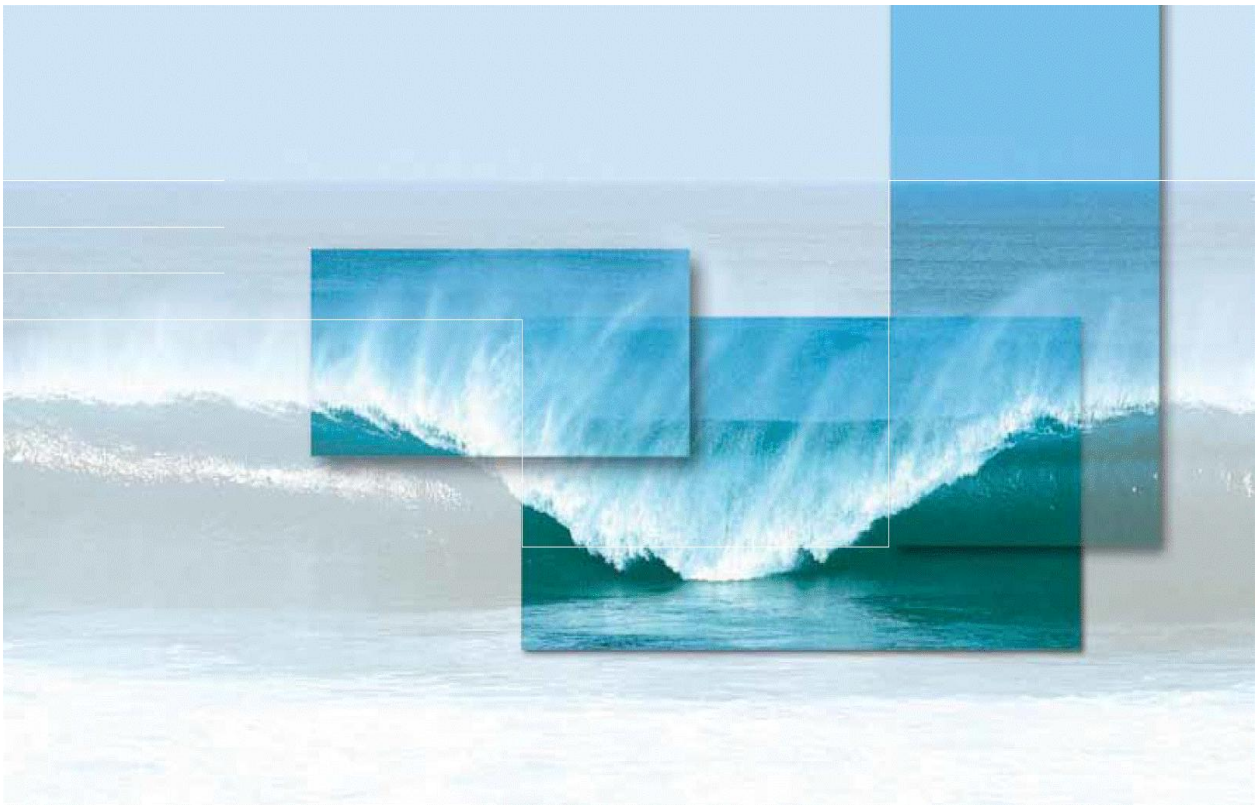
Fisheries and Oceans Canada | Pêches et Océans Canada



Financial Statements of

FISHERIES AND OCEANS CANADA

Year ended March 31, 2026

Canada

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Financial Statements of Fisheries and Oceans Canada, Year ended March 31, 2026

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FISHERIES AND OCEANS CANADA

Statement of management responsibility including internal control over financial reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2026, and all information contained in these financial statements, rests with the management of Fisheries and Oceans Canada (the "Department"). These financial statements have been prepared by management using the Government of Canada's accounting policies, which are based on Canadian public sector accounting standards.

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 fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Department's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Departmental Results Report, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) 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 Department and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of internal control over financial reporting for the year ended March 31, 2026, was completed in accordance with the Treasury Board Policy on Financial Management and the results and action plans are summarized in the annex.

FISHERIES AND OCEANS CANADA

Statement of management responsibility including internal control over financial reporting

The effectiveness and adequacy of the Department's system of internal control are reviewed by the internal audit staff, who conduct periodic audits of different areas of the Department's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister.

The financial statements of Fisheries and Oceans Canada have not been audited.

Original signed by

Paul MacKinnon
Deputy Minister

Original signed by

Michael de Sa
Chief Financial Officer

Ottawa, Canada
September 15, 2026

Year ended March 31, 2026

FISHERIES AND OCEANS CANADA

Statement of Financial Position (Unaudited)

As at March 31, 2026

(in thousands of dollars)	2026	2025
Liabilities		
Accounts payable and accrued liabilities (note 4)	747,729	$750,473
Vacation pay and compensatory leave	105,597	147,374
Environmental liabilities and asset retirement obligations (note 5)	330,860	739,564
Deferred revenues (note 7)	6,180	4,957
Other liabilities (note 8)	20,514	45,306
Employee future benefits (note 9)	15,461	29,405
Contingent liabilities (note 10)	216,765	509,859
	1,443,106	**2,226,938**
Liabilities held on behalf of Government		
Deferred revenues (note 7)	(6,180)	(4,957)
	(6,180)	**(4,957)**
Total net liabilities	**1,436,926**	**2,221,981**
Financial Assets		
Due from the Consolidated Revenue Fund	740,199	746,368
Accounts receivable and advances (note 11)	108,126	128,735
Loans receivable (note 12)	56,755	48,090
	905,080	**923,193**
Financial assets held on behalf of Government		
Accounts receivable and advances (note 11)	(72,312)	(81,484)
Loans receivable (note 12)	(56,755)	(48,090)
	(129,067)	**(129,574)**
Total net financial assets	**776,013**	**793,619**
Departmental net debt	**660,913**	**1,428,362**
Non-financial assets		
Prepaid expenses (note 14)	188,587	228,000
Inventory (note 15)	-	110,932
Tangible capital assets (note 16)	2,660,196	9,827,198
Total non-financial assets	**2,848,783**	**10,166,130**
Departmental net financial position (note 17)	**$2,187,870**	**$8,737,768**

Contractual obligations (note 18)

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

Original signed by
Paul MacKinnon
Deputy Minister
Ottawa, Canada
September 15, 2026

