

## Statement of Management Responsibility

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 management of the Board. These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are based on 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 fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Board's financial transactions. Financial information submitted to the Public Accounts of Canada, and included in the Board'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 the Board.

The financial statements of the Board have not been audited.

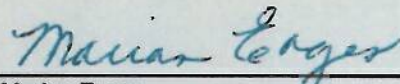


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Mary Catherine Lindberg

Chairperson  
Ottawa, Canada

Date: August 16, 2011



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Marian Eagen

A/Executive Director & Chief Financial Officer  
Ottawa, Canada

Date: August 17, 2011

Statement of Financial Position (unaudited)

As at March 31  
(in dollars)

2011

2010

**Assets**

<b>Financial assets</b>			
Due from Consolidated Revenue Fund	\$	742,931	\$ 3,191,911
Accounts receivable and advances (Note 4)		141,406	210,107
<b>Total Financial Assets</b>		<b>884,337</b>	<b>3,402,018</b>
<b>Total Assets</b>	\$	<b>884,337</b>	\$ <b>3,402,018</b>

**Liabilities and Equity of Canada**

<b>Liabilities</b>			
Accounts payable and accrued liabilities (Note 5)	\$	863,304	\$ 3,381,084
Vacation pay and compensatory leave		311,862	278,294
Employee future benefits (Note 6)		1,184,685	962,882
		<b>2,359,851</b>	<b>4,622,260</b>
<b>Equity of Canada</b>		<b>(1,475,514)</b>	<b>(1,220,242)</b>
<b>Total Liabilities and Equity of Canada</b>	\$	<b>884,337</b>	\$ <b>3,402,018</b>

The accompanying notes are an integral part of the financial statements

  
 Mary Catherine Lindberg  
 Chairperson

Ottawa, Canada

Date: August 18, 2011

  
 Marian Eagen  
 A/Executive Director & Chief Financial Officer

Ottawa, Canada

Date: August 17, 2011

Statement of Operations (unaudited)

	2011			2010	
	Compliance and enforcement of non-excessive prices for patented drug products	Pharmaceutical trends reporting	Internal Services	Total	Total
for the year ended March 31 (in dollars)					
<b>Revenues</b>					
Voluntary compliance undertakings	\$ -	\$ -	\$ 23,272,642	\$ 23,272,642	\$ 24,304,576
<b>Expenses</b>					
Salaries and employee benefits	878,245	3,171,274	3,346,047	7,395,566	5,958,618
Professional and special services	136,400	926,380	878,237	1,941,097	2,298,746
Accommodation	414,649	122,510	179,053	716,212	712,103
Utilities, material and supplies	49,041	147,646	268,504	465,191	530,952
Purchased repair and maintenance	-	-	137,812	137,812	172,170
Travel and relocation	8,024	44,673	41,288	93,985	123,529
Communication	701	14,817	76,069	91,587	124,751
Information	29,025	12,650	6,445	48,120	71,320
Rentals	1,525	965	9,201	11,691	13,815
Other	36	(962)	467	(459)	199,746
Total expenses	1,517,726	4,439,953	4,943,123	10,908,802	10,205,751
Net income from operations	\$ 1,517,726	\$ 4,439,953	\$ (18,320,519)	\$ (12,371,840)	\$ (13,998,825)

The accompanying notes are an integral part of the financial statements

## Statement of Equity (unaudited)

For the year ended March 31 (in dollars)	2011	2010
Equity of Canada, beginning of year	\$ (1,220,242)	\$ (1,214,175)
Net income from operations	12,371,840	13,998,825
Net Cash provided to Government	(11,379,923)	(17,469,641)
Change in due from Consolidated Revenue Fund	(2,448,980)	2,347,562
Services provided without charge from other government departments (Note 7)	1,201,791	1,117,187
Equity of Canada, end of year	\$ (1,475,514)	\$ (1,220,242)

The accompanying notes are an integral part of the financial statements

## Statement of Cash Flow (unaudited)

For the year ended March 31  
in dollars)

2011

2010

## Operating activities

Net income from operations	\$ (12,371,840)	\$ (13,998,825)
Services provided without charge from other government departments (Note 7)	(1,201,791)	(1,117,187)
<b>Variations in Statement of Financial Position:</b>		
Decrease in accounts receivable	(68,701)	199,735
Decrease in accounts payable and accrued liabilities	2,517,780	(2,546,478)
Increase in vacation pay and compensatory leave	(33,568)	(3,384)
Increase in employee future benefits	(221,803)	(3,502)
Cash provided by operating activities	\$ (11,379,923)	\$ (17,469,641)
Net cash provided by Government of Canada	\$ 11,379,923	\$ 17,469,641

The accompanying notes are an integral part of the financial statements

## Notes to the Financial Statements (unaudited)

For the year ended March 31

## 1. Authority and Purpose

The Patented Medicine Prices Review Board (PMPRB) is an independent quasi-judicial body established by Parliament in 1987 under the *Patent Act* (Act).

Although the PMPRB is part of the Health Portfolio, it carries out its mandate at arms-length from the Minister of Health. It also operates independently of other bodies such as Health Canada, which approves drugs for safety and efficacy, and public drug plans, which approve the listing of drugs on their respective formularies for reimbursement purposes.

**Strategic Outcome : Canadians and their health care system are protected from excessive pricing for patented drug products sold in Canada and are informed on pharmaceutical trends.**

### Pharmaceutical trends reporting

Through this program activity, the PMPRB provides analysis of pharmaceutical price trends and research and development spending by pharmaceutical patentees. It also provides critical analyses of price, utilization and cost trends for prescription drugs, and information on non-patented prescription drug prices. The PMPRB reports on these analytical studies and its price review and enforcement activities as they relate to excessive pricing for patented drug products, annually to Parliament through the Minister of Health.

