

CORCAN ANNUAL REPORT

2008-2009

CANADIAN VALUES AT WORK

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MANDATE

CORCAN is a Special Operating Agency within the Correctional Service of Canada (CSC) with the mandate to help offenders reintegrate back into Canadian society once they leave penitentiary.

CORCAN achieves this mandate by providing employment training and employability skills to offenders while they are inside as well as a range of employment services to help offenders find and keep a job once they leave penitentiary, thus reducing the risk that they will re-offend.

MESSAGE FROM THE CEO

As this Annual Report demonstrates, CORCAN is not totally immune to the ups and downs of the Canadian and world economies. After three straight years of record revenue growth, 2008-2009 saw us level off at \$70.0 million, down slightly from the record \$70.6 million recorded the previous year. Continued strong support from the Department of National Defence (DND) and the Correctional Service of Canada allowed us to weather these uncertain economic times with little immediate impact on employment levels.

In spite of the flat sales picture, a re-building of warehouse inventory levels kept production levels strong. Close to 5,000 offenders passed through our CORCAN shops during the year, up slightly from the previous year. These increased training hours contributed to our real bottom line - job-ready offenders. The skills and attitudes learned in our shops ensure offenders can find and hold jobs in the community after release.

I can also proudly report that over 8,000 certificates were earned by offenders. These certificates are awarded by third party organisations and are, therefore, meaningful to potential employers who have specific needs and expectations that offenders must meet.

The successes achieved with community based employers through our Community Employment Counsellors (CEC) clearly demonstrate the value of our employment and employability training programs. Since 2001, 9,000 offenders have found jobs with the assistance of our CEC's, and over 85% remain in the community today. This success not only contributes to safer communities, but saves you and me (as taxpayers) almost \$100,000 per year -- the average annual cost per offender inside one of our institutions.

Our front-line employees throughout the organisation deserve congratulations for the results you have been able to achieve. From our shop instructors and sales teams, to our community employment counsellors and trainers, you have all delivered the solid results expected from the organisation – leading to the enhanced public safety that Canadians expect and deserve.

John Sargent
December, 2009

EMPLOYMENT RESULTS

The direct link between CORCAN sales revenues and the number of employment hours and training we can provide offenders is clearly demonstrated in our employment results for the year.

Part of the assessment process when an offender first arrives at penitentiary is to determine the extent to which an offender's work history and experience suggests a need for employment and employment training.

Of the roughly 13,200 offenders currently in federal penitentiary in the past year, 62 % or 8,201 were found to need employment training. In 2008-2009 fully 80 % of these offenders were working.

In 2008-2009, 4,666 men and 141 women inmates worked a total of 2.8 million hours in CORCAN shops – an increase of 2 % from 2007-2008 despite a slight dip in annual sales revenues.

One way to measure the rehabilitative impact of these work assignments is to measure how long an offender remains in a single work assignment, given that research indicates a minimum of 90 days in a single assignment is required to maximize skill development.

In the past year, 9,369 offenders stayed in a single work assignment within CORCAN and CSC over 90 days. This represents 71% of the total offender population within institutions.

Ensuring that offenders acquire third-party certification recognized "on the outside" by potential employers is crucial to ensuring that they will succeed in finding and keeping work once they leave. Working in partnership with local community colleges and industrial organizations, CORCAN offers a wide range of certification programs including basic food safe, WHMIS, safe start pre-employment, first aid, construction safety and recognition, National Employability Skills Program to culinary arts, horticulture, forklift operation, welding and construction framing.

In 2008-09, CORCAN continued to emphasize the importance of short-term, third-party certified vocational training in order to better prepare offenders for employment. During 2008-2009, 7,683 certificates were earned by male offenders, (6,012 certificates by non-Aboriginal and 1,671 by Aboriginal offenders). A further 620 certificates were earned by women offenders (424 by non-Aboriginal offenders and 196 by Aboriginal offenders). A total of 8,303 certificates were earned and this represents a 100% increase since 2004. Certificates earned in 2008-09 included, but were not limited to, basic food

safety, workplace hazardous materials, information systems, safe start pre-employment, first aid, construction skills, forest fire fighting, and construction safety.

In addition, as part of the Transformation Agenda during 2008- 2009, 286 offenders in 3 regions participated in pilot projects which included, Core Construction Training, Framing, Construction Worker, Welding, Housing Quality, and Construction Techniques. The focus of the pilots has been on preparing offenders for job opportunities related to core skills and pre-apprenticeship training related to job-level entry positions that are linked to the labour market. The preliminary results of these pilots are positive: 252 of the 286 completed the training and 122 have been released into the community, with only 3 offenders returning to the institutions. Moreover, partnerships were developed with Indian and Northern Affairs (INAC) Canada Mortgage and Housing , Federation of Saskatchewan Indian Nations, The Saskatchewan Research Council, The Prince Albert Grand Council and the Saskatchewan Institute of Applied Science and Technology and The Lac La Ronge Indian Band in order to construct a unique ready-to-move house on penitentiary grounds.

RE-JOINING THE WORLD OF WORK

Getting training and certification and gaining work experience “inside” is the first important step to safely rejoining the community once an offender leaves penitentiary. Finding and keeping a job in the community is the next hurdle an offender faces.

