Canada Account

ANNUAL REPORT 2011-2012

Canada

EDC

CANADA ACCOUNT ANNUAL REPORT

FOR THE GOVERNMENT OF CANADA YEAR ENDING MARCH 31, 2012

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Overview

Under Section 23 of the *Export Development Act* ("the Act"), 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 but are in the national interest. Such transactions are referred to as Canada Account transactions. The Government effectively assumes the associated financial risks for Canada Account transactions by providing all monies required for any transaction from the Consolidated Revenue Fund ("CRF"). However, Canada Account transactions are assessed, entered into and managed by EDC, and are structured the same as Corporate Account transactions in that, for example, loans are fully repayable, are subject to interest and fees and policies are subject to premiums and fees. Except for equity transactions, Canada Account transactions can consist of transactions or classes of transactions that EDC has the power to enter into pursuant to Section 10 of the Act, including business in all of EDC's product categories (financing, credit insurance, financial institutions insurance, contract insurance and bonding, and political risk insurance).

Authority

Pursuant to Section 23 of the Act, the Minister of 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 million or those of a sensitive nature are first referred to Cabinet for approval-in-principle.

Section 24(1) of the Act allows Canada Account to have up to an aggregate of $20 billion in contingent liabilities (i.e.: insurance policies, guarantees and other contingent arrangements), outstanding commitments to borrowers and outstanding principal amounts of obligations owed to the Corporation. (See Management's Discussion and Analysis, Position against Statutory Limit). 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.

In 2010, the Government of Canada amended Section 23 of the Act to clarify EDC's authority to undertake debt restructurings on behalf of the Government for Canada Account transactions, in the same manner that the Corporation manages its Corporate Account.

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 where 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. For each transaction, the Government sets aside an allowance for potential losses in the fiscal framework. Allowances are adjusted annually by the Government 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 Canada Account transactions.

At the initial stages of a transaction that is eligible 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.

Upon receipt of a Ministerial Authorization, EDC is responsible for coordinating and administering the transaction, which includes the execution of legal documents, the 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 6). 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 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 that exceed the financial or risk capacity of EDC under its Corporate Account, but are deemed to be in the national interest.

The *Budget Implementation Act*, 2009, provided EDC with a two year temporary expansion of its mandate to include the support and development of domestic trade and the capacity to respond to domestic business opportunities. The Government of Canada recently provided EDC with a second extension to its temporary mandate to March 12, 2013. Transactions related to this expanded mandate may also be considered under Canada Account.

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

In addition to falling within EDC's 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.

Canada Account services are provided on a user-pay basis. Exporters pay premiums for insurance coverage and fees associated with Canada Account financing and guarantees. Loans are extended on commercial terms and are fully repayable with interest.

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, is no longer to be provided. Nevertheless, Canada retains the right to offer matching terms within the parameters agreed upon in the Organisation 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 2011/2012:

- There were no Ministerial Authorizations for new transactions this year similar to last year.
- In the context of *Canada's Economic Action Plan*, the governments of Canada and Ontario supported the restructuring and renewal of the automotive industry in 2009-2010. One third of this support was provided by Ontario and two thirds by Canada, via the Canada Account. At the start of the current fiscal year, Chrysler Canada fully repaid its $1.7 billion loan, including interest and fees. The amount disbursed to Old Carco remains outstanding.
- Remittances in principal, interest, lease revenue, claims recovered and fees, net of expenses, totaling $2.0 billion were made to the CRF by EDC mainly due to the prepayment by Chrysler Canada.
- Canada Account year-end exposure decreased by $1.8 billion from 2010-2011 mainly due to the Chrysler Canada principal prepayment.

Position against Statutory Limit

Section 24 of the Act allows Canada Account to have up to an aggregate of $20 billion in contingent liabilities (i.e.: insurance policies, guarantees and other contingent arrangements), outstanding loan commitments to borrowers and outstanding principal amounts of obligations owed to the Corporation. The position against this limit at March 31, 2012 was $3,545 million (March 2011 - $5,369 million). Details of this position are as follows:

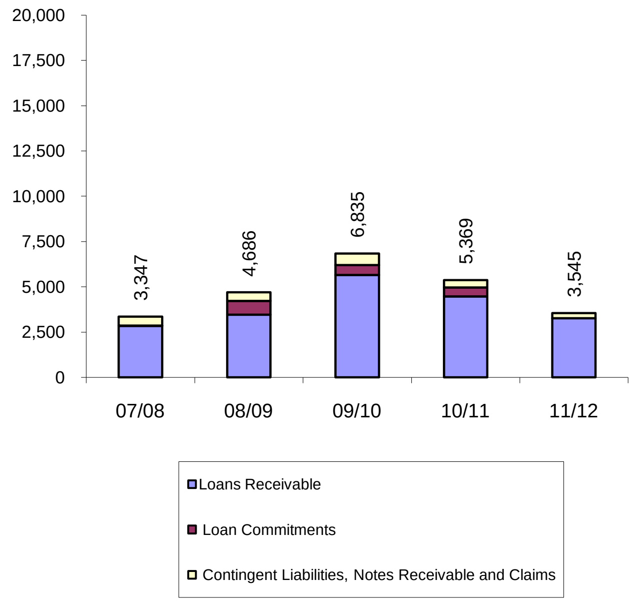
(in millions of Canadian dollars)	**March 31, 2012**	March 31, 2011
Loans Receivable		
Concessional	**638**	660
Non-concessional	**2,618**	3,798
	3,256	4,458
Loan Commitments		
Concessional	**-**	1
Non-concessional*	**-**	504
	-	505
Contingent Liabilities, Notes Receivable and Claims		
Loan guarantees	**230**	281
Notes receivable	**50**	102
Credit insurance	**9**	10
Paid and outstanding claims	**-**	13
	289	406
Position Against Statutory Limit	**$3,545**	$5,369

**Includes an undisbursed commitment in place with Chrysler Canada which was subsequently cancelled in May 2011.*

Five-Year Summary

From 2007/2008 to 2009/2010, the position against the statutory limit increased primarily due to large commitments in support of the restructuring and renewal of the Canadian automotive industry. From March 2010 to March 2012, the position against the statutory limit decreased mainly due to principal prepayments made by General Motors of Canada and Chrysler Canada. These prepayments reduced the amount owing on an outstanding loan to both the Governments of Canada and Ontario to nil.

Position Against Canada Account Statutory Limit Five-Year History *(in millions of Canadian dollars)*



Concentration of Exposure

The following reflects the country exposure where the risk resided as at March 31st, 2012.

Country *(in millions of Canadian dollars)*	Concessional loans receivable	Non-concessional loans receivable	Loan guarantee	Notes receivable	Credit insurance	**Total**	%
United States	-	2,082	-	50	-	**2,132**	*60*
China	395	-	-	-	-	**395**	*11*
Romania	-	-	230	-	-	**230**	*6*
Norway	-	200	-	-	-	**200**	*6*
Sweden	-	124	-	-	-	**124**	*4*
Turkey	83	-	-	-	-	**83**	*2*
Argentina	-	80	-	-	-	**80**	*2*
Cyprus	-	76	-	-	-	**76**	*2*
Morocco	68	-	-	-	-	**68**	*2*
Other *	92	56	-	-	9	**157**	*5*
Commercial	14	2,482	-	50	9	**2,555**	*72*
Sovereign	624	136	230	-	-	**990**	28
Total	$638	$2,618	$230	$50	$9	**$3,545**	*100*

** Includes 15 countries with exposures ranging from $0.03 million to $40 million of which one eurozone country has exposure of $13 million.*

Exposure by Currency

(in millions of Canadian dollars)	**March 31, 2012**				March 31, 2011			
Currency	**Amount**	**CAD Equiv.**	***Exchange Rate***	***%***	Amount	CAD Equiv.	*Exchange Rate*	*%*
USD	**3,236**	**3,230**	***0.9981***	***91***	3,525	3,419	*0.9698*	*64*
CAD	**302**	**302**	**-**	***9***	1,935	1,935	-	*36*
EUR	**10**	**13**	***1.3315***	**-**	11	15	*1.3745*	-
Total		**$3,545**		***100***		$5,369		*100*

The Chrysler Canada loan prepayment along with the cancellation of a loan commitment to Chrysler Canada of $0.5 billion CAD no longer required decreased the proportion of CAD exposure to the total exposure thereby increasing the U.S. portion.

Commercial and Sovereign Exposure

(in millions of Canadian dollars)	**March 31, 2012**			March 31, 2011		
	Commercial	**Sovereign**	**Total**	Commercial	Sovereign	Total
Loans Receivable:						
Concessional	**14**	**624**	**638**	15	645	660
Non-concessional	**2,482**	**136**	**2,618**	3,652	146	3,798
Subtotal:	**2,496**	**760**	**3,256**	3,667	791	4,458
Loan Commitments:						
Concessional	**-**	**-**	**-**	-	1	1
Non-concessional	**-**	**-**	**-**	504	-	504
Subtotal:	**-**	**-**	**-**	504	1	505
Contingent Liabilities & Claims:						
Loan guarantees	**-**	**230**	**230**	30	251	281
Credit insurance	**9**	**-**	**9**	10	-	10
Notes receivable	**50**	**-**	**50**	102	-	102
Outstanding claims	**-**	**-**	**-**	-	13	13
Subtotal:	**59**	**230**	**289**	142	264	406
Total	**$2,555**	**$990**	**$3,545**	$4,313	$1,056	$5,369
Percentage	***72%***	***28%***	***100%***	*80%*	*20%*	*100%*

