FOR THE FISCAL YEAR ENDED MARCH 31, 2001 | PUBLISHED IN SEPTEMBER 2001

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TREASURY ANNUAL REPORT

Alberta
TREASURY

Treasury Annual Report 2000-01

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Government of Alberta
2001 IPAC
Gold Award
for Innovative
Management

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PREFACE

PUBLIC ACCOUNTS 2000-01

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 18 Ministries.

The annual report of the Government of Alberta contains the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including a message from the Minister of Finance. The Province's audited financial statements include the accounts of government entities consisting of departments (all departments combined form the General Revenue Fund), the Alberta Heritage Savings Trust Fund and other regulated funds, provincial agencies and Crown-controlled corporations.

On March 15, 2001, the government announced new ministry structures. Since the 2000-01 fiscal year was substantially completed prior to this announcement, ministry annual reports and financial statements have been prepared as if the restructuring took place on April 1, 2001, to provide proper accountability for the 2000-01 fiscal year against the original business plan. Consequently, this annual report refers to the combined Ministries of Revenue and Finance as the Ministry of Treasury and the Ministers of Revenue and Finance as the Provincial Treasurer.

This annual report of the Ministry of Treasury contains the Ministers' accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan, including a message from the Ministers. The Ministry's annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Treasury, regulated funds, provincial agencies and Crown-controlled corporations for which the Ministers are responsible,**

- **other financial information as required by the *Financial Administration Act*, either as separate reports or as part of the** financial statements, to the extent that the Ministry has anything to report,

- financial information relating to trust funds, and
- the report of the auditor of the Office of the Auditor General, which is included in the annual report of the Auditor General, is incorporated in the Public Accounts by reference.

MINISTERS' ACCOUNTABILITY STATEMENT

The Ministry's Annual Report for the year ended March 31, 2001 was prepared under our direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at August 31, 2001 with material economic or fiscal implications of which we are aware have been considered in the preparation of the Ministry Annual Report.

[original signed]	*[original signed]*
Patricia Nelson Minister of Finance	Greg Melchin Minister of Revenue
August 31, 2001	August 31, 2001

A MESSAGE FROM THE MINISTERS OF FINANCE AND REVENUE

In presenting the 2000-01 Annual Report for the Department of Treasury we recognize that Fiscal 2000-01was another positive year for Alberta's economy. Our province continued to lead in areas of economic growth and job creation.

The Annual Report also showcases that Alberta Treasury provided sound planning and management as the government recorded its highest ever resource revenues, made its largest debt payment and cut taxes this past fiscal year. These accomplishments helped Treasury achieve the goals set out in its business plan.

With a higher than ever economic cushion and as mandated by the *Fiscal Responsibility Act*, Alberta made the highest debt repayment in our province's history. This year, the government allocated more than $5 billion to the debt and put the province nine years ahead of a 25-year schedule to eliminate the debt. Our aggressive debt reduction plan helped Alberta achieve the highest credit rating among provinces. Lower debt also means lower debt servicing costs and additional funding for Albertans' priorities like health, education and tax reductions.

This past year, Treasury implemented reductions to personal and school property taxes and announced business tax cuts that will leave more money in the pockets of Albertans.

The 10 per cent single rate tax, implemented on January 1, 2001, will save Albertans more than $1.1 billion in personal income taxes this year. In addition, more than 200,000 lower income Albertans will be removed from the provincial tax rolls altogether. January 1 also saw $135 million cut from education property taxes, with the revenue frozen for future years.

As announced, businesses will save $286 million in taxes in 2001-02. When the plan is fully implemented, over the next four years and subject to affordability, business will save $1 billion.

These changes strengthen Alberta's position as the lowest overall taxed province in Canada and make our province more competitive internationally as we step into a new century.

While Alberta experienced record resource revenues, which helped accelerate our debt repayment, provided energy assistance and addressed some one-time spending priorities, Albertans know how volatile these revenues are. This coming year the government does not anticipate another year of record revenue. One year of unusually high revenues can raise expectations, but we cannot count on windfalls every year. That is why prudent fiscal management and proper planning is required from our departments.

In March of this year, the Alberta government went through a reorganization based on the feedback received from Albertans. The result was that the Treasury Department was restructured into two departments: Finance and Revenue.

The Ministry of Finance is responsible for the provincial budget – striking the balance between the lowest possible taxes and providing quality programs and service. Finance will also continue with Treasury's mandate of sound fiscal planning, and open and accountable reporting through the provincial budget, quarterly fiscal updates, annual reports and three-year business plans.

The Ministry of Revenue is responsible for tax collection, risk management, the province's investments (including the Alberta Heritage Savings Trust Fund), regulation of Alberta's capital markets and the upcoming "Future Summit".

Much of the success that Treasury enjoyed came about because of the hard work that was put in by the staff of the department. This is continuing with the Finance and Revenue employees as they remain committed to being resourceful and innovative in meeting the needs of this government and the people of Alberta. In the coming year, while our areas of responsibility have changed, increased focus will be put on the needs of Albertans in the future and to improving the financial management requirements of the province.

[original signed]	*[original signed]*
Patricia Nelson Minister of Finance	Greg Melchin Minister of Revenue
August 31, 2001	August 31, 2001

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

The Ministry of Treasury includes:

- *Department of Treasury*
- *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*
- *Supplementary Retirement Plan Reserve Fund*
- *Alberta Insurance Council*
- *Alberta Municipal Financing Corporation*
- *Alberta Pensions Administration Corporation*
- *Alberta Securities Commission*
- *The Alberta Government Telephones Commission*
- *Alberta Treasury Branches and its subsidiary*
- *Credit Union Deposit Guarantee Corporation*
- *N.A. Properties (1994) Ltd.*
- *S C Financial Ltd.*
- *Gainers Inc.*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, we ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Ministers of Finance and Revenue. Under their direction, we oversee the preparation of the Ministry's annual report, including the consolidated financial statements and performance results. The consolidated statements and the performance results, of necessity, include amounts that are based on estimates and judgements. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Ministers, in addition to program responsibilities, we establish and maintain the Ministry's financial administration and reporting functions. The Ministries maintain systems of financial management and internal control which give consideration to costs, benefits, and risks that 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 of public money,
- Provide information to manage and report on performance,
- Safeguard the assets and properties of the Province under Ministry administration,
- Provide Cabinet, Treasury Board and the Ministers of Finance and Revenue any information needed to fulfil their responsibilities, and
- Facilitate preparation of ministry business plans and annual reports required under the *Government Accountability Act.*

In fulfilling our responsibilities for the ministry, we have relied, as necessary, on the executives of the individual entities within the ministry.

[original signed]

Peter Kruselnicki, P.Eng.
Deputy Minister of Finance

August 31, 2001

[original signed]

Eric McGhan
Deputy Minister of Revenue

August 31, 2001

overview

OPERATIONAL OVERVIEW

OPERATIONAL OVERVIEW

Treasury oversees government performance measurement, financial management and reporting. Treasury is responsible for fiscal planning, intergovernmental fiscal arrangements, tax policy, tax administration, economic analysis, statistics, public pensions, and regulation of government administration, financial institutions, insurance and private pension plans.

TREASURY'S GOALS FOR 2000-01

1. A healthy and sustainable financial position.
2. Appropriate financial and performance information available to allow Albertans to hold government accountable.
3. A fair, competitive and simple provincial tax system managed efficiently and effectively.
4. Investment returns maximized and borrowing costs minimized subject to acceptable risk.
5. An efficient, fair and competitive capital market and an efficient and fair regulatory environment for financial institutions and private pension plans.
6. Quality financial services to Albertans through Alberta Treasury Branches, Alberta Municipal Financing Corporation and Alberta Pensions Administration Corporation.

TREASURY'S CORE BUSINESSES

1. Provide analysis and recommendations to the Provincial Treasurer and Treasury Board.
2. Maintain a framework that fosters government accountability.
3. Administer and collect tax revenue.
4. Manage the Province's financial assets and liabilities.
5. Foster a fair and efficient financial marketplace.
6. Provide financial services through Alberta Treasury Branches, Alberta Municipal Financing Corporation and Alberta Pensions Administration Corporation.

TREASURY'S MISSION

To provide excellence in financial management, services and advice to achieve a healthy and sustainable financial condition for the Province with the lowest possible taxes for Albertans.

HIGHLIGHTS

. . . forward looking business planning and prudent forecasting helped the Province put $5.9 billion towards paying down the accumulated debt.

- For the seventh year in a row, the budget was balanced and a payment was made to reduce the Province's accumulated debt. As reported in the 2000-01 Government of Alberta Annual Report, forward looking business planning and prudent forecasting helped the Province put $5.9 billion towards paying down the accumulated debt. As a result, the Province now has $9 billion in net assets for fiscal policy purposes. We can now focus our full attention on reducing the accumulated debt. The accumulated debt, including accrued cash and cash set aside for future debt repayments, stands at $6.6 billion, before pension provisions (see page 25).

- Alberta accelerated implementation of the single rate tax, a plan that substantially reduced personal income taxes paid by Albertans and made the tax system fairer. On January 1, 2001, the 0.5% flat tax was abolished and the Province moved to a single rate of 10%. The personal, spousal and equivalent to spousal exemptions were increased to $12,900. Albertans will save $1.1 billion in 2001, bringing the total personal income tax cut to $1.5 billion, or 23%, since 1998.

- During 2000-01, the government announced a plan to significantly cut business taxes. If affordable, the general and manufacturing and processing corporate income tax rates will be cut to 8% by 2004. The small business rate will be cut to 3% by 2003.

- Treasury continued to report, on a timely and user-friendly basis to Albertans regarding the Province's finances and the government's progress in achieving its performance targets.

- Standard and Poor's and Moody's bond rating services upgraded Alberta's credit rating to AAA, the highest among provinces. As a result, Alberta borrows at the lowest interest rates of any Canadian province.

- The Heritage Savings Trust Fund had a net income of $706 million in 2000-01, down from $1,169 million the previous year due to a downturn in equity markets. The Fund's net assets were $12 billion.

- Alberta Treasury Branches earned a net income of $162 million, substantially better than its target of $114 million.

TREASURY'S OPERATIONAL STRUCTURE

OFFICE OF BUDGET AND MANAGEMENT

The Office of Budget and Management (OBM) manages the provincial budget and business plan review and approval process, prepares economic and fiscal forecasts, and provides research, analysis and recommendations on the Province's fiscal, economic and taxation policies. OBM is responsible for intergovernmental fiscal relations and for providing statistical information about the Province. It also proposes and prepares accounting and financial control policies, prepares budget documents, quarterly budget updates, annual financial statements, and performance measurement reports.

TAX AND REVENUE ADMINISTRATION

Revenue collection and administration is the responsibility of Tax and Revenue Administration (TRA). TRA works closely with the Tax Policy group of the Office of Budget and Management on matters of tax policy and legislation. Together the two areas work towards providing a fair, competitive and efficient provincial tax revenue system. Risk Management Division of TRA also provides risk management services for the government.

INVESTMENT MANAGEMENT

Investment Management works to maximize investment returns for the Province within an acceptable degree of risk. It provides investment expertise to a wide range of provincial government entities including the Alberta Heritage Savings Trust Fund, the Alberta Heritage Scholarship Fund, the Alberta Heritage Science and Engineering Research Endowment Fund, and the Alberta Heritage Foundation for Medical Research Endowment Fund. It also administers $20 billion in trust funds, the bulk of which are the public sector pension funds sponsored by the Province.

LIABILITY MANAGEMENT

Liability Management works to achieve the lowest cost on debt within an acceptable degree of variability on debt servicing costs. Alberta meets its borrowing requirements through a number of borrowing programs that allow the Province to lower debt costs and diversify its investor base. Various financial products and instruments are employed to meet debt management objectives.

TREASURY OPERATIONS

Treasury Operations is responsible for support services for investment and liability management; monitoring and managing loans and guarantees; and regulation of financial institutions, insurance and private pension plans. Treasury Operations also provides analysis and recommendations on pension policy.

REGULATORY AGENCIES

Annual Reports detailing the operations and results of the Alberta Securities Commission, the Credit Union Deposit Guarantee Corporation, the Alberta Insurance Council and the Alberta Automobile Insurance Board are available from the respective regulatory agency.

FINANCIAL SERVICES

Treasury provides financial services through Alberta Treasury Branches, Alberta Municipal Financing Corporation and the Alberta Pensions Administration Corporation. Annual reports are available from the individual institutions.

RELATIONSHIP OF TREASURY REPORTING ENTITIES TO GOALS

Alberta Treasury

Ministry Support Services

Goal 1

A healthy and sustainable financial position

Treasury Department
- Office of Budget and Management
- Treasury Operations (Pensions)
- Tax and Revenue Administration (Risk Management and Insurance) (Alberta Risk Management Fund)

Goal 2

Appropriate financial and performance information available to allow Albertans to hold Government accountable

Treasury Department
- Office of Budget and Management
- Treasury Operations (Investment and Debt Accounting)

Goal 3

A fair, competitive and simple provincial tax system managed efficiently and effectively

Treasury Department
- Tax and Revenue Administration
- Office of Budget and Management (Tax Policy)

Goal 4

Investment returns maximized and borrowing costs minimized subject to acceptable risk

Treasury Department
- Investment Management
- Liability Management
- Treasury Operations

Funds
- 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

Goal 5

An efficient, fair and competitive capital market and an efficient and fair regulatory environment for financial institutions and private pension plans

Treasury Department
- Treasury Operations

Provincial Agencies and Other Reporting Organizations
- Alberta Insurance Council
- Alberta Securities Commission
- Alberta Automobile Insurance Board

Commercial Enterprises
- Credit Union Deposit Guarantee Corporation
  - SC Financial Ltd.

Goal 6

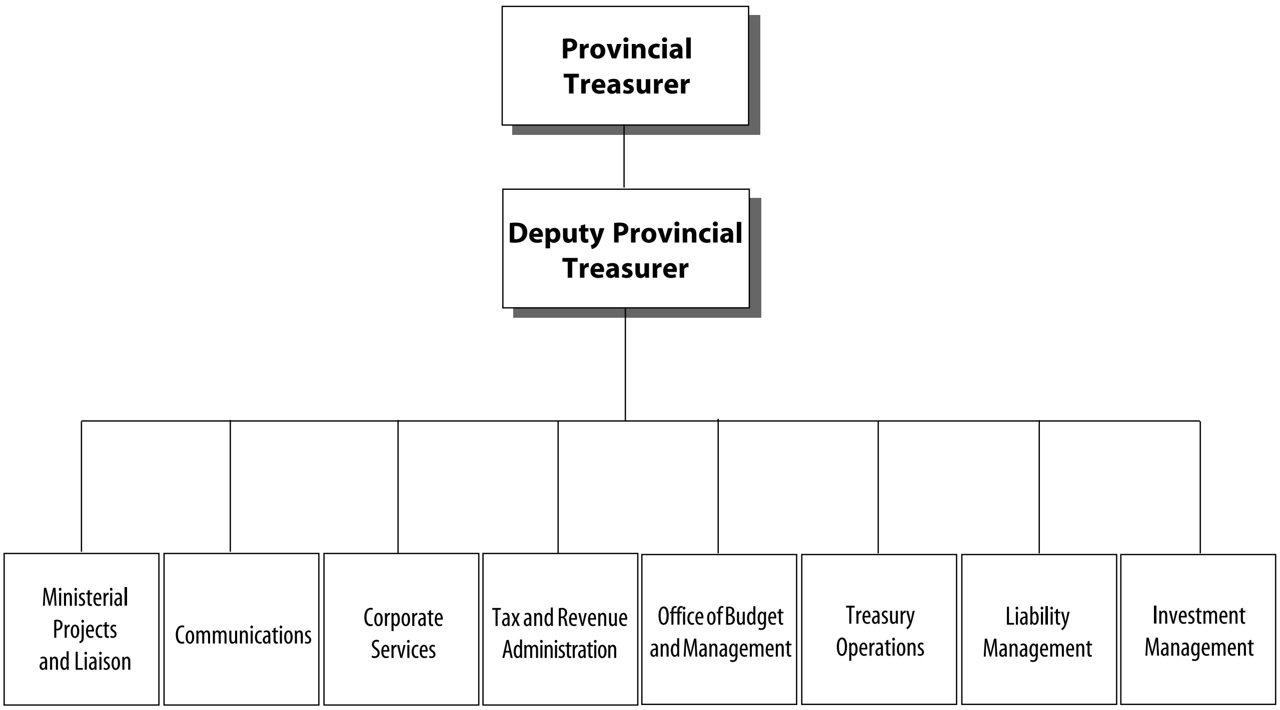
Quality financial services to Albertans through Alberta Treasury Branches, Alberta Municipal Financing Corporation and Alberta Pensions Administration Corporation

Provincial Agencies
- Alberta Pensions Administration Corporation

Commercial Enterprises
- Alberta Government Telephones Commission
- Alberta Municipal Financing Corporation
- Alberta Treasury Branches
- N.A. Properties (1994) Ltd.

Crown-Controlled Corporations
- Gainers Inc.

DEPARTMENT ORGANIZATION



Note: This annual report refers to the combined Ministries of Revenue and Finance as the Ministry of Treasury and to the Ministers of Revenue and Finance as the Provincial Treasurer.

TREASURY EXECUTIVE OR CHIEF OPERATING OFFICERS AND MEMBERS OF BOARDS, COUNCILS AND COMMISSIONS
as at March 31, 2001

Entity	Executive	Board, Council or Commission Members
Alberta Treasury	Peter Kruselnicki, *Deputy Provincial Treasurer* Eric McGhan, *Deputy Minister, Revenue* Tim Wiles, *Acting Controller* Robert Bhatia, *Assistant Deputy Provincial Treasurer - Revenue* Dave Smith, *Assistant Deputy Provincial Treasurer - Treasury Operations* Paul Pugh, *Chief Investment Officer* Rod Matheson, *Director - Liability Management* Bonnie Lovelace, *Corporate Secretary* Herb Martin, *Director - Human Resource Services* Alex Fowlie, *Ministerial Projects and Liaison* Ed Greenberg, *Director - Finance Communications* Gordon Vincent, *Director - Revenue Communications*	
Credit Union Deposit Guarantee Corporation	Jim Laitner, *Chief Executive Officer*	Bob Splane, *Chair* Mary Arnold Rick Bell Ron Gilmore John Henry Peter Kruselnicki Rod McDermand
Alberta Municipal Financing Corporation	Allister McPherson, *President*	Allister McPherson, *Chair* Jim Drinkwater Rob Feddema Harold N. Johnsrude Peter Kruselnicki Don Lussier Doug Radke Garth Sherwin Bob Splane

TREASURY EXECUTIVE OR CHIEF OPERATING OFFICERS AND MEMBERS OF BOARDS, COUNCILS AND COMMISSIONS
as at March 31, 2001

Entity	Executive	Board, Council or Commission Members
Alberta Pensions Administration Corporation	George Buse, *Chief Operating Officer*	Jack McMahon, *Chair* Peter Kruselnicki Dianne Lougheed Keefe Rick Milner Len Pederson Bill Purdy
Alberta Securities Commission		Stephen P. Sibold, *Chair* James Allard Jerry Bennis Wendy Best Glenda Campbell Thomas Cooke John Cranston Walter O'Donoghue Eric Spink Vacant (3)
Alberta Treasury Branches	Paul Haggis, *President and Chief Executive Officer*	Ron Triffo, *Chair* Robert Brawn Gary Campbell Jack Halpin Brian Heidecker Brian Hesje David Hughes Ian Macdonald Brian McCook Al O'Brien Ralph Scurfield Gail Surkan

TREASURY EXECUTIVE OR CHIEF OPERATING OFFICERS AND MEMBERS OF BOARDS, COUNCILS AND COMMISSIONS

as at March 31, 2001

Entity	Executive	Board, Council or Commission Members
Alberta Automobile Insurance Board		John Tweddle, *Chair* Stan Fisher Paul Galway W. Harry Gough
Alberta Insurance Council	Joanne Abram, *General Manager*	Guy Bourgeois, *Chair* Valerie Chatten Jack Laverick Peter Portlock Ray Wold
General Insurance Council		Guy Bourgeois, *Chair* Bob Anderson Jeff Cuell Rod Garraway Marce Hall Mel Niebrugge Diane Strashok Lois Yanke
Insurance Adjusters Council		Jack Laverick, *Chair* Elia Bendera Gavin Lane Nancy Stenson
Life Insurance Council		Norman Chandler, *Chair* Dennis Anderson Bradley Bergh Ted Hanna Ray Wold Vacant (1)

TREASURY EXECUTIVE OR CHIEF OPERATING OFFICERS AND MEMBERS OF BOARDS, COUNCILS AND COMMISSIONS
as at March 31, 2001

Entity	Executive	Board, Council or Commission Members

The Provincial Treasurer is the trustee of pension plan funds and is responsible for appointing pension plan governing boards which have been established as follows:

Entity	Executive	Board, Council or Commission Members
Local Authorities Pension Plan		William Purdy, *Chair* Kenneth Balkwill Rick Blakeley Ben Boettcher Terry Cavanagh Margaret Johnson Tony Krivoblocki Richard Martin Elaine Noel-Bentley Grant Robertson Carl Soderstrom Sandra Weidner Richard West Leslie Young
Management Employees Pension Board		Dianne Lougheed Keefe, *Chair* Gail Armitage Fred Barth Nancy Bochard Shirley Howe Bill Lenius Theresa Ostrum
Public Service Pension Plan Board		Jim Campbell, *Chair* Len Pederson Lorna Smith Carl Soderstrom Ian Tarr Janina Vanderpost

TREASURY EXECUTIVE OR CHIEF OPERATING OFFICERS AND MEMBERS OF BOARDS, COUNCILS AND COMMISSIONS
as at March 31, 2001

Entity	Executive	Board, Council or Commission Members
Special Forces Pension Plan Board		Ulysses Currie, *Chair* David Carpenter Colin Catonio Randell Garvey Allan Habstritt Janina Vanderpost Vacant (1)

ACTS ADMINISTERED BY TREASURY
as at March 31, 2001

Alberta Corporate Tax Act
Alberta Heritage Savings Trust Fund Act
Alberta Income Tax Act
Alberta Municipal Financing Corporation Act
Alberta Personal Income Tax Act
Alberta Taxpayer Protection Act
Alberta Treasury Branches Act
Appropriation Acts
Balanced Budget and Debt Retirement Act
Civil Service Garnishee Act
Credit Union Act
Employment Pension Plans Act
Farm Credit Stability Act
Financial Administration Act
Financial Consumers Act
Fiscal Responsibility Act
Fuel Tax Act
Government Accountability Act
Government Fees and Charges Review Act
Hotel Room Tax Act
Insurance Act
Loan and Trust Corporations Act
Members of the Legislative Assembly Pension Plan Act
Municipal Debentures Act
Pension Fund Act
Public Sector Pension Plans Act
Securities Act
Small Business Term Assistance Act
Statistics Bureau Act
Telecommunications Act
Tobacco Tax Act
Ultimate Heir Act

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO KEY PERFORMANCE MEASURES

AUDITOR GENERAL
Alberta

TO THE MEMBERS OF THE LEGISLATIVE ASSEMBLY:

I have performed the following procedures in connection with the Ministry of Treasury's key performance measures included in the *2000-01 Annual Report of the Ministry of Treasury* as presented on pages 26, 32, 38, 39 and 51.

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.

2. The calculations which converted source information into reported measures were tested.

3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit, and therefore I express no opinion on the key performance measures included in the *2000-01 Annual Report of the Ministry of Treasury.*

[original signed]
Peter Valentine

FCA
Auditor General

Edmonton, Alberta

July 31, 2001

RESULTS ANALYSIS

RESULTS ANALYSIS

The year 2000-01 has been a year of challenges and opportunities for the Ministry of Treasury. The majority of the targets set out in Budget 2000 have been met. Details of the year's accomplishments are set out in the pages that follow.

REVENUE HIGHLIGHTS

- Personal income tax revenue fell in 2000-01 by 23% or $1.2 billion from the previous year. This reflected the $345 million Energy Tax Refund, personal income tax cuts and a prior year adjustment.

- Corporate income taxes increased by $768 million, or 61%, over the previous year. Higher world oil prices (up 57%) and natural gas prices (up 82%) significantly boosted corporate profits and, hence, corporate income taxes.

- Other taxes, such as fuel, insurance, hotel room and financial institutions capital taxes, increased $23 million.

- Investment income decreased $587 million in the 2000-01 fiscal year. The downturn in equity markets in the second half of the fiscal year contributed to lower investment revenue.

EXPENSE HIGHLIGHTS

- 2000-01 saw the creation of the Alberta Heritage Science and Engineering Research Endowment Fund. A $500 million endowment was paid from the General Revenue Fund to assist in research and development projects.

- The grant for the Alberta Heritage Foundation for Medical Research was increased by $10 million.

- Overall debt servicing costs decreased $10 million.

  - General government debt servicing costs increased $35 million. Lower provincial debt reduced the servicing costs by $149 million. This was more than offset by an increase in the

FINANCIAL RESULTS

Revenues for the Ministry in 2000-01 were $8.9 billion. This was down $927 million, or 9.5% from 1999-2000.

Expenses in 2000-01 were $1.6 billion, up $112 million from 1999-2000.

The net result was that revenues exceeded expenses by $7.3 billion. This was $1,040 million less than in 1999-2000 and $558 million less than budgeted.

foreign exchange loss provision. A change to accrual accounting for interest rate swaps also contributed to the increased cost.

  - The debt servicing costs for local authorities and school boards decreased by $44 million as a result of a decrease in debt outstanding.

- The change in valuation adjustments (increase of $104 million) is primarily the result of an increase in pension provisions for two pension plans.

GOAL 1

A HEALTHY AND SUSTAINABLE FINANCIAL POSITION

FISCAL RESPONSIBILITY – A BALANCED BUDGET AND MORE DEBT RETIRED

The Alberta government balanced its budget for the seventh consecutive year in 2000-01. As reported in the 2000-01 Government of Alberta Annual Report, forward looking business planning, responsible economic and fiscal policies and prudent forecasting helped ensure that, for fiscal policy purposes, revenues exceeded expenditures by $6.4 billion dollars for the year ended March 31, 2001. This exceeded the budgeted target of $1.2 billion by $5.2 billion.

Actual revenue of $25.6 billion exceeded budgeted revenue by $6.5 billion primarily due to higher-than-budgeted non-renewable resource revenues. Higher revenue provided the flexibility to increase the budgeted debt payment, to increase funding for health, education and infrastructure, to reduce personal income tax, and to provide both tax rebates and utility subsidies for Albertans hit by increased energy costs. Actual expenses exceeded budgeted expenses by $1.3 billion, excluding pension provisions.

Alberta continues to have the highest credit rating of any Canadian province, ensuring that Alberta's borrowing costs will be the lowest of any Canadian province.

This year's accumulated debt reduction will put us nine years ahead of our legislated 25-year payment schedule. The *Fiscal Responsibility Act* requires that at least 3.5% of budgeted revenue be set aside as an economic cushion and that three-quarters of the economic cushion and of any revenue increases during the year must be applied to pay down the debt or to other balance sheet improvements.

ACCUMULATED DEBT
(millions of dollars)

Accumulated Debt (start of year)	12,490
Repayment of debt maturities	2,225
Accumulated Debt (end of year)	10,265
Cash set aside for future debt repayment[1]	2,070
Accumulated debt less cash set aside	**8,195**
Cash available for debt repayment in 2001-02 from revenues accrued in 2000-01	1,600
	6,595

[1] Includes $470 million set aside in 1999-2000 for debt repayment.

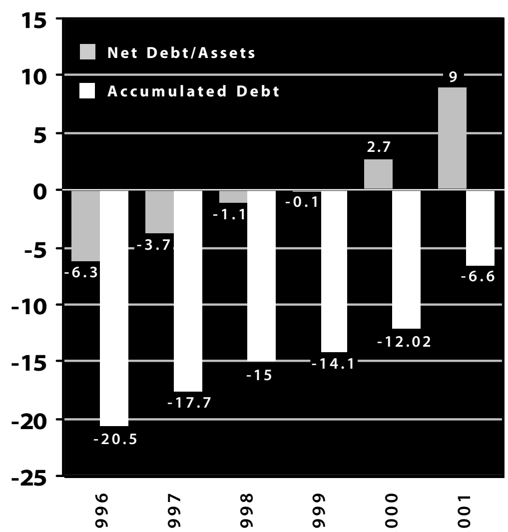
NET RESULTS OF OPERATIONS
ALBERTA'S CONSOLIDATED SURPLUS[1]
Surplus (Deficit) in millions of dollars

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01[2]
Budget	(506)	23	154	165	617	1,213
Actual	1,132	2,527	2,639	1,026	2,717	6,388

[1] Excluding pension provisions.
[2] Including $500 million set aside for the Alberta Heritage Science and Engineering Research Endowment Fund.

Alberta has moved from a net debt position of $8.3 billion at March 31, 1994 to net assets of $9.04 billion at March 31, 2001, excluding pension obligations. Just as at the end of 1999-2000, Alberta remains the only province that owns more financial assets than it owes in financial liabilities. The net debt was eliminated in 1999, ten years ahead of schedule. The highest energy revenues of any fiscal year in history have put the Province even further ahead of its planned debt reduction schedule. As a result the Province has now set aside $2.1 billion in assets to retire accumulated debt as it comes due. This, in combination with $1.6 billion in cash realized from revenues accrued in 2000-01, will automatically reduce the accumulated debt for fiscal policy purposes of $10.3 billion on March 31, 2001 to $6.6 billion in future years.

Key Performance Measure
DEBT RETIREMENT
TARGET: MILESTONES AS SET OUT IN THE FISCAL RESPONSIBILITY ACT
RESULT: 9 YEARS AHEAD OF SCHEDULE
Net Debt versus Accumulated Debt at March 31



Net Debt as subject to the Balanced Budget and Debt Retirement Act and the Fiscal Responsibility Act.
Excludes pension obligations.
Cash/accrued revenue set aside for future debt repayment deducted from Accumulated Debt ($2.1 billion cash in 2000-01 and $1.6 billion for cash that will become available in 2001-02 from revenues accrued in 2000-01).

Alberta continues to have the highest credit rating of any Canadian province, ensuring that Alberta's borrowing costs will be the lowest of any Canadian province. During 2000-01, both Moody's Investor Services and Standard and Poor's raised their domestic credit ratings for the Province to Aaa and AAA, respectively. The rating increases reflect Alberta's strong economic and fiscal performance as well as the significant reduction in taxpayer supported debt that has occurred in recent years. According to Standard and Poor's, Alberta's taxpayer supported debt, as a percentage of GDP, is "… the lowest of all Canadian provinces, and approaching the lowest of all Standard and Poor's-rated regional governments internationally." Alberta's foreign currency debt rating remains at Aa1 and AA+, reflecting the constraint imposed by the Government of Canada's foreign currency debt rating.

CREDIT RATING AT MARCH 31, 2001

	Alberta	British Columbia	Ontario
Moody's	Aaa	Aa2	Aa3
Standard and Poor's	AAA	AA-	AA

BUSINESS PLANNING, ECONOMIC AND FISCAL POLICIES AND FORECASTING

During 2000-01, Treasury worked with Executive Council to lead the government business planning process and co-ordinate the development of the 2001-04 Government Business Plan *The Future: Meeting Priorities, Sharing Benefits*. The process begins with the development of common economic and financial assumptions for business planning across government. It ends with the ongoing monitoring of the government's achievement of business plan goals and recommendations of new standards and policies for overall government.

Treasury provides advice and support to the Provincial Treasurer and Treasury Board and co-ordinates the government's overall budget and business planning process through:

- Developing common economic and financial assumptions for business planning across government,
- Developing, with each ministry, program spending options and identifying reallocation opportunities to help ensure that fiscal targets are met,
- Reviewing ministries' annual business plan submissions and annual reports,
- Developing key government-wide performance measures,
- Assisting ministries to improve their business plan performance measurement systems,
- Providing accounting advice and co-ordinating the development of accounting and financial policies for use across government,

- Developing standards for ministry annual reports,
- Co-ordinating the development of standards for ministry and departmental financial statements, and assisting ministries in preparing their financial statements, and
- Continuing to explore possible refinements to the business planning process such as eliminating unnecessary or redundant regulation and streamlining administration.

The annual survey of ministries revealed an overall result of 79% satisfied or very satisfied with the advice, support and recommendations provided by Treasury. A similar survey of Treasury Board members produced an overall result of 85% satisfied or very satisfied.

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS

Treasury strives to ensure that Albertans are treated equitably by the federal government. The Ministry develops and presents Alberta's position on federal-provincial fiscal arrangements to the federal government, including working with other provinces.

In 2000, Premiers called upon the federal government to restore the Canada Health and Social Transfer (CHST) to its 1994-95 level with an appropriate escalator. In September 2000, First Ministers met to discuss the CHST restoration. As a result, the CHST will be restored to $18.3 billion in 2001-02, 98% of its 1994-95 level. While the federal government has not implemented an escalator for the CHST, it has legislated a schedule to increase the CHST to $21 billion by 2005-06, which should keep pace with inflation and population growth.

The enrichment of the CHST transfer and other policy changes has moved Alberta closer to a per capita cash transfer that is equal to all other provinces. In 1998-99, Alberta's per capita cash transfer was 81% of the national average. This increased to 93% in 2000-01 and is expected to continue to increase in coming years.

Alberta Treasury has also worked with its counterparts in other provinces to press the federal government to reduce employment insurance premiums. Subsequently, the federal government reduced the employment insurance contribution rate from $2.40 to $2.25, effective January 1, 2001.

PENSION POLICY

The sound management of the government's obligations for the public sector plans continues to have a direct, positive impact on Alberta's credit rating. As a result of strong investment returns and the 1993 legislated plan to pay down the pension unfunded liabilities, the Management Employees Pension Plan, the Public Service Pension Plan and the Local Authorities Pension Plan are now fully funded. Additional contributions by the government, employers and employees to retire the unfunded liabilities are no longer required for these three plans, and plan member confidence in them has grown. The two remaining active plans administered by Treasury with unfunded liabilities (Special Forces Pension Plan and Universities Academic Pension Plan) are on schedule to be fully funded well ahead of the legislated target date of 2043.

The Universities Academic Pension Plan, previously under the *Public Sector Pension Plans Act*, was moved out-of-statute effective January 1, 2001. Trusteeship of the plan was transferred to a newly constituted board of trustees and the plan is now regulated by the *Employment Pension Plans Act*. These changes place the plan's design and management more directly with the plan sponsors who are the universities and their academic staff.

Discussions to move the Local Authorities Pension Plan out-of-statute continue. The Labour Coalition on Pensions submitted a position paper to the government that outlines their position on major issues for an out-of-statute LAPP. Treasury then facilitated the establishment of a multi-sector Employer Sponsor Committee to develop an employer position on governance. The Employer Sponsor Committee and the Labour Coalition will meet in 2001-02 to work on a joint position for consideration by government.

Other public sector pension reforms during 2000-01 included changes to the re-employment rules for pensioners. In order to enable public sector employers to hire back experienced, skilled, older workers, and to better recognize pensions as a benefit that has been earned by the plan members, the rules requiring pensions to be suspended on re-employment were removed. These changes should help mitigate projected future labour shortages as a result of the aging workforce.

A number of Canada Pension Plan (CPP) reforms put forward by the Government of Alberta in 1999 have been achieved. The foreign content limit for the CPP fund and other registered retirement savings vehicles has been raised to 30%, allowing pensions to reduce risk through greater diversification of their investments. Communication to

Canadians about the CPP have also improved. Beginning in 2000, CPP contributors began receiving annual statements of their earned benefits. Also, the annual statements to contributors and the CPP annual report provide more information about the funding of the CPP.

RISK MANAGEMENT SERVICES

The Risk Management Division helps ministries identify and protect public assets from risks of accidental loss, reduces the cost of administering Risk Management Services and ensures accountability of ministries and agencies. Through the Risk Management Fund, coverage is provided to ministries and appropriate insurance services are purchased to protect some of the Fund's financial responsibilities. In 2000-01, a survey of senior financial officers indicated that 100% of those using the services of the Division were satisfied or very satisfied with the Risk Management and Insurance services provided. At March 31, 2001, fund assets exceeded liabilities.

