	131,214
1991	171,377
1992	190,000
	903,252

12. Related party transactions

In addition to the rental of the NAC complex, provided free of charge, the Corporation receives audit services without charge from the Office of the Auditor General of Canada.

During the year, in the normal course of business, the Corporation incurred expenses totalling $758,735 (1986—$640,007) for utility, ground maintenance, snow removal and telephone services provided by other government departments and agencies.

13. Comparative figures

Certain figures for the year ended August 31, 1986 have been reclassified to conform to the presentation adopted for the year ended August 31, 1987.

NATIONAL ARTS CENTRE CORPORATION—*Continued*

SCHEDULE OF REVENUE AND EXPENSES—PERFORMING ARTS PROGRAMMES FOR THE YEAR ENDED AUGUST 31, 1987 SCHEDULE 1

	Dance and Variety		Music		Theatre		Total	
	1987	1986	1987	1986	1987	1986	1987	1986
	$	$	$	$	$	$	$	$
Revenue								
Box office	4,080,583	4,384,415	1,511,782	1,354,161	1,943,172	1,718,530	7,535,537	7,457,106
Broadcasts			282,520	223,807			282,520	223,807
Tours			176,530	378,308	3,202	64,725	179,732	443,033
Sponsorships			124,500	110,941			124,500	110,941
Co-productions					110,000	80,628	110,000	80,628
Other	36,419	30,116	133,714	118,665	60,063	45,469	230,196	194,250
	4,117,002	4,414,531	2,229,046	2,185,882	2,116,437	1,909,352	8,462,485	8,509,765
Expenses								
Performers	2,911,278	3,501,815	4,022,875	3,740,494	1,199,263	1,033,397	8,133,416	8,275,706
Technical services	710,010	629,695	254,137	309,784	1,365,275	1,224,839	2,329,422	2,164,318
Administration	376,199	367,214	546,514	459,493	642,352	597,783	1,565,065	1,424,490
Advertising	583,694	450,448	492,585	477,186	486,047	478,933	1,562,326	1,406,567
Wardrobe					239,564	206,777	239,564	206,777
Other artistic services			63,433	26,178	282,218	286,860	345,651	313,038
Other production expenses	323,767	205,797	159,759	211,127	243,618	258,884	727,144	675,808
	4,904,948	5,154,969	5,539,303	5,224,262	4,458,337	4,087,473	14,902,588	14,466,704
Excess of expenses over revenue	787,946	740,438	3,310,257	3,038,380	2,341,900	2,178,121	6,440,103	5,956,939

SCHEDULE OF REVENUE AND EXPENSES— COMMERCIAL SERVICES FOR THE YEAR ENDED AUGUST 31, 1987 SCHEDULE 2

	1987	1986
	$	$
Revenue		
Restaurants (Schedule 3)	4,687,185	3,479,382
Garage (Schedule 4)	1,771,467	1,524,608
Boutique (Schedule 5)	166,777	147,493
	6,625,429	5,151,483
Expenses		
Restaurants (Schedule 3)	4,315,031	3,295,768
Garage (Schedule 4)	471,543	450,341
Boutique (Schedule 5)	179,726	155,450
	4,966,300	3,901,559
Excess of revenue over expenses	1,659,129	1,249,924

NATIONAL ARTS CENTRE CORPORATION—*Continued*

SCHEDULE OF REVENUE AND EXPENSES—RESTAURANTS FOR THE YEAR ENDED AUGUST 31, 1987

SCHEDULE 3

	1987			1986		
	Food	Beverage	Total	Food	Beverage	Total
	$	$	$	$	$	$
Sales						
Le Café	1,346,324	638,596	1,984,920	1,210,974	593,925	1,804,899
Catering	1,003,536	470,005	1,473,541	743,897	370,054	1,113,951
Bars		431,704	431,704		368,702	368,702
External Affairs	110,945		110,945			
Green Room	120,510		120,510	60,497		60,497
Total sales	2,581,315	1,540,305	4,121,620	2,015,368	1,332,681	3,348,049
Cost of Sales						
Cost of goods consumed	1,039,778	506,654	1,546,432	786,132	415,322	1,201,454
Less cost of employee meals	(25,731)		(25,731)	(28,351)		(28,351)
Net cost of sales	1,014,047	506,654	1,520,701	757,781	415,322	1,173,103
Gross profit	1,567,268	1,033,651	2,600,919	1,257,587	917,359	2,174,946
Other revenue						
Recovery of Costs—Catering and External Affairs			474,478			104,282
Other			91,087			27,051
Total other revenue			565,565			131,333
Total gross profit and other revenue			3,166,484			2,306,279
Operating and administrative expenses						
Salaries, wages and employee benefits			1,970,579			1,426,452
Supplies and equipment rental			384,321			320,745
Professional services			92,233			12,393
Advertising and promotion			90,080			84,582
Depreciation and amortization			77,613			68,968
Repairs and maintenance			58,365			98,217
Music and entertainment			32,702			30,526
Other			88,437			80,782
Total expenses			2,794,330			2,122,665
Excess of revenue over expenses			372,154			183,614

SCHEDULE OF REVENUE AND EXPENSES—GARAGE FOR THE YEAR ENDED AUGUST 31, 1987

SCHEDULE 4

	1987	1986
	$	$
Revenue		
Parking	1,771,467	1,524,608
Expenses		
Salaries, wages and employee benefits	399,081	392,632
Supplies	22,548	22,923
Repairs and maintenance	20,953	14,692
Depreciation and amortization	16,375	9,652
Other	12,586	10,442
	471,543	450,341
Excess of revenue over expenses	1,299,924	1,074,267

SCHEDULE OF REVENUE AND EXPENSES—BOUTIQUE FOR THE YEAR ENDED AUGUST 31, 1987

SCHEDULE 5

	1987	1986
	$	$
Revenue		
Sales	166,777	147,493
Expenses		
Cost of goods sold	103,445	85,047
Gross margin	63,332	62,446
General and administration		
Salaries, wages and employee benefits	62,586	53,503
Advertising and display	2,774	4,306
Amortization	2,677	2,677
Other	8,244	9,917
	76,281	70,403
Total expenses	179,726	155,450
Excess of expenses over revenue	12,949	7,957

NATIONAL ARTS CENTRE CORPORATION—*Concluded*

SCHEDULE OF REVENUE AND EXPENSES— PROGRAMME SUPPORT SERVICES FOR THE YEAR ENDED AUGUST 31, 1987 SCHEDULE 6

	1987	1986
	$	$
Revenue		
House program advertising	277,677	214,911
Box Office service charges	67,216	27,091
Other	120,624	298,054
	465,517	540,056
Expenses		
Salaries, wages and employee benefits	1,857,730	1,806,166
Commissions and service charges	415,597	411,724
Advertising and promotion	388,233	367,674
Warehouse rent	159,368	147,040
Office expenses	106,135	126,246
Professional services and expenses	105,417	36,502
Other	88,860	84,771
	3,121,340	2,980,123
Excess of expenses over revenue	2,655,823	2,440,067

SCHEDULE OF EXPENSES— OPERATION OF THE BUILDINGS FOR THE YEAR ENDED AUGUST 31, 1987 SCHEDULE 7

	1987	1986
	$	$
Salaries, wages and employee benefits	1,835,613	1,803,038
Utilities	993,616	958,666
Repairs and maintenance to buildings and equipment	818,586	790,054
Depreciation and amortization	726,399	606,117
Professional services and expenses	105,461	85,772
Furniture and equipment	97,507	66,674
Other	56,594	64,138
	4,633,776	4,374,459

SCHEDULE OF EXPENSES— ADMINISTRATIVE SERVICES FOR THE YEAR ENDED AUGUST 31, 1987 SCHEDULE 8

	1987	1986
	$	$
Salaries, wages and employee benefits	1,985,743	2,047,695
Office expenses	163,055	159,660
Office rent	128,407	156,784
Insurance	122,061	89,338
Telecommunications	112,692	131,007
Professional services and expenses	95,330	96,381
Repairs and maintenance	73,726	60,699
Travel and duty entertainment	41,392	52,902
Other	108,848	110,715
	2,831,254	2,905,181

SUMMARY PAGE

NATIONAL CAPITAL COMMISSION

MANDATE

To prepare plans for and assist in the development, conservation and improvement of the National Capital Region. In 1987-88, the Commission became responsible for the management and maintenance of the Official Residences located in the National Capital Region.

BACKGROUND

Funding from Canada to the Commission is usually budgetary funding. The Commission's own revenues meet about 16 per cent of its operating expenses.

CORPORATION DATA

HEAD OFFICE	161 Laurier Avenue West Ottawa, Ontario K1P 6J6
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Stewart McInnes, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1958; by the *National Capital Act* (R.S.C. 1985, c. N-4). Canada has owned this corporation since 1899 with the creation then of the Ottawa Improvement Commission (1899-1927), succeeded by the Federal District Commission (1927-1958).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Jean Pigott
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	**1986-87 (restated)**	**1985-86**	**1984-85 (restated)**
At the end of the period				
Total Assets	319.7	298.3	306.5	332.8
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	26.3
Equity of Canada	285.8	269.4	284.4	281.4
Cash from Canada in the period				
— budgetary	103.0	59.0*	73.4*	97.1
— non-budgetary	nil	nil	(26.3)	(4.8)

* Net of sales proceeds and surplus (in 1986-87, $3.5 million; in 1985-86, $7.6 million) which were paid to Canada.

NATIONAL CAPITAL COMMISSION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the National Capital Commission are the responsibility of management and have been approved by members of the Commission. The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

Management has developed and maintains books of account, records, financial and management controls and information systems. These are designed to provide reasonable assurance that assets are safeguarded and controlled and that transactions are in accordance with Part XII of the Financial Administration Act and regulations as well as the National Capital Act and By-Laws of the Commission. Internal audits are conducted to assess these systems and practices.

The members of the Commission carry out their responsibilities for the financial statements principally through an Audit Committee which consists of members of the Commission only. The Audit Committee meets periodically with management as well as with the internal and external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls and to review and discuss financial reporting matters. The external and internal auditors have full access to the Audit Committee, with and without management being present.

The Commission's external auditor, the Auditor General of Canada, has examined the financial statements. He submits his report to the Minister of Public Works who is responsible for the National Capital Commission.

Jean E. Pigott
Chairman

John T. Denis
Chief Financial Officer

AUDITOR'S REPORT

THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of the National Capital Commission as at March 31, 1988 and the statements of operations, equity and changes in cash resources for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1988 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the National Capital Act, and by-laws of the Commission.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 10, 1988

BALANCE SHEET AS AT MARCH 31, 1988
(in thousands of dollars)

ASSETS	1988	1987
Current		
Cash and short-term deposits	1,570	11,084
Accounts receivable.		
Due from Canada	16,421	
Federal government departments and agencies	577	780
Tenants and others	1,444	1,196
Operating supplies, small tools and nursery stock	817	660
Prepaid expenses	2,102	1,874
	22,931	15,594
Land, buildings and equipment (Note 3)	296,799	282,689
	319,730	298,283

LIABILITIES	1988	1987
Current		
Accounts payable and accrued liabilities	25,227	20,542
Holdbacks and deposits from contractors and others	2,208	1,876
	27,435	22,418
Long-term		
Accrued employee termination benefits	5,630	5,197
Unsettled expropriations of property	842	1,230
	6,472	6,427
EQUITY		
Equity of Canada	285,823	269,438
	319,730	298,283

Approved by the Commission:

JEAN E. PIGOTT
Chairman

JOHN McINTOSH
Commissioner

NATIONAL CAPITAL COMMISSION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Expenses (Note 4)		
Planning and development	18,047	13,173
Real asset management	51,077	49,461
Public activities	15,761	11,915
Administration	17,472	15,255
	102,357	89,804
Revenues		
Property	10,628	9,690
Interest	795	1,178
Net gain on disposal of land, buildings and equipment	1,726	3,136
Other	2,585	1,863
	15,734	15,867
Net cost of operations	86,623	73,937
Parliamentary appropriations	103,008	62,445
Less: appropriations used to acquire land, buildings and equipment	24,656	15,131
	78,352	47,314
Excess of net cost of operations over parliamentary appropriations	8,271	26,623

STATEMENT OF EQUITY
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Balance at beginning of year as previously reported	267,063	284,430
Adjustment to grants in lieu of taxes (Note 7(b)(iii)	2,375	
Balance as restated	269,438	284,430
Excess of net cost of operations over parliamentary appropriations	(8,271)	(26,623)
Appropriations to acquire land, buildings and equipment	24,656	15,131
Payments to Canada		(3,500)
Balance at end of year	285,823	269,438

STATEMENT OF CHANGES IN CASH RESOURCES
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Operating activities		
Excess of net cost of operations over parliamentary appropriations	(8,271)	(26,623)
Items not involving cash		
Depreciation	9,718	10,549
Net gains on disposal of land, buildings and equipment	(1,726)	(3,136)
Increase in accrued employee benefits	433	701
Decrease in long-term portion of unsettled expropriations	(388)	
	(234)	(18,509)
Net change in non cash working capital balances related to operations	(11,834)	6,573
Cash used in operating activities	(12,068)	(11,936)
Investing activities		
Acquisition of land, buildings and equipment	(24,656)	(15,131)
Proceeds on disposal of land, buildings and equipment	2,554	3,311
Cash used in investing activities	(22,102)	(11,820)
Cash required before financing	(34,170)	(23,756)
Financing activities		
Parliamentary appropriations to acquire land, buildings and equipment	24,656	15,131
Payment of funds to Canada		(3,500)
Cash provided by financing activities	24,656	11,631
Decrease in cash	(9,514)	(12,125)
Cash and short-term deposits at beginning of year	11,084	23,209
Cash and short-term deposits at end of year	1,570	11,084

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

1. Authority and objectives

The National Capital Commission was established by the National Capital Act, 1958. The Commission is a Crown Corporation without share capital named in Schedule C, Part I to the Financial Administration Act and is an agent corporation. The objects and purposes of the Commission are to prepare plans for and assist in the development, conservation and improvement of the National Capital Region in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance. The Commission is also responsible for the management and maintenance of the Official Residences located in the National Capital Region.

2. Significant accounting policies

(a) Land, buildings and equipment

Land, buildings and equipment are generally recorded at historical cost. Property acquired at nominal cost or by donation is recorded at market value at time of acquisition except for properties of historical significance whose market value cannot be reasonably determined. These are recorded at nominal value. Property acquired by exchange is recorded at the carrying value of the assets disposed of in the transaction.

(b) Depreciation

Depreciation of assets is charged to operations in equal annual amounts based on the cost of the assets, their estimated useful life and their final salvage value. Useful life of assets is estimated as follows:

Buildings	20 years
Roads and bridges	25 years
Park landscaping and improvement	25 years
Festival equipment	5 years
Equipment	7 to 15 years
Vehicles	4 to 7 years
Equipment and vehicle attachments	10 years

(c) Operating supplies, small tools and nursery stock

Operating supplies and small tools are carried at cost. Nursery stock is valued at estimated replacement cost less an allowance for overhead, balling and packaging expenses.

(d) Pension plan

The Commission's employees participate in the Public Service Superannuation Plan, which is administered by the Government of Canada. Contributions to the Plan are made by both the employees and the Commission on an equal basis. These contributions represent the total pension obligations of the Commission and are recognized in the accounts on a current basis.

(e) Employee termination benefits

Severance pay generally accrues to employees over their service period, and is payable on their separation or retirement. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

3. Land, buildings and equipment

	1988			1987
	Historical cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land and Buildings				
Greenbelt	55,604	16,201	39,403	39,068
Parkways	86,100	34,585	51,515	41,423
Parks	47,877	15,324	32,553	32,483
Bridges and approaches	27,180	13,179	14,001	13,795
Historical sites	17,223	8,635	8,588	8,124
Recreational facilities	15,492	6,539	8,953	9,043
Rental properties	140,249	12,998	127,251	128,056
Unsettled expropriations	1,230		1,230	1,300
Administrative and service buildings	12,912	6,258	6,654	5,122
	403,867	113,719	290,148	278,414
Less: provision for transfers*	1,838		1,838	2,045
	402,029	113,719	288,310	276,369
Equipment				
Equipment	4,948	2,256	2,692	1,423
Furniture	8,786	5,685	3,101	3,203
Vehicles	3,818	1,572	2,246	1,184
Antiques and works of art	834	384	450	510
	18,386	9,897	8,489	6,320
	420,415	123,616	296,799	282,689

* Provision for transfers pertains to property to be transferred in accordance with agreements with the Province of Quebec. This includes lands to be given free of charge for approaches to the MacDonald-Cartier Bridge, and for the transfer for $1 of lands to be used as a right-of-way for Highway 550.

4. Summary of expenses by major classification

	1988	1987
	(in thousands of dollars)	
Payroll and related costs	38,677	37,801
Goods and services	29,032	24,249
Grants in lieu of taxes	11,380	10,632
Other contributions	13,550	6,573
Depreciation	9,718	10,549
	102,357	89,804

5. Major commitments

(a) The Commission is committed to make contributions to other levels of government and other authorities as follows:

(i) Province of Quebec, one-half of the cost of the work of a road network within the Quebec portion of the National Capital Region. The Commission's remaining commitment to be paid over the next several years is estimated at $90 million. However, a recent Treasury Board of Canada decision directed that total Commission expenditures for the Quebec road network be limited to $131.7 million pending Cabinet consideration of the program. As of March 31, 1988, payments have totalled $125.9 million.

NATIONAL CAPITAL COMMISSION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

(ii) The Outaouais Regional Community Transit Commission and the Ottawa-Carleton Regional Transit Commission, a total of $1.2 million by December 31, 1988 to assist in the provision of interprovincial transit service in the National Capital Region.

(iii) The Canada Museums Construction Corporation Inc., 65% of the cost of landscaping sites for two new museums in the National Capital Region. The Commission's remaining commitment is $3.2 million.

(b) The Province of Quebec has expropriated certain lands at Laurier Park on behalf of the Commission. An amount of $1.25 million will be payable in exchange for appropriate title documents.

(c) The Commission has entered into agreements for computing services and leases of equipment and office space. Annual payments under these agreements are approximately as follows:

	(in thousands of dollars)
1988-89	2,840
1989-90	2,911
1990-91	2,977
1991-92	2,219
	10,947

6. Contingencies

(a) Claims

Claims and potential claims have or may be made against the Commission totalling approximately $31.1 million for alleged damages and other matters. The final outcome of these claims is not determinable and accordingly these items are not reflected in the accounts. However, in the opinion of management, the position of the Commission is defensible. Settlements, if any, resulting from the resolution of these claims will be accounted for in the year in which the settlements occur.

(b) Agreement with the province of Ontario

In 1961, the Commission entered into an agreement whereby the Province of Ontario established and maintains 2,654 hectares (6,557 acres) of forest. When the agreement expires in 2011, or is terminated, the Commission will reimburse the Province for the excess of expenses over revenues, or the Province will pay the Commission the excess of revenues over expenses. At March 31, 1987, cumulative expenditures exceeded cumulative receipts by $1.0 million, and are not reflected in the accounts of the Commission.

7. Related party transactions

(a) Transfer of official residences

On January 14, 1988, the Governor in Council approved the transfer to the National Capital Commission of the powers, duties and responsibilities of Public Works Canada under the Official Residences Act. The Governor in Council also approved the acquisition by the Commission at no cost the lands described in the Official Residences Act together with the buildings located thereon, the Rideau Hall Complex, the Canada Guest House and all moveable property located in or on these properties. These properties are recorded at nominal value in the accounts of the Commission as they are properties of historical significance whose market value cannot be reasonably determined.

(b) Transfer of other properties

(i) The Commission has permitted Canada Museums Construction Corporation Inc. to undertake major construction projects on certain Commission lands. Although the Commission is not responsible for funding and managing these projects, or reporting their costs, it may have title to the construction works. However, in keeping with the intent of these projects, the Commission is not claiming ownership of the work in progress or the completed buildings. Accordingly, the value of the construction costs is not included in the records of the Commission or in its financial statements.

(ii) The Commission is in the process of transferring the lands in question to Public Works Canada. The estimated carrying value of these lands is $11.8 million. The financial statements of the Commission as at March 31, 1988 do not include this pending transaction because the authority necessary to effect the transfer has not yet been obtained.

(iii) A liability for municipal grants in lieu of taxes of $5.0 million is outstanding on the lands and buildings in question. It is the intent that Public Works Canada which will be the eventual owner of these lands and buildings will pay the grants outstanding. Therefore the Commission has not recorded the liability nor the expense in its accounts. However, last year a liability and corresponding expense were recorded in the accounts of the Commission. In the current year, an adjustment has been made to eliminate this liability and expense, and the 1986-87 financial statements have been restated to reflect this adjustment. This has the effect of decreasing 1986-87 grants in lieu of taxes expense and increasing equity as at April 1, 1987 by $2.4 million.

(c) Agent for property sales

Public Works Canada acts as an agent for the Commission with respect to the sale of properties which are surplus to the Commission's needs. Fees charged are based on standard rates set by Public Works Canada.

(d) Service agreement

The Commission has entered into an agreement with Public Works Canada whereby the latter will, with respect to the Official Residences, provide certain property services at rates established with the Commission and approved by the Treasury Board of Canada.

8. Receivable from the Federal Government

The Commission relies on parliamentary appropriations to fund its operations. For the 1987-88 fiscal year, appropriations amounted to $103.0 million ($62.4 million in 1986-87) of which $86.6 million was received in the 1987-88 fiscal year and $16.4 million was received in the 1988-89 fiscal year.

9. Comparative figures

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

SUMMARY PAGE

NORTHERN CANADA POWER COMMISSION

MANDATE

To plan, construct and operate, on a self-sustaining basis, public utilities in the Northwest Territories and, subject to approval of the Governor in Council, elsewhere in Canada.

BACKGROUND

Since incorporation in 1948, NCPC has acquired or installed power generation and distribution facilities in Yukon and the Northwest Territories. The present government decided to transfer control of the Commission's operations to the governments of the Territories. To this end, with the authority of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act* (S.C. 1987, C. 9), the assets and operations of the Commission in Yukon were sold on March 31, 1987 to the Yukon Power Corporation, a subsidiary of the Yukon Development Corporation, a corporation created by an ordinance of the Yukon Territorial Government. Finally, the corporation was sold to the Northwest Territorial Government, effective May 5, 1988, under the authority of the *Northern Canada Power Commission (Share Issuance and Sale Authorization) Act* (S.C. 1988, c. 12).

CORPORATION DATA

STATUS	— Schedule III, Part I and an agent of Her Majesty until May 5, 1988.
YEAR AND MEANS OF INCORPORATION	1948; by the *Northwest Territories Power Commission Act*; amended as *Northern Canada Power Commission Act* (R.S.C. 1985, c. N-24).
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85 (restated)
At the end of the year				
Total Assets	138.0	142.9	268.7	271.8
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	96.2	103.3	236.9	241.0
Equity of Canada	27.5	24.9	9.5	14.8
Cash from Canada in the period				
— budgetary	nil	nil	nil	nil
— non-budgetary	nil	11.6	3.9	5.0

NORTHERN CANADA POWER COMMISSION

REPORT OF MANAGEMENT'S ACCOUNTABILITY

THE HONOURABLE BILL MCKNIGHT, P.C., M.P.,
MINISTER OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

The accompanying financial statements were prepared by management in conformity with generally accepted accounting principles appropriate in the circumstances.

The Commission maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used to further the Commission's aims, and are protected from loss or unauthorized use and that the Commission acts in accordance with the laws of Canada. The Commission's management recognizes its responsibility for conducting the Commission's affairs in accordance with the requirements of applicable laws and principles, and for maintaining standards of conduct that are appropriate to an agent of the Crown. An internal auditor reviews the operation of financial and management systems to promote compliance and to identify changing requirements or needed improvements.

The Auditor General of Canada annually provides an independent, objective audit for the purpose of expressing his opinion on the financial statements. He also considers whether the transactions that come to his notice in the course of this audit are, in all significant respects, in accordance with the specified legislation.

J. W. BEAVER
Chairman and Chief Executive Officer

R. A. PHILLIPS
Comptroller

AUDITOR'S REPORT

TO THE MINISTER OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

I have examined the balance sheet of Northern Canada Power Commission as at March 31, 1988 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Northern Canada Power Commission Act, and the by-laws of the Commission.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 10, 1988

BALANCE SHEET AS AT MARCH 31, 1988
(in thousands of dollars)

ASSETS	1988	1987
Property and equipment		
In service (Note 3)	97,528	99,599
Projects under construction	678	10
	98,206	99,609
Current		
Cash and term deposits	14,152	15,877
Accounts receivable		
Utilities	10,858	13,673
Other	1,020	1,008
Inventories		
Fuel and lubricants	10,841	10,095
Other supplies	2,904	2,657
	39,775	43,310
	137,981	142,919

LIABILITIES	1988	1987
Long-term		
Loans from Canada (Notes 1(c) and 4)	96,129	96,129
Deferred credit		
Contributions in aid of construction	3,842	4,065
Current		
Due to Canada		
Current portion of long-term loans (Note 4)		7,130
Accounts payable	7,739	7,355
Employee leave and termination benefits	2,629	3,098
Contractors' holdbacks	143	196
	10,511	17,779
	110,482	117,973
EQUITY OF CANADA		
Contributed surplus—Divestiture of operations (Note 1(a))	1,382	1,319
Contingency reserve (Note 5)	10,000	10,000
Retained earnings	16,117	13,627
	27,499	24,946
	137,981	142,919

Approved by the Commission:

J. W. BEAVER
Chairman and Chief Executive Officer

L. A. CARRIER
Member

NORTHERN CANADA POWER COMMISSION—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Operating activities		
Reported net income (loss)	3,043	(1,285)
Items not requiring an outlay of cash		
Depreciation	8,539	11,577
Overdue interest		5,469
Extraordinary item		(1,319)
Decrease in trade balances	2,665	701
(Increase) decrease in inventories	(993)	1,454
Funds provided by operating activities	13,254	16,597
Investing activities		
Expenditures for property and equipment	(7,424)	(13,013)
Proceeds on disposal of property and equipment	65	63
Net funds used in investing activities	(7,359)	(12,950)
Financing activities		
Long-term loan retirement	(7,130)	(17,088)
Distribution of retained earnings	(490)	
Long-term loans from Canada		11,600
Net funds used in financing activities	(7,620)	(5,488)
Non-cash activities related to the devolution of operations in the Yukon Territory		
Disposal of assets		95,000
Reduction of long-term loans		(95,000)
Net non-cash activities		
Net decrease in funds	1,725	1,841
Funds at beginning of the year (cash and term deposits)	15,877	17,718
Funds at end of the year	14,152	15,877

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
Revenues		
Sale of power	67,928	90,776
Sale of heat	6,208	6,840
Other	1,388	1,597
	75,524	99,213
Expenses		
Operations and maintenance	51,022	61,416
Depreciation	8,539	11,577
Engineering and general administration (Note 6)	5,523	6,303
	65,084	79,296
Income from operations	10,440	19,917
Interest (Note 7)	7,397	22,521
Income (loss) before extraordinary item	3,043	(2,604)
Extraordinary item—Divestiture of assets in Yukon Territory and Field, B.C. (Note 1)		1,319
Net income (loss) for the year	3,043	(1,285)

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988	1987
At beginning of the year	13,627	3,904
Net income (loss) for the year	3,043	(1,285)
	16,670	2,619
Distribution of retained earnings (Note 1(b))	(490)	
Transfer to contributed surplus—Divestiture of operations (Note 1(b))	(63)	(1,319)
Deficit related to Yukon operations written off		16,692
Transfer to contingency reserve		(4,365)
At end of the year	16,117	13,627

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988

1. The Commission

The Northern Canada Power Commission is a Crown corporation named in Schedule C, Part I, to the Financial Administration Act and operates under the Northern Canada Power Commission Act. The Commission is exempt from income tax.

The objective of the Commission is to provide utility services on a self-sustaining basis in the Northwest Territories and, with the approval of the Governor in Council, elsewhere in Canada.

Devolution

On November 5, 1985, the Minister of Indian Affairs and Northern Development agreed to a Memorandum of Understanding with the territorial ministers representing the Governments of the Northwest Territories and the Yukon Territory, to transfer Northern Canada Power Commission to the territorial governments.

(a) Yukon Territory

Under the provisions of the Northern Canada Power Commission Yukon Assets Disposal Authorization Act, the Commission's business operations related to the Yukon Territory were transferred on March 31, 1987. The application of the financial terms of the Act created an extraordinary gain of $1,382,000 which was credited to contributed surplus.

(b) Field, B.C.

Order in Council PC 1987-7/955 of May 7, 1987 authorized the Commission to sell the property and equipment in service of Field, B.C. rate zone. The net book value of these assets was written down by $63,000 and charged against contributed surplus at March 31, 1987 to reflect the selling price of $61,000. The retained earnings of $490,000, net of the capital loss of $63,000, was distributed to Canada on March 31, 1988.

(c) Northwest Territories

The Northern Canada Power Commission (Share Issuance and Sale Authorization) Act, assented to on April 27, 1988, provided for the conversion of the total long-term loans of $96,129,000 due to Canada as at March 31, 1988 into shares and a promissory note as follows:

	(in thousands of dollars)
Shares	43,129
Promissory Note	53,000
	96,129

NORTHERN CANADA POWER COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Continued*

The promissory note is payable to Canada on April 30, 1998, with interest at the rate of 11% per annum. Further, the Act provides for Canada to sell the shares and assign the promissory note to the Government of the Northwest Territories for a purchase consideration of $53,000,000. These transactions were completed pursuant to the Acquisition Agreement signed on May 5, 1988.

The Act also repealed the Northern Canada Power Commission Act and authorized the Commission to continue its operations as a corporation governed by the laws of the Northwest Territories.

2. Accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and applied on a basis consistent with that of the preceding year. A summary of the significant accounting policies of the Commission is as follows:

Property and equipment

Property and equipment, including that donated to the Commission by Canada and others, are carried at cost less accumulated depreciation. Costs of additions, betterments and major renewals are capitalized. In addition to direct costs of goods and services, capital project costs include interest at prevailing rates on loan funds used to finance construction during the construction period and a share of engineering and general administration expense which is directly attributable to the projects.

For normal retirements, the cost of property and equipment retired less disposal proceeds is charged or credited to accumulated depreciation with no gain or loss being reflected in operations. Gains or losses on disposal of property and equipment resulting from exceptional circumstances are reflected in the results of operations for the year.

Depreciation

Depreciation of property and equipment, financed by loans from Canada, and in service prior to March 31, 1977, excluding the Head Office building, is calculated as an amount equivalent to the principal portion of the repayment of the associated loan. The loans are being repaid by the annuity method over the estimated economic life of the assets. Property and equipment, financed by loans from Canada and in service subsequent to March 31, 1977, the Head Office building, property and equipment purchased from internally generated funds, and donated plants and extensions, are depreciated on the straight-line method.

Depreciation rates for the various classes of assets are based on their estimated economic lives, which for the principal classes of assets are:

Hydroelectric plants	30 - 50 years
Diesel engines and associated equipment	10 - 15 years
Fuel storage equipment	20 years
Buildings	20 - 30 years
Heating systems	20 years
Transmission and distribution systems	20 - 30 years
Office and general equipment	5 - 15 years
Motor vehicles	4 years

Deferred credit

Deferred credit represents contributions from Canada and others to aid the construction and acquisition of property and equipment, and is amortized over the estimated economic lives of the respective donated property and equipment.

Inventories

Inventories are valued at average cost. Provision is made for any decline in value of slow-moving inventory.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these payments is recorded in the accounts as the benefits accrue to the employees.

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Commission. These contributions represent the total liability of the Commission and are recognized in the accounts on a current basis.

Grants in lieu of taxes

Grants in lieu of taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada.

3. Property and equipment in service

	1988	1987
	(in thousands of dollars)	
Electric power plants	129,029	124,883
Transmission and distribution systems	26,585	25,832
Other utilities	3,029	3,687
Staff accommodation	3,388	3,430
Warehouses, motor vehicles and general facilities	8,325	7,415
	170,356	165,247
Less: accumulated depreciation	72,828	65,648
	97,528	99,599

4. Loans from Canada

The Commission receives funds for capital expenditures by way of interest-bearing loans from Canada. Interest at prevailing rates is accrued during the course of construction of a project and added to the amount borrowed. The toal loan, including accrued interest is repaid on terms and conditions as approved by Governor in Council. As described in Note 1(c), the Northern Canada Power Commission (Share Issuance and Sale Authorization) Act has authorized the conversion of the loans due to Canada into shares and a promissory note.

At March 31, 1988, loans carried interest at rates ranging from 4.125% to 15.625% with a weighted average interest rate of 9.262% (1987—9.234%).

5. Contingency reserve

Order in Council PC 1980-1989 of July 24, 1980, authorized the Commission to establish a contingency reserve which is not to exceed $10 million. The contingency reserve is non-funded.

6. Engineering and general administration expense

Engineering and general administration expense is net of $517,000 (1987—$344,000) allocated to capital projects.

7. Interest

	1988	1987
	(in thousands of dollars)	
Interest on long-term loans from Canada	9,530	25,057
Income from term deposits and receivables	2,133	2,536
	7,397	22,521

NORTHERN CANADA POWER COMMISSION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

8. Commitments

At March 31, 1988, the estimated committed cost to complete capital projects is approximately $21,069,000 (1987—$797,000).

9. Related party transactions

In addition to the transactions described in Notes 1, 4 and 7, the Commission has significant transactions with the Government of Canada and its agencies, as well as with territorial and municipal governments of the Northwest Territories. These transactions and resulting balances comprise:

	1988	1987
	(in thousands of dollars)	
Sale of power and heat	37,653	43,869
Purchase of fuel	9,541	9,088
Contributions to the Public Service Superannuation Plan	677	742
Treasury bills and accrued interest	14,749	14,494
Accounts receivable	6,004	7,338
Accounts payable	1,854	1,959
Transfer of Yukon liabilities	1,071	
Distribution of retained earnings	490	

Furthermore, the Commission receives audit and legal services without charge from the Office of the Auditor General of Canada and the Department of Justice of Canada.

SUMMARY PAGE

PACIFIC PILOTAGE AUTHORITY

MANDATE

To establish, operate, maintain and administer, in the interests of safety, an efficient pilotage service within designated waters in and around British Columbia.

BACKGROUND

Established in 1972, the Authority provides pilotage services and has the power to make regulations, subject to the approval of the Governor in Council, which establish compulsory pilotage areas; prescribe the ships/classes of ships that are subject to compulsory pilotage, the circumstances under which compulsory pilotage may be waived and pilotage tariffs; and which cover the licensing of pilots and issuance of pilotage certificates. Tariffs must be fair and reasonable and sufficient to permit the Authority to operate on a self-sustaining financial basis.

CORPORATION DATA

HEAD OFFICE	300-1199 West Hastings Street Vancouver, British Columbia V6E 4G9
STATUS	— Schedule III, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Robert J. Smith
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	1985	1984
At the end of the year				
Total Assets	4.5	4.4	5.0	4.4
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	negl.	negl.	0.1	0.1
Equity of Canada	2.6	2.6	2.8	2.6
Cash from Canada for the year				
— budgetary	nil	nil	nil	nil
— non-budgetary	nil	nil	nil	nil

PACIFIC PILOTAGE AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of Pacific Pilotage Authority as at December 31, 1987 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Pilotage Act and regulations and the by-laws of the Authority.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 5, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987	1986
Current		
Cash and short-term deposits	1,102	1,289
Accounts receivable	2,536	2,233
Prepaid expenses	33	25
	3,671	3,547
Property and equipment (Note 3)	827	840
	4,498	4,387

LIABILITIES	1987	1986
Current		
Accounts payable and accrued liabilities	1,541	1,321
Long-term		
Accrued employee termination benefits	338	427
Obligations under capital lease		30
	338	457
	1,879	1,778
EQUITY OF CANADA		
Contributed capital	806	806
Retained earnings	1,813	1,803
	2,619	2,609
	4,498	4,387

Approved by the Authority:

R. SMITH
Chairman

M. FELLIS
Member

PACIFIC PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Revenues		
Pilotage charges	26,161	23,187
Interest and other income	120	134
	26,281	23,321
Expenses		
Contract pilots' fees	18,629	16,300
Operating costs of pilot boats	2,626	2,454
Transportation and travel	2,368	2,193
Staff salaries and benefits	1,070	1,080
Pilots' salaries and benefits	716	711
Professional and special services	167	158
Rentals	158	160
Computer software costs	138	109
Utilities, materials and supplies	135	86
Depreciation	133	169
Communications	99	94
Repairs and maintenance	17	20
Other	15	7
	26,271	23,541
Net income (loss) for the year	10	(220)

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Appropriated		
Balance at beginning and end of the year	500	500
Unappropriated		
Balance at beginning of the year	1,303	1,523
Net income (loss) for the year	10	(220)
Balance at end of the year	1,313	1,303
	1,813	1,803

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Operating activities		
Net income (loss) for the year	10	(220)
Items not affecting cash		
Depreciation	133	169
Loss on sale of property and equipment	10	
Employee termination benefits	(89)	(16)
Change in operating components of working capital	(91)	(34)
Cash required for operating activities	(27)	(101)
Investing activities		
Proceeds from disposal of equipment	9	
Additions to property and equipment	(139)	(82)
Financing activities		
Decrease in long-term obligations under capital lease	(30)	(27)
Decrease in cash	(187)	(210)
Cash and short-term deposits at beginning of the year	1,289	1,499
Cash and short-term deposits at end of the year	1,102	1,289

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. Nature of activities

The Pacific Pilotage Authority was established on February 1, 1972 pursuant to the Pilotage Act. The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act further provides that the tariffs of pilotage charges shall be fair and reasonable and consistent with providing a revenue, together with any revenue from other sources, sufficient to permit the Authority to operate on a self-sustaining financial basis.

Pilotage services on the Fraser River are provided by employee pilots and in other coastal waters under a contract with a local association of licensed pilots.

The Authority is not subject to any income taxes.

2. Significant accounting policies

Capital leases

Under the terms of certain lease agreements the Authority assumes the rights and obligations of ownership. These leases are treated as capital leases. An asset and an obligation are recorded at an amount equal to the market value of the asset at the beginning of the lease. The obligation is reduced each year by the principal portion of the lease payments and the interest portion is charged to expense.

Depreciation

Depreciation of property and equipment is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Pilot boats	20 years
Equipment	5 and 10 years
Leasehold improvements	15 years

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these payments is recorded in the accounts as the benefits accrue to the employees.

Contributed capital

Amounts representing the values assigned to property and equipment transferred from Canada in 1972 and the cost of any property and equipment financed from parliamentary appropriations are shown as contributed capital.

Retained earnings

Amounts are appropriated from time to time by the Authority to provide for extraordinary costs arising from renewal or acquisition of fixed assets and for contingencies.

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

PACIFIC PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

3. Property and equipment

	1987	1986
	(in thousands of dollars)	
Buildings	40	40
Pilot boats	1,142	1,142
Equipment	907	800
Leasehold improvements	34	31
	2,123	2,013
Accumulated depreciation	1,296	1,173
	827	840

The above assets include a pilot boat under a capital lease at a total value of $276,000 (1986—$276,000) less accumulated depreciation of $207,000 (1986—$193,000). Following the final lease payment of $30,000 in April 1988 the Authority has the option to purchase this pilot boat for $1.

4. Commitments

The Authority has a long-term lease obligation for office accommodation aggregating $925,440 for the period to December 31, 1999 at a base annual rent of $77,120. The obligation also calls for pro-rata share of operating costs estimated at $43,000 for 1988.

The Authority has an operating lease agreement for the services of a manned pilot boat with a guaranteed annual rental of $58,000 to 1990, plus operating expenses. There is an option to purchase the boat, at any time, at a price to be determined when the option is exercised.

SUMMARY PAGE

PETRO-CANADA

MANDATE

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.

BACKGROUND

Petro-Canada's growth was principally from its acquisition, in succession, of Atlantic Richfield, Pacific Petroleums, Petrofina, BP Canada and Gulf Canada rights and other assets but, as well, major new investments have been made by the corporation in conventional crude oil and gas exploration in Western Canada and in frontier drilling. It owns a significant share in the promising Hibernia and Terra Nova offshore fields and in the Syncrude tar-sands and Wolf Lake in situ oil sands projects.

CORPORATION DATA

HEAD OFFICE	150 - 6th Avenue, S.W. Calgary, Alberta T2P 3E3
STATUS	— Schedule III, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Marcel Masse, P.C., M.P.
DEPARTMENT	Energy, Mines and Resources
YEAR AND MEANS OF INCORPORATION	1975; by the *Petro-Canada Act* (R.S.C. 1985, c. P-11).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Wilbert H. Hopper
AUDITOR	Arthur Andersen & Co.

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	1985	1984 (restated)
At the end of the year				
Total Assets	8,453	8,139	8,846	8,966
Obligations to the private sector	1,894	1,740	2,045	1,469
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	3,872	3,711	3,642	4,479
Cash from Canada in the year				
— budgetary	nil	nil	(50)*	nil
— non-budgetary	nil	nil	nil	425

* Dividend to Canada

PETRO-CANADA

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements have been prepared by management in accordance with generally accepted accounting principles appropriate in the circumstances. Management is responsible for the other information in the Annual Report, which is consistent, where applicable, with that contained in the financial statements. Management is also responsible for installing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced. The Corporation has an internal audit department whose functions include reviewing the system of internal control to ensure that it is adequate and functioning properly.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board, a majority of which is composed of directors who are not employees of the Corporation. The committee meets with management, the internal auditors and the external auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements.

The external auditors conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board.

AUDITORS' REPORT

TO THE HONOURABLE MARCEL MASSE, P.C., M.P.
MINISTER
ENERGY, MINES AND RESOURCES CANADA
HOUSE OF COMMONS

We have examined the consolidated balance sheet of Petro-Canada (incorporated by Special Act of the Parliament of Canada) as at December 31, 1987 and the related consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change (with which we concur) in the method of accounting for pension plans as explained in Note 14 to the consolidated financial statements, on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation and its consolidated wholly-owned subsidiaries that have come to our notice in the course of our examination of the consolidated financial statements of Petro-Canada were, in all significant respects, in accordance with the Financial Administration Act and the regulations thereto, the charter and by-laws of the Corporation and its consolidated wholly-owned subsidiaries and any directives given to the Corporation.

Arthur Andersen & Co.
Chartered Accountants

Calgary, Canada
February 23, 1988

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1987
(in millions of dollars)

ASSETS	1987	1986
Current Assets		
Cash and short-term deposits	10	
Accounts receivable	892	874
Inventories (Note 2)	721	553
Income taxes recoverable	4	20
Deposits and prepaid expenses	53	35
	1,680	1,482
Investments (Note 3)	509	356
Property, Plant and Equipment, net (Note 4)	6,197	6,223
Deferred Charges (Note 5)	67	78
	8,453	8,139

LIABILITIES AND SHAREHOLDER'S EQUITY	1987	1986
Current Liabilities		
Short-term notes payable	313	
Accounts payable and accrued liabilities	864	933
Current portion of long-term debt	6	13
Outstanding cheques less cash		88
	1,183	1,034
Long-term Debt (Note 6)	744	805
Deferred Credits (Note 7)	190	198
Deferred Income Taxes	1,633	1,469
Redeemable Preferred Shares (Note 8)	831	922
Capital (Note 9)	4,161	4,161
Deficit	(289)	(450)
	3,872	3,711
	8,453	8,139

Approved on behalf of the Board:

W. H. HOPPER
Director

W. McBURNEY ELLIOTT
Director

PETRO-CANADA—*Continued*

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1987
(in millions of dollars)

	1987	1986
Revenue		
Operating	4,982	5,089
Investment and other income	97	83
	5,079	5,172
Expenses		
Crude oil and product purchases	2,214	2,405
Marketing, general and administrative	819	787
Producing and refining	727	576
Depreciation, depletion and amortization	412	394
Taxes other than income taxes (Note 10)	394	512
Interest on long-term debt	59	36
Other interest	14	31
	4,639	4,741
Earnings before Undernoted Items	440	431
Provision for Income Taxes (Note 11)		
Deferred	164	165
Current	63	84
	227	249
Net Earnings before Dividends on Redeemable Preferred Shares	213	182
Dividends on Redeemable Preferred Shares (Note 8)	41	59
Net Earnings after Dividends on Redeemable Preferred Shares	172	123

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1987
(in millions of dollars)

	1987	1986
Retained Earnings (Deficit) at Beginning of Year	(450)	(519)
Net earnings before dividends on redeemable preferred shares	213	182
Dividends on redeemable preferred shares	(41)	(59)
Exchange adjustment on redemption of redeemable preferred shares	(11)	(54)
Retained Earnings (Deficit) at End of Year	(289)	(450)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1987
(in millions of dollars)

	1987	1986
Internally Generated Cash		
Working capital provided from operations (Note 12)	784	728
Proceeds from sale of property, plant and equipment	46	59
Advances on future natural gas deliveries	(11)	(17)
Internally generated cash from operations	819	770
Decrease (increase) in operating working capital (Note 13)	(244)	406
	575	1,176
Investment Activities		
Expenditures on property, plant and equipment	488	614
Petroleum Incentive Program grants	(5)	(166)
Increase in investments, net	142	57
Increase in deferred charges, net	1	24
Acquisition of Gulf Canada Limited assets		301
	626	830
Financing Activities and Dividends		
Increase (decrease) in short-term notes payable, net	313	(532)
Redemption of redeemable preferred shares	(102)	(356)
Dividends on redeemable preferred shares	(41)	(59)
Reduction of long-term debt	(21)	(21)
Proceeds from issue of long-term debt		556
	149	(412)
Increase (Decrease) in Cash	98	(66)
Cash (Deficiency) at Beginning of Year	(88)	(22)
Cash and Short-Term Deposits (Deficiency) at End of Year	10	(88)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1987
(in millions of dollars)

1. Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of Petro-Canada, an agent of Her Majesty in right of Canada, and of all subsidiary companies ("the Corporation") except Canertech Inc., which is excluded for the reason described in Note 3.

The excess of the consideration paid for the shares of subsidiaries over the underlying net book values at the dates of acquisition is attributed to the related assets acquired and is amortized over the life of these assets.

(b) Inventories

Inventories are stated at the lower of cost and net realizable value.

(c) Investments

The Corporation accounts for investments in companies over which it has significant influence on the equity method. Other long-term investments are accounted for on the cost method.

(d) Property, Plant and Equipment

The Corporation accounts for its investment in oil and gas properties on the full cost method whereby all costs relating to the exploration for and development of oil and gas reserves

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1987—*Continued*

are capitalized. Such costs include those related to lease acquisitions, geological and geophysical activities, lease rentals on non-producing properties, drilling both productive and non-productive wells and overhead related to exploration and development. Separate cost centres have been established for each country in which the Corporation has an interest in oil and gas properties. The Corporation applies a "ceiling test" to each of its producing oil and gas cost centres to ensure that such costs do not exceed the total of the estimated future net revenues from production of proven reserves, the unimpaired costs of certain projects in Canadian frontier areas and the unimpaired costs of unevaluated properties. The estimate of future net revenues is based upon prices and operating costs in effect at the balance sheet date. In addition a consolidated ceiling test provides for future administrative overhead, financing costs and income taxes.

Costs are accumulated separately for the Syncrude Project, producing in situ and other oil sands leases. Overburden removal costs relating to oil sands which will be mined in future years are deferred and are charged to earnings when the related oil sands are mined.

Substantially all of the Corporation's exploration and production activities are conducted jointly with others. Only the Corporation's proportionate interest in such activities is reflected in the financial statements.

The interest cost of debt attributable to the construction of major new facilities is capitalized during the construction period.

(e) Depreciation, Depletion and Amortization

Costs incurred in producing oil and gas cost centres, other than unimpaired costs of certain projects in Canadian frontier areas and of unevaluated properties, and costs incurred on the Syncrude Project and producing in situ oil sands leases are depreciated or depleted separately on the unit of production method based on estimated proven recoverable oil and gas reserves before royalties. For purposes of calculating depreciation and depletion, natural gas production and reserves are converted to equivalent units of crude oil based on the relative energy content of each commodity.

Costs incurred in non-producing oil and gas cost centres and other oil sands leases are subject to review for impairment. Any impairment is charged to earnings. When exploration proves to be successful, and economic viability has been established, the unimpaired balance is depleted on the unit of production method when production commences.

Depreciation of other plant and equipment is provided on either the unit of production method or the straight line method as appropriate. Straight line depreciation rates are based on the estimated service lives of the related assets.

(f) Income Taxes

The Corporation makes full provision for income taxes deferred as the result of claiming depreciation, exploration, development and other costs for income tax purposes which differ from the related amounts charged to earnings.

(g) Translation of Foreign Currency

Current assets, except inventories and prepaid expenses, current liabilities and long-term debt are translated at rates of exchange in effect at the balance sheet date. Long-term assets, inventories, prepaid expenses, deferred income taxes and redeemable preferred shares are translated at rates of exchange in effect at the respective transaction dates. Revenue and expense items are translated at the average rates of exchange in effect during the year, except for depreciation, depletion and amortization which reflect rates of exchange in effect when the assets were acquired.

The resulting exchange gains or losses are included in earnings, except for unrealized exchange gains or losses arising on translation of long-term debt, which are deferred and amortized over the remaining term of the debt.

Foreign operations are integrated with the Corporation's other activities and are translated in the manner described above.

2. Inventories

	1987	1986
Crude oil, refined products and merchandise	657	498
Materials and supplies	64	55
	721	553

3. Investments

	1987	1986
At equity		
Westcoast Transmission Company Limited	219	177
Petro-Canada Centre	188	84
Sedpex Inc.	38	31
Other	20	17
At cost		
Mortgages and other investments	44	47
	509	356

Westcoast Transmission Company Limited ("Westcoast")

At December 31, 1987 the Corporation held approximately 31% of the outstanding common shares of Westcoast with a quoted market value of $250 million (1986—$165 million).

Petro-Canada Centre

At December 31, 1987 the Corporation held 50% of a joint venture which owns Petro-Canada Centre, an office complex in Calgary. The Corporation has entered into a long-term lease for use of a portion of the complex and has guaranteed $133 million of long-term debt related to the facility.

Sedpex Inc.

At December 31, 1987 the Corporation held 50% of the outstanding common shares of Sedpex Inc., a company which owns a semi-submersible drilling vessel. This vessel is under lease to the Corporation.

Canertech Inc. ("Canertech")

The accounts of Canertech, a wholly-owned subsidiary company, have been excluded from consolidation because a formal plan exists to dispose of the investment in the subsidiary. In response to a directive by the Government of Canada, the Corporation incorporated Canertech in 1981 to develop alternate energy sources. At that time the Government indicated its intention of purchasing the Corporation's investment at cost and establishing Canertech as an independent Crown corporation. The Corporation is proceeding with the implementation of a Government directive to bring about the dissolution of Canertech. The Corporation's investment in Canertech is carried in the accounts at its original cost of one dollar.

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Continued*

4. Property, Plant and Equipment

	1987			1986	Capital Expenditures	
	Cost	Accumulated Depreciation, Depletion and Amortization	Net	Net	1987	1986
Natural resources						
Oil and gas						
Canada	5,234	1,984	3,250	3,257	239	233
Foreign						
—Producing	64	45	19	25		1
—Non-producing	110	93	17	19	12	13
Oil sands						
Syncrude Project	709	132	577	554	44	48
Producing in situ	130	15	115	91	30	14
Other oil sands	207	207			5	6
Natural gas liquids	206	78	128	135	2	1
Other	111	82	29	29	4	
	6,771	2,636	4,135	4,110	336	316
Refined oil products	2,369	448	1,921	1,975	122	112
Other property, plant and equipment	275	134	141	138	25	20
	9,415	3,218	6,197	6,223	483	448

At December 31, 1987, $3,074 million (1986—$3,103 million) of Canada oil and gas net costs were subject to depreciation and depletion.

5. Deferred Charges

	1987	1986
At cost		
Oil sands overburden removal costs	40	43
Less portion related to oil sands to be mined within one year	16	11
	24	32
Deferred pension funding	13	
At amortized cost		
Deferred financing costs	14	16
Other	16	19
Translation adjustment on long-term debt		11
	67	78

6. Long-term Debt

	Maturity	1987	1986
In Canadian dollars			
8.25% unsecured notes	1993	11	14
Other			1
In United States dollars			
7.25% unsecured debentures (U.S. $200 million)	1996	260	276
8.25% unsecured debentures (U.S. $200 million)	2016	260	276
LIBOR less 0.8% unsecured notes (U.S. $125 million)	1995	162	173
9% unsecured notes (U.S. $30 million)	1995	39	52
7.75% unsecured notes (U.S. $14 million)	1993	18	19
8.45% unsecured notes			7
		750	818
Less current portion		6	13
		744	805

Repayment of long-term debt

The minimum repayment of long-term debt in each of the next five years is as follows:

1988	6 million
1989	6 million
1990	6 million
1991	7 million
1992	7 million

7. Deferred Credits

	1987	1986
Advances on future natural gas deliveries	118	129
Long-term liabilities	39	69
Translation adjustment on long-term debt	33	
	190	198

8. Redeemable Preferred Shares

The redeemable preferred shares, which were issued by a subsidiary to a group of Canadian chartered banks, are floating rate, cumulative and non-voting. Cumulative dividends, payable quarterly, are, at the option of the subsidiary, based on a percentage of either the United States Base Rates or the London Inter-Bank Offered Rates of the banks. At December 31, 1987, the dividend rate was approximately 4.4% per annum. The shares are redeemable, at the option of the subsidiary, at one hundred dollars U.S. per share, plus accrued dividends. In 1987 the subsidiary exercised its option to redeem 779,000 shares (1986—850,000 shares) for a consideration of U.S. $78 million (1986—U.S. $85 million). In 1986 the subsidiary repurchased an additional 1,728,000 shares for a consideration of U.S. $172 million. At December 31, 1987, 7,093,000 shares were outstanding.

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Continued*

Subsequent to December 31, 1987 the Corporation gave notice of its intention to redeem the shares by April 11, 1988. The funds for this redemption are to be provided by additional debt.

9. Capital

Authorized

(a) 71,188 common shares with a par value of one hundred thousand dollars each, and

(b) Preferred shares issued to the Government of Canada provided that the amount of such shares together with any loans received, and outstanding, from the Consolidated Revenue Fund of the Government of Canada is not in excess of one billion dollars. These shares have a par value of one dollar each, are redeemable at par at the option of the Corporation, carry no stated rate of dividend and are non-cumulative.

Issued (to the Government of Canada)

	Number of Shares	Consideration
Common Shares		
Balance at beginning and end of year	31,883	3,188
Preferred Shares		
Balance at beginning and end of year	972,771,853	973
Total Capital at Beginning and End of Year		4,161

10. Taxes Other than Income Taxes

	1987	1986
Federal sales tax	349	411
Other	45	63
Petroleum and Gas Revenue Tax		38
	394	512

11. Income Taxes

The provision for income taxes of $227 million (1986—$249 million) represents an effective rate of 51.6% (1986—57.8%) on earnings before income taxes of $440 million (1986—$431 million). The computation of the provision, which requires adjustment to earnings before income taxes for non-taxable and non-allowable items, is as follows:

	1987	1986
Earnings before income taxes	440	431
Add (deduct)		
Royalties and other payments to provincial governments	160	169
Federal allowances		
Resource allowance	(144)	(127)
Tax depletion	(36)	(39)
Petroleum and Gas Revenue Tax		38
Non-deductible depreciation, depletion and amortization	99	81
Non-taxable gains	(10)	(21)
Equity in earnings of affiliates	(25)	(18)
Other	(8)	(8)
Earnings as adjusted before income taxes	476	506
Canadian Federal income tax at 46.6% (1986—47.8%) applied to earnings as adjusted	222	242
Provincial and other income taxes, net of federal abatement	9	12
Provincial income tax rebates	(4)	(5)
Provision for income taxes	227	249

12. Working Capital Provided from Operations

	1987	1986
Earnings before dividends on redeemable preferred shares	213	182
Add (deduct)		
Depreciation, depletion and amortization	412	394
Deferred income taxes	164	165
Equity earnings, net of dividends received	(4)	
Other	(1)	(13)
	784	728

13. Increase (Decrease) in Components of Operating Working Capital

	1987	1986
Accounts receivable	18	(433)
Inventories	168	(557)
Income taxes recoverable	(16)	10
Deposits and prepaid expenses	18	2
Accounts payable and accrued liabilities	69	556
Other	(13)	16
	244	(406)

Operating working capital is comprised of working capital other than cash and short-term deposits, short-term notes payable and current portion of long-term debt.

14. Pension Plans

Effective January 1, 1987 the Corporation adopted prospectively the Canadian Institute of Chartered Accountants' new recommendations on accounting for pension costs and obligations. Prior to 1987 the Corporation charged to earnings an amount equal to that funded. The effect of this change was to increase 1987 net earnings by $6 million.

The Corporation's plans are defined benefit plans with the benefits generally based upon years of service and average salary during the final years of employment. They are funded by the Corporation based upon the advice of an independent actuary.

Plan Status as at December 31:	1987	1986
Actuarial value of assets	394	351
Pension obligation	382	352
Net pension asset (obligation)	12	(1)

The net pension asset (obligation) is amortized to earnings over the expected average remaining service life of the employees covered by the plans, which is currently 12 years.

1987 pension funding and expense amounted to $32 million and $17 million respectively.

15. Related Party Transactions

Transactions with the Government of Canada and its agencies are in the normal course of business and are therefore on the same terms as those accorded to non-related parties.

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

16. Segmented Information

The Corporation operates in two business segments:

Natural resources, comprising: exploration, development, production, transportation and marketing activities for crude oil, natural gas, field liquids, sulphur and oil sands; and extraction of liquids from natural gas.

Refined oil products, comprising: purchase and sale of crude oil; refining crude oil into oil products; and distribution and marketing of these and other purchased products.

Financial information by business segment is presented in the following table as though each segment were a separate business entity. Inter-segment transfers of products, which are accounted for at market value, are eliminated on consolidation. Corporate and other includes investment income, interest expense and unallocated general corporate revenues and expenditures. Corporate and other assets are principally cash and short-term deposits, investments in other companies and general corporate assets.

	Natural Resources		Refined Oil Products		Corporate and Other		Consolidated	
	1987	1986	1987	1986	1987	1986	1987	1986
Revenue								
Sales to customers and other revenues	571	546	4,461	4,588	47	38	5,079	5,172
Inter-segment sales	567	534						
Segment Revenue	1,138	1,080	4,461	4,588	47	38		
Earnings								
Operating earnings before depreciation, depletion and amortization	623	470	327	365	(25)	57	925	892
Depreciation, depletion and amortization	(266)	(245)	(139)	(141)	(7)	(8)	(412)	(394)
Interest					(73)	(67)	(73)	(67)
Provision for income taxes	(195)	(168)	(93)	(109)	61	28	(227)	(249)
Net Earnings (Loss) Before Dividends on Redeemable Preferred Shares	162	57	95	115	(44)	10	213	182
Capital Expenditures								
Capital expenditures on property, plant and equipment, deferred charges and investments	328	319	118	118	180	92	626	529
Acquisitions including minority interests				301				301
	328	319	118	419	180	92	626	830
Total Assets	4,431	4,392	3,436	3,222	586	525	8,453	8,139
Capital Employed	4,207	4,102	2,815	2,698	567	318	7,589	7,118

17. Comparative Figures

Certain reclassifications have been made to the 1986 comparative figures to conform with the current year's presentation.