Original signed by
Michael de Sa
Chief Financial Officer

FISHERIES AND OCEANS CANADA

Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31, 2026

(in thousands of dollars)	2026 Planned Results	2026 Actual	2025 Actual
Expenses			
Fisheries	$ 1,356,314	1,252,473	$1,118,786
Aquatic Ecosystems	685,707	671,005	671,154
Marine Navigation	341,770	175,862	359,071
Marine Operations and Response	1,024,210	420,239	1,122,113
Internal Services	627,912	229,612	682,187
Total expenses	4,035,913	**2,749,191**	**3,953,311**
Revenues (note 6)			
Sales of goods and services	87,153	67,922	92,734
Other revenues	8,723	2,219	10,404
Revenues earned on behalf of Government	(55,865)	(51,190)	(57,228)
Total revenues	40,011	**18,951**	**45,910**
Net cost of operations before government funding and transfers	3,995,902	**2,730,240**	**3,907,401**
Government funding and transfers			
Net cash provided by Government		4,433,216	5,209,893
Change in due from Consolidated Revenue Fund		(6,170)	(2,190)
Services provided without charge by other government departments (note 19)		168,037	192,341
Transfers of assets and liabilities from/(to) other government departments (note 20)		(8,414,741)	(882)
Net cost of operation after government funding and transfers		**(6,549,898)**	**(1,491,761)**
Departmental net financial position—Beginning of year		8,737,768	$7,246,007
Departmental net financial position—End of year		**$2,187,870**	**$8,737,768**

Segmented information (note 21)

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

FISHERIES AND OCEANS CANADA

Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31, 2026

(in thousands of dollars)	2026	2025
Net cost of operations after government funding and transfers	**$6,549,898**	**($1,491,761)**
Change due to tangible capital assets		
Acquisition of tangible capital assets	1,065,810	1,696,998
Amortizations of tangible capital assets	(266,814)	(350,675)
Proceeds from disposal of tangible capital assets	(3,642)	(2,725)
Net loss on disposal of tangible capital assets including adjustments	(25,279)	(74,608)
Adjustment to cost of asset retirement obligations	(7,761)	(67,385)
Transfer from/(to) other government departments (note 20)	(7,929,316)	(614)
Total change due to tangible capital assets	**(7,167,002)**	**1,200,991**
Change due to inventory	(110,932)	8,819
Change due to prepaid expenses	(39,413)	224,312
Net (decrease) increase in departmental net debt	**(767,449)**	**(57,639)**
Departmental net debt—Beginning of year	1,428,362	1,486,001
Departmental net debt—End of year	**$660,913**	**$1,428,362**

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

FISHERIES AND OCEANS CANADA

Statement of Cash Flows (Unaudited)

For the year ended March 31, 2026

(in thousands of dollars)	2026	2025
Operating activities		
Net cost of operations before government funding and transfers	**$2,730,240**	**$3,907,401**
Non-cash items		
Amortization of tangible capital assets	(266,814)	(350,675)
Net loss on disposal of tangible capital assets including adjustments	(25,279)	(74,608)
Services provided without charge by other government departments	(168,037)	(192,341)
Environmental liabilities and asset retirement obligations	169,271	(2,312)
Variations in statement of financial position		
Decrease (increase) in accounts receivable and advances	(11,437)	2,418
Decrease (increase) in prepaid expenses	(39,413)	224,312
Decrease (increase) in inventory	(110,932)	8,819
Decrease in accounts payable and accrued liabilities	2,744	6,028
Decrease in vacation pay and compensatory leave	41,777	3,892
Decrease in asset retirement obligations due to settlements	229,189	2,783
Decrease in other liabilities	24,792	12,413
Decrease (increase) in employee future benefits	13,944	(617)
Decrease (increase) in contingent liabilities	293,094	(33,086)
Transfer of salary overpayments and emergency salary advances (from)/to other government departments (note 20)	487,909	268
Cash used in operating activities	**3,371,048**	**3,514,695**
Capital investing activities		
Acquisition of tangible capital assets	1,065,810	1,696,998
Proceeds from disposal of tangible capital assets	(3,642)	(2,725)
Cash used in capital investing activities	**1,062,168**	**1,694,273**
Financing activities		
Lease payment for tangible capital assets	-	925
Cash used in financing activities	**-**	**925**
Net cash provided by Government of Canada	**$4,433,216**	**$5,209,893**

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

1. Authority and objectives

Fisheries and Oceans Canada was established under the *Department of Fisheries and Oceans Act* and reports to Parliament through the Minister of Fisheries.

The Department's main legislative authorities are:

- *the Oceans Act*
- *the Fisheries Act*
- *the Species at Risk Act*
- *the Coastal Fisheries Protection Act*
- *the Canada Shipping Act, 2001*
- *the Fishing and Recreational Harbours Act*

The Department is currently organized into the following core responsibilities:

- **Fisheries:** Manage Canada's fisheries, Indigenous fisheries programs, aquaculture activities and supports commercial fishing harbours while applying relevant legislation.

- **Aquatic Ecosystems:** Conserve and protect Canada's oceans and other aquatic ecosystems and species from human impact and invasive species.

- **Marine Navigation:** Provide information and services to facilitate navigation in Canadian waters.

- **Marine Operations and Response:** Provide marine response services and operate Canada's civilian maritime fleet.

- **Internal Services** are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations. Internal Services refers to the activities and resources of the 10 distinct service categories that support Program delivery in the organization, regardless of the Internal Services delivery model in a department. The 10 service categories are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Management Services; Materiel Management Services; and Acquisition Management Services.

1. Authority and objectives (continued)

Effective September 2, 2025, control and supervision of the Canadian Coast Guard and the Canadian Coast Guard Support Services Group were transferred from the Department of Fisheries and Oceans to the Department of National Defence pursuant to Order in Council P.C. 2025-0639. Accordingly, these financial statements include the revenues and expenses of the transferred activities up to and including September 1, 2025.

2. Summary of significant accounting policies

These financial statements have been prepared using the Department's accounting policies stated below which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Parliamentary authorities

The Department is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the Department does 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 Departmental Net Financial Position and in 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. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2026-27 Departmental Plan. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2026-27 Departmental Plan.

(b) Net Cash Provided by Government

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

2. Summary of significant accounting policies (continued)

(c) Amounts due from or to the CRF

Amounts due from or to the CRF are the result of timing differences that occur 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 Department is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues and deferred revenues

Revenues are comprised of revenues earned from non-tax sources. They include exchange transactions where goods or services are provided for consideration where a performance obligation exists, and non-exchange transactions where no performance obligations exist to provide a good or service. These transactions can be recurring or non-recurring in nature. Recurring transactions are viewed as ongoing, routine activities that form part of the normal course of operations and can be used to indicate if they can be reasonably expected to be earned again in future years.

Deferred revenues consist of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned. Other revenues are recognized in the period the event giving rise to the revenues occurred.

