

MINISTRY OF REVENUE

Consolidated Financial Statements YEAR ENDED MARCH 31, 2004

Auditor's Report	44
Consolidated Statement of Operations	45
Consolidated Statement of Financial Position	46
Consolidated Statement of Cash Flow	47
Notes to the Consolidated Financial Statements	48
Schedules to the Consolidated Financial Statements	
1 Revenues	54
2 Budget	55
3 Expenses by Object	56
4 Valuation Adjustments	56
5 Cash and Temporary Investments	57
6 Accrued Interest and Accounts Receivable	57
7 Portfolio Investments	58
8 Loans and Advances to Government Entities	59
9 Other Loans and Advances	59
10 Capital Assets	59
11 Accounts Payable	59
12 Related Party Transactions	60



AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Revenue as at March 31, 2004 and the consolidated statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the management of the Ministry. 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 Ministry as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed]

Edmonton, Alberta
May 27, 2004

Fred J. Dunn, FCA
Auditor General

MINISTRY OF REVENUE

CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended March 31, 2004 (*thousands*)

	Budget (Schedule 2)	2004 Actual	2003 Actual
Revenues (Schedule 1)			
Income taxes	\$ 7,050,799	\$ 6,308,958	\$ 6,852,823
Other taxes	1,431,692	1,547,419	1,430,255
Net investment income (loss)	496,170	1,270,813	(1,034,089)
Fees, permits and licences	17,100	16,568	14,813
Internal government transfers	200	21,534	5,030
Other	19,673	17,479	17,340
	9,015,634	9,182,771	7,286,172
Expenses (Schedule 3)			
Investment	120,868	95,066	89,068
Tax and revenue collection	41,939	40,489	83,673
Regulation of capital markets	19,423	17,510	19,013
Government risk management and insurance	7,684	17,172	11,384
Ministry support services	3,962	4,109	3,889
	193,876	174,346	207,027
Net operating results	\$ 8,821,758	\$ 9,008,425	\$ 7,079,145

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

MINISTRY OF REVENUE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2004 (*thousands*)

	2004	2003
Assets		
Cash and temporary investments (Schedule 5)	\$ 277,271	\$ 430,843
Accrued interest and accounts receivable (Schedule 6)	767,462	641,438
Portfolio investments (Schedule 7)	12,808,378	12,411,632
Loans and advances to government entities (Schedule 8)	94,656	100,037
Other loans and advances (Schedule 9)	93,535	98,362
Capital assets (Schedule 10)	10,989	8,550
	\$ 14,052,291	\$ 13,690,862
Liabilities		
Accounts payable (Schedule 11)	\$ 378,265	\$ 360,217
Vacation entitlements	3,283	2,880
	381,548	363,097
Net Assets		
Net assets at beginning of year	13,327,765	14,480,299
Net operating results	9,008,425	7,079,145
Net transfer to general revenues	(8,665,447)	(8,231,679)
	13,670,743	13,327,765
	\$ 14,052,291	\$ 13,690,862

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

MINISTRY OF REVENUE

CONSOLIDATED STATEMENT OF CASH FLOW

Year Ended March 31, 2004 (*thousands*)

	2004	2003
Operating activities		
Net operating results	\$ 9,008,425	\$ 7,079,145
Non-cash items included in net operating results	(161,185)	77,075
	8,847,240	7,156,220
Other	(111,680)	(278,589)
Cash provided by operating activities	8,735,560	6,877,631
Capital activities		
Purchase of capital assets	(5,235)	(4,498)
Proceeds from disposals of capital assets	6	-
Cash used for capital activities	(5,229)	(4,498)
Investing activities		
Disposals of portfolio investments	1,747,026	5,821,281
Purchase of portfolio investments	(1,971,476)	(4,323,377)
Repayments of loans and advances	5,994	4,702
Cash (used for) provided by investing activities	(218,456)	1,502,606
Financing activities		
Net transfer to general revenues	(8,665,447)	(8,231,679)
Cash used for financing activities	(8,665,447)	(8,231,679)
Net cash (used) provided	(153,572)	144,060
Cash and temporary investments at beginning of year	430,843	286,783
Cash and temporary investments at end of year	\$ 277,271	\$ 430,843

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

MINISTRY OF REVENUE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

NOTE 1 AUTHORITY

The Minister of Revenue has been designated as responsible for various Acts by the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000, and its regulations. To fulfil these responsibilities, the Minister of Revenue administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Revenue (the Ministry).

