Annual Report 2008-2009

CANADA ACCOUNT

Canada

EDC

CANADA ACCOUNT ANNUAL REPORT

FOR THE GOVERNMENT OF CANADA YEAR ENDING MARCH 31, 2009

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Overview

Under Canada Account, the Government of Canada (the “Government” or the “Crown”) is able to authorize support for transactions which, on the basis of Export Development Canada’s (“EDC” or the “Corporation”) risk management practices, would not be supported under EDC’s Corporate Account and are in the national interest. Canada Account transactions are assessed, entered into and managed by EDC, and the Government effectively assumes the associated financial risks by providing all monies required for any transaction from the Consolidated Revenue Fund (“CRF”). Canada Account consists of transactions or classes of transactions undertaken by EDC pursuant to Section 23 of the *Export Development Act* (the “Act”). Such transactions can and do include business in all of EDC’s product categories (financing, accounts receivable insurance, contract insurance and bonding, and political risk insurance) except equity. Such transactions cannot include any business that cannot be undertaken by EDC pursuant to Section 10 of the Act. As with other EDC support, interest and fees on loans (which are fully repayable), insurance premiums and fees, as the case may be apply to Canada Account transactions.

Authority

Pursuant to Section 23 of the Act, the Minister for International Trade (the “Minister”), with the concurrence of the Minister of Finance may authorize EDC to undertake certain financial and contingent liability transactions. Transactions exceeding $50.0 million or those of a sensitive nature are first referred to Cabinet for an approval-in-principle.

Section 24(1) of the Act allows Canada Account to have outstanding commitments to borrowers, the principal amount of obligations owed to the Corporation and contingent liabilities under contracts of insurance and other arrangements up to an aggregate of $20.0 billion. (See Management’s Discussion and Analysis, Position Against Statutory Limit.) This limit was increased from $13.0 billion, pursuant to the *Budget Implementation Act, 2009*. All monies required by the Corporation to discharge its obligations under Canada Account are paid to the Corporation by the Minister of Finance, out of the CRF. Such monies are accounted for separately and do not impinge on the Corporation’s borrowing limits.

Risk Management

EDC provides financial services that allow Canadian exporters and investors to manage the risks they face while doing business internationally. In doing so, EDC does assume risks and must prudently manage these risks to ensure its long-term financial viability. In a transaction in which one or more of these risks (including country risk, credit risk, interest rate risk or the size of the transaction) are considered beyond the risk capacity of the Corporation and inconsistent with ensuring its long-term financial viability, the Government may authorize EDC to undertake the transaction and effectively assume those risks itself provided that the transaction is in the national interest of Canada. In considering its authorization the Government relies on EDC’s risk assessment of the transaction. Funds for Canada Account transactions come from the CRF. For each transaction, the Government sets aside an allowance for potential losses in the fiscal framework. Allowances are adjusted by the Government annually for all financial exposures based on the risks associated with the transaction (country, credit rating, value of collateral, etc.) In accordance with the Government's accounting policies, the value of loans, investments and advances made under Canada Account are adjusted in its financial statements by means of a valuation allowance to approximate their net realizable value.

Management

The Corporation is responsible for the assessment, negotiation, documentation, management and administration of all Canada Account transactions.

At the initial stages of a transaction that is a candidate for Canada Account support, EDC seeks Ministers' approval in principle. Such approval allows the Corporation to indicate possible support to a company conditional on final approval of the Government. In the late stage, when the funding and the parameters of a transaction have been established, EDC seeks Ministerial Authorization to make a firm offer and/or to enter into an agreement.

EDC has the responsibility to provide information and advice on all Canada Account transactions. Upon receipt of a Ministerial Authorization for a transaction, EDC is responsible for coordinating and administering transactions, which includes the execution of legal documents, requesting and disbursement of funds and management of the repayment flows. EDC is required to maintain separate accounts for all disbursements, receipts and recoveries. All such receipts and recoveries are to be remitted to the CRF. However under the Act, the Minister of Finance may authorize EDC to retain certain amounts from receipts and recoveries to meet expenses and overhead related to these transactions (see Note 5). The Minister, with the concurrence of the Minister of Finance, may also authorize EDC to take certain actions necessary or desirable for the management of assets and liabilities arising out of transactions.

EDC has entered into a Memorandum of Understanding with the Department of Foreign Affairs and International Trade which provides the mechanism whereby funding requests are made by EDC to the Government and remittances are made by EDC to the Government.

Eligibility

Canada Account transactions, similar to EDC's Corporate Account business, must meet EDC's mandate to support and develop, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities. Under Canada Account, the Government of Canada is able to support transactions which would not be supported under EDC's Corporate Account for risk- or size-related reasons.

In the *Budget Implementation Act, 2009*, EDC was provided with a two-year temporary expansion of its mandate to include the support and development of domestic trade and Canadian capacity to engage in that trade and to respond to domestic business opportunities. Transactions related to this expanded mandate can also be considered under Canada Account if they exceed the risk capacity of EDC.

