

Consolidated Financial Statements of the Province of Alberta

Year ended March 31, 2006

INTRODUCTION

The financial statements in this annual report of the Government of Alberta are consolidation of the financial statements of government sector entities and Crown-controlled SUCH sector organizations which are presented in ministry annual reports.

Government sector entity financial statements include the financial statements of the Offices of the Legislative Assembly and ministry consolidated financial statements, which themselves are consolidation of the financial statements of departments, regulated funds, Provincial agencies and Crown-controlled corporations.

Financial statements of Crown-controlled SUCH sector organizations comprise the financial statements of school boards, universities, colleges, technical institutes and regional health authorities that are controlled by the government.

A listing of these organizations is provided in Schedule 18 to the financial statements.

The method of consolidation is described in the Accounting Policies note that forms part of the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Responsibility for the integrity and objectivity of the consolidated financial statements of the Province of Alberta rests with the government. The consolidated financial statements are prepared by the Controller under the general direction of the Deputy Minister of Finance, as authorized by the Minister of Finance pursuant to the *Financial Administration Act*. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, and of necessity include some amounts that are based on estimates and judgements. As required by the *Government Accountability Act*, the consolidated financial statements are included in the consolidated annual report of the Government of Alberta that forms part of the Public Accounts.

To fulfill its accounting and reporting responsibilities, the government maintains systems of financial management and internal control which give consideration to costs, benefits and risks, and which are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability for public money, and
- safeguard the assets and properties of the Province of Alberta under government administration.

Under the *Financial Administration Act*, deputy heads are responsible for the collection of revenue payable to the Crown, and for making and controlling disbursements with respect to their departments. They are also responsible for prescribing the accounting systems to be used in their departments. In order to meet government accounting and reporting requirements, the Controller obtains information relating to departments, regulated funds, Provincial agencies, Crown-controlled corporations, school boards, universities, colleges, technical institutes and regional health authorities that are controlled by the government from ministries as necessary.

The consolidated financial statements are reviewed by the Audit Committee established under the *Auditor General Act*. Under the *Fiscal Responsibility Act*, the Audit Committee must report publicly to the Executive Council on the progress made in eliminating the accumulated debt. The Audit Committee advises the Lieutenant Governor in Council on the scope and results of the Auditor General's audit of the consolidated financial statements of the Province.

The Auditor General of Alberta provides an independent opinion on the consolidated financial statements prepared by the government. The duties of the Auditor General in that respect are contained in the *Auditor General Act*.

Annually, the consolidated annual report is tabled in the Legislature as a part of the Public Accounts and is referred to the Standing Committee on Public Accounts of the Legislative Assembly.

Approved by:

Brian Manning
Deputy Minister of Finance

Nancy Cuelenaere
Acting Controller

Edmonton, Alberta
June 20, 2006



AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Province of Alberta as at March 31, 2006 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Government of Alberta and are prepared on its behalf by Finance Department management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province of Alberta as at March 31, 2006 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

[Original Signed]

Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
June 13, 2006

Consolidated Statement of Operations

YEAR ENDED MARCH 31, 2006

	2006	2005 Restated (Note 2)
	<i>in millions</i>	
Revenues (Schedule 1)		
Income taxes	\$ 7,594	\$ 7,013
Other taxes	3,273	3,165
Non-renewable resource revenue	14,347	9,744
Transfers from Government of Canada	3,392	3,219
Net investment income	2,348	1,809
Net income from commercial operations	2,192	2,020
Premiums, fees and licences	1,818	1,812
Increase in equity in Crown-controlled SUCH sector organizations (Schedule 9)	345	239
Other	578	546
	35,887	29,567
Expenses by function (Note 5, Schedules 2, 3 and 4)		
Health	9,713	9,060
Education	6,903	6,370
Social services	2,721	2,458
Transportation, communications and utilities	2,329	1,225
Agriculture, resource management and economic development	1,798	1,926
Protection of persons and property	1,168	959
Regional planning and development	408	421
Recreation and culture	388	294
Housing	298	160
Environment	200	189
General government	817	789
Debt servicing costs	248	302
Pension provisions	200	176
	27,191	24,329
Excess of revenues over expenses for the year (Note 5)	8,696	5,238
Net assets at beginning of year	28,878	23,640
Net assets at end of year	\$ 37,574	\$ 28,878

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Financial Position

AS AT MARCH 31, 2006

	2006	2005 Restated (Note 2)
<i>In millions</i>		
Financial assets		
Cash and temporary investments (Schedule 6)	\$ 6,197	\$ 4,408
Accounts and accrued interest receivable	3,837	3,548
Portfolio investments (Schedule 7)	24,293	18,995
Equity in commercial enterprises (Schedule 8)	1,805	1,544
Equity in Crown-controlled SUCH sector organizations (Schedule 9)	3,139	2,794
Loans and advances (Schedule 10)	5,629	5,319
Inventories for resale (Schedule 11)	25	36
	44,925	36,644
Liabilities		
Accounts and accrued interest payable	5,613	4,741
Unmatured debt (Note 6 and Schedule 12)	2,617	3,802
Debt of Alberta Capital Finance Authority (Schedule 13)	4,656	4,267
Pension obligations (Schedule 14)	5,435	5,235
Other accrued liabilities (Schedule 15)	582	642
	18,903	18,687
Net financial assets	26,022	17,957
Non-financial assets		
Tangible capital assets (Schedule 16)	11,520	10,897
Inventories of supplies	32	24
	11,552	10,921
Net assets (Note 5)	\$ 37,574	\$ 28,878

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Change in Net Financial Assets

YEAR ENDED MARCH 31, 2006

	2006	2005 Restated (Note 2)
	<i>In millions</i>	
Excess of revenues over expenses for the year	\$ 8,696	\$ 5,238
Acquisition of tangible capital assets and inventories of supplies	(1,083)	(828)
Amortization of tangible capital assets and consumption of inventories of supplies	431	412
Net gain on disposal and write-down of tangible capital assets	(11)	(14)
Proceeds on sale of tangible capital assets	32	43
Increase in net financial assets	8,065	4,851
Net financial assets at beginning of year	17,957	13,106
Net financial assets at end of year	\$ 26,022	\$ 17,957

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Cash Flows

YEAR ENDED MARCH 31, 2006

	2006	2005 Restated (Note 2)
	<i>In millions</i>	
Operating transactions		
Excess of revenues over expenses for the year	\$ 8,696	\$ 5,238
Non-cash items	(8)	57
	8,688	5,295
Increase in receivables	(289)	(638)
Increase in payables	872	1,103
Other	(60)	(91)
Cash provided by operating transactions	9,211	5,669
Capital transactions		
Acquisition of tangible capital assets and inventories of supplies	(1,083)	(828)
Proceeds on sale of tangible capital assets	32	43
Cash applied to capital transactions	(1,051)	(785)
Investing transactions		
Purchase of portfolio investments	(10,659)	(8,576)
Disposals of portfolio investments	5,494	6,619
Loans and advances made	(1,011)	(825)
Repayment of loans and advances	684	645
Cash applied to investing transactions	(5,492)	(2,137)
Financing transactions		
Debt retirement	(6,635)	(7,221)
Debt issues	5,756	5,909
Cash applied to financing transactions	(879)	(1,312)
Increase in cash and temporary investments	1,789	1,435
Cash and temporary investments at beginning of year	4,408	2,973
Cash and temporary investments at end of year	\$ 6,197	\$ 4,408

The accompanying notes and schedules are part of these financial statements.

Notes to the 2005-06 Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

A) REPORTING ENTITY

These financial statements include the accounts of all government sector entities and Crown-controlled SUCH sector organizations.

Government sector entities include the Offices of the Legislative Assembly, departments, the Alberta Heritage Savings Trust Fund, and other regulated funds, Provincial agencies and Crown-controlled corporations.

Crown-controlled SUCH sector organizations comprise school boards, universities, colleges, technical institutes and regional health authorities that are controlled by the government.

A listing of these organizations is provided in Schedule 18.

B) METHOD OF CONSOLIDATION

The accounts of government sector entities, except those designated as commercial enterprises, are consolidated using the full consolidation method. Revenue and expense transactions, capital, investing and financing transactions, and related asset and liability accounts between consolidated government sector entities have been eliminated.

The accounts of Crown-controlled corporations, Provincial agencies designated as commercial enterprises and Crown-controlled SUCH sector organizations are consolidated on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles applicable to these entities. Under the modified equity method of consolidation, the accounting policies of consolidated entities are not adjusted to conform with those of the government sector entities which are consolidated using the full consolidation method. Inter-sector revenue and expense transactions and related asset and liability balances are not eliminated.

