

2. Significant accounting policies

(A)>Inventories The inventory of materials and supplies is carried at cost and the inventory of passports-in-process is valued at average cost for the year.

(B)>Capital Leasehold improvements are amortized on a straight-line basis over the term of the appropriate lease. Other capital is amortized from the year of acquisition on a straight-line basis over their estimated useful lives as follows:

Furniture	16 years
Electronic data processing (EDP) equipment	5 years
Other equipment	10 years

(C)>Other capital Effective April 1, 1994 all expenditures associated with the Technology Enhancement Plan (TEP) are capitalized. The project costs will be amortized on a straight line basis over 5 years starting at the completion of the project estimated to be in 1998-99.

(D)>Employee termination benefits Termination benefits accrue to employees over their years of service with the Government of Canada, as provided for under collective agreements. The cost of these benefits is recorded in the accounts as the benefits accrue to the employees.

(E)>Revenues from passport fees are prepaid on application and accounted for on an accrual basis. Deferred revenues represents fees received for which the services have not yet been provided.

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3. Inventories

	1997	1996
Materials and supplies	1,443	1,881
Work in process	208	179
	1,651	2,060

(in thousands of dollars)

4. Capital and accumulated amortization

Capital	Balance at beginning of year	Acquisitions	Disposal	Balance at end of year
Leasehold Improvements	2,992	151	0	3,143
Furniture	2,000	277	65	2,212
EDP Equipment	3,511	877	68	4,320
Other Machine & Equipment	2,327	154	63	2,418
	10,830	1,459	196	12,093

(in thousands of dollars)