A transaction will first be considered and rejected by EDC under its Corporate Account prior to it being referred to the Minister for International Trade for consideration under Canada Account. However, the Government can also request that EDC manage a transaction under Canada Account as was the case for the support provided to the automotive sector in 2008/2009.

In addition to falling within EDC's expanded mandate, the eligibility considerations applied to transactions considered under Canada Account include:

- EDC's customary lending or insurance criteria (Canadian benefits, financial and technical capability of the exporter, technical and commercial viability of the project, creditworthiness of the borrower);
- The Government's general willingness to consider the country risk in question and the creditworthiness of borrowers; and
- National interest considerations such as:
  - economic benefits and costs to Canada, including the employment and revenues generated or sustained by the transaction;
  - importance of the export market to Canada; and
  - foreign policy implications, including Canada's bilateral relationship with the country in question.

Similar to all of EDC's services, services under Canada Account are provided on a user-pay basis. Exporters pay premiums for insurance coverage and there are fees associated with Canada Account financing and guarantees. Loans are extended on terms that are fully repayable with interest, with some exceptions relating to concessional financing.

Policy on Concessional Finance

It is the policy of the Government that concessional financing (interest-free or low-interest rates and/or extended repayment-term financing), which in the past has been provided under Canada Account to match such financing available from other countries, no longer is to be provided. Nevertheless, Canada retains the right to offer matching terms within the parameters agreed upon in the Organization for Economic Co-operation and Development (OECD) "Arrangement on Guidelines for Officially Supported Export Credits", to ensure, where appropriate, that Canadian companies are not competitively disadvantaged by offers of such terms by other countries.

Disclosure

Information on current transactions is posted on EDC's website (www.edc.ca/disclosure) in accordance with the Corporation's Disclosure Policy.

Fiscal Year

All data contained in this report is presented on the basis of the Government's fiscal year which ends on March 31 and will therefore not directly compare to EDC's Annual Report, Corporate Plan and other corporate documents, which are prepared on a calendar-year basis.

Management's Discussion and Analysis

Highlights

The following are highlights of Canada Account activity during the fiscal year 2008/2009:

- In the *Budget Implementation Act, 2009*, the Government of Canada broadened EDC's mandate for a temporary two-year term to enable EDC to support financing and insurance in the domestic market. In addition, the Government of Canada increased the limit for Canada Account from $13 billion to $20 billion to increase the capacity of the Government to assist Canadian businesses during the current financial and economic crisis.

- There were authorizations for six new transactions this year. This increase in transactions reflects the tightening of the credit markets and the global economic crisis.

- One of the transactions was in support of the construction and sale of five vessels for two foreign buyers by Davie Yards, Inc. This transaction was partially disbursed by March 31, 2009.

- Two of the new transactions were in support of the restructuring and renewal of the automotive industry in Canada. On December 20, 2008, Prime Minister Harper and Premier McGuinty announced that Canada and Ontario would provide General Motors of Canada and Chrysler Canada with up to $4 billion in short-term repayable loans. One-third of the support would be provided by Ontario and two thirds by Canada, via Canada Account. The total financing support provided was equivalent to 20% of the overall assistance provided by the Government of the United States to the two companies at that time. Subsequent to the initial announcement, additional support was approved to maintain the proportion of the U.S. government's increased support to the companies. By March 31, 2009, EDC had signed a loan agreement with and disbursed $250 million of a $1.0 billion loan to Chrysler Canada Inc. on behalf of the Government of Canada. Subsequent to the year end, additional loan agreements for support to General Motors and Chrysler were provided (this includes the $4 billion in short-term loans announced in December 2008). Financing support for the Canadian Warranty Commitment Program was approved but subsequently terminated when the two auto companies emerged from bankruptcy protection and EDC was authorized to provide up to $700 million of accounts receivable insurance coverage under Canada Account to suppliers of the Detroit-3 (General Motors, Chrysler and Ford).

- Remittances in principal, interest, lease revenue, claims recovered and fees, net of expenses, totaling $283 million were made to the CRF by EDC.

- Canada Account exposure increased by $1,339 million from 2007/2008 due to new commitments totaling $1,023 million and $622 million due to the impact of foreign exchange translation. This was partially offset by repayments totaling $306 million.