The Public Sector Accounting Board has issued new standards that require Crown-controlled entities to be consolidated using the full consolidation method commencing on or before the 2008-09 fiscal year. In a transition period to March 31, 2008, these Crown-controlled entities are allowed to be consolidated using the modified equity basis of accounting.

The year end of school boards, colleges, technical institutes and some Provincial agencies is other than March 31. Transactions of these organizations that have occurred during the period to March 31, 2006 and that significantly affect the consolidation have been recorded.

C) BASIS OF FINANCIAL REPORTING

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue and included in accounts payable.

NOTE 1 (continued)

Non-renewable resource revenue is reported based on royalties on oil and gas produced during the year.

Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made. Payments received in excess of the estimated amounts applicable to the fiscal year are included in accounts payable.

Expenses

Expenses represent the cost of resources consumed during the year on government operations. Expenses include provisions for amortization of acquired tangible capital assets and expenses incurred in accordance with the terms of approved grant programs, including grants for capital purposes and grants to Crown-controlled SUCH sector organizations from government sector entities. Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

Pension costs comprise the cost of pension benefits earned by employees during the year, interest on the Province's share of the unfunded pension liability, and the amortization over the expected average remaining service life of employees of deferred adjustments arising from experience gains and losses and changes in actuarial assumptions. Schedule 14 provides additional information on the net unamortized deferred losses relating to pensions.

In the Consolidated Statement of Operations, pension costs of government sector entities which are funded are included in expenses by function and costs which have not been funded are recorded as pension provisions. Pension costs of Crown-controlled SUCH sector organizations which are funded are included in net income or loss attributable to Crown-controlled SUCH sector organizations.

Costs arising from obligations under guarantees and indemnities are recorded as expenses when management determines that the Province will likely be called upon to make payment. The expense represents management's estimate of future payments less recoveries.

The estimated increase or decrease for the year in accrued employee vacation entitlements is also recorded in the appropriate expense function.

Financial Assets

Financial assets are limited to financial claims on external organizations and individuals, loans to and receivable from Crown-controlled SUCH sector organizations by government sector entities and inventories for resale at the year end.

Temporary investments are valued at cost or fair value, whichever is lower, on an aggregate basis.

Portfolio investments, which are investments authorized by legislation to provide income for the long term or for other special purposes, are carried at cost. Realized gains and losses on disposals of these investments are included in the determination of excess of revenues over expenses for the year. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Equity in Crown-controlled SUCH sector organizations represents the combined assets, net of the liabilities of these organizations, including pension obligations, if any, deferred capital contributions from government sector entities and related unamortized deferred capital contributions (see Schedule 9, Note (a)).

NOTE 1 (continued)

Loans are recorded at cost less any discounts and allowance for credit loss.

Inventories for resale representing the Province's share of royalty oil in feeder and trunk pipelines are stated at net realizable value. Other inventories for resale are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value.

Liabilities

Liabilities, representing present obligations of the government to external organizations and individuals arising from transactions or events occurring prior to the year end, are recorded to the extent when there is an appropriate basis of measurement and a reasonable estimate of the amount can be made.

Liabilities also include the following:

- all financial claims payable by the government at the year end, including payables to Crown-controlled SUCH sector organizations,
- estimates of the present value of the government's obligations for future pension contributions and/or benefits under defined benefit pension plans for current and former provincial and other public sector employees, and certain current and former Members of the Legislative Assembly, including deferred adjustments,
- the government's obligation to provide future funding to school boards to enable them to repay the principal portion of their debentures to the Alberta Capital Finance Authority, and
- accrued employee vacation entitlements.

Debentures included in unmatured debt are recorded at the face amount of the issue less net unamortized discount, which includes issue expenses and hedging costs.

Income or expense on interest rate swaps and forward interest rate agreements used to manage interest rate exposure is recorded as an adjustment to debt servicing costs. The exchange gain or loss on the foreign exchange contracts used to manage currency exposure is deferred and amortized over the life of the contract.

Non-financial Assets

Non-financial assets are limited to tangible capital assets and inventories of supplies.

Tangible capital assets on the Consolidated Statement of Financial Position are restricted to tangible capital assets the Province acquired for cash or for other assets, and donated assets. Tangible capital assets acquired by right, such as Crown lands, forests, water and mineral resources, are not included.

Tangible capital assets of commercial enterprises and Crown-controlled SUCH sector organizations are included in the Consolidated Statement of Financial Position within equity in commercial enterprises and equity in Crown-controlled SUCH sector organizations respectively. Tangible capital assets of government sector entities are included in non-financial assets on the Consolidated Statement of Financial Position.

Amortization of tangible capital assets is calculated on a straight line basis over the periods expected to benefit from their use (see Schedule 16), and the annual amortization is included in the expenses reported in the Consolidated Statement of Operations. The annual amortization of the costs of tangible capital assets is allocated to the functions of the government that employ those assets.

Inventories of supplies are valued at the lower of cost, determined on a first-in, first-out basis, and replacement cost.

NOTE 1 (continued)

Derivative Contracts

Income and expense from derivative contracts are included in investment income or expenses by function. Certain derivative contracts, which are primarily interest rate swaps and cross-currency interest rate swaps, are designated as hedges of market risks for purposes of hedge accounting. Hedge accounting recognizes gains and losses from derivatives in the same period as the gains and losses of the specific assets and liabilities being hedged.

Where a hedge relationship is designated, the hedge is documented at inception. The documentation identifies the specific asset or liability being hedged, the risk that is being hedged, type of derivative used and the matching of critical terms of both the hedged asset or liability and the hedging derivative for purposes of measuring effectiveness. The derivative must be highly effective in accomplishing the objective of offsetting either changes in the fair value or cash flows attributable to the risk being hedged both at inception and over the life of the hedge.

Derivative contracts not designated as hedges for purposes of hedge accounting, which are primarily bond index swaps, equity index swaps, equity index futures contracts, forward foreign exchange contracts and credit default swap contracts, are recorded at fair value.

The estimated amount receivable and payable from derivative contracts are included in accrued interest receivable and payable respectively.

Foreign Currency

Assets and liabilities denominated in foreign currency are translated at the year end rate of exchange.

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts.

Amortization of deferred exchange gains and losses and other exchange differences on unhedged transactions are included in the determination of excess of revenues over expenses for the year.

Measurement Uncertainty

Estimates are used in accruing revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty that is material to these financial statements exists in the accrual of personal and corporate income taxes, health transfers and Canada social transfer entitlements, royalties derived from non-renewable resources and provisions for pensions. The nature of the uncertainty in these items arises from several factors such as the effect on accrued income taxes of the verification of taxable income, the effect on accrued entitlements of health transfers and Canada social transfer being separate new entitlements with little historical experience, the effect on accrued royalties of the receipt of revised production data and reassessments, and the effect on accrued pension obligations of actual experience compared to assumptions.

NOTE 1 (continued)

Personal income tax, recorded as \$6,000 million (2005 \$4,649 million) in these consolidated financial statements, is subject to measurement uncertainty due primarily to the use of economic estimates of personal income growth. Personal income has been assumed to increase by 8.2% in 2005-06. For every percentage change in the assumed personal income growth rate, personal income tax revenue will increase or decrease by \$96 million. Use of this information in the past has resulted in a number that differs, on average, from final results by plus or minus \$200 million.

Corporate income tax, recorded as \$2,917 million (2005 \$2,364 million) in these consolidated financial statements, is subject to measurement uncertainty due primarily to the use of five year moving average of historical corporate income tax refund ratios in the estimation of corporate income tax revenue balance. Use of this information in the past has resulted in a number that differs, on average, from final results by plus or minus \$160 million.

Natural gas and by-products royalty recorded as \$8,388 million (2005 \$6,439 million) in these consolidated financial statements, is also subject to measurement uncertainty due to statistical analysis of industry data such as allowable costs incurred by royalty payers, production volumes and royalty rates in the estimation of natural gas and by-products royalty revenue balance. Use of this information in the past has resulted in a number that differs from final results by plus or minus \$130 million.

While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

NOTE 2 REPORTING CHANGE

Effective for the 2005-06 fiscal year, the Province expanded its reporting entity to include the accounts of Crown-controlled SUCH sector organizations and Safety Codes Council in its consolidated financial statements on a modified equity basis (see Note 1(B) and Schedule 18). Previously, the financial statements of these Crown-controlled entities were not included in the Province's accounts.

This change has been applied retroactively and as a result of the change, net assets as at April 1, 2004 have been increased by \$2,558 million and the excess of revenues over expenses for the year ended March 31, 2005 increased by \$239 million. The following is a summary of the effect of the reporting change on the 2004-05 consolidated financial statements.