GOAL 2

APPROPRIATE FINANCIAL AND PERFORMANCE INFORMATION AVAILABLE TO ALLOW ALBERTANS TO HOLD GOVERNMENT ACCOUNTABLE

Alberta continues to be the leader among Canadian governments in financial reporting. Treasury provides Albertans with regular reports on goals, performance measures and financial results.

The *Government Accountability Act* requires the government to publish, in the annual budget, three-year budget and business plans that identify goals, objectives and financial plans of the government and individual ministries. The Act also requires that the government provide quarterly financial updates and an annual report on both financial and performance results. Treasury co-ordinates the preparation of these publications.

Other laws require balanced budgets, elimination of Alberta's accumulated debt, prudent economic cushions, controls on in-year spending increases, improved accountability for results, taxpayer protection and an end to special government loans and loan guarantees to business.

CONSOLIDATED BUDGETS AND BUSINESS PLANS

Alberta publishes consolidated budgets and business plans for all government entities. *Budget 2000* included the 2000-03 Fiscal Plan and Business Plan, an Economic Outlook, a description of both the Alberta Advantage and Alberta Tax Advantage, and Fee and Charges Review. It established goals and measures for each of the government's core businesses: People, Prosperity and Preservation. A comprehensive set of strategies and actions to achieve these goals was outlined in the business plans of individual ministries.

As required by the *Government Accountability Act*, the 2000-01 Annual Report of the Government of Alberta, published June 2001, provided an accounting of government-wide financial results and performance measures in comparison to the plans set out in Budget 2000. Ministry performance measures are provided in the annual report of each ministry, which also must include ministry consolidated financial statements and financial statements of each of the components of the ministry.

MEASURING AND REPORTING THE GOVERNMENT'S PERFORMANCE

The 2000-01 Annual Report of the Alberta government also included *Measuring Up*, the seventh annual report on the performance of the Government of Alberta. The report provides the public and the Legislature with an accountability document that compares results achieved to targets set in the Government Business Plan, part of the budget tabled February 2000. The *Measuring Up* document also details the strategies the government is pursuing to achieve its goals.

Measuring Up contains core measures that relate to 19 specific government goals in areas such as health, education, the economy and the environment. The report also contains an update on progress being made on four particular cross ministry initiatives, which the government singles out each year as requiring a corporate focus to be addressed effectively.

Tracking and reporting results makes it possible for policy makers to improve the quality of programs and services for Albertans and assists in making choices about whether to revise, retain or abandon existing programs.

TREASURY'S INTERACTION WITH MINISTRIES

Treasury provides leadership in accountability for financial management. Ministries have the responsibility for reporting financial results and business outcomes at the ministry level. Treasury monitors and advises on the maintenance of financial controls. Treasury also prepares the Province's consolidated financial statements based upon the ministries' financial statements.

Treasury has overall responsibility for setting government accounting policies and involving the ministries in the development of these policies and standards. Ministries are responsible for managing their financial affairs in accordance with these policies.

SATISFACTION WITH TREASURY'S PERFORMANCE

Treasury undertakes client satisfaction surveys annually. One survey measures the satisfaction of deputy ministers with the government's accountability system. 88% of the responding deputies were very satisfied or satisfied, below Treasury's target of 100% very satisfied or satisfied.

Key Performance Measure
ALBERTANS AWARE OF THE GOVERNMENT'S FINANCIAL PERFORMANCE
TARGET: 80% AWARE
RESULT: 70% AWARE

A survey of Albertans in February 2001 indicated that 70% of Albertans knew that the government was budgeting for a surplus in the current year. The target is for 80% of Albertans to be aware of the Province's budget situation and financial performance.

IT'S YOUR MONEY SURVEY

In the *It's Your Money* survey, the government consulted Albertans on their fiscal priorities once the provincial debt is eliminated. Albertans indicated that:

- 73% of respondents support using the permanent interest savings that arise from paying off the debt for tax reductions, compared to 44% support for increased program spending and 34% support for a budgeted savings plan. First on the list for tax cuts was personal income taxes, followed by fuel taxes, reductions in health care premiums and finally further cuts in school property taxes.

- 57% of respondents rated using one-time unexpected revenue for one-time tax rebates as highly important, compared to 52% supporting saving the unexpected revenue for future years. Only 29% rated one-time spending as highly important.

AUDITOR GENERAL'S SATISFACTION WITH THE GOVERNMENT'S ACCOUNTABILITY SYSTEM

The Alberta Government has accepted or partially accepted 47 of the 49 numbered recommendations in the Auditor General's 1999-2000 annual report. One recommendation is under review and one has not been accepted.

The Auditor General's recommendations mainly relate to strengthening accountability and improving performance. The government takes the Auditor General's suggestions seriously and is committed to continuous improvement in these areas. Among the successes noted is the resolution of the allocated costs issue. The Office of the Auditor General had the following comment:

> "Alberta Treasury's proposal of a Schedule of Allocated Costs is viewed as a positive move to improve financial reporting . . . Thank you for Alberta Treasury's constructive approach to resolving this issue that has been outstanding for some time."

The Auditor General has recommended the following improvements to cross ministry initiatives and business practices between all ministries and the Treasury Department:

- Department of Treasury, in conjunction with other ministries, clearly define the core measures and targets in the government business plan.
  - ✓ Accepted. The government business plan is a work in progress. It has always been the intention that each goal under the three core businesses *People, Prosperity and Preservation* would have at least one core measure which would have a performance target associated with it. Some measures are still under construction while others are being refined as better metrics are discovered. The process of establishing appropriate targets is complex and involves the input of many stakeholders and interest groups.

- Ministries work with the assistance of the Department of Treasury to improve the link between goals and core businesses in ministries' business plans.
  - ✓ Accepted. Some improvement in the link between goals and core businesses will occur in the 2001-04 ministries' business plans as part of our ongoing refinements. Full implementation of the recommendation will commence with the 2002-05 ministries' business plans.

- Ministries, in conjunction with the Department of Treasury, ensure that all performance measures in ministries' business plans include clearly defined targets.
  - ✓ Accepted. The objective of measuring performance is to foster a discussion around long-term improvements rather than measure and report on short-term wins. It is overall direction of the results being measured that is important.

- Ministries, with assistance from the Department of Treasury, enhance the results analysis included in ministries' annual reports by providing an integrated analysis of financial and non-financial performance.
  - ✓ Accepted. The quality of results analysis included in ministries' annual reports continues to evolve. Efforts will be made to better integrate analysis of financial and non-financial performance.

The Auditor General has recommended the Ministry of Treasury make the following changes relating to its business practices:

- Initiate changes to the corporate government accounting policies in order to improve accountability.
  - ✓ Accepted in principle. Government's corporate accounting policies will continue to be reviewed, in consultation with ministries and the Office of the Auditor General and refined where Treasury Board considers accountability can be improved.

- Develop a methodology to allocate all significant costs to those entities responsible for delivering outputs.
  - ✓ Under review. There is ongoing discussion between Treasury and the Office of the Auditor General on the most practical and cost efficient method to provide additional information on allocated costs (resolved in 2000-01.)

- Promote the benefits of quality financial reporting throughout the fiscal year.
  - ✓ Accepted. Improving the quality of financial reporting throughout the year is an ongoing process. Treasury in consultation with ministries and the Office of the Auditor General will continue to review progress in this area.

- Provide expanded disclosure of assets set aside for particular purposes.
  - ✓ Partially accepted. Consideration will be given to additional disclosure of the assets of the Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund and Alberta Heritage Science and Engineering Research Endowment Fund as earmarked for specific purposes.

    The preamble to the *Alberta Heritage Savings Trust Fund Act* states the mission of the AHSTF is: "To provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans." The Act also provides for the return of AHSTF's net income to the General Revenue Fund at amounts the Provincial Treasurer considers advisable until accumulated debt is repaid. After accumulated debt is repaid, any transfers to the General Revenue must take into account the impact of inflation to maintain the value of AHSTF's assets. As a result, it would be inappropriate to indicate these assets are "set aside for particular purposes." The Province's consolidated financial statements already adequately explain the nature of the assets held by the AHSTF (resolved in 2000-01).

- Enhance the background information and results analysis included in *Measuring Up*.
  - ✓ Accepted.

- Identify for the Legislative Assembly the expected and actual results from the social and economic development within the tax collection system.
  - ✓ Not accepted. The Auditor General acknowledges there are no common standards for reporting such programs within the tax collection system. The different tax rates in Alberta compared with other jurisdictions and non-existence of provincial sales tax makes establishing a "benchmark" revenue for a government highly subjective. In the government's view, any arbitrary method to attribute specific results to these revenue differences would not be meaningful.

- Improve its forecasting of corporate income tax revenue to facilitate more accurate reporting.
  - ✓ Accepted. Steps are being taken to improve corporate income tax modeling and the timeliness and quality of information available on corporate income tax receipts.

- Alberta Treasury Branches strengthen the internal controls within its financial systems by ensuring account reconciliations are performed regularly, adequate division of duties exists at the branches and useful systems documentation is maintained.
  - ✓ Accepted. Management is in the process of reviewing and documenting internal processes to ensure the integrity of the accounting systems.

3

GOAL 3

A FAIR, COMPETITIVE AND SIMPLE PROVINCIAL TAX SYSTEM MANAGED EFFICIENTLY AND EFFECTIVELY

In *Budget 2000*, Alberta accelerated the single rate tax, a plan that substantially reduced personal income taxes paid by Albertans and made the tax system fairer.

During 2000-01, the government announced significant business tax cuts. By 2006, the combined effects of the personal and business tax cuts are projected to increase the size of Alberta's economy by 3.2%, or $4.3 billion and should produce 40,000 jobs for Albertans. The cuts provide a fair tax system today and economic growth for tomorrow.

On January 1, 2001, the 0.5% flat tax was abolished and the Province moved to a single rate of 10%. The personal, spousal and equivalent to spousal exemptions were increased to $12,900. Albertans will save $1.1 billion in 2001, bringing the total personal income tax cut to $1.5 billion, or 23%, since 1998.

In September 2000, the Business Tax Review Committee recommended significant business tax cuts to ensure that we remain internationally competitive. The government accepted most of the recommendations, introducing a schedule of cuts that will save Alberta businesses $1 billion by 2004-05.

IMPLEMENTATION SCHEDULE FOR THE BUSINESS TAX PLAN

	Implementation on April 1				
	2000	2001	2002	2003	2004
General Rate (%)	15.5	13.5	11.5	10.0	8.0
Manufacturing and processing rate (%)	14.5	13.5	11.5	10.0	8.0
Small business rate (%)	6.0	5.0	4.0	3.0	
Small business threshold ($)	200,000	300,000	400,000	—	—
Capital gains inclusion rate (%)	50[a]	50	—	—	—
Railway fuel tax (cents/litre)	3	1.5[b]	—	—	—
Capital tax (%)	0.7/1.0	Eliminated[c]	—	—	—
Cost of Tax Cuts ($millions)		286	561	770	1,000

[a] The capital gains inclusion rate was reduced from 75% to 66.7% effective February 28, 2000, and further reduced to 50%, effective October 18, 2000.

[b] Effective May 1, 2001.

[c] Capital taxes in other provinces were made non-deductible in Alberta.

The 2001 tax cuts were implemented April 1, 2001. Future rate cuts will be subject to affordability.

One of Treasury's key performance measures is to compare the total tax load of Albertans to that of people living in other provinces. In 2000-01, Albertans paid the lowest total taxes, meeting one of Treasury's key performance targets.

Key Performance Measure
PROVINCIAL TAX LOAD FOR A FAMILY OF FOUR
TARGET: LOWEST TAX LOAD IN CANADA
RESULT: LOWEST IN CANADA FOR ALL INCOME GROUPS
2000-01

	One-income Family earning $30,000	Two-income Family earning $60,000	Two-income Family earning $100,000
Alberta	$531	$3,644	$7,072
Ontario	$1,625	$4,800	$9,067
Saskatchewan	$2,252	$5,266	$10,114
British Columbia	$2,665	$5,498	$9,835
New Brunswick	$2,815	$5,506	$10,867
Manitoba	$2,364	$5,767	$11,972
Nova Scotia	$2,841	$5,842	$11,327
Prince Edward Island	$3,134	$6,163	$11,505
Quebec	$1,819	$6,837	$15,439
Newfoundland	$3,750	$6,946	$13,120

* Includes provincial income, sales, payroll, provincial tobacco and fuel taxes and health care premiums

Source: Alberta Treasury

Note: Assumptions for calculations can be found in *Budget 2001*, page 128

Alberta's personal income tax load, at 76% of the national average, was the lowest in Canada, 7 percentage points below second place Ontario. And in addition, Alberta remains the only province with no provincial sales tax.

Alberta's low taxes and resulting strong economic performance create well-paying jobs for Albertans. In 2000, the Alberta economy created 34,900 new jobs, for a total of 1.6 million jobs. Alberta's employment participation rate of 72.2% in March 2001 was the highest in Canada.

Alberta created 179,800 jobs between December 1996 and December 2000, exceeding the Province's job growth target of 155,000 jobs. We are well along the way to meeting the 295,000 job target for the six years ending December 2005.

LOW TAXES ON BUSINESS

In 2000-01, Alberta had the third lowest tax load on business among the provinces, behind Nova Scotia and Prince Edward Island. While this did not meet our key performance measure, Alberta's business tax load was still well below our key competitors, Ontario and British Columbia. Preliminary estimates for 2001-02 show Alberta with the lowest business tax load among provinces.

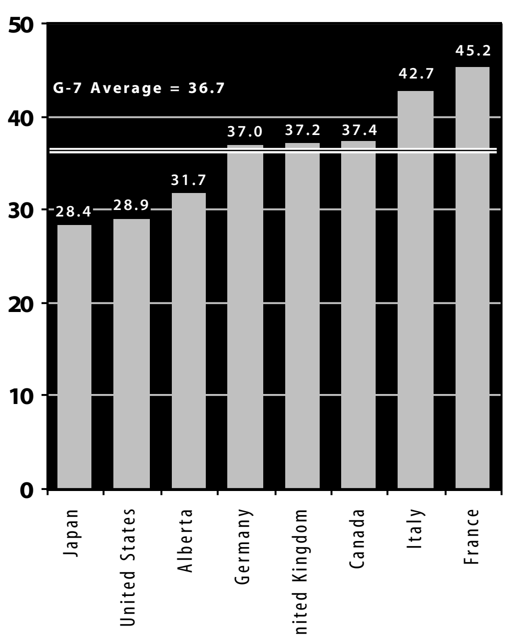
Our low business taxes encourage new business start-ups and other businesses to move to our province. The business tax cuts will stimulate a growing, more diverse tax base that will help provide revenues in support of public services, and promote economic growth and opportunity. In 2000, the number of businesses increased by 3.6%, the strongest growth among provinces, which exceeded the target of 3% growth.

Key Performance Measure
PROVINCIAL TAX LOAD ON BUSINESSES
TARGET: LOWEST TAX LOAD IN CANADA
RESULT: THIRD LOWEST IN CANADA
2000-01

Nova Scotia	63.6	Ontario	98.0
Prince Edward Island	71.7	Quebec	103.4
Alberta	84.2	British Columbia	109.2
New Brunswick	84.9	Newfoundland	164.3
Manitoba	91.4	Saskatchewan	177.0

Tax Load relative to provincial average = 100.0
Source: Department of Finance Canada

The following graph compares Alberta's tax load on business to the tax loads of the G-7 countries. The tax load in each jurisdiction includes all applicable municipal, provincial/state, federal and supranational, and social security levies. Alberta's tax load is five percentage points lower than the G-7 average.



Source: The Organization for Economic Co-operation and Development Revenue Statistics; Statistics Canada; Alberta Finance

ALBERTA ENERGY TAX REFUND

Commencing in November 2000, the government paid the first $150 instalment of the Alberta Energy Tax Refund, which provided Albertans 16 years of age and older a total of $345 million to help deal with rising energy costs. The second instalment of $150 was paid towards the end of April 2001.

PROPERTY TAXES

In January 2001 the government delivered a major cut in school property taxes by reducing the amount of taxes, including taxes collected by opted out school boards, by $135 million. Property tax revenue will be frozen at $1.2 billion in future years.

TAX ADMINISTRATION INITIATIVES

Alberta Treasury, Tax and Revenue Administration (TRA), is responsible for revenue, rebate and refund programs under the *Corporate Income Tax Act*, *Fuel Tax Act*, *Tobacco Tax Act*, *Hotel Room Tax Act*, and *Hospitals Act*. In 2000-01, collection costs were 57¢ per $100 collected, down from 66¢ in 1999-2000.

Following are highlights of TRA's activities.

International Fuel Tax Program

The 17th annual business meeting for the administration of the International Fuel Tax Agreement (IFTA) was held in Edmonton In July 2000. The purpose of the annual meeting is to promote trust and co-operation among the jurisdictions through planning and co-ordination of activities necessary to administer IFTA. About 175 people from member jurisdictions and 30 industry groups attended this event.

Federal Set-off Program

Alberta Treasury, in partnership with Canada Customs and Revenue Agency (CCRA) worked on the federal setoff program for uncollected student loans. Before CCRA provides a personal tax refund they subtract any overdue Alberta student loan balance. Over $1.4 million in unpaid student loans has been recovered since the implementation of the program. The program and associated staff were transferred to the Alberta Corporate Services Centre in December.

Treaty 7 Card Program

Alberta continues to work with Treaty 7 First Nations and the federal government to implement a common card that identifies the cardholder as being eligible for Alberta fuel and tobacco exemptions as well as various federal programs. A pilot project was implemented in May 2000. The new card provides better identification, including a picture. It is also more convenient for Indians and Indian Bands because multiple cards are no longer required. Expansion of this project to members of other Alberta First Nations is currently under discussion.

Tobacco Tax Uniformity

Alberta Treasury commenced working with industry and other governments across Canada to set standards and to seek uniform practices with respect to the taxation of tobacco products. A meeting planned for 2001 will seek acceptance of common definitions for tobacco products. Planned discussions also include the effect of different tobacco tax rates across Canada on tobacco smuggling across borders.

Fuel Tax Uniformity

Alberta Treasury has been working closely with industry, CCRA and the other provinces on the Fuel Tax Uniformity Project. This project sets uniform standards such as fuel dye and dye injection controls, generic fuel tax returns, reporting, common definitions, and file layouts for electronic commerce in the provision of fuel tax exemptions.

Provincial Income Allocation Task Force

Alberta Treasury participates with all other provinces and the CCRA to develop recommendations for changes to the federal income tax regulations, which would ensure consistent rules for allocation of income to the various provinces. The intent is to prevent double taxation, which can result when the same income is allocated to two or more provinces. The task force is close to resolution on 10 issues, which, when completed, will be forwarded to Finance Canada for consideration.

Advances in the Use of Technology

Alberta Treasury, Tax and Revenue Administration's (TRA) goal is to improve the overall effectiveness and efficiency of tax administration. Advances in the use of technology are critical to this objective.

Client Server Platform

Key business applications were implemented on the client/server platform in March 2001. TRA is now positioned to take advantage of new technologies to enhance service delivery. Electronic Service Delivery can potentially improve access to information, increase operational efficiencies, and reduce the cost for TRA to process returns and claims.

Planned initiatives include:

- Improvements to the automated IFTA registration renewal process,
- Expansion of Interactive Voice Recognition technology and Point of Sale Systems to other tax programs,
- Allowing tax installments and tax year final payments to be made electronically, and
- Developing systems to support the auditing and interpretation and appeals functions.

Corporate Electronic Filing (E-Commerce)
Alberta Treasury implemented systems to accept electronically filed corporate tax returns on December 1, 2000. This is a joint initiative with CCRA and the Ontario Ministry of Finance. This will streamline tax return filing requirements and reduce the paper burden for our corporate clients. It is anticipated that the first returns will be filed when software packages become available in the summer of 2001.

Electronic Transfer of Data from CCRA
Alberta Treasury implemented a new process that provides daily automated updates of corporate and financial data from CCRA to Alberta Treasury through electronic data interchanges. This has resulted in more corporate data being available to Alberta Treasury for input into assessment, reassessment and audit processes.

Client Satisfaction

The annual client survey conducted by Alberta Treasury shows that overall satisfaction with the administration of Alberta's tax programs was 79.7% in 2000-01, as compared to 77.8% the previous year. With respect to compliance costs, the satisfaction index declined from 75.3% to 74.6%. The targets remain at 85% for the satisfaction with tax administration, and 80% for the satisfaction with compliance costs. Alberta Treasury continues to work to raise the satisfaction level on both targets.

New Program Developments

Alberta Treasury worked with Alberta Resource Development and municipal electric utilities to design a system whereby those utilities pay into the Balancing Pool, run by the Power Pool of Alberta, an amount equal to the income tax they would pay on their Alberta revenues if they were not exempt from taxation. It is expected that regulations will be approved in the summer of 2001.

A new program was implemented in April 2000 by Alberta Infrastructure to provide funding to Edmonton and Calgary infrastructure projects based on the litres of taxable gasoline and diesel fuel sold in each city. Alberta Treasury now tracks sales in the two cities and provides this information to Infrastructure monthly.

GOAL 4

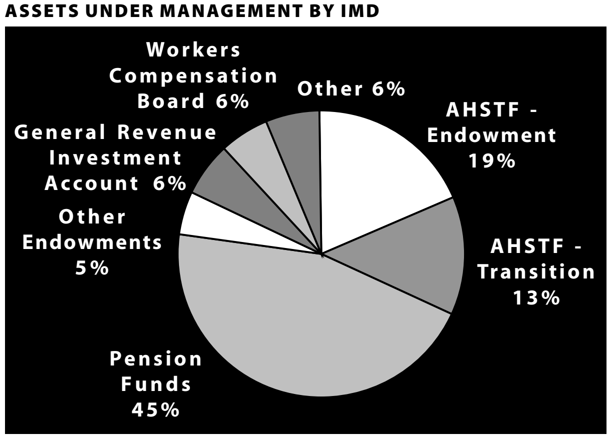
INVESTMENT RETURNS MAXIMIZED AND BORROWING COSTS MINIMIZED SUBJECT TO ACCEPTABLE RISK

INVESTMENT MANAGEMENT

The Investment Management Division (IMD) was established to act as the investment manager for pools of capital assigned by statute to the Provincial Treasurer and where specific agreements have been made with provincial public sector bodies to act as an investment advisor. With approximately $37 billion under management, IMD is one of the largest fund managers in the country. IMD's business can be divided into three broad categories:

- Endowment funds including the Alberta Heritage Savings Trust Fund, the Alberta Heritage Foundation for Medical Research, Alberta Heritage Fund for Science and Research, and the Alberta Heritage Scholarship Fund ($13.8 billion),
- Government sponsored public sector pension plans ($16.9 billion), and
- Speciality funds including the Consolidated Cash Investment Trust Fund, which provides cash management services to many provincial agencies and funds, the government's long term disability plans and funds managed on behalf of The Workers' Compensation Board ($6.3 billion).

ASSETS UNDER MANAGEMENT BY IMD



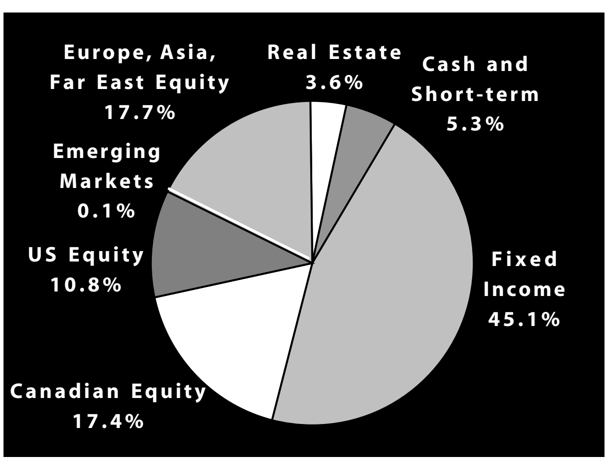
IMD's objective is to create portfolios of assets that match established risk profiles and financial goals of their clients.

The Investment Operations Committee adds financial and business oversight to the Investment Management Division's (IMD) investment operations and results. The Investment Operations Committee is chaired by the Deputy Minister of Revenue and consists primarily of private sector members. The Committee also has the responsibility to review and make recommendations with respect to funds such as the Alberta Heritage Endowment funds, the government's long term disability plans, and the General Investment Account (investments reserved to pay off future maturing debt).

With the large pool of capital managed by IMD, investment management services can be provided on an efficient and cost effective basis. The average cost charged to IMD's pension fund clients is about 11 basis points (a basis point is one one-hundredth of a percent) of a fund's net assets. In part through economies of scale, IMD's pension clients enjoy lower costs than the 31.2 basis points paid on average by Canadian pension funds. (Source: Cost Effectiveness Measurement survey dated August 14, 2000).

IMD has a staff of 36 investment professionals. Many of the staff have graduate level university degrees and 15 have received their Chartered Financial Analyst designation, a recognized standard of investment expertise in the industry. Currently, 11 staff are in the process of completing the Chartered Financial Analyst program. Staff have, on average, 10.5 years of investment and industry related experience.

ASSET MIX OF ALL FUNDS UNDER MANAGEMENT BY IMD



Investment objectives vary for the funds under management by IMD reflecting different financial requirements and risk tolerances for each fund and the fund stakeholders. To meet the investment policies and achieve the goals of each fund, IMD has developed a wide range of investment products which can be combined to meet each fund's specific financial goals and risk profile. This multi-product approach is implemented on a pooled basis. Each product is defined in terms of its return objective and risk tolerances. Clients buy into the pools by purchasing units based on the market value of the pool's investments. This pooled approach is important to managing the funds on an efficient basis and to ensuring that each client is treated equally. To manage the pools, both IMD and third party external manager expertise are used. This combination ensures the necessary specialized investment knowledge and skills are utilized. External managers are used primarily when investing in foreign equity and certain domestic equity mandates.

Results from IMD's annual investment client survey indicated that satisfaction with IMD's service levels increased from 74 in 1999-2000 to 83 in 2000-01 on a scale of 100.

In addition to maintaining delivery of positive investment performance, IMD's focus for the coming year will be on defining a sustainable business framework.

Changes over the year

Universities Academic Pension Plan (UAPP)
The Province has signed an investment management agreement with the trustees of the new UAPP. The UAPP is now sponsored outside of legislation. Regulation passed November 12, 1998 allows IMD to manage assets of successor plans formerly sponsored by legislation. The assets of the new UAPP continue to be invested in the pooled products in conjunction with other funds. Expenses continue to be charged on a cost-recovery basis.

Personnel
Several key staff changes occurred early in the fiscal year. The Director of Quantitative Products and IMD's Economist retired. An analyst in the Structured Investments area left to pursue other opportunities. In response to these changes and increasing staffing needs, five positions were filled during the year: Director of Portfolio Analysis and Research, Real Estate Manager for Private Investments and three analysts. IMD has also reintroduced its intern program and continues to hire summer

students in an effort to ensure a continuous development of qualified investment staff.

Investment Seminars
Two seminars were held during the year for IMD's clients. In April 2000, the seminar focused on the investment style and risk management decisions made by the boards and committees. The seminar in October 2000 covered topics such as alternative investments and performance measurement. IMD will continue with these investment seminars which are scheduled to occur in the spring and fall of each year.

Control Document and Product Descriptions
A document describing the governance and organizational structure of IMD, the role of supporting divisions, the investment process and procedures and risk controls was distributed to all of IMD's clients. The document highlights the need for a continuous review of investment operations within IMD to ensure that changes occur as the industry evolves. Technology was identified as an issue which will have a tremendous impact on transaction processing and operations.

Internal Audit
PricewaterhouseCoopers acts as IMD's internal auditors. An important part of PricewaterhouseCoopers' audit mandate is to provide IMD with examples of industry 'best practices.'

Reporting
A new client reporting format was introduced for IMD's first quarter 2001 report. The new format was designed to better support each board's and committee's decision making framework and investment policies.

Research
IMD completed several research initiatives through the year including studies on currency hedging, active versus passive investing, and small capitalization stocks.

Portfolio Management
The portfolio management function was re-structured based on a team approach. Portfolio managers and alternate portfolio managers will provide focused service to each fund group as part of larger teams in turn focused on the needs of common client groups.

Performance

The overall performance of the major investment products by asset class managed by IMD is shown in the following table.

INVESTMENT PERFORMANCE OF MARKETABLE POOLS
For the Year Ended March 31, 2001

Pool Size	Description of Pool	Annual Return* (%)	Benchmark Return** (%)	Benchmark Index (Total Return)
Consolidated Cash Investment Trust Fund ($1,969 million)	Money Market	6.0%	5.7%	ScotiaCapital Markets 91-Day Treasury Bill Index
Canadian Public Debt Pool ($8,329 million)	Canadian Debt Securities	9.4%	8.7%	ScotiaCapital Bond Universe Index
Private Mortgage Pool ($891 million)	Actively managed Canadian Mortgage Fund	10.3%	8.7%	ScotiaCapital Bond Universe Index
Canadian Pooled Equity ($2,189 million)	Actively Managed Canadian Equity Fund	-23.2%	-18.6%	Toronto Stock Exchange 300 Index
Domestic Passive Equity Pool ($2,044 million)	Canadian Equity Index Fund based on the TSE 300	-18.2%	-18.6%	Toronto Stock Exchange 300 Index
Canadian Large Cap Pool ($1,071 million)	Actively Managed Canadian Equity Fund using a multi-manager structure	-2.4%	-18.6%	Toronto Stock Exchange 300 Index
Canadian Small Cap Pool ($469 million)	Actively Managed Canadian Equity Fund Focused on Smaller Capitalized Companies	2.7%	-6.8%	Nesbitt Burns Small Cap Index
US Passive ($2,254 million)	US Equity Index Fund based on the S&P 500	-15.5%	-15.1%	Standard and Poor's 500 Index in $Cdn
US Active Managers ($1,826 million)	Actively Managed US Equity Fund using a multi-manager structure	-13.9%	-15.1%	Standard and Poor's 500 Index in $Cdn
EAFE Passive ($1,195 million)	EAFE Equity Index Fund based on the MSCI EAFE Index in $Cdn.	-19.9%	-19.6%	MSCI Europe, Australia, Far East (EAFE) Index in $Cdn.
EAFE Plus Active Managers Pool ($912 million)	Actively Managed Foreign Equity Fund using a multi-manager structure	-25.1%	-19.6%	MSCI Europe, Australia, Far East (EAFE) Index in $Cdn.
EAFE Core Active Managers Pool ($2,010 million)	Actively Managed Foreign Equity Fund using a multi-manager approach in each of the European and Pacific Basin markets	-21.7%	-19.6%	MSCI Europe, Australia, Far East (EAFE) Index in $Cdn.
Private Real Estate Pool ($1,234 million)	Actively Managed Real Estate Fund	14.3% (gross) 9.7% (net***)	11.8% (gross)	Frank Russell CanadianProperty Index

* Annual rates of return net of fees.
** Benchmark returns include the reinvestment of income as well as realized and unrealized capital gains.
*** Net of costs such as capital expenditures, leasing costs, mortgage payments, tenant improvements and administrative expenses.

The last year saw a definite reversal in the strong equity returns experienced over the last few years. The fixed income and real estate indices were the only positive performers over the year. All major international and domestic equity indices displayed negative performance.

IMD's fixed income products performed well over the year in comparison to their indices. The Canadian Public Debt Pool outperformed the Scotia Capital Bond Universe Index by 72 basis points, while the Private Mortgage Pool outperformed the index by 155 basis points.

Canadian equities as a whole outperformed the TSE 300 index. The internal Domestic Passive Equity Pool outperformed the TSE 300 by 0.4%, and the external Canadian Large Cap Pool outperformed by 16.4%. The external Canadian Small Cap Pool outperformed the Nesbitt Burns Small Cap Index by 9.9%. These results were offset slightly by the internal Canadian Pooled Equity, which under-performed the TSE 300 by 4.6% due to an overweight in technology stocks.

Performance at the end of 1999 and the beginning of 2000 was dominated by a very few stocks including Nortel Networks, which posted substantial returns and was a material component of Canadian equity portfolios. Nortel reported lower estimates for third quarter earnings, thereby not meeting analysts' expectations for the first time in 18 months. The stock plunged 29% that day and with it their percentage weighting in the TSE 300 Index. Nortel was characteristic of the technology sector as a whole leading strongly through fiscal 1999 and giving back their leadership in fiscal 2000. Compared to the previous year, the Canadian equity markets performance broadened substantially. Companies which had been previously ignored by the capital markets subsequently rose, initially unaffected by the technology meltdown. Canadian large cap and small cap managers in general performed much better in this less concentrated environment.

US equities performed well over the year with the external US Active Managers and the external US Passive Pools outperforming their benchmarks by 146 basis points and 9 basis points respectively. This out-performance was reduced by the internal Structured US Pool, which under-performed by approximately 60 basis points.

The MSCI Europe, Asia and Far East (EAFE) products battled difficult market conditions. Growth stocks, especially those in the technology, media, and telecom sector were hardest hit. The MSCI EAFE index lost 19.6% for the past year. Compounding this decline, the EAFE Plus

Active managers Pool under-performed its benchmark by 5.3%. The pool was hurt by its current tilt towards growth stocks and by its underweight position in Japan. The European component of the EAFE Core Active Managers Pool out-performed the benchmark due to its manager's bias towards value investing. This out-performance was offset by the under-performance of both external managers in the Pacific Basin. As a result, the whole EAFE Core Active Managers Pool under-performed the MSCI EAFE Index by 1.8%.

ALBERTA HERITAGE SAVINGS TRUST FUND

The statutory mission of the Fund is:

"To provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans."

The Standing Committee on the Alberta Heritage Savings Trust Fund reviews and approves the business plan and annual report of the Fund. The Standing Committee has representation from the major parties of the Legislature. The Committee receives regular reports and conducts public meetings in different locations in the Province to update Albertans on the management of the Fund and to solicit input from Albertans on the Fund.

The Province has responsibility for the Fund's investments. An Investment Operations Committee reviews and makes recommendations with respect to the business plan, annual report and investment policy. The business plan of the Heritage Fund is published as part of the provincial budget and the income of the Fund is consolidated into the revenue of the Province.

The approved business plan for the Fund has three goals:

1. Earn income to support the government's consolidated fiscal plan,

2. Make investments in the Endowment portfolio to maximize long-term financial returns, and

3. Improve Albertans' understanding of the Alberta Heritage Savings Trust Fund.

To meet these goals, two separate portfolios were established in January 1997, a Transition Portfolio and an Endowment Portfolio. By no later than 2003, the Transition Portfolio will be transferred to the

Endowment Portfolio. At a minimum, $1.2 billion is transferred from the Transition Portfolio to the Endowment Portfolio each year. Should market opportunities arise, up to $3.6 billion may be transferred. In 2000-01, $2.4 billion (at cost) was transferred from the Transition Portfolio to the Endowment Portfolio.

The Transition Portfolio is invested primarily in fixed-income securities in order to generate income to fund current government programs. At March 31, 2001, the market value of the assets in the Transition Portfolio was $4.6 billion.

The objective of the Endowment Portfolio is to maximize long-term financial returns. As a result, it has a heavy emphasis on equity investments. At March 31, 2001, the market value of the assets in the Endowment Portfolio was $7.5 billion.

Heritage Fund Performance

The Fund earned net income of $706.2 million in income in 2000-01, down from $1,169.1 million a year earlier. The downturn in equity markets contributed to lower than expected investment income and a decline of 5.7% in the total fair value of the fund. Even so, the Fund met two of its three key performance measures:

Key Performance Measure
TRANSITION PORTFOLIO RATE OF RETURN (ROR)
TARGET: EXCEEDS BENCHMARK PORTFOLIO
RESULT: TRANSITION PORTOLIO ROR = 8.2%, BENCHMARK ROR = 7.3%

Key Performance Measure
ENDOWMENT PORTFOLIO RATE OF RETURN (ROR)
TARGET: EXCEEDS BENCHMARK PORTFOLIO
RESULT: ENDOWMENT PORTOLIO ROR = -6.1%, BENCHMARK ROR = -6.2%

The fixed income components of the Portfolio out-performed their respective benchmarks. Canadian equity out-performed the benchmark but this was off-set by the under-performance in foreign equity.

