

PATENTED MEDICINE PRICES REVIEW BOARD

Statement of Management Responsibility

The introduction of Future-oriented Financial Statements is a Parliamentary direction for departments to provide enhanced financial information to external users. The Patented Medicine Prices Review Board has prepared a full set of Future-oriented Financial Statements which forecast results for the 2012-13 fiscal year and update 2011-12 projections. Responsibility for the compilation, content and presentation of the Future-oriented Financial Statements for the years ended March 31, 2012 and 2013 and all information contained in this statement rests with the Board's management. This future-oriented information has been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector. The Future-oriented Financial Statements and the accompanying notes are submitted for Part III of the Estimates (Report on Plans and Priorities), and will be used in the Departmental Performance Report to compare with actual results.

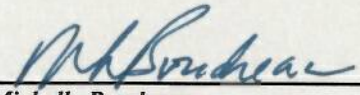
Management is responsible for these Future-oriented Financial Statements, including responsibility for the appropriateness of the forecasts and future projections on which these statements are prepared. These forecasts and future projections are based upon information available and known to management at the time of development. They reflect current business and economic conditions, assume a continuation of current governmental priorities and are consistent with the Board's mandate and strategic objectives. Much of the future-oriented financial information uses best estimates, assumptions and judgment to derive forecasts and future projections as at December 31, 2011 and reflect the plans described in the Report on Plans and Priorities while at the same time giving due consideration to materiality. At the time of preparation of this information, management believes these best estimates and assumptions to be reasonable. However, as with any use of best estimates and assumptions, there is a measure of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends.

The actual results achieved for the fiscal year covered in the accompanying Future-oriented Financial Statements will vary from the information presented and these variations may be material.



Mary Catherine Lindberg
Chairperson
Ottawa, Canada

Date : March 29, 2012



Michelle Boudreau
Executive Director & Chief Financial Officer
Ottawa, Canada

Date : March 29, 2012

PATENTED MEDICINE PRICES REVIEW BOARD

Future-oriented Statement of Financial Position (unaudited)

As at March 31 (in dollars)	Estimated Results 2012	Planned Results 2013
Assets		
Financial assets		
Due from Consolidated Revenue Fund	\$ 602,755	\$ 582,727
Accounts receivable and advances (Note 6)	196,346	241,656
Total assets	\$ 799,101	\$ 824,383
Liabilities and equity of Canada		
Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 778,068	\$ 803,350
Vacation pay and compensatory leave	335,571	365,350
Employee future benefits (Note 8)	849,580	917,409
Total liabilities	1,963,219	2,086,109
Equity of Canada	(1,164,118)	(1,261,726)
Total liabilities and equity of Canada	\$ 799,101	\$ 824,383

Information for the year ending March 31, 2012 includes actual amounts from April 1, 2011 to December 31, 2011.

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

PATENTED MEDICINE PRICES REVIEW BOARD

Future-oriented Statement of Operations (unaudited)

For the Year Ending March 31
(in dollars)

Estimated Results
2012

Planned Results
2013

	Estimated Results 2012	Planned Results 2013	Total	Patented Medicine Prices Regulation Program	Pharmaceutical Trends Program	Internal Services	Total
Expenses							
Salaries and employee benefits	\$ 6,756,136	\$ 3,882,416	\$ 10,638,552	\$ 3,882,416	\$ 1,097,918	\$ 2,643,753	\$ 7,624,087
Professional and special services	2,050,896	3,657,902	5,708,798	3,657,902	139,446	315,675	4,113,023
Accommodation	723,953	424,954	1,148,907	424,954	125,555	183,503	734,012
Utilities, material and supplies	332,553	196,531	529,084	196,531	76,421	72,009	344,961
Communications	120,800	27,914	148,714	27,914	985	83,144	112,043
Purchased repair and maintenance	143,195	-	143,195	-	-	103,930	103,930
Travel and relocation	117,139	33,762	150,901	33,762	8,960	17,203	59,925
Information	36,100	746	36,846	746	26,957	6,697	34,400
Rentals	10,500	3,500	14,000	3,500	1,500	6,430	11,430
Other	500	-	500	-	-	700	700
Total expenses	10,291,772	8,227,725	18,519,497	8,227,725	1,477,742	3,433,044	13,138,511