	March 31, 2005		
	As Previously Reported	Reporting Change	As Restated
	In millions		
Revenues	\$ 29,328	\$ 239	\$ 29,567
Expenses	24,329	-	24,329
Excess of revenues over expenses	4,999	239	5,238
Net assets at beginning of year	21,082	2,558	23,640
Net assets at end of year	\$ 26,081	\$ 2,797	\$ 28,878

If the change had not been made, net assets as at March 31, 2006 would have been \$34,431 million and the excess of revenues over expenses for the year ended March 31, 2006 would amount to \$8,350 million.

NOTE 3 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Due to their short term nature, the fair values of cash and cash equivalents, accrued interest, receivables, payables and accrued liabilities are estimated to approximate their book values.

The fair value of loans and advances made under the authority of the *Alberta Capital Finance Authority Act* is based on the net present value of future cash flows discounted using the Authority's current cost of borrowing. The fair value of loans and advances made under the authority of the *Agriculture Financial Services Act* is based on future cash flows discounted using rates equivalent to the market rates on loans with similar terms and credit risk. Fair values of some of the other loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability.

The fair value of unmatured debt and debt of Alberta Capital Finance Authority is an approximation of its fair value to the holder.

The methods used to determine the fair values of temporary investments and portfolio investments are as follows:

Public fixed-income securities and equities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Mortgages and certain non-public provincial debentures are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

The fair value of alternative investments including absolute return strategy investments, investments in partnership interests, private investment funds, private equities and securities with limited marketability is estimated using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate. Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate. As quoted market prices are not readily available for these investments, estimated fair values may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The value of derivative contracts is determined by the following methods. Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts and equity index futures contracts are valued based on quoted market prices.

At the year end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated to Canadian dollars at the year end exchange rate.

NOTE 4 FINANCIAL RISK MANAGEMENT

A) LIABILITY MANAGEMENT

The objective of the Province's liability management program is to achieve the lowest cost on debt within an acceptable degree of variability of debt servicing costs. In order to achieve this objective, the Province manages four financial risks: interest rate risk, currency exchange risk, credit risk, and refinancing risk. The Province manages these four risks within approved policy guidelines. The management of these risks and the policy guidelines apply to the Province's direct debt, excluding debt raised to fund requirements of provincial corporations and regulated funds. Debt of provincial corporations and regulated funds is managed separately in relation to their assets.

The Province has decided, in light of the current debt reduction environment, that the most effective liability risk management strategy is to allow existing debt instruments to mature in accordance with their terms.

B) ASSET MANAGEMENT

The majority of the Province's portfolio investments are in the Alberta Heritage Savings Trust Fund (Heritage Fund). The investment objective is to invest in a diversified portfolio to maximize long-term returns at an acceptable level of risk. The policy asset mix for fixed income securities is 35%. The policy mix for public equity investment is 45%. The remainder of the portfolio is invested in real estate, private equities and absolute return strategies.

The General Revenue Fund also holds substantial amounts of the Province's portfolio investments. General Revenue Fund portfolio investments are used to repay debt as it matures, to provide funding for the capital plan, and to help protect operating and capital spending from short term declines in revenue and the costs of emergencies, disasters, natural gas rebates and settlements with First Nations. The investment objective is to preserve the value of the investments while maintaining appropriate liquidity and earning a fair or reasonable rate of return.

The investments in the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Science and Engineering Research Endowment Fund, the Alberta Heritage Scholarship Fund and the money allocated to the Heritage Fund under the *Access to the Future Act* are managed to preserve the capital of the funds over the long term and to provide an annual level of income to intermediary boards responsible for making grants to researchers in the fields of medicine, science, engineering, innovation and excellence, and to students.

NOTE 5 BUDGET

The budget amounts were derived from Budget 2005 tabled in the Legislature on April 13, 2005.

The following table compares the net financial position of all government sector entities with the March 31, 2006 estimate provided in Budget 2005. The table uses the same grouping of financial assets and liabilities as the budget.

	2006		2005
	Estimate	Actual	Actual Restated (Note 2)
	<i>In millions</i>		
Financial assets			
Heritage Fund external investments	\$ 11,746	\$ 13,414	\$ 11,274
Self-supporting lending organizations ^(a)	5,466	6,617	6,037
Capital Account ^(b)	2,228	4,243	674
Alberta Sustainability Fund ^(c)	2,500	4,083	3,498
Endowment funds ^(d)	1,811	2,327	1,658
Debt Retirement Account (Note 6)	2,220	2,197	3,479
Other financial assets	4,775	8,905	7,230
	30,746	41,786	33,850
Liabilities			
Pension obligations	5,364	5,435	5,235
Self-supporting lending organizations ^(a)	4,352	5,298	4,917
Accumulated debt (Note 6)	2,220	2,195	3,475
Liabilities for government-owned capital	92	126	8
Accounts and interest payable and other liabilities	3,582	5,849	5,052
	15,610	18,903	18,687
Net financial assets of government sector entities	15,136	22,883	15,163
Tangible capital assets and inventories of supplies	11,475	11,552	10,921
Net assets of government sector entities	26,611	34,435	26,084
Pension obligations	5,364	5,435	5,235
Net assets for fiscal policy purposes	\$ 31,975	39,870	31,319
Pension obligations		(5,435)	(5,235)
Equity in Crown-controlled SUCH sector organizations		3,139	2,794
Net assets for financial statement purposes		\$ 37,574	\$ 28,878

(a) Alberta Capital Finance Authority and Agriculture Financial Services Corporation.

(b) The Capital Account was established to provide funding for the capital plan. Under the Province's fiscal framework, funds can be deposited into the Capital Account in one year to pay for capital projects in the following years.

(c) The Alberta Sustainability Fund was established to help protect operating and capital spending from short term declines in revenue and the costs of emergencies, disasters, natural gas rebates and settlements with First Nations.

(d) Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Science and Engineering Research Endowment Fund, and Alberta Heritage Scholarship Fund.

NOTE 5 (continued)

The following table compares the results of operations of all government sector entities with the March 31, 2006 estimate provided in Budget 2005.

	2006		2005
	Estimate	Actual	Actual
	<i>In millions</i>		
Revenues for fiscal policy purposes (Schedule 1)	\$ 27,346	\$ 35,542	\$ 29,328
Expenses (Schedules 2, 3 and 4)	25,967	27,191	24,329
	1,379	8,351	4,999
Adjustment for pension provisions (Schedule 5)	141	200	176
Net revenue for fiscal policy purposes	\$ 1,520	8,551	5,175
Adjustment for pension provisions (Schedule 5)		(200)	(176)
Increase in equity in Crown-controlled SUCH sector organizations (Note 2, Schedules 1 and 9)		345	239
Excess of revenues over expenses for financial statement purposes (Restated, Note 2)		\$ 8,696	\$ 5,238

NOTE 6 FISCAL RESPONSIBILITY LEGISLATION

Since 1999, the *Fiscal Responsibility Act* (the Act) has required that the Province not incur a deficit, as defined under the Act, in any fiscal year. Effective April 1, 2005, the Act also requires that the financial assets in the Debt Retirement Account must be equal to or greater than the amount of the accumulated debt at the fiscal year end. During 2005-06, the Province complied with the Act.

ACCUMULATED DEBT

The table below shows the balance of accumulated debt at March 31, 2006.

	2006	2005
	<i>In millions</i>	
Unmatured debt (Schedule 12)	\$ 2,617	\$ 3,802
Funding obligation for school board debentures (Schedule 15)	381	451
Adjustments to conform to statutory definition		
Borrowings for provincial corporations	(884)	(900)
Other	81	122
Accumulated debt at end of year	\$ 2,195	\$ 3,475

In addition, Note 5 shows that funds amounting to \$2,197 million (2005 \$3,479 million), at cost, have been set aside in the Debt Retirement Account to retire accumulated debt that has not yet matured.

	2006		2005
	Estimate	Actual	Actual
	<i>In millions</i>		
Accumulated debt at end of year	\$ 2,220	\$ 2,195	\$ 3,475
Funds available for debt repayment	2,220	2,197	3,479
Accumulated debt less funds set aside	\$ -	\$ (2)	\$ (4)

NOTE 7 CONTRACTUAL OBLIGATIONS

	2006	2005 Restated (Note 2)
	<i>In millions</i>	
Obligations under long-term leases, contracts and programs	\$ 22,332	\$ 17,583
Loans and advances approved	39	46
	<u>\$ 22,371</u>	<u>\$ 17,629</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<i>In millions</i>
2006-07	\$ 6,161
2007-08	5,511
2008-09	3,958
2009-10	2,806
2010-11	2,111
Thereafter	1,785
	<u>\$ 22,332</u>

The government has various commitments relating to the devolution of services or disposition of assets to the private sector. Those commitments include the performance of duties and obligations if the private sector organization fails to meet them.

