Financial Statements of

TRANSPORT CANADA

(Unaudited)

For the year ended March 31, 2011

TRANSPORT CANADA

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2011, and all information contained in these statements rests with the management of Transport Canada. These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

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

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout Transport Canada; and through conducting an annual assessment of the effectiveness of the system of internal control over financial reporting.

An assessment for the year ended March 31, 2011 was completed in accordance with the Policy on Internal Control and the results and action plans are summarized in the annex.

The system of internal control over financial reporting is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

The effectiveness and adequacy of Transport Canada's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Transport Canada's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister of Transport Canada.

The financial statements of Transport Canada have not been audited.

Yaprak Baltacıoğlu,	André Morency,
Deputy Minister	Chief Financial Officer
Ottawa, Canada	Ottawa, Canada
August 29, 2011	August 29, 2011

TRANSPORT CANADA

Statement of Financial Position (*Unaudited*)
As at March 31
(in thousands of dollars)

	2011	2010 (Restated – Notes 19 & 20)
Assets		
Financial assets		
Due from Consolidated Revenue Fund	1,071,346	885,460
Accounts receivable and advances (Note 4)	39,869	31,719
Loans receivable (Note 5)	1,646	13,349
Rent receivable (Note 6)	34,784	42,106
Total financial assets	1,147,645	972,634
Non-financial assets		
Prepaid expenses	2,015	2,484
Inventory (Note 7)	12,822	12,350
Tangible capital assets (Note 8)	2,632,399	2,720,407
Total non-financial assets	2,647,236	2,735,241
Total	**3,794,881**	**3,707,875**
Liabilities and Equity of Canada		
Liabilities		
Accounts payable and accrued liabilities (Note 9)	1,116,733	958,679
Vacation pay and compensatory leave	25,653	25,451
Deferred revenue (Note 10)	3,620	3,693
Employee future benefits (Note 11)	92,950	91,660
Lease obligations for tangible capital assets (Note 12)	605,471	622,313
Environmental remediation and contingent liabilities (Note 13)	196,359	173,047
Total liabilities	2,040,786	1,874,843
Equity of Canada (Note 14)	1,754,095	1,833,032
Total	**3,794,881**	**3,707,875**

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

Yaprak Baltacıoğlu,
Deputy Minister
Ottawa, Canada

August 29, 2011

André Morency,
Chief Financial Officer
Ottawa, Canada

August 29, 2011

TRANSPORT CANADA

Statement of Operations (*Unaudited*)
For the Year Ended March 31
(*in thousands of dollars*)

	2011	2010 (Restated – Notes 19 & 20)
Expenses (Note 17)		
An Efficient Transportation System	673,751	567,297
A Safe Transportation System	480,123	472,216
Internal Services	250,038	243,607
A Clean Transportation System	85,020	14,416
A Secure Transportation System	77,220	117,378
Ship-Source Oil Pollution Fund and other programs (Note 14)	5,926	973
Total expenses	1,572,078	1,415,887
Revenues (Note 17)		
An Efficient Transportation System	300,793	292,453
A Safe Transportation System	62,240	62,235
Internal Services	13,943	12,828
A Secure Transportation System	80	112
Ship-Source Oil Pollution Fund and other programs (Note 14)	9,421	9,598
Total revenues	386,477	377,226
Net cost of operations	**1,185,601**	**1,038,661**

Segmented information (Note 17)

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

TRANSPORT CANADA

Statement of Equity of Canada (*Unaudited*)
For the Year Ended March 31
(in thousands of dollars)

	2011	2010 (Restated – Note 19 & 20)
Equity of Canada, beginning of year	1,833,032	1,819,922
Net cost of operations	(1,185,601)	(1,038,661)
Net cash provided by Government	833,079	982,135
Change in due from the Consolidated Revenue Fund	185,886	(17,135)
Services provided without charge by other departments (Note 16a)	87,699	86,771
Transfer from (to) other government departments (Note 18)*	-	-
Equity of Canada, end of year	**1,754,095**	**1,833,032**

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

* During the year Transport Canada transferred its $2,492,000 investment in Parc Downsview Park to the Privy Council Office. The resulting decrease in the investment balance has been accounted for in the restated opening balance of the equity account. See Note 18 and 19 for details.