18. Commitments and Contingencies

(a) Commitments

The Corporation has leased property and equipment under various long-term operating leases for periods up to 2008. The minimum annual rentals for non-cancellable operating leases are estimated at $73 million in 1988, $49 million in 1989, $49 million in 1990, $40 million in 1991, $36 million in 1992 and $17 million per year thereafter until 2008.

(b) Contingencies

The Corporation is involved in litigation and claims associated with normal operations. Management is of the opinion that any resulting settlements would not materially affect the financial position of the Corporation.

PETRO-CANADA—*Continued*

APPENDIX

CANERTECH INC.

AUDITORS' REPORT

TO THE SHAREHOLDER OF CANERTECH INC.

We have examined the Balance Sheet of Canertech Inc. (a wholly-owned subsidiary of Petro-Canada) as at December 31, 1987 and the Statements of Loss and Deficit and Changes in Financial Position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Burke, Newman & Co.
Chartered Accountants

Winnipeg, Canada
January 20, 1988

BALANCE SHEET DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987	1986	LIABILITIES AND SHAREHOLDER'S DEFICIT	1987	1986
Cash and term deposits	8,572	8,133	Accrual for dissolution costs (Notes 4 and 8)	459	857
Other investments (Note 2)	4,668	4,937	Advances from the Government of Canada (Note 5)	29,550	29,550
Income taxes recoverable (Note 3)	150	150	Shareholder's deficit (Note 6)	(16,619)	(17,187)
	13,390	13,220		13,390	13,220

The accompanying notes are an integral part of this Balance Sheet.

Approved on Behalf of the Board:

G. M. WILSON
Director

F. B. GRANT
Director

PETRO-CANADA—*Continued*

APPENDIX—*Continued*

CANERTECH INC.—*Continued*

STATEMENT OF LOSS AND DEFICIT
YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Equity in loss of Canertech Conservation Inc.		(464)
Provision for loss on disposition of Canertech Conservation Inc.	(600)	(661)
Interest income net of divestiture and management costs	1,168	700
Net income (loss) for the year	568	(425)
Deficit, beginning of year	(17,187)	(16,762)
Deficit, end of year	(16,619)	(17,187)

The accompanying notes are an integral part of this Statement.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Cash provided by (used for) operating activities		
Net income (loss) for the year	568	(425)
Less: items not affecting cash		
—Equity in loss of Canertech Conservation Inc.		464
—Provision for loss on disposition of Canertech Conservation Inc.	600	661
—Other		11
—Interest implicit in debenture receivable	(481)	(76)
—Reduction in accrual for dissolution costs	(398)	
	289	635
Cash provided by (used for) investment activities		
Proceeds on sale of investments	150	743
Net advances to investees		(925)
	150	(182)
Cash provided by financing activities		
Income taxes recoverable		530
Increase in cash and term desposits	439	983
Cash and term deposits, beginning of year	8,133	7,150
Cash and term deposits, end of year	8,572	8,133

The accompanying notes are an integral part of this Statement.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987

Order-in-Council

On December 21, 1984, the Government of Canada issued Order-in-Council P.C. 1984-4187 which was subsequently replaced by P.C. 1986-2311 dated October 9, 1986 whereby the parent corporation was authorized to bring about the dissolution of Canertech Inc. and to replace federal Crown ownership of Canertech Conservation Inc., a wholly-owned subsidiary with other ownership.

1. Significant accounting policy

Consistent with the terms of the Order-in-Council, these financial statements have been prepared on the liquidation basis. Assets have been presented at their estimated net realizable values before costs of dissolution.

2. Other investments

As a result of the disposition of the corporation's investment in Canertech Conservation Inc., the corporation acquired a non-interest bearing debenture receivable in the amount of $6,500,000. The first payment of $500,000 was received January 2, 1988 and the balance is due in 48 monthly payments of $125,000 commencing November 1, 1988.

This agreement contains an adjustment clause based on the realizability of certain contracts having a total value of $1.6 million. Management's estimate of the potential loss in this regard is $1,000,000 as of December 31, 1987 ($400,000 in 1986) and accordingly these amounts have been accrued in these financial statements.

The corporation holds a minority interest in Valera Electronics Inc. together with several loans receivable acquired as a result of the disposition of other investments. These investments are recorded at their estimated net realizable values before costs of disposition.

The portion of the above debenture receivable and notes receivable due in 1988 is approximately $1,040,000 ($300,000 in 1987).

3. Income taxes recoverable

This amount represents the recovery of certain Investment Tax Credits.

The benefits resulting from any future income tax reductions have not been recorded in these financial statements.

4. Accrual for dissolution costs

The accrual for dissolution costs represents management's anticipation of the costs to complete the disposition of assets and the settlement of liabilities. Should the corporation not conclude the disposition of investments as currently contemplated by management, additional costs may be incurred.

PETRO-CANADA—*Concluded*

APPENDIX—*Concluded*

CANERTECH INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

5. Advances from the Government of Canada

The advances are without requirement for interest or repayment. Management anticipates that the corporation will be unable to repay the obligation in its entirety and the Government of Canada will absorb the company's deficit upon dissolution. The corporation has reduced these advances by the $2,250,000 due from Energy, Mines and Resources Canada.

The amount of $2,250,000 arose from the corporation's participation in the Societe Biosyn (Reg'd) joint venture. Prior to the above mentioned Order-in-Council of December 21, 1984, the corporation was to be reimbursed for these amounts by Energy, Mines and Resources Canada. It is anticipated that the ultimate settlement of these amounts will require the direction of the Treasury Board of the Government of Canada and will involve a set-off against the advances from the Government of Canada.

6. Share capital

Authorized—An unlimited number of common shares
Issued and fully paid—1 common share for $1

7. Contingencies

The corporation is a defendant in legal actions where amounts are claimed in pleadings filed against the corporation. Such amounts total approximately $77 million. Management and legal counsel are of the opinion that based upon the facts as presently known to Management and legal counsel, the better view is that these actions will not succeed. Accordingly, no provision for such claims has been made in the accounts of the company.

8. Related party transaction

The parent company has provided management services to the corporation in the amount of $18,477 in 1987 ($124,551 in 1986). The amounts of the costs which remain unpaid as at December 31, 1987 and 1986 are $18,477 and $49,877 respectively.

SUMMARY PAGE

PETRO-CANADA INTERNATIONAL ASSISTANCE CORPORATION

MANDATE

To assist oil-importing developing countries to exploit their own hydrocarbon resources; to provide development assistance directly to Third World countries; and to be available as an executing agent for other institutions such as the World Bank.

BACKGROUND

The first meeting of the board of directors took place January 25, 1982. Since then, the corporation has been active in several countries, applying Canadian technology and expertise with Canadian official development assistance funding in the search for hydrocarbons and in related studies, and in providing technical assistance and personnel training to those countries. This is a non-profit, government-funded organization. By Order in Council P.C. 985-2957, pursuant to s. 86(2) of the FAA, the corporation was directed to report on its affairs as if it is a parent Crown corporation.

CORPORATION DATA

HEAD OFFICE	Constitution Square Suite 1601 360 Albert Street Ottawa, Ontario K1R 7X7
STATUS	—not yet in any schedule of the *Financial Administration Act* —not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Marcel Masse, P.C., M.P.
DEPARTMENT	Energy, Mines and Resources
YEAR AND MEANS OF INCORPORATION	1981; under the *Canada Business Corporations Act.*
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Peter M. Towe
AUDITOR	Arthur Andersen & Co.

FINANCIAL SUMMARY ($ million) The financial year was the calendar year until the current report period.

	12 months ending 31 March 1988	**1986**	**1985**	**1984**
At the end of the year				
Total Assets	2.7	8.9	13.2	3.5
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	5.1	2.8
Equity of Canada	negl.	negl.	negl.	negl.
Cash from Canada in the year				
—budgetary*	67.4	33.9	37.4	71.7
—non-budgetary	nil	nil	nil	nil

* Additional funding for activity supporting CIDA Pakistan projects was received via CIDA (in 1987-88, $5.3 million; in 1986, $10.5 million and in 1985, $17.1 million).

PETRO-CANADA INTERNATIONAL ASSISTANCE CORPORATION

AUDITORS' REPORT

TO THE SHAREHOLDER OF PETRO-CANADA
INTERNATIONAL ASSISTANCE CORPORATION

We have examined the balance sheets of Petro-Canada International Assistance Corporation (a wholly-owned subsidiary of Petro-Canada) as at March 31, 1988 and 1987, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and 1987, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.
Chartered Accountants

Calgary, Canada
May 6, 1988

BALANCE SHEETS AS AT MARCH 31

ASSETS	1988	1987
	$	$
Current Assets		
Cash and short-term deposits	181,644	126,165
Income taxes recoverable	85,162	101,438
Excess of total expenditures over parliamentary appropriations received	2,471,218	2,504,613
	2,738,024	2,732,216

LIABILITIES AND SHAREHOLDER'S EQUITY	1988	1987
	$	$
Current Liabilities		
Due to affiliated company, Petro-Canada Inc.	2,738,023	2,732,215
SHAREHOLDER'S EQUITY		
Share capital (Note 4)	1	1
	2,738,024	2,732,216

Approved on behalf of the Board:

P. M. TOWE
Director

M. CATLEY-CARLSON
Director

PETRO-CANADA INTERNATIONAL ASSISTANCE CORPORATION—*Concluded*

STATEMENTS OF OPERATIONS FOR THE YEARS ENDED MARCH 31

	1988	1987
	$	$
Project expenditures (Note 5)	65,766,669	50,127,725
Expenses		
General and administrative	1,605,928	2,916,913
Interest income, net	(12,772)	(773,513)
Current income taxes	6,780	385,512
Total expenditures	67,366,605	52,656,637
Parliamentary appropriations received during the year (Note 3)	67,400,000	33,910,905
	(33,395)	18,745,732
Total Expenditures in excess of (under) parliamentary appropriations received at beginning of year	2,504,613	(16,241,119)
Total expenditures in excess of parliamentary appropriations received at end of year	2,471,218	2,504,613

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED MARCH 31

	1988	1987
	$	$
Sources of cash		
Parliamentary appropriations received	67,400,000	33,910,905
Decrease (increase) in accounts receivable/income taxes recoverable	16,276	(48,566)
Decrease in income taxes payable		(147,328)
	67,416,276	33,715,011
Uses of cash		
Expenditures	(67,366,605)	(52,656,637)
Increase (decrease) in due to affiliated company	5,808	(8,766,934)
	(67,360,797)	(61,423,571)
Increase (decrease) in cash and short-term deposits	55,479	(27,708,560)
Cash and short-term deposits at beginning of year	126,165	27,834,725
Cash and short-term deposits at end of year	181,644	126,165

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988 and 1987

1. Incorporation

The Corporation was incorporated in 1981 by Petro-Canada under the Canada Business Corporations Act as a wholly-owned subsidiary pursuant to directions provided by Order-in-Council P.C. 1981-2167 of August 5, 1981.

2. Operations

The Corporation's operations are financed by parliamentary appropriations. An affiliated company, Petro-Canada Inc. ("PCI"), provides technical and administrative services to the Corporation at cost. In addition, the Corporation may also borrow from PCI such funds as it may require from time to time. Advances received from PCI, which cannot exceed $50,000,000 at any time, bear interest at the cost of borrowing to PCI.

3. Parliamentary appropriations

In addition to Parliamentary appropriations received pursuant to subsection 24.2 of the Petro-Canada Act, a portion of the Corporation's 1987 expenditures relating to the Pakistan project, amounting to $5,262,905, were financed by Government funds made available to the Corporation through the Canadian International Development Agency.

4. Share capital

Authorized

Common shares—Unlimited

Issued

One common share for cash consideration of one dollar.

5. Project expenditures

Project expenditures consist of the following:

	1988	1987
	$	$
Africa		
Madagascar—Phase II	9,474,457	
Botswana	7,171,599	2,396,749
Morocco—Phase IV	6,849,650	
Ghana—Phase II	2,101,175	7,795,933
Francophonie	1,836,989	146,321
Tanzania—Phase III	1,761,646	
Morocco—Phase III	787,997	4,139,128
Senegal/Gambia	630,593	1,735,875
Madagascar	488,700	3,346,011
Kenya	347,709	6,462,988
Ghana—Phase III	322,899	
Morocco	300,126	1,421,222
Kenya—Phase II	264,669	
Ghana	139,625	874,069
Morocco Special Project	9,283	2,650
Gambia	316	48,915
Guinea	230	36,534
Senegal	137	13,805
Tanzania—Phase II	(124,286)	7,036,449
Tanzania		7,480
	32,363,514	35,464,129
Asia		
Jordan	5,288,021	73,150
Nepal	3,856,334	89,335
Thailand—Phase II	1,488,313	128,804
Pakistan	338,357	5,778,772
Thailand	116,207	230,020
Philippines—Phase II	8,952	483,009
Sri Lanka	(1,044)	(8,048)
Philippines		101,664
Burma		(68,851)
	11,095,140	6,807,855
Western Hemisphere		
Costa Rica—Phase II	12,668,738	38,222
Colombia	2,338,802	998,523
Jamaica—Phase III	2,130,279	271,618
Costa Rica	1,112,218	3,302,571
Sub Andean Basins	641,106	23,209
Jamaica—Phase II	4,658	8,824
Barbados	2,661	227
Haiti	1,749	4,308
Barbados—Phase II	42	33,362
Barbados—Phase III	(65,386)	239,320
Caribbean Region		2,389
Jamaica		1,995
	18,834,867	4,924,568
Technical Assistance Facility	2,332,665	1,983,504
Alberta Summer Institute for Petroleum Industry Development	831,803	137,000
South Pacific Offshore Region	418,022	
Project Development	(109,342)	810,669
	65,766,669	50,127,725

SUMMARY PAGE

PORT OF QUEBEC CORPORATION

MANDATE

Administration, management and control of the Harbour of Quebec and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Port of Quebec Corporation was established on June 1, 1984, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. The port is an important trans-shipment point for Canadian grain exports and has recently modernized its two grain elevators which are operated under contract by a private firm. The port handled 18.3 million tonnes of cargo in 1987 including 6.3 million tonnes of grain.

CORPORATION DATA

HEAD OFFICE	150 Dalhousie Street P.O. Box 2268 Quebec City, Quebec G1K 7P7
STATUS	— Schedule III, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1984; letters patent of incorporation issued by the Minister of Transport pursuant to subsection 25(1) of the *Canada Ports Corporation Act.*
CHIEF EXECUTIVE OFFICER	Ross Gaudreault
CHAIRMAN	Guy Boulanger
AUDITOR	Thorne Ernst & Whinney

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	1985	7 months* to Dec. 31, 1984
At year end				
Total Assets	67.9	65.9	88.0	83.6
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	63.9	61.8	83.5	79.7
Cash from Canada in the period				
— budgetary	nil	nil**	nil	nil
— non-budgetary	nil	nil	nil	nil

* The corporation began operations on June 1, 1984.

** Takes no account of special contributions to Canada in 1986 of $21.7 million.

PORT OF QUÉBEC CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE JOHN CROSBIE, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the Port of Québec Corporation as at December 31, 1987 and the statements of income, contributed capital, surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Port as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have been in all significant respects in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Thorne Ernst & Whinney
Chartered Accountants

Québec, Canada
February 3, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987

ASSETS	1987	1986
	$	$
Current assets		
Cash	65,877	297,030
Investments (Note 1)	14,350,583	12,160,125
Accounts receivable	3,317,994	1,760,930
Materials and supplies	75,831	68,781
	17,810,285	14,286,866
Investments (Note 1)	6,650,201	6,623,856
Property, Plant and equipment (Note 2)	43,466,432	44,951,490
	67,926,918	65,862,212

LIABILITIES AND EQUITY OF CANADA	1987	1986
	$	$
Current liabilities		
Accounts payable and accrued liabilities	2,079,649	2,050,841
Grants in lieu of municipal taxes	344,000	654,808
Deferred revenues	788,842	659,865
	3,212,491	3,365,514
Long-term		
Accrued employee benefits	768,478	737,500
EQUITY OF CANADA (Note 4)		
Contributed capital	61,759,198	107,251,631
Contribution to Canada (Note 3)		(21,735,000)
Surplus (deficit)	2,186,751	(23,757,433)
	63,945,949	61,759,198
	67,926,918	65,862,212

On behalf of the Board:

GUY BOULANGER, F.C.A.
Chairman

ROSS GAUDREAULT
General Manager and Chief Executive Officer

PORT OF QUÉBEC CORPORATION—*Continued*

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Revenue from operations	10,634,983	7,962,545
Expenses		
Operating and administrative expenses	7,482,804	7,429,521
Depreciation	1,941,183	1,912,453
Grants in lieu of municipal taxes	806,713	1,024,639
	10,230,700	10,366,613
Income (loss) from operations	404,283	(2,404,068)
Investment income	1,786,580	2,417,773
Net income	2,190,863	13,705

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Balance at beginning of year	107,251,631	107,251,631
Contribution to Canada (Note 3)	(21,735,000)	
Reduction of deficit (Note 4)	(23,757,433)	
Balance at end of year	61,759,198	107,251,631

STATEMENT OF SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Deficit at beginning of year	(23,757,433)	(23,771,138)
Reduction of deficit (Note 4)	23,757,433	
Net income	2,190,863	13,705
Dividend to Canada	(4,112)	
Surplus (deficit) at end of year	2,186,751	(23,757,433)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Cash provided by (used for)		
Operations		
Net income	2,190,863	13,705
Items not affecting cash		
Amortization of discount on Canada Government bonds	(26,345)	(26,345)
Depreciation	1,941,183	1,912,453
Loss (gain) on disposal of property, plant and equipment	30,394	(105,184)
Accrued employee benefits	30,978	(53,500)
Changes in non-cash operating working capital (Note 5)	(1,717,137)	1,132,387
	2,449,936	2,873,516
Investment		
Additions to property, plant and equipment	(509,124)	(2,178,038)
Proceeds on disposal of property, plant and equipment	22,605	112,261
	(486,519)	(2,065,777)
Financing		
Contributed capital	(45,492,433)	
Contribution to Canada	21,735,000	(21,735,000)
Reduction of deficit	23,757,433	
Dividend to Canada	(4,112)	
	(4,112)	(21,735,000)
Increase (decrease) in cash position	1,959,305	(20,927,261)
Cash position at beginning of year	12,457,155	33,384,416
Cash position at end of year	14,416,460	12,457,155
Cash position is represented by		
Cash	65,877	297,030
Investments	14,350,583	12,160,125
	14,416,460	12,457,155

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987

General

The Port of Québec Corporation was incorporated on June 1, 1984, under article 6.2(1) of the Canada Ports Corporation Act.

Summary of significant accounting policies

(a) Investments

Investments are direct securities guaranteed by Canada. They are presented at amortized cost and the premium or discount is amortized over the periods to maturity.

(b) Property, plant and equipment

Property, plant and equipment are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related property, plant and equipment.

Depreciation is calculated using the straight line method, for an entire year, once the asset becomes operational using the following annual rates:

Dredging	2.5-6.7%
Berthing structures	2.5-10%
Buildings	2.5-10%
Utilities	3.3-10%
Roads and surfaces	2.5-10%
Machinery and equipment	5-20%
Office furniture and equipment	20%

PORT OF QUÉBEC CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

(c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Insurance
The Port of Québec Corporation assumes all risks with respect to compensation claims for occupational injury. Any costs arising from these claims are recorded in the accounts in the year they can be reasonably estimated.

(e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(f) Employee benefits
Every year the Corporation accounts for estimated liabilities relating to severance pay, annual leave, sick leave and overtime compensatory leave; these benefits are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

1. Investments

Investments, which are direct securities guaranteed by Canada, are as follows:

	1987		1986	
	Cost	Market value	Cost	Market value
	$	$	$	$
Current	14,350,583	14,360,850	12,160,125	12,166,576
Long-term	6,650,201	7,225,330	6,623,856	7,860,139

2. Property, Plant and Equipment

	1987			1986
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Land	11,043,597		11,043,597	11,043,597
Dredging	4,561,341	3,923,247	638,094	666,155
Berthing structures	22,636,930	16,272,807	6,364,123	6,769,020
Buildings	33,361,182	13,415,999	19,945,183	20,764,089
Utilities	3,478,625	1,996,636	1,481,989	1,551,345
Roads and surfaces	5,866,792	3,194,719	2,672,073	3,014,971
Machinery and equipment	475,430	349,730	125,700	114,907
Office furniture and equipment	500,058	278,342	221,716	210,489
Projects under construction	973,957		973,957	816,917
	82,897,912	39,431,480	43,466,432	44,951,490

As at December 31, 1987, contractual obligations for the completion, construction and purchase of fixed assets are estimated at $40,000, most of which will be expended in the year ending December 31, 1988.

3. Contribution to Canada

The cash contribution of $21,735,000 paid to the Government of Canada in 1986 and presented as a contribution to Canada has been applied against the contributed capital amount in 1987.

4. Equity of Canada

In 1987, the Minister of Transport approved the elimination of the accumulated deficit to January 1, 1987 totalling $23,757,433, by reducing the contributed capital by the same amount.

5. Changes in non-cash operating working capital

	1987	1986
	$	$
Accounts receivable	(1,557,064)	1,495,091
Materials and supplies	(7,050)	(8,408)
Accounts payable and accrued liabilities	28,808	(435,901)
Grants in lieu of municipal taxes	(310,808)	152,808
Deferred revenues	128,977	(71,203)
	(1,717,137)	1,132,387

6. Related Party Transactions

During the year, the Corporation entered into transactions with related entities comprising various ministry, government organizations and Crown corporations.

Principally, the Corporation earned rental revenues from related entities totalling $1.2 million. Expenses paid to related parties mainly consist in management fees.

7. Contingencies

Claims aggregating approximately $1,400,000 have been received by the Corporation in respect of lawsuits, warranties, collective agreements, damages allegedly suffered on the Corporation's property and various other matters in dispute. In the Corporation's view, its position is defensible and these claims should not result in any material losses.

In addition, claims for an estimated amount at $2,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

These amounts are not recorded in the financial statements.

8. Subsequent Event

On December 23, 1987 a resolution from the Treasury Board approved to transfer, at no cost, the administration, management and control of certain lands currently managed by Société immobilière du Canada (Vieux-Port de Québec) Inc. The transfer of the assets and operations is effective January 1, 1988.

SUMMARY PAGE

PRINCE RUPERT PORT CORPORATION

MANDATE

Administration, management and control of the Prince Rupert Harbour and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Prince Rupert Port Corporation was established on June 1, 1984, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. In 1987, 13.4 million tonnes of cargo, 6.4 million tonnes of which was coal, was shipped through Prince Rupert.

CORPORATION DATA

HEAD OFFICE	110 Third Avenue, West Prince Rupert, British Columbia V8J 1K8
STATUS	— Schedule III, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1984; letters patent of incorporation issued by the Minister of Transport, pursuant to subsection 25(1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	R.W. Tytaneck
CHAIRMAN	A.T. Sheppard
AUDITOR	Thorne Ernst & Whinney.

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	**1986** (restated)	**1985** (restated)	**7 months to Dec. 31, 1984**
At the end of the year				
Total Assets	84.2	80.7	81.2	79.6
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	48.3*	75.4	76.6	76.6
Equity of Canada	34.8	(6.8)	(8.1)	(10.0)
Cash from Canada in the period				
— budgetary**	nil	nil	0.3	(1.3)
— non-budgetary	nil	nil	nil	nil

* Comprises $48.3 million conditional obligation; in 1987 Canada forgave $27.1 million loan principal outstanding, which amount, with related interest forgiven, was added to the corporation's contributed capital.

** Takes no account of payments to Canada: In 1987, dividend $0.8 million and, in 1986, special contributions, $2.5 million.

PRINCE RUPERT PORT CORPORATION

AUDITORS' REPORT

THE HONOURABLE JOHN CROSBIE, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the Prince Rupert Port Corporation as at December 31, 1987 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and Regulations, the Canada Ports Corporation Act, and the Letters Patent and By-laws of the Corporation.

Thorne Ernst & Whinney
Chartered Accountants

Vancouver, Canada
January 28, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987

ASSETS	1987	1986
	$	$ (restated)
Current assets		
Cash	50,506	63,752
Investments (Note 1)	11,847,375	7,879,580
Accounts receivable	950,357	566,284
Due from Canada		63,937
Materials and supplies	67,322	79,928
	12,915,560	8,653,481
Property and equipment (Note 2)	71,312,750	72,024,049
	84,228,310	80,677,530

LIABILITIES AND EQUITY OF CANADA	1987	1986
	$	$ (restated)
Current liabilities		
Accounts payable and accrued liabilities	546,908	527,763
Payable to Canada	2,965	
Grants in lieu of municipal taxes	368,140	351,711
Deferred revenues	162,216	186,251
	1,080,229	1,065,725
Long-term debt		
Loans from Canada (Note 3)		38,110,991
Recoverable contribution from Canada (Note 4)	48,300,000	48,300,000
	48,300,000	86,410,991
	49,380,229	87,476,716
EQUITY OF CANADA (Note 5)		
Contributed capital	31,311,805	678,275
Contribution to Canada		(1,289,136)
Retained earnings (deficit)	3,536,276	(6,188,325)
	34,848,081	(6,799,186)
	84,228,310	80,677,530

Approved by the Board:

ALLAN T. SHEPPARD
Chairman

ROBERT W. TYTANECK
General Manager and Chief Executive Officer

PRINCE RUPERT PORT CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$ (restated)
Revenue from operations	14,852,377	11,314,851
Expenses		
Operating and administrative	9,776,591	7,845,088
Depreciation (Note 2)	1,136,992	1,244,666
Grants in lieu of municipal taxes	405,538	335,353
	11,319,121	9,425,107
Income from operations	3,533,256	1,889,744
Other income		
Interest income	781,979	591,603
Gain on disposal of property and equipment		115,182
	781,979	706,785
Net income	4,315,235	2,596,529
Deficit at beginning of year		
As previously stated	(5,838,325)	(8,434,854)
Settlement of litigation (Note 7)	(350,000)	(350,000)
As restated	(6,188,325)	(8,784,854)
	(1,873,090)	(6,188,325)
Deficit reduction (Note 5)	6,188,325	
	4,315,235	(6,188,325)
Dividend to Canada	778,959	
Retained Earnings (Deficit) at end of year	3,536,276	(6,188,325)

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Cash provided by (used for)		
Operations		
Net income	4,315,235	2,596,529
Items not involving cash		
Depreciation	1,136,992	1,244,666
Gain on sale of property and equipment		(115,182)
	5,452,227	3,726,013
Changes in non-cash operating working capital		
Accounts receivable	(384,073)	63,915
Materials and supplies	12,606	8,164
Accounts payable and accrued liabilities	19,145	(204,583)
Grants in lieu of municipal taxes	16,429	(144,110)
Deferred revenues	(24,035)	(43,012)
	5,092,299	3,406,387
Financing		
Increase (decrease) in payable to Canada	2,965	(249,190)
Contribution to Canada		(1,289,136)
Increase in receivable from Canada		(63,937)
Recoverable contribution from Canada		(1,211,864)
Forgiveness of loans from Canada	(38,110,991)	
Increase in contributed capital	38,110,991	
Dividend to Canada	(778,959)	
	(775,994)	(2,814,127)
Investments		
Proceeds from sale of property and equipment		119,300
Purchase of property and equipment (net of capital grants)	(425,693)	(57,878)
Decrease in receivable from Canada	63,937	
	(361,756)	61,422
Increase in cash position	3,954,549	653,682
Cash position at beginning of year	7,943,332	7,289,650
Cash position at end of year	11,897,881	7,943,332

Cash position is defined to include cash plus investments.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1987

Local Port Corporation

The Prince Rupert Port Corporation ("the Corporation") was established effective June 1, 1984 as a local port corporation pursuant to the Canada Ports Corporation Act ("the Act"). The Corporation is exempt from income taxes.

On June 1, 1984, pursuant to the Act, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation. The net liabilities assumed were recorded as contributed capital of $678,275 and a deficit of $11,673,894. Accordingly, the financial statements are prepared as though the Prince Rupert Port Corporation had operated these facilities since their inception.

Summary of Significant Accounting Policies

(a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Property and equipment
Property and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.
Depreciation is calculated on the straight-line basis using rates based on the estimated useful lives of the assets.

(c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits
The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

PRINCE RUPERT PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1987—*Concluded*

1. Investments

	1987	1986
	$	$
Amortized cost	11,847,375	7,879,580
Market value	11,839,614	7,855,119

2. Property and equipment

(a) Summary

	1987				1986
	Depre-ciation rates	Cost	Accu-mulated depre-ciation	Net	Net
	%	$	$	$	$
Land		60,126,625		60,126,625	60,126,625
Dredging	2.5-6.7	5,177	1,294	3,883	4,012
Berthing structures	2.5-10	8,693,098	2,779,026	5,914,072	6,156,854
Buildings	2.5-10	2,351,657	397,441	1,954,216	2,017,447
Utilities	3.3-10	2,597,237	1,187,689	1,409,548	1,517,320
Roads and surfaces	2.5-10	3,512,385	1,898,543	1,613,842	1,872,126
Machinery and equipment	5-10	1,697,882	1,445,429	252,453	270,585
Office furniture and equipment	20	153,583	115,472	38,111	59,080
		79,137,644	7,824,894	71,312,750	72,024,049

(b) Depreciation

Depreciation consists of:

	1987	1986
	$	$
Depreciation expense	714,841	926,760
Write-down of equipment	422,151	317,906
	1,136,992	1,244,666

3. Loans from Canada

	1987	1986
	$	$
Non-interest bearing loans with indefinite due date		27,084,979
Accrued interest on loans not due and payable		11,026,012
		38,110,991

During the year, the non-interest bearing loans and the related accrued interest in the amount of $38,110,991 were forgiven by Canada. This amount has been credited to contributed capital. See Note 5.

4. Recoverable contribution from Canada

A recoverable contribution of $50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The recoverable contribution as at December 31, 1987 was $48,300,000.

The total recoverable contribution is interest-free until April 1, 1989, and thereafter bears interest at approximately 13.9%.