Revenues that are non-respendable are not available to discharge the department's liabilities. While the Deputy Minister is expected to maintain accounting control, he has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues. Revenues earned on behalf of Government consist of the sale of services and gains on the sale of assets. These are recognized when earned.

(e) Expenses

Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient. 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, employer contributions to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their carrying value.

2. Summary of significant accounting policies (continued)

(f) Employee future benefits

i. Pension benefits:

Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The Department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The Department'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.

ii. Severance benefits:

The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Financial instruments

A contract establishing a financial instrument creates, at its inception, rights, and obligations to receive or deliver economic benefits. The financial assets and financial liabilities portray these rights and obligations in the financial statements. The Department recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of accounts and loans receivable, and accounts payable and accrued liabilities.

All financial assets and liabilities are recorded at cost or amortized cost. Any associated transaction costs are added to the carrying value upon initial recognition.

For financial instruments measured at amortized cost, the effective interest method is used to determine interest revenue or expense.

Accounts and loans receivable are initially recorded at cost and where necessary are discounted to reflect their concessionary terms. Concessionary terms of loans include cases where loans are made on a long-term, low interest or interest-free basis. Transfer payments that are unconditionally repayable are recognized as loans receivable. When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts and loans receivable to amounts that approximate their net recoverable value.

2. Summary of significant accounting policies (continued)

(h) Non-financial assets

The costs of acquiring land, buildings, equipment and other capital properties are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in note 16. All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more are recorded at their acquisition cost. Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, works of art, museum collection and Crown land to which no acquisition cost is attributable and intangible assets.

Inventories are valued at cost and are comprised of spare parts, materials, supplies and fuel held for future program delivery and are not primarily intended for resale. Inventories that no longer have service potential are valued at the lower of cost or net realizable value. Fuel is valued using the moving weighted average cost method.

(i) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, a provision is accrued, and an expense recorded to other expenses. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(j) Contingent assets

Contingent assets are possible assets which may become actual assets when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, the contingent asset is disclosed in the notes to the financial statements.

(k) Environmental liabilities and asset retirement obligations

An environmental liability for the remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the Government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Government's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination. If the likelihood of the Department's responsibility is not determinable, a contingent liability is disclosed in the notes to the financial statements.

2. Summary of significant accounting policies (continued)

(k) Environmental liabilities and asset retirement obligations (continued)

An asset retirement obligation is recognized when all of the following criteria are satisfied: there is a legal obligation to incur retirement costs in relation to a tangible capital asset, the past event or transaction giving rise to the retirement liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The costs to retire an asset are normally capitalized and amortized over the asset's estimated remaining useful life. An asset retirement obligation may arise in connection with a tangible capital asset that is not recognized or no longer in productive use. In this case, the asset retirement cost would be expensed. The measurement of the liability is the government's best estimate of the amount required to retire a tangible capital asset.

When the future cash flows required to settle or otherwise extinguish a liability are estimable, predictable and expected to occur over extended future periods, a present value technique is used. The discount rate used reflects the Government's cost of borrowing, associated with the estimated number of years to complete remediation.

The recorded liabilities are adjusted each year, as required, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.

(l) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are contingent liabilities, environmental liabilities and asset retirement obligations, the liability for employee future benefits and the useful life of tangible capital assets.

Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

2. Summary of significant accounting policies (continued)

(l) Measurement uncertainty (continued)

Environmental liabilities and asset retirement obligations are subject to measurement uncertainty as discussed in note 5 due to the evolving technologies used in the estimation of the costs for remediation of contaminated sites or asset retirements, the use of discounted present value of future estimated costs, inflation, interest rates and the fact that not all sites have had a complete assessment of the extent and nature of remediation or asset retirement costs. Changes to underlying assumptions, the timing of the expenditures, the technology employed, or the revisions to environmental standards or changes in regulatory requirements could result in significant changes to the environmental liabilities recorded.

(m) Related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

i. Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.

ii. Certain services received on a without charge basis are recorded for departmental financial statement purposes at the carrying amount.

3. Parliamentary authorities

The Department receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the Department has different net results of operations for the year on a government funding basis than on an accrual accounting basis.

3. Parliamentary authorities (continued)

The differences are reconciled in the following tables:

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

(in thousands of dollars)	2026	2025
Net cost of operations before government funding and transfers	**$2,730,240**	**$3,907,401**
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(266,814)	(350,675)
Net loss on disposal of tangible capital assets including adjustments	(25,279)	(74,608)
Services provided without charge by other government departments	(168,037)	(192,341)
Decrease in vacation pay and compensatory leave	41,777	3,892
Environmental liabilities and asset retirement obligations	169,271	(2,312)
Decrease (increase) in employee future benefits	13,944	(617)
Decrease (increase) in contingent liabilities	293,094	(33,086)
Increase (decrease) in deferred revenues	(1,223)	1,612
Bad debt expense	(1,398)	(10,348)
Refunds of previous years' expenditures	11,841	16,291
Increase (decrease) in earmarked supplementary fines (note 17)	(34)	8
Other	31	854
Total adjustments for items affecting net cost of operations but not affecting authorities	**67,173**	**(641,330)**
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	1,065,810	1,696,998
Decrease in lease obligations for tangible capital assets		925
Decrease (increase) in inventory	(110,932)	8,819
Salary overpayments	2,067	3,270
Loans issued	13,396	14,636
Decrease in asset retirement obligations due to settlements	229,189	-
Decrease (increase) in prepaid expenses	(39,413)	224,312
Total adjustments for items not affecting net cost of operations but affecting authorities	**1,160,117**	**1,948,960**
Current year authorities used	**$3,957,530**	**$5,215,031**

3. Parliamentary authorities (continued)

(b) Authorities provided and used

(in thousands of dollars)	2026	2025
Authorities provided		
Vote 1—Operating expenditures	$1,780,559	$2,375,579
Vote 5—Capital expenditures	1,359,141	2,099,012
Vote 10—Grants and contributions	1,040,910	820,617
Statutory amounts	195,608	227,078
Total authorities provided	**4,376,218**	**5,522,286**
Less:		
Authorities available for future years	(2,939)	(2,132)
Lapsed authorities:		
Operating	(69,853)	(69,709)
Capital	(211,513)	(175,864)
Grants and Contributions	(134,383)	(59,550)
Current year authorities used	**$3,957,530**	**$5,215,031**

4. Accounts payable and accrued liabilities

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

(in thousands of dollars)	2026	2025
Accounts payable—Other government departments and agencies	$ 39,592	$60,896
Accounts payable—External parties	273,671	257,444
Total accounts payable	**313,263**	**318,340**
Accrued liabilities	434,466	432,133
Total accounts payable and accrued liabilities	**$ 747,729**	**$750,473**

In Budget 2025, the Government announced savings measures to be implemented by departments by 2028-29. As a result, the Department has included at March 31, 2026, an obligation for termination benefits for an amount of $1.8M. Based on current estimates, total workforce adjustment costs to be implemented by 2028-29 could increase to approximately $13.9 million.