The decrease in the commercial concentration was primarily due to a large prepayment by Chrysler Canada along with the cancellation of a loan commitment to Chrysler Canada. The decrease in the sovereign exposure was primarily due to regularly scheduled repayments and debt forgiveness.

The following chart provides an additional breakdown of the commercial and sovereign exposures by industry and country:

(in millions of Canadian dollars)	**March 31, 2012**		March 31, 2011	
	Total	**%**	Total	%
Commercial (by industry):				
Aerospace	**1,349**	**53**	1,497	35
Automotive	**921**	**36**	2,521	58
Marine	**275**	**11**	291	7
Other	**10**	**-**	4	-
Subtotal:	**2,555**	**100**	4,313	100
Sovereign (by country):				
China	**395**	**40**	400	38
Romania	**230**	**23**	251	24
Turkey	**83**	**8**	83	8
Argentina	**80**	**8**	80	8
Morocco	**68**	**7**	69	6
Other	**134**	**14**	173	16
Subtotal:	**990**	**100**	1,056	100
Total	**$3,545**		$5,369	

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 most Heavily Indebted Poor Countries (HIPCs). This initiative was approved by member governments including Canada. This exposure relates to agreements in place prior to 1996. At March 31, 2012, Canada Account had loans receivable exposure eligible for debt relief or debt reduction to one HIPC totaling $9.3 million or 1.2% of the sovereign loan portfolio compared to $24.1 million or 3.0% in 2010/2011. The decrease was due to debt forgiveness of $14.0 million to two HIPC's in 2011/2012.

Loan Portfolio by Interest Type

(in millions of Canadian dollars)	**March 31, 2012**			March 31, 2011		
	Fixed	**Floating**	**Total**	Fixed	Floating	Total
Concessional	**632**	**6**	**638**	643	17	660
Non-concessional	**1,177**	**1,441**	**2,618**	1,290	2,508	3,798
Total	**$1,809**	**$1,447**	**$3,256**	$1,933	$2,525	$4,458
Percentage	***56%***	***44%***	***100%***	*43%*	*57%*	*100%*

The decrease in the floating-rate portfolio was primarily due to the large prepayment by Chrysler Canada, regularly scheduled repayments and debt forgiveness. Within this portfolio, $1,441 million are LIBOR-based U.S. dollar-denominated loans (2010/2011 - $1,402 million). The decrease in the fixed-rate portfolio was due primarily to repayments and debt forgiveness. The decrease in both portfolios was slightly offset by a foreign exchange translation gain.

Cash Flow Realized on Loans and Notes Receivable

The following table provides a summary of the interest and fees received on Canada Account loans and notes receivable. These cash flows were remitted to the CRF during the fiscal year net of the administration charge and leasing and financing related expenses. Almost all of the revenue generated from interest receipts originates from non-concessional loans; as concessional loans have either low or zero interest rates and/or extended repayment terms.

(in millions of Canadian dollars)	**March 31, 2012**			March 31, 2011		
	Average annual principal balance	**Interest cash flow**	**%**	Average annual principal balance	Interest cash flow	%
Concessional	**660**	**-**	**.02%**	706	-	.02%
Non-concessional	**2,975**	**73**	**2.45%**	4,305	173	4.02%
Total	**$3,635**	**$73**	**2.01%**	$5,011	$173	3.46%

The decrease in the average principal balances was due primarily to a large prepayment from Chrysler Canada along with regularly scheduled repayments and debt forgiveness slightly offset by a foreign exchange translation gain. This decrease significantly reduced the interest received.

Financial Arrangements Facilitated

There were no financial arrangements facilitated greater than $1 million to report for the fiscal year ending March 31st, 2012 (2010/2011 - $18 million).

Leasing and Financing Related Expenses

(in millions of Canadian dollars)	**March 31, 2012**	March 31, 2011
Impairment loss on leased assets (Note 7)	**-**	44
Depreciation	**2**	4
Insurance – returned and all aircraft portfolio	**1**	1
Other	**1**	-
Total leasing and financing related expenses	**$4**	$49

The majority of leasing and financing related expenses are related to returned aircraft. Depreciation is charged on a straight-line basis over the estimated useful life of the aircraft (15 years from the date of build).