Key Performance Measure
TOTAL HERITAGE FUND RATE OF RETURN (ROR)
TARGET: EXCEEDS COST OF PROVINCE’S DEBT OVER A FOUR YEAR PERIOD
RESULT: FUND ROR = 5.8%, COST OF DEBT = 7.7%

In 2000-01, the single-year rate of return on the total Heritage Fund was –0.1%. This compares to a rate of inflation of 3.4% in that year.

LIABILITY MANAGEMENT

Liability Management Division (LMD) is responsible for provincial borrowing and debt management activities. LMD works to achieve the lowest cost on debt while ensuring that the variability in annual debt servicing costs and other risks remain within acceptable limits.

LMD monitors world capital markets looking for the lowest cost sources of money to refinance maturing provincial bonds, to borrow funds required by provincial corporations and to meet short-term cash needs. Borrowing can take place in any currency, however, through the use of various financial products and instruments, the debt portfolio has final exposure only to Canadian and U.S. dollars.

In addition to lowering costs, borrowing in multiple markets serves to broaden the Province's investor base and minimizes refinancing risk. To access foreign markets, Alberta has established a number of borrowing programs with capital market regulators.

During 2000-01, Treasury issued a US$200 million medium term note in the European capital market as well as nine medium term notes and debentures totalling $632 million in the Canadian market. Financing for provincial corporations accounted for $588 million of the total raised in the Canadian market.

During the year, Treasury continued to provide information to credit rating agencies and investors in Alberta bonds. These initiatives included:

- Providing detailed briefings and continuous updates on the Province's financial and economic status to credit rating agencies,
- Making presentations to investment banks, life insurance companies, and pension funds that invest in Alberta bonds, and
- Maintaining a database of investors and analysts throughout the world, who were sent budget highlights and other financial information.

Performance Measures

Market Spreads

Alberta's cost of borrowing is determined relative to the federal government's interest rate for the same term; for example, an Alberta five year bond is priced in the market relative to a Government of Canada five year bond. The federal government enjoys a lower borrowing cost than any province, including Alberta, owing to its strong credit rating and greater taxing power.

The difference in the interest rate Alberta would pay on a particular term debt compared to what the federal government would pay is known as the market spread. The relative market spreads presented in the table are a reflection of the Provinces' credit ratings as well as the market's perception of the Provinces' fiscal and debt management.

Alberta has borrowed at the lowest market spreads of any Canadian province in every year since 1994-95, achieving the target set out in Treasury's 2000-01 business plan.

MARKET SPREADS

	5-year Bonds				10-year Bonds			
	Canada	Alberta	B.C.	Ontario	Canada	Alberta	B.C.	Ontario
	(%)	(basis point spread)*			(%)	(basis point spread)*		
March 31, 1996	7.05	+ 8	+10	+17	7.67	+14	+17	+28
March 31, 1997	6.04	+ 5	+11	+11	6.68	+8	+18	+18
March 31, 1998	5.26	+ 7	+13	+13	5.42	+13	+22	+20
March 31, 1999	5.03	+13	+24	+19	5.09	+19	+33	+27
March 31, 2000	6.08	+15	+21	+19	5.91	+32	+43	+39
March 29, 2001	5.08	+14	+22	+21	5.39	+23	+43	+41

* A basis point is one one-hundredth of a percentage point

Cost Savings from Private Issues

During the fiscal year, LMD borrowed $632 million for the Province and provincial corporations through the use of private placements and other alternative financing structures. By utilizing these sources, LMD was able to lower commission costs and, in some cases, to construct specialized financing for the provincial corporations that would have been difficult to arrange through public debt markets. The use of these vehicles saved the Province and its corporations an estimated $1.6 million compared to selling the same bonds in the public bond markets.

Credit Rating Agencies

Treasury's goal is to ensure that credit rating agencies understand the Province's financial and economic position. To fulfil this goal, Treasury meets annually with three rating agencies and maintains a continual dialogue.

An annual rating agency survey is undertaken to measure satisfaction with the usefulness and effectiveness of information on the policy environment, economic and financial material provided by Treasury. For 2000-01, the agencies reported being either satisfied or very satisfied with the briefings provided in 100% of the areas covered.

BANKING AND SECURITIES ADMINISTRATION

Banking and Securities Administration provides banking services to most government entities and securities administration services for the Province's Investment Management and Liability Management Divisions. Some of the major results achieved during the year included:

- Effectively and efficiently handled cash flows in and out of government accounts in excess of $280 billion including revenues, expenditures and investment and debt transactions facilitating the investment of all surplus cash and maximizing investment returns on a daily basis.

- Supported and co-ordinated the settlement of new debt issues in the amount of $873 million. These issues were required to refinance, in part, provincial debt of $2.4 billion which matured or was redeemed during 2000-01.

- Administered investment portfolios totalling $37 billion and settled more than 18,000 investment transactions during 2000-01.

- Assisted various ministries with the set-up of banking arrangements including the restructuring of banking for Child and Family Services Authorities and Agriculture Industry Development Funds.

Assisted several ministries with the development of payment processes required for e-commerce web sites, including vehicle registrations for Government Services, permitting for Infrastructure and fee collection for Agriculture, Food and Rural Development.

LOANS AND GUARANTEES

Loans and Guarantees administers major project loan agreements and guarantee and indemnity agreements. The contingent liabilities arising from outstanding guarantees administered by Treasury fell by $63 million to $138 million at March 31, 2001 as guarantees matured.

In addition, Loans and Guarantees is disposing of remaining financial assets not corresponding with the financial goals of the Province. The target is complete elimination of non-core financial assets and contingent liabilities under administration. The Division is overseeing the wind up of various entities they administer as a result of prior government action. These include N.A. Properties (1994) Ltd., AGT Commission and Gainers Inc. The Division aims to recover better than book value on these assets. Total non-core financial assets administered by the Division were reduced during 2000-01 by $155 million to $104 million. Book value was realized on the sale of these assets. Remaining non-core financial assets in N.A. Properties are now nominal.

INVESTMENT AND DEBT ACCOUNTING

The Investment and Debt Accounting Group provides financial and performance reporting, and accounting advice and support to the Investment Management and Liability Management Divisions. The year's results included:

- Prepared the quarterly and annual financial statements for the Alberta Heritage Savings Trust Fund, Alberta Heritage Scholarship Fund, Alberta Heritage Foundation for Medical Research Endowment Fund, and Alberta Heritage Science and Engineering Research Endowment Fund,

- Prepared the quarterly and annual investment information for the public sector pension plans and the long term disability funds,

- Calculated the performance of the investment and liability portfolios,

- Provided timely and accurate reporting of the debt and debt expense, and

- Managed the set up of the General Investment Account for the retirement of the debt.

INVESTMENT AND DEBT INFORMATION SYSTEMS

The Investment and Debt Information Systems group (IDIS) is responsible for supporting the computer applications used by the Investment Management Division, Liability Management Division, Investment and Debt Accounting Group and Banking and Securities Administration to manage financial assets and liabilities on the Province's behalf. Results achieved during the year include:

- Developed and implemented two online trade blotter applications for fixed income and structured investment transactions. The blotters provide an automated process for IMD traders to capture trade details and update Financial Model Corporation's (FMC) transactions database with minimal manual intervention.

- Converted a number of smaller applications to the current development platform used by IDIS. This conversion improves performance and allows IDIS to provide more effective support for these applications.

- Completed the pricing model and process for valuing swap holdings. Enhanced the swap database to produce counterparty exposure reports that assist IMD in managing these investments.

- Installed major releases of third party software supplied by FMC that are an integral part of Treasury's trade settlement and holdings reconciliation processes.

- Tested and implemented an automated process for transacting futures through FMC.

- Continued providing ongoing support for the FMC securities management software used to report the trading activities and performance of the debt and investment portfolios managed by the Province.

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GOAL 5

AN EFFICIENT, FAIR AND COMPETITIVE CAPITAL MARKET AND AN EFFICIENT AND FAIR REGULATORY ENVIRONMENT FOR FINANCIAL INSTITUTIONS AND PRIVATE PENSION PLANS

ALBERTA SECURITIES COMMISSION

The Alberta Securities Commission (ASC) is an industry-funded provincial corporation that regulates the capital market in Alberta and balances the interests of investors, issuers and individuals registered to sell securities. The ASC administers the *Securities Act*, securities regulations and the Alberta Securities Commission rules, promoting a fair and efficient capital market in Alberta with a high level of investor confidence.

ASC regulatory functions address disclosure and other market conduct issues. The ASC provides public access to certain financial and corporate information filed by issuers. It registers and monitors individual and company trading in securities or commodity contracts. ASC staff take enforcement proceedings before the Commission. A panel of members hears the appeals of decisions made by the Executive Director of the ASC, the Investment Dealers Association and the Canadian Venture Exchange.

During the 2000-01 fiscal year, the ASC undertook a number of initiatives aimed at improving the efficiency of the capital market and strengthening investor confidence. This included the passage of the *Securities Amendment Act*, 2000. The legislation updated and restructured the Securities Act to address the issues from the merger of the Alberta Securities Exchange (ASE) and the Vancouver Stock Exchange (VSE) to form the Canadian Venture Exchange. The Act included the addition of a personal information form requirement for officers and directors. It also expanded the provisions relating to prohibited transactions and market manipulations.

The ASC undertook the following initiatives:

- The Oil and Gas Securities Task Force created by the ASC, completed its work in January 2001. The Task Force issued recommendations as the first step to provide improved standards of disclosure for the oil and gas industry. The work completed will result in a national rule and make disclosure uniform throughout the industry, which will be of benefit to the Alberta capital market. There was extensive consultation with industry on this project.

MISSION

To foster a fair and efficient capital market in Alberta and confidence in that market.

Visit ASC's website at ***www.albertasecurities.com***

- The ASC website, which was launched in 2000, continues to be updated and improved. In an effort to be more transparent, ASC added information of benefit to issuers, investors and industry. The website contains valuable information for the investing public and securities industry participants, including: news releases, securities legislation, enforcement orders, upcoming hearings and insider trading reports.

- With the recent announcement of the TSE-CDNX merger, the ASC will review the proposed terms of the reorganization to ensure that the efficiency of the capital market in Alberta is preserved. The scope of the review includes public consultation.

The ASC, together with the Canadian Securities Administrators (CSA), plays a leadership role in the development of the Canadian Securities Regulatory System (CSRS). The CSA consists of ten provincial and three territorial securities administrators. The CSRS includes a system of mutual reliance for the review of prospectuses, applications for exemptive relief and registration of Self-Regulatory Organization member securities dealers, their salespersons and advisors.

Other CSRS initiatives included:

- Recognition of the Mutual Fund Dealers Association (MFDA) as a self-regulatory organization overseeing mutual fund dealers in Alberta, Ontario and British Columbia. The ASC enacted a new rule which mandated that all mutual fund dealers registered in Alberta will become members of the MFDA. The establishment of the MFDA will significantly increase protection for purchasers of mutual funds.

- Work on a national registration database. The database will contain information on registrants in most jurisdictions in Canada and will make it easier for individuals to register while improving public access to information.

- Work on an insider trade reporting system database that will receive insider reports in electronic and paper formats and will disseminate the information through a website. The system will improve the transparency of the capital market.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

The Credit Union Deposit Guarantee Corporation (CUDGC) regulates the solvency of credit unions in Alberta and the compliance of Alberta credit unions with the *Credit Union Act.*

The primary role of the Corporation is to guarantee deposit protection to deposit holders with credit unions in Alberta. CUDGC also assists, advises, and, if necessary, directs credit unions on sound business practices. The Corporation monitors and regulates credit union performance by conducting examinations and working closely with credit unions on improving the regulatory environment. It also provides loan review and approval for certain credit union loans.

During the year, CUDGC developed a policy paper regarding an alternative method that could be used to establish credit union lending limits. This optional method will be finalized in 2001 and will allow for higher lending limits for specific credit unions provided certain criteria are met.

The credit-union-funded Deposit Guarantee Fund managed by CUDGC achieved an equity level of 1.1% of total credit union assets, essentially meeting the target set out in Treasury's business plan. The assessment rate charged to credit unions was maintained at 0.2% of total credit union deposits and borrowings. CUDGC also administers a Master Bond Fund that provides insurance coverage for credit union claims such as robbery, forgery, employee dishonesty, and directors' liability. The credit-union-funded equity for the Master Bond Fund was maintained at $2.3 million.

As at December 31, 2000, the number of individual credit unions meeting mandated capital adequacy levels increased to 99%, compared to 94% in 1999. CUDGC continues to work closely with credit unions, with the goal of maintaining or exceeding the legislated capital levels. During 2000, the Corporation updated its Standards of Sound Business and Financial Practices for Alberta credit unions. Corporate Governance Standards are included in these Standards, which were distributed to credit unions. The major focus for 2001 will be on updating model policies and examination programs to incorporate these Standards, and developing a risk management framework to proactively assess risks facing credit unions and CUDGC.

MISSION

To regulate business practices in Alberta credit unions and guarantee deposits according to legislation.

Visit CUDGC's website at ***www.cudgc.ab.ca***

FINANCIAL INSTITUTIONS AND INSURANCE ACTIVITIES

Treasury regulates the credit union, insurance, loan and trust industries in Alberta, balancing the interests of stakeholders including depositors, insurance policy holders, investors, insurance intermediaries and the companies themselves.

Regulation of these industries primarily involves disclosure and market conduct issues, and issues concerning the enforcement of legislation. Treasury provides access to financial and corporate information about credit unions, insurance, loan and trust companies through public registries.

Treasury monitors provincially incorporated insurers, Credit Union Central of Alberta (CUCA) and trust corporations and enforces solvency legislation. Treasury's role with respect to deposit insurance is restricted to ensuring that the Credit Union Deposit Guarantee Corporation is capable of fulfilling its guarantee of credit union deposits. All provincially incorporated trust and insurance companies and CUCA met the solvency requirements and no financial failures were recorded for insurance, loan or trust companies, CUCA or credit unions in 2000-01.

Insurance and securities regulators are continuing their national review of the regulations surrounding segregated and mutual funds to ensure that the regulations are appropriate and consistent.

Treasury is also participating with other insurance regulators in Canada to modernize and harmonize the minimum capital requirements for property and casualty companies operating in Canada.

Treasury oversaw the drafting of a new *Insurance Ac*t, which was required to address modernization concerns of the financial services industry and its stakeholders. The legislation was passed in the Spring 1999 session of the Legislative Assembly and has been proclaimed into law effective September 1, 2001. Regulations in the following areas will be finalized before the new Act becomes law:

- mandatory errors and omissions insurance for agents and adjusters,
- mandatory continuing education for agents and adjusters, and
- regulation of the sale of credit-related insurance by financial institutions and car dealers.

ALBERTA INSURANCE COUNCIL AND ALBERTA AUTOMOBILE INSURANCE BOARD

The Alberta Insurance Council (AIC) is responsible for conducting examinations, licensing, regulating and disciplining of insurance agents, brokers and adjusters in Alberta and for investigating consumer complaints against the industry.

AIC, along with the other provincial regulators, completed a comprehensive study of life insurance agent education with the objective of ensuring that agents have a level of technical knowledge sufficient to maintain a high standard of consumer protection. Recommendations resulting from that study are now being developed.

The Alberta Automobile Insurance Board reviews and approves the insurers' rating programs for compulsory auto coverage and investigates matters respecting automobile insurance premiums in Alberta.

Premiums for third party liability continue to increase in response to the persistent rise in frequency and severity of bodily injury claims. Collision and comprehensive coverage have yielded satisfactory results, partially offsetting the less favourable results for third party liability.

The Board endorses initiatives to improve traffic safety records such as "Think and Drive" that are aimed at reducing accidents through driver awareness campaigns.

MISSION

To establish standards for insurance products, provide consumers with a facility for lodging complaints and to enforce acceptable marketplace practices.

Visit AIC's website at ***www.abcouncil.ab.ca***

EMPLOYMENT PENSIONS ACTIVITIES

Effective December 8, 1999 the Provincial Treasurer was made responsible for the *Employment Pension Plans Act* (EPPA). In conjunction with this change in ministerial responsibility, the Office of the Superintendent of Pensions was moved from Alberta Human Resources and Employment (formerly Labour) to Alberta Treasury.

The EPPA sets minimum funding, benefit and disclosure standards for pension plans operated by employers or unions within Alberta. All pension plans wishing to have registered (tax-deferred) status under the federal *Income Tax Act*, except for certain exempted Alberta public sector plans, must comply with the EPPA. Where a plan has members working in more than one province, registration is determined by plurality.

As at March 31, 2001 there were 1,207 pension plans registered under the EPPA. These plans covered about 425,000 members and other beneficiaries and held assets with a market value of $13.3 billion. The Act also applies to any Alberta members of a pension plan registered in another Canadian jurisdiction. The province of registration is responsible for ensuring the appropriate legislation is applied to members in multi-jurisdictional plans.

86.3% of registered private sector defined benefit pension plans have solvency ratios equalling or exceeding 0.9. This exceeds Treasury's target of 85%.

The Office of the Superintendent approves registrations, annual filings, and special transactions in pension plans such as terminations or surplus withdrawals. The Office of the Superintendent is positioning itself to shift its focus from routine compliance monitoring to more detailed assessments based on risk criteria. The Office performs on-site inspections on selected plans if the documents filed for compliance purposes show cause for concern about the plan's overall operation. In 2000-01 a more detailed follow-up inspection to a prior on-site inspection was performed on a plan, with the assistance of an external consultant. The results of the inspection led to the Superintendent issuing a direction of compliance instructing the pension plan's administrator to take action in regard to many significant compliance issues. No other on-site inspections were carried out during the reporting period.

The shift in emphasis to risk-based regulation will continue with the development of database analysis tools designed to identify at-risk plans.

In response to concerns raised by pension stakeholders, federal and provincial pension regulatory authorities including Alberta established a committee to review principles that could form the basis of a model pension law in Canada. Upon completion, the model law would serve as a blueprint for legislative changes by governments. Consultation with pension stakeholders is an important part of the process. In addition, support from the ministers responsible for pension legislation is vital to the success of the project.

GOAL 6

QUALITY FINANCIAL SERVICES TO ALBERTANS THROUGH ALBERTA TREASURY BRANCHES, ALBERTA MUNICIPAL FINANCING CORPORATION AND ALBERTA PENSIONS ADMINISTRATION CORPORATION

ALBERTA TREASURY BRANCHES (ATB)

During the 2000-01 fiscal year ATB concentrated its investments in people, process and access.

People. In a financial services environment where products and services can be easily and quickly replicated by competitors, ATB recognizes the importance of its employees as a strategic point of differentiation. The focus of training efforts last year were on leadership development, sales courses, training for our new Credit Online Technology (COLT) and credit skills development. ATB is also striving to become an employer of choice by offering competitive compensation, training and development opportunities. Awarding the Best is one program designed to recognize exceptional performance by ATB staff.

Process. Over the past several years, a number of processes have been centralized including mortgage loan administration. The rationale for centralization is to free up time of our front-line staff to better serve their customers. Centralization also improves consistency and develops expertise in those centralized functions. The pilot and phase-in of COLT for consumer and mortgage loans is ongoing and the expected benefits will be improved turnaround time, increased loan volumes, and consistent portfolio quality.

Access. Improved customer access is required because our customers demand access to their money where and when they want it. A new Business Financial Services Kiosk opened in Calgary in September 2000. This innovative concept offers business clients access to a state-of-the-art facility with services catering to their business needs. A mobile sales force of relationship managers and account managers are based in the Kiosk to provide assistance to clients. The 2,500 square foot kiosk is equipped with meeting rooms, training facilities, video-conferencing, and internet access. ATB's Customer Contact Centre in Calgary has quickly been embraced by our customers and an independent study of call centres placed ATB's call centre in the top quartile of performers in terms of service levels and customer satisfaction. A key component of ATB's business plan, Reaching Higher, was the introduction of internet banking for business and retail customers. ATB Online for business commenced early in the fiscal year and ATB Online for retail customers debuted in October 2000. Both products have been well received and registrations are much higher than initially expected.

MISSION

To provide personalized financial services to Albertans while earning a fair return.

Visit ATB's website at ***www.atb.com***

Other highlights for the year:

- In October 2000, the "All about Customer Choice" program was launched allowing customers to choose an account type to match their banking needs.
- New branches were opened, renovated or relocated in Lloydminster, Sherwood Park, Grande Prairie, Barrhead, and Calgary.
- The successful launch of the Century Guaranteed Investment Certificate to celebrate Alberta's one hundred anniversary in 2005. This is the first of six annual Century GICs that will be issued for a limited time each October.
- The Alberta Gold My Rewards Mastercard® was introduced in September 2000. This unique product gives points for travel that can be redeemed anytime, anywhere and with any airline.
- The total number of AgriBusiness Cards doubled in the first six months of fiscal 2001. This product is designed for customers with lower loan requirements.
- An additional 52 seats were added to the existing 130-seat Customer Contact Centre to handle inbound and outbound sales.

Financial Results

ATB's forecast for net income during the year was $114.3 million. Actual profit was $161.5 million (see table below).

ALBERTA TREASURY BRANCHES FINANCIAL RESULTS
as at March 31 (in millions of dollars)

	2001 Actual	2001 Target	2000 Actual
Core earnings before non-recurring items			
Net interest income	$ 362.0	$ 308.8	$ 305.7
Other income	89.1	83.9	80.1
Non-interest expense, including deposit insurance	(268.6)	(254.1)	(248.0)
Loan recoveries (losses)	(21.0)	(24.3)	41.8
Core earnings	**161.5**	**114.3**	**179.6**
Non-recurring gains	—	—	48.9
Net income	**$ 161.5**	**$ 114.3**	**$ 228.5**

The March 31, 2001 net income of $161.5 million includes specific loan loss recoveries of $22.8 million and an increase in general allowances of $12.0 million. Excluding specific loan loss recoveries and changes in general provisions net income would be $150.7 million for 2001. The comparable income figure for 2000 was $105.6 million.

ALBERTA TREASURY BRANCHES CORE[1] FINANCIAL RESULTS
as at March 31 (percentage)

	2001 Actual	2001 Target	Industry Comparison[2]	2000 Actual
Operating revenue growth	16.91	1.78	16.83	6.86
Net interest margin	3.26	2.88	1.82	3.07
Other income to operating income	19.75	21.35	55.46	20.76
Expenses to operating revenue	59.55	64.70	65.40	64.29
Return on average assets (before tax)	1.46	1.07	1.14	1.80
Loan Growth	6.96	8.38	11.07	11.05
Deposit Growth	10.02	4.41	11.53	10.00
Loan losses as a percentage of average loans	0.22	0.26	0.49	(0.49)

1 Core results exclude the impact on exceptional items described above.
2 ***Source:*** Average of eight major Canadian banks – Annual Reports for the year ended October 31, 2000.

Note: The industry comparison for operating revenue growth includes growth from acquisitions and such items as capital market activities and investment management fees resulting from trading, investment banking and brokerage activities. ATB has no equivalent for these activities. This observation also applies to the industry comparison of other income to operating income.

The target growth rates for deposit and loan growth differ from the Business Plan targets reported in Budget 2000. This is due to the fact that the growth rates were estimated in January 2000 based on an projected opening balance April 1, 2000. The target growth rates reported above are based on the actual opening balances and the estimated balances at March 31, 2001, which have not been adjusted.

Core Results

Net interest income was $362.0 million, up 18.4% from 2000. The increase was due to growth in average interest earning assets of $1.1 billion and growth in the net interest margin to 3.3%, from 3.1% in 2000.

- Other income was $89.1 million, up 11.2% from 2000.
- Non-interest expense was $268.6 million, up 8.3% from 2000.
- The productivity ratio (percentage of non-interest expenses to operating revenue) improved to 59.6% compared to 64.3% in 2000.
- Return on average assets was 1.5%.

ATB recorded an annual provision of loan losses of $21.0 million, compared to a net recovery of loan losses of $41.8 million in 2000. ATB's gross impaired loans are $112.5 million for 2001 compared to $122.6 million in 2000. ATB's total allowance for credit losses at year-end exceeded gross impaired loans by $56.1 million, compared to $41.6 million in 2000. This level of allowance is consistent with recent levels in other Canadian financial institutions.

Total assets grew by 11.7%, to $11.7 billion. ATB's total loan portfolio increased by 7.0% to $9.5 billion, with the greatest growth occurring in individual lending products. Deposits increased 10.0% to $10.9 billion during the year.

Core operating expenses were $268.6 million for 2001, an increase of 8.3% compared to last year's $248.1 million. Both on a core earnings basis and actual basis, most financial targets were exceeded. Other income to operating income, as well as growth targets for loans were below the targets. As the table on page 65 illustrates, ATB's financial performance during 2000-01 compared favourably with the industry. At the end of March 2001, ATB's equity was $434.1 million.

MISSION

To provide local authorities within the province with funding for capital projects at the lowest possible cost, consistent with the viability of AMFC.

Visit AMFC's website at ***www.treas.gov.ab.ca/amfc/index.html***

ALBERTA MUNICIPAL FINANCING CORPORATION

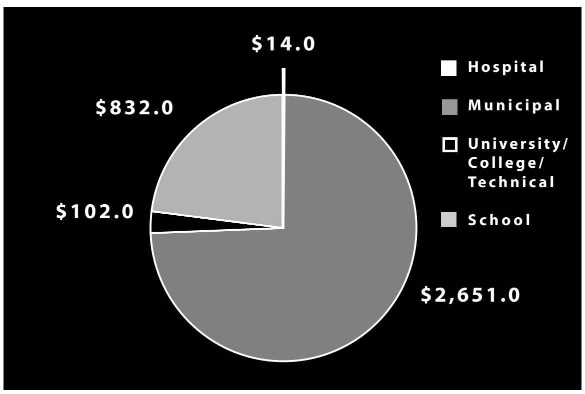
AMFC provides financing for 15 cities, 3 specialized municipalities, 224 towns and villages, 40 counties, 25 municipal and improvement districts, 21 irrigation and water services commissions, 28 health authorities, 70 school districts/divisions, 3 universities and 9 colleges.

AMFC offers a range of borrowing terms to its shareholders at rates comparable to the Province's borrowing costs. The Corporation's goals are to provide local authorities with funding at the lowest possible cost and to maintain the lowest administrative and new loan costs compared to other municipal borrowing corporations. AMFC continues to have the second lowest new issue and lowest ongoing administration costs per $1,000 of loans of similar organizations in Canada. As a result, there is a high degree of satisfaction among AMFC's clients.

AMFC has taken a number of deliberate steps over the past decade in order to reduce the level of the Corporation's surplus. The Corporation has reduced interest rates from highs of over 17% to 12%, issued interest rebates of $188 million, allowed a limited prepayment policy at a reduced penalty instead of full cost, and has established an interest rate policy which allows the Corporation's shareholders to borrow at a rate similar to the Province's borrowing cost. The accumulated effect of these steps has and will impact the Corporation's income into the future. The Corporation recorded a net loss of $50.7 million in 2000.

As in 1999, this loss is attributed to the difference between interest received on loans outstanding and the interest payments on debt. This loss was expected and budgeted for and reduced retained earnings to $149.9 million. The Corporation is budgeting for further losses in 2001 and 2002 of $11.7 million and $3.5 million respectively as interest expense continues to exceed interest income. However, with debt repayment of $1,002 million in 2000 and $652 million in 2001, income becomes positive in 2003 and beyond. These projections are of course subject to the Corporation's loan activity but the board of directors believes that these projected losses can be incurred without reducing the Corporation's viability or credit worthiness.

ALBERTA MUNICIPAL FINANCING CORPORATION
Loans Outstanding by Purpose as at December 31, 2000
($ millions)



ALBERTA PENSIONS ADMINISTRATION CORPORATION

Alberta Pensions Administration Corporation (APA) became a provincial Crown corporation in 1995. It is responsible for administering seven statutory pension plans under the direction of four pension boards and the Government of Alberta, as well as two supplementary retirement plans and, as of January 1, 2001, one trusteed pension plan. Services are provided to 466 employers and approximately 130,400 active members, 23,300 deferred members and 51,000 pensioners. The combined assets of the pension plans were approximately $17.9 billion at December 31, 2000. The Investment Management Division of Alberta Revenue invests and manages these assets.

APA's business is to collect pension contributions, maintain members' accounts, pay pension benefits and provide information to pension boards, employers, members and pensioners. In 2000, APA focused on the following major initiatives aimed at improving effectiveness and efficiency, and mitigating business risk:

- For the Alberta Pensions Excellence (APEX) project, options for a new pension administration system were re-evaluated, business

MISSION

To provide comprehensive, reliable, timely and cost-effective pension services to our customers – the boards, employers, members and pensioners of public sector pension plans – when, where and how they are needed.

Visit APA's website at ***www.apaco.ab.ca*** specifications were updated for a Request for Proposal (RFP), and RFP bids were evaluated. In February 2001, the APA board approved the APEX team's recommendation for an integration company and software supplier. The new system will meet current and future needs of the Corporation and its customers.

- To mitigate risk associated with operating APA's current system, a new IBM AS/400 server was purchased and installed in June 2001 without any disruption of service to customers. Fully supported by the supplier, the new server will help ensure customers' system requirements are met until the new pension administration system is available.

- The pensioner payment system and data were successfully transferred from an external service provider in Ontario to the Alberta Innovation and Science mainframe computer without affecting end users. In addition to addressing risk requirements, ongoing operating costs have been reduced.

- APA's performance improved during the year, particularly with the timeliness of optional service costings and delivery of Member Annual Statements. Measures taken to improve service levels included: separating APEX requirements from operational requirements, replacing staff seconded to APEX at a ratio of 1.5:1 (in recognition of lost productivity with less experienced staff), reorganizing the Pension Benefits unit into specialty units so as to minimize training and maximize production, recruiting to fill vacant supervisory positions, and enhancing staff training. Staff received an average of 42 hours of training per employee in 2000, compared to 32 hours in 1999. The Corporation had its first Recognition Awards Ceremony to formally acknowledge extraordinary efforts by employees.

- Enhancements were made to the APA and pension plan web sites, and the Public Service Pension Plan site went live in September 2000. The total visits to the APA and pension plan web sites were 54,322 in 2000 compared to 13,629 in 1999.

A survey conducted by Quantitative Services Measurement (QSM) confirmed that APA had the second lowest per member administrative costs in 2000 compared to other Canadian public sector pension plan survey participants.

The 2000 customer survey found that 90% of 162 employers who responded were satisfied or very satisfied with APA's services provided. This is an improvement of 8 percentage points over the previous survey.

In 2001, APA will focus its efforts on the following key projects:

- Proceed on schedule and on budget towards achieving a new pension administration system in the APEX Project. The first project deliverables, including strategy papers and business cases, will be received in 2001 as specified in contracts with IBM Canada Ltd. (integration company) and CPAS Systems Inc. (software supplier).

- Complete a comprehensive job evaluation for all APA staff positions that identifies levels of responsibility, qualifications required, and complexity of problem-solving.

- Conclude agreements with the pension boards regarding a Service Envelope of Tier One (shared services) and Tier Two (supplementary services provided on a user pay basis).

- Provide a termination options package for existing clients.

- Achieve the first collective agreement since APA became a corporation.

- Implement activity-based costing.

PERFORMANCE MEASURES IN THE 2000-03 BUSINESS PLAN NOT REPORTED IN THE 2000-01 ANNUAL REPORT

Goal	Performance Measure	Reason for not Reporting
1	• A measure to be developed that tracks Alberta's wealth creation, achievement of fiscal sustainability and reduction in dependence on resource revenues.	• A suitable measure could not be developed. This performance measure has been dropped from the 2001-04 business plan.
3	• Overall compliance with Alberta Royalty Tax Credit program; target: 90%.	• A suitable measure could not be developed. This performance measure has been dropped from the 2001-04 business plan.
	• Voluntary compliance rate; target: 90%.	• A suitable measure could not be developed. This performance measure has been dropped from the 2001-04 business plan.
5	• **Alberta's market share of investment capital maintained**	• **With the merging of the Alberta and Vancouver Stock Exchanges, the information needed to calculate this performance measure is no longer available.** This performance measure has been dropped from the 2001-04 business plan.
	• Satisfaction of financial institutions with the efficiency and fairness of the regulatory environment; target: four out of five satisfied or very satisfied.	• Survey is being instituted in 2001 – results will not be available until 2001-02 annual report.
	• Satisfaction of consumers with the quality of assistance, advice and information provided.	• Survey not yet undertaken as form and frequency of the survey still to be determined.
	• Implementation of automobile insurance tort reform proposals that are accepted by government.	• This is an industry-driven initiative and proposals have not yet been been received.
6	• Meet and exceed customer expectations in ATB's three target markets (independent business, personal and agri-business lending).	• Customer expectation/satisfaction surveys are under development.
	• **Satisfaction of local authorities with lending policies and efficiency of AMFC**	• **Survey is conducted every second year, with the last survey done in 1999-2000. Results of that survey showed 85% of local authorities satisfied or very satisfied, exceeding Treasury's 80% target.**

Key Performance Measures Appear in Bold.