5. Environmental liabilities and asset retirement obligations

Environmental liabilities and asset retirement obligations include:

(in thousands of dollars)	2026	2025
Remediation liability for contaminated sites	$124,937	$307,526
Asset retirement obligations	205,923	432,038
Total	**$330,860**	**$739,564**

a) Remediation of contaminated sites

The Government's "Federal Approach to Contaminated Sites" sets out a framework for management of contaminated sites using a risk-based approach. Under this approach the Government has inventoried the contaminated sites identified on federal lands, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aids in the identification of the high-risk sites in order to allocate limited resources to those sites which pose the highest risk to human health and the environment.

The Department has identified approximately 818 sites (1,410 sites in 2025) where contamination may exist and assessment, remediation and monitoring may be required. The decrease is mainly attributed to the transfer of 544 contaminated sites to the Department of National Defence in 2026 under an Order in Council. The Department has identified 347 sites (877 sites in 2025) where action is required and for which a gross liability of $123,706,037 ($298,660,528 in 2025) has been recorded. This liability estimate has been determined based on site assessments performed by environmental experts.

In addition, a statistical model based upon a projection of the number of sites that will proceed to remediation and upon which current and historical costs are applied is used to estimate the liability for a group of unassessed sites. As a result, there are approximately 23 unassessed sites (106 sites in 2025) where a liability estimate of $1,231,652 ($8,865,797 in 2025) has been recorded using this model.

These two estimates combined, totalling $124,937,689 ($307,526,325 in 2025), represent management's best estimate of the costs required to remediate the sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date.

5. Environmental liabilities and asset retirement obligations (continued)

a) Remediation of contaminated sites (continued)

For the remaining 448 sites (427 sites in 2025), no liability for remediation has been recognized. Some of these sites are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined. For other sites, the Department does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and a liability for remediation will be recognized if future economic benefits will be given up.

The following table presents the total estimated amounts of these liabilities by nature and source, the associated expected recoveries and the total undiscounted future expenditures as at March 31, 2026, and March 31, 2025. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast Consumer Price Index (CPI) rate of 2.0% (2.0% in 2025). Inflation is included in the undiscounted amount.

The Government of Canada's cost of borrowing by reference to the actual zero-coupon yield curve for Government of Canada bonds has been used to discount the estimated future expenditures. The March 31, 2026, rates range from 2.59% for a 1-year term (2.44% in 2025) to 3.95% (3.27% in 2025) for a 30 or greater year term.

	2026				2025			
(in thousands of dollars)	Total Number of Sites	Number of sites with liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Total Number of Sites	Number of sites with liability	Estimated Liability	Estimated Total Undiscounted Expenditures
Fuel-related practices [1]	14	9	$3,094	$3,483	58	53	$11,787	$13,206
Landfill/Waste Sites [2]	0	0	0	0	4	4	6,839	7,308
Engineered Asset/Air & Land Transportation [3]	0	0	0	0	2	2	72	79
Marine Facilities/Aquatic Sites [4]	759	333	106,617	118,742	1,289	883	271,067	297,451
Office/Commercial/ Industrial Operations [5]	31	24	13,078	14,960	39	33	14,666	16,384
Other [6]	14	4	2,149	2,312	18	8	3,095	3,495
Total	**818**	**370**	**$124,938**	**$139,497**	**1,410**	**983**	**$307,526**	**$337,923**

5. Environmental liabilities and asset retirement obligations (continued)

a) Remediation of contaminated sites (continued)

1. Contamination primarily associated with fuel storage and handling, e.g., accidental spills related to fuel storage tanks or former fuel handling practices, e.g., petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX (benzene, toluene, ethylbenzene and xylenes).

2. Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site, e.g., metals, petroleum hydrocarbons, BTEX, other organic contaminants, etc.

3. Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g., metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.

4. Contamination associated with the operations of marine assets, e.g., port facilities, harbours, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal-based paint (e.g., on light stations) resulted in former or accidental contamination, e.g., metals, petroleum hydrocarbons, polyaromatic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.

5. Contamination associated with the operations of the office/commercial/industrial facilities where activities such as fuel storage/handling, waste sites and use of metal-based paint resulted in former or accidental contamination, e.g., metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc. Sites often have multiple sources of contamination.

6. Contamination from other sources, e.g., use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

During the year, 49 sites (112 sites in 2025) were closed or zeroed out as they were either remediated or assessed to confirm that they no longer meet all the criteria required to record a liability for contaminated sites.

The Department’s ongoing efforts to assess contaminated sites may result in additional environmental liabilities.

b) Asset retirement obligations

The Department has recorded asset retirement obligations for the removal of asbestos and other hazardous materials in buildings, closure and post-closure obligations associated with other works and infrastructure, removal of leasehold improvements and retirement activities linked to ships and boats.

5. Environmental liabilities and asset retirement obligations (continued)

b) Asset retirement obligations (continued)

The changes in the asset retirement obligations for the Department during the year are as follows:

	2026					2025
(in thousands of dollars)	Buildings	Works and infrastructure	Leasehold improvements	Ships and boats [2]	Total	Total
Opening balance	**$53,927**	**$171,255**	**$9,627**	**$197,230**	**$432,038**	**$513,107**
Liabilities incurred	-	2,002	140	-	2,141	4,362
Liabilities settled	(19,843)	(9,661)	-	(199,686)	(229,189)	(2,900)
Revisions in estimates	(2,354)	(1,633)	(470)	-	(4,457)	(101,980)
Accretion expense [1]	1,161	1,521	253	2,456	5,390	19,449
Closing balance	**$32,891**	**$163,483**	**$9,549**	**$0**	**$205,923**	**$432,038**

(1) Accretion expense is the increase in the carrying amount of an asset retirement obligation due to the passage of time.

(2) Liabilities relating to ships and boats were all transferred to DND as of September 2, 2025.

The undiscounted future expenditures, adjusted for inflation, for the planned projects comprising the liability are $334,667,789 ($657,030,457 at March 31, 2025).

Key assumptions used in determining the provision are as follows:

	2026	2025
Discount rates	2.59% - 3.95%	2.44% - 3.27%
Discount period and timing of the settlement:		
Buildings	1-49 years	1-50 years
Works and infrastructure	1-67 years	1-68 years
Leasehold improvements	1-51 years	1-52 years
Ships and boats	1-22 years	2-22 years
Long-term rate of inflation	2.00%	2.00%

6. Revenues

The Department has the following major types of revenues: Sales of goods and services, other revenues, and revenues earned on behalf of the Government. Sales of goods and services are recorded when they are earned. Other revenues include fines, oil pollution response activities and seizures and forfeitures. These are recorded when they are received.