Position Against Statutory Limit

Section 24 of the Act allows Canada Account to have outstanding loan commitments to borrowers, principal amount of obligations owed to the Corporation and contingent liabilities under contracts of insurance and other arrangements up to an aggregate of $20 billion (March 2008 - $13 billion). The position against this limit at March 31, 2009 was $4,686 million (March 2008 - $3,347 million). Details of this position are as follows:

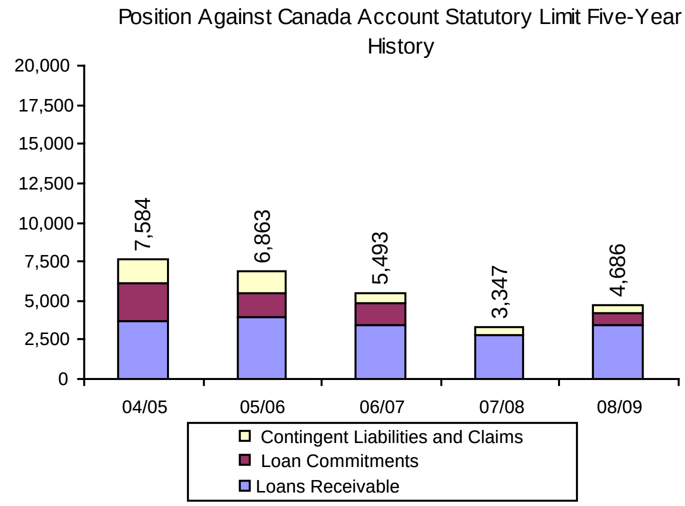
($ in millions)	**March 31, 2009**	March 31, 2008
Loans Receivable		
Concessional	**925**	787
Non-concessional	**2,534**	2,058
	3,459	2,845
Loan Commitments		
Concessional	**1**	2
Non-concessional *	**756**	-
	757	2
Contingent Liabilities and Claims		
Loan guarantees	**448**	468
Insurance	**-**	-
Outstanding claims	**22**	32
	470	500
Position Against Statutory Limit	**$4,686**	$3,347
Indemnity agreement**	**(88)**	(74)
Equipment available for lease***	**82**	86
Total Commitments and Approvals	**$4,680**	$3,359

**A $750 million undisbursed commitment is in place with Chrysler.*
*** Third-party guarantees in favour of the Government.*
****Net book value of aircraft returned because of default under the related obligors' loan agreement.*

Related to the above position against the statutory limit at March 31, 2009, there were three Ministerial Authorizations in place for potential new transactions totaling $3,378 million (March 2008 - nil) which includes a $3 billion commitment (not included above) to be put in place with General Motors of Canada to support them in their restructuring. In accordance with the Act, transactions related to a Ministerial Authorization will count against the statutory limit once binding commitments are in place and have been accepted.

Five-Year Summary

From 2004/2005 to 2007/2008, the position against the statutory limit was on a downward trend reflecting normal repayments, minimal disbursements and the cancellation of a loan commitment that was no longer required under the related commercial contract. In 2008/2009, the position increased primarily due to a large commitment with Chrysler in support of the restructuring and renewal of the auto industry.



Concentration of Exposure

The following table reflects the major concentrations of commercial and sovereign exposures in the country where the risk resided at March 31, 2009.

($ in millions)	Concessional		Non-Concessional		Contingent Liabilities & Claims			
Country	Loans receivable	Loan commitments	Loans receivable	Loan commitments	Loan guarantees	Outstanding claims	Exposure $	%
United States	-	-	2,129	-	153	-	2,282	*48.7*
Canada	-	-	186	756	-	-	942	*20.1*
China	558	1	-	-	-	-	559	*11.9*
Romania	-	-	-	-	295	-	295	*6.3*
Turkey	115	-	-	-	-	-	115	*2.5*
Morocco	96	-	-	-	-	-	96	*2.0*
Argentina	-	-	87	-	-	-	87	*1.9*
Venezuela	-	-	79	-	-	-	79	*1.7*
Other *	156	-	53	-	-	22	231	*4.9*
Total	$925	$1	$2,534	$756	$448	$22	$4,686	*100.0%*

** Includes 19 countries with exposures ranging from $0.4 million to $56 million.*

Exposure by Currency

The following table provides a breakdown of the Canada Account exposure by currency at March 31, 2009. The U.S. dollar portion accounts for 72% of the exposure (2007/2008 - 87%). Of the $2,678 million of U.S. dollar exposure, $2,550 million (95%) consists of loans receivable and loan commitments.