TRANSPORT CANADA

Statement of Cash Flow (*Unaudited*)
For the Year Ended March 31
(*in thousands of dollars*)

	2011	2010 (Restated – Note 19 & 20)
Operating activities		
Net cost of operations	1,185,601	1,038,661
Non-cash items:		
Amortization of tangible capital assets (Note 8)	(155,444)	(146,073)
Services provided without charge by other departments (Note 16)	(87,699)	(86,771)
Loss on disposal and write-down of tangible capital assets	(3,884)	(11,511)
Prior years' work-in-progress expensed	(12,813)	(14,330)
Adjustments of previous years accounts payable	10,602	5,361
Other	343	(5,348)
Variations in Statement of Financial Position:		
Variation in accounts receivables and advances	8,150	9,614
Variation in loans receivable	(11,703)	834
Variation in rents receivable	(7,322)	(7,323)
Variation in prepaid expenses	(469)	(325)
Variation in inventory	472	107
Variation in accounts payables and accrued liabilities	(158,054)	22,551
Variation in vacation pay and compensatory leave	(202)	3,008
Variation in deferred revenue	73	(1,328)
Variation employee future benefits	(1,290)	7,493
Variation in environmental remediation and contingent liabilities	(23,312)	47,688
Cash used in operating activities	**743,049**	**862,308**
Capital investing activities		
Acquisitions of tangible capital assets	96,316	92,567
Transfer of tangible capital assets with no monetary impact	(11,887)	14,317
Proceeds from disposal of tangible capital assets	(11,241)	(3,166)
Cash used in capital investing activities	**73,188**	**103,718**
Financing activities		
Lease payments for tangible capital assets	16,842	16,109
Cash used in financing activities	**16,842**	**16,109**
Net cash provided by Government of Canada	**833,079**	**982,135**

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

1. Authority and objectives

Transport Canada is a department of the Government of Canada named in Schedule 1 of the *Financial Administration Act* and reports to Parliament through the Minister of Transport, Infrastructure and Communities.

Transport Canada is responsible for the transportation policies, programs and goals set by the Government of Canada, which are supported through the following departmental programs:

- *An Efficient Transportation System* program: establishes marketplace frameworks to govern the economic behaviour of transportation sector organizations; provides leadership for Gateways and Trade Corridors strategies; provides stewardship for federal transportation assets and implements transportation infrastructure projects in partnership with provinces, territories, municipal governments and private sector entities; stimulates innovation.
- *A Clean Transportation System* program: advances the federal government's clean air agenda in the transportation sector and complements other federal programs designed to reduce air emissions for the health of Canadians; helps to protect the marine environment by reducing the pollution of water from transportation sources; fulfills Transport Canada's responsibilities in working towards a cleaner and healthier environment with regard to its own operations.
- *A Safe Transportation System* program: develops transportation safety regulations and oversees their implementation; manages programs to support safety-related investments at small airports, to protect navigable waterways, to certify and license aircrafts, vessels and road vehicles; and provides air transport services to support aviation safety oversight work and federal and municipal clients.
- *A Secure Transportation System* program: develops policies and programs that respond to emerging security risks and keep Canada competitive; develops transportation security regulations and oversees their implementation by industry; and works with international and national partners to advance a shared and effective transportation security agenda.
- The *Internal Services* program: Internal Services are groups of related activities and resources that are administrated to support the needs of programs and other corporate obligations of Transport Canada. Internal Services include only those activities and resources that apply across its organization and not to those provided specifically to a program.

Transport Canada delivers its programs and services under numerous legislative and constitutional authorities including the *Department of Transport Act*, *Canada Transportation Act, Aeronautics Act*, *Canada Marine Act*, *Canada Shipping Act*, *Navigable Waters Protection Act*, *Railway Safety Act*, *Transportation of Dangerous Goods Act*, *Motor Vehicle Safety Act*, *Canadian Air Transport Security Authority Act* and *Marine Transportation Security Act*.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with the Treasury Board accounting policies stated below, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

(a) Parliamentary authorities – Transport Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to Transport Canada do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting.

(b) Net Cash Provided by Government – Transport Canada operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by Transport Canada is deposited to the CRF and all cash disbursements made by Transport Canada are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.

(c) Amounts due from/to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that Transport Canada is entitled to draw from the CRF without further appropriations to discharge its liabilities.

(d) Revenues:

- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenue takes place.
- Revenues that have been received but not yet earned are recorded as deferred revenues.

(e) Expenses – Expenses are recorded on the accrual basis:

- Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, provided that the transfer is authorized and a reasonable estimate can be made.