The following table presents the Department's significant disaggregated revenues:

(in thousands of dollars)	2026	2025
Sales of goods and services		
Licenses and permits (exchange)	$46,589	$45,689
Marine service fees (exchange)	20,523	45,910
Sundries (exchange and non-exchange)	810	1,135
Total Sales of goods and services	**67,922**	**92,734**
Other revenues		
Fines (non-exchange)	(1,763)	7,122
Oil pollution response activities (exchange)	1,638	2,127
Sundries (exchange and non-exchange)	2,343	1,155
Total Other revenues	**2,218**	**10,404**
Revenues earned on behalf of Government (exchange and non-exchange)	(51,189)	(57,228)
Total revenues [1]	**$18,951**	**$45,910**

[1] The Department has no significant non-recurring revenues.

7. Deferred revenues

Deferred revenues from fishing licences represent the balance at year-end of unearned revenues stemming from fees received prior to services being performed. Revenue is recognized in the period in which these expenditures are incurred or in which the service is performed.

7. Deferred revenues (continued)

Details of the transactions related to this account are as follows:

(in thousands of dollars)	2026	2025
Opening balance	**$4,957**	**$6,569**
Amounts received	6,179	4,957
Revenues recognized	(4,956)	(6,569)
Gross closing balance	**6,180**	**4,957**
Deferred revenues held on behalf of Government	(6,180)	(4,957)
Net closing balance	**$—**	**$—**

8. Other liabilities

Other liabilities represent deferred revenue funds received by the Department under regulations, cost-sharing agreements or to fund projects. Details of the transactions related to these accounts are as follows:

(in thousands of dollars)	April 1, 2025	Receipts and credits	Payments and charges	Transfer to OGD	March 31, 2026
Research projects deposits	$8,110	$2,773	($2,373)	5,028	**$3,482**
Federal/Provincial cost-sharing agreements	33,069	15,667	(36,608)	356	**11,772**
Sales of seized assets—*Fisheries Act*	3,448	1,560	(334)		**4,674**
Contractor security deposits	679	216	(309)		**586**
Net closing balance	**$45,306**	**$20,216**	**($39,624)**	**5,384**	**$20,514**

Research projects deposits: This account was established to record contributions received from organizations and individuals for the advancement of research work.

Federal/Provincial cost-sharing agreements: This account was established to record the deposit of funds received from the provinces for cost-shared programs. The funds are disbursed according to agreements.

8. Other liabilities (continued)

Sale of seized assets: This account was established to record the proceeds of sale of seized items by the Department from a person contravening the *Fisheries Act*. Funds received are held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries or the courts.

Contractor security deposits: This account was established to record money held to ensure that a contractor's obligations under contracts are carried out, to protect the interests of subcontractors, sub-subcontractors and suppliers, and to protect the Crown against losses should a bidder fail to honour a contract.

9. Employee future benefits

(a) Pension benefits

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

Both the employees and the Department contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups—Group 1 relates to existing plan members as of December 31, 2012, and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2025-26 expense amounts to $119,447,985 ($142,514,230 in 2024-25). For Group 1 members, the expense represents approximately 1.01 times (1.02 times in 2024-25) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2024-25) the employee contributions.

The Department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated Financial Statements of the Government of Canada, as the Plan's sponsor.

9. Employee future benefits (continued)

(b) Severance benefits

Severance benefits provided to the Department's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

(in thousands of dollars)	2026	2025
Accrued benefit obligation—Beginning of year	**$29,405**	**$28,788**
Expense for the year	(19,722)	4,364
Benefits paid during the year	5,778	(3,747)
Accrued benefit obligation—End of year	**$15,461**	**$29,405**

10. Contingent liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown.

Claims and litigation

Claims have been made against the Department in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The Department has recorded an allowance for claims and litigation where it is likely that there will be a future payment, and a reasonable estimate of the loss can be made. Claims and litigation for which the outcome is not determinable, and a reasonable estimate can be made by management amount to approximately $95,355,000 at March 31, 2026 ($86,163,000 as at March 31, 2025).

10. Contingent liabilities (continued)

Treaty and non-treaty-related negotiation processes are led by Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) with Fisheries and Oceans leading negotiations with respect to fisheries and marine safety issues. These negotiations arise in areas of the country where Aboriginal rights and title have not been resolved by treaty or by other legal means.

There are currently 50 cases of all types ongoing across Canada, including Recognition of Indigenous Rights and Self-Determination discussions.

11. Accounts receivable and advances

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

(in thousands of dollars)	2026	2025
Receivables—Other government departments and agencies	$20,745	$25,785
Receivables—External parties	90,382	112,469
Accountable advances	286	586
Subtotal	**111,413**	**138,840**
Valuation allowance	(3,286)	(10,105)
Gross accounts receivable and advances	**108,126**	**128,735**
Accounts receivable held on behalf of Government	(72,312)	(81,484)
Net accounts receivable and advances	**$35,814**	**$47,251**

11. Accounts receivable and advances (continued)

The following table provides an aging analysis of accounts receivable from external parties and the associated valuation allowances used to reflect their net recoverable value:

(in thousands of dollars)	2026	2025
Receivables—External parties		
Not past due	$32,246	$65,762
Number of days past due		
1 to 30	114	1,014
31 to 60	677	1,312
61 to 90	47	123
91 to 365	533	2,062
Over 365	31,241	41,776
Impaired	-	420
Subtotal	**64,858**	**112,469**
Less: Valuation allowance	(3,286)	(10,105)
Total	**$61,572**	**$102,364**

12. Loans receivable

The following table presents details of the Department's loans receivable balances:

(in thousands of dollars)	2026	2025
Loans receivable	$68,004	$58,997
Less: Allowance on loans	(11,249)	(10,907)
Gross loans receivable	**56,755**	**48,090**
Loans receivable held on behalf of Government	(56,755)	(48,090)
Net loans receivable	**$—**	**$—**

The Department's loans receivable represent unconditionally repayable contributions which are, in substance, loans aimed at stimulating economic development. These unconditionally repayable contributions are non-interest bearing and have annual repayment terms of 5 to 10 years.

13. Risk management

The Department has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

(a) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss.

The Department's maximum exposure to credit risk at March 31, 2026, and March 31, 2025, is the carrying amount of its financial assets.

The Department has determined that there is no significant concentration of credit risk related to accounts receivable from external parties. An analysis of the age of these financial assets and the associated valuation allowances used to reflect these accounts at their net recoverable value is disclosed in note 11.