NOTE 8 CONTINGENT LIABILITIES

Set out below are details of contingent liabilities resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 15. Any losses arising from the settlement of contingent liabilities are treated as current year expenses.

A) INDEMNITIES AND GUARANTEES

Guarantees amounting to \$129 million (2005 \$151 million) are analyzed in Schedule 17.

B) CONTINGENT LIABILITIES OF COMMERCIAL ENTERPRISES

The Credit Union Deposit Guarantee Corporation has a potential liability under guarantees relating to deposits of credit unions. At December 31, 2005 credit unions in Alberta held deposits totalling \$10.0 billion (2004 \$9.0 billion) and had assets in excess of deposits.

At March 31, 2006, Alberta Treasury Branches had a potential liability under guarantees and letters of credit amounting to \$145 million (2005 \$133 million).

C) LEGAL ACTIONS

At March 31, 2006, the Province was involved in various legal actions, the outcome of which is not determinable. Accruals have been made in specific instances where it is probable that losses will be incurred which can be reasonably estimated. The resulting loss, if any, from claims in excess of the amounts accrued cannot be determined.

The Province has a contingent liability in respect of 32 claims (2005 34) concerning aboriginal rights, Indian title and treaty rights. In most cases, these claims have been filed jointly and severally against the Province of Alberta and the Government of Canada, and in some cases involve third parties. Of these claims, 19 (2005 21) have specified amounts totalling \$124.9 billion (2005 \$125.2 billion) plus a provision for interest and other costs that is not calculable. The other 13 claims (2005 13) have not specified any amounts.

NOTE 8 (continued)

The Province was named as a defendant in a legal action concerning the methodology used to calculate pension benefit payments under three public sector pension plans. The claim has been filed jointly and severally against the Province of Alberta and the employers participating in these pension plans. The claim specified an amount of \$3.75 billion (2005 \$3.75 billion) plus a provision for interest and other costs that is not calculable.

Further, the Province was named as defendant in various other legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately \$4.1 billion (2005 \$3.6 billion).

NOTE 9 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, liabilities, indices, interest rates or currency rates. The government uses derivative contracts to enhance investment return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. Associated with these instruments are credit risks that could expose the government to potential losses. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit exposure to counterparties is insignificant in relation to the notional principal amount. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows. The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The government attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

As at March 31, 2006, the notional amount of all derivative contracts issued by the government amounted to \$15.8 billion (2005 \$9.3 billion). All derivative contracts taken together had a net positive fair value of \$244 million (2005 \$117 million).

NOTE 10 TRUST FUNDS UNDER ADMINISTRATION

Trust funds under administration are regulated and other funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purposes of various trusts, they are not included in the consolidated financial statements. As at March 31, 2006, trust funds under administration were as follows:

	2006	2005
	<i>In millions</i>	
Public Sector Pension Plan Funds	\$ 24,109	\$ 20,531
Teachers' Pension Plan Funds	3,574	3,161
The Workers' Compensation Board Accident Fund	3,317	2,607
Regional Health Authorities and various health institutions construction accounts	755	915
Public Trustee	480	482
Special Areas Trust Account	75	72
Various Court Offices and Fines Distribution Trust	58	62
Miscellaneous trust funds	252	217
	\$ 32,620	\$ 28,047

NOTE 11 DEFINED BENEFIT PLANS

A) PENSION PLANS

The government administers three contributory defined benefit pension plans for the current employees of government entities: the Public Service Pension Plan, Management Employees Pension Plan and Supplementary Retirement Plan for Public Service Managers. Pension costs for these plans, which were funded by government sector entities during 2005-06 and included in expenses by function in these financial statements, amounted to \$146 million (2005 \$123 million).

Benefits paid from these plans are based on length of service and pensionable earnings. The average age of the approximately 45,400 active employees is 44. In addition, there are approximately 10,800 former employees who are entitled to refunds of contributions with interest or pension benefits when all of the eligibility requirements are met. At present, these plans provide benefits for approximately 20,000 retirees. Benefit payments were \$261 million in 2005-06 (2005 \$243 million). Total contributions were \$334 million in 2005-06 (2005 \$287 million), of which employee contributions amounted to \$158 million (2005 \$139 million).

The government guarantees payment of all benefits under the Management Employees Pension Plan arising from service before 1994.

A separate pension plan fund administered by the government is maintained for each pension plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

At December 31, 2005, the Supplementary Retirement Plan for Public Service Managers reported a surplus of \$10 million (2004 \$9 million) when the Management Employees and the Public Service Pension Plans reported deficiencies. The deficiencies were extrapolated to March 31, 2006 and the government's share of the employer's estimated accrued benefit liability with respect to the Management Employees and the Public Service Pension Plans is analyzed in Schedule 14.

B) LONG TERM DISABILITY INCOME CONTINUANCE PLANS

The government also administers two long term disability income continuance plans. As at March 31, 2006, these plans taken together reported an actuarial deficiency of \$0.4 million (2005 \$9 million). At March 31, 2006, the government's share of the estimated accrued benefit liability for these plans has been recognized in these financial statements.

NOTE 12 COMPARATIVE FIGURES

Certain 2005 figures have been restated, where necessary, to conform to 2006 presentation.

Schedules to the 2005-06 Consolidated Financial Statements

REVENUES

Schedule 1

	2006		2005
	Budget (Note 5)	Actual	Actual
<i>In millions</i>			
Income taxes			
Personal income tax	\$ 5,199	\$ 6,000	\$ 4,649
Alberta 2005 Resource Rebate	-	(1,323)	-
Corporate income tax	2,278	2,917	2,364
	7,477	7,594	7,013
Other taxes			
School property tax	1,273	1,283	1,247
Tobacco tax	735	719	698
Fuel tax	645	664	641
Freehold mineral rights tax	310	334	306
Insurance taxes	186	215	212
Tourism levy / Hotel room tax	50	58	61
	3,199	3,273	3,165
Non-renewable resource revenue			
Natural gas and by-products royalty	5,418	8,388	6,439
Bonuses and sales of Crown leases	886	3,490	1,252
Crude oil royalty	923	1,463	1,273
Synthetic crude oil and bitumen royalty	393	950	718
Rentals and fees	145	156	153
Coal royalty	8	11	11
Royalty tax credit	(93)	(111)	(102)
	7,680	14,347	9,744
Transfers from Government of Canada			
Health transfers	2,048	1,839	1,737
Canada social transfer	690	597	605
Agriculture support programs	355	299	506
Other	408	657	371
	3,501	3,392	3,219
Net investment income	1,376	2,348	1,809
Net income from commercial operations			
Lottery operations	1,202	1,389	1,260
Liquor operations	560	597	567
Other	167	206	193
	1,929	2,192	2,020
Premiums, fees and licences			
Health care insurance premiums	875	897	918
Motor vehicle licences	291	312	285
Crop and hail insurance premiums	157	142	136
Timber rentals and fees	81	86	130
Other	343	381	343
	1,747	1,818	1,812
Other	437	578	546
Revenues for fiscal policy purposes	\$ 27,346	35,542	29,328
Increase in equity in Crown-controlled SUCH sector organizations (Note 2 and Schedule 9)		345	239
Revenues for financial statement purposes (Restated, Note 2)		\$ 35,887	\$ 29,567

EXPENSES BY MINISTRY

Schedule 2

	2006		2005
	Budget (Note 5)	Actual	Actual ^(a)
	<i>In millions</i>		
Program expenses			
Offices of the Legislative Assembly	\$ 70	\$ 67	\$ 72
Ministries ^(a)			
Health and Wellness	8,977	9,198	8,286
Education	4,507	4,600	4,219
Infrastructure and Transportation	3,042	3,462	2,746
Seniors and Community Supports	1,631	1,765	1,420
Advanced Education	1,658	1,723	1,449
Agriculture, Food and Rural Development	1,151	1,060	1,291
Children's Services	799	818	760
Human Resources and Employment	778	780	758
Finance	588	556	577
Solicitor General and Public Security	405	416	358
Community Development	247	310	202
Sustainable Resource Development	225	309	317
Justice	314	302	283
Municipal Affairs	127	299	149
Gaming	169	237	196
Energy	203	201	192
Innovation and Science	181	197	194
Environment	138	143	132
Government Services	90	86	77
Economic Development	80	79	57
Restructuring and Government Efficiency	80	61	53
Aboriginal Affairs and Northern Development	39	39	36
Executive Council	26	25	19
International and Intergovernmental Relations	10	10	8
	25,535	26,743	23,851
Debt servicing costs	291	248	302
Pension provisions ^(b)	141	200	176
	\$ 25,967	\$ 27,191	\$ 24,329

(a) As the result of program restructuring announced in Budget 2005 and throughout the year, the responsibilities of ministries changed. This schedule is prepared on the basis as if the ministries had always been assigned their current responsibilities. Comparative figures have been reclassified, where necessary, to conform to 2006 presentation.