Treasury Financial Statements

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Ministry of Treasury
Consolidated Financial Statements

for the Year ended March 31, 2001

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Legislative Assembly:

I have audited the consolidated statement of financial position of the Ministry of Treasury as at March 31, 2001 and the consolidated statements of operations and changes in financial position 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, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

I also report that there was no legislative authority by March 31, 2001 for the cost of the Alberta Energy Tax Refund program included in the financial statements. The $345 million cost of this refund program is identified in Schedule 1 to the consolidated financial statements.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 23, 2001

Consolidated Statement of Operations

YEAR ENDED MARCH 31, 2001

	In thousands		
	2001		**2000**
	Budget (Schedule 2)	**Actual**	**Actual**
Revenues (Schedules 1 and 2)			
Income taxes	$ 6,608,764	$ 5,965,914	$ 6,354,892
Other taxes	1,125,758	1,129,826	1,106,991
Transfers from Government of Canada	3,883	3,883	3,883
Investment income	1,474,884	1,324,896	1,911,789
Net income from commercial operations	118,683	166,689	245,538
Fees, permits and licences	26,605	29,728	32,231
Internal government transfers	50,523	214,491	112,686
Other	34,829	38,841	33,618
	9,443,929	8,874,268	9,801,628
Expenses (Schedules 2 and 3)			
Ministry support services	6,576	6,766	7,175
Revenue collection and rebates	15,995	15,997	14,571
Financial management and planning	29,586	27,600	26,373
Pensions administration	16,109	13,341	14,516
Regulation of securities markets	13,086	13,505	11,476
Regulation of the insurance industry	1,960	1,790	1,540
Transfers to the Alberta Heritage Foundation for Medical Research	45,000	49,000	39,500
Transfers to the Students Finance Board for payment of Alberta Heritage Scholarships	17,900	18,287	17,234
Transfers to the Alberta Heritage Foundation for Science and Engineering Research	11,400	575	-
Corporate tax interest refunds	20,000	19,437	16,630
Farm credit stability and small business term assistance programs	2,400	2,328	3,968
Pension liability funding	68,000	65,346	62,418
Valuation adjustments (Schedule 4)	(4,700)	9,804	(94,169)
Debt servicing costs			
General government	881,000	881,255	846,228
Local authorities	399,109	386,811	421,580
School boards	90,586	90,569	101,036
	1,614,007	1,602,411	1,490,076
Net operating results	$ 7,829,922	$ 7,271,857	$ 8,311,552

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

Consolidated Statement of Financial Position

MARCH 31, 2001

	In thousands	
	2001	**2000**
Assets		
Cash and temporary investments (Schedule 5)	$ -	$ 405,807
Accrued interest and accounts receivable (Schedule 6)	1,204,192	1,099,085
Portfolio investments (Schedule 7)	15,418,539	12,934,117
Equity in commercial enterprises (Schedule 8)	542,467	375,197
Loans and advances to government entities (Schedule 9)	1,379,825	1,364,621
Other loans and advances (Schedule 10)	3,724,936	3,831,757
Inventories held for resale	114	74
Capital assets (Schedule 11)	9,636	7,830
	$ 22,279,709	$ 20,018,488
Liabilities		
Bank overdraft (Schedule 5)	$ 68,875	$ -
Accrued interest and accounts payable (Schedule 12)	895,029	691,500
Unmatured debt (Schedule 13)	9,886,639	11,687,141
Debt of Alberta Municipal Financing Corporation (Schedule 14)	3,442,555	3,562,733
Pension obligations (Schedule 15)	890,458	878,936
Other accrued liabilities (Schedule 16)	873,646	995,808
Equity of Alberta Municipal Financing Corporation (Schedule 14)	138,741	261,793
	16,195,943	18,077,911
Net Assets (Liabilities)		
Net assets (liabilities) at beginning of year	1,940,577	(508,418)
Net operating results	7,271,857	8,311,552
Net transfer to general revenues	(3,128,668)	(5,862,557)
Net assets at end of year	6,083,766	1,940,577
	$ 22,279,709	$ 20,018,488

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

Consolidated Statement of Changes in Financial Position

YEAR ENDED MARCH 31, 2001

	In thousands	
	2001	**2000**
Operating activities		
Net operating results	$ 7,271,857	$ 8,311,552
Non-cash items included in net operating results	(139,851)	(524,006)
	7,132,006	7,787,546
Decrease in equity of Alberta Municipal Financing Corporation	(123,052)	(45,723)
Other	80,522	23,563
Cash provided by operating activities	7,089,476	7,765,386
Investing activities		
Disposals of portfolio investments	13,261,449	6,557,374
Repayment of loans and advances	498,804	3,067,721
Portfolio investments purchased	(15,652,892)	(7,145,869)
Loans and advances made	(385,140)	(2,715,898)
Other	8,451	68,219
Cash used for investing transactions	(2,269,328)	(168,453)
Financing activities		
Debt issues	12,240,341	19,062,203
Debt retirement	(14,307,591)	(20,646,930)
Grants for school construction debenture principal repayment	(98,912)	(102,017)
Net transfer to general revenues	(3,128,668)	(5,862,557)
Cash used for financing activities	(5,294,830)	(7,549,301)
Net cash provided (used)	(474,682)	47,632
Cash and temporary investments at beginning of year	405,807	358,175
(Bank overdraft) cash and temporary investments at end of year	$ (68,875)	$ 405,807

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

Notes to the 2000-01 Ministry of Treasury Consolidated Financial Statements

NOTE 1 AUTHORITY

The Provincial Treasurer has been designated as responsible for various Acts by the Government Organization Act and its regulations. To fulfil these responsibilities, the Provincial Treasurer administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Treasury (the Ministry).

Department of Treasury (the Department)	Government Organization Act, Statutes of Alberta 1994, as amended
Alberta Heritage Foundation for Medical Research Endowment Fund	Alberta Heritage Foundation for Medical Research Act, Chapter A-26, Revised Statutes of Alberta 1980, as amended
Alberta Heritage Savings Trust Fund	Alberta Heritage Savings Trust Fund Act, Chapter A-27.01, Statutes of Alberta 1996
Alberta Heritage Scholarship Fund	Alberta Heritage Scholarship Act, Chapter A-27.1, Statutes of Alberta 1981, as amended
Alberta Heritage Science and Engineering Research Endowment Fund	Alberta Heritage Foundation for Science and Engineering Research Act, Chapter A-26.5, Statutes of Alberta 2000
Alberta Risk Management Fund	Financial Administration Act, Revised Statutes of Alberta 1980, as amended
Supplementary Retirement Plan Reserve Fund	Treasury Board Directive pursuant to the Financial Administration Act, Revised Statutes of Alberta 1980, as amended
Alberta Insurance Council	Insurance Act, Chapter I-5, Revised Statutes of Alberta 1980, as amended
Alberta Municipal Financing Corporation	Alberta Municipal Financing Corporation Act, Chapter A-33, Revised Statutes of Alberta 1980, as amended
Alberta Pensions Administration Corporation	Incorporated August 10, 1995 under the Business Corporations Act, Chapter B-15, Statutes of Alberta 1981, as amended
Alberta Securities Commission	Incorporated June 1, 1995 under the Securities Act, Chapter S-6.1, Statutes of Alberta 1981, as amended

NOTE 1 (continued)

The Alberta Government Telephones Commission and its subsidiaries	Telecommunications Act, Chapter T-3.5, Statutes of Alberta 1988, as amended, and the Alberta Government Telephones Reorganization Act, Chapter A-23.5, Statutes of Alberta 1990
Alberta Treasury Branches and its subsidiary ATB Investment Services Inc.	Alberta Treasury Branches Act, Chapter A-37.9, Statutes of Alberta 1997
Credit Union Deposit Guarantee Corporation	Credit Union Act, Chapter C-31.1, Statutes of Alberta 1989, as amended
N.A. Properties (1994) Ltd.	Amalgamated corporation under the Business Corporations Act, Chapter B-15, Statutes of Alberta 1981, as amended
S C Financial Ltd.	Incorporated May 29, 1986 under the Business Corporations Act, Chapter B-15, Statutes of Alberta 1981, as amended, as a wholly owned company of the Credit Union Deposit Guarantee Corporation
Gainers Inc.	Incorporated under the Business Corporations Act, Chapter B-15, Statutes of Alberta 1981, as amended

NOTE 2 PURPOSE

The Ministry's core functions are to:

a) Provide analysis and recommendations to the Provincial Treasurer and Treasury Board;

b) Maintain a framework that fosters government accountability;

c) Administer and collect tax revenue;

d) Manage the province's financial assets and liabilities;

e) Foster a fair and efficient financial marketplace; and

f) Provide financial services through Alberta Treasury Branches, Alberta Municipal Financing Corporation, and Alberta Pensions Administration Corporation.

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.

NOTE 3 (continued)

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, the Supplementary Retirement Plan Reserve Fund, Alberta Insurance Council, Alberta Municipal Financing Corporation, Alberta Pensions Administration Corporation, and Alberta Securities Commission are consolidated after adjusting them to a basis consistent with the accounting policies described below in (b). Intra-ministry transactions (revenues, expenses, investing and financing transactions, and related asset and liability accounts) have been eliminated.

The accounts of Provincial agencies and other entities designated as commercial enterprises (the Alberta Government Telephones Commission and its subsidiaries, Alberta Treasury Branches and its subsidiary ATB Investment Services Inc., Credit Union Deposit Guarantee Corporation, N.A. Properties (1994) Ltd., and S C Financial Ltd.), and commercial Crown-controlled corporations (Gainers Inc.) are reported on an equity basis, the equity being computed in accordance with generally accepted accounting principles.

The reporting period of some of the Provincial agencies is other than March 31. Transactions of these agencies that have occurred during the period to March 31, 2001 and that significantly affect the consolidation have been recorded.

(B) BASIS OF FINANCIAL REPORTING

Revenues

All revenues are reported on the accrual method of accounting. Corporate income tax receipts in abeyance are recorded as accounts payable.

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 and additional government and employer contributions for service relating to prior years.

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 18 discloses information on these related party transactions.

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 obligations relating to guarantees, indemnities, pension obligations, loans repayable from future appropriations, and accrued employee vacation entitlements.

Valuation adjustments for pension obligations include interest on the Ministry's share of the unfunded liability and amortization of deferred adjustments over the expected average remaining service life of employees.

NOTE 3 (continued)

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. 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 unearned income and allowance for credit loss. Discounts recorded as the result of interest rate reductions given on loans to local authorities are amortized to investment income over the term of the loans. 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.

Inventories for resale are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value.

Assets acquired by right are not included. 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.

Liabilities

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

Debentures included in unmatured debt are recorded at the face amount of the issue less 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.

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 net operating results 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.

NOTE 3 (continued)

Measurement uncertainty that is material to these financial statements exists in the accrual of personal and corporate income taxes, provisions for pensions and 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, the effect on accrued pension obligations of actual experience compared to assumptions, and the effect on loans and advances of actual collectibility and changes in economic conditions. 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, accrued interest, receivables and payables are estimated to approximate their book values.

The methods used to determine the fair values of portfolio investments 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.

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.

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.

Fair values of 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 held by Alberta Municipal Financing Corporation is an approximation of its fair value to the holder.

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

NOTE 5 RESTRICTED ASSETS

Financial assets include no sinking fund investments which are restricted for the settlement of debt issues of Alberta Municipal Financing Corporation (2000 $230,677,000).

NOTE 6 RISK MANAGEMENT

(A) LIABILITY MANAGEMENT

The objective of the Ministry'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 Ministry manages four risks - interest rate risk, currency exchange risk, credit risk, and refunding risk. The Ministry manages these four risks within approved policy guidelines. The management of these risks and the policy guidelines apply to the Ministry's unmatured 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.

Until February 2001, the policy guideline for interest rate risk was that Canadian dollar floating rate debt should be between 25 per cent and 50 per cent of total Canadian dollar debt. The policy guideline for currency exchange risk was that there be no exposure to currencies other than United States dollars. Further, the unhedged U.S. dollar debt should not exceed US$3,000,000,000. Credit risk relating to swaps was minimal as management dealt only with the most credit worthy counterparties. The policy guideline for refunding risk was that term debt maturities should not exceed $3,500,000,000 in any fiscal year, excluding early redemption of Alberta Capital Bonds and Alberta Savings Certificates.

The Ministry decided in February 2001, in light of the current debt reduction environment, that the most effective liability risk management strategy would be to allow existing debt instruments to mature in accordance with their terms.

(B) ASSET MANAGEMENT

The majority of the Ministry's portfolio investments are in the Alberta Heritage Savings Trust Fund (Heritage Fund).

The Heritage Fund is comprised of two portfolios. The Endowment Portfolio is being held for the long term and has the objective of maximizing long-term financial returns. The portfolio consists of 30 per cent to 50 per cent fixed-income instruments and 50 per cent to 70 per cent equities. The Transition Portfolio consists mainly of Canadian fixed-income securities and has the objective of providing income support to the government's fiscal plan over the short term to medium term.

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.

The Department also holds substantial amounts of the Ministry's portfolio investments. Portfolio investments of the Department are used to repay debt as it matures.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Set out below are details of commitments to organizations outside the Ministry and contingencies resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 16.

Any losses arising from the settlement of contingencies are treated as current year expenses.

(A) COMMITMENTS

Commitments to outside organizations in respect of contracts entered into before March 31, 2001 amounted to $139,914,000 (2000 $132,106,000). 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 to March 31, 2005. The aggregate amounts payable for the unexpired terms of these leases are as follows:

2001-02	$	27,901
2002-03		19,680
2003-04		16,550
2004-05		14,778
2005-06		13,782
Thereafter		47,223
	$	139,914

(B) INDEMNITIES AND GUARANTEES

The Province has agreed to indemnify and fund interest to the extent necessary on $335,000,000 of debentures issued by S C Financial Ltd. to credit unions in exchange for preferred shares of the credit unions. The indemnity will expire on October 31, 2010. The estimated future payments less recoveries under the indemnity are accounted for as a liability for credit union assistance and disclosed in Schedule 16.

Guarantees at March 31, 2001 amounting to $132,353,000 (2000 $195,349,000) are analyzed in Schedule 17. This schedule is included with the financial statements because payments under guarantees are a statutory charge on the Ministry.

(C) CONTINGENCIES OF COMMERCIAL ENTERPRISES

The Credit Union Deposit Guarantee Corporation has a potential liability under guarantees relating to deposits of credit unions. At December 31, 2000, credit unions in Alberta held deposits totalling $6,119,312,000 (1999 $5,118,771,000), and had assets in excess of deposits.

At March 31, 2001, Alberta Treasury Branches had a potential liability under guarantees and letters of credit amounting to $415,483,000 (2000 $416,778,000). In 1998-99, Alberta Treasury Branches initiated legal actions which resulted in counterclaims aggregating $475,500,000. The eventual outcome of these claims and counterclaims is not determinable.

NOTE 7 (continued)

N.A. Properties (1994) Ltd. has provided guarantees of principal and interest on mortgages sold to Canadian Western Bank. The principal and interest on these mortgages totalled $14,128,000 at March 31, 2001 (2000 $23,338,000).

(D) LEGAL ACTIONS

At March 31, 2001, 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 $280,142,000 (2000 $391,680,000). Included in this amount are claims for $3,684,000 (2000 $257,050,000) in which the Ministry has been jointly named with other entities. The resulting loss, if any, from these claims cannot be determined.

NOTE 8 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 various trusts, they are not included in the Ministry's consolidated financial statements.

As at March 31, 2001, trust funds under administration were as follows:

	In thousands	
	2001	**2000**
Local Authorities Pension Plan Fund	$ 8,810,186	$ 9,283,601
Public Service Pension Plan Fund	3,835,921	4,365,244
The Workers' Compensation Board Accident Fund	2,264,635	2,889,716
Universities Academic Pension Plan Fund	1,699,449	1,859,982
Management Employees Pension Plan Fund	1,460,271	1,532,693
Special Forces Pension Plan Fund	990,951	1,039,672
Power Pool of Alberta Balancing Pool	813,149	-
Regional Health Authorities and various health institutions construction accounts	266,978	205,166
Other	70,686	63,590
	$ 20,212,226	$ 21,239,664

NOTE 9 PENSIONS

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 established by the government effective July 1, 1999. The expense for these plans is equivalent to the annual contributions of $2,500,000 for the year ended March 31, 2001 (2000 $2,078,000).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 $517,020,000). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000 (1999 $33,000).

NOTE 10 COMPARATIVE FIGURES

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

NOTE 11 GOVERNMENT RESTRUCTURING

As a result of government restructuring announced on March 15, 2001, the Ministry's responsibilities were transferred to the newly established Ministries of Finance and Revenue.

Since the 2000-01 fiscal year was substantially completed prior to this announcement, these financial statements have been prepared as if the restructuring took place on April 1, 2001 to provide proper accountability for the 2000-01 fiscal year against the original business plan. Comparative figures for 2000 have also been restated as if the Ministry had always been assigned the responsibilities as assumed by the original business plan.

NOTE 12 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Corporate Secretary and the Deputy Ministers of Finance and Revenue.

Schedules to the 2000-01 Ministry of Treasury Consolidated Financial Statements

REVENUES **Schedule 1**

	In thousands		
	2001		2000
	Budget	Actual	Actual
Income taxes			
Personal income tax	$ 4,713,122	$ 4,287,654	$ 5,100,031
Less Alberta energy tax refund (a)	-	(345,000)	-
Corporate income tax	1,895,642	2,023,260	1,254,861
	6,608,764	5,965,914	6,354,892
Other taxes			
Fuel tax	559,000	580,988	567,941
Tobacco tax	355,000	339,658	339,339
Insurance corporations tax	127,150	119,015	116,965
Hotel room tax	47,000	52,557	47,696
Financial institutions capital tax	37,608	37,608	35,050
	1,125,758	1,129,826	1,106,991
Transfers from Government of Canada			
Unconditional subsidy	3,883	3,883	3,883
Investment income	1,474,884	1,324,896	1,911,789
Net income from commercial operations			
Alberta Treasury Branches	114,289	161,469	228,490
Other	4,394	5,220	17,048
	118,683	166,689	245,538
Fees, permits and licences			
Deposit guarantee fee	12,089	12,739	17,444
Alberta Securities Commission	13,114	13,773	11,628
Insurance companies, agents and brokers	250	1,545	1,768
Other	1,152	1,671	1,391
	26,605	29,728	32,231
Internal government transfers			
Lottery Fund	50,323	214,291	112,486
Other	200	200	200
	50,523	214,491	112,686
Other			
Sale of assets	1,300	6	2
Refunds of expenditure	900	7,327	2,830
Miscellaneous	32,629	31,508	30,786
	34,829	38,841	33,618
	$ 9,443,929	$ 8,874,268	$ 9,801,628

a) In November 2000, the Alberta Income Tax Amendment Act, 2000 (No. 2) received first reading in the Legislative Assembly. The Bill proposed an Alberta energy tax refund to individuals who met certain eligibility requirements but, because the Legislature was dissolved in February 2001, the Bill did not progress to an Act by March 31, 2001. New legislation was introduced after the year end and the refund program has since been authorized retroactively, which occurs infrequently with tax legislation changes.

BUDGET **Schedule 2**

	In thousands		
	For the year ended March 31, 2001		
	2000-01 Estimates	Adjustments (a)	2000-01 Budget (b)
Revenues			
Income taxes	$ 6,608,764	$ -	$ 6,608,764
Other taxes	1,125,758	-	1,125,758
Transfers from Government of Canada	3,883	-	3,883
Investment income	1,474,884	-	1,474,884
Net income from commercial operations	118,683	-	118,683
Fees, permits and licences	26,605	-	26,605
Internal government transfers	50,523	-	50,523
Other	34,829	-	34,829
	9,443,929	-	9,443,929
Expenses			
Ministry support services	6,576	-	6,576
Revenue collection and rebates	15,995	-	15,995
Financial management and planning	29,586	-	29,586
Pensions administration	16,109	-	16,109
Regulation of securities markets	13,086	-	13,086
Regulation of the insurance industry	1,960	-	1,960
Transfers to the Alberta Heritage Foundation for Medical Research	45,000	-	45,000
Transfers to the Students Finance Board for payment of Alberta Heritage Scholarships	17,900	-	17,900
Transfers to the Alberta Heritage Foundation for Science and Engineering Research	11,400	-	11,400
Corporate tax interest refunds	20,000	-	20,000
Farm credit stability program	2,400	-	2,400
Pension liability funding	68,000	-	68,000
Valuation adjustments	2,300	(7,000)	(4,700)
Debt servicing costs			
General government	881,000	-	881,000
Local authorities	399,109	-	399,109
School boards	90,586	-	90,586
	1,621,007	(7,000)	1,614,007
Net operating results	$ 7,822,922	$ 7,000	$ 7,829,922

a) Adjustments consist of a budget for pension provisions which was not included in the Estimates.

b) Transfer of unexpended balances as a result of Order in Council 96/2001 has not been reflected in this Schedule (Note 11).

EXPENSES BY OBJECT — Schedule 3

	In thousands		
	2001		2000
	Budget	Actual	Actual
Salaries, wages and employee benefits	$ 45,950	$ 45,171	$ 41,083
Supplies and services	32,532	29,859	31,178
Grants	165,086	158,444	157,795
Interest and amortization of unrealized exchange gains and losses	1,279,740	1,267,770	1,267,760
Pension liability funding	68,000	65,346	62,418
Corporate tax interest refunds	20,000	19,437	16,630
Other financial transactions	4,127	4,329	5,891
Amortization of capital assets	3,671	2,375	1,942
Valuation adjustments	(4,700)	9,804	(94,169)
	1,614,406	1,602,535	1,490,528
Less recovery from support service arrangements with related parties (a)	399	124	452
	$ 1,614,007	$ 1,602,411	$ 1,490,076

a) The Ministry provides financial, administrative and human resource services to various departments and offices of the Legislative Assembly. Costs incurred by the Ministry are recovered from the recipients of the services.

VALUATION ADJUSTMENTS — Schedule 4

	In thousands		
	2001		2000
	Budget	Actual	Actual
Provision for guarantees and indemnities	$ 2,000	$ (2,104)	$ (264)
Provision for doubtful accounts, loans and write-offs	300	67	(131)
Provision for employee benefits other than pensions	-	319	347
Provision for loans repayable from future appropriations	-	-	(80)
Pension provisions	(7,000)	11,522	(94,041)
	$ (4,700)	$ 9,804	$ (94,169)

CASH AND TEMPORARY INVESTMENTS, BANK OVERDRAFT — Schedule 5

	In thousands 2001	2000
Fixed-income securities		
Corporate (a)	$ 86,951	$ 469,909
Pooled funds	16,405	15,287
Deposit in the Consolidated Cash Investment Trust Fund	455,698	395,597
Cash in bank and in transit	128,902	99,036
Bank overdraft	(756,831)	(574,022)
	$ (68,875)	$ 405,807
Cash and temporary investments	$ -	$ 405,807
Bank overdraft	$ (68,875)	$ -

a) Fixed-income securities have an average effective yield of 5.0% per annum (2000 5.3% per annum). Ninety-two per cent (2000 100%) have terms to maturity of less than one week.

ACCRUED INTEREST AND ACCOUNTS RECEIVABLE — Schedule 6

	In thousands 2001	2000
Personal income tax	$ 520,433	$ 442,908
Accrued interest receivable	322,436	331,722
Corporate income tax	232,228	191,029
Fuel tax	48,329	47,811
Due from the Lottery Fund	48,063	44,290
Insurance corporations tax	21,009	25,458
Hotel room tax	4,974	4,670
Tobacco tax	3,636	3,673
Financial institutions capital tax	1,317	5,464
Other	3,591	3,960
	1,206,016	1,100,985
Less allowance for doubtful accounts	1,824	1,900
	$ 1,204,192	$ 1,099,085

PORTFOLIO INVESTMENTS **Schedule 7**

	In thousands			
	2001		2000	
	Book Value	Fair Value	Book Value	Fair Value
Fixed-income securities (a)(b)(c)				
Government of Canada, direct and guaranteed	$ 1,628,003	$ 1,637,980	$ 1,712,505	$ 1,683,917
Provincial, direct and guaranteed	1,549,340	1,560,653	1,644,753	1,621,380
Municipal	69,645	71,914	70,765	70,783
Corporate	3,004,680	3,026,392	2,901,418	2,871,060
Pooled investment funds	3,326,746	3,270,008	2,791,709	2,683,708
	9,578,414	9,566,947	9,121,150	8,930,848
Equities (c)				
Canadian	2,077,749	2,136,413	1,160,993	1,841,956
Foreign	3,311,329	2,901,826	2,223,039	2,374,685
Real estate	451,047	480,021	428,935	436,248
	5,840,125	5,518,260	3,812,967	4,652,889
	$ 15,418,539	$ 15,085,207	$ 12,934,117	$ 13,583,737

a) The majority of the Ministry's fixed-income securities are in the Transition portfolio of the Alberta Heritage Savings Trust Fund. As at March 31, 2001, the Transition portfolio held $3,992,283,000 (2000 $6,072,204,000) of public fixed-income securities at cost (Fair value $4,032,557,000 (2000 $5,991,499,000)). The securities held have an average effective market yield of 5.05% per annum (2000 5.81% per annum) for securities maturing in a year, and 5.10% per annum (2000 6.36% per annum) for securities maturing between 1 and 35 years. As at March 31, 2001, the Portfolio has the following term structure based on principal amount:

	2001	2000
	%	
Under 1 year	32	16
1 to 5 years	58	64
Over 5 years	10	20

b) The balance of the Ministry's fixed-income securities is held by the Department to repay debt as it matures. As at March 31, 2001, the Department held $2,045,436,000 of public fixed-income securities at cost (Fair value $2,050,287,000). The securities held have an average effective market yield of 4.9% per annum. Ninety-eight per cent of the securities held have terms to maturity of less than two years.

c) The Alberta Heritage Savings Trust Fund uses derivative contracts to enhance return, hedge risks, and manage asset mix. As at March 31, 2001, the notional amount of all derivative contracts issued by the Heritage Fund amounted to $1,123,964,000 (2000 $1,465,782,000).

EQUITY IN COMMERCIAL ENTERPRISES — Schedule 8

	In thousands	
	2001	**2000**
Accumulated surpluses		
Accumulated surpluses at beginning of year	$ 340,244	$ 107,768
Total revenue	924,376	845,429
Total expenditure	757,306	599,059
Net revenue	167,070	246,370
Net transfers from (to) departments	134	(13,894)
Accumulated surpluses at end of year	$ 507,448	$ 340,244
Represented by		
Assets		
Loans	$ 9,545,630	$ 8,924,922
Investments	939,396	854,191
Other assets	1,311,600	931,929
Total assets	11,796,626	10,711,042
Liabilities		
Accounts payable	352,871	288,653
Deposits	10,918,863	9,924,626
Unmatured debt	17,444	157,519
Total liabilities	11,289,178	10,370,798
	$ 507,448	$ 340,244
Accumulated surpluses at end of year		
Alberta Treasury Branches	$ 434,107	$ 272,638
Credit Union Deposit Guarantee Corporation	72,016	66,674
N.A. Properties (1994) Ltd.	1,325	932
	507,448	340,244
Elimination of inter fund/agency balances	35,019	34,953
Equity in commercial enterprises at end of year	$ 542,467	$ 375,197

LOANS AND ADVANCES TO GOVERNMENT ENTITIES — Schedule 9

	In thousands 2001	In thousands 2000
Agriculture Financial Services Corporation	$ 765,020	$ 677,838
Alberta Social Housing Corporation	524,949	600,102
Alberta Opportunity Company	89,632	86,457
Public Trustee	224	224
	$ 1,379,825	$ 1,364,621

OTHER LOANS AND ADVANCES — Schedule 10

	In thousands 2001	In thousands 2000
Alberta Municipal Financing Corporation Act (a)	$ 3,494,281	$ 3,537,733
Alberta Heritage Savings Trust Fund Act	152,484	153,974
Farm Credit Stability Act	125,204	185,104
Pratt & Whitney Canada Ltd.	3,075	3,631
Board of Governors of the University of Alberta	2,649	2,941
Accountable advances	1,271	1,414
University of Lethbridge Students' Union	1,097	1,235
Implemented guarantees and indemnities	315	407
Judgement debts	153	235
University of Calgary Students' Union	-	850
	3,780,529	3,887,524
Less allowance for doubtful loans, advances, implemented guarantees and indemnities	55,593	55,767
	$ 3,724,936	$ 3,831,757

a) Municipal loans on average yield 9.4% per annum (2000 9.8%) and have the following term structure as at March 31, 2001.

	2001	2000
	%	%
Under 1 year	2	1
1 to 5 years	19	25
6 to 10 years	41	42
Over 10 years	38	32

CAPITAL ASSETS — Schedule 11

		In thousands			
		2001			2000
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	10 years	$ 1,661	$ 833	$ 828	$ 623
Computer hardware and software	5 years	29,838	22,066	7,772	6,497
Other	10 years	1,424	388	1,036	710
		$ 32,923	$ 23,287	$ 9,636	$ 7,830

ACCRUED INTEREST AND ACCOUNTS PAYABLE — Schedule 12

	In thousands	
	2001	2000
Accrued interest on unmatured debt and debt of Alberta Municipal Financing Corporation	$ 408,857	$ 463,018
Corporate income tax receipts in abeyance	253,466	188,410
Investment purchases	157,960	2,920
Unearned revenue	2,960	2,137
Other	71,786	35,015
	$ 895,029	$ 691,500

UNMATURED DEBT

Schedule 13

			In thousands			
			2001		2000	
	Effective Rate (a)(b)(c)	Modified Duration (d)	Book Value (a)	Fair Value (a)	Book Value (a)	Fair Value (a)
	%	years				
Canadian dollar debt and fully hedged foreign currency debt						
Floating rate and short-term fixed rate (e)	6.83	0.30	$ 1,804,101	$ 1,873,000	$ 2,285,844	$ 2,362,000
Fixed rate long-term (f)	6.87	4.94	4,735,105	5,196,000	5,246,587	5,611,000
	6.86	3.71	6,539,206	7,069,000	7,532,431	7,973,000
Unhedged U.S. dollar debt (g)						
Floating rate and short-term fixed rate (e)	5.93	0.25	2,126,950	2,289,000	2,942,027	3,019,000
Fixed rate long-term	6.70	2.01	1,220,483	1,406,000	1,212,683	1,209,000
	6.22	0.92	3,347,433	3,695,000	4,154,710	4,228,000
Total unmatured debt	6.64	2.75	$ 9,886,639	$ 10,764,000	$ 11,687,141	$ 12,201,000

a) Book value represents the amount the Ministry 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 and currency rate swaps. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.

b) Weighted average effective rates on unhedged U.S. dollar debt are based upon debt stated in U.S. dollars.

c) Weighted average effective rate on total unmatured debt is on debt inclusive of deferred exchange losses on unhedged U.S. dollar debt (see note (g)).

d) Modified duration is the weighted average term to maturity of the 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.

e) 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.

f) Canadian dollar fixed rate debt includes $678,696,000 (2000 $678,696,000) held by the Canada Pension Plan Investment Fund.

g) Unhedged U.S. dollar debt is translated into Canadian dollars at the March 31 noon exchange rate of $1.5774 per U.S. dollar (2000 $1.4535 per U.S. dollar). Deferred exchange losses on unhedged U.S. dollar debt amounted to $154,014,000 at March 31, 2001 (2000 deferred exchange gains of $4,803,000). Amortization of deferred exchange losses amounted to $121,577,000 for the year ended March 31, 2001 (2000 $5,206,000).

Schedule 13 (continued)

Debt principal repayment requirements at par in each of the next five years, including short-term debt maturing in 2001-02, and thereafter are as follows:

	In millions	
	Total	**Includes Unhedged**
2001-02	$ 1,428	US$ 376
2002-03	1,524	807
2003-04	1,836	500
2004-05	1,618	439
2005-06	1,261	108
Thereafter	2,364	46
	$10,031	US$2,276

Some of the debt has call provisions. Years to maturity reflect original maturity date and not early call date. Debt with call provisions occurring in under one year is $316,000,000 (2000 $611,000,000), and in one to five years is $70,000,000 (2000 $74,000,000).

Derivative financial instruments

The Ministry uses interest rate swaps and currency rate swaps and contracts to manage the interest rate risk and currency exposure associated with unmatured debt. In addition, forward interest rate agreements are used to manage interest rate exposure in the short term. Associated with these instruments are credit risks that could expose the Ministry 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 a fraction of the notional principal amount, as shown in the table below. The Ministry minimizes its credit risk associated with these contracts by dealing with only the most credit worthy counterparties.

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, 2001, interest rate swap agreements were being used primarily to convert fixed interest rate payments to floating rates.

Cross currency interest rate swaps involve both the swapping of interest rates and currencies.

Currency rate swaps including foreign exchange contracts involve an agreement to exchange United States dollars and other currencies into Canadian and United States dollars at an agreed upon rate and on an agreed settlement date.

Schedule 13 (continued)

The following table summarizes the Ministry's derivative portfolio and related credit exposure:

	In thousands			
	2001		2000	
	Notional Amount	Replacement Cost	Notional Amount	Replacement Cost
Interest rate swaps	$ 3,456,000	$ 8,000	$ 3,409,000	$ 44,000
Cross currency interest rate swaps	1,249,000	54,000	998,000	7,000
Currency rate swaps including foreign exchange contracts (stated in Canadian dollars)	8,000	1,000	332,000	40,000
	$ 4,713,000	$ 63,000	$ 4,739,000	$ 91,000

Notional amount represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows. Replacement cost represents the cost of replacing, at current market rates, all contracts which have a positive market value.

DEBT AND EQUITY OF ALBERTA MUNICIPAL FINANCING CORPORATION — Schedule 14

	In thousands	
	2001	2000
Alberta Municipal Financing Corporation		
Canadian dollar fixed rate debt (a)	$ 3,442,555	$ 3,562,733
Equity (b)	$ 138,741	$ 261,793

a) Canadian dollar fixed rate debt includes $3,097,555,000 (2000 $3,097,555,000) held by the Canada Pension Plan Investment Fund and has the following characteristics as at March 31, 2001 (see Schedule 13 note (a)).

	2001	2000
Fair value	$4,048,000,000	$4,503,000,000
Effective rate per annum	11.1 %	12.1%

Debt principal repayment requirements in each of the next five years, including short-term debt maturing in 2001-02, and thereafter are as follows:

	In thousands
2001-02	$ 411,739
2002-03	454,735
2003-04	441,023
2004-05	338,491
2005-06	283,604
Thereafter	1,512,963
	$ 3,442,555

b) Alberta Municipal Financing Corporation equity has been included in liabilities of the Ministry because it represents profits of the corporation which the corporation has the power to pay to municipal and other shareholders that have borrowed money from the corporation.

PENSION OBLIGATIONS — Schedule 15

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. 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 %
Public Service Management (Closed Membership) Pension Plan	December 31, 1999	4.25	3.0	7.25
Members of the Legislative Assembly Pension Plan	December 31, 1997	4.0	3.5	7.5
Universities Academic Pension Plan	December 31, 2000	4.0	3.5	7.5
Special Forces Pension Plan	December 31, 2000	3.75	3.25	7.0

These actuarial valuations indicated a deficiency of net assets over actuarial present value of accrued benefits. Including deferred adjustments, unfunded liabilities were extrapolated to March 31, 2001.

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.

	In thousands 2001	2000
Obligations to pension plans for current and former employees and Members of the Legislative Assembly		
Public Service Management (Closed Membership) Pension Plan (a)	$ 642,007	$ 653,660
Members of the Legislative Assembly Pension Plan (b)	49,258	49,177
	691,265	702,837
Obligations to pension plans for employees of organizations outside the government reporting entity		
Universities Academic Pension Plan (c)	145,438	121,204
Special Forces Pension Plan (c)	53,755	54,895
	199,193	176,099
	$ 890,458	$ 878,936

Schedule 15 (continued)

a) 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. After all assets in the plan are exhausted, all benefits under the plan will be paid by the Ministry.

b) The Ministry has a liability for payment of pension benefits under a defined benefit pension plan for 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 this date. The December 31, 1997 actuarial valuation used a discount rate of 7.5 per cent and a long term inflation rate of 3.5 per cent.

c) Under the Public Sector Pension Plans Act, the Ministry 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 plans.

   For Universities Academic, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25 per cent of pensionable salaries by the Ministry, and such percentages by employers and employees as will fund equally 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 per cent by the Ministry and 27.27 per cent 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.

OTHER ACCRUED LIABILITIES — Schedule 16

	In thousands 2001	In thousands 2000
Guarantees and indemnities		
Credit union assistance	$ 69,171	$ 84,372
Guarantees (Schedule 17)	5,629	5,832
Other	625	3,790
	75,425	93,994
Future funding to school boards to enable them to repay debentures issued to the Alberta Municipal Financing Corporation	793,145	892,057
Vacation entitlements	5,076	4,757
Settlement with Principal Group noteholders	-	5,000
	$ 873,646	$ 995,808

GUARANTEES (a) — Schedule 17

	In thousands 2001	In thousands 2000	Expiry Date
Farm Credit Stability Act (b)	$ 129,800	$ 191,599	2011
Rural utilities loans	2,268	3,225	2009
Centre for Engineering Research Inc.	2,346	2,710	2005
Securities Act	2,160	2,160	Ongoing
University of Calgary	1,251	1,306	2016
Small Business Term Assistance Act	157	181	(c)
	137,982	201,181	
Less estimated liability (Schedule 16)	5,629	5,832	
	$ 132,353	$ 195,349	

a) Authorized loan guarantee limits decline as guaranteed loans are repaid.

The lender takes appropriate security prior to issuing a loan to the borrower 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.

No new program guarantees are being issued under the following Acts or programs: Farm Credit Stability Act and Small Business Term Assistance Act. After October 29, 1999, no new program guarantees are being issued under the Rural Utilities Act. The guarantee under the Securities Act has no expiry date.

b) The expiry date shown is the latest expiry date for guaranteed loans under the program.

c) Loans have expired or are in the process of realization of security.

RELATED PARTY TRANSACTIONS Schedule 18

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

The Ministry is responsible for handling cash transactions of all departments and their funds. As a result, the Ministry engages in transactions with all other ministries in the normal course of operations.

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.

	In thousands	
	2001	**2000**
Revenues		
Transfers	$ 214,491	$ 112,686
Interest	109,699	108,840
Charges for services	7,450	6,757
	$ 331,640	$ 228,283
Expenses		
Transfers	$ 18,287	$ 17,234
Cost of services	2,277	2,057
	$ 20,564	$ 19,291
Assets		
Accounts receivable	$ 48,068	$ 44,326
Accrued interest receivable	22,150	21,918
Loans and advances	1,379,601	1,364,397
	$ 1,449,819	$ 1,430,641
Liabilities		
Accounts and accrued interest payable	$ -	$ -

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.