The Department intentionally takes on counterparty risk related to certain loans receivable with concessionary terms in order to support various policy aims. Valuation allowances are applied accordingly to reflect these accounts at their net recoverable value.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates.

The Department has determined that there is no significant concentration of currency risk related to foreign denominated financial instruments.

13. Risk management (continued)

(b) Market Risk (continued)

ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Department's loans receivable do not bear interest. Although the fair value of these financial instruments will be affected by changes in market interest rates, there is no impact on the Department's financial statements as these items are measured at cost.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.

As the funding for the Department's financial liabilities is drawn from the Consolidated Revenue Fund, its exposure to liquidity risk is fully mitigated.

14. Prepaid Expenses

The following table presents details of the Department's prepaid expenses:

(in thousands of dollars)	2026	2025
National Shipbuilding Procurement Strategy	**$188,587**	**$228,000**

The Department recognized prepaid expenses in 2025-26 associated with an icebreaker vessel contract.

15. Inventory

The following table presents details of the Department's inventory:

(in thousands of dollars)	2026	2025
Inventory held for future program delivery	$---	$110,932

The inventory balance was fully transferred to the Department of National Defence on September 2, 2025 pursuant to an Order in Council. As a result, the Department no longer reports an inventory balance related to these assets as of March 31, 2026.

16. Tangible capital assets

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

Asset Class	Amortization
Buildings	10 to 40 years
Works and infrastructure	10 to 100 years
Leasehold improvements	Over term of lease or useful life, whichever is shorter
Informatics hardware	3 to 10 years
Informatics software	2 to 10 years
Machinery and equipment	3 to 30 years
Aircraft	20 to 40 years
Motor vehicles	7 to 15 years
Other vehicles	6 to 20 years
Ships and boats	20 to 40 years

16. Tangible capital assets (continued)

(in thousands of dollars)	Costs					Accumulated Amoritization					Net Book Value	
Capital Asset Class	Opening Balance	Acquisitions	Adjustments	Disposal, Write-Offs, OGD Transfer Out	Closing Balance	Opening Balance	Acquisitions	Adjustments	Disposal, Write-Offs, OGD Transfer Out	Closing Balance	2026	2025
Land	27,541	-	597	(5,342)	22,796	-	-	-	-	-	22,796	27,541
Buildings	1,128,049	595	8,540	(456,002)	681,182	(678,939)	(48,746)	(57)	247,732	(480,009)	201,173	449,111
Works and infrastructure	3,835,583	124	122,761	(550,750)	3,407,718	(1,935,626)	(88,550)	(756)	252,081	(1,772,852)	1,634,866	1,899,957
Machinery and equipment	112,529	2,875	963	(85,858)	30,509	(68,026)	(3,373)	531	52,514	(18,354)	12,155	44,502
Informatics	202,225	-	9,329	(76,432)	135,121	(157,237)	(12,237)	(4)	60,658	(108,819)	26,302	44,988
Other equipment	575,292	12,749	5,538	(384,668)	208,911	(346,594)	(18,442)	(705)	215,492	(150,250)	58,661	228,697
Ships and boats	4,777,478	131	14,314	(4,720,530)	71,394	(2,288,802)	(71,739)	(487)	2,314,607	(46,421)	24,972	2,488,676
Aircrafts	288,261	217	14,452	(301,945)	985	(98,256)	(5,128)	(53)	103,122	(314)	670	190,005
Vehicles	145,462	8,581	3,989	(83,421)	74,611	(72,308)	(8,532)	(529)	43,791	(37,578)	37,033	73,153
Leasehold improvements	668,122	-	2,112	(312,874)	357,360	(440,516)	(10,068)	(24)	207,653	(242,954)	114,406	227,606
Work in progress	4,152,962	1,040,538	(173,212)	(4,493,128)	527,161	-	-	-	-	-	527,161	4,152,962
Total	**15,913,503**	**1,065,810**	**9,383**	**(11,470,950)**	**5,517,747**	**(6,086,305)**	**(266,814)**	**(2,084)**	**3,497,652**	**(2,857,551)**	**2,660,196**	**9,827,198**

Differences may be due to rounding.

(1) The acquisition of tangible capital assets included in the work-in-progress category, comprises mainly of projects related to vessels, helicopters and small craft harbour.

17. Departmental net financial position

A portion of the Department's net financial position is used for a specific purpose. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position.

The Supplementary Fines—*Fisheries Act* Account was established pursuant to the *Fisheries Act* and related regulations to record fines and penalties levied by courts under the Act. The balance in the account is to be used for remedial or preventive action to fish habitat as well as the promotion of proper management, control, conservation, and protection of fisheries or fish habitat.

The Supplementary Fines—*Species at Risk Act* Account was established pursuant to the *Species at Risk Act* and related regulations to record fines and penalties levied by courts under the Act. The balance in the account is to be used for the purpose of conducting research into the protection of the wildlife species in respect of which the offence was committed.

Activity in the aforementioned accounts is as follows:

(in thousands of dollars)	2026	2025
Restricted—Supplementary Fines		
Fisheries Act:		
Balance—Beginning of year	**$2,429**	**$2,421**
Revenues	61	29
Expenses	(27)	(21)
Balance—End of year	**2,463**	**2,429**
Species at Risk Act:		
Balance—Beginning of year	**35**	**35**
Revenues	**-**	**-**
Expenses	**-**	**-**
Balance—End of year	**35**	**35**
Total balance—End of year—Restricted	**2,498**	**2,464**
Unrestricted—End of year	2,185,372	8,735,304
Departmental net financial position—End of year	**$2,187,870**	**$8,737,768**

18. Contractual obligations

The nature of the Department's activities can result in some large multi-year contracts and obligations whereby the Department will be obligated to make future payments in order to carry out its programs.

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

(in thousands of dollars)	2027	2028	2029	2030	2031 and subsequent	Total
Purchases	$28,940	$28,940	$28,940	$7,721	$0	**$94,541**
Transfer payments	-	-	-	-	-	**-**
Total	**$28,940**	**$28,940**	**$28,940**	**$7,721**	**$0**	**$94,541**

19. Related party transactions

Fisheries and Oceans Canada is related as a result of common ownership to all government departments, agencies, and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual. The Department enters into transactions with these entities in the normal course of business and on normal trade terms.