Paid and Outstanding Claims on Insurance

There are currently $0.3 million (2010/2011 - $12.7 million) in claims paid and outstanding under Canada Account. In the current fiscal year, $12.4 million of claims paid and outstanding were forgiven.

Canada Account Financial Statements

Statement of Receivables, Claims and Equipment Available for Lease

As at March 31 *(in millions of Canadian dollars)*	**2012**	2011
Loans receivable (notes 3 and 4)	**3,256**	4,458
Notes receivable (note 5)	**50**	102
Allowance for losses on loans	**(1,579)**	(1,471)
Allowance for interest on loans	**(512)**	(395)
Portion expensed due to concessionary terms	**(559)**	(596)
Accrued interest and fees	**454**	339
Equipment available for lease (note 7)	**17**	19
Paid and outstanding claims on insurance	**-**	13
Total	**$1,127**	$2,469

Statement of Loan Commitments, Contractual Obligations and Contingent Liabilities

As at March 31 *(in millions of Canadian dollars)*	**2012**	2011
Loan commitments & contractual obligations (note 9)	**9**	516
Loan guarantees (note 10)	**230**	282
Allowance for loan guarantees	**(11)**	(18)
Total	**$228**	$780

Canada Account Financial Statements

Statement of Revenue and Expenses

For the year ended March 31 *(in millions of Canadian dollars)*	**2012**	2011
Revenue:		
Loan interest and guarantee fees	**217**	282
Gain on foreign currency translation - net (note 2)	**100**	-
Amortization of discount	**26**	27
Lease revenue	**4**	5
Gain from restructuring concessions (note 8)	**-**	3
Total revenue	**347**	317
Expenses:		
Loss on foreign currency translation - net (note 2)	**-**	159
Provision for (reversal of) losses on loans and loan guarantees	**279**	(443)
Administrative charges (note 6)	**7**	7
Leasing and financing related expenses	**4**	49
Total expenses	**290**	(228)
Net income/(loss)	**$57**	$545

Statement of Cash Flow to/from the Consolidated Revenue Fund

For the year ended March 31 *(in millions of Canadian dollars)*	**2012**	2011
Remittances to CRF by EDC:		
Principal	**1,891**	1,430
Interest, premiums and fees	**82**	182
Lease revenue	**4**	4
Gain from restructuring concessions (note 8)	**-**	3
Leasing and financing related expenses	**(2)**	(1)
Administrative charges (note 6)	**(7)**	(7)
Total remitted	**1,968**	1,611
Received from CRF by EDC:		
Principal	**569**	384
Total received	**569**	384
Net cash (to) from the CRF	**$(1,399)**	$(1,227)

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, domestic trade and Canadian capacity to engage in either of these trades and to respond to international and domestic 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 that are 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 include business in all of EDC’s product categories (financing, credit insurance, financial institutions insurance, contract insurance and bonding, and political risk insurance) other than equity. The Corporation is responsible for ensuring that Canada Account transactions 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 Act allows Canada Account to have up to an aggregate of $20 billion in contingent liabilities (i.e.: insurance policies, guarantees and other contingent arrangements), outstanding commitments to borrowers and outstanding principal amounts of obligations owed to the Corporation. The position against this limit, determined in accordance with the requirements of the Act, was $3,545 million at March 31, 2012 (March 2011 - $5,369 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.

Allowance for Losses on Loans

Allowances for Canada Account exposures are annually estimated by the Department of Finance and the Treasury Board Secretariat and recorded by the Department of Foreign Affairs and International Trade.

Translation of Foreign Currency

All loans receivable, loan commitments, contingent liabilities and claims paid and outstanding 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 of Canadian dollars)	**March 31, 2012**			March 31, 2011		
Fiscal	**Concessional**	**Non-concessional**	**Total**	Concessional	Non-concessional	Total
Past Due	**-**	**874**	**874**	11	841	852
11/12	**-**	**-**	**-**	27	312	339
12/13	**27**	**293**	**320**	26	166	192
13/14	**27**	**167**	**194**	26	163	189
14/15	**38**	**193**	**231**	31	130	161
15/16	**18**	**128**	**146**	25	182	207
16/17	**25**	**203**	**228**	24	197	221
17/18	**24**	**201**	**225**	24	1,264	1,288
18/19	**25**	**215**	**240**	24	209	233
19/20 and beyond	**454**	**344**	**798**	442	334	776
Total	**$638**	**$2,618**	**$3,256**	$660	$3,798	$4,458

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. The $88 million increase in commercial past due receivables was primarily caused by non-performing loans related to the automotive and marine industries. Of the sovereign amount, $90 million of arrears (2010/2011 - $95 million) pertains to amounts due from one HIPC and may be eligible for debt forgiveness and/or debt relief. The remainder of sovereign loans in arrears is eligible for rescheduling. Arrears from commercial loans, if not recovered, may be subject to restructuring and/or write-off.