(b) Pension provisions are related to Education and Finance.

COMPARISON OF EXPENSES BY FUNCTION WITH BUDGET

Schedule 3

	2006		2005
	Budget (Note 5)	Actual	Actual ^(a)
	<i>In millions</i>		
Expenses by function			
Health	\$ 9,510	\$ 9,713	\$ 9,060
Education	6,754	6,903	6,370
Social services	2,684	2,721	2,458
Transportation, communications and utilities	1,889	2,329	1,225
Agriculture, resource management and economic development	1,816	1,798	1,926
Protection of persons and property	911	1,168	959
Regional planning and development	409	408	421
Recreation and culture	328	388	294
Housing	179	298	160
Environment	193	200	189
General government	862	817	789
Debt servicing costs	291	248	302
Pension provisions	141	200	176
	\$ 25,967	\$ 27,191	\$ 24,329

(a) Comparative figures have been reclassified, where necessary, to conform to 2006 presentation.

EXPENSES BY OBJECT

Schedule 4

	2006	2005
	<i>In millions</i>	
Grants		
Crown-controlled SUCH sector organizations	\$ 12,447	\$ 11,630
Other	7,956	6,144
Services	2,965	2,907
Salaries, wages, employment contracts and benefits	1,977	1,808
Interest and amortization of exchange gains and losses	484	553
Amortization of tangible capital assets	431	412
Valuation adjustments (Schedule 5)	299	301
Materials and supplies	223	196
Pension liability funding	215	196
Travel and communication	159	139
Other	35	43
	\$ 27,191	\$ 24,329

VALUATION ADJUSTMENTS
Schedule 5

	2006		2005	
	Budget (Note 5)	Actual	Actual	
	<i>In millions</i>			
Pension provisions	\$ 141	\$ 200	\$	176
Provision for losses, doubtful accounts, loans, guarantees and indemnities	84	82		116
Provision for employee benefits other than pensions	9	17		9
	\$ 234	\$ 299	\$	301

CASH AND TEMPORARY INVESTMENTS
Schedule 6

	2006		2005	
	Book Value	Fair Value	Book Value	Fair Value
	<i>In millions</i>			
Fixed-income securities ^(a)				
Government of Canada, direct and guaranteed	\$ 142	\$ 141	\$ 269	\$ 270
Provincial, direct and guaranteed	287	287	144	145
Corporate	2,737	2,738	1,471	1,471
Pooled investment funds	27	27	23	24
	3,193	3,193	1,907	1,910
Cash and cash equivalents	3,004	3,004	2,501	2,501
	\$ 6,197	\$ 6,197	\$ 4,408	\$ 4,411

(a) Fixed-income securities had an average effective market yield of 3.9% per annum (2005 2.7% per annum). All (2005 all) of the securities had terms to maturity of less than one year.

PORTFOLIO INVESTMENTS
Schedule 7

	2006		2005	
	Book Value	Fair Value	Book Value	Fair Value
	<i>In millions</i>			
Fixed-income securities ^{(a)(b)(c)}				
Government of Canada, direct and guaranteed	\$ 1,299	\$ 1,294	\$ 558	\$ 559
Provincial, direct and guaranteed	2,614	2,610	2,218	2,227
Municipal	149	148	72	72
Corporate	4,631	4,611	3,360	3,357
Pooled investment funds	5,176	5,197	4,106	4,193
	13,869	13,860	10,314	10,408
Equities ^(c)				
Canadian	3,098	3,525	2,519	2,829
Foreign	5,395	6,016	4,330	4,616
Real estate	1,289	1,677	1,138	1,341
Absolute return strategies	642	645	694	689
	10,424	11,863	8,681	9,475
	\$ 24,293	\$ 25,723	\$ 18,995	\$ 19,883

Schedule 7 (continued)

- (a) The majority of the Province's fixed-income securities are held by the General Revenue Fund to repay debt as it matures, to provide funding for the capital plan, and to help protect operating and capital spending from short-term declines in revenue and the costs of emergencies, disasters, natural gas rebates and settlements with First Nations. As at March 31, 2006, the General Revenue Fund held \$8.67 billion (2005 \$6.19 billion) of public fixed-income securities at cost (Fair value \$8.64 billion (2005 \$6.19 billion)). The securities held have an average effective market yield of 4.2% (2005 3.4%) per annum. 41% of the securities held had terms to maturity of less than one year.
- (b) Fixed-income securities are also held by the Alberta Heritage Savings Trust Fund (Heritage Fund). As at March 31, 2006, the Heritage Fund held \$4.53 billion (2005 \$3.66 billion) of public fixed-income securities at cost (Fair value \$4.55 billion (2005 \$3.73 billion)). The securities held have an average effective market yield of 4.8% (2005 4.6%) per annum and the following term structure based on principal amount.

	2006	2005
	%	
Under 1 year	3	4
1 to 5 years	31	35
6 to 10 years	35	32
11 to 20 years	12	12
Over 20 years	19	17
	100	100

- (c) The Heritage Fund and the endowment funds (Note 5 (d)) use derivative contracts to enhance investment return, hedge risks and manage asset mix.

As at March 31, 2006, the notional amount of all derivative contracts issued by the Heritage Fund amounted to \$8.1 billion (2005 \$4.0 billion). All derivative contracts taken together had a net positive fair value of \$136 million (2005 \$19 million) (see Note 9). The following is a summary of the notional amount and fair value of derivative contracts held by the Heritage Fund at March 31, 2006.

	Maturity			2006		2005	
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value	Notional Amount	Net Fair Value
	%			<i>in millions</i>			
Equity index swap contracts	75	25	-	\$ 2,460	\$ 45	\$ 1,534	\$ 8
Forward foreign exchange contracts	100	-	-	1,554	(2)	936	13
Credit default swap contracts	2	5	93	1,298	3	128	1
Interest rate swap contracts	22	49	29	1,054	(2)	491	(12)
Equity index futures contracts	100	-	-	783	16	302	6
Cross-currency interest rate swap contracts	14	34	52	712	52	581	2
Bond index swap contracts	100	-	-	237	24	61	1
				\$ 8,098	\$ 136	\$ 4,033	\$ 19

As at March 31, 2006, the notional amount of all derivative contracts issued by the endowment funds amounted to \$1.3 billion (2005 \$0.6 billion). All derivative contracts taken together had a net positive fair value of \$26 million (2005 \$3 million) (see Note 9).

EQUITY IN COMMERCIAL ENTERPRISES

Schedule 8

	2006	2005
	<i>In millions</i>	
Accumulated surpluses		
Accumulated surpluses at beginning of year	\$ 1,463	\$ 1,245
Total revenue	4,175	3,797
Total expense	1,984	1,777
Net revenue	2,191	2,020
Net transfers to departments and other adjustments	(1,936)	(1,802)
Accumulated surpluses at end of year	\$ 1,718	\$ 1,463
Represented by		
Assets		
Loans	\$ 14,846	\$ 13,138
Investments	1,486	1,029
Other	1,787	1,628
	18,119	15,795
Liabilities		
Accounts payable	459	426
Deposits	15,870	13,840
Unmatured debt	72	66
	16,401	14,332
	\$ 1,718	\$ 1,463
Equity in commercial enterprises at end of year		
As reported by the entities		
Alberta Treasury Branches (ATB) ^(a)	\$ 1,349	\$ 1,150
Alberta Gaming and Liquor Commission	262	213
Credit Union Deposit Guarantee Corporation	105	98
N.A. Properties (1994) Ltd.	2	2
	1,718	1,463
Elimination of inter fund/agency balances	87	81
	\$ 1,805	\$ 1,544

(a) ATB uses derivative contracts for risk management purposes and to hedge its own exposure to interest rate and exchange rate risks. As at March 31, 2006, the notional amount of all derivative contracts issued by ATB amounted to \$3.2 billion (2005 \$2.4 billion). All derivative contracts taken together had a net positive fair value of \$83 million (2005 \$58 million) (see Note 9). The following is a summary of the notional amount and fair value of derivative contracts held by ATB as at March 31, 2006.