2. Summary of significant accounting policies (cont'd)

- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans, legal services and worker's compensation are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

(i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. Transport Canada's contributions to the plan are charged to expenses in the year incurred and represent Transport Canada's total obligation to the Plan. Current legislation does not require Transport Canada to make contributions for any actuarial deficiencies of the Plan.

(ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts and loans receivables are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for receivables where recovery is considered uncertain.

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

(i) Environmental remediation liabilities – Environmental remediation liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense recorded when the contamination occurs or when Transport Canada becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of Transport Canada's obligation to incur these costs is not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

2. Summary of significant accounting policies (cont'd)

(j) Inventory – Inventory consists of parts, material and supplies held for future program delivery and not intended for resale. Inventories, other than serialized inventory items, are valued at average cost. Serialized inventory items parts are valued on a specific cost basis. A *serialized inventory item* is consumable inventory, which has a serial number and is required to be tracked for airworthiness purposes. If there is no longer any service potential, inventory is valued at the lower of cost or net realizable value.

(k) Foreign currency transactions – Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect at year-end. Gains and losses resulting from foreign currency transactions are included in miscellaneous expenses on the statement of operations.

(l) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more are recorded at their acquisition cost. Transport Canada does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections. Land has no minimal capitalization threshold.

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

Asset Class	Amortization Period
Confederation Bridge	100 years
Buildings and works:	
Buildings	20 to 40 years
Works and Infrastructure	10 to 40 years
Machinery and equipment:	
Machinery and equipment	5 to 20 years
Computer hardware	3 to 5 years
Computer software	3 years
Vehicles:	
Ships and boats	10 to 20 years
Aircraft	6 to 20 years
Motor vehicles	6 to 35 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement
Assets under construction	Once in service, in accordance with asset type
Leased tangible capital assets	According to the useful life of the asset if a bargain purchase offer exists or over the term of the lease

Assets under construction are recorded in the applicable capital asset class in the year they become available for use and are not amortized until they become available for use.

2. Summary of significant accounting policies (cont'd)

(m) Measurement uncertainty – The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are allowance for doubtful accounts, contingent liabilities, environmental remediation liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary authorities

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

3. Parliamentary authorities (cont'd)

(a) Reconciliation of net cost of operations to current year authorities used:

	2011	2010 (Restated)
	(in thousands of dollars)	
Net cost of operations	**1,185,601**	**1,038,661**
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(155,444)	(146,073)
Loss on disposal and write-downs of tangible capital assets	(3,884)	(11,511)
Prior years' work-in-progress expensed	(12,813)	(14,330)
Services provided without charge by other government departments	(87,699)	(86,771)
Variation in vacation pay and compensatory leave	(202)	3,008
Variation in employee future benefits	(1,290)	7,493
Variation in allowance for environmental remediation and contingent liabilities	(23,312)	47,688
Variation of the St-Lawrence Seaway Capital Fund Trust Deficit	(4,424)	7,288
Refund of prior years' expenditures	2,173	5,838
Revenue not available for spending	295,908	35,681
Adjustments of previous years accounts payable	10,602	5,361
Provision for valuation of loans	(10,322)	-
Expenditures not affecting authorities (specified purposes)	(5,925)	(973)
Other	(2 245)	(4,375)
	1,186,724	886,985
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	96,316	92,567
Transfer of tangible capital assets with no monetary impact	(11,887)	14,317
Variation in prepaid expenses	(469)	(325)
Variation in inventory	472	107
Variation in lease obligations for tangible capital assets	16,842	16,109
Other	-	1,956
	101,274	124,731
Current year authorities used	**1,287,998**	**1,011,716**

3. Parliamentary authorities (cont'd)

(b) Authorities provided and used

	2011	2010
	(in thousands of dollars)	
Authorities provided		
Vote 1 – Operating expenditures	672,244	448,660
Vote 5 – Capital expenditures	225,388	182,948
Vote 10 – Transfer payments	909,939	740,606
Statutory amounts	150,325	205,392
	1,957,896	1,577,606
Less:		
Authorities available for future years	(4,683)	(1,137)
Lapsed authorities: Operating	(25,276)	(49,710)
Lapsed authorities: Capital	(140,960)	(76,317)
Lapsed authorities: Transfer payments	(498,979)	(437,844)
Other lapsed amounts	-	(882)
Current year authorities used	**1,287,998**	**1,011,716**

4. Accounts receivable and advances

The following table presents details of Transport Canada's accounts receivable and advances balances:

	2011	2010
	(in thousands of dollars)	
Receivable from other government departments	18,244	13,965
Receivable from external parties	23,581	19,350
Employee advances	163	325
	41,988	33,640
Allowance for doubtful accounts on receivables from external parties	(2,119)	(1,921)
Total accounts receivable and advances	**39,869**	**31,719**

5. Loans receivable

The following table presents details of Transport Canada's loans and repayable contributions receivable balances:

	2011	2010
	(in thousands of dollars)	
Saint John Harbour Bridge Authority	22,647	22,647
Victoria Harbour	2,322	2,364
St. Lawrence Seaway Management Corporation	77	77
	25,046	25,088
Less:		
Allowance on loans	(11,735)	-
Discounts on loans	(11,665)	(11,739)
Total Loans receivable	**1,646**	**13,349**

(i) Saint John Harbour Bridge Authority

The loan receivable from the Saint John Harbour Bridge Authority consists of consolidated non-interest bearing advances made in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, New Brunswick. The Saint John Harbour Bridge Authority has a debt repayment schedule starting in March 2009 and ending in 2016. A discount of $10,910,850 is recorded to reflect the concessionary nature of the loan ($10,910,850 at March 31, 2010). During the year, no discount was taken since a full valuation allowance was established to reflect Transport Canada's best estimate of the loss on the realization of this loan.

(ii) Victoria Harbour

The Victoria Harbour loan receivable relates to the sale of a parcel of Victoria Harbour land for $2,578,469. A discount of $753,745 is recorded to reflect the concessionary nature of the loan ($828,133 at March 31, 2010). A payment of $42,720 was received in fiscal year 2010-11 ($42,720 in 2009-10).

(iii) St-Lawrence Seaway Management Corporation

The St-Lawrence Seaway Management Corporation loan portfolio account was established by subsection 80(1) of the *Canada Marine Act*. The loan portfolio is managed in accordance with the Seaway Agreements between Transport Canada and the St-Lawrence Seaway Management Corporation. The remaining loan is secured by title on the property, and has prescribed monthly repayment terms with an annual interest rate of 7%. The mortgagor is in negotiations with Transport Canada and Justice Canada with respect to the loan, which was repayable March 2004.

6. Rent receivable

The National Airport System (NAS) consists of Canadian airports considered essential to air transportation in Canada, including 3 airports owned by Territorial Governments. Transport Canada has leased all of these airports under long-term operating agreements with Canadian Airport Authorities and a municipal government.

In fiscal year 2003-04, Transport Canada entered into lease amendments with nine of the Canadian Airport Authorities, which provided for deferral of a portion of the airport rent payable for eight of the nine Airport Authorities to Transport Canada for the 2003 to 2005 lease years. The total rent deferred for 2003 to 2005 is payable to Transport Canada over ten years beginning in the 2006 lease year. Repayments of $7,322,682 were received in fiscal year 2010-11 ($7,322,682 in 2009-10). Rent receivable was $34,783,895 at March 31, 2011 ($42,106,577 at March 31, 2010).

7. Inventory

The cost of consumed inventory recognized as an expense in the Statement of Operations is $ 3,603,588 in 2010-2011 ($5,568,702 in 2009-2010).

8. Tangible capital assets

(in thousands of dollars)

	Cost					Accumulated Amortization					2010
	Opening balance (Restated – Note 19)	Acquisitions	Transfer	Disposals and write-offs	Closing balance	Opening balance (Restated – Note 19)	Amortization	Disposals and write-offs	Closing balance	2011 Net book value	Net book Value (Restated – Note 19)
Land (1)	254,347	15,601	-	2,896	267,052	-	-	-	-	267,052	254,347
Buildings and works (2)	3,759,427	11,880	45,679	34,357	3,782,629	2,387,984	107,089	24,727	2,470,346	1,312,283	1,371,443
Machinery and equipment (3)	178,573	5,807	6,306	6,080	184,606	128,094	9,190	4,821	132,463	52,143	50,479
Vehicles	739,080	4,949	16,100	16,905	743,224	543,846	27,429	13,986	557,289	185,935	195,234
Leasehold improvements	17,447	16	9,098	2	26,559	10,857	3,548	-	14,405	12,154	6,590
Work-in-progress	128,576	58,063	(77,183)	12,174	97,282	-	-	-	-	97,282	128,576
Confederation Bridge	818,820	-	-	-	818,820	105,082	8,188	-	113,270	705,550	713,738
TOTAL	**5,896,270**	**96,316**	**0**	**72,414**	**5,920,172**	**3,175,863**	**155,444**	**43,534**	**3,287,773**	**2,632,399**	**2,720,407**

Amortization expense for the year ended March 31, 2011 is $155,444 (2010 - $146,073).