(in millions of Canadian dollars)	**March 31, 2012**			March 31, 2011		
	Commercial	**Sovereign**	**Total**	Commercial	Sovereign	Total
Past due principal	**785**	**89**	**874**	751	101	852
Past due interest and fees	**301**	**129**	**430**	247	117	364
Total	**$1,086**	**$218**	**$1,304**	$998	$218	$1,216

Note 5: Notes Receivable

Notes receivable represent promissory notes issued and due from the borrower in an aggregate amount equal to 6.67% of the loans in the automotive industry. These notes accrue interest which is payable at each interest payment due date or capitalized to the remaining note balance.

Note 6: 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 2011/2012, $7 million (2010/2011 – $7 million) was retained to meet the general expenses and overhead of the Corporation arising out of Canada Account transactions.

Note 7: Equipment Available for Lease

Equipment available for lease consists of regional aircraft that were returned to us because of default under the related obligor's loan agreements in 2007/2008.

(in millions of Canadian dollars)	**March 31, 2012**	March 31, 2011
Equipment available for lease	**89**	89
Cumulative impairment loss	**(55)**	(55)
Accumulated depreciation	**(17)**	(15)
Net equipment available for lease	**$17**	$19
Number of aircraft	**6**	6

On an annual basis we assess whether there is any indication of impairment of our regional aircraft given current market conditions. In 2011/2012, recent aircraft sales, leasing rates and other market conditions did not lead to any indication of impairment of our six aircraft currently on lease and therefore no impairment loss was recorded in the current fiscal year. Based on these same conditions, there was also no indication that a reversal of previous impairment losses would be required.

In December 2010, due to continued changing market conditions, a review of impairment was done on all six aircraft, and an analysis of future cash flows was performed where necessary. The analysis demonstrated a reduction in the future value of economic benefits associated with these aircraft and the decline in value was considered permanent. As a result, an impairment loss was recognized in 2010/2011 reducing the carrying value of the six aircraft by an additional $44 million from the initial write-down of $11 million in the 2009/2010 results. In addition, an assessment of the remaining useful life of the aircraft was done. We concluded that past impairment write-downs as a result of lower market values and reduced lease rates on new leases have had an impact on the remaining useful life of the aircraft. As a result, we reduced our estimate of the remaining useful life of each aircraft by five years with the remaining useful life being seven years at that time.

Operating lease revenue for the year was $4 million (2010/2011 - $5 million). At the end of March 2012, 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.

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

(in millions of Canadian dollars)	**2012**	2011
2011	**-**	5
2012	**4**	4
2013	**4**	1
2014	**4**	-
Total	**$12**	$10

Note 8: Gain from restructuring concessions

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 was made on December 21, 2010 and a gain of $3 million was realized in March 2011 results.

Note 9: Loan Commitments and Contractual Obligations

The nature of these activities can result in obligations whereby Canada Account will be obligated to make future payments. At the end of 2011, the undisbursed loan commitments was mainly composed of the remaining obligations for the loans related to the automotive industry however in May 2011, this commitment was cancelled.

(in millions of Canadian dollars)	**March 31, 2012**	March 31, 2011
Undisbursed loan commitments*	**-**	505
Insurance contingent liability	**9**	10
Obligation from loan restructuring	**-**	1
Total	**$9**	$516

**Includes an undisbursed commitment in place with Chrysler Canada which was subsequently cancelled in May 2011.*

Note 10: Loan Guarantees

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

Note 11: Reclassification of Comparative Figures

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

Glossary of Financial Terms

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 - The allowance for losses on loans, loan commitments and guarantees represents management's best estimate of probable credit losses.

Average Annual Principal - The average outstanding loans and notes interest-bearing receivable held during the fiscal year. Conversion is done using the average foreign exchange rate for the same period.

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.

Contract Insurance and Bonding – An insurance policy that provides cover for sales on exposure terms usually greater than one year and includes export credit insurance and guarantees, performance guarantees and surety, extending cover for risks inherent in performance related obligations.

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.

Equity - An ownership interest in an entity.

Financial Institutions Insurance - Insurance provided to Canadian financial institutions that covers their foreign bank and foreign buyer counterparty risk in trade transactions.

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 risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest Cash Flow - Interest payments earned, received and remitted to the CRF during the fiscal year.

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

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