	Maturity			2006		2005	
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value	Notional Amount	Net Fair Value
	%			<i>in millions</i>			
Interest rate swaps and options	58	42	-	\$ 2,909	\$ 4	\$ 2,047	\$ 3
Equity options	38	62	-	319	79	337	55
Other	100	-	-	1	-	7	-
				\$ 3,229	\$ 83	\$ 2,391	\$ 58

EQUITY IN CROWN-CONTROLLED SUCH SECTOR ORGANIZATIONS

Schedule 9

	2006	2005
	<i>In millions</i>	
Equity at beginning of year	\$ 2,794	\$ 2,555
Transfers from government sector entities	11,679	10,697
Other income	3,051	2,917
Total income	14,730	13,614
Total expenses	14,507	13,445
Net income	223	169
Contributions to endowments	122	70
Increase in equity for the year	345	239
Equity at end of year	\$ 3,139	\$ 2,794
Represented by		
Assets		
Cash and temporary investments	\$ 1,336	\$ 1,391
Due from government sector entities	455	367
Investments	2,538	2,362
Tangible capital assets	10,031	9,368
Accounts receivable and other assets	1,627	872
	15,987	14,360
Liabilities		
Accounts payable and accrued liabilities	1,536	1,441
Debt held by government sector entities	591	592
Other liabilities and unmatured debt	813	742
Deferred contributions ^(a)	1,063	984
Deferred capital contributions ^(a)	1,445	938
Unamortized deferred capital contributions ^(a)	7,400	6,869
	12,848	11,566
	\$ 3,139	\$ 2,794
Equity as reported by school boards, universities, colleges, technical institutes and regional health authorities at end of year ^(b)		
Universities	\$ 1,810	\$ 1,608
Colleges, technical institutes and The Banff Centre	593	517
School boards	380	379
Regional health authorities	356	290
	\$ 3,139	\$ 2,794
Increase in equity for the year as reported by school boards, universities, colleges, technical institutes and regional health authorities		
Universities	\$ 202	\$ 135
Colleges, technical institutes and The Banff Centre	76	59
School boards	1	4
Regional health authorities	66	41
	\$ 345	\$ 239

(a) Crown-controlled SUCH sector organizations follow the deferral method of accounting. Restricted non-capital contributions are deferred and recognized as revenue when related expenses are incurred. Deferred contributions represent restricted non-capital contributions which remain unspent. Capital contributions, including contributions from government sector entities, are recorded as deferred capital contributions until invested in tangible capital assets. Amounts invested are then transferred to the unamortized deferred capital contribution account and recognized as revenue when the related amortization expense of tangible capital assets is recorded.

Schedule 9 (continued)

- (b) The principal of externally restricted endowments included in equity must be maintained intact in perpetuity. Investment income earned on externally restricted endowments must be used in accordance with the various purposes established by the donors.

LOANS AND ADVANCES

Schedule 10

	2006	2005
	<i>In millions</i>	
Loans and advances made under the authority of		
Alberta Capital Finance Authority Act ^(a)	\$ 4,390	\$ 4,094
Agriculture Financial Services Act ^(b)	986	995
Student Loan Act	240	225
Alberta Heritage Savings Trust Fund Act	192	186
Alberta Housing Act	20	30
Farm Credit Stability Act	8	14
Financial Administration Act	9	9
	5,845	5,553
Less allowance for doubtful accounts	216	234
	\$ 5,629	\$ 5,319

- (a) The fair value of the loans as at March 31, 2006 was \$4,814 million (2005 \$4,574 million). Municipal loans on average yield 6.4% (2005 7.2%) per annum and have the following term structure as at March 31, 2006.

	2006	2005
	%	%
Under 1 year	9	12
1 to 5 years	35	36
6 to 10 years	26	25
Over 10 years	30	27
	100	100

Interest rate contracts are used to manage exposure to fluctuations in interest rates in certain fixed rate loans and related debt (see Schedule 13) made after January 1, 2004. As at March 31, 2006, loans to Crown-controlled school boards amounted to \$393 million (2005 \$464 million).

- (b) The fair value of the loans as at March 31, 2006 was \$956 million (2005 \$941 million). Agricultural loan portfolios on average yield 6.6% per annum (2005 6.9%) per annum and have the following term structure as at March 31, 2006.

	2006	2005
	%	%
Under 1 year	13	14
1 to 5 years	37	36
6 to 10 years	26	26
Over 10 years	24	24
	100	100

INVENTORIES FOR RESALE
Schedule 11

	2006	2005
	<i>In millions</i>	
Royalty oil	\$ 18	\$ 26
Other inventories	7	10
	\$ 25	\$ 36

UNMATURED DEBT
Schedule 12

	2006		2005			
	Effective Rate (a)	Modified Duration (b)	Book Value (a)	Fair Value (a)	Book Value (a)	Fair Value (a)
	%	years	<i>In millions</i>			
Direct debt						
Canadian dollar debt and fully hedged foreign currency debt						
Floating rate and short-term fixed rate (c)	3.50	0.28	\$ 367	\$ 366	\$ 1,307	\$ 1,313
Fixed rate long-term (d)	6.84	4.08	2,171	2,423	2,285	2,601
	6.35	3.58	2,538	2,789	3,592	3,914
Unhedged U.S. dollar debt						
Floating rate and short-term fixed rate	-	-	-	-	130	123
	6.35	3.58	2,538	2,789	3,722	4,037
Alberta Social Housing Corporation						
Canadian dollar fixed rate debt			79	118	80	118
			\$ 2,617	\$ 2,907	\$ 3,802	\$ 4,155

- (a) Book value represents the amount the Province owes. Fair value is an approximation of market value to the holder. The book value, fair value and weighted average effective rate include the effect of interest rate swaps. Effective rate is the rate that exactly discounts estimated future cash payments through the expected term of the debt to the net carrying amount. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.
- (b) Modified duration is the weighted average term to maturity of a security's cash flows (i.e. interest and principal) and is a measure of price volatility. The greater the modified duration of a bond, the greater its percentage price volatility.
- (c) Floating rate debt includes short-term debt, term debt with less than one year remaining to maturity, and term debt with interest rate reset within a year.
- (d) Canadian dollar fixed rate debt includes \$679 million (2005 \$679 million) held by the Canada Pension Plan Investment Fund.

Schedule 12 (continued)

Debt principal repayment requirements at par in each of the next five years, including short-term debt maturing in 2006-07 and thereafter, are as follows:

	<i>In millions</i>
2006-07	\$ 179
2007-08	275
2008-09	732
2009-10	80
2010-11	280
Thereafter to 2016-17	1,078
	2,624
Unamortized discount	7
	<u>\$ 2,617</u>

None of the debt has call provisions (2005 none).

Derivative financial instruments

The government uses interest rate swaps contracts to manage the interest rate risk associated with unmatured debt. Interest rate swaps involve the exchange of a series of interest payments, either at a fixed or floating rate, based upon a contractual or notional principal amount. An interest rate swap agreement based upon a notional amount involves no exchange of underlying principal. The notional amount serves as the basis for determining the exchange of interest payments. At March 31, 2006, interest rate swap agreements were being used primarily to convert fixed interest rate payments to floating rates.

The following table summarizes the Province's derivative portfolio and related credit exposure (see Note 9).

	2006		2005	
	Notional Amount ^(a)	Net Fair Value	Notional Amount	Net Fair Value
	<i>In millions</i>			
Interest rate swaps	\$ 275	\$ 7	\$ 825	\$ 22
Cross currency interest rate swaps	-	-	174	17
	<u>\$ 275</u>	<u>\$ 7</u>	<u>\$ 999</u>	<u>\$ 39</u>

a) Maturing 2007-08 \$25 million and 2008-09 \$250 million.

	2006	2005
	<i>In millions</i>	
Canadian dollar fixed rate debt ^(a)	\$ 4,656	\$ 4,267

(a) Canadian dollar fixed rate debt includes \$1,921 million (2005 \$2,205 million) held by the Canada Pension Plan Investment Fund and has the following characteristics as at March 31, 2006 (see Schedule 12 note (a)).

	2006	2005
Fair value (in millions)	\$ 5,016	\$ 4,699
Effective rate per annum	6.3%	6.9%

Interest rate contracts are used to manage exposure to fluctuations in interest rates in certain fixed rate loans (Schedule 10) and related debt made after January 1, 2004.

As at March 31, 2006, the notional amount of all derivative contracts issued by the Alberta Capital Finance Authority relating to the loans and related debt amounted to \$2.8 billion (2005 \$1.3 billion). Approximately 20% (2005 27%) of these contracts mature within one year. All derivative contracts taken together had a net negative fair value of \$9 million (2005 negative \$2 million) (see Note 9).