Principal and interest on $48,300,000 of the contribution are repayable over 20 years, commencing on April 1, 1989, contingent upon the revenues received from a direct coal throughput surcharge.

5. Contributed capital and contribution to Canada

	Contributed capital	Contribution to Canada
	$	$
Balance at beginning of year	678,275	(1,289,136)
Contribution to Canada	(1,289,136)	1,289,136
Forgiveness of non-interest bearing loans and related accrued interest	38,110,991	
Deficit reduction	(6,188,325)	
Balance at end of year	31,311,805	

Payments from excess cash made in 1986 to Canada and treated as Contribution to Canada in the amount of $1,289,136 have been reclassified to Contributed Capital.

During the year, the Minister of Transport has approved a reduction of the deficit as at January 1, 1987, in the amount of $6,188,325 with a corresponding reduction in Contributed Capital.

6. Related party transactions

(a) During the year, the Corporation received revenue of $1,112,764 (1986, $1,169,454) from Ridley Terminals Inc., a company in which the Canada Ports Corporation has a significant investment. At December 31, 1987, the Corporation was owed $100,290 by Ridley Terminals Inc. (1986, $7,169).

(b) During the year the Corporation paid $434,784 (1986, $436,093) to Canada Ports Corporation as its share of that corporation's head office expense.

7. Prior period adjustment

During the year, the Corporation settled a lawsuit for $350,000 relating to a dispute over the settling of the Ridley Island rail embankment which was outstanding prior to January 1, 1986. Since the suit arose in a prior period, it was accounted for as a reduction of the opening balance of retained earnings and an increase in the accounts payable for that period.

SUMMARY PAGE

ROYAL CANADIAN MINT

MANDATE

To mint coins in anticipation of profit and to carry out other related activities.

BACKGROUND

Founded in 1908 as a branch of the Mint of the United Kingdom, its operations devolved to the Crown in right of Canada in 1931. It was a departmental agency of the government until 1969 when it was incorporated by legislation. *The Act to Amend the Royal Canadian Mint Act and the Currency Act*, which came into force on December 17, 1987, authorizes share capital for the corporation. The spirit of this Act is generally that the Mint shall operate in a competitive international environment. In accord with this the corporation's name was removed from Schedule III-1 and was added to Schedule III-11 of the *Financial Administration Act* amongst the competitive and ordinarily self-sustaining Crown corporations on December 17, 1987.

CORPORATION DATA

HEAD OFFICE	320 Sussex Drive Ottawa, Ontario K1A 0G8
STATUS	— Schedule III, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Otto Jelinek, P.C., M.P.
DEPARTMENT	Supply and Services
YEAR AND MEANS OF INCORPORATION	1969; by the *Royal Canadian Mint Act* (R.S.C. 1985, c. R-9).
CHIEF EXECUTIVE OFFICER	Maurice Lafontaine
CHAIRMAN	James Corkery
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	1985	1984
At the end of the year				
Total Assets	127.4	116.8	115.9	72.4
Obligations to the private sector	0.1	0.4	0.6	0.6
Obligations to Canada*	87.2	82.8	76.7	58.7
Equity of Canada	1.1	1.0	1.0	1.0
Cash from (to) Canada in the year				
— budgetary	(12.8)	nil	(10.7)	nil
— non-budgetary, net	(3.1)	(3.7)	19.8	(2.1)

* Includes net earnings due to Canada.

ROYAL CANADIAN MINT

AUDITOR'S REPORT

TO THE MINISTER OF SUPPLY AND SERVICES

I have examined the balance sheet of the Royal Canadian Mint as at December 31, 1987 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Royal Canadian Mint Act and by-laws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
February 26, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987	1986
Current		
Cash	28,052	11,389
Accounts receivable		
Government departments	4,246	3,515
Other	11,760	7,876
Inventories (Note 4)	36,674	40,460
Prepaid expenses	198	299
	80,930	63,539
Deferred expenses (Note 5)	5,829	11,451
Property, plant and equipment (Note 6)	40,662	41,767
	127,421	116,757

LIABILITIES	1987	1986
Current		
Accounts payable		
Government departments	10,059	829
Other	20,968	12,442
Due to Government of Canada		
Net earnings (Note 7)	60,363	52,788
Current portion of long-term loans (Note 8)	2,989	3,129
Accrued interest on long-term loans	739	821
Deferred revenues (Note 9)	2,683	14,674
	97,801	84,683
Loans from Government of Canada (Note 8)	23,886	26,875
Provision for employee termination benefits	4,593	4,199
	28,479	31,074
SHAREHOLDER'S EQUITY		
Share capital (Note 2)		
Reserve for losses (Note 2)	758	1,000
Retained earnings (Note 7)	383	
	127,421	116,757

Approved by management:

M. A. J. LAFONTAINE
President and Master

J. E. UBERIG
Vice-President, Administration and Finance

Approved by the Board:

J. C. CORKERY
Chairman

ROYAL CANADIAN MINT—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Revenues		
Gold Maple Leaf coins	872,694	786,263
1988 Olympic Coin Programme	69,069	31,859
Canadian circulating coins	52,169	31,033
Canadian numismatic coins	25,351	37,449
Foreign contracts	6,902	16,885
Refinery	5,500	5,769
Miscellaneous	1,096	1,390
	1,032,781	910,648
Expenses (Note 10)		
Cost of materials used	932,820	833,558
Salaries, wages and benefits	27,974	23,929
Advertising	26,448	19,587
Transportation and communications	6,197	5,966
Utilities and supplies	4,489	4,171
Professional and special services	4,250	3,255
Interest on long-term loans	2,994	3,466
Depreciation	2,364	2,232
Building and equipment rental	1,991	2,711
Miscellaneous	2,508	1,963
	1,012,035	900,838
Net earnings for the year (Note 2)	20,746	9,810
Net earnings due to Government of Canada (Note 7)	(20,363)	(9,810)
Retained earnings, end of year (Note 7)	383	

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Operating activities		
Net earnings for the year	20,746	9,810
Items not affecting funds		
Depreciation	2,364	2,232
Amortization of deferred expenses	13,818	8,764
	36,928	20,806
Net change in non-cash working capital	4,573	(11,847)
Deferred expenses disbursements	(8,196)	(11,168)
Increase in provision for employee termination benefits	394	209
	33,699	(2,000)
Investing activities		
Additions to fixed assets	(1,259)	(13,228)
	(1,259)	(13,228)
Financing activities		
Payment of net earnings to Government of Canada	(12,788)	
Decrease in long-term debt	(2,989)	(3,128)
	(15,777)	(3,128)
Increase (decrease) in cash	16,663	(18,356)
Cash, beginning of the year	11,389	29,745
Cash, end of the year	28,052	11,389

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1987

1. Authority and objectives

The Mint was incorporated in 1969 by the Royal Canadian Mint Act and is an agent of Her Majesty named in Part I of Schedule C to the Financial Administration Act. The Mint operates through the Consolidated Revenue Fund.

On December 17, 1987 an Order in Council was approved by the Governor in Council to name the Royal Canadian Mint to Part II of Schedule C of the Financial Administration Act.

The objectives of the Mint are to produce coins in anticipation of profits and carry out other related activities.

2. Amendments to the Royal Canadian Mint Act

On December 17, 1987 Bill C-46, an Act to amend the Royal Canadian Mint Act, received Royal Assent.

The revised Royal Canadian Mint Act provides the Mint with an authorized share capital of $40 million divided into 4,000 non-transferable shares, redeemable at their issue price of $10,000 each. On approval by the Governor in Council, these shares may be purchased by the Minister of Supply and Services. At December 31, 1987, no shares had been issued.

In addition, the Mint may borrow money from the Consolidated Revenue Fund or any other source, subject to the approval of the Minister of Finance with respect to the time and the terms and conditions, but the aggregate of the amounts loaned to the Mint and outstanding at any time shall not exceed $50 million.

Furthermore the statutory provisions respecting a reserve against possible losses and the application of the Mint's net earnings for the year to the revenues of Canada have been repealed. However, the reserve has been maintained in the event that losses arise pertaining to the period prior to December 17, 1987 and in keeping with the Government's decision concerning the 1988 Olympic Coin Programme, the net earnings generated by that Programme will continue to be applied to the revenues of Canada.

3. Significant accounting policies

(a) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date. Assets and liabilities denominated in foreign currency at the balance sheet date are translated into Canadian dollars at the exchange rate in effect at that date.

(b) Inventories

Raw materials, work in process and finished goods are valued at the lower of cost and net realizable value, cost being determined by the average cost method.

Operating and maintenance supplies are valued at the lower of cost and replacement cost, cost being determined by the average cost method.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated under the straight-line method at the following annual rates:

Land improvements	2 ½%
Buildings	2 ½%
Equipment	10%

ROYAL CANADIAN MINT—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

(d) Employee termination benefits

According to their collective agreement and terms of employment, employees are entitled to termination benefits. The liability for these benefits is recorded when earned by the employees.

(e) Pension plan

Employees participate in the Public Service Superannuation Plan, which is administered by the Government of Canada. Contributions to the plan are required from both the employees and the Mint. These contributions represent the Mint's total liability and are recorded on a current basis.

4. Inventories

	1987	1986
	(in thousands of dollars)	
Raw materials	16,306	23,762
Work in process	6,145	4,437
Finished goods	11,418	8,685
Operating and maintenance supplies	2,805	3,576
	36,674	40,460

In order to facilitate the production of gold coins, the Mint borrows the quantity of gold required and pays interest based on the value of gold established on the London market. As at December 31, 1987 a total of 728,691 ounces were borrowed and are not reflected in these financial statements.

5. Deferred expenses

Included under this caption are expenses related to the launching of the 1988 Olympic Coin Programme totalling $5.3 million. These expenses are recorded at cost and are amortized on the basis of anticipated sales over the duration of the Programme from 1985 to 1988. In 1987, $13.2 million was amortized (1986 — $7.0 million).

6. Property, plant and equipment

	1987			1986
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land	579		579	619
Land improvements	933	540	393	426
Buildings	38,017	7,033	30,984	31,584
Equipment	23,710	15,004	8,706	9,138
	63,239	22,577	40,662	41,767

7. Due to Government of Canada, net earnings

	1987	1986
	(in thousands of dollars)	
Balance at beginning of the year	52,788	42,978
Net earnings due to Government of Canada	20,363	9,810
Paid during the year	(12,788)	
Balance at end of the year	60,363	52,788

In accordance with the Royal Canadian Mint Act, net earnings to December 16, 1987 are due to the Government of Canada. Earnings, net of earnings on the 1988 Olympic Coin Programme and prorated for the period from December 17, 1987 to December 31, 1987, have been reflected as retained earnings.

8. Loans from Government of Canada

These loans bear interest at various annual rates ranging from 8.25% to 12.00% and are repayable according to the following schedule:

	(in thousands of dollars)
1988	2,989
1989	7,673
1990	2,673
1991	2,673
1992	2,673
1993-1998	8,194
	26,875
Current portion	2,989
	23,886

9. Deferred revenues

	1987	1986
	(in thousands of dollars)	
Regular Numismatic Products and 1988 Olympic Coin Programme	2,683	14,674
	2,683	14,674

10. Expenses

Expenses include cost of goods sold, detailed as follows:

	1987	1986
	(in thousands of dollars)	
Materials used	932,820	833,558
Direct labour	3,696	3,115
Manufacturing overhead	28,922	17,157
	965,438	853,830

11. Related party transactions

Included in these financial statements are transactions with the Department of Finance relating to the borrowing, refining and purchasing of gold and silver. These transactions were conducted in the normal course of business, under the same terms and conditions that apply to unrelated parties.

SUMMARY PAGE

SAINT JOHN PORT CORPORATION

MANDATE

Administration, management and control of the Saint John harbour and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

Saint John Port Corporation was established on December 31, 1986, pursuant to the national ports policy to create local ports corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. Total traffic through SaintJohn in 1987 was 13.0 million tonnes. Petroleum products, in particular crude oil imports at 10 million tonnes, accounted for 77 per cent of the 1987 tonnage, the rest being forest products, potash, grain and salt.

CORPORATION DATA

HEAD OFFICE	133 Prince William Street P.O. Box 6429, Station A Saint John, New Brunswick E2L 4R8
STATUS	—Schedule III, Part II —an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1986; letters patent issued by the Minister of Transport pursuant to subsection 25(1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	Kenneth Krauter
CHAIRMAN	Harry P. Gaunce
AUDITOR	Clarkson Gordon

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	**Balance sheet data at start of operation on January 1, 1987**
At the end of the year		
Total Assets	91.5	92.5
Obligations to the private sector	nil	nil
Obligations to Canada	20.1*	58.3
Equity of Canada	48.0	1.6
Cash from Canada in the period		
—budgetary	nil	not applicable
—non-budgetary	nil	not applicable

* During 1987, Canada forgave $37.8 million loan principal outstanding, which amount, with related interest forgiven, was added to the corporation's contributed capital.

SAINT JOHN PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE JOHN CROSBIE, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the Saint John Port Corporation as at December 31, 1987, and the statements of loss, deficit, contributed capital and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

The financial statements for the preceding year were examined by other Chartered Accountants.

Clarkson Gordon
Chartered Accountants

Saint John, Canada
February 12, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987	1986
Current		
Cash	260	88
Investments (Note 3)	6,253	4,845
Accounts receivable	1,208	2,070
Materials and supplies	93	129
	7,814	7,132
Long-term investments (Note 3)	952	949
Fixed assets (Note 4)	82,734	84,368
	91,500	92,449

LIABILITIES AND EQUITY OF CANADA	1987	1986
Current liabilities		
Accounts payable and accrued charges	3,044	1,567
Deferred revenues	273	217
Grants in lieu of municipal taxes		549
	3,317	2,333
Accrued employee benefits	425	483
Financing provided by a province (Note 5)	19,696	19,696
Loans from Canada (Note 6)	20,052	68,356
	43,490	90,868
EQUITY OF CANADA		
Contributed capital (Note 7)	49,372	79,209
Contribution to Canada		(1,033)
Deficit	(1,362)	(76,595)
	48,010	1,581
	91,500	92,449

See accompanying notes.

On behalf of the Board:

HARRY P. GAUNCE
Chairman

KENNETH R. KRAUTER
General Manager and Chief Executive Officer

SAINT JOHN PORT CORPORATION—*Continued*

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986 (Note 8)
Revenues		
Harbour services	4,056	5,052
Rentals	4,912	5,080
Shipping services and other	1,181	1,430
	10,149	11,562
Expenses		
Salaries and employees' benefits	3,834	3,534
Purchased services	593	990
Energy and utilities	345	322
Operating and administrative	2,543	2,189
Grants in lieu of municipal taxes	54	801
Depreciation	2,659	2,606
Loss (gain) on disposal of fixed assets	(228)	63
	9,800	10,505
Income from operations	349	1,057
Investment income	702	1,268
Interest expense	(2,413)	(3,313)
	(1,711)	(2,045)
Net loss for the year	(1,362)	(988)

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986 (Note 8)
Balance, beginning of year	79,209	74,838
Add: forgiveness of non-interest bearing loans (Note 7)	47,791	4,371
Less: contribution to Canada (Note 7)	127,000	79,209
deficit reduction (Note 7)	1,033	
Balance, end of year	76,595	
	49,372	79,209

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986 (Note 8)
Balance, beginning of year as previously reported	76,595	75,607
Deficit reduction (Note 7)	76,595	
Balance, as restated		75,607
Net loss for the year	1,362	988
Balance, end of year	1,362	76,595

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986 (Note 8)
Cash, provided by (used in)		
Operations		
Net loss for the year	(1,362)	(988)
Add items not requiring a cash payment		
Depreciation	2,658	2,606
Other	(275)	115
	1,021	1,733
Net change in non-cash working capital balances related to operations (Note 9)	1,882	(575)
Cash provided by operations	2,903	1,158
Financing		
Repayment of loans from Canada	(512)	(7,100)
Contribution to Canada		(1,033)
	(512)	(8,133)
Investing		
Additions to fixed assets	(1,039)	(478)
Proceeds on disposal of fixed assets	228	2
	(811)	(476)
Increase (decrease) in cash and short-term investments during current year's activities	1,580	(7,451)
Cash and short-term investments, beginning of year	4,933	12,384
Cash and short-term investments, end of year	6,513	4,933

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. Canada Ports Corporation Act and Incorporation

In accordance with the Canada Ports Corporation Act, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was established effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation—Port of Saint John.

2. Significant accounting policies

(a) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

(b) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

SAINT JOHN PORT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Continued*

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates as follows:

Asset	Depreciation Rates %
Dredging	2.5-6.7
Berthing structures	2.5-10.0
Buildings	2.5-10.0
Utilities	3.3-10.0
Roads and surfaces	2.5-10.0
Machinery and equipment	5.0-100.0
Office furniture and equipment	20.00

(c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Insurance

The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

(e) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(f) Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

3. Investments

Investments are direct and guaranteed securities of Canada as follows:

	1987		1986	
	Amortized cost	Face value	Amortized cost	Face value
	(in thousands of dollars)			
Canada Treasury Bills	6,253	6,479	4,845	4,849
Canada Bonds	952	1,000	949	1,159

4. Fixed assets

Fixed assets consist of the following:

	1987			1986
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land	30,063		30,063	30,063
Dredging	1,967	1,460	507	525
Berthing structures	63,655	26,336	37,319	37,988
Buildings	15,570	7,629	7,941	8,366
Utilities	7,651	3,077	4,574	4,899
Roads and surfaces	4,779	3,843	936	1,195
Machinery and equipment	1,897	1,616	281	337
Office furniture and equipment	775	515	260	315
Work under construction	853		853	680
	127,210	44,476	82,734	84,368

5. Financing provided by a province

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1987 has been calculated accordingly. The Province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would increase by an estimated $777,000.

6. Loans from Canada

	1987	1986
	(in thousands of dollars)	
Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	20,052	20,565
Non-interest bearing loans with indefinite due date		37,768
Accrued interest on loans not due and payable		10,023
	20,052	68,356

7. Contributed Capital

During the year, the non-interest bearing loans in the amount of $47,791,000 were forgiven by Canada. This amount has been credited to contributed capital.

Payments from excess cash made in 1986 to Canada and treated as Contribution to Canada in the amount of $1,033,000, have been reclassified to contributed capital.

The Minister of Transport has approved a reduction of the deficit as at January 1, 1987 in the amount of $76,595,000 with a corresponding reduction in contributed capital.

8. Comparative figures

The comparative figures for the year ended December 31, 1986 shown on the statements of Loss, Contributed Capital, Deficit and Cash Flows are those of Canada Ports Corporation—Port of Saint John. The comparative figures have been reclassified to conform to the financial statement presentation adopted for 1987.

SAINT JOHN PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

9. Net change in non-cash working capital balances related to operations

This consists of the following:

	1987	1986
	(in thousands of dollars)	
Decrease (increase) in current assets		
Accounts receivable	862	(213)
Materials and supplies	36	(3)
	898	(216)
Increase (decrease) in current liabilities		
Accounts payable and accrued charges	1,477	(288)
Deferred revenues	56	(371)
Grants in lieu of municipal taxes	(549)	300
	984	(359)
	1,882	(575)

10. Related party transactions

During the year the Corporation paid $652,000 (1986—$654,000) to Canada Ports Corporation as its share of that Corporation's head office expense.

SUMMARY PAGE

ST. JOHN'S PORT CORPORATION

MANDATE

Administration, management and control of the Harbour of St. John's and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

St. John's Port Corporation was established on June 1, 1985, pursuant to the national ports policy to create local ports corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. Total cargo handled by the port in 1987 amounted to 0.9 million tonnes.

CORPORATION DATA

HEAD OFFICE	3 Water Street P.O. Box 6178 St. John's, Newfoundland A1C 5X8
STATUS	—Schedule III, Part II —an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1985; letters patent issued by the Minister of Transport, pursuant to subsection 25(1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	David Fox
CHAIRMAN	Fred Milley
AUDITOR	Doane Raymond

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	7 months to Dec. 31, 1985
At the end of the year			
Total Assets	15.6	14.4	16.9
Obligations to the private sector	nil	nil	nil
Obligations to Canada	2.5	1.5	1.6
Equity of Canada	12.2	11.9	13.2
Cash from Canada in the period			
— budgetary*	nil	nil	nil
— non-budgetary	1.0	nil	nil

* Takes no account of payments to Canada: in 1987, dividend $0.2 million and, in 1986, special contributions, $1.8 million.

ST. JOHN'S PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE JOHN CROSBIE, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the St. John's Port Corporation as at December 31, 1987, and the statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Doane Raymond
Chartered Accountants

St. John's, Canada
February 22, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987

ASSETS	1987	1986
	$	$
Current		
Cash	83,548	25,118
Investments (Note 3)	863,594	2,988,103
Accounts receivable	284,223	295,148
	1,231,365	3,308,369
Investments (Note 3)		949,653
Fixed (Note 4)	14,332,175	10,139,334
	15,563,540	14,397,356

LIABILITIES	1987	1986
	$	$
Current		
Accounts payable and accrued liabilities	495,085	280,031
Grants in lieu of municipal taxes	35,464	100,690
Deferred revenues	255,783	171,418
Current portion of loans from Canada	124,836	56,833
	911,168	608,972
Accrued employee benefits	87,764	75,362
Loans from Canada (Note 5)	2,332,784	1,839,939
	3,331,716	2,524,273
EQUITY		
Contributed capital (Note 6)	10,131,636	9,749,318
Surplus	2,100,188	2,123,765
	12,231,824	11,873,083
	15,563,540	14,397,356

Contingencies (Note 7)

On behalf of the Board:

FRED MILLEY
Chairman

DAVID J. FOX
Port Manager and Chief Executive Officer

ST. JOHN'S PORT CORPORATION—*Continued*

STATEMENT OF INCOME AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Revenue from operations	2,433,220	2,388,782
Operating and administrative expenses	1,527,745	1,501,052
Depreciation	808,049	561,936
Grants in lieu of municipal taxes	52,224	68,598
	2,388,018	2,131,586
Income from operations	45,202	257,196
Investment income—Net	83,695	251,051
Net income	128,897	508,247
Surplus, beginning of year	2,123,765	1,615,518
	2,252,662	2,123,765
Dividend to Canada	152,474	
Surplus, end of year	2,100,188	2,123,765

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Cash provided from (used for)		
Operating activities		
Net income	128,897	508,247
Depreciation	808,049	561,936
Other non-cash items	7,938	(958)
	944,884	1,069,225
Changes in		
Accounts receivable	10,925	56,358
Accounts payable and accrued liabilities	215,054	(1,068,661)
Grants in lieu of municipal taxes	(65,226)	43,598
Deferred revenues	84,364	(54,766)
Current portion of loans from Canada	68,003	4,850
	1,258,004	50,604
Financing activities		
Loans from Canada	875,164	(56,834)
Contribution to Canada		(1,836,000)
Dividend to Canada	(152,474)	
	722,690	(1,892,834)
Investing activities		
Proceeds on disposition of investments	936,295	
Proceeds on disposal of fixed assets	57,900	5,100
Purchase of fixed assets	(5,040,968)	(766,351)
	(4,046,773)	(761,251)
Net cash used	(2,066,079)	(2,603,481)
Cash and short-term investments, beginning of year	3,013,221	5,616,702
Cash and short-term investments, end of year	947,142	3,013,221

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1987

1. In accordance with the Canada Ports Corporation Act, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

   In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of St. John's to the St. John's Port Corporation.

2. Significant accounting policies

   (a) Investments

   The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

   (b) Fixed assets

   Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

   Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates indicated in Note 4.

   (c) Pension costs

   All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

   (d) Grants in lieu of municipal taxes

   The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

   (e) Employee benefits

   The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

3. Investments

	1987		1986	
	Amortized Cost	Face Amount	Amortized Cost	Face Amount
	$	$	$	$
Short-term	863,594	897,300	2,988,103	3,042,700

	Amortized Cost	Market Value
	$	$
Long-term	949,653	1,069,337

ST. JOHN'S PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

4. Fixed assets

	1987				1986
	Depreciation rate	Cost	Accumulated depreciation	Net book value	Net book value
	%	$	$	$	$
Land		4,643,700		4,643,700	3,370,578
Berthing structures	2.5-10	8,046,748	5,225,175	2,821,573	2,811,656
Buildings	2.5-10	1,611,606	1,190,200	421,406	536,739
Utilities	3.3-10	3,112,852	532,523	2,580,329	2,580,055
Roads and surfaces	2.5-10	4,143,950	557,444	3,586,506	119,533
Machinery and equipment	5-100	297,542	151,594	145,948	95,168
Office furniture and equipment	20	156,241	92,966	63,275	44,187
Projects under construction		69,438		69,438	581,418
		22,082,077	7,749,902	14,332,175	10,139,334

5. Loans from Canada

	1987	1986
	$	$
Loans, bearing interest at 9.33% and 10.15%, maturing in 1997 and 2000, payable in equal annual instalments of principal and interest of $360,982. The loans are unsecured	2,457,620	1,514,453
Principal instalments payable within one year	124,836	56,833
	2,332,784	1,457,620
Accrued interest on loans		382,319
	2,332,784	1,839,939

During the year, accrued interest in the amount of $382,319 was forgiven by Canada. This amount has been credited to Contributed Capital.

Annual principal repayments in each of the next five years are as follows:

	$
1988	124,836
1989	136,913
1990	150,159
1991	164,689
1992	180,627

6. Contributed capital

Payments from excess cash made in 1986 to Canada and treated as Contribution to Canada in the amount of $1,836,000 have been reclassified to Contributed Capital.

7. Contingent liabilities

Claims aggregating approximately $5,000,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

In addition, claims aggregating approximately $150,000 have been received arising from quantity overruns on capital projects. The Corporation is disputing these claims and no material loss is anticipated.

SUMMARY PAGE

ST. LAWRENCE SEAWAY AUTHORITY, THE

MANDATE

Construction, operation and maintenance of canals, bridges, works and other property related to the deep waterway between the Port of Montreal and Lake Erie, known as the St. Lawrence Seaway.

BACKGROUND

The St. Lawrence Seaway Authority was established in 1954 to construct and operate the Seaway in conjunction with an appropriate authority in the United States and to construct, maintain and operate bridges and other works and property incidental thereto as the Governor in Council may deem to be necessary. The Authority operates 13 locks and related works in Canadian territory along the waterway, as well as four high-level bridges traversing the St. Lawrence River. Two locks in the United States are operated by the St. Lawrence Seaway Development Corporation.

A wholly-owned subsidiary, the Seaway International Bridge Corporation, Ltd. was established in 1962 to manage the international bridge at Cornwall, Ontario. A second wholly-owned subsidiary, the Jacques Cartier and Champlain Bridges Incorporated was established to manage the two high-level bridges in Montreal when these were transferred from the National Harbours Board in 1978. A third wholly-owned subsidiary, Great Lakes Pilotage Authority, Ltd. is a parent Crown corporation for the purposes of the *Financial Administration Act*. The Canadian span of the Thousand Islands Bridge at Lansdowne, Ontario has been directly administered by the Authority since this property reverted to Canada in 1976.

CORPORATION DATA

HEAD OFFICE	360 Albert Street Ottawa, Ontario K1R 7X7
STATUS	— Schedule III, Part I — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1954; pursuant to section 3 of the *St. Lawrence Seaway Authority Act* (R.S.C. 1985, c. S-2).
CHIEF EXECUTIVE OFFICER	W. A. O'Neil
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87**	1985-86	1984-85
At the end of the period				
Total Assets	603.0	652.8	645.3	668.9
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil*	210.0	210.0	210.0
Equity of Canada	576.8*	417.2	407.7	432.5
Cash from Canada in the period				
— budgetary	24.5	13.2	nil	3.0
— non-budgetary	nil	nil	nil	nil

* Obligations to Canada were forgiven by Transport vote 2c, 1987-88. This resulted in some reduction of corporation Fixed Assets, because a portion of the interest obligation had been capitalized, but mostly it added to the Equity of Canada.

** These data do not reflect restatement of this year's accounts in the corporation's 1987-88 Annual Report.

THE ST. LAWRENCE SEAWAY AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of The St. Lawrence Seaway Authority as at March 31, 1988 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, The St. Lawrence Seaway Authority Act and the by-laws of the Authority.