CORCAN's network of 54 Community Employment Co-ordinators across the country are there to help offenders just out of prison to prepare their resumes, practice their interview skills and hook up with employers in a wide range of industrial sectors. Other services include coaching, job search techniques and intake and strategy planning.

A recent evaluation the Community Employment Program conducted by The Evaluation Branch concluded that Community Employment Co-ordinators provide important services to meet offenders' needs.

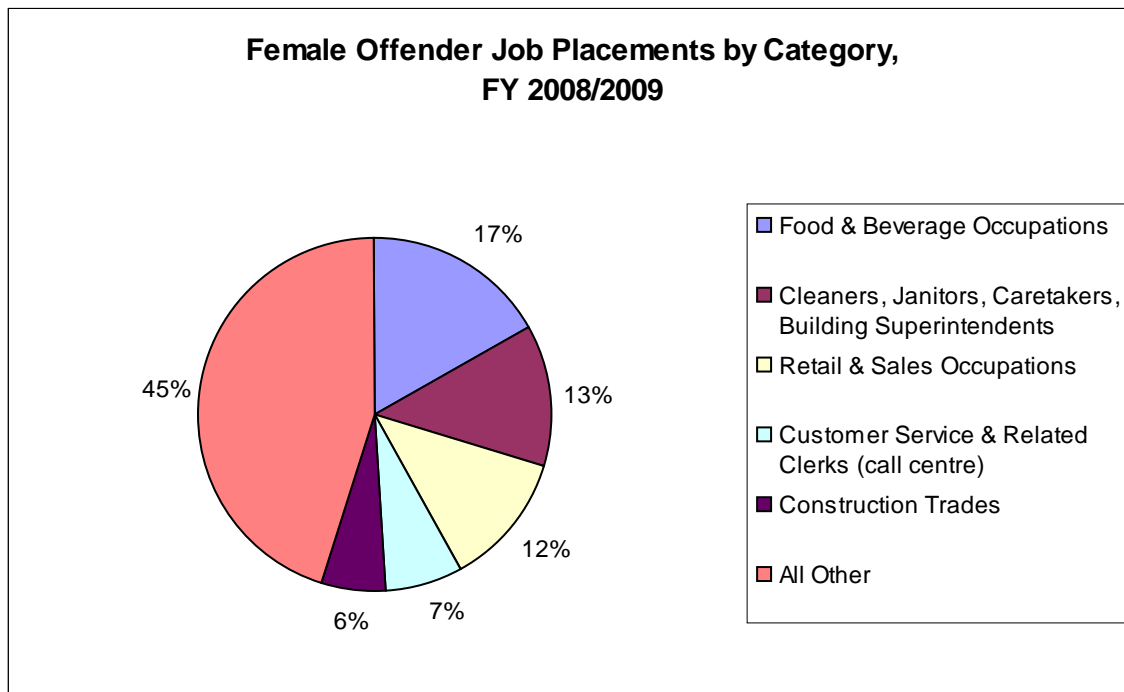
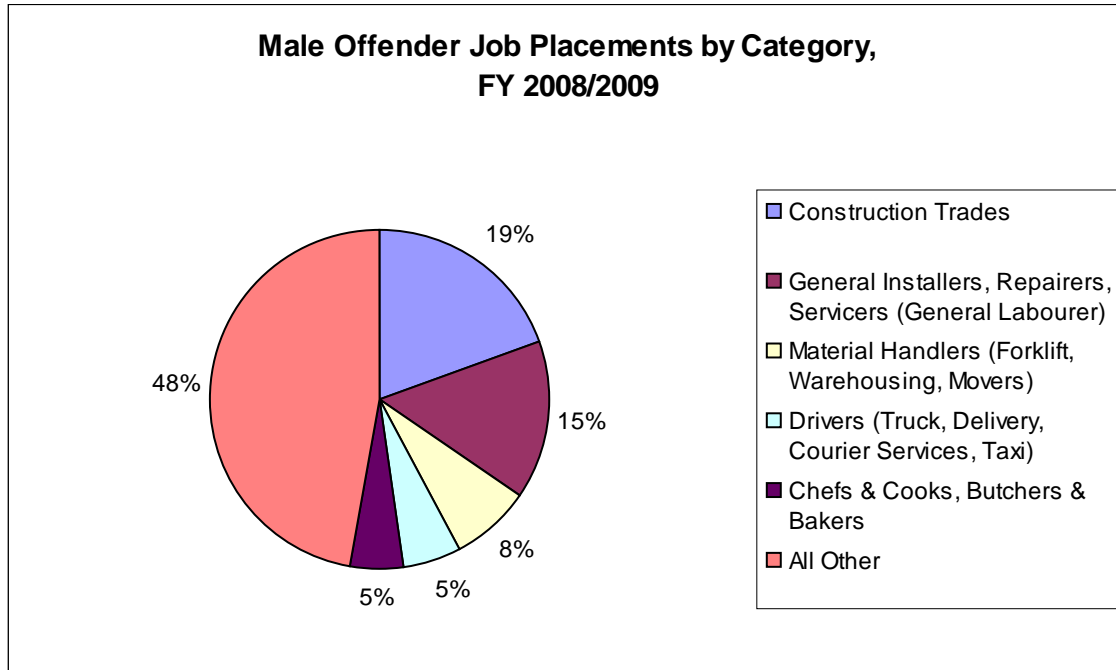
- Offenders self-esteem and confidence to obtain employment improved;
- CEC participants (e.g. those receiving services) were more likely to obtain employment and be more satisfied with their employment;
- Participants were able to utilize more methods to search for employment; and,
- Overall Participants who received services were significantly (13%) less likely to be readmitted, for both technical violations and new offences, results strongest for offenders with high employment needs.