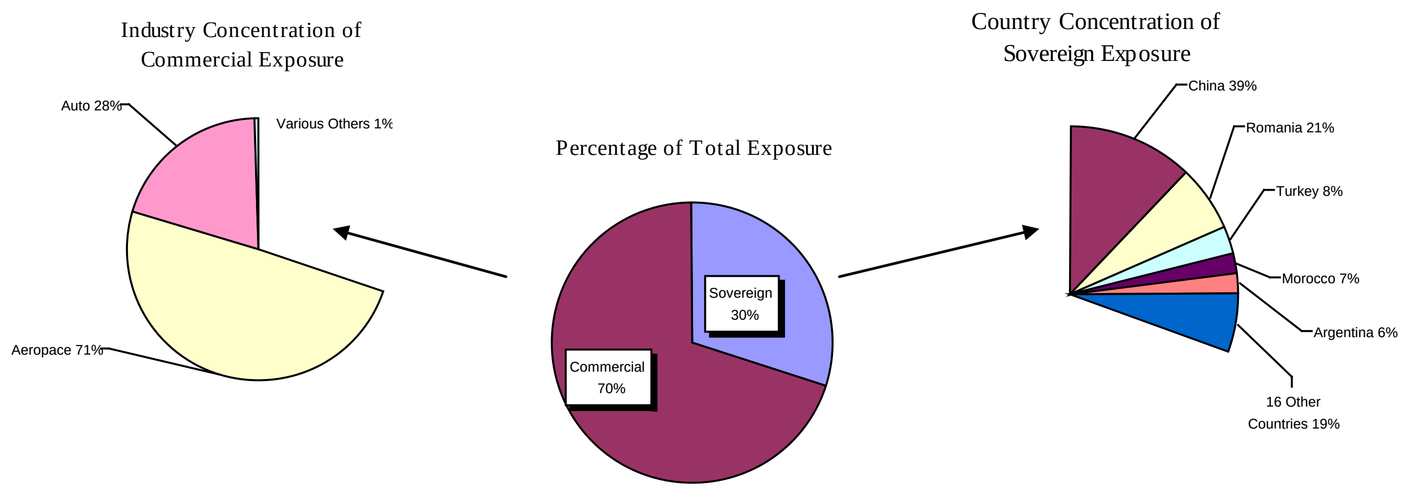
($ in millions)	**March 31, 2009**				March 31, 2008			
Currency	**Amount**	**CAD Equiv.**	***Exchange Rate***	***Percentage***	Amount	CAD Equiv.	*Exchange Rate*	*Percentage*
USD	**2,678**	**3,375**	***1.2602***	***72.0%***	2,837	2,916	*1.0279*	*87.1%*
CAD	**1,293**	**1,293**	**-**	***27.6%***	411	411	-	*12.3%*
EUR	**11**	**18**	***1.6710***	***0.4%***	12	20	*1.6244*	*0.6%*
Total		**$4,686**		***100.0%***		$3,347		*100.0%*

Commercial and Sovereign Exposure

The following table provides a commercial and sovereign breakdown of the Canada Account exposure. The commercial concentration increased from 61% of the overall portfolio in 2007/2008 to 70% in 2008/2009. This increase was primarily due to the loan commitments provided in support of the Canadian auto industry. The largest concentration of Canada Account exposure is in non-concessional commercial loans receivable.

($ in millions)	**March 31, 2009**			March 31, 2008		
	Commercial	**Sovereign**	**Total**	Commercial	Sovereign	Total
Loans Receivable:						
Concessional	**21**	**904**	**925**	22	765	787
Non-concessional	**2,340**	**194**	**2,534**	1,880	178	2,058
Subtotal:	**2,361**	**1,098**	**3,459**	1,902	943	2,845
Loan Commitments:						
Concessional	**-**	**1**	**1**	-	2	2
Non-concessional	**756**	**-**	**756**	-	-	-
Subtotal:	**756**	**1**	**757**	-	2	2
Contingent Liabilities & Claims:						
Loan guarantees	**153**	**295**	**448**	151	317	468
Outstanding claims	**-**	**22**	**22**	-	32	32
Subtotal:	**153**	**317**	**470**	151	349	500
Total	**$3,270**	**$1,416**	**$4,686**	$2,053	$1,294	$3,347
Percentage	***70%***	***30%***	***100%***	*61%*	*39%*	*100%*

The following charts provide an additional breakdown of the commercial and sovereign exposures at March 31, 2009 by industry and country.



Debt Forgiveness/Debt Relief for Sovereign Loans Receivable

In 1996, the International Monetary Fund and the World Bank proposed that relief be given on the external debt of some of the world's poorest and most Heavily Indebted Poor Countries (HIPCs). This initiative was approved by member governments including Canada. At March 31, 2009, Canada Account had loans receivable exposure to three HIPCs totaling $31.2 million (2007/2008 - $25.4 million) or 2.8% (2007/2008 - 2.7%) of the total sovereign loan portfolio, all of which is eligible for debt relief or debt reduction. All of this exposure was taken on prior to 1996.

Loan Portfolio by Interest Type

At the end of fiscal year 2008/2009, floating-rate loans amounted to $545 million (2007/2008 - $320 million) or 16% of total loans receivable (2007/2008- 11%). Of this amount, $325 million are LIBOR-based U.S. dollar-denominated loans (2007/2008 - $266 million). The remaining floating-rate loans are either LIBOR-based Canadian dollar-denominated loans or prime-rate based Canadian and U.S. dollar-denominated loans. Fixed-rate loans account for 84% of the total loan portfolio (2007/2008 - 89%). Concessional fixed-rate loans total $903 million (2007/2008 - $769 million). Almost all of the revenue generated from interest receipts originates from non-concessional loans.