	In thousands	
	2001	**2000**
Expenses (notional)		
Accommodation	$ 2,766	$ 2,218
Legal services	1,805	1,930
	$ 4,571	$ 4,148

Department of Treasury Financial Statements

for the Year ended March 31, 2001

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Ministers of Finance and Revenue

I have audited the statement of financial position of the Department of Treasury as at March 31, 2001 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Department. 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 financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

I also report that there was no legislative authority by March 31, 2001 for the cost of the Alberta Energy Tax Refund program included in the financial statements. The $345 million cost of this refund program is identified in Schedule 1 to the financial statements.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 23, 2001

Statement of Operations

YEAR ENDED MARCH 31, 2001

	In thousands		
	2001		2000
	Budget (Schedule 4)	Actual	Actual
Revenues (Schedules 1 and 2)			
Internal government transfers	$ 917,223	$ 920,467	$ 1,051,598
Income taxes	6,608,764	5,965,914	6,354,892
Other taxes	1,125,758	1,129,826	1,106,992
Transfers from Government of Canada	3,883	3,883	3,883
Investment income	99,763	133,323	88,394
Fees, permits and licences	13,491	14,410	19,077
Transfers from (to) government enterprises	450	(122)	13,880
Other	13,484	20,110	14,429
	8,782,816	8,187,811	8,653,145
Expenses - directly incurred (Note 2b and Schedule 21)			
Voted (Schedules 2, 3 and 5)			
Ministry support services	6,576	6,777	7,188
Revenue collection and rebates	15,995	15,997	14,571
Financial management and planning	22,726	22,674	20,941
Debt servicing costs	90,586	90,569	101,036
	135,883	136,017	143,736
Statutory (Schedules 3 and 5)			
Corporate tax interest refunds	20,000	19,437	16,630
Farm credit stability program	2,400	2,328	3,967
Small business term assistance program	-	-	1
Pension liability funding	68,000	65,395	62,502
Debt servicing costs	883,000	885,075	851,136
Alberta Heritage Science and Engineering Research Endowment Fund	500,000	500,000	-
Valuation adjustments (Schedule 6)	(4,700)	9,703	(94,169)
	1,468,700	1,481,938	840,067
Write-down of capital assets	-	12	-
	1,604,583	1,617,967	983,803
Net operating results	$ 7,178,233	$ 6,569,844	$ 7,669,342

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

Statement of Financial Position

MARCH 31, 2001

	In thousands	
	2001	2000
Assets		
Cash and temporary investments (Schedule 8)	$ -	$ 64,838
Accounts and accrued interest receivable (Schedule 9)	944,747	959,412
Portfolio investments (Schedule 10)	2,112,721	-
Loans and advances to government entities (Schedule 11)	1,129,438	887,067
Other loans, advances and investments (Schedule 12)	134,667	196,152
Capital assets (Schedule 13)	6,132	5,245
	$ 4,327,705	$ 2,112,714
Liabilities		
Bank overdraft (Schedule 8)	$ 467,957	$ -
Accounts and accrued interest payable (Schedule 14)	655,489	503,165
Unmatured debt (Schedule 15)	10,013,751	11,749,476
Pension obligations (Schedule 16)	890,458	878,936
Other accrued liabilities (Schedule 17)	872,407	994,670
	12,900,062	14,126,247
Net Liabilities		
Net liabilities at beginning of year	(12,013,533)	(13,820,318)
Net operating results	6,569,844	7,669,342
Net transfer to general revenues	(3,128,668)	(5,862,557)
Net liabilities at end of year	(8,572,357)	(12,013,533)
	$ 4,327,705	$ 2,112,714

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

Statement of Changes in Financial Position

YEAR ENDED MARCH 31, 2001

	In thousands 2001	2000
Operating transactions		
Net operating results	$ 6,569,844	$ 7,669,342
Non-cash items included in net operating results		
Amortization on investments and debt, net		
Purchase and issue discounts	18,146	50,802
Foreign exchange losses	103,773	2,372
Net income on investments valued at equity	(393)	(818)
Amortization and write-down of capital assets	1,563	1,279
Valuation adjustments	9,703	(94,169)
	6,702,636	7,628,808
Decrease (increase) in receivables	14,417	(58,362)
Increase in payables, including pension obligations	147,324	56,028
Cash provided by operating transactions	6,864,377	7,626,474
Investing transactions		
Loans and advances		
Government entities	(3,149,406)	(2,451,326)
Other	(4,511)	(1,258)
Repayments of loans and advances		
Government entities	2,904,236	2,363,338
Other	67,744	119,217
Purchase of portfolio investments	(2,109,524)	-
Purchase of capital assets (Schedule 5)	(2,450)	(1,622)
Cash (used for) provided by investing transactions	(2,293,911)	28,349
Financing transactions		
Debt issues	11,658,311	19,062,203
Debt retirement	(13,533,992)	(20,443,577)
Grants for school construction debenture principal repayment (Schedule 5)	(98,912)	(102,017)
Net transfer to general revenues	(3,128,668)	(5,862,557)
Cash used for financing transactions	(5,103,261)	(7,345,948)
Net cash (used) provided	(532,795)	308,875
Cash and temporary investments (bank overdraft) at beginning of year	64,838	(244,037)
(Bank overdraft) cash and temporary investments at end of year	$ (467,957)	$ 64,838

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

Notes to the 2000-01 Department of Treasury Financial Statements

NOTE 1 AUTHORITY AND PURPOSE

The Department of Treasury (the Department) operates under the authority of the Government Organization Act, Statutes of Alberta 1994, as amended.

The Department's core functions are to provide analysis and recommendations to the Ministers of Finance and Revenue and Treasury Board, maintain a framework that fosters government accountability, administer and collect tax revenue, manage the province's financial assets and liabilities, and foster a fair and efficient financial marketplace.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. 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.

(A) REPORTING ENTITY

The reporting entity is the Department, which is part of the Ministry of Treasury and for which the Ministers of Finance and Revenue are accountable. Other entities reporting to the Ministers of Finance and Revenue include 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, the Supplementary Retirement Plan Reserve Fund, Alberta Insurance Council, Alberta Municipal Financing Corporation, Alberta Pensions Administration Corporation, Alberta Securities Commission, Alberta Government Telephones Commission and its subsidiaries, Alberta Treasury Branches and its subsidiary ATB Investment Services Inc., Credit Union Deposit Guarantee Corporation and its subsidiary S C Financial Ltd., N.A. Properties (1994) Ltd. and Gainers Inc. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of operations for which the Ministers of Finance and Revenue are accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer to general revenues is the difference between all cash deposits by other departments and all cash disbursements made on their behalf by the Department of Treasury.

(B) BASIS OF FINANCIAL REPORTING

Revenues

All revenues are reported on the accrual method of accounting. Corporate income tax receipts in abeyance are recorded as accounts payable.

NOTE 2 (continued)

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the government's budget documents.

Directly incurred expenses include:

- amortization of capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year and additional government contributions for service relating to prior years.
- valuation adjustments which 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 obligations relating to guarantees, indemnities, pension obligations, loans repayable from future appropriations, and accrued employee vacation entitlements.

Incurred by Others

Services contributed by other entities in support of the Department's operations are disclosed in Schedule 20.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Portfolio investments are carried at cost. 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.

NOTE 2 (continued)

Loans are reported at their face value except for loans made on significantly concessionary terms which are discounted by the amount of concessions. The amount of the discount is amortized to revenue over the term of the loan, except when the collectibility of either the principal or interest related to the loan transaction is not reasonably assured. The stated value of loans is estimated to approximate fair value.

Investments are recorded at cost, except for investments in wholly owned provincial corporations operating as commercial enterprises which are valued on the equity basis. 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.

Assets acquired by right are not included. Capital assets of the Department are recorded at historical cost and amortized on a straight line basis over the estimated useful lives of the assets. 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 Department at fiscal year end.

Debentures included in unmatured debt are recorded at the face amount of the issue less 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.

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 net operating results for the year.

Net Liabilities

Net liabilities represents the difference between the value of assets held by the Department and its liabilities.

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.

NOTE 2 (continued)

Measurement uncertainty that is material to these financial statements exists in the accrual of personal and corporate income taxes, provisions for pensions and 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, the effect on accrued pension obligations of actual experience compared to assumptions, and the effect on loans and advances of actual collectibility and changes in economic conditions. 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 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.

The fair values of cash and temporary investments, accrued interest, receivables and payables are estimated to approximate their book values.

Public fixed-income securities included in portfolio investments 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.

Fair values of 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 is an approximation of its fair value to the holder.

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

NOTE 4 RISK MANAGEMENT

(A) LIABILITY MANAGEMENT

The objective of the Department'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 Department manages four risks - interest rate risk, currency exchange risk, credit risk, and refunding risk. The Department manages these four risks within approved policy guidelines. The management of these risks and the policy guidelines apply to the Department's unmatured 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.

Until February 2001, the policy guideline for interest rate risk was that Canadian dollar floating rate debt should be between 25 per cent and 50 per cent of total Canadian dollar debt. The policy guideline for currency exchange risk was that there be no exposure to currencies other than United States dollars. Further, the unhedged U.S. dollar debt should not exceed US$3,000,000,000. Credit risk relating to swaps was minimal as management dealt only with the most credit worthy counterparties. The policy guideline for refunding risk was that term debt maturities should not exceed $3,500,000,000 in any fiscal year, excluding early redemption of Alberta Capital Bonds and Alberta Savings Certificates.

The Department decided in February 2001, in light of the current debt reduction environment, that the most effective liability risk management strategy would be to allow existing debt instruments to mature in accordance with their terms.

NOTE 4 (continued)

(B) ASSET MANAGEMENT

Portfolio investments are used to repay debt as it matures.

NOTE 5 COMMITMENTS AND CONTINGENCIES

Set out below are details of commitments to organizations outside the Department and contingencies resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 17.

Any losses arising from the settlement of contingencies are treated as current year expenses.

(A) CREDIT UNION ACT

The Credit Union Deposit Guarantee Corporation, operating under the authority of the Credit Union Act, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The Credit Union Act provides that the Province, through the Department, will ensure that this obligation of the Corporation is carried out. As at December 31, 2000, credit unions in Alberta held deposits totalling $6,119,312,000 (1999 $5,118,771,000). Substantial assets are available to safeguard the Department from risk of loss arising from its potential obligation under the Act.

(B) OTHER COMMITMENTS

Commitments to outside organizations in respect of contracts entered into before March 31, 2001 amounted to $7,328,000 (2000 $9,024,000). These commitments will become expenses of the Department when terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature.

(C) INDEMNITIES AND DEBENTURE, DEPOSIT AND LOAN GUARANTEES

The Province has agreed to indemnify and fund interest to the extent necessary on $335,000,000 of debentures issued by S C Financial Ltd. to credit unions in exchange for stabilization preferred shares of the credit unions. The indemnity will expire on October 31, 2010. The estimated future payments less recoveries under the indemnity are accounted for as a liability for credit union assistance and disclosed in Schedule 17.

Guaranteed liabilities at March 31, 2001 of government entities amounting to $14,975,610,000 (2000 $14,559,739,000), and other guarantees amounting to $130,193,000 (2000 $193,189,000) are analyzed in Schedules 18 and 19 respectively. These schedules are included with the financial statements because payments under debenture and loan guarantees are a statutory charge on the Department.

Payments under the guarantee of Alberta Treasury Branches deposits would also be made by the Department, under authority of a supply vote.

NOTE 5 (continued)

(D) LEGAL ACTIONS

At March 31, 2001, the Department is a defendant in twenty legal claims (2000 seventeen legal claims). Nineteen of the claims have specified amounts totalling approximately $280,142,000 and the remaining one has not specified any amount (2000 fourteen claims with a specified amount of $391,680,000 and three with no specified amount). Included in the total legal claims are two amounting to $3,684,000 (2000 three amounting to $257,050,000) in which the Department has been jointly named with other entities. Eleven claims amounting to $6,512,000 (2000 four amounting to $10,365,000) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

NOTE 6 TRUST FUNDS UNDER ADMINISTRATION

The Department administers trust funds that are regulated 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 purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2001, trust funds under administration were as follows:

	In thousands	
	2001	**2000**
Local Authorities Pension Plan Fund	$ 8,810,186	$ 9,283,601
Public Service Pension Plan Fund	3,835,921	4,365,244
The Workers' Compensation Board Accident Fund	2,264,635	2,889,716
Universities Academic Pension Plan Fund	1,699,449	1,859,982
Management Employees Pension Plan Fund	1,460,271	1,532,693
Special Forces Pension Plan Fund	990,951	1,039,672
Power Pool of Alberta Balancing Pool	813,149	-
Regional Health Authorities and various health institutions construction accounts	266,978	205,166
Other	70,686	63,590
	$ 20,212,226	$ 21,239,664

NOTE 7 PAYMENTS UNDER AGREEMENT

The Department has entered into agreements to deliver programs and services that are fully funded by outside sponsors. Costs incurred under these agreements are paid by the Department under authority of the Financial Administration Act, section 29.1. Accounts receivable includes $10,000 (2000 $54,000) and accounts payable includes $160,000 (2000 $167,000) relating to payments under agreement.

Amounts paid and payable under agreements with program sponsors are as follows:

	In thousands	
	2001	**2000**
Legacy Petroleum Ltd. bankruptcy costs	$ 163	$ 469
Canadian fuel tax uniformity project	150	137
Alberta wage and salary survey	-	119
	$ 313	$ 725

NOTE 8 PENSIONS

The Department participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers established by the government effective July 1, 1999. The expense for these pension plans is equivalent to the annual contributions of $2,037,000 for the year ended March 31, 2001 (2000 $1,667,000).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 $517,020,000). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000 (1999 $33,000).

NOTE 9 COMPARATIVE FIGURES

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

NOTE 10 GOVERNMENT RESTRUCTURING

As a result of government restructuring announced on March 15, 2001, the Department's responsibilities were transferred to the newly established Departments of Finance and Revenue.

Since the 2000-01 fiscal year was substantially completed prior to this announcement, these financial statements have been prepared as if the restructuring took place on April 1, 2001, to provide proper accountability for the 2000-01 fiscal year against the original business plan.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Corporate Secretary and the Deputy Ministers of Finance and Revenue.

Schedules to the 2000-01 Department of Treasury Financial Statements

REVENUES

Schedule 1

	2001 Budget	2001 Actual	2000 Actual
	In thousands		
Internal government transfers			
Alberta Heritage Savings Trust Fund	$ 866,900	$ 706,176	$ 939,113
Lottery Fund	50,323	214,291	112,485
	917,223	920,467	1,051,598
Income taxes			
Personal income tax	4,713,122	4,287,654	5,100,031
Less Alberta energy tax refund (a)	-	(345,000)	-
Corporate income tax	1,895,642	2,023,260	1,254,861
	6,608,764	5,965,914	6,354,892
Other taxes			
Fuel tax	559,000	580,988	567,941
Tobacco tax	355,000	339,658	339,340
Insurance corporations tax	127,150	119,015	116,965
Hotel room tax	47,000	52,557	47,696
Financial institutions capital tax	37,608	37,608	35,050
	1,125,758	1,129,826	1,106,992
Transfers from Government of Canada			
Unconditional subsidy	3,883	3,883	3,883
Investment income			
Farm credit stability program	16,700	16,283	24,783
Other	83,063	117,040	63,611
	99,763	133,323	88,394
Fees, permits and licences			
Deposit guarantee fee	12,089	12,739	17,444
Insurance companies, agents and brokers	250	243	242
Other	1,152	1,428	1,391
	13,491	14,410	19,077
Transfers from (to) government enterprises			
Alberta Government Telephones Commission	450	(122)	13,880
Other			
Sale of assets	1,300	6	2
Refunds of expenditure	900	7,185	2,503
Miscellaneous	11,284	12,919	11,924
	13,484	20,110	14,429
	$ 8,782,816	$ 8,187,811	$ 8,653,145

a) In November 2000, the Alberta Income Tax Amendment Act, 2000 (No. 2) received first reading in the Legislative Assembly. The Bill proposed an Alberta energy tax refund to individuals who met certain eligibility requirements but, because the Legislature was dissolved in February 2001, the Bill did not progress to an Act by March 31, 2001. New legislation was introduced after the year end and the refund program has since been authorized retroactively, which occurs infrequently with tax legislation changes.

DEDICATED REVENUE INITIATIVES

Schedule 2

	In thousands		
	2001		
	Authorized Dedicated Revenues	**Actual Dedicated Revenues**	**(Shortfall) / Excess**
Tax and revenue administration	$ 275	$ 499	$ 224
Office of budget and management	501	459	(42)
Finance	4,239	4,586	347
Investment management	4,769	5,183	414
	$ 9,784	$ 10,727	$ 943

Following is a brief description of each dedicated revenue initiative:

- Tax and revenue administration: Collects debts owing to the Crown on behalf of government departments having no collection infrastructure or having accounts that are difficult to collect.
- Office of budget and management: Recovers employer contributions from Alberta Pensions Administration Corporation (APA) relating to employees transferred from the Department to APA who were at the time of the transfer and continue to be entitled to long term disability benefits. Also recovers costs of internal audit services and related travel and implementation costs from investment funds and pension plans.
- Finance: Provides banking, securities administration and systems support services to various public sector investment funds. Fees are based on cost recovery.
- Investment management: Manages the investments of various public sector investment funds. Fees are based on cost recovery.

The revenue of each initiative is reported in the statement of operations.

EXPENSES DETAILED BY OBJECT — Schedule 3

	In thousands		
	2001		2000
	Budget	Actual	Actual
Voted			
Salaries, wages and employee benefits	$ 29,029	$ 28,708	$ 26,816
Supplies and services	12,457	13,335	13,140
Grants	90,586	90,581	101,062
Financial transactions and other	1,727	1,980	1,906
Amortization of capital assets	2,084	1,551	1,279
Total voted expenses before recoveries	135,883	136,155	144,203
Less recovery from support service arrangements with related parties (a)	-	138	467
	$ 135,883	$ 136,017	$ 143,736
Statutory			
Corporate tax interest refunds	$ 20,000	$ 19,437	$ 16,630
Pension liability funding	68,000	65,395	62,502
Grants	500,000	500,000	-
Debt servicing costs	883,000	885,075	851,136
Other financial transactions	2,400	2,328	3,968
Valuation adjustments (Schedule 4)	(4,700)	9,703	(94,169)
Total statutory expenses	$ 1,468,700	$ 1,481,938	$ 840,067

a) The Department provides financial, administrative and human resource services to various Provincial agencies, departments and offices of the Legislative Assembly. Costs incurred by the Department are recovered from the recipients of the services.

BUDGET **Schedule 4**

	In thousands		
	For the year ended March 31, 2001		
	2000-01 Estimates	Adjustments (a)	2000-01 Budget (b)
Revenues			
Internal government transfers	$ 917,223	$ -	$ 917,223
Income taxes	6,608,764	-	6,608,764
Other taxes	1,125,758	-	1,125,758
Transfers from Government of Canada	3,883	-	3,883
Investment income	99,763	-	99,763
Fees, permits and licences	13,491	-	13,491
Transfers from government enterprises	450	-	450
Other	13,484		13,484
	8,782,816	-	8,782,816
Expenses			
Voted			
Ministry support services	6,576	-	6,576
Revenue collection and rebates	15,995	-	15,995
Financial management and planning	22,726	-	22,726
Debt servicing costs	90,586	-	90,586
	135,883	-	135,883
Statutory			
Corporate tax interest refunds	20,000	-	20,000
Farm credit stability program	2,400	-	2,400
Pension liability funding	68,000	-	68,000
Debt servicing costs	883,000	-	883,000
Alberta Heritage Science and Engineering Research Endowment Fund	500,000	-	500,000
Valuation adjustments	2,300	(7,000)	(4,700)
	1,475,700	(7,000)	1,468,700
	1,611,583	(7,000)	1,604,583
Net operating results	$ 7,171,233	$ 7,000	$ 7,178,233
Capital investment	$ 3,555	$ -	$ 3,555

a) Adjustments consist of a budget for pension provisions which was not included in the Estimates.

b) Transfer of unexpended balances as a result of Order in Council 96/2001 has not been reflected in this Schedule (Note 10).

COMPARISON OF EXPENSES AND DISBURSEMENTS BY ELEMENT TO AUTHORIZED BUDGET

Schedule 5

		In thousands	
	2000-01 Budget (a)	**2000-01 Actual Expense (b)**	**Unexpended (Over Expended)**
Expenses			
Voted Expenses			
Program 1 - Ministry Support Services			
1.0.1 Provincial Treasurer's Office	$ 325	$ 317	$ 8
1.0.2 Deputy Provincial Treasurer's Office	295	345	(50)
1.0.3 Financial and Support Services	2,283	2,262	21
1.0.4 Human Resource Services	508	610	(102)
1.0.5 Corporate Information Management Services			
- Operating Expense	2,148	2,369	(221)
- Capital Investment	525	257	268
1.0.6 Records Management	512	483	29
1.0.7 Communications	410	312	98
1.0.8 Standing Policy Committee on Financial Planning and Human Resources	95	79	16
	7,101	7,034	67
Program 2 - Revenue Collection and Rebates			
2.0.1 Tax and Revenue Administration			
- Operating Expense	15,995	15,997	(2)
- Capital Investment	2,430	2,182	248
	18,425	18,179	246
Program 3 - Financial Management and Planning			
3.0.1 Office of Budget and Management			
- Operating Expense	7,956	7,898	58
- Capital Investment	300	-	300
3.0.2 Finance			
- Operating Expense	9,614	9,705	(91)
- Capital Investment	300	11	289
3.0.4 Investment Management	5,156	5,071	85
	23,326	22,685	641
Debt Servicing			
Grants for School Construction Debenture Interest Payment	90,586	90,569	17
Total Voted Expenses	$ 139,438	$ 138,467	$ 971
Program Operating Expense	$ 135,883	$ 136,017	$ (134)
Program Capital Investment	3,555	2,450	1,105
Total Voted Expenses	$ 139,438	$ 138,467	$ 971

a) Transfer of unexpended balances as a result of Order in Council 96/2001 has not been reflected in this Schedule (Note 10).

b) Includes achievement bonus of $1,272,000.

Schedule 5 (continued)

	In thousands		
	2000-01 Budget	**2000-01 Actual Expense**	**Unexpended (Over Expended)**
Statutory Expenses			
Corporate tax interest refunds	$ 20,000	$ 19,437	$ 563
Farm credit stability program	2,400	2,328	72
Pension liability funding	68,000	65,395	2,605
Alberta Heritage Science and Engineering Research Endowment Fund	500,000	500,000	-
Debt servicing costs	883,000	885,075	(2,075)
Valuation adjustments	(4,700)	9,703	(14,403)
Total Statutory Expenses	$ 1,468,700	$ 1,481,938	$ (13,238)

	2000-01 Budget (a)	**2000-01 Actual Disbursements**	**Unexpended (Over Expended)**
Disbursements			
Voted Non-Budgetary Disbursements			
Grants for School Construction Debenture Principal Repayment	$ 98,936	$ 98,912	$ 24

a) Reduced by a $5,000 encumbrance. In the event that actual voted disbursements in the prior year exceeded that authorized, the difference is known as an encumbrance. The encumbrance reduces the budgeted amount for voted disbursements in the current year.

VALUATION ADJUSTMENTS

Schedule 6

	In thousands		
	2001		**2000**
	Budget	**Actual**	**Actual**
Provision for guarantees and indemnities	$ 2,000	$ (2,104)	$ (264)
Provision for doubtful accounts and loans	300	66	(317)
Provision for employee benefits other than pensions	-	219	347
Write-off of investments	-	-	186
Provision for loans repayable from future appropriations	-	-	(80)
Pension provisions	(7,000)	11,522	(94,041)
	$ (4,700)	$ 9,703	$ (94,169)

SALARY AND BENEFITS DISCLOSURE Schedule 7

	2001			2000
	Salary [1]	Benefits and Allowances [1][2]	Total	Total
Deputy Provincial Treasurer [2][3]	$ 175,200	$ 47,111	$ 222,311	$ 204,555
Other senior officials				
Controller [2][3][4]	59,058	44,117	103,175	138,133
Executives				
Acting Controller [5]	60,064	12,627	72,691	-
Assistant Deputy Provincial Treasurer - Revenue	126,366	29,927	156,293	137,471
Assistant Deputy Provincial Treasurer - Treasury Operations [2]	126,258	30,972	157,230	145,260
Chief Investment Officer	275,167	17,601	292,768	215,697
Assistant Deputy Provincial Treasurer - Special Projects [6]	-	-	-	160,634

The presentation format has changed with prospective application from April 1, 2000. Under the new format the total salary and benefits relating to a position are disclosed. Comparatives have not been restated and show the salary and benefits of the last incumbent at March 31, 2000.

1) Salary includes regular base pay, bonuses, overtime and lump sum payments.

2) Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, WCB premiums, professional memberships and tuition fees. Benefits and allowances include the following vacation payouts: Deputy Provincial Treasurer $Nil (2000 $5,276), Assistant Deputy Provincial Treasurer - Treasury Operations $Nil (2000 $4,921).

3) Automobile provided, no dollar amount included in benefits and allowances figures.

4) The incumbent retired on September 30, 2000. Benefits include cash out of unused vacation upon retirement of $34,056.

5) The incumbent was appointed Acting Controller on October 1, 2000.

6) The incumbent retired on March 31, 2000. Total includes cash out of unused vacation upon retirement of $31,948.

CASH AND TEMPORARY INVESTMENTS, BANK OVERDRAFT — Schedule 8

	In thousands	
	2001	2000
Fixed-income securities (a)		
Corporate	$ 86,951	$ 469,909
Deposit in Consolidated Cash Investment Trust Fund	73,021	69,915
Cash in bank and in transit	128,902	99,036
Bank overdraft	(756,831)	(574,022)
	$ (467,957)	$ 64,838
Cash and temporary investments	$ -	$ 64,838
Bank overdraft	$ (467,957)	$ -

a) Fixed-income securities have an average effective yield of 5.0% per annum (2000 5.3% per annum). Ninety-two per cent (2000 100%) of the securities have terms to maturity of less than one week.

ACCOUNTS AND ACCRUED INTEREST RECEIVABLE — Schedule 9

	In thousands	
	2001	2000
Personal income tax	$ 520,433	$ 442,908
Corporate income tax	232,228	191,029
Fuel tax	48,329	47,811
Lottery Fund	48,063	44,290
Alberta Treasury Branches	30,182	17,444
Accrued interest receivable	29,566	12,522
Insurance corporations tax	21,009	25,458
Hotel room tax	4,974	4,670
Alberta Government Telephones Commission	4,837	4,959
Tobacco tax	3,636	3,673
Financial institutions capital tax	1,317	5,464
Alberta Heritage Savings Trust Fund	-	159,112
Other	1,950	1,852
	946,524	961,192
Less allowance for doubtful accounts	1,777	1,780
	$ 944,747	$ 959,412

PORTFOLIO INVESTMENTS — Schedule 10

	In thousands			
	2001		2000	
	Book Value	Fair Value	Book Value	Fair Value
Fixed-income securities (a)				
Government of Canada, direct and guaranteed	$ 558,325	$ 559,963	$ -	$ -
Provincial, direct and guaranteed	600,811	602,851	-	-
Corporate	953,585	955,006	-	-
	$ 2,112,721	$ 2,117,820	$ -	$ -

a) The Department's fixed-income securities are held to repay debt as it matures. The securities held have an average effective market yield of 4.9% per annum. Ninety-eight per cent of the securities have terms to maturity of less than two years.

LOANS AND ADVANCES TO GOVERNMENT ENTITIES — Schedule 11

	In thousands	
	2001	2000
Agriculture Financial Services Corporation	$ 660,224	$ 393,136
Alberta Social Housing Corporation	379,358	407,250
Alberta Opportunity Company	89,632	86,457
Public Trustee	224	224
	$ 1,129,438	$ 887,067

OTHER LOANS, ADVANCES AND INVESTMENTS — Schedule 12

	In thousands	
	2001	2000
Loans and advances		
Farm Credit Stability Act	$ 125,204	$ 185,104
Pratt & Whitney Canada Ltd.	3,075	3,631
Board of Governors of the University of Alberta	2,649	2,941
Accountable advances	1,271	1,414
University of Lethbridge Students' Union	1,097	1,235
Implemented guarantees and indemnities	315	407
Judgement debts	153	235
University of Calgary Students' Union	-	850
	133,764	195,817
Less allowance for doubtful loans and advances	467	642
	133,297	195,175
Investments		
N.A. Properties (1994) Ltd.	1,325	932
Alberta Municipal Financing Corporation	45	45
	1,370	977
	$ 134,667	$ 196,152

CAPITAL ASSETS

Schedule 13

In thousands

		2001			2000
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	10 years	$ 485	$ 407	$ 78	$ 112
Computer hardware and software	5 years	26,479	20,425	6,054	5,133
		$ 26,964	$ 20,832	$ 6,132	$ 5,245

ACCOUNTS AND ACCRUED INTEREST PAYABLE

Schedule 14

In thousands

	2001	2000
Accrued interest on unmatured debt	$ 266,444	$ 295,024
Corporate income tax receipts in abeyance	253,466	188,410
Alberta Heritage Savings Trust Fund	81,824	-
Other	53,755	19,731
	$ 655,489	$ 503,165

UNMATURED DEBT

Schedule 15

			In thousands			
			2001		2000	
	Effective Rate (a)(b)(c)	Modified Duration (d)	Book Value (a)	Fair Value (a)	Book Value (a)	Fair Value (a)
	%	years				
Canadian dollar debt and fully hedged foreign currency debt						
Floating rate and short-term fixed rate (e)	6.97	0.29	$ 1,795,152	$ 1,864,000	$ 2,133,223	$ 2,210,000
Fixed rate long-term (f)	7.17	4.13	3,726,238	4,182,000	4,582,625	4,949,000
	7.10	2.95	5,521,390	6,046,000	6,715,848	7,159,000
Unhedged U.S. dollar debt (g)						
Floating rate and short-term fixed rate (e)	5.93	0.25	2,157,283	2,312,000	2,972,362	3,045,000
Fixed rate long-term	6.70	2.01	1,246,012	1,432,000	1,219,683	1,217,000
	6.22	0.92	3,403,295	3,744,000	4,192,045	4,262,000
		2.17	8,924,685	9,790,000	10,907,893	11,421,000
Provincial corporation and regulated fund Canadian dollar debt (h)	5.77	7.74	1,089,066	1,095,000	841,583	840,000
	6.66	2.73	$ 10,013,751	$ 10,885,000	$ 11,749,476	$ 12,261,000

a) Book value represents the amount the Department 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 and currency rate swaps. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.

b) Weighted average effective rates on unhedged U.S. dollar debt are based upon debt stated in U.S. dollars.

c) Weighted average effective rate on total unmatured debt is on debt inclusive of deferred exchange losses on unhedged U.S. dollar debt (see note (g)).

d) Modified duration is the weighted average term to maturity of the 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.

e) 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.

f) Canadian dollar fixed rate debt includes $678,696,000 (2000 $678,696,000) held by the Canada Pension Plan Investment Fund.

g) Unhedged U.S. dollar debt is translated into Canadian dollars at the March 31 noon exchange rate of $1.5774 per U.S. dollar (2000 $1.4535 per U.S. dollar). Deferred exchange losses on unhedged U.S. dollar debt amounted to $154,014,000 at March 31, 2001 (2000 deferred exchange gains of $4,803,000). Amortization of deferred exchange losses amounted to $121,577,000 for the year ended March 31, 2001 (2000 $5,206,000).

Schedule 15 (continued)

h) Provincial corporation and regulated fund Canadian dollar debt is debt borrowed by the Department on behalf of Provincial corporations and regulated funds.

Debt principal repayment requirements at par in each of the next five years, including short-term debt maturing in 2001-02, and thereafter are as follows:

	In millions	
	Total	**Includes Unhedged**
2001-02	$ 1,504	US$ 376
2002-03	1,549	807
2003-04	1,861	500
2004-05	1,618	439
2005-06	1,261	108
Thereafter	2,364	46
	$10,157	US$2,276

Some of the debt has call provisions. Years to maturity reflect original maturity date and not early call date. Debt with call provisions occurring in under one year is $316,000,000 (2000 $611,000,000), and in one to five years is $70,000,000 (2000 $74,000,000).

Derivative financial instruments

The Department uses interest rate swaps and currency rate swaps and contracts to manage the interest rate risk and currency exposure associated with unmatured debt. In addition, forward interest rate agreements are used to manage interest rate exposure in the short term. Associated with these instruments are credit risks that could expose the Department 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 a fraction of the notional principal amount, as shown in the table below. The Department minimizes its credit risk associated with these contracts by dealing with only the most credit worthy counterparties.

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, 2001, interest rate swap agreements were being used primarily to convert fixed interest rate payments to floating rates.

Cross currency interest rate swaps involve both the swapping of interest rates and currencies.

Currency rate swaps including foreign exchange contracts involve an agreement to exchange United States dollars and other currencies into Canadian and United States dollars at an agreed upon rate and on an agreed settlement date.

Schedule 15 (continued)

The following table summarizes the Department's derivative portfolio and related credit exposure:

	In thousands			
	2001		2000	
	Notional Amount	Replacement Cost	Notional Amount	Replacement Cost
Interest rate swaps	$ 3,456,000	$ 8,000	$ 3,409,000	$ 44,000
Cross currency interest rate swaps	1,249,000	54,000	998,000	7,000
Currency rate swaps including foreign exchange contracts (stated in Canadian dollars)	8,000	1,000	332,000	40,000
	$ 4,713,000	$ 63,000	$ 4,739,000	$ 91,000

Notional amount represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows. Replacement cost represents the cost of replacing at current market rates all contracts which have a positive market value.

PENSION OBLIGATIONS

Schedule 16

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. 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 %
Public Service Management (Closed Membership) Pension Plan	December 31, 1999	4.25	3.0	7.25
Members of the Legislative Assembly Pension Plan	December 31, 1997	4.0	3.5	7.5
Universities Academic Pension Plan	December 31, 2000	4.0	3.5	7.5
Special Forces Pension Plan	December 31, 2000	3.75	3.25	7.0

These actuarial valuations indicated a deficiency of net assets over actuarial present value of accrued benefits. Including deferred adjustments, unfunded liabilities were extrapolated to March 31, 2001.

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.

Schedule 16 (continued)

	In thousands	
	2001	**2000**
Obligations to pension plans for current and former employees and Members of the Legislative Assembly		
Public Service Management (Closed Membership) Pension Plan (a)	$ 642,007	$ 653,660
Members of the Legislative Assembly Pension Plan (b)	49,258	49,177
	691,265	702,837
Obligations to pension plans for employees of organizations outside the government reporting entity		
Universities Academic Pension Plan (c)	145,438	121,204
Special Forces Pension Plan (c)	53,755	54,895
	199,193	176,099
	$ 890,458	$ 878,936

a) 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. After all assets in the plan are exhausted, all benefits under the plan will be paid by the Department.

b) The Department has a liability for payment of pension benefits under a defined benefit pension plan for 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 this date. The December 31, 1997 actuarial valuation used a discount rate of 7.5 per cent and a long term inflation rate of 3.5 per cent.

c) Under the Public Sector Pension Plans Act, the Department 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 plans.

For Universities Academic, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25 per cent of pensionable salaries by the Department, and such percentages by employers and employees as will fund equally 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 per cent by the Department and 27.27 per cent 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.