Community Employment Results

In 2008-2009 CORCAN provided services to **3,100 offenders**: of these, 12.5% were on day parole, and close to 50% were offenders who had served the full required length of their sentence and were released on statutory release. Close to half of these offenders were placed in jobs for the first time and just over a thousand subsequent job placements **were completed** at an estimated cost of **\$826** per offender (incarcerating an individual for a year is prison costs approximately \$102,000 and supervising an individual in the community for a year costs \$25,000).

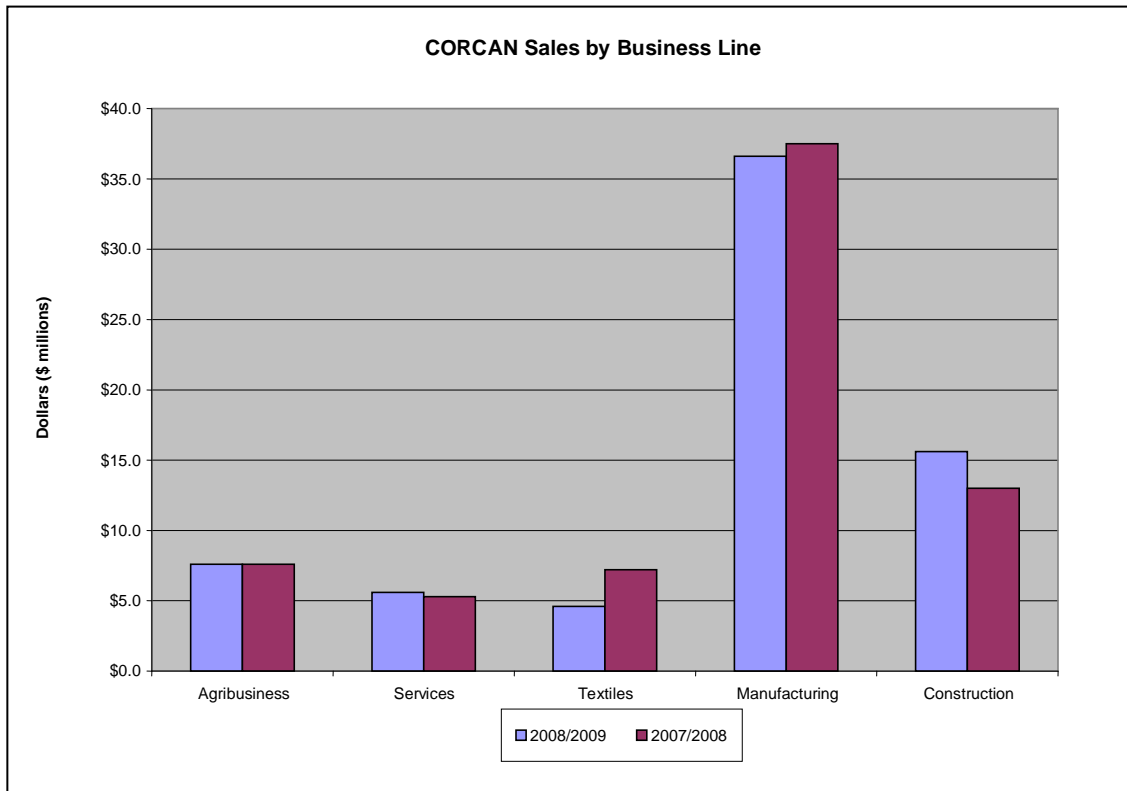
The top jobs for male offenders were in construction and related fields such as general installers, general labour and repair. Other job categories included materials handling, movers, forklift operator, warehousing, drivers, chefs, cooks butchers and bakers.

For women offenders, food and beverage services accounted for the largest proportion of job placements followed by cleaners and janitors, retail and sales and customer service jobs.