($ in millions)	**March 31, 2009**			March 31, 2008		
	Fixed	**Floating**	**Total**	Fixed	Floating	Total
Concessional	**903**	**22**	**925**	769	18	787
Non-concessional	**2,011**	**523**	**2,534**	1,756	302	2,058
Total	**$2,914**	**$545**	**$3,459**	$2,525	$320	$2,845
Percentage	***84%***	***16%***	***100%***	*89%*	*11%*	*100%*

Cash Flow Realized on Loan Portfolio

The following table provides a summary of remittances of interest and fees on Canada Account loans receivable broken down between concessional and non-concessional loans. Concessional loans have either low or zero interest rates and/or extended repayment terms. The cash flows represent interest and fees received by EDC with respect to Canada Account loans that were remitted to the CRF during the fiscal year net of the administration charge and leasing and financing related expenses. Accrued interest and fees receivable are also recorded by EDC in the accounts for Canada Account and are kept separate from EDC's corporate accounts.

($ in millions)	**March 31, 2009**			March 31, 2008		
	Average annual principal balance	**Interest cash flow**	**%**	Average annual principal balance	Interest cash flow	%
Concessional	**845**	**-**	**.03%**	799	-	.03%
Non-concessional	**2,212**	**92**	**4.16%**	2,158	103	4.77%
Total	**$3,057**	**$92**	**3.01%**	$2,957	$103	3.48%

The increase in the average principal balance was due primarily to a large loan disbursement to Chrysler at the end of March 2009 which was slightly offset by the impact of foreign exchange translation combined with normal repayments of loan obligations during the year. The interest cash flow as a percentage of the average annual principal balance decreased mainly due to the fact that the interest cash flow for the large loan disbursement done at the end of the fiscal year had not yet been received.

Business Volumes

($ in millions)		**March 31, 2009**			March 31, 2008	
	Commercial	**Sovereign**	**Total**	Commercial	Sovereign	Total
Financing:						
Concessional	**-**	**-**	**-**	-	-	-
Non-concessional	**1,023**	**-**	**1,023**	-	-	-
Loan guarantees	**-**	**-**	**-**	-	-	-
Total financing:	**1,023**	**-**	**1,023**	-	-	-
No. of transactions	***2***	**-**	***2***	-	-	-
Insurance	**-**	**-**	**-**	-	-	-
Total	**1,023**	**-**	**1,023**	-	-	-
Percentage	***100%***	***-%***	***100%***	*-%*	*-%*	*-%*

Total Canada Account financing volume increased by $1,023 million from the previous fiscal year. The increase in business volume was largely due to the support for the Canadian auto industry.

Leasing and Financing Related Expenses

Leasing and financing related expenses for 2008/2009 totaled $7 million (2007/2008 – $10 million). The costs related to returned aircraft include depreciation, maintenance and technical costs, insurance, amortization of lease setup costs, and management fees. Depreciation is charged on a straight-line basis over the estimated useful life of the aircraft (20 years from date of build).

In September 2007, the Government of Canada entered into a financial guarantee insurance policy to insure USD 600 million of the Canada Account aerospace portfolio exposure to minimize concentration risk.

Components of leasing and financing related expenses:

($ in millions)	**March 31, 2009**	March 31, 2008
Maintenance and technical costs	**-**	2
Depreciation	**4**	3
Insurance – returned and all aircraft portfolio	**1**	1
Other (financial guarantee insurance policy)	**2**	4
Total leasing and financing related expenses	**$7**	$10

Outstanding Claims on Insurance

There are currently $21.7 million (2007/2008 - $31.7 million) in claims paid and unrecovered under Canada Account of which $7.4 million (2007/2008 - $18.8 million) pertain to Cuba for which a negotiated resolution was reached on June 4, 2007. Repayment of the Cuba claims commenced July 31, 2007, reducing the outstanding claim by $22.8 million to-date. The total claims are being repaid over a two-year period and were fully paid subsequent to year-end. The claims in Cuba were paid between 1994 and 1999 under documentary credits insurance and bulk agriculture insurance programs. In addition, $13.9 million in claims were paid in 1995 under the foreign investment insurance program for investments in Russia and $0.4 million in 1992 for an investment in Haiti. These claims continue to be outstanding.