OTHER ACCRUED LIABILITIES — Schedule 17

	In thousands 2001	In thousands 2000
Guarantees and indemnities		
Credit union assistance	$ 69,171	$ 84,372
Other (Schedule 19)	5,629	5,832
Future carrying charges	625	3,790
	75,425	93,994
Future funding to school boards to enable them to repay debentures issued to the Alberta Municipal Financing Corporation	793,145	892,057
Vacation entitlements	3,837	3,619
Settlement with Principal Group noteholders	-	5,000
	$ 872,407	$ 994,670

GUARANTEED DEBT OF GOVERNMENT ENTITIES — Schedule 18

In thousands

	Held by: Department of Treasury	Alberta Heritage Savings Trust Fund	Others	Total 2001	Total 2000
Debentures					
Alberta Municipal Financing Corporation	$ -	$ -	$ 3,442,555	$ 3,442,555	$ 3,847,555
Alberta Social Housing Corporation	379,358	145,591	89,243	614,192	637,558
Alberta Government Telephones Commission	-	-	-	-	150,000
	379,358	145,591	3,531,798	4,056,747	4,635,113
Deposits					
Alberta Treasury Branches	32,165	-	10,886,698	10,918,863	9,924,626
	$ 411,523	$ 145,591	$ 14,418,496	$ 14,975,610	$ 14,559,739

Guarantees include principal borrowings only and exclude guaranteed interest, the amount of which is not determinable.

Schedule 18 (continued)

The net asset positions from the most recent financial statements of government entities with guaranteed liabilities are reported below.

Entity	Date	Position	2001 (In thousands)	2000 (In thousands)
Alberta Municipal Financing Corporation	December 31, 2000	Shareholders' equity	$ 149,977	$ 275,720
Alberta Social Housing Corporation	March 31, 2001	Surplus	$ 257,610	$ 212,365
Alberta Government Telephones Commission	December 31, 2000	Equity	$ -	$ -
Alberta Treasury Branches (a)	March 31, 2001	Equity	$ 434,107	$ 272,638

a) In 1998-99, Alberta Treasury Branches initiated legal actions which resulted in counterclaims aggregating $506,500,000. The eventual outcome of these claims and counterclaims is not determinable.

OTHER GUARANTEES (a)

Schedule 19

	2001 (In thousands)	2000 (In thousands)	Expiry Date
Farm Credit Stability Act (b)	$ 129,800	$ 191,599	2011
Rural utilities loans	2,268	3,225	2009
Centre for Engineering Research Inc.	2,346	2,710	2005
University of Calgary	1,251	1,306	2016
Small Business Term Assistance Act	157	181	(c)
	135,822	199,021	
Less estimated liability (Schedule 17)	5,629	5,832	
	$ 130,193	$ 193,189	

a) Authorized loan guarantee limits decline as guaranteed loans are repaid.

The lender takes appropriate security prior to issuing a loan to the borrower 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.

No new program guarantees are being issued under the following Acts or programs: Farm Credit Stability Act and Small Business Term Assistance Act. After October 29, 1999, no new program guarantees are being issued under the Rural Utilities Act.

b) The expiry date shown is the latest expiry date for guaranteed loans under the program.

c) Loans have expired or are in the process of realization of security.

RELATED PARTY TRANSACTIONS — Schedule 20

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

As explained in Notes 1 and 2(a), the Department is responsible for handling all departments' cash transactions. As a result, the Department engages in transactions with its own funds and agencies and with all other departments and their funds and agencies in the normal course of operations.

The Deputy Minister of Finance is a director of Alberta Pensions Administration Corporation and Alberta Municipal Financing Corporation. Alberta Pensions Administration Corporation is wholly owned and Alberta Municipal Financing Corporation is 70 per cent owned by the Government of Alberta, through the Department. The Deputy Minister of Finance did not receive any benefit during the year, in cash or in kind, as a result of these directorships.

The investment in Alberta Municipal Financing Corporation is recorded at cost (see Schedule 12) because the Corporation has the power to pay its retained earnings, which amounted to $149,913,000 at December 31, 2000 (1999 $275,656,000), to municipal and other shareholders which have borrowed money from the Corporation. During the 2000-01 fiscal year, the Department paid $189,481,000 (2000 $203,053,000) to the Corporation by way of grants to school boards to satisfy their interest and principal repayment obligations in respect of school board debentures. These amounts are not included in the table below as school boards are not related parties. The investment in Alberta Pensions Administration Corporation is not significant, either on a cost or an equity basis.

The Department 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.

Schedule 20 (continued)

The Department had the following transactions with related parties recorded on the statement of operations at the amount of consideration agreed upon between the related parties.

	In thousands			
	Entities in the Ministry		**Other Entities**	
	2001	**2000**	**2001**	**2000**
Revenues				
Transfers	$ 706,054	$ 952,993	$ 214,291	$ 112,485
Interest	895	308	60,472	49,728
Charges for services	15,743	20,424	745	356
	$ 722,692	$ 973,725	$ 275,508	$ 162,569
Expenses				
Transfers	$ 500,000	$ -	$ -	$ -
Interest	3,507	4,908	-	-
Cost of services	76	111	1,378	1,145
	$ 503,583	$ 5,019	$ 1,378	$ 1,145
Assets				
Accounts receivable	$ 35,445	$ 181,953	$ 48,068	$ 44,327
Accrued interest receivable	262	308	11,067	6,524
Loans, advances and investments	1,370	977	1,129,213	886,843
	$ 37,077	$ 183,238	$ 1,188,348	$ 937,694
Liabilities				
Accounts and accrued interest payable	$ 82,730	$ 2,800	$ -	$ -
Unmatured debt	29,967	62,334	-	-
	$ 112,697	$ 65,134	$ -	$ -

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

The Department 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 and are disclosed in Schedule 21.

	In thousands			
	Entities in the Ministry		**Other Entities**	
	2001	**2000**	**2001**	**2000**
Expenses - incurred by others				
Accommodation	$ -	$ -	$ 2,766	$ 2,218
Legal services	-	-	1,801	1,926
	$ -	$ -	$ 4,567	$ 4,144

ALLOCATED COSTS BY PROGRAM

Schedule 21

In thousands

	Ministry Support Services	Revenue Collection and Rebates	Financial Management and Planning	Other	Total
Expenses [1]	$ 6,777	$ 15,997	$ 22,674	$ 1,562,804	$ 1,608,252
Expenses - incurred by others					
Accommodation costs	393	1,432	941	-	2,766
Legal services	17	280	1,525	-	1,822
	410	1,712	2,466	-	4,588
Valuation adjustments					
Vacation pay	(37)	105	151	-	219
Doubtful accounts	-	156	(90)	-	66
Other	-	-	-	9,418	9,418
	(37)	261	61	9,418	9,703
2001 Total	$ 7,150	$ 17,970	$ 25,201	$ 1,572,222	$ 1,622,543
2000 Total	$ 7,887	$ 16,269	$ 22,718	$ 941,073	$ 987,947

1) Expenses - directly incurred as per statement of operations, excluding valuation adjustments.

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND
FINANCIAL STATEMENTS
MARCH 31, 2001

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Revenue

I have audited the balance sheet of the Alberta Heritage Foundation for Medical Research Endowment Fund as at March 31, 2001 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's 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 financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 18, 2001

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND
BALANCE SHEET
MARCH 31, 2001
(thousands)

	2001	2000
Assets		
Portfolio investments (Note 3)	$ 1,031,670	$ 1,022,560
Receivable from sale of investments	4,802	-
	$ 1,036,472	$ 1,022,560
Liabilities, Endowment and Retained Earnings		
Accrued administration expense	$ 7	$ 21
Liabilities for investment purchases	5,500	-
	5,507	21
Endowment (Note 6)	300,000	300,000
Retained earnings (Note 6)	730,965	722,539
	$ 1,036,472	$ 1,022,560

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

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2001
(thousands)

	2001		2000
	Budget	Actual	Actual
Income			
Investment income (Note 7)	$ 74,300	$ 57,569	$ 175,421
Expenses			
Transfer to the Alberta Heritage Foundation for Medical Research	45,000	49,000	39,500
Direct administrative expenses (Note 8)	210	143	145
	45,210	49,143	39,645
Net income	$ 29,090	8,426	135,776
Retained earnings at beginning of year		722,539	586,763
Retained earnings at end of year		$ 730,965	$ 722,539

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

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2001
(thousands)

	2001	2000
Operating transactions		
Net income	$ 8,426	$ 135,776
Non-cash items included in net income	(2,956)	(33,795)
	5,470	101,981
Increase in receivables	(4,802)	-
Increase in payables	5,486	1
Cash provided by operating transactions	6,154	101,982
Investing transactions:		
Proceeds from disposals, repayments and redemptions of investments	388,846	309,436
Purchase of investments	(392,618)	(423,121)
Cash applied to investing transactions	(3,772)	(113,685)
Increase (decrease) in cash	2,382	(11,703)
Cash at beginning of year	9,637	21,340
Cash at end of year	$ 12,019	$ 9,637
Consisting of Deposit in the Consolidated Cash Investment Trust Fund (Note 3)	$ 12,019	$ 9,637

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

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

ENDOWMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2001

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Heritage Foundation for Medical Research Endowment Fund ("the Fund") operates under the authority of the Alberta Heritage Foundation for Medical Research Act, Chapter A-26, Revised Statutes of Alberta 1980.

The purpose of the Fund is to invest the endowment made to the Fund. The Fund is managed with the objectives of providing an annual level of income for transfer to the Alberta Heritage Foundation for Medical Research while preserving the capital of the endowment over the long term. The portfolio is comprised of high quality fixed-income securities, equities, real estate and derivative financial instruments.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The accounting policies of significance to the Fund are as follows:

(a) Portfolio Investments

Fixed-income securities, mortgages, equities, and real estate investments held directly by the Fund or by pooled investment funds are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Investments are recorded as of the trade date.

The cost of disposals is determined on the average cost basis.

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.

(b) Income Recognition

Investment income is recorded on the accrual basis. Gains and losses arising as a result of disposals are included in the determination of investment income. Income and expense from derivative contracts are included in investment income.

(c) Foreign Currency

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. Exchange differences on unhedged transactions are included in the determination of investment income.

(d) Investment Valuation

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. Fair values of investments held either by the Fund or by pooled investment funds are determined as follows:

(i) 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.

(ii) Private fixed-income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

(iii) The fair value of private equities is estimated by management.

(iv) 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.

(v) The fair values of deposits, receivables, accrued interest and payables are estimated to approximate their book values.

(vi) The fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate.

(e) Valuation of Derivative Contracts

Derivative contracts include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. As disclosed in Note 5, the value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

(i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

(ii) Interest rate swaps are valued based on discounted cash flows using current market yields.

(iii) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

(iv) The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

NOTE 3 PORTFOLIO INVESTMENTS (SCHEDULES A TO D)

	2001			2000		
	Cost	Fair Value	%	Cost	Fair Value	%
			(thousands)			
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 12,019	$ 12,019	1.2	$ 9,637	$ 9,637	0.9
Fixed-income securities:						
Canadian Dollar Public Bond Pool (b) (Schedule A)	229,637	223,688	22.9	381,162	364,372	32.4
Private Mortgage Pool (c)	26,270	28,909	3.0	20,837	23,229	2.1
Floating Rate Note Pool (d)	4,679	4,631	0.5	12,872	12,770	1.1
Total deposit and fixed income securities	272,605	269,247	27.6	424,508	410,008	36.5
Canadian equities:						
Domestic Passive Equity Pooled Fund (e) (Schedule B)	127,583	119,077	12.2	99,623	121,911	10.9
Canadian Pooled Equity Fund (f) (Schedule C)	122,098	111,924	11.5	71,205	115,048	10.2
External Managers Fund (Canadian) (g) (Schedule D)	48,324	51,340	5.3	47,422	54,527	4.9
Private Equity Pool (h)	1,309	5,356	0.5	1,717	7,078	0.6
Total Canadian equities	299,314	287,697	29.5	219,967	298,564	26.6
Foreign equities:						
External Managers Fund (International) (g) (Schedule D)	199,290	174,400	17.9	105,931	132,071	11.8
External Managers Fund (United States) (g) (Schedule D)	200,044	181,863	18.6	132,947	144,577	12.9
EAFE Structured Equity Pool	227	238	-	50,680	50,455	4.5
United States Equity Pooled Fund	183	195	-	621	600	-
US Passive Equity Pooled Fund	-	-	-	12,942	12,797	1.1
US Structured Equity Pool	-	-	-	11,744	11,151	1.0
Total Foreign equities	399,744	356,696	36.5	314,865	351,651	31.3
Real Estate:						
Private Real Estate Pool (i)	60,007	62,767	6.4	63,220	63,059	5.6
Total equities and real estate	759,065	707,160	72.4	598,052	713,274	63.5
Total investments (j)	$ 1,031,670	$ 976,407	100.0	$ 1,022,560	$ 1,123,282	100.0

The majority of the Fund's investments are held in pooled investment funds established and administered by the Provincial Treasurer. Pooled investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of pool units. As at March 31, 2001, the Fund's percentage ownership, at market, in pooled investment funds is as follows:

	% Ownership	
	2001	2000
Canadian Dollar Public Bond Pool	2.7	4.0
Canadian Pooled Equity Fund	5.1	4.6
Domestic Passive Equity Pooled Fund	5.8	5.1
EAFE Structured Equity Pool	0.1	5.9
External Managers Fund	4.5	5.0
Floating Rate Note Pool	0.2	0.5
Private Equity Pool	6.6	6.6
Private Mortgage Pool	3.2	2.3
Private Real Estate Pool	4.7	5.1
United States Pooled Equity Fund	5.0	5.0
US Passive Equity Pooled Fund	-	1.4
US Structured Equity Pool	-	8.2

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term to maturity of five years. As at March 31, 2001, securities held by the Fund have an average effective market yield of 5.09% per annum (2000: 5.42% per annum).

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing above average returns compared to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and related derivatives (see Schedule A). Competitive returns are achieved through management of the portfolio duration and sector rotation. As at March 31, 2001, securities held by the pool have an average effective market yield of 5.75% per annum (2000: 6.39% per annum) and the following term structure based on principal amount: under 1 year: 5% (2000: 9%); 1 to 5 years: 36% (2000: 35%); 5 to 10 years: 29% (2000: 29%); 10 to 20 years: 15% (2000: 15%); over 20 years: 15% (2000: 12%).

(c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the Scotia Capital Universe Bond Index over a four-year period or longer. The portfolio is comprised primarily of high quality commercial mortgage loans (95.7%) and provincial bond residuals (4.3%). To limit investment risk, mortgage loans are restricted to first mortgage loans, diversified by property usage and geographic location, and include a small portion of NHA insured loans. As at March 31, 2001, mortgages held by the Pool have an average market yield of 7.14% per annum (2000: 7.66% per annum) and the following term structure based on principal amount: under 1 year: 10% (2000: 7%); 1 to 5 years: 25% (2000: 28%); 5 to 10 years: 22% (2000: 29%); 10 to 20 years: 25% (2000: 22%); over 20 years: 18% (2000: 14%).

(d) The Floating Rate Note Pool is managed with the objective of generating floating rate income needed for the swap obligations in respect of structured investments in foreign equities, domestic equities and bonds. Through the use of interest rate swaps the Pool provides investment opportunities in high quality floating-rate instruments with remaining term-to-maturity of ten years or less. As at March 31, 2001, securities held by the Pool have an average effective market yield of 5.49% per annum (2000: 5.64% per annum).

(e) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of publicly traded equities in Canadian corporations similar in weights to the TSE 300 Index (see Schedule B). To enhance investment returns with no substantial increase in risks, the pool uses structured investments such as domestic equity index swaps. The Pool's investment in units of the Floating Rate Note Pool (see Note 3d) are used as the underlying securities to support the index swaps of the Pool.

(f) The Canadian Pooled Equity Fund is managed with the objective of providing competitive returns comparable to the total return of the Toronto Stock Exchange (TSE) 300 Index (see Schedule C). The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(g) The External Managers Fund is comprised of numerous portfolios which are managed by numerous external managers with expertise in Canadian, United States and international equity markets (see Schedule D). The international equity market consists of non-North American investments in Europe, Australia, the Far East, the Pacific Basin and Emerging Markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley, Standard and Poor's and Toronto Stock Exchange 300 indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, style and market diversification.

(h) The Private Equity Pool is in the process of orderly liquidation.

(i) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over a four-year period or longer. Real Estate is held through intermediate companies which have issued to the Pool, common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns tend to be positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the Pool provides diversification from the securities market with opportunities for high returns.

(j) Where fair value is less than cost, in management's best judgement, and based on market trends, the fair value will likely recover overtime.

NOTE 4 INVESTMENT RISK MANAGEMENT

Income and financial returns of the Fund are exposed to credit risk and price risk. 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. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

In order to earn an optimal financial return at an acceptable level of risk, management of the Fund established the following long-term policy asset mix for the 2000-2001 fiscal year:

Fixed-income securities	35% to 25%
Equities	65% to 75%

Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed-income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Fund participates in investment funds that hold derivative contracts to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. 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.

(i) A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

(ii) Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(iii) A stock index futures contract is an agreement to receive or pay cash based on changes in the level of the specified stock index.

The following is a summary of the fund's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at March 31, 2001.

	2001		2000	
	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
	(thousands)			
Equity index swap contracts	$ 59,357	$ (5,728)	$ 133,837	$ 7,996
Bond index swap contracts	14,329	(72)	46,099	163
Interest rate swap contracts	16,244	(558)	35,831	(599)
Forward foreign exchange contracts	24,646	(74)	17,818	(79)
Equity index futures contracts	110	(2)	164	23
	114,686	$ (6,434)	233,749	$ 7,504
Cross-currency interest rate swap contracts (b)	48,667		98,002	
	$ 163,353		$ 331,751	

(a) The method of determining the fair value of derivative contracts is described in note 2 (e).

(b) Cross-currency swaps are valued as a package including the underlying security. As at March 31, 2001, the combined fair value of cross-currency interest rate swaps and underlying securities amounted to $49,091,000 (2000: $98,304,000).

As at March 31, 2001, all derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional value of $32,497,000 that mature between 1 and 3 years (2000: $80,601,000) and $22,727,000 that mature over 3 years (2000: $54,242,000).

NOTE 6 ENDOWMENT AND RETAINED EARNINGS

The endowment was received from the Alberta Heritage Savings Trust Fund on March 31, 1980. The Alberta Heritage Foundation for Medical Research Act provides that money required by the Foundation for the furtherance of its objectives shall be paid from the Fund, but no money shall be paid out of the Fund if the payment would result in the value of the assets of the Fund, at cost, being less than the endowment received by the Fund.

NOTE 7 INVESTMENT INCOME

	2001	2000
	(thousands)	
Deposits and fixed-income securities		
Deposit in the Consolidated Cash Investment Trust Fund	$ 785	$ 708
Canadian Dollar Public Bond Pool	13,337	19,506
Private Mortgage Pool	1,969	1,821
Floating Rate Note Pool	461	281
Public fixed-income securities, directly held	-	3
	16,552	22,319
Equities		
Canadian Pooled Equity Fund	25,533	28,234
Domestic Passive Equity Pooled Fund	7,659	43,778
External Managers Fund (International)	6,665	23,149
External Managers Fund (Canadian)	4,003	3,885
Private Real Estate Pool	3,036	3,601
Private Equity Pool	798	584
US Passive Equity Pooled Fund	310	2,991
Global Structured Equity Pooled Fund	-	8,536
United States Pooled Equity Fund	(8)	109
External Managers Fund (United States)	(42)	18,574
US Structured Equity Pool	(1,235)	3,083
EAFE Structured Equity Pool	(5,702)	16,578
	41,017	153,102
	$ 57,569	$ 175,421

Investment income is comprised of interest, dividends, amortization of discount or premium, swap income, security lending income and realized gains and losses, net of write-downs on investments. The Fund's share of income earned from externally and internally managed investment pools is net of administrative expenses incurred by the pools (see Note 8).

Investment income for the year ended March 31, 2001, includes net gains from disposal of investments totalling $40,454,000 (2000: $97,448,000).

NOTE 8 ADMINISTRATIVE EXPENSES

Administrative expenses include investment management, cash management and safekeeping costs and other expenses charged on a cost-recovery basis directly by Alberta Treasury. The Fund's total administrative expenses for the year, including amounts deducted directly from investment income of pooled investment funds is as follows:

	2001	2000
	(thousands)	
Direct fund expenses	$ 143	$ 145
Externally managed investment pools	954	704
Internally managed investment pools	171	154
	$ 1,268	$ 1,003
Expenses as a percentage of net assets at fair value	0.130%	0.089%

NOTE 9 COMPARATIVE FIGURES

Certain 2000 figures have been reclassified to conform to 2001 presentation.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Revenue.

NOTE 11 GOVERNMENT RESTRUCTURING

On March 15, 2001, the government announced new ministry structures. As a result, responsibility for the fund was transferred to the Ministry of Revenue.

SCHEDULE A

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND

SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL

MARCH 31, 2001

(thousands)

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 4,624	$ 4,624	$ 6,786	$ 6,786
Public fixed-income securities				
Government of Canada				
direct and guaranteed	56,228	54,946	100,675	97,279
Provincial:				
Alberta, direct and guaranteed	767	805	1,443	1,440
Other, direct and guaranteed	52,092	50,383	57,696	55,693
Municipal	3,340	3,314	3,164	3,026
Corporate	80,492	79,130	161,698	154,514
Private fixed-income securities				
Corporate	30,818	29,210	46,696	42,630
	228,361	**222,412**	**378,158**	**361,368**
Accounts receivable and accrued Investment income	4,000	4,000	12,522	12,522
Accounts payable and accrued liabilities	(2,724)	(2,724)	(9,518)	(9,518)
	1,276	**1,276**	**3,004**	**3,004**
Total Share - Alberta Heritage Foundation for Medical Research Endowment Fund	**$ 229,637**	**$ 223,688**	**$ 381,162**	**$ 364,372**

SCHEDULE B

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND

SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND

MARCH 31, 2001

(thousands)

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 5,618	$ 5,618	$ 11,145	$ 11,145
Fixed-income securities, corporate	-	-	418	453
Floating Rate Note Pool (a)	59,005	54,722	41,740	44,956
	64,623	60,340	53,303	56,554
Canadian public equities (b)				
Common shares and rights:				
Communications and media	3,420	3,350	3,136	5,115
Conglomerates	2,031	3,037	1,140	1,432
Consumer products	4,097	3,792	1,904	2,336
Financial services	9,379	10,403	3,364	3,351
Gold and precious minerals	2,786	2,151	2,689	1,551
Industrial products	24,185	16,889	10,493	22,489
Merchandising	2,274	2,842	2,115	1,870
Metals and minerals	2,829	2,712	2,133	1,594
Oil and gas	7,035	8,960	5,027	5,240
Paper and forest products	1,546	1,527	1,503	1,915
Pipelines	1,337	1,666	989	758
Real estate and construction	1,157	1,066	1,059	832
Transportation and environmental services	1,076	1,274	809	802
Utilities	1,658	1,480	3,755	9,868
Passive index	4,033	3,471	-	-
	68,843	64,620	40,116	59,153
Accounts receivable and accrued investment income	138	138	6,302	6,302
Accounts payable and accrued liabilities	(6,021)	(6,021)	(98)	(98)
	(5,883)	(5,883)	6,204	6,204
Total Share - Alberta Heritage Foundation for Medical Research Endowment Fund	**$ 127,583**	**$ 119,077**	**$ 99,623**	**$ 121,911**

(a) The Pooled Fund's investment in the Floating Rate Note Pool is used as the underlying security to support the equity index swaps of the Pooled Fund.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

SCHEDULE C

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND

SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITY FUND

MARCH 31, 2001

(thousands)

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 782	$ 782	$ 759	$ 759
Canadian public equities (a)				
Common shares and rights:				
Communications and media	5,740	4,769	6,045	8,748
Conglomerates	4,593	6,232	3,298	4,753
Consumer products	5,316	4,138	3,157	2,639
Financial services	23,125	26,893	9,082	12,900
Gold and precious minerals	2,642	2,362	3,437	2,821
Industrial products	42,219	28,872	14,441	33,916
Merchandising	622	649	885	919
Metals and minerals	4,288	4,170	4,001	3,903
Oil and gas	11,403	14,530	8,995	10,370
Paper and forest products	4,280	3,685	3,067	3,412
Pipelines	724	932	1,723	1,674
Real estate and construction	756	761	1,558	1,506
Transportation and environmental services	399	289	2,293	1,348
Utilities	10,597	8,668	6,498	23,414
Passive index	3,373	2,953	-	-
	120,077	109,903	68,480	112,323
Accounts receivable and accrued investment income	2,449	2,449	3,351	3,351
Accounts payable and accrued liabilities	(1,210)	(1,210)	(1,385)	(1,385)
	1,239	1,239	1,966	1,966
Total Share - Alberta Heritage Foundation for Medical Research Endowment Fund	**$ 122,098**	**$ 111,924**	**$ 71,205**	**$ 115,048**

(a) The industrial classifications are those used by the Toronto Stock Exchange.

SCHEDULE D

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND

SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND

MARCH 31, 2001

(thousands)

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Foreign Public Equity Pools				
Multi-region	$ 105,040	$ 90,309	$ 31,504	$ 36,150
Europe	60,894	56,157	44,048	49,830
Pacific Basin	33,354	27,933	28,125	42,229
Emerging markets	2	1	2,254	3,862
	199,290	174,400	105,931	132,071
United States	200,044	181,863	132,947	144,577
Canadian Public Equity Pools				
Large capitalized companies	29,452	30,685	26,937	31,467
Small capitalized companies	18,872	20,655	20,485	23,060
	48,324	51,340	47,422	54,527
Total Share - Alberta Heritage Foundation For Medical Research Endowment Fund	**$ 447,658**	**$ 407,603**	**$ 286,300**	**$ 331,175**

The following is a summary of the Fund's share of assets and liabilities held in the External Managers Fund:

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
	(thousands)		*(thousands)*	
Cash and short-term securities	$ 5,204	$ 5,204	$ 6,699	$ 6,699
Investments:				
Public equities	436,553	396,507	279,994	324,842
Fixed-income securities	52	43	28	55
Accounts receivable and accrued investment income	10,629	10,629	2,846	2,846
Accounts payable and accrued liabilities	(4,780)	(4,780)	(3,267)	(3,267)
Total Share - Alberta Heritage Foundation For Medical Research Endowment Fund	**$ 447,658**	**$ 407,603**	**$ 286,300**	**$ 331,175**

ALBERTA HERITAGE SAVINGS TRUST FUND
FINANCIAL STATEMENTS
MARCH 31, 2001

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Revenue

I have audited the balance sheet of the Alberta Heritage Savings Trust Fund as at March 31, 2001 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's 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 financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 18, 2001

ALBERTA HERITAGE SAVINGS TRUST FUND
BALANCE SHEET
MARCH 31, 2001
(thousands)

	2001	2000
ASSETS		
Portfolio investments		
Endowment Portfolio (Schedule 1)	$ 7,716,884	$ 5,356,412
Transition Portfolio (Schedule 2)	4,483,416	6,919,980
Due from the General Revenue Fund	81,824	-
Accrued interest receivable	77,276	119,863
Receivable from sale of investments	41,934	22,251
	$ 12,401,334	$ 12,418,506
LIABILITIES AND FUND EQUITY		
Liabilities		
Accrued administration expense	$ 52	$ 128
Liabilities for investment purchases	144,963	2,945
Due to the General Revenue Fund	-	159,114
	145,015	162,187
Fund equity (Note 5)		
Endowment Portfolio	7,648,649	5,248,649
Transition Portfolio	4,607,670	7,007,670
	12,256,319	12,256,319
	$ 12,401,334	$ 12,418,506

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

ALBERTA HERITAGE SAVINGS TRUST FUND
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2001
(thousands)

	2001		2000
	Budget	Actual	Actual
Investment income (Note 6)			
Endowment Portfolio	$ 461,200	$ 375,710	$ 679,470
Transition Portfolio	408,100	332,019	491,314
	869,300	707,729	1,170,784
Expenses			
Direct administrative expenses (Note 7)	2,400	1,554	1,670
Net income (Note 6)	866,900	706,175	1,169,114
Transfers to the General Revenue Fund	866,900	706,175	939,114
Net change in fund equity (Note 5)	-	-	230,000
Fund equity at beginning of year	12,256,319	12,256,319	12,026,319
Fund equity at end of year	$ 12,256,319	$ 12,256,319	$ 12,256,319

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

ALBERTA HERITAGE SAVINGS TRUST FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2001
(thousands)

	2001	2000
Operating transactions		
Net income	$ 706,175	$ 1,169,114
Non-cash items included in net income	(86,255)	(177,188)
	619,920	991,926
Decrease (increase) in receivables	22,904	(3,961)
Increase (decrease) in payables	141,942	(122)
Cash provided by operating transactions	784,766	987,843
Investing transactions		
Proceeds from disposals, repayments and redemptions of investments	12,629,363	6,419,163
Purchase of investments	(12,390,895)	(6,538,754)
Cash provided by (applied to) investing transactions	238,468	(119,591)
Transfers		
Transfers to the General Revenue Fund	(706,175)	(939,114)
Increase (decrease) in amounts due to the General Revenue Fund	(240,938)	91,102
Cash applied to transfers	(947,113)	(848,012)
Increase in cash	76,121	20,240
Cash at beginning of year	187,754	167,514
Cash at end of year	$ 263,875	$ 187,754
Consisting of Deposits in the Consolidated Cash Investment Trust Fund		
Endowment Portfolio (Schedule 1)	$ 178,204	$ 103,421
Transition Portfolio (Schedule 2)	85,671	84,333
	$ 263,875	$ 187,754

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

ALBERTA HERITAGE SAVINGS TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2001

NOTE 1 AUTHORITY AND MISSION

The Alberta Heritage Savings Trust Fund operates under the authority of the Alberta Heritage Savings Trust Fund Act (the Act), Chapter A-27.01, Revised Statutes of Alberta 1980, as amended.

The preamble to the Act describes the mission of the Fund as follows:

"To provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans."

Investments of the Fund are held in an Endowment Portfolio and a Transition Portfolio. The Endowment Portfolio has the objective of maximizing long-term financial returns. The Transition Portfolio has the objective of providing income support to the Government's consolidated fiscal plan over the short term to medium term. The Fund's business plan provides that all assets in the Transition Portfolio will be transferred to the Endowment Portfolio by March 31, 2003.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with generally accepted accounting principles.

The accounting policies of significance to the Fund are as follows:

(a) Portfolio investments

Fixed-income securities, mortgages, equities, and real estate investments held directly by the Fund or by pooled investment funds are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Investments in loans are recorded at cost less any unearned revenue and 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 specific provision for credit loss is made and the carrying amount of the loan is reduced to its estimated realizable amount.

Investments are recorded as of the trade date.

The cost of disposals is determined on the average cost basis.

Where there has been a loss in value of an investment in fixed-income securities, mortgages, equities and real estate 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.

(b) Investment Income

Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability. When a loan becomes impaired, recognition of interest income in accordance with the terms of the original loan agreement ceases. Any subsequent payments received on an impaired loan are applied to reduce the loan's book value.

Gains and losses arising as a result of disposals of investments are included in the determination of investment income. Income and expense from derivative contracts are included in investment income.

(c) Foreign Currency

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. Exchange differences on unhedged transactions are included in the determination of investment income.

(d) Investment Valuation

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. Fair values of investments held either directly by the Fund or by pooled investment funds are determined as follows:

(i) 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 in independent securities valuation company.

(ii) Mortgages, provincial corporation debentures and private fixed-income securities 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.

(iii) The fair value of private equities is estimated by management.

(iv) 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.

(v) Fair value of loans are not reported due to there being no organized financial market for the instruments and it is not practical within constraints of timeliness or cost to estimate the fair values with sufficient reliability.

(vi) The fair value of deposits, receivables, accrued interest and payables are estimated to approximate their book values.

(vii) The fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate.

(e) Valuation of Derivative Contracts

Derivative contracts include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. As disclosed in Note 4, the value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

(i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

(ii) Interest rate swaps are valued based on discounted cash flows using current market yields.

(iii) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

(iv) The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

NOTE 3 RISK MANAGEMENT

Income and financial returns of the Fund are exposed to credit risk and price risk. 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. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

The *Standing Committee on the Alberta Heritage Savings Trust Fund* reviews and approves the business plan of the Fund. In order to earn an optimal financial return at an acceptable level of risk, the 2000-2001 business plan limits investments of the Transition Portfolio to include only fixed-income securities other than securities transferred from the previous structure and proposes the following asset mix policy for the Endowment Portfolio:

Fixed income securities	30% to 50%
Equities	70% to 50%

Risk is reduced through asset class diversification, diversification within each asset class, quality and duration constraints on fixed-income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 4). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in foreign currency (see Note 4).

NOTE 4 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Fund uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. 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.

(i) A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

(ii) Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(iii) A stock index futures contract is an agreement to receive or pay cash based on changes in the level of the specified stock index.

The following is a summary of the fund's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at March 31, 2001.

	2001		2000	
	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
		(thousands)		
Equity index swap contracts	$ 335,850	$ (32,415)	$ 507,176	$ 32,136
Bond index swap contracts	154,001	(769)	224,232	2,589
Forward foreign exchange contracts	142,373	(366)	106,675	(486)
Interest rate swap contracts	117,965	(4,352)	138,928	(2,007)
Equity index futures contracts	683	(11)	1,139	160
	750,872	$ (37,913)	978,150	$ 32,392
Cross-currency interest rate swap contracts (b)	497,806		487,632	
	$ 1,248,678		$ 1,465,782	

(a) The method of determining the fair value of derivative contracts is described in note 2 (e)

(b) Cross-currency swaps are valued as a package including the underlying security. As at March 31, 2001, the combined fair value of cross-currency interest rate swaps and underlying securities amounted to $503,753,000 (March 31, 2000: $487,819,000).

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional value of $294,850,000 (March 31, 2000: $446,467,000) that mature between 1 and 3 years and $208,033,000 (March 31, 2000: $206,111,000) that mature over 3 years.

NOTE 5 FUND EQUITY

By no later than 2003, all assets of the Transition Fund will be transferred to the Endowment Fund. For the year ended March 31, 2001, the Lieutenant Governor in Council approved the transfer of assets with a book value of not less than $1.2 billion and not more than $2.4 billion. Commencing in 2001-02, the Lieutenant Governor in Council has approved an increase in the transfer of assets from the Transition Fund to the Endowment Fund to not more than $3.6 billion.

Section 8(2) of the *Alberta Heritage Savings Trust Fund Act (the Act)* states that the net income of the Heritage Fund less any amount retained in the Fund to maintain its value shall be transferred to the General Revenue Fund annually in a manner determined by the Provincial Treasurer. Section 11(5) of the Act states that for fiscal years subsequent to 1999 and until the accumulated debt is eliminated in accordance with the *Fiscal Responsibility Act*, the Provincial Treasurer is not required to retain any income in the Heritage Fund to maintain its value, but may retain such amounts as the Provincial Treasurer considers advisable.

NOTE 6 NET INCOME

	Endowment Portfolio	Transition Portfolio	2001 Total	2000 Total
	(thousands)			
Deposit and fixed-income securities				
Deposits in the Consolidated Cash Investment Trust Fund	$ 6,824	$ 3,553	$ 10,377	$ 7,349
Public fixed-income securities, directly held				
Government of Canada, direct and guaranteed	1,401	52,135	53,536	111,245
Alberta, direct and guaranteed	-	4,775	4,775	8,566
Other provincial, direct and guaranteed	-	72,442	72,442	126,651
Municipal	-	4,407	4,407	4,370
Corporate	1,360	135,230	136,590	151,524
Security lending income	38	258	296	386
Provincial corporation debentures	-	48,456	48,456	73,204
Loans	-	17,564	17,564	4,643
Canadian Dollar Public Bond Pool	159,131	-	159,131	89,771
Private Mortgage Pool	21,380	-	21,380	21,074
Floating Rate Note Pool	3,480	-	3,480	11,461
	193,614	338,820	532,434	610,244
Equities				
Public Canadian equities, directly held	139,346	(6,801)	132,545	179,041
Canadian Pooled Equity Fund	69,557	-	69,557	19,200
External Managers Fund (International)	30,225	-	30,225	143,713
External Managers Fund (Canadian)	17,203	-	17,203	17,376
Private Real Estate Pool	17,090	-	17,090	20,232
Private Equity Pool	1,651	-	1,651	1,209
Private Equity Pool (98)	650	-	650	(49)
Security lending	-	-	-	141
Global Structured Equity Pooled Fund	-	-	-	23,541
United States Pooled Equity Fund	(371)	-	(371)	(177)
Swaps, direct	(1,547)	-	(1,547)	(13,376)
US Structured Equity Pool	(4,188)	-	(4,188)	6,152
External Managers Fund (United States)	(8,609)	-	(8,609)	77,300
US Passive Equity Pooled Fund	(9,254)	-	(9,254)	30,770
EAFE Structured Equity Pool	(24,932)	-	(24,932)	55,467
Domestic Passive Equity Pooled Fund	(44,725)	-	(44,725)	-
	182,096	(6,801)	175,295	560,540
Investment income	375,710	332,019	707,729	1,170,784
Direct administrative expenses (Note 7)	(820)	(734)	(1,554)	(1,670)
Net Income	$ 374,890	$ 331,285	$ 706,175	$ 1,169,114

Investment income is comprised of interest, dividends, amortization of discount and premiums, swap income, security lending income and realized gains and losses, net of write-downs, on investments. The Fund's share of income earned from externally and internally managed investment pools is net of administrative expenses incurred by the pools. (see Note 7).