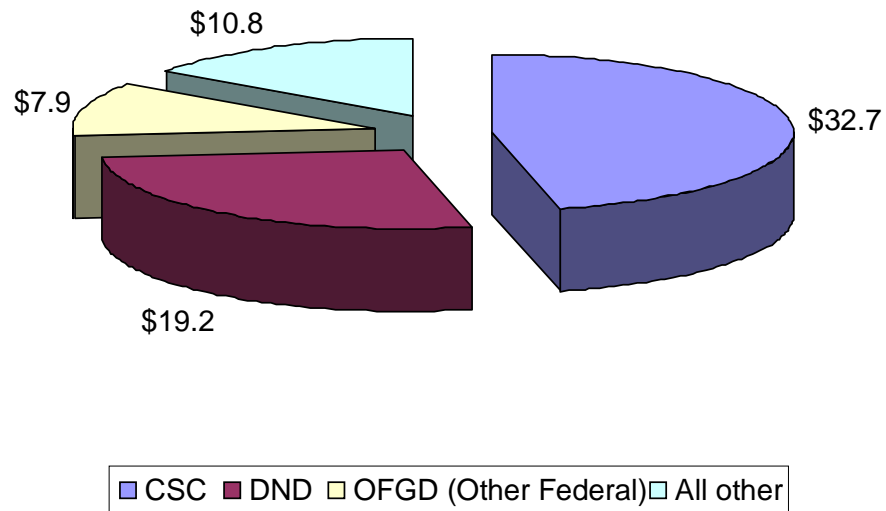
Business Results

CORCAN generated \$70 million in revenues from selling the products and services our offenders produce to other federal government departments. This resulted in 2.8 million hours of training and employment for offenders working in CORCAN production shops.

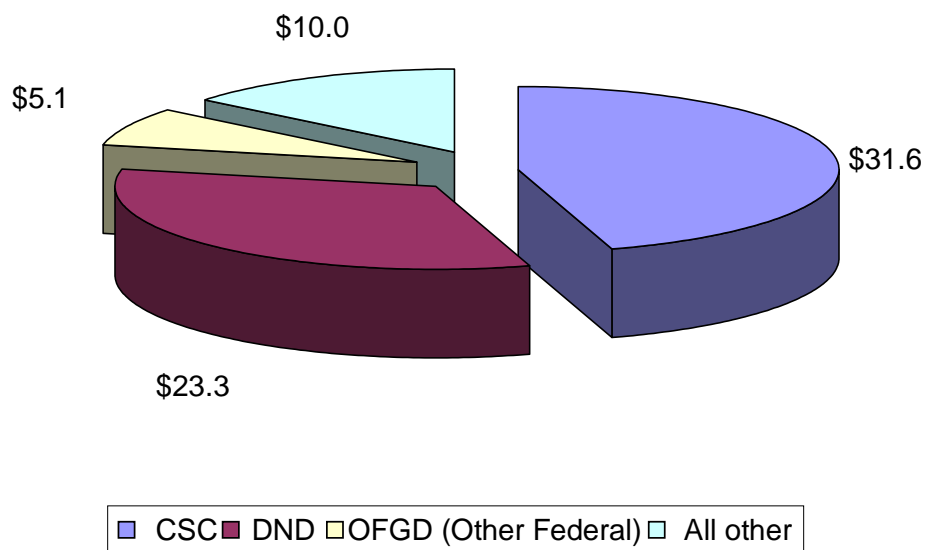


During the year, we implemented a sales and marketing strategy focussed on the Correctional Service of Canada and the Department of National Defence. Enhanced products and services were developed and improved marketing materials, including a new web-based catalogue, were launched. The strategy resulted in significant sales growth to both target departments. Sales growth to other federal government departments has been slower than anticipated and we are assessing the reasons for this as we plan for next year.

2007-2008 Total CORCAN Revenue by Customer (\$ Millions)

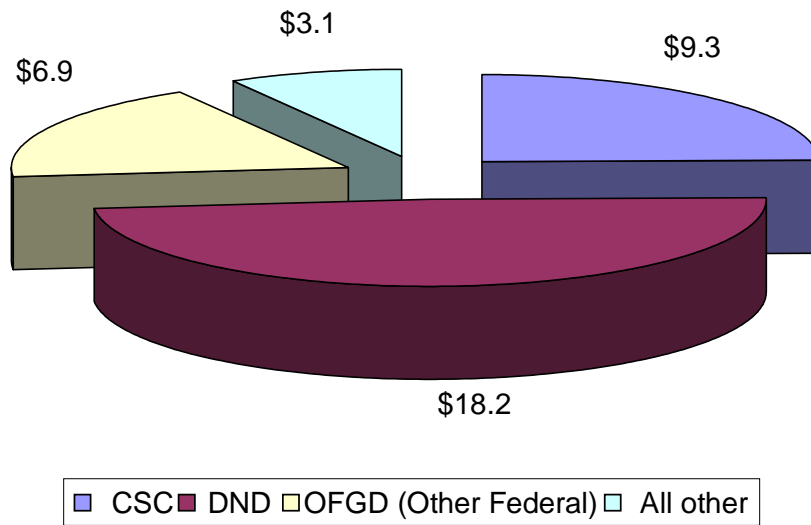


2008-2009 Total CORCAN Revenues by Customer (\$ Millions)