Debt principal repayment requirements in each of the next five years, including short-term debt maturing in 2006-07 and thereafter, are as follows:

	<i>In millions</i>	
2006-07	\$	396
2007-08		351
2008-09		259
2009-10		381
2010-11		150
Thereafter		3,119
	\$	4,656

The Province has pension obligations in respect of public sector pension plans as described below.

	2006	2005
	<i>In millions</i>	
Obligations to pension plans for employees of organizations outside the government sector		
Teachers' Pension Plan ^(a)	\$ 4,424	\$ 4,263
Universities Academic Pension Plan ^(b)	190	185
Special Forces Pension Plan ^(b)	63	63
	4,677	4,511
Obligations to pension plans for current and former employees and Members of the Legislative Assembly		
Public Service Management (Closed Membership) Pension Plan ^(c)	678	656
Members of the Legislative Assembly Pension Plan ^(d)	49	47
Management Employees Pension Plan ^(c)	29	13
Public Service Pension Plan ^(c)	2	8
	758	724
	\$ 5,435	\$ 5,235

- (a) The *Teachers' Pension Plans Act* requires all teachers under contract with public and separate school jurisdictions in Alberta to contribute to the Teachers' Pension Plan. Under the Act, the unfunded liability for service credited prior to September 1, 1992 is being financed by additional contributions in the ratio of 67.35% by the Province and 32.65% by the teachers over the period ending August 31, 2060. In addition, for service after August 1992, the Province funds 50% of the post-1992 unfunded liability, any current service costs and certain cost of living benefits. The Act provides that payment of all benefits prior to September 1, 1992 is guaranteed by the Province.
- (b) Under the *Public Sector Pension Plans Act*, the Province has obligations for payment of additional contributions under defined benefit pension plans for certain employees of post-secondary educational institutions and municipalities. The plans are the Universities Academic and Special Forces pension plans.

For Universities Academic, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25% of pensionable salaries by the Province, and contributions by employers and employees to fund the remaining amount, as determined by the plan valuation, over the period ending on or before December 31, 2043. Current service costs are funded by employers and employees.

For Special Forces, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 45.45% by the Province and 27.27% each by employers and employees, over the period ending on or before December 31, 2036. Current service costs are funded by employers and employees. The Act provides that payment of all benefits arising from pensionable service prior to 1994, excluding post-1991 cost of living adjustment benefits, is guaranteed by the Province.

Schedule 14 (continued)

- (c) The Public Service Management (Closed Membership) pension plan provides benefits to former members of the Public Service Management pension plan who were retired, were entitled to receive a deferred pension or had attained 35 years of service before August 1, 1992.

For Management Employees, the unfunded liability as determined by actuarial funding valuations as at December 31, 2001 and 2004 is being financed by special payments totalling 7.2% of pensionable earnings shared between employees and employers until December 31, 2015. The special payments will decrease to 5.1% of pensionable earnings on January 1, 2016 and continue until December 31, 2018 as required to eliminate the unfunded liability on or before that date. Current services costs are funded by employers and employees. The government guarantees payment of all benefits arising from service before 1994.

For Public Service, the unfunded liability as determined by an actuarial valuation as at December 31, 2002 is being financed by a special payment of 2.76% of pensionable earnings shared equally between employees and employers until December 31, 2017 as required to eliminate the unfunded liability on or before that date. Current service costs are funded by employers and employees.

- (d) The Province has a liability for payment of pension benefits under a defined benefit pension plan for certain current and former Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after that date.

Pension obligations are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services. The assumptions used in the valuations were adopted after consultation between the pension plan boards, the government and the actuaries, depending on the plan, and represent best estimates of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses are amortized over the expected average remaining service lives of the related employee groups.

Information about the economic assumptions used in the most recent actuarial valuations is provided below for each plan for which there is an obligation. Demographic assumptions used in the valuations reflect the experience of the plans.

Plan	Latest Valuation	Real Rate of Return %	Inflation Rate %	Investment Rate of Return %
Teachers' Pension Plan	August 31, 2004	4.25	3.0	7.25
Universities Academic Pension Plan	December 31, 2004	4.0	2.75	6.75
Special Forces Pension Plan	December 31, 2004	3.75	3.25	7.0
Public Service Management (Closed Membership) Pension Plan	*December 31, 2002	3.0**	3.0**	6.0**
Members of the Legislative Assembly Pension Plan	March 31, 2003	3.0**	3.0**	6.0**
Management Employees Pension Plan	December 31, 2004	4.0	2.75	6.75
Public Service Pension Plan	*December 31, 2002	3.75	3.25	7.0

* Actuarial valuations as at December 31, 2005 are in progress and will be completed in 2006-07.

** Inflation rate and investment rate of return used in extrapolation as at March 31, 2006 were 2.75% and 5.0% respectively.

Schedule 14 (continued)

The actuarial valuation of the Teachers' Pension Plan as at August 31, 2004 indicated an actuarial deficiency of actuarial net assets over the actuarial present value of accrued benefits. The unfunded liability was extrapolated to March 31, 2006. The Province's share of the unfunded liability as at March 31, 2006 is comprised of actuarial asset value of \$1,705 million (2005 \$1,524 million), actuarial liabilities of \$6,331 million (2005 \$6,001 million) and net unamortized deferred loss of \$202 million (2005 \$214 million). The actual return on assets was 12.8% for the year ended August 31, 2005.

As at December 31, 2005, the Management Employees Pension Plan reported a deficiency of \$166 million (2005 \$268 million) and the Public Service Pension Plan reported a deficiency of \$188 million (2005 \$450 million). These unfunded liabilities were extrapolated to March 31, 2006. The government's share of the unfunded liabilities as at March 31, 2006 includes net unamortized deferred losses of \$99 million (2005 \$355 million).

A separate pension plan fund is maintained for each pension plan except for the Members of the Legislative Assembly plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

OTHER ACCRUED LIABILITIES**Schedule 15**

	2006	2005
	<i>In millions</i>	
Future funding to school boards to enable them to repay debentures issued to Alberta Capital Finance Authority	\$ 381	\$ 451
Vacation entitlements	187	170
Guarantees, indemnities and remissions		
Guarantees (Schedule 17)	7	11
Remissions for guaranteed student loans (Schedule 17)	1	1
Remissions for non-guaranteed student loans	5	8
	13	20
Other	1	1
	\$ 582	\$ 642

TANGIBLE CAPITAL ASSETS

Schedule 16

	Estimated Useful Life	2006			2005
		Cost	Accumulated Amortization	Net Book Value	Net Book Value
<i>In millions</i>					
General capital assets					
Land ^(a)	Indefinite	\$ 1,271	\$ -	\$ 1,271	\$ 1,250
Buildings	40 years	3,211	1,501	1,710	1,571
Computer hardware and software	5-10 years	691	415	276	267
Equipment ^(b)	3-20 years	465	153	312	294
Other ^(c)	20-50 years	363	148	215	78
		6,001	2,217	3,784	3,460
Infrastructure assets					
Land improvements ^(d)	10-40 years	202	119	83	82
Provincial highways, roads and airstrips ^(e)	50 years	8,572	2,563	6,009	5,798
Bridges ^(e)	50 years	962	251	711	630
Dams and water management structures ^(f)	25-80 years	1,190	257	933	927
		10,926	3,190	7,736	7,437
		\$ 16,927	\$ 5,407	\$ 11,520	\$ 10,897

(a) Land includes land acquired for parks and recreation, building sites, infrastructure and other program use. It does not include land held for resale or Crown lands acquired by right.

(b) Equipment includes SuperNet, vehicles, heavy equipment, fire protection equipment, office equipment and furniture, and other equipment.

(c) Other tangible capital assets include leasehold improvements (amortized over the life of the lease), rail cars and trailers.

(d) Land improvements include parks development and grazing reserves.

(e) Provincial highways and roads consist of original pavement, roadbed, drainage works and traffic control devices, and include secondary highways and bridges and some key arterial roadways within cities.

(f) Dams and water management structures include dams, reservoirs, weirs, canals, dikes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures.

GUARANTEES
Schedule 17

	2006	2005	Expiry Date
	<i>In millions</i>		
Feeder Associations Guarantee Act	\$ 50	\$ 49	Ongoing
Agriculture Financial Services Act	30	35	Ongoing
Alberta Housing Act	29	32	2011
Student Loan Act	22	30	Ongoing
Farm Credit Stability Act ^(a)	5	15	2011
University of Calgary	1	1	2016
Centre for Engineering Research Inc.	-	1	2007
	137	163	
Less estimated liability (Schedule 15)			
Guarantees	7	11	
Remissions for guaranteed student loans	1	1	
	8	12	
	\$ 129	\$ 151	

Authorized loan guarantee limits are shown below where applicable. Where authorized loan guarantee limits are not noted, the authorized limits decline as guaranteed or indemnified loans are repaid.