Canada Account Financial Statements

Statement of Receivables, Claims and Equipment Available for Lease

As at March 31 *($ in millions)*	**2009**	2008
Loans receivable (notes 3 and 4)	**3,459**	2,845
Allowance for losses on loans*	**(701)**	(421)
Allowance for interest on loans	**(217)**	(179)
Portion expensed due to concessionary terms	**(650)**	(677)
Accounts Receivable**	**83**	-
Accrued interest and fees	**193**	149
Equipment available for lease (note 6)	**82**	86
Temporary Investment (note 7)	**3**	-
Fair value of unsecured claims (note 7)	**2**	-
Outstanding claims	**22**	32
Total	**$2,276**	$1,835

**Allowances for Canada Account exposures are done by the Government of Canada's central agencies and the recording of these adjustments is done by the Department of Foreign Affairs and International Trade. The allowances for loans have increased primarily as a result of the weakening of the Canadian dollar, higher default probabilities for some counterparties and new loans made during the year. This is partially offset by the normal repayment of loans by counterparties.*

***Pursuant to an agreement with the Ontario Financing Authority (OFA), the OFA contributed one-third ($83,333,333) of the balance of a term loan issued ($250,000,000) with Chrysler. As interest and principal are received on the term loan, the corresponding one-third will be remitted to the OFA. This agreement is administered by the Department of Finance.*

Statement of Loan Commitments, Contractual Obligations and Contingent Liabilities

As at March 31 *($ in millions)*	**2009**	2008
Loan commitments & contractual obligations (note 8)	**762**	9
Loan guarantees (note 9)	**448**	468
Allowance for loan guarantees*	**(38)**	(34)
Subtotal	**1,172**	443
Indemnity agreement**	**(88)**	(74)
Total	**$1,084**	$369

**Allowances for Canada Account exposures are done by the Government of Canada's central agencies and the recording of these adjustments is done by the Department of Foreign Affairs and International Trade.*

*** Third-party guarantees in favour of the Government.*

Canada Account Financial Statements
Statement of Revenue and Expenses

For the year ended March 31 *($ in millions)*	**2009**	2008
Revenue:		
Gain on foreign currency translation – net (note 2)	**604**	-
Loan interest and guarantee fees	**146**	85
Amortization of discount	**26**	27
Lease revenue	**8**	6
Total revenue	**784**	118
Expenses:		
Loss on foreign currency translation - net (note 2)	**-**	355
Provision on losses on loans and loan guarantees (recovery)*	**322**	(369)
Administrative charges (note 5)	**4**	8
Leasing and financing related expenses	**7**	10
Total expenses	**333**	4
Net gain/(loss)	**$451**	$114

**Allowances for Canada Account exposures are done by the Government of Canada's central agencies and the recording of these adjustments is done by the Department of Foreign Affairs and International Trade.*

Statement of Cash Flow to/from the Consolidated Revenue Fund

For the year ended March 31

($ in millions)	**2009**	2008
Remittances to Consolidated Revenue Fund by EDC:		
Principal	**173**	133
Interest, premiums and fees	**99**	112
Lease revenue	**7**	5
Claims recovered	**11**	11
Extraordinary expenses (Note 5)	**(1)**	(1)
Leasing and financing related expenses	**(2)**	(5)
Administrative charges (Note 5)	**(4)**	(6)
Total remitted	**283**	249
Received from Consolidated Revenue Fund by EDC:		
Principal	**270**	4
Total received	**270**	4
Net (decrease)/increase in cash flow	**$13**	$(245)

Note: All funds received by EDC in respect of Canada Account transactions (loan repayments, interest payments, fees, premium payments, etc.) are remitted by EDC to the CRF net of the expenses and overhead of the Corporation arising out of those transactions.

Notes to the Financial Statements

Note 1: Mandate and Authority

EDC is established for the purposes of supporting and developing, directly or indirectly, Canada's export trade or domestic trade and Canadian capacity to engage in either of these trades and to respond to international business opportunities. Pursuant to Section 23 of the Act, the Minister, with the concurrence of the Minister of Finance, may authorize the Corporation to undertake certain financial and contingent liability transactions where it is considered to be in the national interest. These transactions or classes of transactions and the legislative authorities that underlie them have come to be known collectively as the "Canada Account". Such transactions can and do include business in all of EDC's product categories (financing, accounts receivable insurance, contract insurance and bonding, and political risk insurance) except equity. The Corporation is responsible for ensuring that the transactions made by the Corporation under Canada Account are administered appropriately. Accounts for these transactions are maintained separately from the Corporation's accounts and are consolidated annually as at March 31 with the financial statements of the Government, which are reported upon separately by the Government and audited by the Auditor General of Canada. The assets under Canada Account, mainly loans receivable and accrued interest and fees recorded in accordance with the accounting policies and practices of the Government, amounted to $2,276 million at March 31, 2009 (March 2008 - $1,835 million). Allowances for Canada Account exposures are done by the Government of Canada's central agencies and the recording of these adjustments is done by the Department of Foreign Affairs and International Trade.

The Act allows Canada Account to have outstanding commitments to borrowers, the principal amount of obligations owed to the Corporation and contingent liabilities under contracts of insurance and other arrangements up to an aggregate of $20.0 billion (March 2008 - $13.0 billion). The position against this limit, determined in accordance with the requirements of the Act, was $4,686 million at March 31, 2009 (March 2008 - $3,347 million).

Note 2: Summary of Significant Accounting Policies

Loans Receivable

Loans receivable are carried at historical cost and include capitalized interest and fees.