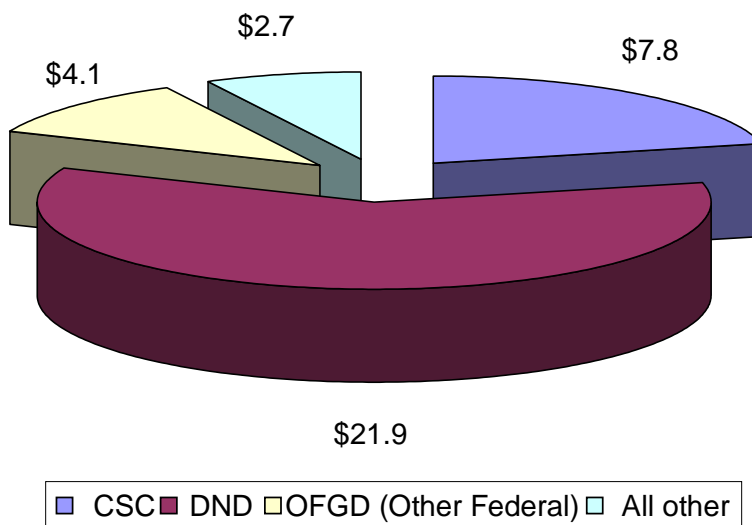


CORCAN's manufacturing business – composed of office and dormitory furniture and systems -- generates the largest revenue of any of our business lines, but also has the highest infrastructure cost. This means that a robust manufacturing business remains a key to our success. Total manufacturing sales volume levelled off last year at \$36.5 million, but CORCAN is well positioned with the right products and a strengthening reputation for quality and delivery performance to deliver higher sales volumes in the coming year.

2007/2008 CORCAN Manufacturing Revenues (\$ Millions)



2008/2009 CORCAN Manufacturing Revenues (\$ Millions)



Typically, annual textiles sales to CSC have stood at \$3.5 million: 2007-2008 sales were significantly higher and represented a one-time non-repeating purchase. Textiles sales to DND continue to grow, with volumes almost doubling to \$900,000 in 2008-2009.

CSC is our primary client for Construction services, with volumes highly dependant on the nature and scope of the projects available. The significant year over year increase noted reflects the unpredictability of this business for CORCAN.

Our service businesses, primarily laundry and file folder production, continue to show small year-over-year gains.

Agribusiness revenues remained unchanged year over year. The announcement of the closure of our six farming operations will result in significant changes over the two-year wind-down period.

ADVISORY BOARD

Third party examination and endorsement of what we do at CORCAN are powerful ways to gain understanding and support in the community. When citizens understand better what we do at the Correctional Service of Canada, we make it easier for offenders to successfully reintegrate into society and the labour force.

The Minister of Public Safety appoints an Advisory Board for CORCAN comprised of prominent citizens from a variety of sectors. This could include representatives from all levels of government, business, labour, and non-profit organizations. In addition to providing strategic and operational advice, their role is to assist CORCAN in building a positive public image and in representing CORCAN to labour and business organizations.

Current members of the CORCAN Advisory Board are:

MARC BROOKS

Marc Brooks

Director General of Community Development

Department of Indian Affairs and Northern Development.

BERNARD CORMIER

Bernard Cormier

Partner, The Bedford Consulting Group

ERIC CROWELL

Eric Crowell

Director, Saint Mary's University Business Development Centre

PATRICK J. DILLON

Patrick J. Dillon

Business Manager and Secretary Treasurer of the Provincial Building and Construction Trades Council of Ontario.

SERGE DOUCET

Serge Doucet

Executive Director of Enterprise South East, Shediac, New Brunswick

CRAIG R. HILL

Partner and Head of the Commercial Real Estate Practice Group

Burnet Duckworth and Palmer, Calgary, Alberta

PETER JOHN LAWLOR
Dean of the School of Applied Building Science
Northern Alberta Institute of Technology (NAIT)

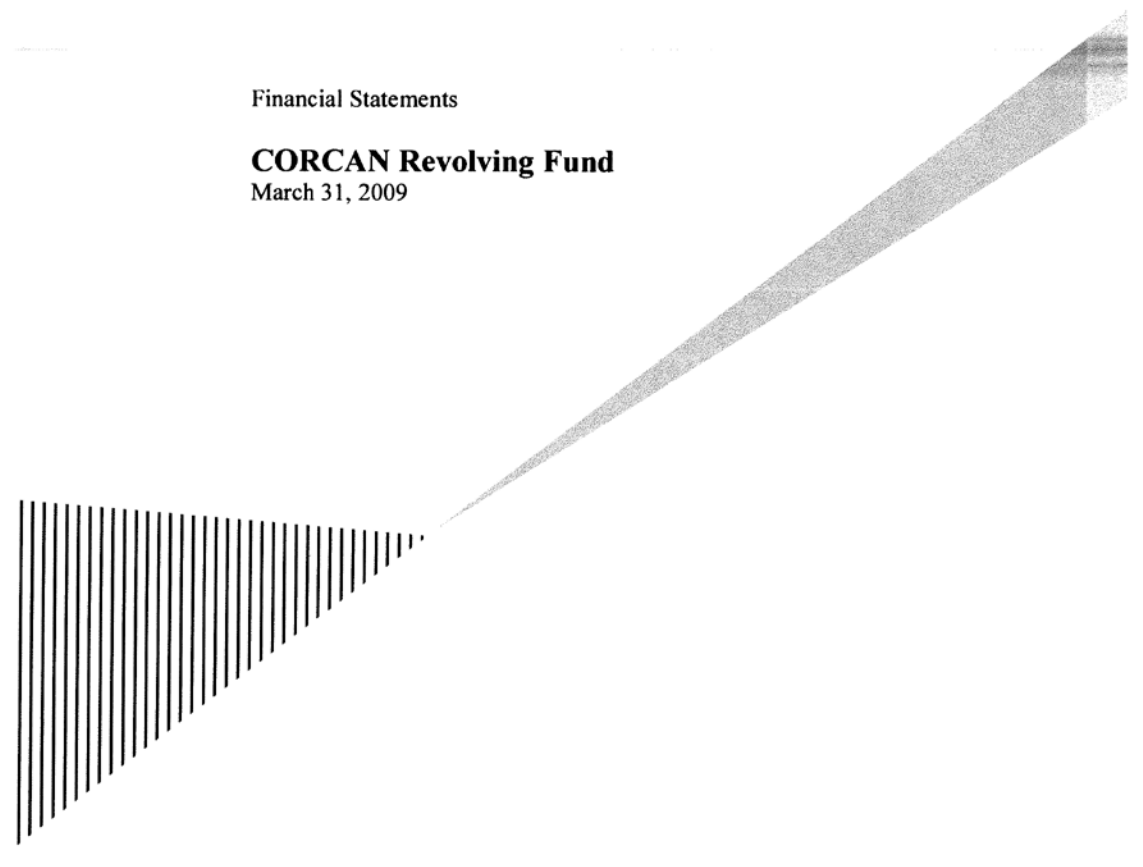
CHARLES LEBORGNE
Director General and Commissioner for Economic Development
The Lower Laurentians, Quebec