Revenues

Voluntary compliance undertakings	\$ 11,195,426	\$ -	\$ 11,195,426	\$ -	\$ -	\$ -	\$ -
Net cost of operations	\$ (903,654)	\$ 8,227,725	\$ 7,324,071	\$ 8,227,725	\$ 1,477,742	\$ 3,433,044	\$ 13,138,511

Information for the year ending March 31, 2012 includes actual amounts from April 1, 2011 to December 31, 2011.
The accompanying notes form an integral part of these future-oriented financial statements.

PATENTED MEDICINE PRICES REVIEW BOARD

Future-oriented Statement of Equity (unaudited)

For the Year Ending March 31
(in dollars)

Estimated Results
2012

Planned Results
2013

Equity of Canada, beginning of year	\$	(1,475,514)	\$	(1,164,118)
Net cost of operations		903,654		(13,138,511)
Net cash provided by(to) Government		(1,653,804)		11,813,029
Change in due from Consolidated Revenue Fund		(140,176)		(20,028)
Services provided without charge from other government departments (Note 9)		1,201,722		1,247,902
Equity of Canada, end of year	\$	(1,164,118)	\$	(1,261,726)

Information for the year ending March 31, 2012 includes actual amounts from April 1, 2011 to December 31, 2011.

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

PATENTED MEDICINE PRICES REVIEW BOARD

Future-oriented Statement of Cash Flow (unaudited)

For the Year Ending March 31
(in dollars)

Estimated Results
2012

Planned Results
2013

Operating activities

Net cost of operations	\$	(903,654)	\$	13,138,511
Non-cash items:				
Services provided without charge from other government departments (Note 9)		(1,201,722)		(1,247,902)
Variations in Statement of Financial Position:				
Increase in accounts receivable and advances		54,940		45,310
Decrease (increase) in accounts payable and accrued liabilities		85,236		(25,282)
Increase in vacation pay and compensatory leave		(23,709)		(29,779)
Decrease (increase) in employee future benefits		335,105		(67,829)
Cash provided by operating activities	\$	(1,653,804)	\$	11,813,029
Net cash provided by(to) Government of Canada	\$	(1,653,804)	\$	11,813,029

Information for the year ending March 31, 2012 includes actual amounts from April 1, 2011 to December 31, 2011.

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

1. Authority and Objectives

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 1: Canadians are protected from excessive prices for patented medicines sold in Canada and stakeholders are informed on pharmaceutical trends.

Patented Medicine Prices Regulation Program

The Patented Medicine Prices Review Board (PMPRB) is an independent quasi-judicial body that is responsible for ensuring that the prices that patentees charge for patented medicines sold in Canada are not excessive based on the price review factors in the *Patent Act* (the Act). To make this determination the Board must consider each of the following factors: prices at which the medicine and other medicines in the same therapeutic class have been sold in Canada and in the seven comparator countries listed in the Patented Medicines Regulations (Regulations); changes in the Consumer Price Index (CPI); and in accordance with the Act, such other factors as may be specified in any regulations made for the purposes of the price review. Under the Act, and as per the Regulations, patentees are required to file price and sales information for each patented medicine sold in Canada, for the duration of the patent(s). Board Staff reviews the introductory and ongoing information filed by patentees, for all patented medicines sold in Canada. When it finds that the price of a patented medicine appears to be excessive, Board Staff will conduct an investigation into the price. An investigation could result in: its closure where it is concluded that the price was non-excessive; a Voluntary Compliance Undertaking (VCU) by the patentee to reduce the price and offset excess revenues obtained as a result of excessive prices through a payment and/or a price reduction of another patented drug product; or a public hearing to determine if the price is excessive, including any remedial order determined by the Board. In the event that the Board Hearing Panel finds, after a public hearing, that a price is or was excessive, it may order the patentee to reduce the price and take measures to offset any excess revenues. This program, by reviewing the prices charged by patentees for patented medicines sold in Canada, protects Canadians and the health care system from excessive prices.