Loan interest income is recorded on an accrual basis for the purposes of presentation in the Statement of Revenue and Expenses. It includes accrued interest and fee revenue on all loans, including loans in default. It also includes capitalized amounts of interest and fees.

Consolidated information presented in the *Public Accounts of Canada* is prepared in accordance with criteria outlined in the Receiver General Manual (Chapter 15 – Public Accounts Instructions) and excludes amounts of capitalized interest and fees from total loans receivable.

Translation of Foreign Currency

All loans receivable, loan commitments, contingent liabilities and claims denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the end of the fiscal year. Income and expenses are translated at either daily or monthly average exchange rates in effect during the year. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are recognized in the income statement during the fiscal year.

Note 3: Aging of Loans Receivable

The following table shows the aging distribution of loans receivable by concessional and non-concessional loans.

($ in millions)		**March 31, 2009**				March 31, 2008
Fiscal	**Concessional**	**Non-concessional**	**Total**	Concessional	Non-concessional	Total
Past Due	**-**	**124**	**124**	-	101	101
08/09	**-**	**-**	**-**	27	143	170
09/10	**34**	**177**	**211**	28	145	173
10/11	**49**	**232**	**281**	39	175	214
11/12	**34**	**358**	**392**	28	156	184
12/13	**34**	**178**	**212**	28	146	174
13/14	**34**	**199**	**233**	27	163	190
14/15	**48**	**217**	**265**	42	176	218
15/16	**32**	**187**	**219**	26	152	178
16/17 and beyond	**660**	**862**	**1,522**	542	701	1,243
Total	**$925**	**$2,534**	**$3,459**	$787	$2,058	$2,845

Note 4: Past Due Receivables

The following table provides a breakdown of principal, interest and fees in arrears at the end of the fiscal year. Of the $272 million in arrears (2007/2008 - $213 million), $220 million (2007/2008 - $171 million) is due from sovereign risk borrowers. The increase in past due receivables is due primarily to increases in principal and interest on two sovereign countries with non-performing loans, in addition to the effect of foreign exchange translation. Of the sovereign amount, $93 million of arrears (2007/2008 - $70 million) pertain to amounts due from HIPCs and may be eligible for debt and/or debt service forgiveness. The balance of sovereign risk loan arrears are eligible for rescheduling. Arrears from commercial risk loans, if not recovered, may be subject to restructuring and/or write-off.

($ in millions)		**March 31, 2009**				March 31, 2008
	Commercial	**Sovereign**	**Total**	Commercial	Sovereign	Total
Concessional:	-	-	-	-	-	-
Non-concessional:						
Past due principal	**25**	**99**	**124**	20	81	101
Past due interest and fees	**27**	**121**	**148**	22	90	112
Subtotal:	**52**	**220**	**272**	42	171	213
Total	**$52**	**$220**	**$272**	$42	$171	$213

Note 5: Canada Account Administrative Charges

Pursuant to Section 23(5) of the Act, the Corporation is authorized by the Minister of Finance to retain from any receipts and recoveries an amount, as the Minister of Finance considers to be required, to meet the expenses and overhead of the Corporation arising out of Canada Account transactions. In 2008/2009, $4 million (2007/2008 – $8 million) was retained to meet the general expenses and overhead of the Corporation arising out of Canada Account transactions.

In addition, the Corporation also has in place specific authorizations for the recovery of extraordinary expenses (i.e. expenses that are unusual in nature and size and infrequent in occurrence). In 2008/2009, extraordinary expenses of approximately $1 million (2007/2008 - $1 million) were incurred related to the management of the Canada Account aerospace portfolio.

Note 6: Equipment Available for Lease

Equipment available for lease consists of regional aircraft that were returned due to the restructuring of loan agreements in 2007/2008.

($ in millions)	**March 31, 2009**	March 31, 2008
Equipment available for lease	**89**	89
Accumulated depreciation	**7**	3
Net equipment available for lease	**$82**	$86
Number of aircraft	**6**	6

Operating lease revenue for the year was $8 million (2007/2008 - $6 million). At the end of March 2009, all six aircraft were subject to operating leases with one lessee for which revenue is recognized on a straight-line basis over the terms of the underlying leases. All of the lease terms are 36 months.

The following table presents minimum future lease payments receivable at the end of March:

($ in millions)	**2009**	2008
2008	**-**	6
2009	**8**	7
2010	**8**	7
2011	**1**	1
Total	**$17**	$21

Note 7: Unsecured Claims

In 2007, Canada Account was awarded unsecured claims by the bankruptcy court which represented concessions provided to the obligor to assist them in exiting bankruptcy. Settlement of these claims is made through the issuance of shares from the obligor. The proceeds from the sales of these shares are used to reduce the impact of the lease rate concessions and other restructuring costs.