MR. KELLY LENDSAY
President of the Aboriginal Human Resources Council of Canada

PAUL VERHESEN
Paul Verhesen
President of Clark Builders, Edmonton, Alberta

MEL ZAJAC
Chairman, The Zajac Foundation, Vancouver, B.C.

FINANCIAL STATEMENTS



Financial Statements

CORCAN Revolving Fund
March 31, 2009

AUDITORS' REPORT

To the Commissioner of Correctional Service Canada

We have audited the statement of financial position of **CORCAN Revolving Fund** as at March 31, 2009 and the statements of operations and net assets, and cash flows for the year then ended. These financial statements have been prepared to comply with Section 6.4 of the Treasury Board of Canada's policy on special revenue spending authorities. These financial statements are the responsibility of **CORCAN Revolving Fund's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of **CORCAN Revolving Fund** as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting as described in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the management of the **CORCAN Revolving Fund** and the Treasury Board. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Ottawa, Canada,
May 22, 2009.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

 **ERNST & YOUNG**

A member firm of Ernst & Young Global Limited

Financial Statements

CORCAN Revolving Fund

March 31, 2009

CORCAN Revolving Fund

STATEMENT OF FINANCIAL POSITION

As at March 31
[in thousands of dollars]

	2009	2008
	\$	\$
ASSETS		
Current		
Accounts receivable <i>[note 4]</i>	4,451	4,727
Inventories <i>[note 5]</i>	11,892	9,670
Other	235	5
	16,578	14,402
Capital assets <i>[note 6]</i>	13,167	11,978
	29,745	26,380
LIABILITIES AND NET ASSETS		
Current		
Accounts payable <i>[note 7]</i>	9,662	10,778
Deferred revenue	900	334
Vacation pay and salary accrual	4,009	2,978
	14,571	14,090
Long-term		
Employee termination benefits <i>[note 8]</i>	6,407	5,246
Commitments and contingencies <i>[notes 9 and 13]</i>		
Net assets <i>[note 10]</i>	8,767	7,044
	29,745	26,380

The accompanying notes are an integral part of the financial statements

CORCAN Revolving Fund

STATEMENT OF OPERATIONS AND NET ASSETS

Year ended March 31
[in thousands of dollars]

	2009	2008
	\$	\$
Revenues <i>[note 11]</i>	69,957	70,588
Cost of goods sold <i>[note 11]</i>	76,494	75,587
	(6,537)	(4,999)
OTHER REVENUES		
Training and correctional fees <i>[note 3]</i>	24,203	23,308
Miscellaneous	348	459
	24,551	23,767
EXPENSES <i>[note 12]</i>		
National/regional headquarters	11,739	9,218
Employment and employability programs	5,818	3,561
Selling and marketing	2,900	2,693
	20,457	15,472
Net results	(2,443)	3,296
Net assets, beginning of year	7,044	8,293
Net financial resources used (provided) and change in the ANCAFA account during the year	4,166	(4,545)
Net assets, end of year <i>[note 10]</i>	8,767	7,044

The accompanying notes are an integral part of the financial statements

CORCAN Revolving Fund

STATEMENT OF CASH FLOWS

Year ended March 31
[in thousands of dollars]

	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Net results	(2,443)	3,296
Adjustments for non-cash items:		
Termination benefits expense	1,621	681
Amortization	1,965	1,669
Loss (gain) on disposal of capital assets	(26)	145
Other	-	183
	<u>1,117</u>	<u>5,974</u>
Changes in non-cash working capital:		
Accounts receivable	276	498
Inventories	(2,222)	(455)
Other	(230)	176
Employee termination benefits	(460)	(580)
Accounts payable	(1,116)	2,302
Deferred revenue	566	(393)
Vacation pay and salary accrual	1,031	531
Net financial resources provided by operating activities	<u>(1,038)</u>	<u>8,053</u>
INVESTING ACTIVITIES		
Capital asset acquisitions	(3,168)	(3,557)
Proceeds on disposal of capital assets	40	49
Net financial resources used in investing activities	<u>(3,128)</u>	<u>(3,508)</u>
Net financial resources provided (used) and change in accumulated net charge against the Fund's authority	(4,166)	4,545
Accumulated net charge against the Fund's authority, beginning of year	<u>18,925</u>	<u>14,380</u>
Accumulated net charge against the Fund's authority, end of year	<u>14,759</u>	<u>18,925</u>