(1) Includes land for 23 National Airports with a net book value of $173,666 (2010 - $165,360).

(2) Includes building and works for 23 National Airports with a net book value of $618,025 (2010 - $690,603).

(3) Includes machinery and equipment for 23 National Airports with a net book value of $560 (2010 - $634).

8. Tangible capital assets (cont'd)

The transfer column represents assets that were put into use in the year and have been transferred to other capital asset classes as applicable.

National Airport System assets

The National Airport System (NAS) assets recorded above consist of the land, buildings, works and infrastructures of 23 Canadian airports.

Transport Canada has leased all of these airports under long-term operating agreements with Canadian Airport Authorities and a municipal government. These agreements are in accordance with the federal *National Airports Policy, the Public Accountability Principles for Canadian Airport Authorities and the Fundamental Principles for the Creation and Operations of Canadian Airport Authorities*, which, in part, entails the transfer of the management, operations and maintenance of certain airports in Canada to Canadian Airport Authorities.

Transport Canada has the right to terminate the operating agreements and assume the responsibility for the management, operation and maintenance of the airport if the leased airports are not operated in accordance with the terms of the respective operating agreements and the Policies and Principles referred to above.

9. Accounts payable and accrued liabilities

The following table presents details of Transport Canada's accounts payable and accrued liabilities:

	2011	2010
	(in thousands of dollars)	
Accounts payables to external parties	993,742	811,557
Accounts payables to other government departments and agencies	56,584	114,313
Accrued salaries	10,059	7,541
Other accounts payable and accrued liabilities	56,348	25,268
Total Accounts payable and accrued liabilities	**1,116,733**	**958,679**

10. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received from external parties which are restricted to fund the expenditures related to specific research projects and amounts received for fees prior to services being performed. Revenue is recognized in the period that these expenditures are incurred or the service is performed. Details of the transactions related to this account are as follows:

	2011	2010
	(in thousands of dollars)	
Shared-cost agreements—Transportation research and development *		
Opening balance	2,374	1,138
Amounts received	1,006	1,236
Revenue recognized	(1,774)	(-)
Closing balance	1,606	2,374
Others (non-specified purpose)		
Opening balance	1,319	1,227
Amounts received	1,340	1,265
Revenue recognized	(645)	(1,173)
Closing balance	2,014	1,319
Closing balance	**3,620**	**3,693**

* A shared-cost agreement is a common undertaking whereby the parties involved agree to participate in carrying out a project. This may involve the sharing of resources and the purchase of goods or services. The Transportation Development Center utilizes joint cost sharing agreements with private and other government organizations on Research and Development projects related to transportation. The major themes include: rail, aviation safety and surface transportation.

11. Employee future benefits

(a) Pension benefits

Transport Canada's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and Transport Canada contribute to the cost of the plan. The 2010-11 expense amounts to $68,257,000 ($70,314,000 in 2009-10), which represents approximately 1.9 times (1.9 times in 2009-10) the contributions by employees.

Transport Canada's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

11. Employee future benefits (cont'd)

(b) Severance benefits

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

	2011	2010
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	91,660	99,153
Expense for the year	9,688	(167)
Benefits paid during the year	(8,398)	(7,326)
Accrued benefit obligation, end of year	**92,950**	**91,660**

12. Lease obligation for tangible capital assets

Under the *Northumberland Strait Crossing Act,* the Government of Canada entered into a long-term capital lease arrangement in 1992 and is obligated to pay an annual subsidy of $41,900,000 indexed to the annual inflation rate to the Strait Crossing Finance Inc., a wholly owned corporation of the Province of New Brunswick, for the construction of the Confederation Bridge. The annual payments made by Transport Canada are due on April 1 and will be used to retire $661,542,613 of 4.5 per cent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge. Annual payments made by Transport Canada began in 1997 and will continue until 2033. At such time, the ownership of the bridge will be transferred to the Government of Canada.

On April 1, 2010 an annual payment in the amount of $57,721,021 (2009-10 - $56,668,074) was made. This payment represents payment of principal in the amount of $16,842,083 (2009-10 - $16,108,709) and interest expense of $40,878,938 (2009-10 - $40,559,364).