On February 19, 2009, Canada Account was awarded 435,033 shares of an airline subject to bankruptcy proceedings at USD 5.73 per share by the bankruptcy court. The quoted market value as at March 31 was USD 5.63 per share. The value of these shares was derived using the prevailing USD exchange rate in effect on March 31, 2009. These shares are carried at $3 million.

The remaining claims are carried at their fair value based on quoted market prices in the secondary market. The remaining claims were valued at $2 million.

Note 8: Loan Commitments and Contractual Obligations

The nature of these activities can result in obligations whereby Canada Account will be obligated to make future payments. Loan commitments and contractual obligations at March 31, are reasonably estimated and listed below:

($ in millions)	**2009**	**2008**
Undisbursed loan commitments	**757**	**2**
Obligation from loan restructuring	**5**	**7**
Total	**$762**	**$9**

Note 9: Loan Guarantees

Loan guarantees are issued to cover non-payment of principal, interest and fees due to banks and financial institutions providing loans to buyers. Calls on guarantees result the in the recognition of a loan asset on the balance sheet and become a direct obligation of the buyer.

Note 10: Subsequent Event

Subsequent to the initial announcement of support for the restructuring and renewal of the automotive industry in Canada, additional support was approved to maintain the proportion of the U.S. government's increased support to the companies. As at March 31, 2009, EDC had signed a loan agreement with and commenced disbursements to Chrysler Canada Inc. on behalf of the Governments of Canada and Ontario. At the end of March 2009, $250 million had been disbursed and $750 million was committed for disbursement.

Subsequent to the fiscal year end, additional loan agreements for support by the Governments of Canada and Ontario to General Motors (total $10.8 billion) and Chrysler (total $3.7 billion) were closed and insurance cover was provided to suppliers of the Detroit-3 (General Motors, Chrysler and Ford).

As at July 3rd, 2009, $3.3 billion had been disbursed to General Motors and $2.9 billion had been disbursed to Chrysler.

Note 11: Reclassification of Comparative Figures

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

Glossary

The purpose of this glossary is to explain some of the terms in the report Such explanations are not necessarily for general application.

Accounts Receivable Insurance - An insurance policy that protects insured Canadian businesses from commercial and political risks related to export transactions with credit terms of up to 360 days.

Accrued Interest - Interest earned but not yet paid under a loan or other interest-bearing instrument calculated from the later of the disbursement date or the date of the last interest payment.

Aging Distribution - The forecasted principal amortization of the current outstanding balance of loans receivable.

Allowances - Accumulated provisions against which future loan write-offs would be made.

Concessional Loans - Loans which are interest free or at below-market interest rates and/or have extended repayment terms. On rare occasions a normal loan can be combined with a concessional loan to achieve an overall concessionality level of at least 35%, a level within the tied aid disciplines of the OECD "Arrangement on Guidelines for Officially Supported Export Credits".

Consolidated Revenue Fund - the aggregate of all public moneys that are on deposit at the credit of the Receiver General.

Contingent Liability - Potential debt which may become an actual financial obligation if certain events occur or fail to occur. Contingent liabilities are created by insurance policies and guarantees outstanding.

Corporate Account - Financing and contingent liability transactions undertaken by EDC for its own account. These transactions are maintained separately from Canada Account.

Debt Forgiveness/Debt Relief - An agreement whereby some or all of a country's sovereign debt obligations are forgiven or deferred for payment at a later date.

Documentary Credits Insurance - An insurance policy that protects insured Canadian financial institutions from commercial and political risks in respect of letters of credit issued by foreign banks in support of Canadian export sales.

Equity - An ownership interest in an entity.

Financing - An arrangement that has the effect of extending credit or providing an undertaking to pay money.

Guarantee - An undertaking that the payment of a debt obligation shall be duly met. A guarantee is a contingent liability for the guarantor.

Interest Rate Risk - The potential impact on revenues earned on interest bearing assets due to changes in interest rates.

LIBOR - London Interbank Offer Rate - The floating interest rate at which banks in London are prepared to lend to first-class banks.

Loan Commitments - The portion of a loan that has been offered and accepted but not yet disbursed.

OECD "Arrangement on Guidelines for Officially Supported Export Credits" - An agreement between most Organization for Economic Cooperation and Development (OECD) member countries which sets maximum repayment terms, minimum interest rates and other conditions for official export credit support to minimize trade distortions.

Political Risk Insurance - An insurance that protects the insured from specific political risks including: transfer of funds; expropriation; war, revolution or insurrection. It covers investments made in the form of equity, loans, guarantees, assets and services.

Provisions - A charge against current income to establish and maintain a reserve against loan losses.

Public Accounts of Canada - The report of the Government prepared each fiscal year by the Receiver General in which the transactions of all departments and agencies are summarized.

Recourse Agreement - An agreement whereby the holder of a financial asset has recourse to a third party if the debtor defaults.

Sovereign Loans - Loans for which the financial and repayment risk is that of a sovereign government.