Department of Revenue (the Department)	<i>Government Organization Act</i> , Chapter G-10, Revised Statutes of Alberta 2000
Alberta Heritage Foundation for Medical Research Endowment Fund	<i>Alberta Heritage Foundation for Medical Research Act</i> , Chapter A-21, Revised Statutes of Alberta 2000
Alberta Heritage Savings Trust Fund	<i>Alberta Heritage Savings Trust Fund Act</i> , Chapter A-23, Revised Statutes of Alberta 2000
Alberta Heritage Scholarship Fund	<i>Alberta Heritage Scholarship Act</i> , Chapter A-24, Revised Statutes of Alberta 2000
Alberta Heritage Science and Engineering Research Endowment Fund	<i>Alberta Heritage Foundation for Science and Research Engineering Research Act</i> , Chapter A-22, Revised Statutes of Alberta 2000
Alberta Risk Management Fund	<i>Financial Administration Act</i> , Chapter F-12, Revised Statutes of Alberta 2000
Alberta Securities Commission	Incorporated June 1, 1995 under the <i>Securities Act</i> , Chapter S-4, Revised Statutes of Alberta 2000

NOTE 2 PURPOSE

The Ministry's core businesses are to:

- a) Manage tax and revenue programs,
- b) Manage and invest financial assets,
- c) Manage risk associated with the loss of public assets, and
- d) Regulate and foster Alberta's capital market.

MINISTRY OF REVENUE

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

These financial statements are prepared in accordance with the following accounting policies.

a) Method of Consolidation

The accounts of the Department, the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Savings Trust Fund, the Alberta Heritage Scholarship Fund, the Alberta Heritage Science and Engineering Research Endowment Fund, the Alberta Risk Management Fund, and Alberta Securities Commission are consolidated after adjusting them to a basis consistent with the accounting policies described below. Intra-ministry transactions (revenues, expenses, capital, investing and financing transactions, and related asset and liability accounts) have been eliminated.

b) Basis of Financial Reporting**REVENUES**

All revenues are reported on the accrual method of accounting. Corporate income tax receipts from corporations in anticipation of an upward reassessment of Alberta income tax payable are described as corporate income tax receipts in abeyance and recorded as accounts payable.

Income and expense from derivative contracts are included in investment income. 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 security being hedged. As a result, income and expense from derivative contracts designated as hedges are recognized on an accrual basis with gains and losses recognized in income to the extent realized.

Derivative contracts not designated as hedges for purposes of hedge accounting, which are primarily bond index swaps, equity index swaps and equity index futures contracts, are recorded at fair value

EXPENSES

Expenses represent the cost of resources consumed during the year on Ministry operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

Certain expenses, primarily for office space and legal advice, incurred on behalf of the Ministry by other Ministries are not reflected in the consolidated statement of operations. Schedule 12 discloses information on these related party transactions.

MINISTRY OF REVENUE

NOTE 3 (continued)**VALUATION ADJUSTMENTS**

Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from accrued employee vacation entitlements.

ASSETS

Financial assets are limited to financial claims on outside organizations and individuals and inventories held for resale at the year end.

Portfolio investments are carried at cost. Cost includes amortization of discount or premium using the straight line method over the life of the investments. Realized gains and losses on disposals of these investments are included in the determination of net operating results 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.