(a) Common services provided without charge by other government departments

During the year, Fisheries and Oceans Canada received services without charge from certain common service organizations, related to accommodation, legal services, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recorded at the carrying value in Fisheries and Oceans Canada's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2026	2025
Employer's contribution to the health and dental insurance plans	$109,292	$128,678
Accommodation	53,684	59,196
Legal services	4,568	3,802
Worker's compensation	493	665
Total	**$168,037**	**$192,341**

19. Related party transactions (continued)

(a) Common services provided without charge by other government departments (continued)

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness, 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 Services and Procurement Canada and audit services provided by the Office of the Auditor General are not included in Fisheries and Oceans Canada's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with other government departments and agencies

(in thousands of dollars)	2026	2025
Expenses	$429,405	$562,640
Revenues	$15	$4

Expenses and revenues disclosed in b) exclude common services provided without charges, which are already disclosed in a).

20. Transfers of assets and liabilities from/(to) other government departments

(a) Transfers with other government departments

During the year, the Department transferred tangible capital assets with Public Health Agency of Canada, Public Services and Procurement Canada, Parks Canada, Finance Canada, Transport Canada, Canadian High Arctic Research Station and the Canadian Food Inspection Agency with a net effect of $1.546 million ($614 thousand increase in 2024-25) in the departmental net financial position affecting categories under machinery and equipment, ships and boats, other vehicles, works and infrastructure, land, leasehold improvements and other equipment in 2025-26 (machinery and equipment, ships and boats, informatics hardware, other vehicles and other equipment in 2024-25). The Department also transferred salary overpayments and emergency salary advances with a net effect of $14 thousand ($268 thousand in 2024-25) decrease in the departmental net financial position.

20. Transfers of assets and liabilities from/(to) other government departments (continued)

(a) Transfers with other government departments (continued)

(in thousands of dollars)	2026	2025
Tangible capital assets (note 16)	($1,546)	($614)
Salary overpayments and emergency salary advances	(14)	(268)
Net impact on departmental net financial position	**($1,560)**	**($882)**

(b) Transfer of the Canadian Coast Guard to the Department of National Defence

Effective September 2, 2025, the Department of Fisheries and Oceans transferred the responsibility for the Canadian Coast Guard, including stewardship of the associated assets and liabilities, to the Department of National Defence in accordance with Order in Council P.C. 2025-0639. Accordingly, the following assets and liabilities were transferred to the Department of National Defence on September 2, 2025:

(in thousands of dollars)	**2026**
Assets	
Accounts receivables and advances	($15,760)
Prepaid expenses	(228,000)
Inventory	(110,932)
Tangible capital assets	(7,927,770)
Total assets transferred	**(8,282,461)**
Liabilities	
Environmental Liabilities and asset retirement obligation	229,190
Other payables	(347,191)
Accounts payable and accrued liabilities	(12,719)
Total liabilities transferred	**(130,720)**
Adjustment to the departmental net financial position	**($8,413,181)**

21. Segmented information

Presentation by segment is based on the Department's core responsibilities. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main core responsibilities, by major object of expense and by major type of revenue. The segment results for the period are as follows:

(in thousands of dollars)	Fisheries	Aquatic Ecosystem	Marine Navigation	Marine Operations and Response	Internal Services	2026	2025
Transfer Payments							
First Nations and Inuit people	$7,645	$260,031	$289	$6,674	$ -	$274,639	$254,544
Non-profit organizations	36,383	85,700	78	5,628	150	127,939	139,974
Individuals	444,667	1,586	(6)	-	-	446,247	309,586
Other countries and international organizations	3,664	345	-	-	-	4,009	3,412
Industry	32,441	-	-	-	-	32,441	32,883
Total transfer payments	**524,800**	**347,662**	**361**	**12,302**	**150**	**885,275**	**740,399**
Operating Expenses							
Salaries and employee benefits	524,492	252,744	103,173	230,766	255,842	1,367,017	1,787,709
Professional and special services	128,018	29,527	19,647	415,583	115,832	708,607	(297,995)
Amortization of tangible capital assets	88,439	8,343	14,671	74,705	80,657	266,815	350,675
Repair and maintenance	56,668	2,202	3,241	21,252	21,880	105,243	162,682
Utilities, materials, supplies and fuel	35,595	6,394	10,925	26,063	6,072	85,049	129,817
Travel, relocation and freight	20,563	8,324	4,381	13,769	3,475	50,512	74,214
Machinery and equipment	18,674	9,315	7,881	317,140	13,057	366,067	(235,182)
Rentals	12,688	6,454	6,495	7,126	15,797	48,560	63,586

21. Segmented information (continued)

(in thousands of dollars)	Fisheries	Aquatic Ecosystem	Marine Navigation	Marine Operations and Response	Internal Services	2026	2025
Telecommunication services	1,779	222	1,140	755	11,824	15,720	2,700
Information services	12,383	1,776	432	248	2,496	17,335	12,150
Payments in lieu of taxes paid to municipalities	-	-	-	-	10,260	10,260	13,538
Contingent liabilities	(166,572)	16	2	127	(126,276)	(292,703)	33,212
Environmental liabilities and asset retirement obligations	-	-	-	-	(169,271)	(169,271)	2,312
Other	(5,054)	(1,975)	3,513	(699,596)	(12,183)	(715,295)	1,113,492
Total operating expenses	**727,673**	**323,342**	**175,501**	**407,938**	**229,462**	**1,863,916**	**3,212,910**
Total expenses	**1,252,473**	**671,004**	**175,862**	**420,240**	**229,612**	**2,749,191**	**3,953,309**
Revenues							
Sales of goods and services	43,537	107	24,136	94	48	67,922	92,733
Other revenues	(1,127)	64	443	1,737	1,100	2,217	10,403
Revenues earned on behalf of Government	(44,117)	(113)	(4,044)	(1,785)	(1,130)	(51,189)	(57,228)
Total revenues	**(1,707)**	**58**	**20,535**	**46**	**18**	**18,950**	**45,908**
Net cost of operations before government funding and transfers	**$1,254,180**	**$670,946**	**$155,327**	**$420,194**	**$229,594**	**$2,730,241**	**$3,907,401**

Differences may be due to rounding

FISHERIES AND OCEANS CANADA

ANNEX TO THE STATEMENT OF MANAGEMENT RESPONSIBILITY INCLUDING INTERNAL CONTROL OVER FINANCIAL REPORTING FOR FISCAL YEAR 2025-26 (UNAUDITED)

FISHERIES AND OCEANS CANADA

Annex to the statement of management responsibility (Unaudited)

For the year ended March 31, 2026

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For the year ended March 31, 2026

1. Introduction

This document provides summary information on the measures taken by Fisheries and Oceans Canada to maintain an effective system of internal control over financial reporting, as well as information on internal control management, assessment results and related action plans.

Detailed information on the department's authority, mandate and core responsibilities can be found in the Departmental Plan for the 2025-26 fiscal year (2025-2026 Departmental Plan) and the Departmental Results Report for the 2024-25 fiscal year (2024-2025 Departmental Results Report).