Transport Canada has a capital lease obligation of $605,470,877 as at March 31, 2011 ($622,312,961 as at March 31, 2010), based on the present value for the future payments using an interest rate of 6.06% (2010 – 6.06%).

The obligations related to the upcoming years include the following:

12. Lease obligation for tangible capital assets (cont'd)

Maturing year	*(in thousands of dollars)*
2011-2012	59,075
2012-2013	56,650
2013-2014	57,506
2014-2015	58,375
2015-2016 and thereafter	1,151,398
Total future minimum lease payments	1,383,004
Less: imputed interest (6.06%)	777,533
Balance of obligations under leased tangible capital assets	**605,471**

13. Environmental remediation and contingent liabilities

Environmental remediation and contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into two categories as follows:

(a) Contaminated sites

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where Transport Canada is obligated or likely to be obligated to incur such costs. Transport Canada has identified approximately 406 sites (404 sites in 2010) where such action is possible. A liability of $164,678,256 for 114 sites ($146,546,829 in 2010 for 149 sites) has been recorded in accrued liabilities. Transport Canada has estimated additional clean-up costs of $16,545,936 for 18 sites ($34,911,819 in 2010 for 24 sites) that are not accrued, as these are not considered likely to be incurred at this time. Transport Canada's ongoing efforts to assess contaminated sites may result in additional environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued by Transport Canada in the year in which they become likely and are reasonably estimable.

(b) Claims and litigation

Claims have been made against Transport Canada in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. Based on Transport Canada's assessment, legal proceedings for claims estimated at $8,000,208 ($43,035,208 in 2009-2010) were pending at March 31, 2011. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements. An amount of $31,680,677 has been recorded in the financial statements as of March 31, 2011 ($26,500,000 in 2010).

14. Restricted equity of Canada

Transport Canada includes in its revenues and expenses certain transactions that legislation requires be earmarked for expenses relating to specified purposes. Transport Canada has two such accounts:

(a) The Ship-Source Oil Pollution Fund

The Ship-Source Oil Pollution Fund (Fund) was established pursuant to section 702 of the *Canada Shipping Act*, to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the fund administrator, and related oil pollution control expenses, are financed out of the Fund.

	2011	2010
	(in thousands of dollars)	
Restricted Ship-source Oil Pollution:		
Balance, beginning of year - Restricted	388,871	380,314
Revenues	9,389	9,526
Expenses	(5,735)	(969)
Balance, end of year - Restricted	**392,525**	**388,871**

(b) Fines for transport of dangerous goods

The Fines for Transport of Dangerous Goods account was established pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations to record fines levied by courts.

	2011	2010
	(in thousands of dollars)	
Restricted - Fines for Transport of Dangerous Goods:		
Balance, beginning of year - Restricted	818	750
Revenues	32	72
Expenses	(191)	(4)
Balance, end of year - Restricted	**659**	**818**
Restricted equity of Canada	**393,184**	**389,689**
Unrestricted equity of Canada, end of year	**1,360,911**	**1,443,342**
Total equity of Canada – end of year	**1,754,095**	**1,833,031**

15. Contractual obligations

The nature of Transport Canada's activities can result in some large multi-year contracts and obligations whereby Transport Canada will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2011-12	2012-13	2013-14	2014-15	2015-16 Thereafter	Total
Transfer payments	348,308	264,529	149,875	33,891	65,314	861,917
Tangible capital assets	5,306	1,290	213	-	-	6,809
Other goods and services	24,198	7,182	2,089	1,616	1,999	37,084
Software maintenance agreements	254	-	-	-	-	254
Operating leases	864	864	864	504	-	3,096
Building retrofits	518	-	-	-	-	518
Total	**379,448**	**273,865**	**153,041**	**36,011**	**67,313**	**909,678**

16. Related party transactions

Transport Canada is related as a result of common ownership to all Government departments, agencies, and Crown Corporations. Transport Canada enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, Transport Canada received common services which were obtained without charge from other Government departments as disclosed below.

(a) Common services provided without charge by other government departments:

During the year Transport Canada received services without charge from certain common service organizations, related to accommodation, legal services, the employer's contribution to the health and dental insurance plans and worker's compensation coverage. These services provided without charge have been recorded in Transport Canada's Statement of Operations as follows:

	2011	2010
	(in thousands of dollars)	
Accommodation	38,244	36,994
Employer's contribution to the health and dental insurance plans	38,146	37,843
Worker's compensation	3,197	3,370
Legal services	8,112	8,564
Total	**87,699**	**86,771**

16. Related party transactions (cont'd)

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General are not included in Transport Canada's Statement of Operations.