Loans are recorded at cost less any allowance for credit loss. Where there is no longer reasonable assurance of timely collection of the full amount of principal and interest of a loan, a provision for credit loss is made and the carrying amount of the loan is reduced to its estimated realizable amount.

Capital assets of the Ministry are recorded at historical cost and amortized on a straight line basis over the estimated useful lives of the assets (see Schedule 10). The threshold for capitalizing new systems development is \$100,000 and the threshold for all other capital assets is \$15,000.

LIABILITIES

Liabilities include all financial claims payable by the Ministry at the year end.

FOREIGN CURRENCY

Assets 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.

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, and provisions for loans and advances. The nature of the uncertainty in these items arises from several factors such as the effect on accrued taxes of the verification of taxable income, and the effect on loans and advances of actual collectibility and changes in economic conditions. Personal income tax, recorded as \$4,612,531,000 (2003 \$4,834,080,000) in these consolidated financial statements, is subject to measurement uncertainty due to the use of economic estimates of personal income growth. Use of

MINISTRY OF REVENUE

NOTE 3 (continued)

this information in the past has resulted in a number that differs from final results by a geometric average of plus or minus \$200 million over the last four years.

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 4 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.

The fair values of cash and temporary investments, accrued interest and accounts receivable, and liabilities are estimated to approximate their book values.

The methods used to determine the fair values of portfolio investments and derivative contracts in Schedule 7 are explained in the following paragraphs.

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.

The value of derivative contracts is included in the fair value of portfolio investments. 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.

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 private equities is estimated by management using methods such as cost, discounted cash flows, earnings multipliers, 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 replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.

Loans and advances to government entities in Schedule 8 are valued based on the net present value of future cash flows. The fair value of other loans and advances in Schedule 9 is estimated by management based on the present value of discounted cash flows.

At the year end, the fair values of investments denominated in a foreign currency are translated at the year end exchange rate.

MINISTRY OF REVENUE

NOTE 5 ASSET RISK MANAGEMENT

The majority of the Ministry's portfolio investments are in the Alberta Heritage Savings Trust Fund (Heritage Fund). Income and financial returns are exposed to credit risk and price risk. Price risk is comprised of currency risk, interest rate risk and market risk. Risk is reduced through asset class diversification, quality constraints on fixed-income instruments, and restrictions on amounts exposed to countries designated as emerging markets.

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 investments in the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Scholarship Fund and the Alberta Heritage Science and Engineering Research Endowment Fund are managed to preserve the capital of the funds over the long term and to provide an annual level of income for the purpose of making grants to researchers in the fields of medicine, science and engineering, and to students.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Set out below are details of commitments to organizations outside the Ministry and contingencies resulting from guarantees. Any losses arising from the settlement of contingencies are treated as current year expenses in the year of settlement.

a) Commitments

Commitments to outside organizations in respect of contracts entered into before March 31, 2004 amounted to \$15,280,000 (2003 \$18,439,000). These commitments will become expenses of the Ministry when terms of the contracts are met. These amounts include obligations under operating leases which expire on various dates. The aggregate amounts payable for the unexpired terms of these leases are as follows:

(thousands)

2004-05	\$	4,436
2005-06		2,123
2006-07		1,810
2007-08		1,757
2008-09		1,729
Thereafter		<u>3,425</u>
	\$	<u>15,280</u>

b) Guarantees

The Ministry, through the Alberta Securities Commission along with the Ontario Securities Commission and the British Columbia Securities Commission, entered into a Continuing Guarantee Agreement to guarantee the liabilities of the Mutual Fund Dealers Association of Canada with a Canadian chartered bank. The obligation of the Ministry to the bank is limited to \$2,160,000.

c) Legal Actions

At March 31, 2004, the Ministry is a defendant in various legal actions, including legal actions relating to insurance claims. The total claimed in specific legal actions amounts to approximately \$5,715,000 (2003 \$22,452,000). Included in this amount are claims for \$3,784,000 (2003 \$19,677,000) in which the Ministry has been jointly named with other entities. The resulting loss, if any, from these claims cannot be determined.