Investment income from the Endowment portfolio includes a net gain from disposal of investments totalling $243,668,000 (2000: $405,831,000). Investment income from the Transition portfolio includes a net loss of $52,426,000 (2000: $4,922,000 net gain).

NOTE 7 ADMINISTRATIVE EXPENSES

Administrative expense includes investment management, cash management, safekeeping costs and other expenses charged on a cost-recovery basis directly from the Department of Treasury. The Fund's total administrative expense for the year, including amounts deducted directly from investment income of pooled funds is as follows:

	2001	2000
	(thousands)	
Direct fund expenses, (Note 6)	$ 1,554	$ 1,670
Externally managed investment pools	5,379	3,982
Internally managed investment pools	1,149	763
Total	$ 8,082	$ 6,415
Expenses as a percentage of net assets at fair value	0.067%	0.050%

NOTE 8 COMPARATIVE FIGURES

Certain 2000 figures have been reclassified to conform to 2001 presentation.

NOTE 9 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Revenue.

NOTE 10 GOVERNMENT RESTRUCTURING

On March 15, 2001, the government announced new ministry structures. As a result, responsibility for the fund was transferred to the Ministry of Revenue.

SCHEDULE 1

ALBERTA HERITAGE SAVINGS TRUST FUND

SCHEDULE OF ENDOWMENT PORTFOLIO INVESTMENTS

March 31, 2001

(thousands)

	2001			2000		
	Cost	Fair Value	%	Cost	Fair Value	%
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 178,204	$ 178,204	2.4	$ 103,421	$ 103,421	1.7
Fixed-income securities						
Public, directly held (b)						
Corporate	188,055	188,033	2.5	-	-	-
Government of Canada, guaranteed	25,894	26,062	0.3	26,560	25,560	0.4
Canadian Dollar Public Bond Pool (c)	2,449,498	2,404,033	32.2	1,848,383	1,772,350	29.7
Private Mortgage Pool (d)	318,808	310,398	4.2	292,952	279,892	4.7
Floating Rate Note Pool (e)	36,702	36,449	0.5	108,206	107,864	1.8
Total deposit and fixed-income securities	3,197,161	3,143,179	42.1	2,379,522	2,289,087	38.3
Canadian equities						
Domestic Passive Equity Pooled Fund (f)	532,863	674,804	9.0	-	-	-
Canadian Pooled Equity Fund (g)	693,550	635,305	8.5	84,818	101,505	1.7
External Managers Fund (Canadian) (h)	244,756	267,000	3.6	227,143	267,400	4.5
Private Equity Pool (98) (i)	58,724	58,720	0.8	32,022	32,033	0.6
Private Equity Pool (i)	11,645	11,082	0.1	12,489	14,645	0.3
Public, directly held	-	-	-	464,534	1,001,034	16.8
Total Canadian equities	1,541,538	1,646,911	22.0	821,006	1,416,617	23.9
Foreign equities						
External Managers Fund (United States) (h)	1,337,970	1,191,412	16.0	639,860	653,208	10.9
External Managers Fund (International) (h)	1,275,442	1,095,185	14.7	706,668	814,323	13.6
EAFE Structured Equity Pool	858	875	-	190,420	185,616	3.1
United States Pooled Equity Fund	800	707	-	2,738	2,179	-
US Passive Equity Pooled Fund	-	-	-	236,847	229,334	3.8
US Structured Equity Pool	-	-	-	33,173	30,754	0.5
Total foreign equities	2,615,070	2,288,179	30.7	1,809,706	1,915,414	31.9
Real estate (j)	363,115	388,258	5.2	346,178	353,699	5.9
Total equities and real estate	4,519,723	4,323,348	57.9	2,976,890	3,685,730	61.7
Total investments (k)	$ 7,716,884	$ 7,466,527	100.0	$ 5,356,412	$ 5,974,817	100.0

The majority of the Endowment portfolio investments are held in pooled investment funds established and administered by the Provincial Treasurer. Pooled investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of pool units. As at March 31, 2001, the Fund's percentage ownership, at market, in pooled investment funds is as follows:

	% Ownership	
	2001	2000
Canadian Dollar Public Bond Pool	28.9	19.5
Canadian Pooled Equity Fund	29.0	4.1
Domestic Passive Equity Pooled Fund	33.0	-
External Managers Fund	28.0	25.9
EAFE Structured Equity Pool	0.2	21.7
Floating Rate Note Pool	1.9	4.5
Private Equity Pool	13.6	13.6
Private Equity Pool (98)	100.0	100.0
Private Mortgage Pool	34.8	28.0
Private Real Estate Pool	28.9	28.6
United States Pooled Equity Fund	18.0	18.0
US Passive Equity Pooled Fund	-	25.0
US Structured Equity Pool	-	22.5

SCHEDULE 1 *(continued)*

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of five years. As at March 31, 2001, securities held by the Fund have an average effective market yield of 5.09% per annum (2000: 5.42% per annum).

(b) As at March 31, 2001, short-term corporate securities have an average effective market yield of 5.4% per annum. The Government of Canada guaranteed security has an average effective market yield of 5.5% per annum and matures on June 1, 2006.

(c) The Canadian Dollar Public Bond Pool is managed with the objective of providing above average returns compared to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The excess return is achieved through management of portfolio duration and sector rotation. The portfolio is comprised of high quality Canadian fixed-income instruments and debt related derivatives. As at March 31, 2001, securities held by the Pool have an average effective market yield of 5.75% per annum (2000: 6.39% per annum) and the following term structure based on principal amount: under 1 year: 5% (2000: 9%); 1 to 5 years: 36% (2000: 35%); 5 to 10 years: 29% (2000: 29%); 10 to 20 years: 15% (2000: 15%); over 20 years: 15% (2000: 12%).

The following is a summary of the Alberta Heritage Savings Trust Fund's investment in the Canadian Dollar Public Bond Pool as at March 31, 2001:

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
	(thousands)			
Deposit in the Consolidated Cash Investment Trust Fund	$ 49,690	$ 49,690	$ 33,010	$ 33,010
Public Fixed-income securities				
Government of Canada, direct and guaranteed	599,652	590,519	488,167	473,175
Province of Alberta, direct and guaranteed	8,179	8,647	6,998	7,003
Other provinces, direct and guaranteed	555,554	541,480	279,765	270,899
Municipal	35,615	35,620	15,342	14,718
Corporate	858,431	850,440	784,064	751,579
Private Fixed-income securities				
Corporate	328,663	313,923	226,427	207,356
Total deposit and fixed-income securities	2,435,784	2,390,319	1,833,773	1,757,740
Accounts receivable and accrued investment income	42,991	42,991	60,908	60,908
Accounts payable and accrued liabilities	(29,277)	(29,277)	(46,298)	(46,298)
	13,714	13,714	14,610	14,610
Total - Alberta Heritage Savings Trust Fund	$ 2,449,498	$ 2,404,033	$ 1,848,383	$ 1,772,350

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the Scotia Capital Universe Bond Index over a four-year period or longer. The portfolio is comprised primarily of high quality commercial mortgage loans (95.7%) and provincial bond residuals (4.3%). To limit investment risk, mortgage loans are restricted to first mortgage loans, diversified by property usage and geographic location, and include a small portion of NHA insured loans. As at March 31, 2001, securities held by the Pool have an average effective market yield of 7.14% per annum (2000: 7.66% per annum) and the following term structure based on principal amount: under 1 year: 10% (2000: 7%); 1 to 5 years: 25% (2000: 28%); 5 to 10 years: 22% (2000: 29%); 10 to 20 years: 25% (2000: 22%); and over 20 years: 18% (2000: 14%).

(e) The Floating Rate Note Pool is managed with the objective of generating floating rate income needed for the swap obligations in respect of structured investments in foreign equities, domestic equities and domestic bonds. Through the use of interest rate swaps the Pool provides investment opportunities in high quality floating-rate instruments with remaining term-to-maturity of ten years or less. As at March 31, 2001, securities held by the Pool have an average effective market yield of 5.49% per annum (2000: 5.64%).

(f) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. A portion of the portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 100 Index and the TSE 60 Index. The other portion of the portfolio fully replicates the TSE 300. The Pool's investment in units of the Floating Rate Note Pool (see Schedule 1e) are used as the underlying securities to support the index swaps of the pool.

(g) The Canadian Pooled Equity Fund is managed with the objective of providing competitive returns comparable to the total return of the Toronto Stock Exchange 300 Index while maintaining maximum preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

SCHEDULE 1 *(continued)*

(h) The External Managers Fund is comprised on numerous portfolios which are managed by numerous external managers with expertise in Canadian small and large stock market capitalization companies, United States, and International equity markets. The international equity market consists of non-North American investments in Europe, Australia, the Far East, Pacific Basin and Emerging Markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley, Standard and Poor's and Toronto Stock Exchange indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager style and market diversification.

The following is a summary of the Alberta Heritage Savings Trust Fund's investment in the External Managers Fund, by geographic region, as at March 31, 2001:

	2001		2000	
	Cost	**Fair Value**	**Cost**	**Fair Value**
		(thousands)		
Foreign Public Equity Pools				
Multi Region	$ 732,078	$ 624,480	$ 271,368	$ 294,185
Europe	368,154	323,501	268,064	271,861
Pacific Basin	175,199	147,201	154,421	229,262
Emerging Markets	11	3	12,815	19,015
	1,275,442	1,095,185	706,668	814,323
United States	1,337,970	1,191,412	639,860	653,208
Canadian				
Large capitalized companies	139,326	149,897	126,095	152,743
Small capitalized companies	105,430	117,103	101,048	114,657
	244,756	267,000	227,143	267,400
Total - Alberta Heritage Savings Trust Fund	$ 2,858,168	$ 2,553,597	$ 1,573,671	$ 1,734,931

The following is a summary of the assets and liabilities of the External Managers Fund as at March 31, 2001:

	2001		2000	
	Cost	**Fair Value**	**Cost**	**Fair Value**
	(thousands)		(thousands)	
Cash and short-term securities	$ 32,602	$ 32,602	$ 35,092	$ 35,092
Investments:				
Public equities	2,788,586	2,484,074	1,540,630	1,701,755
Fixed-income securities	331	272	153	288
Accounts receivable and accrued investment income	66,595	66,595	14,907	14,907
Accounts payable and accrued liabilities	(29,946)	(29,946)	(17,111)	(17,111)
Total - Alberta Heritage Savings Trust Fund	$ 2,858,168	$ 2,553,597	$ 1,573,671	$ 1,734,931

(i) The Private Equity Pool (98) is managed with the objective of providing investment returns higher than attainable from the TSE 300 Index over a five to ten year period. The portfolio is comprised of investments in institutionally sponsored private equity pools. Risk is reduced by avoiding direct investments in private companies and by limiting holdings in any single pool. The Private Equity Pool is in the process of orderly liquidation.

(j) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over a four-year period or longer. Real estate is held through intermediate companies which have issued to the Pool, common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the Pool provides diversification from the securities market with opportunities for high return.

(k) Where fair value is less than cost, in management's best judgement, and based on market trends, the fair value will likely recover overtime.

SCHEDULE 2

ALBERTA HERITAGE SAVINGS TRUST FUND
SCHEDULE OF TRANSITION PORTFOLIO INVESTMENTS
March 31, 2001
(thousands)

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 85,671	$ 85,671	$ 84,333	$ 84,333
Fixed-income securities (b)				
Public, directly held				
Government of Canada, direct and guaranteed	1,043,784	1,051,955	1,521,641	1,494,506
Provincial:				
Alberta, direct and guaranteed	57,717	58,388	98,074	96,999
Other, direct and guaranteed	1,015,814	1,025,335	1,632,732	1,609,316
Municipal	69,645	71,914	70,765	70,783
Corporate	1,671,894	1,692,318	2,655,354	2,632,495
Private fixed-income securities				
Corporate	191,145	191,035	191,712	184,399
Total deposit and fixed-income securities	4,135,670	4,176,616	6,254,611	6,172,831
Provincial corporation debentures (c)				
Agriculture Financial Services Corporation	104,796	110,124	284,702	292,181
Alberta Social Housing Corporation	145,591	217,104	192,852	263,914
Alberta Municipal Financing Corporation	-	-	35,000	35,989
Total Provincial corporation debentures	250,387	327,228	512,554	592,084
Total deposit, debentures and fixed-income securities	4,386,057	$ 4,503,844	6,767,165	$ 6,764,915
Canadian equities				
Public, directly held:				
TransCanada Pipelines Limited	-	$ -	53,966	$ 35,304
Loans				
Ridley Grain Ltd. (d)	91,245		93,500	
Vencap Acquisition Corporation (e)	6,114		5,349	
Total loans	97,359		98,849	
Total investments (f)	$ 4,483,416		$ 6,919,980	

(a) See Schedule 1, Note (a).

(b) Fixed-income instruments are managed with the objective of providing a market rate of return higher than the benchmark consisting of 50% of the Scotia Capital 91-day T-Bill Index and 50% of the Scotia Capital Short-term Bond Index. Any excess return is achieved through management of portfolio duration as well as through issuer mix. As at March 31, 2001, fixed-income securities held have an average effective market yield of 5.01% per annum for securities maturing within a year (2000: 5.81% per annum), and 5.10% per annum for securities maturing between 1 and 35 years (2000: 6.36% per annum). As at March 31, 2001, the securities have the following term structure based on principal amount: under 1 year: 32% (2000: 16%); 1 to 5 years: 58% (2000: 64%); and over 5 years: 10% (2000: 20%). As at March 31 2001, securities with a fair value of $277,333,000 (2000: $492,316,000) were loaned to certain borrowers. The loans were secured by marketable securities with a fair value of $297,697,000 (2000: $522,480,000). During the term of the loans, the Fund retains the right to receive income on the securities loaned, in addition to the fees earned.

(c) As at March 31, 2001, Provincial corporation debentures have an average effective market yield of 7.84% per annum (2000: 8.02% per annum). The maturity profile based on expected repayments is as follows: under 1 year $145,765,000; 1 to 5 years $23,695,000; and over 5 years $80,927,000.

SCHEDULE 2 *(continued)*

(d) Under the terms of the loans to Ridley Grain, 11% Participating First Mortgage Bonds due July 31, 2015, interest is compounded semi-annually and payable annually to the extent of available cash flow and any shortfall is to be deferred and capitalized. The principal of $91,245,000 and unpaid interest is repayable on or before July 31, 2015. Unpaid interest at March 31, 2001 amounted to $55,125,291 (2000: $55,125,291).

Grain throughput volumes are the main determinant of profitability of the grain terminal and its ability to service its loan from the province, and therefore the value is sensitive to changes in grain throughput volumes. Grain throughputs are difficult to forecast because they are dependent in part upon port allocation decisions of the Canadian Wheat Board and other factors such as crop size and composition. Accordingly, due to the uncertainty of the grain throughput volumes, income from the participating bonds is recognized when it is measurable and collectable.

(e) The principal amount of the Vencap loan, amounting to $52,588,000, is due on July 2046 and bears no interest. Investment in the loan is recorded at cost. Cost includes the present value of the anticipated loan repayment amounting to $1 million at December 31, 1995 plus accumulated amortization on the discount.

(f) During the year, $2,400,000,000 was transferred from the Transition Portfolio to the Endowment Portfolio in accordance with the investment provisions of the *Alberta Heritage Savings Trust Fund Act*.

ALBERTA HERITAGE SCHOLARSHIP FUND
FINANCIAL STATEMENTS
MARCH 31, 2001

AUDITOR'S REPORT

To the Minister of Revenue

I have audited the balance sheet of the Alberta Heritage Scholarship Fund as at March 31, 2001 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's 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 financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 18, 2001

ALBERTA HERITAGE SCHOLARSHIP FUND
BALANCE SHEET
MARCH 31, 2001
(thousands)

	2001	2000
Assets		
Portfolio investments (Note 3)	$ 317,362	$ 315,306
Receivable from sale of investments	1,652	-
	$ 319,014	$ 315,306
Liabilities, Endowment and Retained Earnings		
Accrued administration expense	$ 7	$ 12
Liabilities for investment purchases	3,066	-
	3,073	12
Endowment (Note 6)	100,000	100,000
Retained earnings (Note 6)	215,941	215,294
	$ 319,014	$ 315,306

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

ALBERTA HERITAGE SCHOLARSHIP FUND
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2001
(thousands)

	2001		2000
	Budget	Actual	Actual
Income			
Investment income (Note 7)	$ 21,300	$ 18,511	$ 56,516
Contributions from Province of Alberta	200	200	200
Other contributions	100	325	44
	21,600	19,036	56,760
Expenses			
Scholarships	17,900	18,287	17,234
Direct administrative expenses (Note 8)	140	102	101
	18,040	18,389	17,335
Net income	$ 3,560	647	39,425
Retained earnings at beginning of year		215,294	175,869
Retained earnings at end of year		$ 215,941	$ 215,294

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

ALBERTA HERITAGE SCHOLARSHIP FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2001
(thousands)

	2001	2000
Operating transactions		
Net income	$ 647	$ 39,425
Non-cash items included in net income	(1,769)	(13,364)
	(1,122)	26,061
Increase in receivables	(1,652)	-
Increase in payables	3,061	5
Cash provided by operating transactions	287	26,066
Investing transactions:		
Proceeds from disposals, repayments and redemptions of investments	126,583	124,041
Purchase of investments	(126,333)	(151,377)
Cash provided by (applied to) investing transactions	250	(27,336)
Increase (decrease) in cash	537	(1,270)
Cash at beginning of year	3,950	5,220
Cash at end of year	$ 4,487	$ 3,950
Consisting of Deposit in the Consolidated Cash Investment Trust Fund (Note 3)	$ 4,487	$ 3,950

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

ALBERTA HERITAGE SCHOLARSHIP FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2001

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Heritage Scholarship Fund ("the Fund") operates under the authority of the Alberta Heritage Scholarship Act, Chapter A-27.1, Revised Statutes of Alberta 1981.

The purpose of the Fund is to invest the endowment made to the Fund. The Fund is managed with the objectives of providing an annual level of income for scholarships while preserving the capital of the endowment over the long term. The portfolio is comprised of high quality fixed-income securities, equities, real estate and derivative financial instruments.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The accounting policies of significance to the Fund are as follows:

(a) Portfolio Investments

Fixed-income securities, mortgages, equities and real estate investments held directly by the Fund or by pooled investment funds are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Investments are recorded as of the trade date.

The cost of disposals is determined on the average cost basis.

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.

(b) Income Recognition

Investment income is recorded on the accrual basis. Gains and losses arising as a result of disposals are included in the determination of investment income. Income and expense from derivative contracts are included in investment income.

(c) Foreign Currency

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. Exchange differences on unhedged transactions are included in the determination of investment income.

(d) Investment Valuation

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. Fair values of investments held either by the Fund or by pooled investment funds are determined as follows:

(i) 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.

(ii) Private fixed-income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

(iii) The fair value of private equities is estimated by management.

(iv) 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.

(v) The fair values of deposits, receivables, accrued interest and payables are estimated to approximate their book values.

(vi) The fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate.

(e) Valuation of Derivative Contracts

Derivative contracts include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. As disclosed in Note 5, the value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

(i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

(ii) Interest rate swaps are valued based on discounted cash flows using current market yields.

(iii) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

(iv) The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

NOTE 3 PORTFOLIO INVESTMENTS (SCHEDULES A TO D)

Investments are summarized as follows:

	2001			2000		
	Cost	Fair Value	%	Cost	Fair Value	%
			(thousands)			
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 4,487	$ 4,487	1.5	$ 3,950	$ 3,950	1.2
Fixed-income securities:						
Canadian Dollar Public Bond Pool (b) (Schedule A)	69,764	68,081	22.7	116,648	111,732	32.3
Private Mortgage Pool (c)	7,892	8,856	2.9	6,745	7,627	2.2
Floating Rate Note Pool (d)	2,227	2,205	0.7	3,904	3,872	1.1
Total deposit and fixed income securities	84,370	83,629	27.8	131,247	127,181	36.8
Canadian equities:						
Domestic Passive Equity Pooled Fund (e) (Schedule B)	37,676	36,241	12.1	26,430	34,210	9.9
Canadian Pooled Equity Fund (f) (Schedule C)	37,543	34,715	11.5	21,363	34,756	10.1
External Managers Fund (Canadian) (g) (Schedule D)	14,868	15,683	5.2	17,602	20,177	5.8
Private Equity Pool (h)	524	1,761	0.6	659	2,328	0.7
Total Canadian equities	90,611	88,400	29.4	66,054	91,471	26.5
Foreign equities:						
External Managers Fund (International) (g) (Schedule D)	61,346	53,652	17.9	33,216	41,291	11.9
External Managers Fund (United States) (g) (Schedule D)	62,617	55,681	18.5	41,742	43,173	12.5
EAFE Structured Equity Pool	68	71	-	15,201	15,102	4.4
United States Equity Pooled Fund	57	61	-	194	190	-
US Passive Equity Pooled Fund	-	-	-	4,246	4,199	1.2
US Structured Equity Pool	-	-	-	3,869	3,665	1.1
Total Foreign equities	124,088	109,465	36.4	98,468	107,620	31.1
Real Estate:						
Private Real Estate Pool (i)	18,293	19,139	6.4	19,537	19,490	5.6
Total equities and real estate	232,992	217,004	72.2	184,059	218,581	63.2
Total investments (j)	$ 317,362	$ 300,633	100.0	$ 315,306	$ 345,762	100.0

The majority of the Fund's investments are held in pooled investment funds established and administered by the Provincial Treasurer. Pooled investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of pool units. As at March 31, 2001, the Fund's percentage ownership, at market, in pooled investment funds is as follows:

	% Ownership	
	2001	2000
Canadian Dollar Public Bond Pool	0.8	1.2
Canadian Pooled Equity Fund	1.6	1.4
Domestic Passive Equity Pooled Fund	1.8	1.4
EAFE Structured Equity Pool	0.02	1.8
External Managers Fund	1.4	1.6
Floating Rate Note Pool	0.1	0.2
Private Equity Pool	2.2	2.2
Private Mortgage Pool	1.0	0.8
Private Real Estate Pool	1.4	1.6
United States Pooled Equity Fund	1.6	1.6
US Passive Equity Pooled Fund	-	0.5
US Structured Equity Pool	-	2.7

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term to maturity of five years. As at March 31, 2001, securities held by the Fund have an average effective market yield of 5.09% per annum (2000: 5.42% per annum).

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing above average returns compared to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and related derivatives (see Schedule A). Competitive returns are achieved through management of the portfolio duration and sector rotation. As at March 31, 2001, securities held by the pool have an average effective market yield of 5.75% per annum (2000: 6.39% per annum) and the following term structure based on principal amount: under 1 year: 5% (2000: 9%); 1 to 5 years: 36% (2000: 35%); 5 to 10 years: 29% (2000: 29%); 10 to 20 years: 15% (2000: 15%); over 20 years: 15% (2000: 12%).

(c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the Scotia Capital Universe Bond Index over a four-year period or longer. The portfolio is comprised primarily of high quality commercial mortgage loans (95.7%) and provincial bond residuals (4.3%). To limit investment risk, mortgage loans are restricted to first mortgage loans, diversified by property usage and geographic location, and include a small portion of NHA insured loans. As at March 31, 2001, mortgages held by the Pool have an average market yield of 7.14% per annum (2000: 7.66% per annum) and the following term structure based on principal amount: under 1 year: 10% (2000: 7%); 1 to 5 years: 25% (2000: 28%); 5 to 10 years: 22% (2000: 29%); 10 to 20 years: 25% (2000: 22%); over 20 years: 18% (2000: 14%).

(d) The Floating Rate Note Pool is managed with the objective of generating floating rate income needed for the swap obligations in respect of structured investments in foreign equities, domestic equities and bonds. Through the use of interest rate swaps the Pool provides investment opportunities in high quality floating-rate instruments with remaining term-to-maturity of ten years or less. As at March 31, 2001, securities held by the Pool have an average effective market yield of 5.49% per annum (2000: 5.64% per annum).

(e) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of publicly traded equities in Canadian corporations similar in weights to the TSE 300 Index (see Schedule B). To enhance investment returns with no substantial increase in risks, the pool uses structured investments such as domestic equity index swaps. The Pool's investment in units of the Floating Rate Note Pool (see Note 3d) are used as the underlying securities to support the index swaps of the Pool.

(f) The Canadian Pooled Equity Fund is managed with the objective of providing competitive returns comparable to the total return of the Toronto Stock Exchange (TSE) 300 Index (see Schedule C). The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(g) The External Managers Fund is comprised of numerous portfolios which are managed by numerous external managers with expertise in Canadian, United States and international equity markets (see Schedule D). The international equity market consists of non-North American investments in Europe, Australia, the Far East, the Pacific Basin and Emerging Markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley, Standard and Poor's and Toronto Stock Exchange 300 indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, style and market diversification.

(h) The Private Equity Pool is in the process of orderly liquidation.

(i) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over a four-year period or longer. Real Estate is held through intermediate companies which have issued to the Pool, common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns tend to be positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the Pool provides diversification from the securities market with opportunities for high returns.

(j) Where the fair value is less than cost, in management's best judgement, and based on market trends, the fair value will likely recover overtime.

NOTE 4 INVESTMENT RISK MANAGEMENT

Income and financial returns of the Fund are exposed to credit risk and price risk. 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. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

In order to earn an optimal financial return at an acceptable level of risk, management of the Fund established the following long-term policy asset mix for the 2000-2001 fiscal year:

Fixed-income securities	35% to 25%
Equities	65% to 75%

Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed-income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Fund participates in investment funds that hold derivative contracts to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. 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.

(i) A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

(ii) Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(iii) A stock index futures contract is an agreement to receive or pay cash based on changes in the level of the specified stock index.

The following is a summary of the fund's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at March 31, 2001.

	2001		2000	
	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
	(thousands)			
Equity index swap contracts	$ 18,064	$ (1,743)	$ 39,639	$ 2,380
Bond index swap contracts	4,361	(22)	14,136	163
Interest rate swap contracts	5,097	(174)	10,705	(179)
Forward foreign exchange contracts	7,628	(23)	5,486	(24)
Equity index futures contracts	34	(1)	50	7
	35,184	$ (1,963)	70,016	$ 2,347
Cross-currency interest rate swap contracts (b)	15,218		29,422	
	$ 50,402		$ 99,438	

(a) The method of determining the fair value of derivative contracts is described in note 2 (e).

(b) Cross-currency swaps are valued as a package including the underlying security. As at March 31, 2001, the combined fair value of cross-currency interest rate swaps and underlying securities amounted to $15,351,000 (2000: $29,509,000).

As at March 31, 2001, all derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional value of $10,201,000 that mature between 1 and 3 years (2000: $24,307,000) and $7,015,000 that mature over 3 years (2000: $16,284,000).

NOTE 6 ENDOWMENT AND RETAINED EARNINGS

The endowment was received from the Alberta Heritage Savings Trust Fund on March 31, 1980. The Alberta Heritage Scholarship Act provides that money required by the Students Finance Board for providing scholarships or for paying the costs of administering scholarships, shall be paid from the Fund but no portion of the original endowment may be paid out of the Fund.

NOTE 7 INVESTMENT INCOME

	2001	2000
	(thousands)	
Deposits and fixed-income securities		
Deposit in the Consolidated Cash Investment Trust Fund	$ 337	$ 319
Canadian Dollar Public Bond Pool	4,316	5,898
Private Mortgage Pool	637	598
Floating Rate Note Pool	171	88
Public fixed-income securities, directly held	-	2
	5,461	6,905
Equities		
Canadian Pooled Equity Fund	7,919	10,040
Domestic Passive Equity Pooled Fund	2,429	12,372
External Managers Fund (International)	2,038	7,179
External Managers Fund (Canadian)	1,969	1,541
Private Real Estate Pool	944	1,115
Private Equity Pool	262	192
US Passive Equity Pooled Fund	106	958
Global Structured Equity Pooled Fund	-	2,806
United States Pooled Equity Fund	-	35
US Structured Equity Pool	(415)	986
External Managers Fund (United States)	(464)	7,357
EAFE Structured Equity Pool	(1,738)	5,030
	13,050	49,611
	$ 18,511	$ 56,516

Investment income is comprised of interest, dividends, amortization of discount or premium, swap income, security lending income and realized gains and losses, net of write-downs on investments. The Fund's share of income earned from externally and internally managed investment pools is net of administrative expenses incurred by the pools (see Note 8).

Investment income for the year ended March 31, 2001, includes net gains from disposal of investments totalling $13,172,000 (2000: $32,812,000).

NOTE 8 ADMINISTRATIVE EXPENSES

Administrative expenses include investment management, cash management and safekeeping costs and other expenses charged on a cost-recovery basis directly by Alberta Treasury. The Fund's total administrative expenses for the year, including amounts deducted directly from investment income of pooled investment funds is as follows:

	2001	2000
	(thousands)	
Direct fund expenses	$ 102	$ 101
Externally managed investment pools	296	228
Internally managed investment pools	53	48
	$ 451	$ 377
Expenses as a percentage of net assets at fair value	0.151%	0.109%

NOTE 9 COMPARATIVE FIGURES

Certain 2000 figures have been reclassified to conform to 2001 presentation.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Revenue.

NOTE 11 GOVERNMENT RESTRUCTURING

On March 15, 2001, the government announced new ministry structures. As a result, responsibility for the fund was transferred to the Ministry of Revenue.

SCHEDULE A

ALBERTA HERITAGE SCHOLARSHIP FUND

SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL

MARCH 31, 2001

(thousands)

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,407	$ 1,407	$ 2,081	$ 2,081
Public fixed-income securities				
Government of Canada direct and guaranteed	17,081	16,723	30,808	29,829
Provincial:				
Alberta, direct and guaranteed	233	245	442	442
Other, direct and guaranteed	15,825	15,335	17,656	17,078
Municipal	1,015	1,009	968	928
Corporate	24,453	24,084	49,482	47,381
Private fixed-income securities				
Corporate	9,362	8,890	14,290	13,072
	69,376	**67,693**	**115,727**	**110,811**
Accounts receivable and accrued investment income	1,217	1,217	3,840	3,840
Accounts payable and accrued liabilities	(829)	(829)	(2,919)	(2,919)
	388	**388**	**921**	**921**
Total Share - Alberta Heritage Scholarship Fund	**$ 69,764**	**$ 68,081**	**$ 116,648**	**$ 111,732**

SCHEDULE B

ALBERTA HERITAGE SCHOLARSHIP FUND

SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND

MARCH 31, 2001

(thousands)

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,710	$ 1,710	$ 3,127	$ 3,127
Fixed-income securities, corporate	-	-	110	127
Floating Rate Note Pool (a)	17,426	16,654	10,939	12,616
	19,136	18,364	14,176	15,870
Canadian public equities (b)				
Common shares and rights:				
Communications and media	1,010	1,020	822	1,435
Conglomerates	600	924	299	402
Consumer products	1,210	1,154	499	655
Financial services	2,770	3,166	882	940
Gold and precious minerals	822	655	705	435
Industrial products	7,143	5,141	2,749	6,311
Merchandising	672	865	554	525
Metals and minerals	835	826	559	447
Oil and gas	2,077	2,727	1,317	1,471
Paper and forest products	456	465	394	537
Pipelines	395	507	259	213
Real estate and construction	342	324	278	233
Transportation and environmental services	318	388	212	225
Utilities	490	450	984	2,770
Passive index	1,191	1,056	-	-
	20,331	19,668	10,513	16,599
Accounts receivable and accrued investment income	42	42	1,768	1,768
Accounts payable and accrued liabilities	(1,833)	(1,833)	(27)	(27)
	(1,791)	(1,791)	1,741	1,741
Total Share - Alberta Heritage Scholarship Fund	**$ 37,676**	**$ 36,241**	**$ 26,430**	**$ 34,210**

(a) The Pooled Fund's investment in the Floating Rate Note Pool is used as the underlying security to support the equity index swaps of the Pooled Fund.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

SCHEDULE C

ALBERTA HERITAGE SCHOLARSHIP FUND

SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITY FUND

MARCH 31, 2001

(thousands)

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 243	$ 243	$ 229	$ 229
Canadian public equities (a)				
Common shares and rights:				
Communications and media	1,765	1,479	1,813	2,643
Conglomerates	1,412	1,933	989	1,436
Consumer products	1,634	1,283	947	797
Financial services	7,109	8,342	2,724	3,897
Gold and precious minerals	812	733	1,031	852
Industrial products	12,980	8,955	4,332	10,246
Merchandising	191	201	265	278
Metals and minerals	1,318	1,293	1,200	1,179
Oil and gas	3,506	4,507	2,698	3,133
Paper and forest products	1,316	1,143	920	1,031
Pipelines	223	289	517	506
Real estate and construction	232	236	467	455
Transportation and environmental services	123	90	688	407
Utilities	3,258	2,688	1,950	7,074
Passive index	1,037	916	-	-
	36,916	34,088	20,541	33,934
Accounts receivable and accrued investment income	760	760	1,012	1,012
Accounts payable and accrued liabilities	(376)	(376)	(419)	(419)
	384	384	593	593
Total Share - Alberta Heritage Scholarship Fund	**$ 37,543**	**$ 34,715**	**$ 21,363**	**$ 34,756**

(a) The industrial classifications are those used by the Toronto Stock Exchange.