Guarantee programs under the following Acts are ongoing:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is \$55 million),
- *Agriculture Financial Services Act, and*
- *Student Loan Act* (authorized guarantee limit set by Order in Council is \$400 million).

The lender takes appropriate security prior to issuing to the borrower a loan which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

(a) The expiry date shown is the latest expiry date for guaranteed loans under the program. No new program guarantees are being issued under the *Farm Credit Stability Act*.

The financial statements of the following organizations are fully consolidated in these financial statements:

GOVERNMENT SECTOR ENTITIES**Offices of the Legislative Assembly**

Support to the Legislative Assembly
Office of the Auditor General
Office of the Ombudsman
Office of the Chief Electoral Officer
Office of the Ethics Commissioner
Office of the Information and Privacy Commissioner

Departments

Aboriginal Affairs and Northern Development
Agriculture, Food and Rural Development
Advanced Education
Children's Services
Community Development
Economic Development
Education
Energy
Environment
Executive Council
Finance
Gaming
Government Services
Health and Wellness
Human Resources and Employment
Infrastructure and Transportation
Innovation and Science
International and Intergovernmental Relations
Justice
Municipal Affairs
Restructuring and Government Efficiency
Seniors and Community Supports
Solicitor General and Public Security
Sustainable Resource Development

Regulated Funds

Access to the Future Fund ^(a)
Alberta Heritage Foundation for Medical Research Endowment Fund
Alberta Heritage Savings Trust Fund
Alberta Heritage Scholarship Fund
Alberta Heritage Science and Engineering Research Endowment Fund
Alberta Risk Management Fund

Schedule 18 (continued)

Regulated Funds (continued)

Alberta School Foundation Fund
Environmental Protection and Enhancement Fund
Historic Resources Fund
Lottery Fund
Provincial Judges and Masters in Chambers Reserve Fund
Supplementary Retirement Plan Reserve Fund
Victims of Crime Fund

Provincial Agencies

Agriculture Financial Services Corporation
Alberta Alcohol and Drug Abuse Commission
Alberta Capital Finance Authority
Alberta Energy and Utilities Board
Alberta Foundation for the Arts
The Alberta Historical Resources Foundation
Alberta Informatics Circle of Research Excellence Inc.
Alberta Local Authorities Pension Plan Corporation ^(a)
Alberta Pensions Administration Corporation
Alberta Petroleum Marketing Commission
Alberta Research Council Inc.
Alberta Science and Research Authority ^(c)
Alberta Securities Commission
Alberta Social Housing Corporation
Alberta Sport, Recreation, Parks and Wildlife Foundation
Calgary and Area Child and Family Services Authority
Central Alberta Child and Family Services Authority
East Central Alberta Child and Family Services Authority
Edmonton and Area Child and Family Services Authority
The Government House Foundation
Human Rights, Citizenship and Multiculturalism Education Fund
Metis Settlements Child and Family Services Authority
Natural Resources Conservation Board
North Central Alberta Child and Family Services Authority
Northeast Alberta Child and Family Services Authority
Northwest Alberta Child and Family Services Authority
Persons with Developmental Disabilities Calgary Region Community Board
Persons with Developmental Disabilities Central Region Community Board
Persons with Developmental Disabilities Edmonton Region Community Board
Persons with Developmental Disabilities Northeast Region Community Board
Persons with Developmental Disabilities Northwest Region Community Board
Persons with Developmental Disabilities Provincial Board
Persons with Developmental Disabilities South Region Community Board
Southeast Alberta Child and Family Services Authority
Southwest Alberta Child and Family Services Authority
The Wild Rose Foundation

Schedule 18 (continued)

Non-commercial Crown-controlled Corporation

Alberta Insurance Council

The following organizations are accounted for on the modified equity basis in these financial statements:

Commercial Enterprises

Alberta Gaming and Liquor Commission

The Alberta Government Telephones Commission ^(c)

Alberta Treasury Branches

Credit Union Deposit Guarantee Corporation

N.A. Properties (1994) Ltd.

Commercial Crown-controlled Corporation

Gainers Inc.

Non-commercial Crown-controlled Corporation

Safety Codes Council ^(b)

CROWN-CONTROLLED SUCH SECTOR ORGANIZATIONS ^(b)

School Boards and Schools

Almadina School Society

Aspen View Regional Division No. 19

Aurora School Ltd.

Battle River Regional Division No. 31

Black Gold Regional Division No. 18

Boyle Street Education Centre

Buffalo Trail Public Schools Regional Division No. 28

Calgary Arts Academy Society

Calgary Girls' School Society

Calgary Roman Catholic Separate School District No. 1

Calgary School District No. 19

Calgary Science School Society

Canadian Rockies Regional Division No. 12

CAPE-Centre for Academic and Personal Excellence Institute

Chinook's Edge School Division No. 73

Christ the Redeemer Catholic Separate Regional Division No. 3

Clearview School Division No. 71

East Central Alberta Catholic Separate Schools Regional Division No. 16

East Central Francophone Education Region No. 3

Edmonton Catholic Separate School District No. 7

Edmonton School District No. 7

Elk Island Catholic Separate Regional Division No. 41

Elk Island Public Schools Regional Division No. 14

Evergreen Catholic Separate Regional Division No. 2

Foothills School Division No. 38

Schedule 18 (continued)

Fort McMurray Roman Catholic Separate School District No. 32
Fort McMurray School District No. 2833
Fort Vermilion School Division No. 52
Foundations for the Future Charter Academy Charter School Society
Golden Hills School Division No. 75
Grande Prairie Roman Catholic Separate School District No. 28
Grande Prairie Public School District No. 2357
Grande Yellowhead Regional Division No. 35
Grasslands Regional Division No. 6
Greater North Central Francophone Education Region No. 2
Greater Southern Public Francophone Education Region No. 4
Greater Southern Separate Catholic Francophone Education Region No. 4
Greater St. Albert Catholic Regional Division No. 29
High Prairie School Division No. 48
Holy Family Catholic Regional Division No. 37
Holy Spirit Roman Catholic Separate Regional Division No. 4
Horizon School Division No. 67
Lakeland Roman Catholic Separate School District No. 150
Lethbridge School District No. 51
Living Waters Catholic Regional Division No. 42
Livingstone Range School Division No. 68
Medicine Hat Catholic Separate Regional Division No. 20
Medicine Hat School District No. 76
Moberly Hall School Society
Mother Earth's Children's Charter School Society
New Horizons Charter School Society
Northern Gateway Regional Division No. 10
Northern Lights School Division No. 69
Northland School Division No. 61
Northwest Francophone Education Region No. 1
Palliser Regional Division No. 26
Parkland School Division No. 70
Peace River School Division No. 10
Peace Wapiti School Division No. 76
Pembina Hills Regional Division No. 7
Prairie Land Regional Division No. 25
Prairie Rose Regional Division No. 8
Red Deer Catholic Regional Division No. 39
Red Deer School District No. 104
Rocky View School Division No. 41
St. Albert Protestant Separate School District No. 6
St. Paul Education Regional Division No. 1
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38
Sturgeon School Division No. 24
Suzuki Charter School Society
Westmount Charter School Society
Westwind School Division No. 74

Schedule 18 (continued)

Wetaskiwin Regional Division No. 11
Wild Rose School Division No. 66
Wolf Creek School Division No. 72

Universities

Athabasca University
The University of Alberta
The University of Calgary
The University of Lethbridge

Colleges

Alberta College of Art and Design
Bow Valley College
Grande Prairie Regional College
Grant MacEwan College
Keyano College
Lakeland College
Lethbridge Community College
Medicine Hat College
Mount Royal College
NorQuest College
Northern Lakes College
Olds College
Portage College
Red Deer College

Technical Institutes and The Banff Centre

Northern Alberta Institute of Technology
Southern Alberta Institute of Technology
The Banff Centre For Continuing Education

Regional Health Authorities and Other Health Boards

Alberta Cancer Board
Alberta Mental Health Board
Aspen Regional Health Authority
Calgary Health Region
Capital Health
Chinook Regional Health Authority
David Thompson Regional Health Authority
East Central Health
Northern Lights Regional Health Authority
Peace Country Health
Palliser Health Region

- (a) Commenced operations in 2005-06.
- (b) In transition period (see Note 1 B).
- (c) Ceased operations.