D. Larry Meyers, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 18, 1988

BALANCE SHEET AS AT MARCH 31, 1988
(in thousands of dollars)

ASSETS	1988	1987
Current		
Cash and term deposits	13,417	9,071
Deposit in trust (Note 3)		1,863
Accounts receivable	7,283	8,340
Accrued interest receivable	1,526	985
Supplies inventory	2,846	2,889
	25,072	23,148
Long-term receivables (Note 4)	203	257
Investments		
Long-term investments (Note 5)	19,940	17,604
Deposits in Consolidated Revenue Fund (Note 6)	13,000	13,000
Subsidiary companies (Note 7)	10	10
	32,950	30,614
Fixed (Note 8)	544,731	585,539
	602,956	639,558

LIABILITIES	1988	1987
Current		
Accounts payable	4,571	4,339
Accrued liabilities (Note 3)	9,475	9,470
	14,046	13,809
Long-term		
Accrued employee termination benefits (Note 6)	12,120	11,718
Deferred interest (Note 9)		210,000
	12,120	221,718
	26,166	235,527
Contingencies (Note 12)		
EQUITY OF CANADA		
Contributed capital (Note 9)	624,950	624,950
Deficit	(48,160)	(220,919)
	576,790	404,031
	602,956	639,558

Approved:

W. A. O'NEIL
President

R. J. FORGUES
Comptroller and Treasurer

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988					1987
	Montreal-Lake Ontario Section	Welland Section	Total Seaway	Thousand Islands Bridge	Total	Total
Revenues						
Tolls	25,952	29,676	55,628		55,628	52,007
Leases and licenses	563	2,508	3,071	187	3,258	2,610
Other	1,079	761	1,840	1,124	2,964	2,764
	27,594	32,945	60,539	1,311	61,850	57,381
Expenses						
Operating	6,202	10,472	16,674		16,674	16,450
Maintenance	10,352	11,912	22,264	288	22,552	21,415
Administration	4,824	5,096	9,920	32	9,952	9,552
Headquarters	3,972	4,864	8,836	36	8,872	8,620
Depreciation	4,370	5,641	10,011	32	10,043	10,392
Employee termination benefits	746	1,012	1,758		1,758	789
Other expenses	974	84	1,058		1,058	1,427
	31,440	39,081	70,521	388	70,909	68,645
Income (loss) from operations	(3,846)	(6,136)	(9,982)	923	(9,059)	(11,264)
Investment income	2,020	2,474	4,494	146	4,640	4,702
Net income (loss) for the year before extraordinary item	(1,826)	(3,662)	(5,488)	1,069	(4,419)	(6,562)
Insurance claim recovery						2,853
Net income (loss) for the year	(1,826)	(3,662)	(5,488)	1,069	(4,419)	(3,709)

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988			1987
	Seaway	Thousand Islands Bridge	Total	Total
Deficit (retained earnings), beginning of the year	223,613	(2,694)	220,919	217,210
Loss (net income) for the year	5,488	(1,069)	4,419	3,709
Forgiveness of deferred interest (Note 9)	(177,178)		(177,178)	
Deficit (retained earnings), end of the year	51,923	(3,763)	48,160	220,919

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1988
(in thousands of dollars)

	1988			1987
	Seaway	Thousand Islands Bridge	Total	Total
Cash provided by (used in)				
Operating activities				
Income (loss) for the year before extraordinary item	(5,488)	1,069	(4,419)	(6,562)
Items not involving cash				
Depreciation	10,011	32	10,043	10,392
Provision for termination benefits	1,758		1,758	789
Net change in working capital components other than cash and cash equivalents	542	(1,101)	(559)	(9,032)
Insurance claim recovery				2,853
Cash provided by (used in) operating activities	6,823		6,823	(1,560)
Financing activities				
Funding from Federal Government for Welland Canal Rehabilitation Program	24,500		24,500	13,200
Cash provided from financing activities	24,500		24,500	13,200
Investing activities				
Reduction in long-term receivables	54		54	52
Purchase of treasury bills				(3,732)
Purchase of Canada Bonds	(9,053)		(9,053)	
Purchase of long-term investment certificates				(5,000)
Fixed assets	(26,598)		(26,598)	(16,654)
Proceeds from disposal of investments	6,716		6,716	6,938
Proceeds from disposal of fixed assets	41		41	283
Cash used in investing activities	(28,840)		(28,840)	(18,113)
Increase (decrease) in cash	2,483		2,483	(6,473)
Cash at beginning of year	10,934		10,934	17,407
Cash position at end of year	13,417		13,417	10,934
Cash composed of				
Cash and term deposits	13,417		13,417	9,071
Deposit in trust				1,863
	13,417		13,417	10,934
Working capital position at end of year				
Current assets	25,072		25,072	23,148
Current liabilities	16,536	(2,490)	14,046	13,809
	8,536	2,490	11,026	9,339

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

1. Authority and objectives

The St. Lawrence Seaway Authority was established in 1954 under The St. Lawrence Seaway Authority Act and is classified as a parent Crown corporation under Schedule C Part I of the Financial Administration Act.

The Authority was established to construct and operate a deep waterway between the Port of Montreal and Lake Erie together with such works and other property, including bridges incidental to the deep waterway, as deemed necessary by the Governor in Council.

2. Accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. A summary of significant accounting policies follows:

(a) Supplies inventory

Supplies inventory comprises equipment and supplies used in the operation and maintenance of the Seaway and is recorded at cost.

(b) Investments in subsidiary companies

Investments in wholly-owned subsidiary companies are recorded at cost. The financial statements of the subsidiary companies have not been consolidated in these financial statements because changes in the equity of the subsidiaries do not accrue to the Authority. Separate audited financial statements for each of the subsidiary companies are available to the public.

(c) Fixed assets

Fixed assets are recorded at cost. Replacements and major improvements which increase the capacity of the deep waterway system or extend the estimated useful lives of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred and major betterments incurred to assure the reliability of the system are capitalized. The cost of assets sold, retired, or abandoned, and the related accumulated depreciation are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.
Depreciation is recorded using the straight-line method based on the estimated useful lives of the assets.

(d) Welland Canal Rehabilitation Program

Funding received from the Government of Canada towards this program is accounted for by crediting the costs of related capital projects undertaken during the year, with depreciation to be calculated on the net amount.

(e) Employee termination benefits

Employees of the Authority are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

(f) Pension plan

All employees of the Authority are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Continued*

(g) Employee life insurance plan

The Authority provides an annual life insurance plan for its employees on a self-insurance basis. Surpluses, premiums and deficits from the plan are included in revenues and/or expenses in the year in which they apply.

(h) Thousand Islands Bridge

In September 1976, the Minister of Transport entrusted the Authority with the management and operation of the Thousand Islands Bridge, while the real property was vested in the name of Her Majesty in Right of Canada. Subsequent capital expenditures made by the Authority to improve the Bridge have been recorded as fixed assets. The retained earnings of the Bridge represent its cumulative earnings since September 1976.

These financial statements have segregated the operations of the Thousand Islands Bridge on the premise that its management and operation by the Authority is independent of Seaway operations.

3. Deposit in trust

Pending the completion of the transaction on the settlement with railroads relative to the Welland By-Pass, the Authority had transferred funds for the full payment to a trust account, and an equivalent amount was included in accrued liabilities. The transaction was completed in October, 1987.

4. Long-term receivables

The Authority has entered into long-term contractual agreements for the sale of one parcel of land and for the recovery of costs associated with the construction of certain facilities. Long-term receivables outstanding at March 31 are as follows:

	1988	1987
	(in thousands of dollars)	
5½% interest, recoverable in blended annual installments of $28,000, maturing in 1995	135	155
Non-interest bearing, recoverable in annual installments of $33,952, maturing in 1990	68	102
	203	257

5. Long-term investments

The long-term investments at March 31, set aside by the Authority in order to provide for future major capital improvement projects of The St. Lawrence Seaway and the rehabilitation of the Canadian span at the Thousand Islands Bridge, are as follows:

	1988	1987
	(in thousands of dollars)	
Canada Bonds		
Cost, maturing on varying dates up to 1995		
Par value $15,000 (1987—$9,000)		
Market value $15,117 (1987—$9,374)	14,940	8,872
Treasury Bills, maturing March 1988 (1987 market value $3,732)		3,732
Investment Certificates, maturing March 1990		
Market value $5,000 (1987—$5,000)	5,000	5,000
	19,940	17,604

6. Deposits in Consolidated Revenue Fund

Consolidated Revenue Fund deposits bearing interest, set aside by the Authority in order to provide for future payments of employee termination benefits, mature on March 31, 1989.

7. Subsidiary companies and related parties

Investments in wholly-owned subsidiary companies consist of the following:

	No. of shares	Cost
		$
Great Lakes Pilotage Authority, Ltd. (GLPA)	15	1,500
The Jacques Cartier and Champlain Bridges Incorporated (JCCB)	1	100
The Seaway International Bridge Corporation, Ltd. (SIBC)	8	8,000
		9,600

During the year ended March 31, 1988, the Authority provided JCCB with certain administration services for which it charged $627,000 (1987—$595,000). At March 31, 1988, $79,000 was outstanding (1987—$63,000).

Each calendar year, SIBC pays a bridge user charge to the Authority (1987—$368,000; 1986—$131,000) to amortize the Authority's construction and interest costs related to the North Channel Bridge. At March 31, 1988, $5.8 million (1987—$11.5 million) in construction costs remained unamortized; during the year a reduction of $5.3 million was caused by the cancellation of interest as explained in Note 9.

The Canadian Coast Guard provides the Authority with navigational aids services. The fee paid by the Authority for this service in 1987-88 amounted to $525,000 ($525,000 in 1986-87).

8. Fixed assets

		1988			1987
	Depreciation rate	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)				
Seaway					
Land		30,324		30,324	30,352
Channels and canals	1%	249,108	68,675	180,433	182,924
Locks	1%	236,752	85,138	151,614	153,300
Bridges and tunnels	2%	88,346	37,931	50,415	52,118
Buildings	2%	12,062	6,586	5,476	5,632
Equipment	2-20%	26,538	11,492	15,046	15,999
Remedial works	1%	134,396	26,676	107,720	109,067
Interest during construction (Note 9)					32,822
Works under construction		2,430		2,430	2,019
		779,956	236,498	543,458	584,233
Thousand Islands Bridge Improvements	2%	1,552	279	1,273	1,306
		781,508	236,777	544,731	585,539

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

Welland Canal Rehabilitation Program

Following the 1985 incidents and considering the age of the Welland Canal, the Authority engaged consultants to examine in detail, and report on, the structural condition of the system. The report was submitted during 1986 and, as a result a seven-year $175 million rehabilitation program has been devised to refit the Welland Canal and ensure a continued safe and reliable waterway into the 21st century. The program consists of refurbishing of lock walls, stabilizing the canal banks and approach walls, and rehabilitating ancillary structures.

During 1986, the Government of Canada approved funding to finance the Welland Canal Rehabilitation Program for an amount not to exceed $175 million over a period of seven years as follows:

	(in millions of dollars)
1986-87	13.2
1987-88	24.5
1988-89	25.4
1989-90	26.9
1990-91	27.3
1991-92	28.7
1992-93	29.0
Total	175.0

To date the federal government funding has amounted to $37.7 million, all of which has been spent on the program and has been deducted from related works under construction. As at March 31, 1988, $32.445 million of the approved amount for the first two years was received. The balance of $5.255 million is included in accounts receivable.

During the course of the 1987-88 fiscal year, the Authority examined in more depth the purpose of the Rehabilitation Program, the intention of the Federal Government to finance the entire program and the recording of the transaction in the books of the Authority.

The Authority has concluded that it is the intention of the Government of Canada not to recover the cost of the Program from the users of the Seaway. Accordingly, the funding received for this program is being deducted from the related costs of the fixed assets, with depreciation to be calculated on the net amount.

During 1986-87, expenditures of $13.2 million under this program was capitalized and the related funding was treated as contributed capital. These accounts have been restated to reflect the now clarified nature of the program.

9. Contributed capital

As of April 1, 1977, loans from Canada of $624.95 million were converted to equity by parliamentary appropriation. This amount was recorded as contributed capital. The unpaid interest of $210 million on these loans was not converted and was reflected on the balance sheet as deferred interest.

In December 1987, through Transport Vote 2c, both the contributed capital and deferred interest were forgiven by Government of Canada.

The Authority accounted for the deletion of deferred interest through a reduction of its deficit by $177.2 million as well as write-down of fixed assets by $32.8 million representing interest capitalized during construction.

The parliamentary appropriation authorizing the 1977 conversion of loans from Canada to equity also authorized the Minister to fix, from time to time, the amount that shall be paid by the Authority annually out of its toll revenue as a return on capital. No return on capital has been required to be paid for the years ended March 31, 1988 and 1987.

As described in Note 8, as a result of clarification of governments intent towards funding for the Welland Canal Rehabilitation Program, prior years contributed capital has been reduced by $13.2 million.

10. Income taxes

The Authority, as a prescribed Federal Crown corporation, is subject to the provisions of the Income Tax Act. The Authority is not subject to any provincial income taxes.

The Authority is of the opinion that the forgiveness of deferred interest by the Government of Canada (see Note 9) will not result in any tax liability. A confirmation to that effect has been requested from the Minister of National Revenue.

Currently, undepreciated capital cost for tax purposes is in excess of the net book value of fixed assets by approximately $214 million. The tax effect of this excess has not been recorded in the accounts of the Authority. Should the Authority not receive the above confirmation, this excess would be reduced by approximately $168 million. The Authority has also accumulated research and development costs of approximately $4 million which are available to reduce the taxable income of future years.

Accordingly, no current or deferred tax liability has been set up.

11. Commitments

At March 31, 1988, contractual obligations for capital and other expenditures, including Welland Canal Rehabilitation Program, amounted to $1.7 million (1987—$0.8 million).

12. Contingencies

Following the blow-out of a section of a wall at Lock 7 in October 1985, fifty-four court actions totalling $26.1 million were instituted against the Authority by shipping companies alleging economic losses suffered. In previous years, as a result of the breakdown of the Valleyfield Bridge in November 1984, sixty-nine court actions totalling $23.0 million had been instituted. The Authority is contesting all these claims. However, their outcome cannot be determined at this time.

The Authority is also the claimant or defendant in certain other pending or threatened claims and lawsuits.

It is the opinion of management that these actions will not result in any material losses to the Authority.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX I

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of The Jacques Cartier and Champlain Bridges Incorporated as at March 31, 1988 and the statements of operations, deficit, contributed capital and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, as well as the charter and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 2, 1988

BALANCE SHEET AS AT MARCH 31, 1988

ASSETS	1988	1987
	$	$
Current		
Cash and term deposits	4,245,813	3,752,041
Accounts receivable	151,585	260,866
Due from Canada	1,433,752	1,129,313
	5,831,150	5,142,220
Fixed		
Land	3,785,545	3,785,545
Bridges	73,276,394	73,276,394
Vehicles and equipment	771,958	678,553
	77,833,897	77,740,492
Less: accumulated depreciation	58,785,047	57,674,813
	19,048,850	20,065,679
	24,880,000	25,207,899

LIABILITIES	1988	1987
	$	$
Current		
Accounts payable	2,219,766	1,519,658
Due to parent company	70,208	72,334
Deferred revenues	349,660	358,712
	2,639,634	1,950,704
Long-term		
Provision for employee termination benefits	601,904	640,390
Loans from Canada (Note 3)		66,242,472
Interest in arrears (Note 3)		44,513,580
	601,904	111,396,442
	3,241,538	113,347,146
SHAREHOLDER'S EQUITY (DEFICIENCY)		
Capital stock		
Authorized—50 shares without par value		
Issued and fully paid—1 share	100	100
Contributed capital (deficiency) (Note 3)	32,584,464	(71,713,153)
Deficit (Note 3)	(10,946,102)	(16,426,194)
	21,638,462	(88,139,247)
	24,880,000	25,207,899

Approved by the Board:

A. O'NEIL
Director

ROGER FORGUES
Director

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Continued*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1988

	Jacques Cartier Bridge	Champlain Bridge	Total 1988	Total 1987
	$	$	$	$
Revenues				
Tolls		7,642,908	7,642,908	6,948,975
Interest	74,700	224,100	298,800	352,604
Other	54,522	99,284	153,806	192,330
	129,222	7,966,292	8,095,514	7,493,909
Expenses				
Maintenance	3,624,158	3,782,671	7,406,829	4,862,898
Operation	1,171,127	3,344,251	4,515,378	4,299,308
Administration	579,292	1,558,813	2,138,105	2,038,744
Depreciation	78,358	1,042,939	1,121,297	1,108,015
	5,452,935	9,728,674	15,181,609	12,308,965
Loss for the year	5,323,713	1,762,382	7,086,095	4,815,056

STATEMENT OF DEFICIT FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Balance at beginning of the year	16,426,194	15,382,132
Write-off of accrued interest previously charged to operations (Note 3)	6,562,903	
	9,863,291	15,382,132
Loss for the year	7,086,095	4,815,056
	16,949,386	20,197,188
Parliamentary appropriation—Operations	6,003,284	3,770,994
Balance at end of the year	10,946,102	16,426,194

STATEMENT OF CONTRIBUTED CAPITAL FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Balance (deficiency) at beginning of the year	(71,713,153)	(71,731,472)
Write-off of debts due to Canada assumed at the creation of the Corporation (Note 3)	104,193,149	
	32,479,996	(71,731,472)
Parliamentary appropriation—Fixed assets	104,468	18,319
Balance (deficiency) at end of the year	32,584,464	(71,713,153)

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Operating activities		
Net loss for the year	(7,086,095)	(4,815,056)
Non-cash items		
Depreciation	1,121,297	1,108,015
Decrease in the provision for employee termination benefits	(38,486)	(27,453)
Gain on disposal of fixed assets		(36,500)
	(6,003,284)	(3,770,994)
Changes in non-cash items of working capital	798,211	15,421
	(5,205,073)	(3,755,573)
Investing activities		
Additions to fixed assets	(104,686)	(54,819)
Proceeds from the disposal of fixed assets	218	36,500
	(104,468)	(18,319)
Financing activities		
Parliamentary appropriation	6,107,752	3,789,313
Cash and cash equivalents		
Increase for the year	798,211	15,421
Balance at beginning of the year	4,881,354	4,865,933
Balance at end of the year (*)	5,679,565	4,881,354
(*) Cash and term deposits	4,245,813	3,752,041
Due from Canada	1,433,752	1,129,313
	5,679,565	4,881,354
Working capital position at year-end		
Current assets	5,831,150	5,142,220
Current liabilities	2,639,634	1,950,704
	3,191,516	3,191,516

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1988

1. Authority and activities

The Jacques Cartier and Champlain Bridges Incorporated was established under the Canada Business Corporations Act on November 3, 1978 and is a wholly owned subsidiary of The St. Lawrence Seaway Authority, which is a Crown corporation named in Part I of Schedule C to the Financial Administration Act.

The Corporation is partially dependent on the Government of Canada for its financing.

Effective December 1, 1978, the Corporation assumed the responsibility for the operation, maintenance and control of the Jacques Cartier and Champlain bridges and of a portion of the Bonaventure Autoroute, situated in the Montreal area.

2. Significant accounting policies

(a) Fixed assets

Fixed assets acquired from the National Harbours Board (now Canada Ports Corporation) on December 1, 1978 were recorded at their then book values with an offset to contributed capital. Subsequent additions are recorded at cost.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Concluded*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

Fixed assets are depreciated over their estimated economic lives using the straight-line method, at the following rates:

Jacques Cartier Bridge	4.8%
Champlain Bridge	2.5%
Vehicles and equipment	10% and 20%

The cost of the portion of the Bonaventure Autoroute for which the Corporation is responsible and the initial cost of the Jacques Cartier Bridge are fully depreciated.

(b) Parliamentary appropriation

The amount of the parliamentary appropriation used to cover the loss for the year is reflected in the statement of deficit. In this regard, operating expenses do not include depreciation and any change in the provision for employee termination benefits.

The portion of the parliamentary appropriation used to finance the acquisition of fixed assets is recorded as contributed capital.

Any balance of the parliamentary appropriation required to finance the loss for the year and not received at the year-end is shown as an amount due from Canada. Any parliamentary appropriation received in excess of requirements is recorded as due to Canada. It is the Corporation's policy to reimburse this amount in the following fiscal year.

(c) Deferred revenues

The estimated value of unredeemed toll tokens and tickets as well as rental revenues collected in advance are recorded as deferred revenues.

(d) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(e) Pension plan

Employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the Plan. This contribution represents the total liability of the Corporation. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

(f) Expenses

Expenses incurred with respect to the portion of the Bonaventure Autoroute for which the Corporation is responsible are included with those for the Champlain Bridge.

(g) Income tax

As a federal Crown corporation, the Corporation is not subject to provincial income tax. However, it is subject to the federal Income Tax Act from the fact that its parent corporation has been prescribed by regulation under that Act to be a federal Crown corporation.

3. Forgiveness of debts due to Canada

Under an Act passed by Parliament on December 10, 1987 authorizing their forgiveness, the Corporation has written off from its accounts the loans from Canada and the interest in arrears thereon aggregating $110,756,052. The portion of this amount representing the debts assumed at the time the Corporation was created, namely $104,193,149, has been offset to the capital deficiency. The balance of $6,562,903 representing interest subsequently charged to operations has been credited to the deficit.

The Corporation is of the opinion that the forgiveness of these liabilities shall not give rise to any income tax obligation. A ruling to this effect has been requested from the Department of National Revenue.

4. Related party transactions

Related party transactions not otherwise disclosed in these financial statements are as follows:

Operation services are received from the Montreal Port Corporation. The amount invoiced for regular services for the year ended March 31, 1988 amounts to $2,148,445 ($2,520,362 for 1987), of which $296,909 was unpaid as at March 31, 1988 ($170,084 as at March 31, 1987).

Administrative services from the parent company amounted to $607,230 ($594,718 in 1987). As at March 31, 1988, an unpaid balance thereon of $62,070 ($62,588 in 1987) is included in the amount due to the parent company. The Corporation estimates the cost of such services for the next year to be approximately $641,000.

5. Commitments

(a) Leases

The aggregate minimum annual rentals for long term leases ending April 30, 1992 covering accommodation and equipment which will be paid in subsequent years are as follows:

	$
1989	287,486
1990	286,892
1991	283,504
1992	282,849
1993	8,000

(b) Suppliers

At March 31, 1988, contractual obligations to suppliers amounted to $1,536,030.

6. Major maintenance

In its endeavour to keep the bridges and the autoroute in a good state of repair, to protect the public and serve traffic needs throughout the useful life of these installations, the Corporation is studying the possibility of having to carry out major maintenance work, notably on the decks of the bridges. Since the urgency and the nature of the repairs have yet to be defined, it is not possible at this time to assess the cost of the program which, depending on the extent of work, may have to be carried out over a number of years. It is expected that the eventual cost of such a program would be funded through parliamentary appropriations.

7. Contingencies

In connection with its operations, the Corporation is the claimant or defendant in certain pending claims and lawsuits. It is the opinion of management that these actions will not result in any material liabilities to the Corporation.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of The Seaway International Bridge Corporation, Ltd. as at December 31, 1987 and the statements of operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Canada Business Corporations Act, The St. Lawrence Seaway Authority Act and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 23, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987

ASSETS	1987	1986
	$	$
Current		
Cash and term deposits	362,010	364,726
Accounts receivable	12,138	8,977
	374,148	373,703
Fixed		
Cost	388,930	194,017
Less: accumulated depreciation	143,432	140,127
	245,498	53,890
	619,646	427,593

LIABILITIES	1987	1986
	$	$
Current		
Accounts payable and accrued liabilities	108,062	64,573
Due to The St. Lawrence Seaway Authority	168,458	31,404
Deferred revenue	21,261	21,969
	297,781	117,946
Long-term		
Accrued employee termination benefits	305,865	293,647
Debentures payable (Note 3)	8,000	8,000
	313,865	301,647
	611,646	419,593
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—An unlimited number of common shares		
Issued and fully paid—8 shares	8,000	8,000
	619,646	427,593

Approved by the Board:

WILLIAM A. O'NEIL
President and Director

JAMES L. EMERY
Vice-President and Director

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2—*Continued*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Revenues		
Tolls	1,545,605	1,479,380
Rentals	66,928	66,978
Interest	28,815	20,847
Other	9,917	6,154
	1,651,265	1,573,359
Expenses		
Salaries and employee benefits	964,252	966,939
Maintenance, materials and services	141,826	289,000
Insurance	71,619	82,475
Employee termination benefits	24,949	30,052
Electricity	16,745	13,409
Rental of toll collection machines	14,235	14,235
Depreciation	13,265	9,611
Office supplies	6,528	11,679
Grants in lieu of municipal taxes	6,000	6,000
Professional services	4,240	2,440
Advertising	380	1,211
Other	18,768	14,904
	1,282,807	1,441,955
Excess of revenues over expenses due as bridge user charge (Note 4)	368,458	131,404

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	$	$
Operating activities		
Cash provided from (used in) operations		
Excess of revenues over expenses due as a bridge user charge	368,458	131,404
Items not requiring cash		
Employee termination benefits	24,949	30,052
Depreciation	13,265	9,611
	406,672	171,067
Increase (decrease) in accounts payable and accrued liabilities	43,489	(2,923)
Decrease (increase) in accounts receivable	(3,161)	281,162
Increase (decrease) in deferred revenue	(708)	2,939
Payments of termination benefits	(12,731)	
Payments to the St. Lawrence Seaway Authority for bridge user charge	(231,404)	(206,794)
	202,157	245,451
Investing activities		
Additions to fixed assets	(204,873)	(22,262)
Increase (decrease) in cash	(2,716)	223,189
Cash and short-term deposits, beginning of the year	364,726	141,537
Cash and short-term deposits, end of the year	362,010	364,726
Working capital position at year-end		
Current assets	374,148	373,703
Current liabilities	297,781	117,946
	76,367	255,757

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. Authority and activities

The Seaway International Bridge Corporation, Ltd. is a Crown corporation pursuant to the Financial Administration Act and is a wholly-owned subsidiary of The St. Lawrence Seaway Authority, a parent Crown corporation named in Schedule C Part I of the aforementioned Act. The Corporation was incorporated under the Canada Corporations Act in 1962, continued under the Canada Business Corporations Act, and is subject to The St. Lawrence Seaway Authority Act. Its purpose is to operate and manage the international toll bridge system between Cornwall, Ontario, and Rooseveltown, New York, on behalf of The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation.

2. Accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. A summary of significant accounting policies follows:

Bridge user charge

As described in Note 4 to the financial statements, the Corporation is required to distribute as a bridge user charge its excess of revenues over expenses. Payments are dependent on the Corporation's ability to generate excess revenues. Accordingly, the unpaid balances to The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation are not recorded as a liability in the books of the Corporation.

Fixed assets and depreciation

Fixed assets are recorded at cost. The cost of the North Channel Bridge is recorded in the books of The St. Lawrence Seaway Authority and is being amortized over a period of 50 years. Costs incurred by the Corporation relating to the Bridge which do not extend its estimated useful life are expensed.

Depreciation is based on the estimated useful life of the assets calculated on the straight-line method at the following annual rates:

Automotive	20%
Maintenance equipment	10% to 20%
Office and toll equipment	10%
Bridge equipment	5%

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under the conditions of employment. The liability for these benefits is recorded in the accounts as the employees become entitled to the benefits.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Corporation. These contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis.

Deferred revenue

Revenue from unredeemed toll tokens is deferred.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Concluded*

APPENDIX 2—*Concluded*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

Employee life insurance plan

The Corporation provides an annual life insurance plan for its employees on a self-insurance basis. Surpluses, premiums and deficits from the plan are included in revenues and/or expenses in the year in which they apply.

3. Debentures payable

These debentures, due on December 31, 2012, are non-interest bearing and payable to the Saint Lawrence Seaway Development Corporation.

4. Bridge user charge

By agreement between The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation, the annual excess of revenues over expenses of the Corporation is due as a bridge user charge; first, to the Authority to offset the amortization of the cost of the North Channel Bridge together with interest; then to the Saint Lawrence Seaway Development Corporation to offset the amortization of a $300,000 contribution towards the cost of the Raquette River Bridge; and the balance, if any, is then divided equally between both parties.

As referred in Note 2, the cost of the North Channel Bridge is recorded in the books of the St. Lawrence Seaway Authority. In December 1987, the Government of Canada, through Department of Transport Vote 2c of Supplementary Estimates (C) 1987-88, has forgiven debt and related unpaid accrued interest due by the St. Lawrence Seaway Authority. Accordingly, unpaid interest by the Corporation amounting to $5,290,810 has been forgiven by the Authority and deducted from the unpaid balance of the total cost of the North Channel Bridge.

All bridge user charges since the commencement of the Corporation's operations have been paid to The St. Lawrence Seaway Authority. At December 31, the unpaid balance of the total cost of the North Channel Bridge was as follows:

	1987	1986
	$	$
Cost of construction	8,539,695	8,539,695
Interest	7,860,462	7,860,462
	16,400,157	16,400,157
Less: interest forgiven	5,290,810	
	11,109,347	16,400,157
Less: bridge user charges		
Beginning of year	4,929,516	4,798,112
Current charge	368,458	131,404
End of year	5,297,974	4,929,516
Unpaid balance to The St. Lawrence Seaway Authority	5,811,373	11,470,641

5. Bridge use

With the approval of the Canadian Transport Commission, the Corporation has continued the practice of providing free usage of the bridge system to certain North American Indians. This represents a substantial portion of the Bridge traffic.

6. Related party transactions

In addition to the transactions disclosed elsewhere in these financial statements, The St. Lawrence Seaway Authority provides to the Corporation, without charge, certain engineering and administrative support services.

7. Commitments

The Corporation has entered into a long-term lease for the rental of toll collection facilities and equipment which will expire in 1988. The minimum annual rental payment which will be paid in that year is $11,856.

SUMMARY PAGE

STANDARDS COUNCIL OF CANADA

MANDATE

To foster and promote voluntary standardization in fields relating to construction, manufacture, production, quality, performance and safety of buildings, structures, manufactured articles and products, and other goods not expressly provided for by law, as a means of advancing the national economy, benefiting the public and protecting consumers.

BACKGROUND

The Council coordinates the activities of organizations involved in standardization in Canada, and represents Canada in international standardization organizations.

CORPORATION DATA

HEAD OFFICE	Suite 1200 350 Sparks Street Ottawa, Ontario K1P 6N7
STATUS	— Schedule III, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Harvie Andre, P.C., M.P.
DEPARTMENT	Consumer and Corporate Affairs
YEAR AND MEANS OF INCORPORATION	1970; by the *Standards Council of Canada Act* (R.S.C. 1985, c. S-16).
CHIEF EXECUTIVE OFFICER	John R. Woods
CHAIRMAN	Georges Archer
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) The financial year ends March 31.

	1987-88	1986-87	1985-86	1984-85
At the end of the period				
Total Assets	1.7	3.0	3.3	5.3
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	0.7	1.9	2.2	4.4
Cash from Canada in the period				
— budgetary	6.5	6.7*	4.5*	6.6
— non-budgetary	nil	nil	nil	nil

* Net of amounts returned to Canada (1985-86, $0.9 million; 1986-87, $0.2 million).

STANDARDS COUNCIL OF CANADA

AUDITOR'S REPORT

TO THE STANDARDS COUNCIL OF CANADA
AND THE
MINISTER OF CONSUMER AND CORPORATE AFFAIRS

I have examined the balance sheet of the Standards Council of Canada as at March 31, 1988 and the statements of operations, surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Council as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Council that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Standards Council of Canada Act and by-laws of the Council.