The accompanying notes are an integral part of the financial statements

CORCAN Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

1. AUTHORITY AND PURPOSE

CORCAN Revolving Fund is a special operating agency within Correctional Service Canada financed by way of a Revolving Fund. The CORCAN Revolving Fund ["CORCAN" or "the Fund"] was established under Appropriation Act No. 4, 1991-92, which authorized the operation of the Fund effective April 1, 1992 in accordance with terms and conditions prescribed by Treasury Board. CORCAN Revolving Fund's purpose is to aid in the safe reintegration of offenders into Canadian society by providing employment and training opportunities to offenders incarcerated in federal penitentiaries and, for brief periods of time, after they are released into the community. The Fund has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital acquisitions and temporary financing of accumulated operating deficits, the total of which is not to exceed \$5,000,000 at any time. An amount of \$15,218,000 representing net assets assumed by the Fund was charged to this authority when the Fund became operative on April 1, 1992. The Fund is a non-taxable entity.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the Treasury Board of Canada reporting requirements for revolving funds prescribed by the Receiver General for Canada. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles as follows:

Employee's vacation pay liability is based on management's estimates of the liability. Termination benefits liability is based on valuations provided by Treasury Board to management;

Funding for capital assets received from Treasury Board at inception of the Fund is recorded as contributed capital and not as a reduction of the cost of capital assets.

Recognition of revenue and expense

Except as noted below, the Fund recognizes revenue when persuasive evidence of a final agreement exists, delivery has occurred and services have been rendered, the selling price is fixed or determinable and collectibility is reasonably assured.

Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues. Revenues that have been received but not yet earned are recorded as deferred revenues.

CORCAN Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

For construction contracts, the percentage of completion method of accounting is used. Degree of completion is determined by comparing direct costs incurred to date to the total direct costs anticipated for the entire contract. The effect of changes to the total estimated income for each contract is recognized in the period in which the determination is made and losses, if any, are recognized fully when anticipated.

Expenses are recorded in the period they are incurred. Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

Net cash provided by government

CORCAN operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by CORCAN is deposited to the CRF and all cash disbursements made by CORCAN 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 federal government.

Accounts receivable

Accounts receivables are stated at amounts expected to be ultimately realized; an allowance is made for receivables where recovery is considered uncertain.

Inventories

Raw materials, finished goods, work in progress and agribusiness inventories are valued at the lower of cost and net realizable value. The Fund makes provisions for excess and obsolete inventory on a site by site basis.

Capital assets

Capital assets with an initial cost of \$10,000 or greater are recorded at cost and are amortized on a straight-line basis over their estimated useful lives commencing on the month after they are put in service, as follows:

Equipment	10 years
Office furniture and equipment	10 years
Leasehold improvement	Term of the lease
Vehicle fleet	5 years
Computer equipment	3 years

CORCAN Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

Pension plan

Employees of the Fund are covered by the *Public Service Retirement Pension Plan* (the Plan) administered by the Government of Canada. Under present legislation, contributions made by Fund to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Fund and are charged to operations on a current basis. The Fund 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 the indexation of payments under the *Supplementary Retirement Benefits Act*.

Employee termination benefits

Employees of CORCAN Revolving Fund are entitled to termination benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee termination benefits for the government as a whole.

Sick leave

Employees are permitted to accumulate unused sick leave. However, such leave entitlements may only be used in the event of an illness. As per current government practice, unused sick leave upon employee termination is not payable to the employee. Accordingly, no amount has been accrued in these financial statements.

Financial instruments

The fair value of the financial instruments approximates costs unless otherwise specified. The Fund's financial instruments consist of accounts receivable, accounts payable and employee termination benefits. It is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments.

CORCAN Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

Measurement uncertainty

The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector 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 used to be reasonable. The most significant items where estimates are used are the liability for employee termination benefits and the useful lives of 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. RELATED PARTY TRANSACTIONS

CORCAN is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. CORCAN enters into transactions with these entities in the normal course of business and on normal trade terms.

During the year, Correctional Service Canada, the parent organization of CORCAN, has provided and is to continue to provide CORCAN Revolving Fund with the use of existing infrastructure including buildings, shops and farms as well as maintenance of said facilities and human resource services. The cost of these services is not included as an expense in CORCAN's Statement of Operations and Net Assets.

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll, cheque issuance services and legal services provided by Public Works, Government Services Canada and Justice Canada, are not included as an expense in the CORCAN's Statement of Operations and Net Assets.