Pharmaceutical Trends Program

The PMPRB reports annually to Parliament through the Minister of Health on its price review activities, the prices of patented medicines and price trends for all drugs, and R&D expenditures as reported by pharmaceutical patentees. In supporting this requirement, the pharmaceutical trend program provides complete and accurate information on trends in manufacturers' prices of patented medicines sold in Canada and on patentees' research-and-development expenditures to interested stakeholders including: industry (i.e., brand-name, biotech, generic); federal, provincial and territorial (F/P/T) governments; consumer and patient advocacy groups; third party payers; and others. This information also provides assurance to Canadians that the prices of patented medicines are not excessive. In addition, as a result of the establishment of the National Prescription Drug Utilization Information System (NPDUIS) by F/P/T ministers of health the Minister of Health requested that the PMPRB conduct analysis of price, utilization and cost trends for prescription drugs so that Canada's health system has more comprehensive, accurate information on how prescriptions drugs are being used and on the sources of cost increases. Furthermore, in 2005, as a result of the National Pharmaceutical Strategy which was part of the First Ministers' 10-Year Plan to Strengthen Health Care, the Minister of Health on behalf of F/P/T Ministers of Health, requested the PMPRB also monitors and reports on non-patented prescription drug prices. This function is aimed at providing federal/provincial/territorial governments and other interested stakeholders with a centralized credible source of information on non-patented prescription drug prices.

1. Authority and Objectives (continued)

Strategic Outcome 2: The following program activity supports all strategic outcomes within this organization.

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; Materiel 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.

2. Methodology and significant assumptions

The future-oriented financial statements have been prepared on the basis of the government priorities and the plans of the Board as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- (a) The Board's activities will remain substantially the same as for the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- (c) Allowances for uncollectibility are based on historical experience. The general historical pattern is expected to
- (d) Estimated year end information for 2011-12 is used as the opening position for the 2012-13 planned results.

These assumptions are adopted as at December 31, 2011.

3. Variations and changes to the forecast financial information

While every attempt has been made to forecast final results for the remainder of 2011-12 and for 2012-13, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these future-oriented financial statements, the Patented Medicine Prices Review Board has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

- (a) The timing and amounts of acquisitions and disposals of equipment may affect gains/losses and amortization expense.
- (b) Implementation of new collective agreements.
- (c) Economic conditions may affect both the amount of revenue earned.
- (d) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the Report on Plans and Priorities is presented, the Patented Medicine Prices Review Board will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

4. Summary of significant accounting policies

The future-oriented financial statements have been prepared in accordance with the Treasury Board accounting policies in effect for the 2012-13 fiscal year. These accounting policies, stated below, 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 department 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 Future-oriented Statement of Operations and the Future-oriented Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the bases of reporting.

(b) Net Cash Provided by 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 Consolidated Revenue Fund

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 parliamentary expenditure authorities to discharge its liabilities.

(d) Revenues - are recorded on an accrual basis

- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

(e) Expenses - are recorded on an accrual basis:

- Vacation pay and compensatory leave are accrued as the benefits are earned under the 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 reported as operating expenses at their estimated cost.

(f) Employee future benefits

- i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. 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.

4. Summary of significant accounting policies (continued)

(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) Tangible Capital Assets

All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. The Board does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

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

Asset Class	Sub-asset class	Amortization Period
Machinery & Equipment	Machinery & Equipment	8-12 years

(i) Measurement uncertainty

The preparation of these future-oriented financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the future-oriented financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. Actual results could significantly differ from those estimated.