(b) Administration of programs on behalf of other government departments

(i) Canada Strategic Infrastructure Fund (CSIF) and Border Infrastructure Fund (BIF)

Under a memorandum of understanding signed with Infrastructure Canada on January 31, 2003, Transport Canada administers the Canada Strategic Infrastructure Fund (CSIF) and the Border Infrastructure Fund (BIF). During the year, Transport Canada incurred expenses of $217,079,438 ($308,833,717 in 2009-10) related to CSIF and $67,783,158 ($80,763,281 in 2009-10) related to BIF on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

(ii) Building Canada Fund (BCF)

Under a memorandum of understanding signed with Infrastructure Canada on April 25, 2008, Transport Canada administers the Building Canada Fund (BCF). During the year, Transport Canada incurred expenses of $286,443,112 ($92,672,371 in 2009-10) related to BCF on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

(c) Other transactions with related parties

	2011	2010
	(in thousands of dollars)	
Expenses – Other Government departments and agencies	96,522	101,390
Revenues – Other Government departments and agencies	47,157	49,954

17. Segmented Information

Presentation by segment is based on Transport Canada's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main program activities, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

17. Segmented Information (cont'd)

Expenses *(in thousands of dollars)*	An Efficient Transportation System	A Safe Transportation System	Internal Services	A Clean Transportation System	A Secure Transportation System	Ship-Source Oil pollution fund and other programs	2011	2010 (Restated – Note 19 & 20)
Other levels of governments within Canada	214,966	19,927	-	823	-	-	235,716	134,202
Non-profit organizations	1,342	4,278	29	1,596	(2,264)	-	4,981	48,732
Industry	93,856	5,429	-	2,080	820	-	102,185	116,626
Individuals	511	(2)	-	10	-	-	519	483
Other Countries and International Organizations	72	30	-	-	-	-	102	183
Total transfer payments	310,747	29,662	29	4,509	(1,444)	-	343,503	300,226
Salaries and employee benefits	47,985	310,062	136,298	17,290	55,204	-	566,839	553,274
Amortization of tangible capital assets	124,322	16,724	11,310	643	2,445	-	155,444	146,073
Professional and special services	36,783	38,578	51,221	54,926	9,965	-	191,473	126,200
Net loss on disposal of tangible capital assets	10,233	(3,951)	(2,246)	(154)	2	-	3,884	11,511
Interest on capital lease	41,466	-	-	-	-	-	41,466	40,879
Travel and relocation	2,991	22,838	2,785	1,045	3,999	-	33,658	33,531
Equipment repair and maintenance	15,009	24,442	16,867	206	1,704	-	58,228	61,272
Accommodation (Note 16)	3,255	19,914	10,046	1,230	3,799	-	38,244	36,994
Utilities, materials and supplies	3,382	13,458	2,146	104	506	-	19,596	20,801
Telecommunications	463	2,484	6,673	52	424	-	10,096	7,202
Payments in lieu of taxes	5,114	1,144	621	-	10	-	6,889	7,092
Information services – communications	564	2,418	1,167	719	264	-	5,132	5,519
Rentals	532	3,363	1,910	371	163	-	6,339	6,104
Damage and other claims against the Crown	1,928	1,459	29	42	8	-	3,466	265
Postage	106	2,018	654	81	227	-	3,086	3,555
Pollution control (Note 14)	-	-	-	-	-	5,926	5,926	973
Statutory Payment to St.Lawrence Seaway Management	68,425	-	-	-	-	-	68,425	55,712
Other	446	(4,490)	10,528	3,956	(56)	-	10,384	(1,296)
Total operating expenses	363,004	450,461	250,009	80,511	78,664	5,926	1,228,575	1,115,661
Total expenses	**673,751**	**480,123**	**250,038**	**85,020**	**77,220**	**5,926**	**1,572,078**	**1,415,887**