CORCAN Revolving Fund entered into the following transactions with the Correctional Service Canada ["CSC"] and all other government departments:

	2009	2008
	<i>[in thousands of dollars]</i>	
Correctional Service Canada		
Trade revenues	23,061	26,523
Training, correctional and other fees	24,203	23,308
Other Government Departments		
Trade revenues	38,740	34,134
	86,004	83,965

CORCAN Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

4. ACCOUNTS RECEIVABLE

	2009	2008
	<i>[in thousands of dollars]</i>	
Government of Canada	2,273	2,381
Outside parties	2,453	2,687
	4,726	5,068
Allowance for doubtful accounts	(275)	(341)
	4,451	4,727

5. INVENTORIES

Inventories consist of the following:

	2009	2008
	<i>[in thousands of dollars]</i>	
Raw materials	5,349	4,857
Work-in-progress	517	435
Finished goods	6,184	4,040
Agribusiness inventory	767	995
	12,817	10,327
Provision for obsolete inventory	(925)	(657)
	11,892	9,670

CORCAN Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

6. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

Capital assets consist of the following:

	Cost			
	Opening Balance	Acquisitions	Disposal and Write-offs	Closing Balance
	[in thousands of dollars]			
Equipment	28,233	2,717	402	30,548
Leasehold Improvement	1,412			1,412
Vehicle fleet	2,073	428	37	2,464
Other	39	23		62
	31,757	3,168	439	34,486

	Accumulated Amortization			
	Opening Balance	Acquisitions	Disposal and Write-offs	Closing Balance
	[in thousands of dollars]			
Equipment	18,607	1,489	388	19,708
Leasehold Improvement	200	142		342
Vehicle fleet	948	321	37	1,232
Other	24	13		37
	19,779	1,965	425	21,319

	2009 Net book value	2008 Net book value
	[in thousands of dollars]	
Equipment	10,840	9,626
Leasehold Improvement	1,070	1,212
Vehicle fleet	1,232	1,125
Other	25	15
	13,167	11,978

The amortization expense for the year was \$1,965,000 [2008 – \$1,669,000].

CORCAN Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

7. ACCOUNTS PAYABLE

	2009	2008
	<i>[in thousands of dollars]</i>	
Government of Canada	1,339	902
Outside parties	8,323	9,876
	9,662	10,778

8. EMPLOYEE FUTURE BENEFITS

Pension benefits: CORCAN's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and CORCAN contribute to the cost of the Plan. The 2008-2009 expense amounts to \$3,925,000 (\$3,619,000 in 2007-2008), which represents approximately 2.6 times the contributions by employees.

CORCAN'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.

Information about the termination benefits, measured as at March 31, is as follows:

	2009	2008
	<i>[in thousands of dollars]</i>	
Accrued benefit obligation, beginning of the year	5,246	5,145
Expense for the year	1,621	681
Benefits paid during the year	(460)	(580)
Accrued benefit obligation, end of the year	6,407	5,246

CORCAN Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

9. COMMITMENTS

The nature of CORCAN's activities can result in some multi-year contracts and obligations whereby CORCAN will be obligated to make future payments when the services/goods are received. CORCAN Revolving Fund is committed under the terms of various lease agreements including an amount of \$8,411,000 relating to the Kingston warehouse. The lease was entered into in September 2006 and expires in August 2016.

Significant contractual obligations that can be reasonably estimated are summarized as follows:

	<i>[in thousands of dollars]</i>
2010	1,279
2011	1,282
2012	1,278
2013	1,260
2014 and thereafter	3,950
	<u>9,049</u>

10. NET ASSETS

The net assets consist of the following:

	2009	2008
	<i>[in thousands of dollars]</i>	
Contributed capital	30,542	30,542
Accumulated net charge against the Fund's authority	(14,759)	(18,925)
Accumulated deficit	(7,016)	(4,573)
Net assets, end of year	8,767	7,044

Contributed capital represents the value of capital assets financed from contributed capital at the inception of the Fund.

Accumulated net charge against the Fund's authority ("ANCAFA") represents the amount of the Fund's non-lapsing authority that has been used (provided) since inception of the Fund.

The accumulated deficit is an accumulation of each year's surpluses (losses).

CORCAN Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

11. REVENUES AND COST OF GOODS SOLD

Year ended March 31, 2009

	Revenues	Cost of Goods Sold	Gross Margin
	<i>[in thousands of dollars]</i>		
Agribusiness and forestry	7,600	10,968	(3,368)
Services	5,553	5,838	(285)
Textile	4,633	4,863	(230)
Manufacturing	36,538	38,389	(1,851)
Construction	15,633	16,436	(803)
	69,957	76,494	(6,537)

Year ended March 31, 2008

	Revenues	Cost of Goods Sold	Gross Margin
	<i>[in thousands of dollars]</i>		
Agribusiness and forestry	7,534	11,647	(4,113)
Services	5,312	5,524	(212)
Textile	7,203	6,939	264
Manufacturing	37,524	38,275	(751)
Construction	13,015	13,202	(187)
	70,588	75,587	(4,999)

12. EXPENSES

The following table presents details of expenses by category:

	2009	2008
	<i>[in thousands of dollars]</i>	
Salaries and employee benefits	12,462	9,268
Transportation and communication	1,118	886
Information	113	104
Professional and special services	4,670	3,653
Rentals	1,152	877
Purchased repair and maintenance	83	63
Utilities, materials and supplies	624	347
Other expenditures	235	274
	20,457	15,472

CORCAN Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

13. CONTINGENCIES

In the normal course of operations, CORCAN Revolving Fund becomes involved in various claims and legal proceedings. It is the opinion of management that no claims exist at March 31, 2009.