MINISTRY OF REVENUE

NOTE 7 TRUST FUNDS UNDER ADMINISTRATION

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Ministry has no equity in the funds and administers them for the purposes of the various trusts, they are not included in the Ministry's consolidated financial statements. The operations of the funds' beneficial owners are reported separately in their annual reports.

At March 31, 2004, trust funds under administration were as follows:

(thousands)

	2004	2003
The Workers' Compensation Board Accident Fund	\$ 2,328,797	\$ 2,025,400
Power Pool of Alberta Balancing Pool	115,892	146,085
	<u>\$ 2,444,689</u>	<u>\$ 2,171,485</u>

NOTE 8 DEFINED BENEFIT PLANS

The Ministry participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to the annual contributions of \$1,975,000 for the year ended March 31, 2004 (2003 \$1,612,000).

At December 31, 2003, the Management Employees Pension Plan reported a deficiency of \$290,014,000 (2002 \$301,968,000) and the Public Service Pension Plan reported an actuarial deficiency of \$596,213,000 (2002 \$175,528,000). At December 31, 2003, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of \$9,312,000 (2002 \$6,472,000).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2004, the Bargaining Unit Plan reported an actuarial deficiency of \$9,766,000 (2003 \$14,434,000) and the Management, Opted Out and Excluded Plan an actuarial surplus of \$1,298,000 (2003 actuarial deficiency of \$3,053,000). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 9 COMPARATIVE FIGURES

Certain 2003 figures have been reclassified to conform to 2004 presentation.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister of Revenue.

MINISTRY OF REVENUE

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REVENUESYear Ended March 31, 2004 (*thousands*)**Schedule 1**

	Budget	2004 Actual	2003 Actual
Income taxes			
Personal income tax	\$ 5,034,966	\$ 4,612,531	\$ 4,834,080
Corporate income tax	2,015,833	1,696,427	2,018,743
	7,050,799	6,308,958	6,852,823
Other taxes			
Tobacco tax	624,000	670,502	618,474
Fuel tax	602,000	619,585	596,953
Insurance taxes	147,692	203,492	160,305
Hotel room tax	58,000	53,325	54,494
Financial institutions capital tax	-	515	29
	1,431,692	1,547,419	1,430,255
Net investment income (loss)	496,170	1,270,813	(1,034,089)
Fees, permits and licences	17,100	16,568	14,813
Internal government transfers	200	21,534	5,030
Other			
Insurance services	6,704	6,603	7,061
Other services	12,589	10,058	8,710
Refunds of expenditure	300	20	342
Miscellaneous	80	798	1,227
	19,673	17,479	17,340
	\$ 9,015,634	\$ 9,182,771	\$ 7,286,172

MINISTRY OF REVENUE

BUDGETYear Ended March 31, 2004 (*thousands*)**Schedule 2**

	2003-04 Budget	Authorized Supplementary and Adjustments	2003-04 Authorized Budget
Revenues			
Income taxes	\$ 7,050,799	\$ -	\$ 7,050,799
Other taxes	1,431,692	-	1,431,692
Investment income	496,170	-	496,170
Fees, permits and licences	17,100	-	17,100
Internal government transfers	200	21,430 ^(a)	21,630
Other	19,673	-	19,673
	9,015,634	21,430	9,037,064
Expenses			
Investment	120,868	-	120,868
Tax and revenue collection	41,939	-	41,939
Regulation of capital markets	19,423	-	19,423
Government risk management and insurance	7,684	-	7,684
Ministry support services	3,962	-	3,962
	193,876	-	193,876
Net Operating Results	\$ 8,821,758	\$ 21,430	\$ 8,843,188
Capital Investment	\$ 5,045	\$ 875 ^(b)	\$ 5,920

a) Contributions from the Department of Innovation and Science to the Alberta Heritage Science and Engineering Research Endowment Fund have been adjusted to reflect the actual accounting method used.

b) Supplementary Estimates were approved on March 11, 2004.