D. L. Meyers, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 27, 1988

BALANCE SHEET MARCH 31, 1988

ASSETS	1988	1987
	$	$
Current		
Cash and short-term deposits	603,636	1,824,379
Accrued interest	5,601	25,561
Accounts receivable		
Government of Canada	359,267	151,311
Other	147,011	153,191
Prepaid expenses	295,914	416,844
	1,411,429	2,571,286
Fixed		
Office furniture and equipment (Note 3)	316,168	388,669
	1,727,597	2,959,955

LIABILITIES	1988	1987
	$	$
Current		
Accounts payable and accrued liabilities	578,425	527,658
Customer and other deposits	134,981	95,913
Deferred sales revenue	63,893	127,786
	777,299	751,357
Long-term		
Provision for employee termination benefits	207,564	286,818
	984,863	1,038,175
EQUITY OF CANADA		
Surplus	742,734	1,921,780
	1,727,597	2,959,955

Approved by the Council:

GEORGES ARCHER
President

JOHN WOODS
Executive Director

STANDARDS COUNCIL OF CANADA—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Expenses		
Salaries, wages and employee benefits	2,876,058	3,047,397
Travel	997,016	1,126,616
Membership in international organizations	836,659	741,762
Direct cost of standards purchases	713,879	803,752
Publications and printing	700,023	720,494
Financial assistance to standards-writing organizations	611,134	648,320
Office accommodation	432,179	359,959
Public relations	318,418	326,432
Telephone and postage	251,045	245,526
International secretariat costs	185,334	180,953
Professional and special services	164,935	304,120
Depreciation	133,239	101,842
Meetings	84,274	47,252
Rental of office equipment	69,892	62,493
Office supplies	39,466	41,696
Other	134,777	111,597
Relocation (Note 6)	512,750	
	9,061,078	8,870,211
Less: GATT Enquiry Point operating costs recovered from Department of External Affairs	345,550	341,000
costs of development assistance programs recovered from Canadian International Development Agency (CIDA)	43,953	31,925
	8,671,575	8,497,286
Revenues		
Sale of standards	839,191	963,881
Interest income	67,740	249,096
Other	54,598	30,165
	961,529	1,243,142
Cost of operations	7,710,046	7,254,144
Parliamentary appropriation		
Consumer and Corporate Affairs Vote 25 (1987—Vote 20)	6,531,000	6,935,000
Deficiency of parliamentary appropriation over cost of operations for the year	(1,179,046)	(319,144)

STATEMENT OF SURPLUS
FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Appropriated (Note 4)		
Balance at beginning of the year	589,719	827,036
Less: released during the year	(589,719)	(237,317)
Balance at end of the year		589,719
Unappropriated		
Balance at beginning of the year	1,332,061	1,413,888
Deficiency of parliamentary appropriation over cost of operations for the year	(1,179,046)	(319,144)
Released during the year	589,719	237,317
Balance at end of the year	742,734	1,332,061
	742,734	1,921,780

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
Operating activities		
Deficiency of parliamentary appropriation over cost of operations for the year	(1,179,046)	(319,144)
Items not requiring an outlay of cash		
Depreciation	133,239	101,842
Depreciation charges recovered from GATT Enquiry Point	12,000	
Employee termination benefits	65,396	77,669
	(968,411)	(139,633)
Payment of employee termination benefits	(144,650)	(44,222)
Changes in current liabilities and current assets other than cash and short-term deposits	(34,944)	(454,085)
Cash and short-term deposits used in operating activities	(1,148,005)	(637,940)
Investing activities		
Purchase of office furniture and equipment	(72,738)	(306,407)
Decrease during the year	(1,220,743)	(944,347)
Cash and short-term deposits at beginning of the year	1,824,379	2,768,726
Cash and short-term deposits at end of the year	603,636	1,824,379

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

1. Authority and objectives

The Standards Council of Canada was created by Parliament as a corporation under the Standards Council of Canada Act in 1970 to be the national co-ordinating body for voluntary standardization. The Council is a Crown corporation named in Part I of Schedule C to the Financial Administration Act. The Council carries out its task through the National Standards System, a federation of accredited organizations concerned with standards-writing, certification and testing.

The objectives of the Council are to foster and promote voluntary standardization in fields relating to the construction, manufacture, production, quality, performance and safety of buildings, structures, manufactured articles and products and other goods and to further international co-operation in the field of standards.

2. Significant accounting policies

(a) Office furniture and equipment

Office furniture and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of the assets as follows:

Furniture	5 years
Equipment	4 years

(b) Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

(c) Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Council. Contributions with respect to current service are expensed on a current basis.

STANDARDS COUNCIL OF CANADA—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988—*Concluded*

3. Office furniture and equipment

	1988			1987
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Office furniture	146,939	99,905	47,034	46,742
Office equipment	608,663	339,529	269,134	341,927
	755,602	439,434	316,168	388,669

4. Appropriated surplus

	1988	1987
	$	$
Reserve toward future cost of in-house electronic data processing facility		262,683
Reserve toward cost of hosting the Pacific Area Standards Congress XII in 1988		100,000
Reserve for contingencies		227,036
		589,719

5. Lease commitment

The Council is leasing office space at its present location for a five-year term which commenced June 1, 1987. The future minimum annual rental under this agreement is $382,305.

6. Relocation

In 1987-88, Council's Mississauga office was closed and the operation was relocated and consolidated at the head office in Ottawa. This resulted in a one-time charge to operations of $512,750 for the year ended March 31, 1988.

SUMMARY PAGE

TELEGLOBE CANADA

MANDATE

Since 1949, to establish, maintain and operate, in Canada and elsewhere, international telecommunications services for the conduct of public communications; this mandate ended on April 3, 1987 with the sale of its business.

BACKGROUND

Originally the Canadian Overseas Telecommunications Corporation, its name was changed in 1975 by the *Teleglobe Canada Act*. The transfer of this business to a subsidiary and the sale of the latter to Memotec Data Inc. was announced by the government on February 11, 1987 and, with the proclamation of the *Teleglobe Canada Reorganization and Divestiture Act*, took place on April 3, 1987.

It seems likely that the corporation will remain in existence, but inactive, for some few years yet. That seems likely because it is still named as the acceptor on certain bills of exchange which mature on dates to May 1993, although, by the terms of the sale of the corporation's business, the amounts due against the bills must be paid by the purchaser of the business.

CORPORATION DATA

HEAD OFFICE	c/o Canada Development Investment Corporation, Suite 4520 1, First Canadian Place, Toronto, Ontario, M5X 1A4
STATUS	— Schedule III, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Don Mazankowski, P.C., M.P., Deputy Prime Minister and President of the Privy Council
YEAR AND MEANS OF INCORPORATION	1949; by the *Canadian Overseas Telecommunications Act* (R.S.C. 1985, c. T-4).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Vacant
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) Late in 1984, the financial year-end, which had been March 31, was changed to December 31.

	1987	1986	1985	9 months to Dec. 31, 1984
At the end of the period				
Total Assets	84.2	502.4	524.9	574.6
Obligations to the private sector	nil	57.1	66.5	68.3
Obligations to Canada	nil	2.6	3.9	5.2
Equity of Canada	84.2	290.3	307.4	362.2
Cash from (to) Canada in the period, net				
— budgetary	(440.5)**	(80.0)*	(108.1)*	nil
— non-budgetary	(2.6)	(1.3)	(1.3)	(0.6)

* Remitted to Canada as dividends.

** Includes $119.2 million income tax paid on profits on the sale of Teleglobe's assets and business.

TELEGLOBE CANADA

AUDITOR'S REPORT

TO THE PRESIDENT OF THE TREASURY BOARD

I have examined the balance sheet of Teleglobe Canada as at December 31, 1987 and the statements of income and retained earnings and changes in financial position for the period of 272 days then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the period of 272 days then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Teleglobe Canada Act and regulations, the by-laws of the Corporation and the Teleglobe Canada Reorganization and Divestiture Act.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
March 25, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987

ASSETS	1987	LIABILITIES	1987
	$		$
Current		Current	
Cash and temporary investments, at cost	35,605,300	Accounts payable	9,326
Accounts receivable	250,462	EQUITY OF CANADA	
Refundable income tax	48,968,198	Retained earnings	84,814,634
	84,823,960		84 823,960

Approved by the Board:

RONALD MONTCALM
Director

K. T. HEPBURN
Director

TELEGLOBE CANADA—*Continued*

INCOME AND RETAINED EARNINGS
FOR THE PERIOD OF 272 DAYS ENDED DECEMBER 31, 1987

	1987
	$
Revenues	
Interest	2,257,231
Gain on foreign exchange	36,006
	2,293,237
Expenses	
Administration fees	82,624
Financial charges	33,908
	116,532
Income before income tax and gain realized on privatization	2,176,705
Income tax	1,185,757
Income before gain realized on privatization	990,948
Gain realized on privatization (Note 2)	214,042,071
Net income	215,033,019
Retained earnings as at April 4, 1987	310,270,373
	525,303,392
Amount remitted to the Government of Canada (Note 3)	440,488,758
Retained earnings as at December 31, 1987	84,814,634

CHANGES IN FINANCIAL POSITION
FOR THE PERIOD OF 272 DAYS ENDED DECEMBER 31, 1987

	1987
	$
Cash used for operations	
Income before gain realized on privatization	990,948
Changes in non-cash working capital items	(9,201,765)
	(8,210,817)
Cash used for financing	
Reimbursement of long-term debt	(1,710,092)
Cash provided by investments	
Proceeds from disposal (Note 2)	504,836,273
Reimbursement of non-cash working capital items	(1,635,803)
Fees and other selling expenses	(6,754,545)
Income tax paid, including a refundable portion of $48,968,198	(119,155,392)
	377,290,533
Amount remitted to the Government of Canada (Note 3)	(440,488,758)
Cash and temporary investments	
Decrease	(73,119,134)
Balance as at April 4, 1987	108,724,434
Balance as at December 31, 1987	35,605,300

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. Authority and activities

Teleglobe Canada, created by the Teleglobe Canada Act, was until April 3, 1987 mandated to establish, maintain and operate Canada's international telecommunication services and to coordinate these services with those of other countries.

On April 3, 1987 following adoption of the Teleglobe Canada Reorganization and Divestiture Act (S.C. 1986-87, c. 12), governmental approval, and the signing of a purchase and sale agreement, the Corporation's undertaking was effectively sold to Memotec Data Inc., which now operates it under the corporate name of Teleglobe Canada Inc.

The Teleglobe Canada Reorganization and Divestiture Act stipulates that on dates to be fixed by proclamation, the Corporation's name will be changed to TH (1987) and will be wound-up.

These financial statements present the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the period of 272 days then ended, taking into account transactions related to the Corporation's privatization, including the creation of a wholly-owned subsidiary on April 2, 1987, as mentioned in Note 2.

2. Privatization of the Corporation

On April 2, 1987, the Corporation created a wholly-owned subsidiary under the corporate name of Teleglobe Canada Inc., and subscribed to 100 common shares for a consideration of $100.

On April 3, 1987, the Corporation transferred to Teleglobe Canada Inc., its undertaking, fixed assets and nearly all other assets including its rights by virtue of contracts, agreements and arrangements and Teleglobe Canada Inc. assumed certain of the Corporation's obligations, as follows:

	$
At book value	
Cash or equivalent	1,635,803
Accounts receivable	100,796,574
Prepaid expenses	1,528,217
Long-term receivables	7,099,603
Deferred charges	95,003
	111,155,200
Accounts payable	95,589,789
Long-term debt (including short-term portion)	54,315,574
Deferred credits	5,860,000
	155,765,363
	(44,610,163)
At 140% of their net book value	
Fixed assets	419,391,475
	374,781,312

As consideration, the Corporation received a non-interest bearing promissory note in an aggregate principal amount of $143,382,433 payable one year and one day following demand, 1,000 special redeemable shares at an issue and stated capital value of $1,000 and 233,228,000 common shares at an issue and stated capital value of $231,397,879.

Also on April 3, 1987, but subsequent to the above-mentioned transfer, the Corporation sold to Memotec Data Inc. the promissory note and the common shares of Teleglobe Canada Inc. for a cash price of $488,268,000.

TELEGLOBE CANADA—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987—*Concluded*

On December 14, 1987, the Corporation transferred to Canada the special shares of Teleglobe Canada Inc. These shares entitled the holder on December 31, 1987 to receive a dividend of $16,567,273 and to a redemption price of $1,000.

These transactions, related to the Corporation's privatization, resulted in the following gain:

	$	$
Transfer value of fixed assets	419,391,475	
Book value of fixed assets	299,565,339	
	119,826,136	
Income tax thereon	29,084,381	
Gain on disposal of fixed assets		90,741,755
Proceeds from disposal of the promissory note and common shares of Teleglobe Canada Inc. to Memotec Data Inc.	488,268,000	
Dividend on special shares	16,567,273	
Redemption of the special shares of Teleglobe Canada Inc.	1,000	
	504,836,273	
Fees and other selling expenses	6,754,545	
	498,081,728	
Book value of securities sold	374,781,412	
Gain on disposal of securities of Teleglobe Canada Inc.		123,300,316
Gain realized on privatization		214,042,071

3. Amount remitted to the Government of Canada

	$
Cash, on April 3, 1987	414,000,000
Deposit on purchase offer and accrued interest	9,920,485
Dividend on special shares of Teleglobe Canada Inc.	16,567,273
Redemption of special shares of Teleglobe Canada Inc.	1,000
	440,488,758

4. Income Tax

The Corporation is subject to federal income tax. As an agent corporation of Her Majesty, it is not subject to tax on capital gains, according to a notice from Revenue Canada and contrary to what was outlined in Note 12 to the financial statements as at April 3, 1987.

5. Contingencies

(a) Bills of exchange

As at April 3, 1987, the Corporation was committed to one of the prime contractors for the construction of the ANZCAN cable system to pay certain amounts in pounds sterling up to May 16, 1993. Under the terms of the agreement, payments are secured by bills of exchange drawn by the contractor on a British Bank and accepted by the Corporation. The bank has not agreed to release the Corporation from its obligation under these bills of exchange.

However, under the purchase and sale agreement covering the Corporation's undertaking and an underlying agreement, Teleglobe Canada Inc. assumes the obligation to make the payments directly to the bank, which negates the bills of exchange when payments are made to the bank on the due dates.

As at December 31, 1987, the amounts are as follows:

Maturities	Amounts in pounds sterling
May 16, 1988	2,784,460
November 16, 1988	2,711,392
May 16, 1989	2,616,222
November 16, 1989	2,545,409
May 16, 1990	2,452,946
November 16, 1990	2,379,426
May 16, 1991	2,289,670
November 16, 1991	2,213,444
May 16, 1992	2,127,746
November 16, 1992	2,047,462
May 16, 1993	1,963,117
	26,131,294

Based on the exchange rate at December 31, 1987, this amount represents 64,076,546 Canadian dollars.

(b) Guarantees and representations

The purchase and sale agreement entered into by Her Majesty the Queen in Right of Canada and Memotec Data Inc. provides for certain contingent adjustments to the purchase price under guarantees and representations given mutually by the parties.

6. Comparative figures

The comparative figures for the preceding period are not shown since the Corporation disposed of its undertaking on April 3, 1987.

SUMMARY PAGE

VANCOUVER PORT CORPORATION

MANDATE

Administration, management and control of the Vancouver Harbour and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Vancouver Port Corporation was established on July 1, 1983, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. Vancouver is the busiest port in Canada. In 1987, 63 million tonnes of cargo passed through the port. Coal and grain are the most important commodities; sulphur, potash and forestry products are also important.

CORPORATION DATA

HEAD OFFICE	1900 Granville Square 200 Granville Street Vancouver, British Columbia V6C 2P9
STATUS	— Schedule III, Part II — an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1983; letters patent of incorporation issued by the Minister of Transport pursuant to subsection 25(1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	Francis J. MacNaughton
CHAIRMAN	Hector D. Perry
AUDITOR	Thorne Ernst & Whinney

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986	1985	1984
At the end of the period				
Total Assets	251.5	236.9	242.7	221.0
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada*	4.1	80.8	81.0	81.2
Equity of Canada	235.5	116.2	119.0	98.6
Cash from Canada in the period				
— budgetary**	nil	0.5	nil	nil
— non-budgetary	nil	nil	nil	nil

* In 1987, $76.5 million loan principal outstanding was forgiven by Canada: That amount, along with related interest forgiven, was added to the corporation's contributed capital.

** Takes no account of payments to Canada: in 1987, dividend $5.8 million and, in 1986, special contributions, $23.3 million.

VANCOUVER PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE JOHN CROSBIE, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of Vancouver Port Corporation as at December 31, 1987, and the statements of income and retained earnings and changes in cash resources for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Thorne Ernst & Whinney
Chartered Accountants

Vancouver, Canada
February 17, 1988

BALANCE SHEET AS AT DECEMBER 31, 1987
(in thousands of dollars)

ASSETS	1987	1986
Current Assets		
Cash	527	306
Investments (Note 3)	54,518	39,107
Accounts receivable	6,870	5,170
Materials and supplies	306	236
	62,221	44,819
Long-term receivables (Note 4)	7,519	7,902
Property and equipment (Note 5)	181,751	184,187
	251,491	236,908

LIABILITIES AND EQUITY OF CANADA	1987	1986
Current liabilities		
Accounts payable and accrued liabilities	2,367	3,599
Grants in lieu of municipal taxes	5,979	5,187
Deferred revenues	2,550	2,781
	10,896	11,567
Accrued employee benefits	1,169	1,106
Loans from Canada (Note 6)	3,949	108,019
	16,014	120,692
EQUITY OF CANADA		
Contributed capital (Note 9)	88,273	7,733
Contribution to Canada (Note 9)		(23,331)
Retained earnings	147,204	131,814
	235,477	116,216
	251,491	236,908

Commitments (Note 8)

On behalf of the Board:

HECTOR D. PERRY
Chairman

RODNEY A. SNOW
Director

VANCOUVER PORT CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Operating revenue, gross	46,657	78,541
Less: service contractors		34,541
Operating revenue, net (Note 7)	46,657	44,000
Operating and administrative expenses	17,715	18,147
Grants in lieu of municipal taxes	5,133	5,097
Depreciation	6,352	6,225
	29,200	29,469
Income from operations	17,457	14,531
Investment income	4,074	5,192
Interest expense on loans from Canada	(325)	(338)
	3,749	4,854
Income before unusual item	21,206	19,385
Adjustment of grants in lieu of municipal taxes		1,200
Net income	21,206	20,585
Retained earnings at beginning of year	131,814	111,229
	153,020	131,814
Less: cash payment to Canada	5,816	
Retained earnings at end of year	147,204	131,814

STATEMENT OF CHANGES IN CASH RESOURCES FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Cash provided by (used for)		
Operating activities		
Net income	21,206	20,585
Items not involving cash		
Depreciation	6,352	6,225
Other	111	(1,555)
Changes in non-cash components of working capital	(2,441)	2,089
	25,228	27,344
Financing activities		
Capital grants		499
Loans from Canada currently payable	(199)	(185)
Contribution to Canada		(23,331)
Cash payment to Canada	(5,816)	
	(6,015)	(23,017)
Investment activities		
Additions to property and equipment	(4,007)	(13,375)
Sale of Canada Bonds		10,897
Other	426	423
	(3,581)	(2,055)
Increase in cash resources	15,632	2,272
Cash resources at beginning of year	39,413	37,141
Cash resources at end of year	55,045	39,413

Cash resources are defined to include cash and investments.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1987

1. General

The Vancouver Port Corporation (the Corporation) was established effective July 1, 1983 as a local port corporation pursuant to the Canada Ports Corporation Act and is a parent Crown corporation named in Schedule C, Part II of the Financial Administration Act. The Corporation is exempt from income taxes.

The objectives of the Corporation are to manage and administer the harbour of Vancouver as an effective instrument in support of the national ports policy as set out in the Canada Ports Corporation Act.

2. Summary of Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

(a) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	5 years

(b) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation. Although the Plan is a defined benefit plan, the contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

(c) Insurance

The Corporation assumes substantially all risks against fire and property damage, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the period incurred.

(d) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. After the amounts have been audited by the Municipal Grants Divison of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

(e) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

3. Investments

Current investments are in Government of Canada treasury bills and at December 31, 1987 and 1986 the market value of the treasury bills approximated carrying value.

VANCOUVER PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1987—*Concluded*

4. Long-term receivables

	1987	1986
	(in thousands of dollars)	
Non-interest bearing agreement with B.C. Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier	3,947	3,947
Long-term agreement for sale of No. 1 Elevator, bearing interest at 6⅝% per annum, payable in blended annual instalments of $462,916 maturing December 31, 1996	3,065	3,309
Less: current portion	(260)	(244)
	2,805	3,065
Long-term agreement for sale of No. 3 Elevator, bearing interest at 5¾% per annum, payable in annual instalments of $117,720 plus interest maturing August 1, 1994	824	942
Less: current portion	(118)	(118)
	706	824
Other	61	66
	7,519	7,902

5. Property and equipment

	1987			1986
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land	76,403		76,403	76,291
Dredging	366	178	188	200
Berthing structures	51,416	23,107	28,309	29,314
Buildings	43,801	9,909	33,892	34,893
Utilities	13,334	5,298	8,036	7,727
Roads and surfaces	30,619	15,435	15,184	15,379
Machinery and equipment	26,136	9,048	17,088	17,967
Office furniture and equipment	2,311	1,536	775	157
Projects under construction	1,876		1,876	2,259
	246,262	64,511	181,751	184,187

6. Loans from Canada

	1987	1986
	(in thousands of dollars)	
Interest-bearing loan at 7.5% repayable in blended annual instalments maturing December 31, 2000	4,148	4,333
Less: current portion	(199)	(185)
	3,949	4,148
Non-interest-bearing loan with an indefinite due date		76,494
Accrued interest not due and payable		27,377
	3,949	108,019

During the year, the non-interest-bearing loan and the related accrued interest in the amount of $103,871,000 were forgiven by Canada. This amount has been credited to contributed capital (see Note 9).

Principal repayment requirements over the next five years amount to $199,000 in 1988, $214,000 in 1989, $230,000 in 1990, $248,000 in 1991 and $266,000 in 1992.

7. Operating revenue, Net

The Corporation entered into new Terminal Services contracts during 1986 for terminals operated by the Corporation. Under the old contracts all revenues generated on these terminals were recorded by the Corporation as operating revenue with payments for the services of the service contractors recorded as operating expense. Under the new contracts revenues now accruing directly to the service contractors are not shown as revenue or expense in the Corporation's financial statements.

8. Commitments

At December 31, 1987 the estimated cost of completing all approved capital projects was $40 million of which the Corporation had contractual obligations at that date for $14.1 million.

The Corporation has long-term lease obligations of varying durations to 1991 for office accommodation aggregating $2,396,000 with annual payments in each of the four years of: 1988, $741,000; 1989, $662,000; 1990, $662,000; and 1991, $331,000.

9. Contributed capital

Payments made in 1986 to Canada and treated as contribution to Canada in the amount of $23,331,000 have been reclassified to contributed capital, the balance of which is now made up as follows:

	Contributed capital	Contribution to Canada
	(in thousands of dollars)	
Balance at beginning of year	7,733	(23,331)
Forgiveness of non-interest-bearing loans and related accrued interest (Note 6)	103,871	
Reclassification of contribution to Canada	(23,331)	23,331
Balance at end of year	88,273	

10. Related party transactions

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown Corporations.

In addition to the loans from Canada disclosed in Note 6, the Corporation paid $1,594,000 (1986, $1,599,000) to Canada Ports Corporation as its share of that corporation's operating expenses and paid $5,815,500 to Canada as a cash payment in the current year. The Corporation has been requested to consider making a cash payment of 30% of 1987 net income, payable to Canada by March 31, 1988.

SUMMARY PAGE

VIA RAIL CANADA INC.

MANDATE

To manage and provide safe, efficient, effective and economic rail passenger service in Canada to meet the needs of the travelling public.

BACKGROUND

In accordance with contracts with the Minister of Transport, VIA Rail operates inter-city, transcontinental, regional and remote passenger train services over CN and CP railway tracks.

CORPORATION DATA

HEAD OFFICE	2 Place Ville-Marie, Montreal, Quebec H3B 2G6
STATUS	— Schedule III, Part I — not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1977; under the *Canada Business Corporations Act*. The Minister of Transport acquired all common shares on behalf of the Crown on April 1, 1978.
CHIEF EXECUTIVE OFFICER	Denis de Belleval
CHAIRMAN	Lawrence Hanigan
AUDITOR	Raymond, Chabot, Martin, Paré & Associates

FINANCIAL SUMMARY ($ million) The financial year is the calendar year.

	1987	1986 (restated)	1985	1984 (restated)
At the end of the year				
Total Assets	954	964	899	750
Obligations to the private sector	negl.	4	nil	nil
Obligations to Canada	nil	nil	nil	nil
Equity of Canada	769	743	712	603
Cash from Canada in the year				
— budgetary	536	506	631	474
— non-budgetary	nil	nil	nil	nil

VIA RAIL CANADA INC.

RESPONSIBILITY FOR PREPARATION AND INTEGRITY OF FINANCIAL STATEMENTS

The management of VIA is responsible for the preparation and integrity of the financial statements contained in the Annual Report. These statements have been prepared in accordance with generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgement. Management considers that the statements present fairly the financial position of VIA and the results of its operations.

To fulfill its responsibility, VIA maintains systems of internal accounting controls, policies and procedures to ensure the reliability of financial information and to safeguard assets. The internal control systems and financial records are subject to reviews by internal auditors and by Raymond, Chabot, Martin, Paré during the examination of the financial statements.

The Audit Committee of the Board of Directors meets periodically with the internal and external auditors, and with management to approve the scope of audit work and to assess reports on audit work performed. The financial statements have been reviewed by the Audit Committee and approved by the Board of Directors upon their recommendation.

AUDITORS' REPORT

TO THE HONOURABLE
THE MINISTER OF TRANSPORT

We have examined the balance sheet of VIA Rail Canada Inc. as at December 31, 1987 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, we have examined the transactions that came to our notice in the course of the above-mentioned examination of the financial statements of VIA Rail Canada Inc. for the year ended December 31, 1987, to determine whether they were in accordance with Part XII of the Financial Administration Act, the regulations, the charter and by-laws of the Corporation and any directives given to the Corporation pursuant to the Act. Our examination of these transactions was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In our opinion, these transactions were, in all significant respects, in compliance with the authorities specified.

Raymond, Chabot, Martin, Paré
Chartered Accountants

Montréal, Canada
January 28, 1988

BALANCE SHEET AS AT DECEMBER 31
(in thousands of dollars)

	1987	1986
Current assets		
Accounts receivable	9,408	8,435
Advance on contracts (Note 2)	4,538	5,024
Receivable from the Government of Canada	180,422	213,467
Materials and supplies	23,939	17,918
	218,307	244,844
Long-term assets		
Investment (Note 3)	2,001	2,001
Properties (Note 4)	733,613	717,058
	735,614	719,059
	953,921	963,903

	1987	1986
Current liabilities		
Bank advances	54	3,786
Accounts payable and accrued liabilities	162,601	201,573
Provincial income taxes payable	2,066	1,088
Deferred revenue	4,300	6,314
	169,021	212,761
Long-term liabilities		
Deferred investment tax credits	16,248	7,882
	16,248	7,882
SHAREHOLDER'S EQUITY		
Share capital (Note 5)	9,300	9,300
Contributed surplus	764,158	744,787
Deficit	(4,806)	(10,827)
	768,652	743,260
	953,921	963,903

See accompanying notes to financial statements.

Signed on behalf of the Board:

GARY T. BRAZZELL
Director and Chairman of the Audit Committee

LAWRENCE HANIGAN
Director and Chairman of the Board

VIA RAIL CANADA INC.—*Continued*

STATEMENT OF INCOME AND DEFICIT
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1987	1986
Revenue		
Passenger	195,248	204,055
Contract (Note 1a)	452,300	461,880
Asset replacement funding (Note 1a)	64,767	
Other	2,354	4,640
	714,669	670,575
Expenses		
Operations and maintenance	403,167	379,456
Customer and support services	184,548	191,062
General and administrative	54,698	59,177
Depreciation and amortization	53,713	58,935
	696,126	688,630
Income (loss) before income taxes	18,543	(18,055)
Income taxes (recovery) (Note 6)	12,522	(5,323)
Net income (loss)	6,021	(12,732)
Retained earnings (deficit)		
Balance at beginning of year	(10,827)	1,905
Balance at end of year	(4,806)	(10,827)

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1987	1986
Cash provided by (used in) operating activities		
Net income (loss)	6,021	(12,732)
Non-cash charges to income		
Depreciation and amortization	57,502	59,223
Losses on write-off and retirement	7,265	2,777
Amortization of investment tax credits	(3,789)	(288)
	66,999	48,980
Changes in working capital items		
Accounts receivable	(973)	2,294
Receivable from the Government of Canada	43,455	(59,637)
Materials and supplies	(6,021)	(7,832)
Accounts payable and accrued liabilities	(3,840)	19,806
Provincial income taxes payable	978	(639)
Deferred revenue	(2,014)	947
	31,585	(45,061)
Cash flow from operations	98,584	3,919
Cash provided by (used in) financing activities		
Capital funding from the Government of Canada	19,371	44,200
Receivable from the Government of Canada	(10,410)	19,341
Deferred investment tax credits	12,155	(4,684)
	21,116	58,857
Cash provided by (used in) investment activities		
Investment		(2,001)
Properties	(81,322)	(92,577)
Changes in working capital items		
Advance on contracts	486	(207)
Accounts payable and accrued liabilities	(35,132)	24,327
	(115,968)	(70,458)
Increase (decrease) in cash during the year	3,732	(7,682)
Cash (bank advances)		
Balance at beginning of year	(3,786)	3,896
Balance at end of year	(54)	(3,786)

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1987

1. Accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles. The significant policies are summarized as follows:

(a) Government funding:

The Corporation receives funds from the Government of Canada in the form of contract revenues and as financing for its capital expenditures.