17. Segmented Information (cont'd)

Revenues *(in thousands of dollars)*	An Efficient Transportation System	A Safe Transportation System	Internal Services	A Clean Transportation System	A Secure Transportation System	Ship-Source Oil pollution fund and other programs	2011	2010 (Restated)
Sales of goods and services:								
Airport rent	243,962	-	-	-	-	-	243,962	250,095
Monitoring and enforcement revenues	14,755	2,285	11,729	-	-	-	28,769	26,456
Rentals and concessions	15,503	22,398	1,160	-	80	-	39,141	36,946
Aircraft maintenance and flying services	-	35,938	-	-	-	-	35,938	38,475
Transport facilities user fees	14,156	200	-	-	-	-	14,356	13,868
Miscellaneous	12,133	1,419	1,054	-	-	-	14,606	546
Pollution control revenues (Note 14)	-	-	-	-	-	9,421	9,421	9,598
Interest	75	-	-	-	-	-	75	925
Research and development	209	-	-	-	-	-	209	317
Total revenues	**300,793**	**62,240**	**13,943**	**-**	**80**	**9,421**	**386,477**	**377,226**
Net cost from continuing operations	**372,958**	**417,883**	**236,095**	**85,020**	**77,140**	**(3,495)**	**1,185,601**	**1,038,661**

18. Transfers from / to other government departments

Effective August 6, 2010, Transport Canada transferred responsibility for the Canada Lands Company Limited (CLCL) to the Privy Council Office in accordance with the Order-in-Council (P.C. 2010-1068), including the stewardship responsibility for the assets related to CLCL along with CLCL's three wholly owned subsidiaries, Canada Lands Company Limited, Parc Downsview Park and the Old Port of Montreal Corporation. Accordingly, Transport Canada transferred the following assets related to the Canada Lands Company Limited to the Privy Council Office on August 6, 2010.

	(in thousands of dollars)
Assets	
Investment – Downsview Park	2,492
Adjustment to Equity of Canada *(see note under Statement of Equity)*	(2,492)

19. Adoption of new accounting policies

During the year, Transport Canada adopted the revised Treasury Board accounting policy TBAS 1.2: Departmental and Agency Financial Statements which is effective for Transport Canada for the 2010-2011 fiscal year. The major change in the accounting policies of Transport Canada required by the adoption of the revised TBAS 1.2 is the recording of amounts due from the Consolidated Revenue Fund as an asset on the Statement of Financial Position.

The adoption of the new Treasury Board accounting policies have been accounted for retroactively. The table under note 20 shows the impact on the comparatives for 2009-10.

	(in thousands of dollars)
Impact on Statement of Financial Position	
Due from Consolidated Revenue Fund	885,459
Investment	(52,792)
Impact on Equity of Canada	
Due from Consolidated Revenue Fund	(885,459)
Investment	52,792

20. Correction of error

St. Lawrence Seaway Capital Fund Trust Deficit:

During fiscal 2010-2011 Transport Canada recorded a $25.6M liability at year end, representing the accumulated deficiency of the St. Lawrence Seaway Capital Fund Trust, which is used to cover specific operating and capital expenditures of the St. Lawrence Seaway Management Corporation (SLSMC).

20. Correction of error (cont'd)

As of March 31, 2011, there was a $25.6M accumulated net asset deficiency recorded on the balance sheet of the St. Lawrence Seaway Capital Fund Trust (of which $4.4M relates to the current fiscal year). This is now being offset by a corresponding receivable "Due from Transport Canada".

The current year portion of accumulated deficiency ($4.4M) was recorded as a liability in the 2010-2011 financial statement while a restatement of prior years' financial statements is presented to reflect the department's obligation to fund the Trust's prior years' accumulated deficits.

Impact of Note 19 & 20 on the comparatives for 2009-2010

	2009-2010 As previously stated	Effect of changes Note 19	Note 20	2009-2010 Restated
				(in thousands of dollars)
Statement of Financial Position				
Financial Assets	139,966	832,667	-	972,633
Accounts payable and accrued liabilities	(937,544)	-	(21,135)	(958,679)
Equity of Canada	(1,021,500)	(832,667)	21,135	(1,833,032)
Statement of Operations				
Expenses: An Efficient Transportation System*	574,585	-	(7,288)	567,297
Net cost of operations	1,045,949	-	(7,288)	1,038,661
Statement of Equity of Canada				
Equity of Canada, beginning of the year	(1,015,678)	(832,667)	28,423	(1,819,922)
Net cost of operations	1,045,949	-	(7,288)	1,038,661
Equity of Canada, end of the year	(1,021,500)	(832,667)	21,135	(1,833,032)
Statement of Cash Flow				
Net cost of operations	1,045,949	-	(7,288)	1,038,661
Decrease (increase) in liabilities	16,943	-	7,288	24,231

* Comparative figure has been reclassified to conform to the current year's presentation; previously stated at $580,557

21. Comparative information

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