MINISTRY OF REVENUE

EXPENSES BY OBJECT*(thousands)***Schedule 3**

	Budget	2004 Actual	2003 Actual
Salaries, wages and employee benefits	\$ 32,997	\$ 34,426	\$ 30,868
Supplies and services	32,631	34,781	31,119
Grants	105,222	82,701	78,370
Corporate tax interest refunds	20,000	15,641	64,197
Other financial transactions	69	163	105
Amortization of capital assets	2,657	2,729	2,284
Valuation adjustments (Schedule 4)	500	4,105	284
	194,076	174,546	207,227
Less recovery from support services arrangements with related parties (a)	200	200	200
	\$ 193,876	\$ 174,346	\$ 207,027

- a) The Ministry provides information technology to various public sector entities. Costs incurred by the Ministry are recovered from the recipients of the services.

VALUATION ADJUSTMENTS*(thousands)***Schedule 4**

	Budget	2004 Actual	2003 Actual
Provision for doubtful accounts, loans and write-offs	\$ 500	\$ 3,762	\$ 12
Provision for employee benefits other than pensions	–	343	272
	\$ 500	\$ 4,105	\$ 284

MINISTRY OF REVENUE

CASH AND TEMPORARY INVESTMENTS**Schedule 5***(thousands)*

	2004	2003
Pooled investment funds		
Fixed-income securities (a)	\$ 12,386	\$ 8,755
Canadian equities	4,818	2,859
	17,204	11,614
Deposit in the Consolidated Cash Investment Trust Fund	154,065	311,184
Cash in bank and in transit	106,002	108,045
	<u>\$ 277,271</u>	<u>\$ 430,843</u>

- a) Fixed-income securities held had an average effective yield of 4.20% (2003 5.41%) per annum as at March 31, 2004. 98% (2003 98%) of the securities had terms to maturity of over one year.

ACCRUED INTEREST AND ACCOUNTS RECEIVABLE**Schedule 6***(thousands)*

	2004	2003
Personal income tax	\$ 346,065	\$ 326,948
Corporate income tax	291,935	204,809
Fuel tax	56,911	54,149
Insurance taxes	39,573	19,359
Tobacco tax	16,992	4,851
Accrued interest receivable	11,904	19,690
Hotel room tax	4,851	5,031
Financial institutions capital tax	1,855	3,516
Other	766	4,234
	770,852	642,587
Less allowance for doubtful accounts	3,390	1,149
	<u>\$ 767,462</u>	<u>\$ 641,438</u>

MINISTRY OF REVENUE

PORTFOLIO INVESTMENTS

(thousands)

Schedule 7

	2004		2003	
	Book Value	Fair Value	Book Value	Fair Value
Fixed-income securities (a) (b)				
Pooled investment funds	\$ 4,149,557	\$ 4,270,161	\$ 3,859,557	\$ 3,842,060
Government of Canada, guaranteed	23,799	25,304	24,515	25,470
	<u>4,173,356</u>	<u>4,295,465</u>	<u>3,884,072</u>	<u>3,867,530</u>
Equities (b)				
Canadian	2,938,732	3,342,362	2,809,922	2,817,748
Foreign	4,142,886	4,582,056	4,498,155	3,960,128
Real estate	974,955	1,062,957	898,913	972,689
Absolute return strategies	578,449	573,532	320,570	320,485
	<u>8,635,022</u>	<u>9,560,907</u>	<u>8,527,560</u>	<u>8,071,050</u>
	<u>\$ 12,808,378</u>	<u>\$ 13,856,372</u>	<u>\$ 12,411,632</u>	<u>\$ 11,938,580</u>