Contract revenues pertain to services, activities and other undertakings provided by the Corporation for the management and operation of railway passenger services in Canada.

The funding for capital expenditures is provided under the Financial Administration Act in accordance with terms and conditions approved by Treasury Board.

These funds are accounted for as follows:

(i) Contract revenues are recorded in the Statement of Income on a realized and estimated basis with any changes in estimates being accounted for in the year of change.

(ii) The portion of funding for capital expenditures which relates to the replacement of capital properties is included in the Statement of Income and the balance of these funds is recorded as contributed surplus.

Prior to 1987, funding for replacement of capital properties was provided as a form of contract revenue and accounted for under this caption in the Statement of Income. Apart from this distinction as to form, the basis of accounting for government funding applied in 1987 does not give rise to any differences in the result or financial position of the Corporation as compared to prior years.

(b) Charges under railway operating agreements:

The Corporation has operating agreements with Canadian National Railway Company and Canadian Pacific Limited for the use of tracks, facilities, train personnel, rolling stock servicing and refurbishing.

Charges under the operating agreements are recorded on an incurred and estimated basis. The charges are subject to adjustment by the Canadian Transport Commission following a review of the actual costs incurred each year by the parties concerned. Adjustments arising from this review are included in the Statement of Income in the year in which the resolution occurs.

Costs incurred under the railway operating agreements amounted to $189,384,000 (1986: $235,986,000).

VIA RAIL CANADA INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1987—*Continued*

(c) Materials and supplies:

The inventory is valued at weighted average cost for on-board stock, latest invoice price for fuel and new materials in stores, and at estimated utility or sales value for usable second-hand, obsolete and scrap materials.

(d) Properties:

Properties, including those acquired under capital leases, are recorded at cost. The costs of refurbishing and rebuilding of rolling stock for the first time are capitalized. These costs are incurred to improve and extend the useful life of the assets concerned. The costs of refurbishing and rebuilding of rolling stock, for a second time, except for major renewals, are charged to operations.

(e) Depreciation and amortization:

Depreciation and amortization is calculated on a straight-line basis at rates sufficient to write off the cost of properties over their estimated useful lives. The estimated useful lives for significant classes of assets are as follows:

Rolling stock	8 to 30 years
Stations and facilities	20 years
Maintenance buildings	25 years
Machinery and equipment	5 to 15 years
Office furniture and equipment	3 to 20 years
Leasehold and infrastructure improvements	10 to 38 years
Other capital properties	3 to 10 years

No depreciation or amortization is provided for projects in progress.

(f) Leases:

Assets recorded under capital leases are amortized on a straight-line basis over the terms of the leases.

All other leases are accounted for as operating leases and the rental costs are accounted for as incurred.

(g) Deferred investment tax credits:

In accordance with the cost reduction approach, investment tax credits are deferred and amortized to income over the estimated useful lives of the related assets.

(h) Pensions:

The cost of providing pension benefits is determined by actuarial valuations, which allocate to each year of service the applicable portion of total estimated benefits, based on projections of employees' compensation levels to the time of their retirement.

Pension expense includes both the cost of benefits attributable to services rendered during the current year and the amortization of unfunded liabilities pertaining to accumulated past service benefits. This amortization is calculated over expected average remaining service lives of the Corporation's active employee groups.

The foregoing policy complies with new recommendations of the Canadian Institute of Chartered Accountants, applicable prospectively from January 1, 1987. In 1986 and prior years, the cost of providing pension benefits was considered to be equivalent to their funding determined with regard for rates recommended by the Actuary and approved by the Superintendent of Insurance. The change in basis of accounting has not had any material effect on the result of the year or the financial position of the Corporation as at December 31, 1987.

2. Advance on contracts

Advance on contracts represent payments made for the purchase of maintenance materials.

3. Investment

The Corporation owns common shares in Railroad Association Insurance, Ltd. (R.A.I.L.) representing a 4% interest therein. The investment is accounted for on the cost basis.

4. Properties

	1987	1986
	(in thousands of dollars)	
Land	2,805	2,806
Rolling stock	542,332	517,851
Stations and facilities	12,583	12,526
Maintenance buildings	164,512	90,029
Machinery and equipment	12,185	6,818
Office furniture and equipment	23,092	21,417
Leasehold and infrastructure improvements	138,263	123,420
Other capital properties	50,223	46,136
	945,995	821,003
Accumulated depreciation and amortization	(253,424)	(205,664)
	692,571	615,339
Projects in progress	41,042	101,719
	733,613	717,058

At December 31, 1987 the gross value of assets under capital leases included above was $7,239,000 (1986: $7,235,000) and related accumulated amortization thereon amounted to $1,194,000 (1986: $271,000).

5. Share capital

	1987	1986
	(in thousands of dollars)	
Authorized		
An unlimited number of common shares of no par value		
Issued and fully paid		
93,000 common shares	9,300	9,300

6. Income taxes

The effective tax rate in the Statement of Income varies from the combined Federal and Provincial tax rate mainly as a result of differences between capital cost allowances and depreciation and amortization expense. No benefits have been recognized in respect of these differences because of uncertainty as to their realization in future accounting periods.

7. Lease obligations and commitments

(a) The future minimum rental payments relating to operating leases are as follows:

	(in thousands of dollars)
1988	13,874
1989	12,367
1990	12,151
1991	12,715
1992	12,881
Subsequent years	250,143
	314,131

VIA RAIL CANADA INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1987—*Concluded*

A significant portion of the leases are for real estate or rental of computer equipment and services.

(b) No obligations under capital leases exist as lease payments applicable to the initial terms have been paid in lump sums at the inception of the leases.

(c) As at December 31, 1987 the Corporation has outstanding commitments mainly relating to the acquisition and upgrading of property and equipment amounting to approximately $77,253,000.

8. Pension plans

(a) The Corporation has retirement benefit plans covering all of its permanent employees, including those transferred from Canadian National Railway Company during the year (Note 9). Under the plans, employees are entitled to benefits at retirement age, based on compensation and length of service.

Actuarial valuations of the pension plans were carried out as at December 31, 1986, to enable application of the basis of accounting described in Note 1(h). Based on these valuations and actuarial projections made for 1987, the accumulated plan benefits as at December 31, 1987, excluding any such benefits pertaining to the foregoing employees transferred to the Corporation during the current year, were $339,000,000. The net assets available to provide for these benefits at market related values as at that date amounted to $336,000,000.

(b) It was agreed that the employees transferred from Canadian National Railway Company during the year would be fully protected to the extent of their benefits accrued under the pension plan of their former employer. Negotiations are pending concerning the amount of funds to be transferred to cover accumulated benefits up to the dates of transfer.

9. Related party transactions

VIA Rail Canada Inc. is a Crown Corporation with all of its issued shares owned by the Government of Canada.

In the normal course of business, the Corporation contracts with other Crown Corporations for services which in 1987 amounted to $155,492,000 (1986—$198,927,000). Accounts payable and accrued liabilities as at December 31, 1987 included $15,572,000 (1986—$46,102,000) pertaining to these services.

During the past three years, a substantial portion of rolling stock operation and maintenance, train crewing and station activities, previously conducted under the operating agreement with Canadian National Railway Company referred to in Note 1(b), have been progressively transferred under the Corporation's direct control. Pursuant to these arrangements certain inventories and properties were acquired during the year for a total consideration of $376,000 (1986—$4,961,000). The Corporation also acquired the services of approximately 1,000 (1986—282) former employees of Canadian National Railway Company and entered into certain operating leases for the rental of real estate on which maintenance buildings and facilities are located.

PART II

CROWN CORPORATIONS AND OTHER CORPORATE INTERESTS OF CANADA

1. INTRODUCTION TO PART II

This Part responds to the provision in the *Financial Administration Act*, paragraph 151(3)(a) that the Report of the President "shall include a list naming, as of a specified date, all Crown corporations and all corporations of which any shares are held by, on behalf of or in trust for the Crown or any Crown corporation."

The information represents the status of Crown corporations and other corporate interests of Canada as at July 31, 1988, unless otherwise noted.

The individual lists are:

Parent Crown Corporations and their subsidiaries and associates. These are grouped as:

— **subsidiaries held at 100%**, if wholly-owned,

— **subsidiaries held at 50-99%**, if 50% or more of the equity is held by a Crown corporation; or,

— **Associates held at less than 50%** if less than 50% is held. (Generally, subsidiaries of subsidiaries are listed only to a second ownership level below the 100% owned category);

Joint Enterprises are corporate entities in which Canada, through a Minister, owns shares, the rest being owned by another level of government, e.g., provincial or municipal;

Mixed Enterprises are corporate entities in which Canada, through a Minister, owns shares, the rest being owned by private sector parties;

Other Entities are corporate entities in which Canada holds no shares but, directly or through a Crown corporation, has a right pursuant to statute, articles of incorporation, letters patent or by-law, to appoint or nominate one or more members of the board of directors or similar governing body.

International Organizations are corporate entities created pursuant to international agreements by which Canada has a right to appoint or elect members to a governing body.

A statistical summary of the number of entities in each of the lists is presented on the next page.

The reader should note that the descriptions of corporate mandates appearing in this Part are intended to convey the essence of those mandates. They are not legal descriptions. Similarly, the description of the government's objective in making investments in these corporations is meant only as a summarization. For further information, the reader is referred to the special Acts, articles of incorporation, or annual reports of the corporations. The federal ownership percentage data displayed are based on the number of voting shares.

2. STATISTICAL SUMMARY

As at July 31, 1988

Crown Corporations

• Parent Crown corporations including eight corporations which are exempted from Part X of the FAA	52*
• Wholly-owned subsidiaries	125
TOTAL	177

Crown Corporations' Investments (direct and indirect)

• Subsidiaries held at 50% or more but less than 100%	33
• Associates held at less than 50%	141
TOTAL	174

Joint and Mixed Enterprises

TOTAL	24**

Other Entities

— Entities without share capital	44

International Organizations

— Entities created pursuant to international agreement	13

* Includes:

— in process of dissolution

Canadian National (West Indies) Steamships Ltd.

Excludes:

Teleglobe Canada — assets sold April 3, 1987

** Includes:

— 13 corporations in which the Superintendent of Bankruptcy has received shares in lieu of a cash levy.

3. THE LISTINGS

3.1. PARENT CROWN CORPORATIONS, WHOLLY-OWNED SUBSIDIARIES, OTHER SUBSIDIARIES AND ASSOCIATES

Notes:

1. For corporations scheduled in the *Financial Administration Act* (FAA), the relevant schedule is shown in parentheses immediately following the corporation's name.

2. Under the FAA, a subsidiary is a Crown corporation if it is wholly-owned directly or indirectly by one or more parent Crown corporations.

---

1. Air Canada (III-II)

    Subsidiaries held at 100%
    - Air BC Limited
    - enRoute Card Inc.
    - enRoute Card International Inc.
        - enRoute Card USA Inc.
        - enRoute Network Inc.
        - enRoute Card Europe B.V.
    - Airtransit Canada
    - Touram Inc.
        - Touram Group Service Inc.
    - Gelco Express Ltd.
        - Gelco Same Day Ltd.
    - 157710 Canada Inc.

    Subsidiaries held at 50-99%
    - Matac Cargo Ltd. (50%)
    - The Gemini Group Automated Distribution Systems Inc. (50%)
    - 152160 Canada Inc. (75%)
        - Air Ontario Inc.
        - Air Alliance Inc.
    - Northwest Territorial Airways Ltd. (90%)
    - Express Messenger Systems Incorporated (65%)
    - Northern Express Messenger Systems Ltd. (65%)

    Associates held at less than 50%
    - Aeronautical Radio, Inc. (nominal)
    - Aerospace Realties (1986) Ltd. (30.3%)
    - Air Cargo Facilities Inc. (nominal)
    - Air Nova Inc. (49%)
    - Airlines Clearing House Inc. (nominal)
    - Airlines Reporting Corporation (nominal)
    - Airline Tariff Publishing Co. (nominal)
    - Global Travel Computer Holdings Ltd. (34.78%)
    - GPA Group Ltd. (22.74%)
        - Air Maple Limited
        - Air Tara Limited
        - Aviation Consultants Limited
        - Avitas Inc. (25%)
        - Elasis B.V.
        - Extra Executive Transport GmbH (49%)
        - GPA Airbus 320 Limited (50%)
        - GPA Corporation

GPA Europe Limited
GPA Finance Limited
GPA Jetprop Inc.
GPA Fokker 100 Limited (50%)
GPA Fokker 100 (NA) N.V. (50%)
GPA Jetprop Limited (50%)
GPA Leasing (NA) N.V.
GPA Midland Limited (51%)
GPA Netherlands B.V.
Guinness Peat Aviation Asia Limited
Guinness Peat Aviation (Belgium) N.V.
Panco Corporation
Transportation Analysis International Limited
Irish Aerospace Limited (50%)
TAI Incorporated
TransTiger Corporation
Innotech Aviation Industries (1986) Ltd. (30.3%)
Innotech Aviation Enterprises Ltd. (66.9%)
International Aeradio (Caribbean) Limited (nominal)
Société internationale de télécommunications aéronautiques (nominal)
Laxfuel Corporation (nominal)
Lax Two Corp. (nominal)

2. Atlantic Pilotage Authority (III-I)

3. Atomic Energy of Canada Limited (III-I)

4. Bank of Canada (Exempted)

5. Canada Council (Exempted)

6. Canada Deposit Insurance Corporation (III-I)

7. Canada Development Investment Corporation (III-II)

Subsidiaries held at 100%
Cartierville Financial Corporation
Eldorado Nuclear Limited
Eldorado NPI Limited
Eldorado Aviation Limited
Eldorado Resources Limited
119371 Canada Limited
Eldor Resources Limited
Key Lake Mining Corp. (16.6%)

Associates held at less than 50%

Varity Corporation (2.7%)

8. Canada Harbour Place Corporation (III-I)

9. Canada Lands Company Limited (III-I)

Subsidiaries held at 100%
Canada Lands Company (Mirabel) Limited
Canada Lands Company (Le Vieux-Port de Montréal) Limited
Canada Lands Company (Vieux-Port de Québec) Inc.

10. Canada Mortgage and Housing Corporation (III-I)

11. Canada Museums Construction Corporation Inc. (III-I)

12. Canada Ports Corporation (III-II)

    Subsidiary held at 50-99%
    - Ridley Terminals Inc. (90%)

13. Canada Post Corporation (III-I)

    Associates held at less than 50%
    - EMS International Ltd. (9%)

14. Canadian Broadcasting Corporation (Exempted)

    Associates held at less than 50%
    - Cable North Microwave Limited (1 share)
    - Master FM Limited (20%)

15. Canadian Commercial Corporation (III-I)

16. Canadian Dairy Commission (III-I)

17. Canadian Film Development Corporation (Exempted)

18. Canadian Institute for International Peace and Security (Exempted)

19. Canadian Livestock Feed Board (III-I)

20. Canadian National Railway Company (III-II)

    Subsidiaries held at 100%
    - Autoport Limited
    - The Canada and Gulf Terminal Railway Company
    - Canadian National Express Company
    - The Canadian National Railways Securities Trust
    - Canadian National Steamship Company, Limited
    - Canadian National Telegraph Company
        - The Great North Western Telegraph Company of Canada (94.54%)
    - Canadian National Transfer Company Limited
    - Canadian National Transportation, Limited
        - Chapman Transport Limited
        - Empire Freightways Limited
        - Royal Transportation Limited
    - Canat Limited
    - CN (France) S.A.
    - CNM Inc.
        - Halifax Industries (Holdings) Limited (33.3%)
        - Lakespan Marine Inc. (50%)
        - Seabase Limited (15%)
    - CN Tower Limited
    - CN Transactions Inc.
        - Canac International Inc.
            - Canac International Ltd.
        - Canaprev Inc. (50%)
        - Canaven Limited
        - CN Exploration Inc.
        - East Yard Development Ltd. (50%)
        - The Toronto Terminals Railway Company (50%)
    - EID Electronic Identification Systems Ltd.
    - Grand Trunk Corporation
        - Central Vermont Railway, Inc.
        - Domestic Four Leasing Corporation

Domestic Two Leasing Corporation
Relco Financial Corp.
Duluth, Winnipeg and Pacific Railway Company
Grand Trunk Land Development Corporation
Grand Trunk Radio Communications, Inc.
Grand Trunk Western Railroad Company
The Belt Railway Company of Chicago (8.33%)
Chicago and Western Indiana Railroad Company (20%)
Domestic Three Leasing Corporation
Trailer Train Company (2.7%)
The Minnesota and Manitoba Railroad Company
The Minnesota and Ontario Bridge Company
Mount Royal Tunnel and Terminal Company, Limited
Northwestel Inc.
Terra Nova Telecommunications Inc.

Subsidiaries held at 50-99%
The Canada Southern Railway Company (50%)
The Canadian Northern Quebec Railway Company (59.7%)
Detroit River Tunnel Company (50%)
The Northern Consolidated Holding Company Limited (71.9%)
The Public Markets, Limited (50%)
The Quebec and Lake St. John Railway Company (89.1%)
Shawinigan Terminal Railway Company (50%)

Associates held at less than 50%
Compagnie de gestion de Matane Inc. (49%)
Computer Sciences Canada, Ltd. (7.87%)
Dome Consortium Investments Inc. (10.52%)
Eurocanadian Shipholdings Limited (18%)
Fort Point Holdings Ltd. (25%)
Halterm Limited (33.33%)
Railroad Association Insurance, Ltd. (7.4%)
Telesat Canada (3.75%)

21. Canadian National (West Indies) Steamships, Ltd. (III-I)*

22. Canadian Patents and Development Limited (III-I)

23. Canadian Saltfish Corporation (III-I)

24. Canadian Wheat Board (Exempted)

25. Cape Breton Development Corporation (III-I)

Subsidiaries held at 100%
Cape Breton Carbofuels Limited
Cape Breton Marine Farming Limited (Inactive)
Darr (Cape Breton) Limited
Dundee Estates Limited

Subsidiaries held at 50-99%
Whale Cove Summer Village Limited (62.5%)

* In process of dissolution

Associates held at less than 50%
Bay Lumber Limited (7%)
Haak Conveyor & Manufacturing Limited (42%)
Newco Mining Limited (10%) (Inactive)
4 M Panga Hotel Co. Limited (45%)

26. Defence Construction (1951) Limited (III-I)

27. Export Development Corporation (III-I)

28. Farm Credit Corporation (III-I)

29. Federal Business Development Bank (III-I)

30. Freshwater Fish Marketing Corporation (III-I)

31. Great Lakes Pilotage Authority, Ltd. (III-I)

32. Halifax Port Corporation (III-II)

33. Harbourfront Corporation (III-I)

Subsidiaries held at 100%
Peter Street Basin Properties Inc.
630370 Ontario Ltd.

Subsidiaries held at 50-99%
Harbourpoint Developments (Harbourfront) Limited
Art Gallery at Harbourfront (membership interest)
School-By-the-Water (membership interest)

34. International Centre for Ocean Development (III-I)

35. International Development Research Centre (Exempted)

36. Laurentian Pilotage Authority (III-I)

37. Marine Atlantic Inc. (III-I)

Subsidiaries held at 100%
Coastal Transport Ltd.
Newfoundland Dockyard Company

38. Mingan Associates Ltd. (III-I) (Inactive)

39. Montreal Port Corporation (III-II)

40. National Arts Centre Corporation (Exempted)

41. National Capital Commission (III-I)

42. Pacific Pilotage Authority (III-I)

43. Petro-Canada (III-II)

Subsidiaries held at 100%
Amauligak Exploration Inc.
Bent Horn Development Inc.
Canertech Inc.*

* In process of dissolution

Petro-Canada Consulting Corporation
Petro-Canada Enterprises Inc.*
Petro-Canada Espanola, S.A.
Petro-Canada International Assistance Corporation (acting parent Crown corporation)
Petro-Canada Inc.
- Arctic Pilot Project Inc.
- Asher American, Inc.
- Blakeney and Son (1979) Ltd.
- BP Marketing Canada Limited
- Canadian Petroleum Studies Inc.
- Fifth Pacific Stations Ltd.
- GMI Co. (Bahamas) Limited
- Independent Fuels & Lumber Ltd.*
- Morrow Fuel Oil Sales Ltd.
- Northwest Terminals Ltd.
- Opal Oils Limited
  - Commodore Oil Limited
- First Pacific Stations Ltd.
- Second Pacific Stations Ltd.
- Third Pacific Stations Ltd.
- Fourth Pacific Stations Ltd.
- Pacific Petroleums Ltd.*
- Pacific Pipelines, Inc.
- Petro-Canada (Argentina) Inc.
- Petro-Canada Hydrocarbons Inc.
- Petro-Canada (Indonesia) Inc.
- Petro-Canada (Malaysia) Inc.
- Petro-Canada (Barito) Inc.
- Petro-Canada Chemicals Inc.
- Petro-Canada Oil & Gas Inc.
- Petro-Canada Petroleum Marketing Inc.
- Petro-Canada (Pakistan) Inc.
- Petro-Canada (South America) Inc.
- Petro-Canada (Thailand) Inc.
- Petro-Canada Petroleum Inc.*
- Petro-Canada Youth Inc.
- Depanneurs Le Frigo Ltée.
- Ducharme et Carbone (1981) Inc.
- Chatelaine Restaurants Limited
- St. Laurent Petroleum Inc.
- Petro-Canada (U.K.) Limited
- Petro-Canada (Vietnam) Inc.
- Petroleum Transmission Company
- Prairie Leaseholds Ltd.
- Rocair Limited
- Servico Limited
- Wayfare Restaurants Limited
- XYCHEM Inc.
- 103912 Canada Inc.
- 106616 Canada Inc.
- 106621 Canada Inc.
- 146923 Canada Ltd.
- 146924 Canada Ltd.
- 158226 Canada Inc.

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* In process of dissolution

Subsidiaries held at 50-99%
- Canstar Oil Sands Ltd. (50%)
- Les Huiles Du Royaume Inc. (50%)
- Marchand Petroleum (Canada) Inc. (50%)
- Panarctic Oils Ltd. (52.73%)
- Petro-Canada Centre Inc. (50%)
  - Petro-Canada Centre Finance Inc.
- Sedpex Inc. (50%)
- 288564 Alberta Ltd. (50%)

Associates held at less than 50%
- Alberta Products Pipeline Ltd. (35%)
- Downhole Systems Technology Canada Inc. (18.3%)
- Fundy Energy Inc. (49%)
- Harvey's Oil Limited (49.9%)
- Internationale de Services Industriels et Scientifique, S.A. (27%)
- Les Huiles Desroches Inc. (45%)
- Les Huiles La Montagne Inc. (49%)
- Les Petroles Sherbrooke Inc. (49%)
- McAsphalte Inc. (49%)
- Marc Dufresne (1978) Inc. (49.99%)
- Montreal Pipeline Limited (20%)
- Northward Development Ltd. (17%)
- Peace Pipeline Ltd. (10.89%)
- Perry Fuels Inc. (49%)
- Petrogas Processing Ltd. (11.4%)
- Petrole Sud-Ouest Inc. (49.9%)
- Petroles de la Maurice (Canada) Inc. (49.99%)
- Petroles M. Miron Inc. (49.9%)
- Petroles St. Jean Sur Richelieu Inc. (49%)
- Redwater Water Disposal Co. Ltd. (21%)
- Roma Fuels Limited (49%)
- Sulconam Inc. (7.6%)
- Superline Fuels Ltd. (49.99%)
- Sydco Fuels Inc. (49.99%)
- Syncrude Canada Ltd. (17%)
- Thermo Page Inc. (49%)
- Touchcom Inc. (45%)
- Town & Country Fuels (1980) Inc. (49%)
- TransNorthern Pipeline Ltd. (33.3%)
- Westcoast Energy Inc. (34%)
  - Westcoast Transmission Company (Alberta) Ltd.
  - Westcoast Transmission Holdings Ltd.
  - Vancal Properties Ltd.
  - W.T. Investments Inc.
  - Westcoast Diversified Industries Ltd.
  - Westcoast Transmission Company, Inc.
  - Westcoast Energy Marketing Ltd.
  - Westcoast Petroleum Ltd.
    - Westcoast Resources Inc.
    - Dover Petroleum Inc.
    - Texas Pacific Oil Canada Ltd.
    - Canadian Roxy Petroleum Ltd. (77.8%)
  - Island & Coastal Natural Gas Co. Ltd.
  - Inter B.C. Gas Transmission Ltd.
  - Saratoga Processing Company Limited (25%)
  - Pacific Northern Gas Ltd. (44%)
    - PNG Marketing Ltd.
  - Foothills Pipe Lines Ltd. (30%)

Foothills Pipe Lines (North B.C.) Ltd. (49%)
Foothills Pipe Lines (Yukon) Ltd. (50%)
Foothills Pipe Lines (North B.C.) Ltd. (51%)
Foothills Pipe Lines (South Yukon) Ltd.
Foothills Pipe Lines (North Yukon) Ltd.
Foothills Pipe Lines (South B.C.) Ltd. (51%)
Foothills Pipe Lines (Alta.) Ltd. (51%)
Foothills Pipe Lines (Sask.) Ltd. (51%)
Foothills Engineering Ltd.
113989 Canada Limited (49.9%)
128963 Canada Inc. (49%)
139741 Canada Ltée. (49%)

Subsidiaries held at less than 5% (other interests)
Carnduff Gas Limited
Cheyenne Petroleum Corp. (NPL)
Cynthia Gas Gathering Company Limited
House of Brougham Limited
Kanata Hotels International Inc.
Manhattan Continental Dev. Corp.
Northwood Pulp and Timber Limited
Oil Spill Response Limited
Pacific Energy Resources Ltd.
Pacific Northern Gas Ltd.
Polar Gas Engineering Services Ltd.
Riley's Data Share International Ltd.
Rimbey Pipe Line Co. Ltd.
Sultran Ltd.
Toronto Credits Limited
Trans Canada Resources Ltd.
Wardean Drilling Co. Limited
204383 Enterprises Inc.
346877 Ontario Ltd.

44. Port of Quebec Corporation (III-II)

45. Prince Rupert Port Corporation (III-II)

46. Royal Canadian Mint (III-II)

47. Saint John Port Corporation (III-II)

48. St. John's Port Corporation (III-II)

49. The St. Lawrence Seaway Authority (III-I)

Subsidiaries held at 100%
The Jacques Cartier and Champlain Bridges Incorporated
The Seaway International Bridge Corporation, Ltd.

50. Standards Council of Canada (III-I)

51. Vancouver Port Corporation (III-II)

52. VIA Rail Canada Inc. (III-I)

Associates held at less than 50%
Railroad Association Insurance, Ltd. (4%)

3.2 JOINT AND MIXED ENTERPRISES

These are enterprises with share capital which is owned partly by Canada, the rest being owned by other governments and/or other organizations to further common objectives. (Note: Subsidiaries and associates are not listed.)

1. Canarctic Shipping Company Limited
2. Cooperative Energy Corporation
3. Lower Churchill Development Corporation Limited
4. Mohawk St. Régis Lacrosse Ltd. (inactive)
5. National Sea Products Ltd.
6. Newfoundland and Labrador Development Corporation Limited
7. North Portage Development Corporation
8. NPM Nuclear Project Managers Canada Inc.
9. Société Inter-Port de Québec
10. Telesat Canada
11. 125459 Canada Ltd.

Under terms of the *Bankruptcy Act*, the Superintendent of Bankruptcy has received shares in the following corporations:

12. Blake Resources
13. Braeswood Explorations Limited
14. Captain Scotts Fish & Chips (1978) Ltd.
15. Equity Capital Investments Ltd.
16. Geoform Deisgns Inc.
17. Haveiock Energy & Resources Inc.
18. House of Brougham Ltd.
19. International Hydrodynamics Co. Ltd.
20. Mission River Petroleum Ltd.
21. Mount Nansen Mines Ltd.
22. Prestige Poultry Products Ltd.
23. Romfield Building Corporation Ltd.
24. Totran Services Ltd.

3.3 OTHER ENTITIES

These are corporate entities without share capital for which the Government of Canada has a right to appoint members to the boards of directors or similar governing bodies.

(Harbour Commissions are grouped at the foot of this list)

1. Agricultural Products Board
2. Asia-Pacific Foundation of Canada
3. The Army Benevolent Fund
4. Association for the Export of Canadian Books
5. The Blue Water Bridge Authority
6. Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children
7. Buffalo and Fort Erie Public Bridge Authority
8. Calgary Olympic Development Association
9. Canadian Fitness and Lifestyle Research Institute Inc.
10. Canadian Livestock Records Corporation
11. Canada Grains Council
12. Canadian International Grains Institute
13. Coaching Association of Canada
14. Forest Engineering Research Institute of Canada
15. FORINTEK Canada Corp.
16. Hockey Canada Inc.
17. International Fisheries Commission Pension Society
18. Last Post Fund
19. Maritime Forestry Complex Corp.
20. Medical Council of Canada
21. The Nature Trust of British Columbia
22. National Sport and Recreation Centre, Inc.
23. Northern Native Fishing Corporation
24. NWT Co-operative Business Development Fund
25. Oo-Za-We-Kwun Centre Inc. (inactive)
26. PARTICIPaction
27. POS Pilot Plant Corporation

28. Pulp and Paper Research Institute of Canada

29. Roosevelt Campobello International Park Commission

30. Saint John Harbour Bridge Authority

31. Terry Fox Humanitarian Award Inc.

32. Trustees of the Olympic Endowment Fund

33. The Vanier Institute of the Family

34. Western Grains Research Foundation

35. XV Winter Games Organizing Committee (OCO'88)

Harbour Commissions

36. Fraser River Harbour Commission

37. The Hamilton Harbour Commissioners

38. Thunder Bay Harbour Commission

39. Nanaimo Harbour Commission

40. North Fraser Harbour Commission

41. Oshawa Harbour Commission

42. Port Alberni Harbour Commission

43. The Toronto Harbour Commissioners

44. Windsor Harbour Commission

3.4 INTERNATIONAL ORGANIZATIONS

Corporate entities created pursuant to international agreements where Canada has a right to appoint or elect members to a governing body.