PATENTED MEDICINE PRICES REVIEW BOARD

Notes to the Future-oriented Financial Statements (unaudited)

For the Year Ending March 31

5. Parliamentary authorities

The Patented Medicine Prices Review Board receives most of its funding through expenditure authorities provided by Parliament. Items recognized in the Future-oriented Statements of Operations and 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) Authorities requested:

(in dollars)	Estimated Results 2012	Planned Results 2013
<i>Authorities requested</i>		
Vote 35 - Program expenditures	\$ 8,368,865	\$ -
Vote 45 - Program expenditures	-	10,779,630
Statutory Amounts	1,076,488	1,052,770
Forecast authorities available	\$ 9,445,353	\$ 11,832,400

Authorities presented reflect current forecasts of statutory items, approved initiatives included and expected to be included in the Estimates documents, and when reasonable estimates can be made, estimates of amounts to be allocated from Treasury Board central votes.

(b) Reconciliation of net income of operations to requested authorities:

(in dollars)	Estimated Results 2012	Planned Results 2013
Net cost of operations	\$ (903,654)	\$ 13,138,511
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
<i>Add (Less):</i>		
Revenues not available for spending	11,195,426	-
Refund/adjustment of previous year's expenditures	43,907	39,399
Services provided without charge from other government departments	(1,201,722)	(1,247,902)
Increase in vacation pay and compensatory leave	(23,709)	(29,779)
Decrease (increase) in employee future benefits	335,105	(67,829)
Forecast authorities available	\$ 9,445,353	\$ 11,832,400

6. Accounts receivable and advances

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

(in dollars)	Estimated Results 2012	Planned Results 2013
Receivables from other government departments and agencies	\$ 195,846	\$ 241,156
Employee advances	500	500
Total accounts receivable and advances	\$ 196,346	\$ 241,656

PATENTED MEDICINE PRICES REVIEW BOARD

Notes to the Future-oriented Financial Statements (unaudited)

For the Year Ending March 31

7. Accounts payable and accrued liabilities

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

(in dollars)	Estimated Results	Planned Results
	2012	2013
Accounts payable to external parties	\$ 505,066	\$ 574,701
Accounts payable to other government departments and agencies	43,294	28,258
	548,360	602,959
Accrued liabilities	229,708	200,391
Total accounts payable and accrued liabilities	\$ 778,068	\$ 803,350

8. 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 forecasted expenses are presented below which represent approximately 1.9 times the contributions by employees.

(in dollars)	Estimated Results	Planned Results
	2012	2013
Expense for the year	\$ 1,052,770	\$ 1,076,488

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)	Estimated Results	Planned Results
	2012	2013
Accrued benefit obligation, beginning of year	\$ 1,184,686	\$ 849,580
Expense for the year	39,776	167,977
Benefits paid during the year	(374,882)	(100,148)
Accrued benefit obligation, end of year	\$ 849,580	\$ 917,409

PATENTED MEDICINE PRICES REVIEW BOARD

Notes to the Future-oriented Financial Statements (unaudited)

For the Year Ending March 31

9. Related party transactions

The Board is related as a result of common ownership to all Government of Canada 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 receives services 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 Board's Future-oriented Statement of Operations as follows:

(in dollars)	Estimated Results	Planned Results
	2012	2013
Accommodation	\$ 723,953	\$ 734,012
Employer's contribution to the health and dental insurance plans	470,844	508,438
Legal Services	6,925	5,452
Total	\$ 1,201,722	\$ 1,247,902

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

(b) Other transactions with related parties

(in dollars)	Estimated Results	Planned Results
	2012	2013
Accounts receivable with other government departments and agencies	\$ 195,846	\$ 241,156
Accounts payable to other government departments and agencies	43,294	28,258
Expenses - other government departments and agencies	512,879	342,196