- a) The majority of the Ministry's fixed-income securities are in the Alberta Heritage Savings Trust Fund (Heritage Fund). As at March 31, 2004, the Heritage Fund held \$3,702,874,000 (2003 \$3,470,041,000) of public fixed-income securities at cost (Fair value \$3,807,292,000 (2003 \$3,450,805,000)). The securities held have an average effective market yield of 4.4% (2003 5.5%) per annum and the following term structure based on principal amount:

	2004	2003
	%	%
under 1 year	3	2
1 to 5 years	38	37
6 to 10 years	29	29
11 to 20 years	11	13
over 20 years	19	19
	<u>100</u>	<u>100</u>

- b) The Ministry uses derivative contracts to enhance return, hedge risks, and manage asset mix. As at March 31, 2004, the notional amount of all derivative contracts issued by the Ministry amounted to \$3,308,100,000 (2003 \$2,201,700,000). 68% (2003 72%) of these contracts mature within one year. As at March 31, 2004, all derivative contracts taken together had a net negative fair value of \$88,900,000 (2003 \$65,600,000).

The following is a summary of the notional amount of derivative contracts held at March 31, 2004:

	2004	2003
Equity index swap contracts	\$ 1,283,758	\$ 657,353
Interest rate swap contracts	786,302	461,559
Forward foreign exchange contracts	667,717	697,753
Cross-currency interest rate swaps	452,545	310,941
Other	117,778	74,094
	<u>\$ 3,308,100</u>	<u>\$ 2,201,700</u>

MINISTRY OF REVENUE

LOANS AND ADVANCES TO GOVERNMENT ENTITIES

Schedule 8

(thousands)

	2004	2003
Alberta Social Housing Corporation	\$ 94,656	\$ 100,037
Fair value	\$ 150,125	\$ 158,018
Average effective market yield	7.10%	7.83%

OTHER LOANS AND ADVANCES

Schedule 9

(thousands)

	2004	2003
Alberta Heritage Savings Trust Fund Act	\$ 181,559	\$ 173,548
Accountable advances	391	1,003
	181,950	174,551
Less allowance for doubtful loans and advances	88,415	76,189
	\$ 93,535	\$ 98,362
Fair value	\$ 93,535	\$ 98,362

CAPITAL ASSETS

Schedule 10

(thousands)

	Estimated Useful Life	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Equipment	10 years	\$ 497	\$ 206	\$ 291	\$ 364
Computer hardware and software	5 years	19,427	10,172	9,255	7,171
Other	10 years	2,300	857	1,443	1,015
		\$ 22,224	\$ 11,235	\$ 10,989	\$ 8,550

ACCOUNTS PAYABLE

Schedule 11

(thousands)

	2004	2003
Corporate income tax receipts in abeyance	\$ 345,925	\$ 336,467
Other	32,340	23,750
	\$ 378,265	\$ 360,217

MINISTRY OF REVENUE

RELATED PARTY TRANSACTIONS

Schedule 12

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management of the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties.

(thousands)

	2004	2003
Revenues		
Transfers	\$ 21,534	\$ 5,030
Interest	17,041	17,854
Charges for services	6,462	6,864
	<u>\$ 45,037</u>	<u>\$ 29,748</u>
Expenses		
Transfers	\$ 22,264	\$ 21,037
Costs of services	3,576	2,962
	<u>\$ 25,840</u>	<u>\$ 23,999</u>
Assets		
Accrued interest receivable	\$ 7,403	\$ 7,772
Accounts receivable	137	1,580
Loans and advances	94,656	100,037
	<u>\$ 102,196</u>	<u>\$ 109,389</u>

The above transactions do not include support service arrangement transactions disclosed in Schedule 3.

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

(thousands)

	2004	2003
Expenses - incurred by others		
Accommodation	\$ 2,109	\$ 1,782
Legal services	1,250	1,292
	<u>\$ 3,359</u>	<u>\$ 3,074</u>