1. African Development Bank

2. African Development Fund

3. Asian Development Bank

4. Caribbean Development Bank

5. Commonwealth War Graves Commission

6. Inter American Development Bank

7. International Bank for Reconstruction and Development

8. International Boundary Commission

9. International Development Association

10. International Finance Corporation

11. International Fund for Agricultural Development

12. International Joint Commission

13. International Monetary Fund

APPENDIX 'A'

Additions/Deletions to Part II Listings
July 31, 1987 — July 31, 1988

Name	Change	Notes
106618 Canada Inc.	Deleted	Petro-Canada
106619 Canada Inc.	Deleted	Petro-Canada
106620 Canada Inc.	Deleted	Petro-Canada
153333 Canada Inc.	Deleted	Air Canada
157710 Canada Inc.	Added	Air Canada
158226 Canada Inc.	Added	Petro-Canada
Air Alliance Inc.	Added	Air Canada
Aircraft Finance Limited, Ireland	Deleted	Air Canada
Aircraft Finance Limited, United Kingdom	Deleted	Air Canada
Aviation Finance Limited	Deleted	Air Canada
Braeswood Explorations Limited	Added	Superintendent of Bankruptcy
CN Hotels Inc.	Deleted	Canadian National Railway Company
Campbell Resources Inc.	Deleted	Petro-Canada
Canac Consultants Limited	Deleted	Canadian National Railway Company
Canac International Inc.	Added	Canadian National Railway Company
Canac International Ltd.	Added	Canadian National Railway Company
Canada Development Corporation	Deleted	Sold
Canadian Livestock Records Corporation	Added	Newly created
Canadian National Hotels (Moncton) Ltd.	Deleted	Canadian National Railway Company
Canadian Petroleum Studies Inc.	Added	Petro-Canada
Canagrex	Deleted	Dissolved
Cape Breton Marine Farming Limited	Added	Cape Breton Development Corporation
Downhole Systems Technology Canada Inc.	Added	Petro-Canada
Dreco Energy Services	Deleted	Superintendent of Bankruptcy
enRoute Card Europe B.V.	Added	Air Canada
enRoute Card USA Inc.	Added	Air Canada
enRoute Network Inc.	Added	Air Canada
EMS International Ltd.	Added	Canada Post Corporation
European Expedite Limited, Ireland	Deleted	Air Canada
European Expedite Limited, United Kingdom	Deleted	Air Canada
Express Messenger Systems Incorporated	Added	Air Canada
Foothills Oil Pipe Line Ltd.	Deleted	Petro-Canada
Fundy Energy Inc.	Added	Petro-Canada
GPA Financial Services Limited	Deleted	Air Canada
GPA Holdings Limited	Deleted	Air Canada
GPA Insurance Brokers Limited	Deleted	Air Canada
GPA Jetprop Limited	Deleted	Air Canada
Gelco Express Ltd.	Added	Air Canada
Gelco Same Day Ltd.	Added	Air Canada
Guinness Peat Aerospace Limited, United Kingdom	Deleted	Air Canada
Guinness Peat Aerospace Limited, Ireland	Deleted	Air Canada
Guinness Peat Western Limited	Deleted	Air Canada
Havelock Energy & Resources Inc.	Added	Superintendent of Bankruptcy
Innotech Aviation Inc.	Deleted	Air Canada
International Standard Resources Ltd.	Deleted	Petro-Canada
Keyanaw Oils Sands Ltd.	Deleted	Petro-Canada
Les Huiles La Montagne Inc.	Added	Petro-Canada
Mascot Gold Mines Ltd.	Deleted	Petro-Canada
Mission River Petroleum Ltd.	Added	Superintendent of Bankruptcy
N.S. Holdco Ltd.	Deleted	Sold
NWT Co-operative Business Development Fund	Added	Created 1986—Omitted from previous listing
New Nadina Explorations Ltd.	Deleted	Petro-Canada

Name	Change	Notes
Northern Canada Power Commission	Deleted	Sold
Northern Express Messenger Systems Ltd.	Added	Air Canada
Northwest Territorial Airways Ltd.	Added	Air Canada
Petro-Canada (Argentina) Inc.	Added	Petro-Canada
Petro-Canada Drilling Inc.	Deleted	Petro-Canada
Petro-Canada (Indonesia) Inc.	Added	Petro-Canada
Petro-Canada (Malaysia) Inc.	Added	Petro-Canada
Petro-Canada (Pakistan) Inc.	Added	Petro-Canada
Petro-Canada (South America) Inc.	Added	Petro-Canada
Petro-Canada (Thailand) Inc.	Added	Petro-Canada
Petro-Canada (Vietnam) Inc.	Added	Petro-Canada
Petrole Sud-Ouest Inc.	Added	Petro-Canada
Petron Petroleum Ltd.	Deleted	Petro-Canada
Pulp and Paper Research Institute of Canada	Added	Created 1950—Omitted from previous listing
Relco Financial Corp.	Added	Canadian National Railway Company
Sun Mountain Development Limited (Cape Breton Ski Club)	Deleted	Canadian National Railway Company
Superline Fuels Ltd.	Added	Petro-Canada
Sydco Fuels Inc.	Added	Petro-Canada
The Gemini Group Automated Distribution Systems Inc.	Added	Air Canada
Touchcom Inc.	Added	Petro-Canada
Trans Canada Resources Ltd.	Added	Petro-Canada
TransNorthern Pipeline Ltd.	Added	Petro-Canada
Trans-Northern Pipelines Inc.	Deleted	Petro-Canada
Viscom International (USA) Limited	Deleted	Canadian Broadcasting Corporation
Visnews Limited	Deleted	Canadian Broadcasting Corporation
Wapisoo Oil Sands Ltd.	Deleted	Petro-Canada
Westcoast Energy Inc.	Added	Petro-Canada
Westcoast Energy Ltd.	Deleted	Petro-Canada
Westcoast Energy Marketing Ltd.	Added	Petro-Canada
Westcoast Transmission Company Ltd.	Deleted	Petro-Canada
Wilanour Resources Ltd.	Deleted	Superintendent of Bankruptcy

4. CORPORATE INFORMATION

4.1 JOINT (J) AND MIXED (M) ENTERPRISES—CORPORATIONS WITH SHARE CAPITAL WHICH IS OWNED PARTLY BY CANADA THROUGH A MINISTER, THE REST BEING OWNED BY ANOTHER LEVEL OF GOVERNMENT AND/OR OTHER ORGANIZATIONS

Name of Corporation	Type	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End/ Total Assets (A)/ Liabilities (L)	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage*
Canarctic Shipping Company Limited	M	Suite 809 350 Sparks Street Ottawa, Ontario K1R 7S8	Transport	1975, Canada Corporations Act	December 31/87 A = $30.5M L = $36.2M	Coopers & Lybrand	To acquire, sell, lease, charter and otherwise deal in and with ships of every description, and to do all other things necessary or incidental thereto.	51%
Cooperative Energy Corporation	M	2000, 530-8 Avenue S.W. Calgary, Alta. T2P 3S8	Energy, Mines and Resources	1982, Cooperative Energy Act	December 31/87 A = $199.9M L = $89.8M	Touche, Ross & Co.	To operate an energy corporation whose primary activity is to explore and develop new Canadian oil and gas resources./To bring together a number of co-operative financial, agricultural, service and marketing institutions to participate in the Canadian oil and gas industry.	25%
Lower Churchill Development Corporation Limited	J	P.O. Box 9800 St. John's, Nfld. A1A 3W3	Energy, Mines and Resources	1978, Newfoundland Companies Act	December 31/87 A = $30.2M L = $81,000	Clarkson Gordon & Co.	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.	49%
Mohawk St. Régis Lacrosse Ltd.	M	c/o Honeywell, Wotherspoon 500-90 Sparks St. Ottawa, Ontario K1P 5B4	Indian Affairs and Northern Development	1975, Business Corporations Act of Ontario	August 31/83 (inactive)	N/A	To acquire assets of an insolvent lacrosse stick manufacturing company located on St. Régis Reserve, Cornwall Island.	(inactive)
National Sea Products Ltd.	M	1959 Upper Water Street Halifax, N.S. B3J 3B7	Minister of State Privatization and Regulatory Affairs	1953, Nova Scotia Companies Act	December 26/87 A = $301.7M L = $192.0M	Clarkson, Gordon & Co.	The processing and marketing of fish, seafoods and fish by-products./ Restructuring the Atlantic fisheries.	19.6%
Newfoundland and Labrador Development Corporation Limited	J	136 Crosbie Road Viking Building St. John's, Nfld. A1B 3K3	Atlantic Canada Opportunities Agency	1973, Newfoundland Companies Act	March 31/88 A = $37.7M L = $37.7M	Clarkson, Gordon & Co.	To assist small- and medium-sized businesses in Newfoundland and Labrador through loan and equity financing, management advisory services, and other related services.	40%
North Portage Development Corporation	J	433 Portage Avenue Winnipeg, Man. R3B 2E1	Indian Affairs and Northern Development and Western Economic Diversification	1983, Manitoba Corporations Act	March 31/88 A = $86.8M L = $7.9M	Coopers & Lybrand	To foster the social and economic development of the North Portage area in the core area of Winnipeg./Under the Special Recovery Capital Projects, stimulating economic recovery in Canada and Manitoba.	33.3%

* Federal Ownership Percentage calculation is based on number of votes.

Name of Corporation	Type	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End/ Total Assets (A)/ Liabilities (L)	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
NPM Nuclear Project Managers Canada Inc.	M	620 Dorchester Blvd. West Montreal, Quebec H3B 1N8	Energy, Mines and Resources	1982, Canada Business Corporations Act	March 31/87 (inactive)	N/A	Nuclear Project and Construction Management./To transfer this activity to the private sector.	13.34%
Société Inter-Port de Québec	J	Suite 802 1126, chemin St-Louis Place Sillery Sillery, Quebec G1S 1E5	Regional Industrial Expansion	1974, Special Act of the Government of Quebec	March 31/88 A = $3.2M L = $60,000	Poissant Richard, Thorne Riddell & Co.	To develop and implement plans and programs for an industrial complex, using the infrastructure of the Quebec harbour, and contributing to the development of that same infrastructure.	40%
Telesat Canada	M	333 River Road Vanier, Ontario K1L 8B9	Communications	1969, Telesat Canada Act	December 31/87 A = $469.3M L = $293.1M	Peat, Marwick, Mitchell & Co.	To establish multi-purpose satellite telecommunication systems.	50%*
125459 Canada Ltd.	M	c/o Cox, Downie Goodfellow Suite 1100 1959 Upper Water Street Halifax, N.S. B3J 3E5	Minister of State Privatization and Regulatory Affairs	1983, Canada Business Corporations Act	December 31/87 A = $38.8M L = $348,000	Thorne, Ernst & Whinney	Jointly owned by Canada, Newfoundland and the Bank of Nova Scotia./Restructuring the Atlantic fisheries.	62.6%

* Excludes 3.75% held by CN.

Notes

Under terms of the *Bankruptcy Act*, the Superintendent of Bankruptcy has received shares in the following corporations in lieu of a cash levy payable to the Crown:

Blake Resources
Braeswood Explorations Limited
Captain Scotts Fish & Chips (1978) Ltd.
Equity Capital Investments Ltd
Geoform Designs Inc.
Havelock Energy & Resources Inc.
House of Brougham Ltd.
International Hydrodynamics Co. Ltd.
Mission River Petroleum Ltd.
Mount Nansen Mines Ltd.
Prestige Poultry Products Ltd.
Romfield Building Corporation Ltd.
Totran Services Ltd.

4.2 OTHER ENTITIES— CORPORATE ENTITIES WITHOUT SHARE CAPITAL FOR WHICH THE GOVERNMENT OF CANADA HAS A RIGHT TO APPOINT SOME MEMBERS TO THE BOARDS OF DIRECTORS

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
Agricultural Products Board	Room 3115 Sir John Carling Bldg. Ottawa, Ontario K1A 0C5	Agriculture	1951, Agricultural Products Board Act	March 31	Auditor General of Canada	To buy, sell or import agricultural products. It may purchase and hold commodities for later sale, emergency relief in Canada or assistance programs abroad.	N/A
Asia-Pacific Foundation of Canada	Room 666 999 Canada Place Vancouver, B.C. V6C 3E1	External Affairs	1984, Asia-Pacific Foundation of Canada Act	June 30	Coopers and Lybrand	To develop closer ties between the peoples and institutions of Canada and the peoples and institutions of the Asia-Pacific region.	N/A
Army Benevolent Fund	Veterans Affairs Bldg. 284 Wellington Street Ottawa, Ontario K1A 0P4	Veterans Affairs	1947, Army Benevolent Fund Act	March 31	Auditor General of Canada	To provide grants and other financial assistance to Second World War veterans, or their dependants./Profits from services operated for the benefit of the Canadian Army during the Second World War were allocated to the Army Benevolent Fund for disbursement.	N/A
Association for the Export of Canadian Books	Suite 1101 1 Nicholas St. Ottawa, Ontario K1N 7B7	Communications	1972, Canada Corporations Act	March 31	Robert B. Shortly	To assist in expanding the export of Canadian published books.	N/A
The Blue Water Bridge Authority	Bridge Street Point Edward, Ontario N7T 7H7	Transport	1964, Blue Water Bridge Authority Act	August 31	William J. Hipple	To hold, operate, maintain and repair the Canadian portion of the Blue Water Bridge which links Point Edward, Ontario and Port Huron, Michigan, USA, across the St. Clair River.	N/A
Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children	Queen Elizabeth II Canadian Research Fund Jeanne Mance Bldg. Tunney's Pasture Ottawa, Ontario K1A 0W9	Health and Welfare[1]	1959, Queen Elizabeth II Canadian Research Fund Act	March 31	Auditor General of Canada	The furthering of research into the diseases of children and the prevention and cure of such diseases.	N/A
Buffalo and Fort Erie Public Bridge Authority	The Peace Bridge Peace Bridge Plaza, Buffalo, N.Y. 14213 U.S.A.	Finance	1934, Buffalo and Fort Erie Public Bridges Company Act	December 31	Arthur Young & Co.	To construct, maintain and operate a bridge across the Niagara River between Buffalo, New York and Fort Erie, Ontario.	N/A
Calgary Olympic Development Association	Canada Olympic Park Sub P.O. 55 Calgary, Alta. T3B 0H0	Health and Welfare[2]	1979, Societies Act of Alberta	March 31	Vennard, Johannesen and Co.	To foster the development of Canadian athletics; to administer the Olympic Endowment Funds; and to operate and maintain the Canada Olympic Park.	N/A

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
Canada Grains Council	Suite 760 360 Main Street Winnipeg, Man. R3C 3Z3	Minister of State (Grains and Oilseeds)	1969, Canada Corporations Act	March 31	Thorne, Ernst & Whinney	To provide a forum in which Council members representing all facets of the grain industry could discuss mutual problems, study particular issues and provide advice to the government.	N/A
Canadian Fitness and Lifestyle Research Institute Inc.	Suite 200 47 Clarence Street Ottawa, Ontario K1N 9K1	National Health and Welfare	1980, Canada Corporations Act	March 31	Deloitte, Haskins and Sells	To collect, interpret and disseminate information pertaining to the fitness levels of Canadians.	N/A
Canadian Livestock Records Corporation	2417 Holly Lane Ottawa, Ontario K1V 0M7	Agriculture	1988, Animal Pedigree Act	December 31	Clarkson, Gordon & Co.	To perform services for and on behalf of members of the 47 Breed Associations./ To ensure the maintenance of the General Stud and Herd Books.	N/A
Canadian International Grains Institute	1000-303 Main St. Winnipeg, Man. R3C 3G7	Minister of State (Grains and Oilseeds)	1972, Canada Corporations Act	March 31	Deloitte, Haskins & Sells	To offer courses in grain technology and handling to influential foreign participants in the field to develop existing and potential markets abroad for Canadian grains and oilseeds./ Promotional tool for the export of Canadian grain, oilseeds and products.	N/A
Coaching Association of Canada	B-10 333 River Road Vanier, Ontario K1L 8H9	Health and Welfare	1970, Canada Corporations Act	March 31	Ouseley and Angus	To provide programs, services and publications to improve coaching effectiveness throughout Canada.	N/A
Forest Engineering Research Institute of Canada	143 Place Frontenac Pointe Claire, Quebec H9R 4Z7	Minister of State (Forestry and Mines)	1986, Canada Corporations Act	December 31	Touche, Ross & Co.	To carry out research and development projects to demonstrate practical measures for increasing the efficiency of wood harvesting in Canada.	N/A
FORINTEK Canada Corp.	6620 N.W. Marine Dr. Vancouver, B.C. V6T 1X2	Minister of State (Forestry and Mines)	1979, Canada Corporations Act	March 31	Touche, Ross & Co.	To carry out research and development activities in solid wood products and provide specialized advice on forest products to the federal government.	N/A
Fraser River Harbour Commission	Suite 505 713 Columbia Street New Westminster, B.C. V3M 1B2	Transport	1913, New Westminster Harbour Commissioners Act	December 31	Thorne, Riddell & Co.	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
The Hamilton Harbour Commissioners	605 James Street North Hamilton, Ontario L8L 1K1	Transport	1912, Hamilton Harbour Commissioners Act	December 31	Spicer, McGillivray & Co.	To regulate and control navigation and all works and operations within the harbour.	N/A
Hockey Canada Inc.	c/o Olympic Saddledome P.O. Box 1060 Calgary, Alta. T2P 2K8	Health and Welfare	1969, Canada Corporations Act	March 31	Clarkson, Gordon & Co.	To support national hockey teams representing Canada in international competition and to support generally the playing of hockey in Canada.	N/A

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
International Fisheries Commission Pension Society	c/o Treasury Board of Canada L'Esplanade Laurier West Tower 300 Laurier Ave. Ottawa, Ontario K1A 0R5	Fisheries and Oceans	1970, Canada Corporations Act	September 30	Auditor General of Canada	To arrange for and administer the provision of pensions and insurance for the employees of any international fisheries commission, whose seat or headquarters is in any country established and maintained by Canada or the U.S., or both.	N/A
Last Post Fund	Suite 921 685 Cathcart St. Montreal, Quebec H3B 1M7	Veterans Affairs	1922, Federal Charter	March 31	Audit Services Bureau	To ensure that qualified veterans receive dignified burials.	N/A
Maritime Forestry Complex Corp.	Hugh John Flemming Forestry Centre RR #10, Fredericton, N. B. E3B 6H6	Minister of State (Forestry and Mines)	1980, Maritime Forestry Complex Corporation Act, New Brunswick	March 31	Thorne, Ernst & Whinney	To establish a Maritime Provinces Regional Forestry Complex.	N/A
Medical Council of Canada	P.O. Box 8234 Ottawa, Ontario K1G 3H7	National Health and Welfare	1912, Canada Medical Act	December 31	Thorne, Ernst & Whinney	To promote and effect the establishment of a qualification in medicine, such that the holders thereof shall be acceptable and empowered to practice in all the provinces of Canada.	N/A
Nanaimo Harbour Commission	P.O. Box 131 104 Front Street Nanaimo, B.C. V9R 5K4	Transport	1960, Harbour Commissions Act	December 31	Bestwick and Partners	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
The Nature Trust of British Columbia	909-100 Park Royal South West Vancouver, B.C. V7T 1A2	Prime Minister	1971, Canada Corporations Act	December 31	Thorne, Ernst & Whinney	To purchase and preserve ecologically important parcels of land in B.C.	N/A
National Sport and Recreation Centre, Inc.	1600 James Naismith Ottawa, Ontario K1B 5N8	National Health and Welfare	1974, Canada Corporations Act	March 31	Peat, Marwick, Mitchell & Co.	To assist organizations concerned with the development of Canadian sport and recreation by providing support services in the area of administration and promotion.	N/A
North Fraser Harbour Commission	2020 Airport Road Richmond, B.C. V7B 1C6	Transport	1913, North Fraser Harbour Commissioners Act	December 31	Dunwoody & Co.	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
Northern Native Fishing Corporation	P.O. Box 876 4-214 Third Ave. West, Prince Rupert, B.C. V8J 3Y1	Indian Affairs and Northern Development	1982, British Columbia Companies Act	January 31	Arthur Andersen & Co.	To ensure preservation of a fleet of fishing vessels and related licences for the long-term benefit of native fisherman.	N/A

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
NWT Co-operative Business Development Fund	P.O. Box 1565 4905-48th St. Yellowknife, NWT X1A 2P2	Indian Affairs and Northern Development	1986, Canada Co-operative Association Act	December 31	Price Waterhouse	To act as the funding corporation for the co-operative system in the NWT./To stabilize the co-operative movement in the NWT.	N/A
Oo-Za-We-Kwun Centre Inc.	c/o Frank E. Price and Associates Suite 105 62 Margrove Street Winnipeg, Man. R3C 1N1	Indian Affairs and Northern Development	1971, Manitoba Companies Act	March 31	(inactive)	To provide training for native people.	N/A
Oshawa Harbour Commission	1050 Farewell Ave. Oshawa, Ontario L1H 6N6	Transport	1961, Oshawa Harbour Commissioners Act	December 31	K.R. Craven	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
PARTICIPaction	40 Dundas St. West Suite 220 Toronto, Ontario M5G 2C2	Health and Welfare	1971, Canada Corporations Act	March 31	Peat, Marwick, Mitchell and Co.	To inform Canadians about the positive benefits of physical fitness and to motivate them to adopt healthy, physically active lifestyles.	N/A
POS Pilot Plant Corporation	118 Veterinary Rd. Saskatoon, Sask. S7N 2R4	Minister of State (Grains and Oilseeds)	1973, Canada Corporations Act	March 31	Peat, Marwick, Mitchell & Co.	To increase processing of grains and oilseeds into marketable products./To encourage and promote the development and increase of value-added agriculturally based products for domestic and export consumption.	N/A
Port Alberni Harbour Commission	P.O. Box 99 2750 Harbour Road Port Alberni, B.C. V9Y 7M6	Transport	1947, Harbour Commissions Act	December 31	Newman Hill, Duncan & Lacoursière	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
Pulp and Paper Research Institute of Canada	570 St. John's Blvd. Pointe Claire, Quebec H9R 3J9	Regional Industrial Expansion/ Minister of State (Forestry and Mines)	1950, Part II Canada Corporations Act	December 31	Touche, Ross & Co.	To support the efforts of firms by providing basic research, data and improved technology in the field of pulp and paper./ To establish a pulp and paper research centre to provide Canadian industry with a focal point in the sector.	N/A
Roosevelt Campobello International Park Commission	P.O. Box 9 Welshpool, Campobello Island N.B. E0G 3H0	External Affairs	1964, The Roosevelt Campobello International Park Commission Act	December 31	Ingalls & Ingalls	To administer as a memorial the Roosevelt Campobello International Park.	N/A
Saint John Harbour Bridge Authority	P.O. Box 6176 Station A Saint John, N.B. E2L 4R6	Finance	1962, Statute passed by Province of N.B.	March 31	Touche, Ross & Co.	To construct a bridge across the Harbour of Saint John, and to enter into agreement with federal, provincial and municipal governments, persons or corporations respecting the financing and construction of such bridge.	N/A

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
Terry Fox Humanitarian Award Inc.	711-151 Sparks St. Ottawa, Ontario K1P 5E3	Health and Welfare	1982, Canada Corporations Act	April 30	Touche, Ross & Co.	To encourage Canadian youth to seek high ideals as represented by Terry Fox by granting commemorative scholarships.	N/A
Thunder Bay Harbour Commission	P.O. Box 2266 Thunder Bay, Ontario P7B 5E8	Transport	1958, Lakehead Harbour Commissioners Act	December 31	Clarkson, Gordon & Co.	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
The Toronto Harbour Commissioners	60 Harbour Street Toronto, Ontario M5J 1B7	Transport	1911, Toronto Harbour Commissionners Act	March 31	Thorne, Riddell & Co.	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
The Vanier Institute of the Family	120 Holland Ave. Ottawa, Ontario R1X 0X6	Prime Minister	1965, Canada Business Corporations Act	December 31	Coopers & Lybrand	To promote the spiritual and material well-being of Canadian families and to study their social, physical, mental, moral and financial environment and characteristics.	N/A
Western Grains Research Foundation	Suite 1101 75 Albert Street Ottawa, Ontario K1P 5E7	Agriculture	1981, Canada Corporations Act	December 31	G.A. Welch and Company	To help with improving the productivity and profitability of grains and oilseeds production in the prairie provinces.	N/A
Windsor Harbour Commission	500 Riverside Drive West Windsor, Ontario N9A 5K6	Transport	1957, Windsor Harbour Commissioners Act	December 31	Peat, Marwick & Mitchell	To manage and control the harbour and the works and property therein under its jurisdiction.	N/A
XV Winter Games Organizing Committee (OCO'88)	P.O. Box 1988 Station C Calgary, Alta.	Health and Welfare[3]	1982, Canada Corporations Act	March 31	Coopers & Lybrand	To raise, receive and maintain a fund in support of the XV Olympic Games./To support the planning and staging of the XV Olympic Games.	N/A
Trustees of the Olympic Endowment Fund	Government of Canada Office for the 1988 Olympic Winter Games Harry Hays Bldg. 220-4th ave. S. E. Calgary, Alta. T2P 3C3	Health and Welfare	1985, Olympic Trust Fund Document[4]	March 31	Vennard Johannesen & Co.	Promoting Canadian high-performance amateur sport and such other charitable purposes as the trustees appoint from time to time.	N/A

1. The directors of the Board are "appointed by Her Majesty by Commission under the Great Seal".
2. Two directors appointed by the Minister of State (Fitness and Amateur Sport) who has received delegated authority from the Minister of Health and Welfare.
3. Federal appointment is made by the Minister of State (Fitness and Amateur Sport).

4.3 INTERNATIONAL ORGANIZATIONS— CORPORATE ENTITIES CREATED PURSUANT TO INTERNATIONAL AGREEMENTS TO WHICH CANADA HAS A RIGHT TO APPOINT OR ELECT MEMBERS TO A GOVERNING BODY

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
African Development Bank	01 P.O. Box 1387 Abidjan 01 Ivory Coast Africa	External Affairs	1963, Agreement signed by member countries	December 31	Akintola Williams & Co.	To contribute to the acceleration of economic development of the member countries, individually and collectively. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	N/A
African Development Fund	01 P.O. Box 1387 Abidjan 01 Ivory Coast Africa	External Affairs	1972, Agreement signed by member countries	December 31	Deloitte, Haskins & Sells	To assist the African Development Bank in making an increasingly effective contribution to the economic and social development of the Bank members. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	9.45%
Asian Development Bank	P.O. Box 789 Manila, The Philippines	External Affairs	1965, Agreement signed by member countries	December 31	Deloitte, Haskins & Sells	To lend funds, promote investments and provide technical assistance to developing countries, and generally to foster economic growth in the Asian Region. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	6.5%
Caribbean Development Bank	P.O. Box 408 Wildey, St. Michael Bridgetown, Barbados	External Affairs	1969, Agreement signed by member countries	December 31	Price, Waterhouse & Co.	To contribute to the harmonious economic growth and development of the member countries and integration among them, having special and urgent regard to the needs of the less developed members of the region. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	11.9%
Commonwealth War Graves Commission	2 Marlow Road Maidenhead, Berks. U.K. Sl6 7DX	Veterans Affairs	1917, Royal Charter	March 31	Deloitte Haskins & Sells	To mark and maintain graves and memorials and keep records of the members of the Forces of the Commonwealth who died in the two World Wars.	N/A
Inter American Development Bank	1300 New York Ave. Washington, D.C. U.S.A. 20577	External Affairs	1959, Agreement signed by member countries	December 31	Price, Waterhouse & Co.	To contribute to the acceleration of the process of economic development of the member countries, individually and collectively. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	4.6%
International Bank for Reconstruction and Development	1818 H Street, N.W. Washington, D.C. U.S.A. 20433	Finance	1945, Bretton Woods Agreement Act	June 30	Price, Waterhouse & Co.	To assist in the reconstruction and development of territories of member countries.	3.3%

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage
International Boundary Commission	615 Booth Street Ottawa, Ontario K1A 0E9	External Affairs	1908, Treaty 1960, International Boundary Commission Act	March 31	Auditor General of Canada	To keep the boundary vista entirely free of obstruction and plainly marked for the proper enforcement of customs, immigration, fishing and other laws of Canada and the U.S. The Commission is concerned with fixing things on the boundary line or near it, not with movement across it.	N/A
International Development Association	1818 H Street, N.W. Washington, D.C. U.S.A. 20433	Finance	1960, Articles of Agreement; 1960, International Development Association Act	June 30	Price Waterhouse & Co.	To promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world.	3.3%
International Finance Corporation	1818 H Street N.W. Washington, D.C. U.S.A. 20433	Finance	1956, Articles of Agreement; Vote 731, Appropriation Act No. 6, 1956	June 30	Price Waterhouse & Co.	To further economic development by encouraging the growth of productive enterprise in member countries, supplementing the activities of the International Bank for Reconstruction and Development.	4.2%
International Fund for Agricultural Development	107 Via Del Serafico 00142 Rome, Italy	External Affairs	1976, International Agreement	December 31	Price, Waterhouse & Co.	To mobilize additional resources to be made available on concessional terms for agricultural development in member states. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	N/A
International Joint Commission	100 Metcalfe St. Ottawa, Ontario K1P 5M1	External Affairs	1909, Boundary Waters Treaty Act	March 31	Auditor General of Canada	To deal with the use, obstruction and diversion of boundary waters and rivers crossing the boundary between Canada and the U.S.	N/A
International Monetary Fund	700 19th St., N.W. Washington, D.C. U.S.A. 20431	Finance	1945, Agreement Signed by Member Countries	April 30	External Audit Committee	Established to promote economic welfare by encouraging the expansion of trade, the maintenance of orderly exchange arrangements, and the reduction of balance of payments.	N/A