### Compliance and enforcement of non-excessive prices for patented drug products

The PMPRB is responsible for regulating the prices that patentees charge for patented drug products sold in Canada for human and veterinary use. Through this program activity, the PMPRB reviews the prices that patentees charge for patented drug products, based on the price review factors in the *Patent Act*, to ensure that these prices are not excessive. In the event that the Board finds, following a public hearing, that a price is excessive in any market, it may order the patentee to reduce the price and take measures to offset any excess revenues it may have received as a result of excessive prices.

### Internal Services

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Material Services; Acquisition Services; and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

## Notes to the Financial Statements (unaudited)

For the year ended March 31

## 2. Significant Accounting Policies

The financial statements have been prepared in accordance with 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*

The Board is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Board 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 to Government*

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

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 the Board 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 that gave rise to the revenue takes place.

*(e) Expenses*

Expenses are recorded on the accrual basis:

- ✓ 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, the employer's contribution to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.

## Notes to the Financial Statements (unaudited)

For the year ended March 31

**2. Significant Accounting Policies (continued)****(f) Employee future benefits**

- i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. The Board's contributions to the Plan are charged to expenses in the year incurred and represent the total obligation to the Plan by the Board. Current legislation does not require the Board 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 receivable**

Accounts receivable are stated at the lower of cost and net recoverable value. They are mainly comprised of amounts to be recovered from other government departments and the recovery is considered certain. As a result, no provision has been recorded as an offset against these amounts.

**(h) 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 item where estimates are used is the liability for employee severance benefits. 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.



## Notes to the Financial Statements (unaudited)

For the year ended March 31

## 3. Parliamentary Authorities

The Board 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, the Board 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:

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

(in dollars)	2011	2010
Net income of operations	\$ (12,371,840)	\$ (13,998,825)
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
<i>Add (Less):</i>		
Revenues not available for spending	23,272,543	24,202,517
Refund/adjustment of previous year's expenditures	27,067	19,410
Services provided without charge from other government departments	(1,201,791)	(1,117,187)
Other expenses not charged to authorities	99	819
Increase in vacation pay accrual and compensatory leave	(33,568)	(3,384)
Increase in employee future benefits	(221,803)	(3,502)
	<u>21,842,547</u>	<u>23,098,673</u>
<b>Current year authorities used</b>	<b>\$ 9,470,707</b>	<b>\$ 9,099,848</b>

## (b) Authorities provided and used:

(in dollars)	2011	2010
<i>Authorities provided</i>		
<i>Vote 35 - Operating expenditures</i>	<i>\$ 11,605,136</i>	<i>\$ 10,368,543</i>
Vote 15 - Transfer from Treasury Board	0	225,227
Vote 25 - Transfer from Treasury Board	0	245,550
Vote 30 - Transfer from Treasury Board	0	141,670
Statutory Amounts	942,747	971,795
<i>Less:</i>		
Lapsed: Operating	(3,077,176)	(2,852,937)
<b>Current year authorities used</b>	<b>\$ 9,470,707</b>	<b>\$ 9,099,848</b>

Notes to the Financial Statements (unaudited)

For the year ended March 31

**4. Accounts Receivable and Advances**

The following table presents details of the Board's accounts receivable and advances balances:

(in dollars)	2011	2010
Receivables from other government departments and agencies	\$ 140,906	\$ 209,607
Employee advances	500	500
	\$ 141,406	\$ 210,107

**5. Accounts payable and accrued liabilities**

The following table presents details of the Board's accounts payable and accrued liabilities:

(in dollars)	2011	2010
Accounts payable to external parties	\$ 627,587	\$ 591,451
Accounts payable to other government departments and agencies	31,648	9,832
	659,235	601,283
Accrued Liabilities	204,068	2,779,801
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 863,304</b>	<b>\$ 3,381,084</b>

## Notes to the Financial Statements (unaudited)

For the year ended March 31

## 6. Employee Future Benefits

*(a) Pension benefits*

The Board'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 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 the Board contribute to the cost of the Plan. The expense presented below represents approximately 1.9 times (1.9 in 2009-10) the contributions by employees.

(in dollars)	2011	2010
Expense for the year	\$ 661,739	\$ 742,119
	661,739	742,119

The Board'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.

*(b) Severance benefits*

The Board 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:

(in dollars)	2011	2010
Accrued benefit obligation, beginning of year	\$ 962,882	\$ 959,380
Expense for the year	383,537	54,591
Benefits paid during the year	(161,734)	(51,089)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 1,184,685</b>	<b>\$ 962,882</b>

## Notes to the Financial Statements (unaudited)

For the year ended March 31

**7. Related Party Transactions**

The Board is related as a result of common ownership to all Government departments, agencies, and Crown corporations. The Board enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the Board 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 the Board received without charge from certain common service organizations, related to accommodation, legal services and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in the department's Statement of Operations as follows:

(in dollars)	2011	2010
Accommodation	\$ 716,212	\$ 712,103
Employer's contribution to the health and dental insurance plans	485,543	403,649
Legal Services	36	1,435
	<b>\$ 1,201,791</b>	<b>\$ 1,117,187</b>

The government has centralized 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 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 as an expense in the Board's Statement of Operations.

*(b) Other transactions with related parties*

(in dollars)	2011	2010
Accounts receivable from other government departments and agencies	\$ 140,906	\$ 209,607
Accounts payable to other government departments and agencies	31,648	9,832
Expenses - Other Government departments and agencies	194,972	324,394

**8. Comparative Information**

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