2. Departmental System of Internal Control over Financial Reporting

2.1 Internal Control Management

Fisheries and Oceans Canada has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its overall system of internal control. A departmental internal control management framework, is in place and comprises:

- organizational accountability structures as they relate to internal control management to support sound financial management, including the roles and responsibilities of senior departmental managers for control management in their areas of responsibility;
- values and ethics;
- ongoing communication and training on the legislative and policy requirements for sound financial management and control; and,
- monitoring and regular updates on internal control management, as well as provision of related assessment results and action plans to the Deputy Minister and departmental senior management and, as applicable, the Departmental Audit Committee.

The Departmental Audit Committee is an independent advisory committee to the Deputy Minister. It is responsible to provide advice to the Deputy Minister on the adequacy and functioning of the Department's risk management, control and governance frameworks and processes.

2.2 Service Arrangements Relevant to Financial Statements

Fisheries and Oceans Canada relies on other departments for processing certain transactions that are recorded in its financial statements, as follows.

Common Service Arrangements:

- Public Services and Procurement Canada administers the payments of salaries and the procurement of goods and services in accordance with the Fisheries and Oceans Canada delegation instrument, and provides accommodation services;
- Shared Services Canada provides information technology (IT) infrastructure services;
- Department of Justice Canada provides legal services; and
- Treasury Board of Canada Secretariat provides information related to public sector insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans.

Readers of this annex may refer to the annexes of the above-noted departments for a greater understanding of the systems of internal control over financial reporting related to these specific services.

Specific arrangements:

An external service provider, under contract with the Government of Canada, administers certain activities, on behalf of the Department. The external service provider has the authority and responsibility to ensure that specific transactions and information are made in accordance with the terms and conditions set out by the Department's program and properly recorded in the financial statements. As a result, the control procedures of the external service provider are relied upon. The external service providers are as follows:

- Public Services and Procurement Canada provides Fisheries and Oceans Canada billing, banking, electronic funds processing and similar payment services for a significant portion of the revenues from commercial fishing licenses and marine services fees via the Receiver General Buy Button (RGBB);
- Public Services and Procurement Canada provides Fisheries and Oceans Canada with platform access to its human resources management system of record (MyGCHR); and,
- Treasury Board Secretariat provides Fisheries and Oceans Canada a Platform as a Service in order for the Department to operate the SAP S/4HANA financial system to capture and report all financial transactions.

3. Departmental Assessment Results for the 2025-26 Fiscal Year

The following table summarizes the status of the ongoing monitoring activities according to the previous fiscal year's rotational plan.

Progress during the 2025 to 2026 fiscal year

Previous fiscal year's rotational ongoing monitoring plan for the current fiscal year	Status
Tangible Capital Assets	Completed as planned; remedial actions in progress.
Financial Close	Completed as planned; remedial actions in progress.
Contingent Liabilities	Completed as planned; remedial actions in progress.
Inventory	Deferred. The review of inventory controls was deferred in light of the ongoing Canadian Coast Guard (CCG) transition and the resulting impact on the inventory management environment, and will be undertaken in a future cycle.
Delegation of Authority	Completed as planned; remedial actions in progress.
Planning and Budgeting	Completed as planned; remedial actions in progress.
Pay Administration	Completed as planned; remedial actions in progress.

New or significantly amended key controls:

In the current fiscal year, there were no new or significantly amended key controls in existing processes that required a reassessment.

Ongoing monitoring program:

The Department's risk-based ongoing monitoring program is designed to continuously monitor the effectiveness of internal controls over financial reporting. The program includes:

- A rotational assessment of entity-level controls, IT general controls and business process controls covering a five-year ongoing monitoring cycle. Each process is subject to a full review at the frequency set by the risk rating assigned to that process; and,
- An annual risk-based assessment, with the results used to update the ongoing monitoring program and identify follow-up reviews for the given fiscal year.

As part of its rotational ongoing monitoring plan, the Department completed its reassessment of the financial controls within the business processes of Tangible Capital Assets, Financial Close, Contingent Liabilities, Planning and Budgeting and Pay Administration. In addition, the department completed its targeted review of Delegation of Authority. The reassessment of inventory was deferred due to the CCG's transition to the Department of National Defence (DND) and the transfer of all of the Department's inventory. Further work is required before a comprehensive assessment of the inventory control environment can be undertaken.

For the most part, the key controls tested were found to be operating effectively. Where issues were identified, business process owners developed action plans to address them. No significant control deficiencies were identified that would expose the Department to a risk of material misstatement in its financial statements. The following areas have been identified for further improvement, with additional measures currently being implemented and monitored:

- **Tangible Capital Assets:** Improvements include strengthening delegated authority and access controls, documentation practices, asset verification activities, and the monitoring and recording of capital asset transactions.
- **Financial Close:** Efforts include strengthened documentation retention, stronger system authorization and access controls, and enhanced oversight of key financial close activities.
- **Contingent Liabilities:** Actions are being taken to strengthen documentation practices.
- **Delegation of Authority:** Measures are being implemented to strengthen access controls and maintain alignment between delegated authorities and assigned responsibilities.
- **Planning and Budgeting:** Initiatives are underway to strengthen delegated authority approvals and improve access management.
- **Pay Administration:** Enhancements include strengthened delegation of authority and access management practices, improved documentation retention, and enhanced monitoring of key pay administration activities.

The status of the action plan, to ensure the remediation occurs within a reasonable timeframe, is monitored by the internal control team.

4. Departmental Action Plan for the Next Fiscal Year and Subsequent Fiscal Years

The Department's rotational ongoing monitoring plan over the next five fiscal years is shown in the following table.

Rotational Ongoing Monitoring Plan

Key control areas	2026-27	2027-28	2028-29	2029-30	2030-31
Entity Level Controls	No	No	Yes	No	No
Tangible Capital Assets	No	Yes	No	Yes	No
Asset Retirement Obligations (ARO)	No	Yes	No	No	Yes
Financial Close	No	No	Yes	No	No
Contingent Liabilities	No	No	No	No	Yes
Fisheries Licensing Revenue	Yes	No	No	Yes	No
Procure to Pay	Yes	No	Yes	No	No
Inventory	No	No	Yes	No	No
Environmental Liabilities	No	No	Yes	No	No
Delegation of Authority	No	Yes	No	Yes	No
Grants and Contributions	No	Yes	No	No	Yes
Information Technology General Controls	Yes	No	Yes	No	Yes
Planning and Budgeting	No	No	No	No	Yes
Forecasting	Yes	No	No	No	No
CFO Attestation	No	No	No	Yes	No
Costing	No	Yes	No	No	Yes
Investment Planning	Yes	No	No	No	No
Pay Administration	No	No	Yes	No	No