SCHEDULE D

ALBERTA HERITAGE SCHOLARSHIP FUND

SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND

MARCH 31, 2001

(thousands)

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Foreign Public Equity Pools				
Europe	$ 19,127	$ 17,628	$ 13,552	$ 15,329
Pacific Basin	10,352	8,578	8,777	12,988
Multi-region	31,866	27,446	10,176	11,748
Emerging markets	1	-	711	1,226
	61,346	53,652	33,216	41,291
United States	62,617	55,681	41,742	43,173
Canadian Public Equity Pools				
Large capitalized companies	8,287	8,661	8,889	10,420
Small capitalized companies	6,581	7,022	8,713	9,757
	14,868	15,683	17,602	20,177
Total Share - Alberta Heritage Scholarship Fund	**$ 138,831**	**$ 125,016**	**$ 92,560**	**$ 104,641**

The following is a summary of the Fund's share of assets and liabilities held in the External Managers Fund:

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
	(thousands)		(thousands)	
Cash and short-term securities	$ 1,596	$ 1,596	$ 2,117	$ 2,117
Investments:				
Public equities	135,425	121,613	90,567	102,640
Fixed-income securities	16	13	9	17
Accounts receivable and accrued investment income	3,260	3,260	899	899
Accounts payable and accrued liabilities	(1,466)	(1,466)	(1,032)	(1,032)
Total Share - Alberta Heritage Scholarship Fund	**$ 138,831**	**$ 125,016**	**$ 92,560**	**$ 104,641**

ALBERTA HERITAGE SCIENCE AND ENGINEERING RESEARCH ENDOWMENT FUND FINANCIAL STATEMENTS MARCH 31, 2001

AUDITOR'S REPORT

To the Minister of Revenue

I have audited the balance sheet of the Alberta Heritage Science and Engineering Research Endowment Fund as at March 31, 2001 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's 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 financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine,FCA
Auditor General

Edmonton, Alberta
May 18, 2001

ALBERTA HERITAGE SCIENCE AND ENGINEERING RESEARCH ENDOWMENT FUND

BALANCE SHEET

MARCH 31, 2001

(thousands)

	2001
Assets	
Portfolio investments (Note 3)	$ 523,299
Receivable from sale of investments	592
	$ 523,891
Liabilities, Endowment and Retained Earnings	
Accrued administration expense	$ 8
Liabilities for investment purchases	4,430
	4,438
Endowment (Note 6)	500,000
Retained earnings (Note 6)	19,453
	$ 523,891

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

ALBERTA HERITAGE SCIENCE AND ENGINEERING RESEARCH ENDOWMENT FUND

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 2001

(thousands)

	2001	
	Budget	Actual
Income		
Investment income (Note 7)	$ 11,600	$ 20,131
Expenses		
Transfer to the Alberta Heritage Foundation for Science and Engineering Research	11,400	575
Direct administrative expenses (Note 8)	200	103
	11,600	678
Net income	$ -	19,453
Retained earnings at beginning of year		-
Retained earnings at end of year		$ 19,453

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

ALBERTA HERITAGE SCIENCE AND ENGINEERING RESEARCH ENDOWMENT FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 2001

(thousands)

	2001
Operating transactions	
Net income	$ 19,453
Non-cash items included in net income	1,202
	20,655
Increase in receivables	(592)
Increase in payables	4,438
Cash provided by operating transactions	24,501
Investing transactions	
Proceeds from disposals, repayments and redemptions of investmernts	122,709
Purchase of investments	(633,522)
Cash applied to investing transactions	(510,813)
Transfers	
Transfers from the General Revenue Fund	500,000
Increase in cash	13,688
Cash at beginning of year	-
Cash at end of year	$ 13,688
Consisting of Deposit in the Consolidated Cash Investment Trust Fund (Note 3)	$ 13,688

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

ALBERTA HERITAGE SCIENCE AND ENGINEERING RESEARCH ENDOWMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2001

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Heritage Science and Engineering Research Endowment Fund ("the Fund") operates under the authority of the Alberta Heritage Foundation for Science and Engineering Research Act, Chapter A-26.5, Revised Statutes of Alberta 1980, as amended.

The Fund commenced operations on April 1, 2000. The purpose of the Fund is to invest the endowment made to the Fund. The Fund is managed with the objectives of providing an annual level of income for transfer to the Alberta Heritage Foundation for Science and Engineering Research while preserving the capital of the endowment over the long term. The portfolio is comprised of high quality fixed-income securities, equities, real estate and derivative financial instruments.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The accounting policies of significance to the Fund are as follows:

(a) Portfolio Investments

Fixed-income securities, mortgages, equities, and real estate investments held directly by the Fund or by pooled investment funds are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Investments are recorded as of the trade date.

The cost of disposals is determined on the average cost basis.

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.

(b) Income Recognition

Investment income is recorded on the accrual basis. Gains and losses arising as a result of disposals are included in the determination of investment income. Income and expense from derivative contracts are included in investment income.

(c) Foreign Currency

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. Exchange differences on unhedged transactions are included in the determination of investment income.

(d) Investment Valuation

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. Fair values of investments held either by the Fund or by pooled investment funds are determined as follows:

(i) 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.

(ii) Private fixed-income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

(iii) 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.

(iv) The fair values of deposits, receivables, accrued interest and payables are estimated to approximate their book values.

(v) The fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate.

(e) Valuation of Derivative Contracts

Derivative contracts include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. As disclosed in Note 5, the value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

(i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

(ii) Interest rate swaps are valued based on discounted cash flows using current market yields.

(iii) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

(iv) The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

NOTE 3 PORTFOLIO INVESTMENTS (SCHEDULES A TO D)

	2001		
	Cost	Fair Value	%
		(thousands)	
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 13,688	$ 13,688	2.9
Fixed-income securities:			
Canadian Dollar Public Bond Pool (b) (Schedule A)	160,573	162,046	34.7
Private Mortgage Pool (c)	20,695	20,712	4.4
Total deposit and fixed income securities	194,956	196,446	42.0
Canadian equities:			
Domestic Passive Equity Pooled Fund (d) (Schedule B)	57,776	48,217	10.3
Canadian Pooled Equity Fund (e) (Schedule C)	69,392	48,408	10.4
External Managers Fund (Canadian) (f) (Schedule D)	19,117	16,780	3.6
Total Canadian equities	146,285	113,405	24.3
Foreign equities:			
External Managers Fund (International) (f) (Schedule D)	85,024	70,881	15.2
External Managers Fund (United States) (f) (Schedule D)	87,402	76,605	16.4
Total Foreign equities	172,426	147,486	31.6
Real Estate:			
Private Real Estate Pool (g)	9,632	9,857	2.1
Total equities and real estate	328,343	270,748	58.0
Total investments (h)	$ 523,299	$ 467,194	100.0

The majority of the Fund's investments are held in pooled investment funds established and administered by the Provincial Treasurer. Pooled investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of pool units. As at March 31, 2001, the Fund's percentage ownership, at market, in pooled investment funds is as follows:

	% Ownership 2001
Canadian Dollar Public Bond Pool	1.9
Canadian Pooled Equity Fund	2.2
Domestic Passive Equity Pooled Fund	2.4
External Managers Fund	1.8
Private Mortgage Pool	2.3
Private Real Estate Pool	0.7

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term to maturity of five years. As at March 31, 2001, securities held by the Fund have an average effective market yield of 5.09% per annum.

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing above average returns compared to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and related derivatives (see Schedule A). Competitive returns are achieved through management of the portfolio duration and sector rotation. As at March 31, 2001, securities held by the pool have an average effective market yield of 5.75% per annum and the following term structure based on principal amount: under 1 year: 5%; 1 to 5 years: 36%; 5 to 10 years: 29%; 10 to 20 years: 15%; over 20 years: 15%.

(c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the Scotia Capital Universe Bond Index over a four-year period or longer. The portfolio is comprised primarily of high quality commercial mortgage loans (95.7%) and provincial bond residuals (4.3%). To limit investment risk, mortgage loans are restricted to first mortgage loans, diversified by property usage and geographic location, and include a small portion of NHA insured loans. As at March 31, 2001, mortgages held by the Pool have an average market yield of 7.14% per annum and the following term structure based on principal amount: under 1 year: 10%; 1 to 5 years: 25%; 5 to 10 years: 22%; 10 to 20 years: 25%; over 20 years: 18%.

(d) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of publicly traded equities in Canadian corporations similar in weights to the TSE 300 Index (see Schedule B). To enhance investment returns with no substantial increase in risks, the pool uses structured investments such as domestic equity index swaps. The Pool's investment in units of the Floating Rate Note Pool (FRNP) are used as the underlying securities to support the index swaps of the Pool. FRNP is managed with the objective of generating floating rate income needed for the swap obligations in respect of structured investments in foreign equities, domestic equities and bonds. Through the use of interest rate swaps, FRNP provides investment opportunities in high quality floating-rate instruments with remaining term-to-maturity of ten years or less.

(e) The Canadian Pooled Equity Fund is managed with the objective of providing competitive returns comparable to the total return of the Toronto Stock Exchange (TSE) 300 Index (see Schedule C). The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(f) The External Managers Fund is comprised of numerous portfolios which are managed by numerous external managers with expertise in Canadian, United States and international equity markets (see Schedule D). The international equity market consists of non-North American investments in Europe, Australia, the Far East, the Pacific Basin and Emerging Markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley, Standard and Poor's and Toronto Stock Exchange 300 indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, style and market diversification.

(g) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over a four-year period or longer. Real Estate is held through intermediate companies which have issued to the Pool, common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns tend to be positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the Pool provides diversification from the securities market with opportunities for high returns.

(h) Where fair value is less than cost, in management's best judgement, and based on market trends, the fair value will likely recover overtime.

NOTE 4 INVESTMENT RISK MANAGEMENT

Income and financial returns of the Fund are exposed to credit risk and price risk. 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. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

In order to earn an optimal financial return at an acceptable level of risk, management of the Fund established the following long-term policy asset mix for the 2000-2001 fiscal year:

Fixed-income securities	30% to 50%
Equities	50% to 70%

Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed-income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Fund participates in investment funds that hold derivative contracts to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. 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.

(i) A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

(ii) Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(iii) A stock index futures contract is an agreement to receive or pay cash based on changes in the level of the specified stock index.

The following is a summary of the fund's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at March 31, 2001.

	2001	
	Notional Amount	Fair Value (a)
	(thousands)	
Equity index swap contracts	$ 23,928	$ (2,310)
Bond index swap contracts	10,381	(52)
Interest rate swap contracts	7,707	(286)
Forward foreign exchange contracts	9,570	(25)
Equity index futures contracts	45	(1)
	51,631	$ (2,674)
Cross-currency interest rate swap contracts (b)	24,501	
	$ 76,132	

(a) The method of determining the fair value of derivative contracts is described in note 2 (e).

(b) Cross-currency swaps are valued as a package including the underlying security. As at March 31, 2001, the combined fair value of cross-currency interest rate swaps and underlying securities amounted to $24,696,000.

As at March 31, 2001, all derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional value of $14,434,000 that mature between 1 and 3 years and $13,866,000 that mature over 3 years.

NOTE 6 ENDOWMENT AND RETAINED EARNINGS

The endowment was received from the General Revenue Fund during the year. The Alberta Heritage Foundation for Science and Engineering Research Act provides that money required by the Foundation for the furtherance of its objectives shall be paid from the Fund, but no money shall be paid out of the Fund if the payment would impair the real value of the Endowment Fund over the long term.

NOTE 7 INVESTMENT INCOME

	2001 (thousands)
Deposits and fixed-income securities	
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,189
Canadian Dollar Public Bond Pool	11,565
Private Mortgage Pool	620
Public fixed-income securities, directly held	5
	13,379
Equities	
Canadian Pooled Equity Fund	7,505
External Managers Fund (Canadian)	817
Private Real Estate Pool	270
External Managers Fund (International)	12
Domestic Passive Equity Pooled Fund	(531)
External Managers Fund (United States)	(1,321)
	6,752
	$ 20,131

Investment income is comprised of interest, dividends, amortization of discount or premium, swap income, security lending income and realized gains and losses, net of write-downs on investments. The Fund's share of income earned from externally and internally managed investment pools is net of administrative expenses incurred by the pools (see Note 8).

Investment income for the year ended March 31, 2001, includes net gains from disposal of investments totalling $9,974,000.

NOTE 8 ADMINISTRATIVE EXPENSES

Administrative expenses include investment management, cash management and safekeeping costs and other expenses charged on a cost-recovery basis directly by Alberta Treasury. The Fund's total administrative expenses for the year, including amounts deducted directly from investment income of pooled investment funds is as follows:

	2001 (thousands)
Direct fund expenses	$ 103
Externally managed investment pools	289
Internally managed investment pools	61
	$ 453
Expenses as a percentage of net assets at fair value	0.098%

NOTE 9 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Revenue.

NOTE 10 GOVERNMENT RESTRUCTURING

On March 15, 2001, the government announced new ministry structures. As a result, responsibility for the fund was transferred to the Ministry of Revenue.

SCHEDULE A

ALBERTA HERITAGE SCIENCE AND ENGINEERING RESEARCH ENDOWMENT FUND
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL

MARCH 31, 2001

(thousands)

	2001	
	Cost	**Fair Value**
Deposit in the Consolidated Cash Investment Trust Fund	$ 3,349	$ 3,349
Public fixed-income securities		
Government of Canada direct and guaranteed	39,280	39,805
Provincial:		
Alberta, direct and guaranteed	536	583
Other, direct and guaranteed	36,391	36,499
Municipal	2,333	2,401
Corporate	56,231	57,325
Private fixed-income securities		
Corporate	21,529	21,160
	159,649	**161,122**
Accounts receivable and accrued investment income	2,898	2,898
Accounts payable and accrued liabilities	(1,974)	(1,974)
	924	**924**
Total Share - Alberta Heritage Science and Engineering Research Endowment Fund	**$ 160,573**	**$ 162,046**

SCHEDULE B

ALBERTA HERITAGE SCIENCE AND ENGINEERING RESEARCH ENDOWMENT FUND

SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND

MARCH 31, 2001

(thousands)

	2001	
	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 2,275	$ 2,275
Fixed-income securities, corporate	-	-
Floating Rate Note Pool (a)	26,715	22,158
	28,990	24,433
Canadian public equities (b)		
Common shares and rights:		
Communications and media	1,548	1,357
Conglomerates	919	1,230
Consumer products	1,855	1,536
Financial services	4,246	4,212
Gold and precious minerals	1,261	871
Industrial products	10,950	6,839
Merchandising	1,030	1,151
Metals and minerals	1,281	1,098
Oil and gas	3,185	3,628
Paper and forest products	700	618
Pipelines	605	674
Real estate and construction	524	432
Transportation and environmental services	487	516
Utilities	751	599
Passive index	1,826	1,405
	31,168	26,166
Accounts receivable and accrued investment income	56	56
Accounts payable and accrued liabilities	(2,438)	(2,438)
	(2,382)	(2,382)
Total Share - Alberta Heritage Science and Engineering Research Endowment Fund	**$ 57,776**	**$ 48,217**

(a) The Pooled Fund's investment in the Floating Rate Note Pool is used as the underlying security to support the equity index swaps of the Pooled Fund.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

SCHEDULE C

ALBERTA HERITAGE SCIENCE AND ENGINEERING RESEARCH ENDOWMENT FUND

SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITY FUND

MARCH 31, 2001

(thousands)

	2001	
	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 338	$ 338
Canadian public equities (a)		
Common shares and rights:		
Communications and media	3,275	2,063
Conglomerates	2,621	2,695
Consumer products	3,033	1,790
Financial services	13,195	11,632
Gold and precious minerals	1,508	1,022
Industrial products	24,091	12,487
Merchandising	355	281
Metals and minerals	2,447	1,803
Oil and gas	6,507	6,284
Paper and forest products	2,442	1,594
Pipelines	413	403
Real estate and construction	431	329
Transportation and environmental services	228	125
Utilities	6,047	3,749
Passive index	1,925	1,277
	68,518	47,534
Accounts receivable and accrued investment income	1,059	1,059
Accounts payable and accrued liabilities	(523)	(523)
	536	536
Total Share - Alberta Heritage Science and Engineering Research Endowment Fund	**$ 69,392**	**$ 48,408**

(a) The industrial classifications are those used by the Toronto Stock Exchange.

SCHEDULE D

ALBERTA HERITAGE SCIENCE AND ENGINEERING RESEARCH ENDOWMENT FUND

SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND

MARCH 31, 2001

(thousands)

	2001	
	Cost	Fair Value
Foreign Public Equity Pools		
Europe	$ 21,954	$ 19,348
Pacific Basin	14,364	10,343
Multi-region	48,706	41,190
	85,024	70,881
United States	87,402	76,605
Canadian Public Equity Pools		
Large capitalized companies	13,069	11,030
Small capitalized companies	6,048	5,750
	19,117	16,780
Total Share - Alberta Heritage Science and Engineering Research Endowment Fund	**$ 191,543**	**$ 164,266**

The following is a summary of the Fund's share of assets and liabilities held in the External Managers Fund:

	2001	
	Cost	Fair Value
	(thousands)	
Cash and short-term securities	$ 2,097	$ 2,097
Investments:		
Public equities	187,068	159,796
Fixed-income securities	22	17
Accounts receivable and accrued investment income	4,283	4,283
Accounts payable and accrued liabilities	(1,927)	(1,927)
Total Share - Alberta Heritage Science and Engineering Research Endowment Fund	**$ 191,543**	**$ 164,266**

ALBERTA RISK MANAGEMENT FUND
FINANCIAL STATEMENTS
MARCH 31, 2001

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Revenue

I have audited the balance sheet of the Alberta Risk Management Fund as at March 31, 2001 and the statement of operations for the year then ended. These financial statements are the responsibility of the Fund's 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 financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 23, 2001

ALBERTA RISK MANAGEMENT FUND
BALANCE SHEET
MARCH 31, 2001
($ thousands)

	2001	2000
ASSETS		
Cash and cash equivalents (Note 3)	$ 15,964	$ 12,948
Accounts receivable (Note 4)	147	67
	$ 16,111	$ 13,015
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable (Note 5)	$ 12,268	$ 12,315
Net Assets	3,843	700
	$ 16,111	$ 13,015

The accompanying notes are part of these financial statements.

ALBERTA RISK MANAGEMENT FUND
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2001
($ thousands)

	2001		2000
	Budget	Actual	Actual
Income			
Insurance services			
Province of Alberta departments, funds, and agencies	$ 6,370	$ 7,217	$ 6,888
Other	630	616	689
Interest	440	967	659
	7,440	8,800	8,236
Expenses			
Insurance claims	5,020	3,917	4,154
Insurance premiums	1,550	837	1,129
Administration	733	754	668
Other services	127	149	137
	7,430	5,657	6,088
Net income	$ 10	3,143	2,148
Net assets (liabilities) at beginning of year		700	(1,448)
Net assets at end of year		$ 3,843	$ 700

The accompanying notes are part of these financial statements.

ALBERTA RISK MANAGEMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2001

NOTE 1 AUTHORITY, PURPOSE AND FINANCIAL STRUCTURE

The Alberta Risk Management Fund (the Fund) operates under the authority of the Financial Administration Act, Chapter F-9, Revised Statutes of Alberta 1980, as amended.

The Fund facilitates the provision of risk management and insurance services to government departments, other entities within the Alberta Government, members of the Legislative Assembly and others by assuming general and automobile liability and the risk of property and other losses in exchange for premiums related to the level of risk assumed.

In the ordinary course of business, the Fund insures certain risks for the purpose of limiting its exposure to large or unusual risks. As such, the Fund enters into excess of loss contracts with only the most credit-worthy insurance companies and is required to pay for all losses up to certain predetermined amounts. The insurance companies compensate the Fund for any losses above the agreed predetermined amounts.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The accounting policies of significance to the Fund are as follows:

(a) Claims provisions, including provisions for claims incurred but not reported, are based on estimates made by management. The provisions are adjusted in the period when more experience is acquired and as additional information is obtained.

(b) 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 claims provisions. The nature of the uncertainty in these items arises from several factors such as the effect of claims incurred but not reported and estimates of claims payable.

(c) The fair values of cash and cash equivalents, accounts receivable and payable are estimated to approximate their book values.

(d) A statement of changes in financial position is not provided as disclosure in these financial statements is considered adequate.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of a deposit in the Consolidated Cash Investment Trust Fund which is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

NOTE 4 ACCOUNTS RECEIVABLE

	2001	2000
	($ thousands)	
Estimated claims recoverable	$ 126	$ 43
Receivable from Province of Alberta departments, funds and agencies	13	21
Other	8	3
	$ 147	$ 67

NOTE 5 ACCOUNTS PAYABLE

	2001	2000
	($ thousands)	
Estimated claims payable	$ 11,999	$ 12,127
Payable to the Treasury Department		
- Administration costs	266	184
Other	3	4
	$ 12,268	$ 12,315

NOTE 6 CONTINGENCIES

At March 31, 2001, the Province was named as defendant in various legal actions relating to insurance claims. The resulting loss if any from these claims and other potential claims cannot be determined.

NOTE 7 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Revenue.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND
FINANCIAL STATEMENTS
MARCH 31, 2001

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Supplementary Retirement Plan Reserve Fund as at March 31, 2001 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's 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 financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2001 and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 23, 2001

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND
BALANCE SHEET
MARCH 31, 2001
($ thousands)

	2001	2000
ASSETS		
Cash and cash equivalents (Note 3)	$ 3,436	$ 948
Receivable from participating employers	200	167
	3,636	1,115
LIABILITIES		
Amounts due to the Supplementary Retirement Plan for Public Service Managers (Note 4)	3,636	1,115
Net Assets	$ -	$ -

The accompanying notes are part of these financial statements.

SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2001
($ thousands)

	Twelve Months Ended March 31, 2001	Nine Months Ended March 31, 2000
Increase in net assets		
Contributions from participating employers	$ 2,402	$ 1,115
Investment income	123	-
	2,525	1,115
Decrease in net assets		
Increase in amounts due to the Supplementary Retirement Plan for Public Service Managers	2,521	1,115
Administration expenses	4	-
	2,525	1,115
Increase in net assets for the year	-	-
Net assets at beginning of year	-	-
Net assets at end of year	**$ -**	**$ -**

The accompanying notes are part of these financial statements.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2001

NOTE 1 AUTHORITY AND PURPOSE

The Supplementary Retirement Plan Reserve Fund (Reserve Fund) operates under the authority of the *Financial Administration Act*, Chapter F-9, Revised Statutes of Alberta 1980, as amended and Treasury Board Directive 05/99.

The Reserve Fund is established to collect contributions from participating employers and to invest the funds which are reserved to meet future benefit payments of the Supplementary Retirement Plan for Public Service Managers (SRP). The SRP is established to provide additional pension benefits to eligible public service managers whose pensionable earnings are in excess of $86,111 effective July 1, 1999.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Reserve Fund to meet future benefit payments of the SRP.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. Short-term securities 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 fair values of deposits, receivables and accrued liabilities are estimated to approximate their book values.

(c) Funding

Accrued liability of the Reserve Fund is funded by investment income and contributions from participating employers at a rate determined by the SRP's actuary and approved by the government. The rate in effect at March 31, 2001 was 42.5% (2000 42.5%) of the pensionable earnings of eligible public service managers that are in excess of $86,111.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of a deposit in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

NOTE 4 SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS (SRP)

An actuarial valuation of the SRP was carried out as at December 31, 2000 by Johnson Incorporated. At December 31, 2000 assets held in the SRP, including the amount due from the Reserve Fund, were in excess of the accrued liability estimated by the actuary. As a result, the SRP reported a surplus of $180,000 at December 31, 2000 (1999 $33,000). The assumptions used in the valuation were developed based on management's best estimates of short-term and long-term market conditions and other future events. Differences between actual results and management's expectations will be reflected as experience gains and losses in the next actuarial valuation of the SRP.

NOTE 5 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Finance.

ALBERTA INSURANCE COUNCIL
FINANCIAL STATEMENTS
DECEMBER 31, 2000

AUDITOR'S REPORT

To the Members of the Alberta Insurance Council

We have audited the balance sheet of Alberta Insurance Council as at December 31, 2000 and the statements of revenue, expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Pricewaterhouse Coopers LLP
Chartered Accountants

Edmonton, Alberta
March 9, 2001

ALBERTA INSURANCE COUNCIL
BALANCE SHEET
AS AT DECEMBER 31, 2000

	2000	1999
ASSETS		
Current assets		
Cash (Note 3)	$ 1,386,481	$ 1,594,317
Accounts receivable	50,616	8,858
Prepaid expenses	22,141	14,808
	1,459,238	1,617,983
Deferred program development expense (Note 4)	216,191	-
Capital assets (Note 5)	153,098	176,715
	$ 1,828,527	$ 1,794,698
LIABILITIES		
Current liabilities		
Accounts payable	$ 53,681	$ 54,290
Deferred tenant inducement	27,989	32,719
Deferred licence revenue	263,604	293,649
	345,274	380,658
EQUITY IN NET ASSETS		
Net assets	1,483,253	1,414,040
	$ 1,828,527	$ 1,794,698

Approved by the Board of Directors

Guy Bourgeois, Director

Jack Laverick, Director

ALBERTA INSURANCE COUNCIL
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000

	Budget 2000 (Unaudited)	2000	1999
Revenue			
Licence and exam fees	$ 1,645,000	$ 1,545,100	$ 1,526,367
Interest and other	65,000	92,056	108,742
	1,710,000	1,637,156	1,635,109
Expenditures			
Salaries and benefits	965,000	953,715	865,633
Occupancy	170,000	166,024	134,581
Council meetings	115,000	117,720	107,489
Amortization of capital assets	85,000	59,486	75,668
Freight and postage	55,000	53,686	33,806
Travel	120,000	43,038	83,711
Printing and stationery	20,000	42,992	31,992
Communications	35,000	35,297	34,237
Software maintenance	30,000	14,845	12,265
Professional fees	70,000	24,445	83,875
Office	25,000	15,785	9,166
Appeal boards	35,000	15,276	18,642
Other	-	11,510	8,583
Insurance	10,000	9,022	4,922
Legal fees	15,000	4,102	17,602
Promotions and publications	15,000	1,000	9,570
	1,765,000	1,567,943	1,531,742
Excess revenue over expenditures for the year	$ (55,000)	69,213	103,367
Net assets - Beginning of year		1,414,040	1,310,673
Net assets - End of year		$ 1,483,253	$ 1,414,040

ALBERTA INSURANCE COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2000

	2000	1999
Cash provided by (used in)		
Operating activities		
Net revenue for the year	$ 69,213	$ 103,367
Items not affecting cash		
Amortization of capital assets	59,486	75,668
Amortization of tenant inducement	(4,730)	(4,731)
	123,969	174,304
Net changes in non-cash working capital items		
Increase in accounts receivable	(41,758)	(6,965)
Increase in prepaid expenses	(7,333)	(9,835)
(Decrease) increase in accounts payable	(609)	8,284
(Decrease) increase in deferred licence revenue	(30,045)	10,151
	44,224	175,939
Investing activities		
Purchase of capital assets	(35,869)	(83,995)
Tenant inducement	-	37,450
Program development expense	(216,191)	-
	(252,060)	(46,545)
(Decrease) increase in cash	(207,836)	129,394
Cash - Beginning of year	1,594,317	1,464,923
Cash - End of year	$ 1,386,481	$ 1,594,317

ALBERTA INSURANCE COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Insurance Council (the "Council") operates under the authority of the Insurance Act, Chapter I-5, Revised Statutes of Alberta 1980, as amended.

The Alberta Insurance Council provides administration services to the Life Insurance, General Insurance and Insurance Adjusters Councils. These Councils are responsible for regulating their segments of the insurance industry.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities revenues and expenses are dependent upon future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Revenue Recognition

License and assessment fees are taken into income on a straight line basis over the term of the license or assessment. License and assessment fees received but not yet taken into income are recorded as deferred license revenue. Examination fees are taken into income when the related exam is held.

Deferred Program Development Expense

Costs which have been incurred by the Council as a committee member of the Canadian Insurance Self Regulatory Organization ("CISRO") for the development of the Life License Qualification Program (the "program") have been deferred until the program is implemented. Once the program is implemented, the costs will be amortized on a straight-line basis over a period of three years.

Capital Assets and Amortization

Capital assets are recorded at cost and are amortized over their estimated useful lives on a straight-line basis as follows:

Leasehold improvements	term of lease
Furniture and office equipment	10 years
Computer equipment	3 years
Computer software	3 years
Telephone equipment	5 years

Deferred Tenant Inducement

Deferred tenant inducement is recorded at cost and is being amortized over the eight-year lease term.

NOTE 3 CASH

Included in Cash is an amount of $1,186,825 (1999 - $1,510,447) invested in the Consolidated Cash Investment Trust Fund ("CCITF"). The CCITF is being managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio comprises high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

NOTE 4 DEFERRED PROGRAM DEVELOPMENT EXPENSE

	2000	1999
Travel	$ 73,299	$ -
Professional fees	142,892	-
	$ 216,191	$ -

NOTE 5 CAPITAL ASSETS

	2000			1999
	Cost	Accumulated amortization	Net	Net
Leasehold improvements	$ 67,111	$ 26,929	$ 40,182	$ 48,692
Furniture and office equipment	135,590	85,135	50,455	54,890
Computer equipment	207,034	159,215	47,819	41,374
Computer software	121,201	108,865	12,336	28,464
Telephone equipment	15,204	12,898	2,306	3,295
	$ 546,140	$ 393,042	$ 153,098	$ 176,715

NOTE 6 LEASE COMMITMENTS

The Council is committed to operating lease payments for business premises and equipment as follows:

2001	$ 87,253
2002	87,253
2003	87,253
2004	73,945
2005	47,328
Thereafter	43,384

NOTE 7 FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities approximate fair value. The Council does not hedge interest rate transactions, and there are no unrecorded financial instruments. Credit risk is negligible as the majority of revenue is from license, assessment and examination fees which are billed in advance.

Schedule 1

ALBERTA INSURANCE COUNCIL
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2000

PER DIEM PAYMENTS OF COUNCIL MEMBERS

	2000		1999	
	#	Total	#	Total
Councils (a)				
Chairs	4	$ 18,225	4	$ 18,600
Council Members	19	59,199	19	45,100
Total	23	$ 77,424	23	$ 63,700

(a) This includes the Adjusters Council, the Audit Committee, and CISRO and Outreach project meetings.

SALARIES AND BENEFITS

	2000				1999	
	#	Salary[b]	Benefits[c]	Total	#	Total
General Manager	1	$ 110,000	$ 30,904	$ 140,904	1	$ 126,057
Assistant General Manager	1	91,792	18,806	110,598	1	95,161
Full-time staff [d]	15	595,095	86,578	681,673	16	641,539
Part-time staff	4	17,467	3,073	20,540	2	2,876
Total	21	$ 814,354	$ 139,361	$ 953,715	20	$ 865,633

(b) Salary includes regular base pay, bonuses, overtime and accrued vacation pay. Accrued vacation pay was $10,801 for 2000 and $1,158 for 1999.

(c) Employer's share of all employee benefits and contributions or payments made on behalf of employees including group RRSP, health care, dental coverage, group life insurance and long and short term disability plans.

(d) Full-time staff consists of all individuals working 29 hours or more per week. Average annual salary was $46,743 for 2000 and $44,108 for 1999.

ALBERTA MUNICIPAL FINANCING CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2000

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholders of the
Alberta Municipal Financing Corporation

I have audited the balance sheet of the Alberta Municipal Financing Corporation as at December 31, 2000 and the statements of loss and retained earnings and of cash flow for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 financial statements present fairly, in all material respects, the financial position of the plan as at December 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 7, 2001

ALBERTA MUNICIPAL FINANCING CORPORATION
BALANCE SHEET
AS AT DECEMBER 31, 2000
(thousands of dollars)

	2000		1999
	Budget	Actual	Actual
ASSETS			
Cash (Note 3)	$ 19,117	$ 22,273	$ 76,641
Accrued interest receivable	140,940	138,838	147,140
Loans to local authorities (Note 4)	3,434,562	3,527,801	3,560,762
Sinking fund investments (Note 5)	-	-	450,153
	$ 3,594,619	$ 3,688,912	$ 4,234,696
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Accrued interest payable	$ 66,887	$ 73,784	$ 78,324
Debt (Note 6 and Schedule 1)	3,300,188	3,465,151	3,880,652
	3,367,075	3,538,935	3,958,976
Shareholders' equity:			
Share capital (Note 7):			
Authorized: 7,500 common shares, par value $10 per share			
Issued and fully paid:			
6,370 shares (1999 - 6,368)	64	64	64
Retained earnings	227,480	149,913	275,656
	227,544	149,977	275,720
	$ 3,594,619	$ 3,688,912	$ 4,234,696

The accompanying notes are part of these financial statements.

A.J. McPherson
President and Chairman of the Board

G.H. Sherwin
Vice-President

ALBERTA MUNICIPAL FINANCING CORPORATION
STATEMENT OF LOSS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2000
(thousands of dollars)

	2000		1999
	Budget	**Actual**	**Actual**
Interest Income:			
Loans	$ 354,343	$ 351,172	$ 377,028
Amortization of loan discounts	24,699	24,699	30,100
Deposits and short-term investments	2,200	2,945	12,507
	381,242	378,816	419,635
Interest Expense:			
Debt	452,393	452,569	489,793
Amortization of debt discounts	1,903	4,836	640
	454,296	457,405	490,433
Net interest expense	(73,054)	(78,589)	(70,798)
Other Income:			
Investment income on sinking fund	24,349	27,254	28,014
Loan prepayment fees	1,000	964	180
	25,349	28,218	28,194
Net interest expense and other income	(47,705)	(50,371)	(42,604)
Non-Interest Expense:			
Administration and office expenses (Note 8)	396	295	284
Debt issue and service expenses	50	53	39
Directors' and officers' fees and expenses (Note 8)	25	24	19
	471	372	342
Net loss	(48,176)	(50,743)	(42,946)
Retained earnings, beginning of year	275,656	275,656	318,602
Distribution to shareholders	-	(75,000)	-
Retained earnings, end of year	$ 227,480	$ 149,913	$ 275,656

ALBERTA MUNICIPAL FINANCING CORPORATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2000

(thousands of dollars)

	2000		1999
	Budget	Actual	Actual
Operating Activities:			
Interest received on loans	$ 360,543	$ 359,474	$ 388,772
Interest received on investments/sinking fund	2,200	5,514	12,537
Loan prepayment fees	1,000	964	180
Administration and office expenses	(471)	(372)	(342)
Interest paid on debt	(463,830)	(457,109)	(496,686)
Cash flows used in operating activities	(100,558)	(91,529)	(95,539)
Investing Activities:			
Short term investments	-	-	39,348
Loan repayments	430,899	427,095	422,002
New loans issued	(280,000)	(369,435)	(236,486)
Sinking fund investments	474,502	474,838	(4,530)
Cash flows from investing activities	625,401	532,498	220,334
Financing Activities:			
Debt issues	350,000	582,030	-
Debt redemptions	(932,367)	(1,002,367)	(294,206)
Distribution to shareholders	-	(75,000)	-
Cash flows used in financing activities	(582,367)	(495,337)	(294,206)
Net decrease in cash	(57,524)	(54,368)	(169,411)
Cash, beginning of year	76,641	76,641	246,052
Cash, end of year	$ 19,117	$ 22,273	$ 76,641

ALBERTA MUNICIPAL FINANCING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. AUTHORITY

The Alberta Municipal Financing Corporation operates under the authority of the Alberta Municipal Financing Corporation Act, Chapter A-33, Revised Statutes of Alberta 1980, as amended.

2. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and include the following significant accounting policies:

(a) Sinking Fund Investments

Sinking fund investments are recorded at cost. The cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Realized gains and losses on disposals of sinking fund investments are included in the determination of investment income. The cost of disposals is determined on the average cost basis.

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.

Investment income on sinking fund investments accrues to the sinking fund.

(b) Debt

Debt discounts, including underwriting commission, arising on the issue of debt are deferred and amortized over the term of the debt.

Debt is recorded net of unamortized discounts.

Public debt issue expenses are charged against income as they are incurred.

(c) Discounts on Loans to Local Authorities

Discounts are recorded for reductions of interest rates given on loans to local authorities with interest rates above a certain level and are amortized to income over the term of these loans. Annual amortization is the change in the present value of the remaining interest rate reduction.

3. CASH

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the Fund's daily cash balance at the average rate of interest earned by CCITF, which varies depending on prevailing market interest rates.

4. LOANS TO LOCAL AUTHORITIES

	2000	1999
	(thousands of dollars)	
Loans to local authorities	$ 3,599,220	$ 3,656,880
Less: Unamortized discounts	71,419	96,118
	$ 3,527,801	$ 3,560,762

5. SINKING FUND INVESTMENTS

Sinking fund investments relate to the $450,000,000 December 15, 2002 public debt redeemed on December 15, 2000.

6. DEBT

(a) The debt of the Corporation is fully guaranteed by the Province of Alberta.

(b) Debt amounting to $3,097,555,000 (1999 - $3,097,555,000) held by the Canada Pension Plan Investment Fund (CPPIF) is redeemable at the option of the Minister of Finance of Canada by giving six months notice in writing and observing the other redemption provisions of the debt agreement.

The Corporation may prepay debt held by the CPPIF by providing 30 days notice prior to the proposed redemption date. The debt can be prepaid at market with the debt issued prior to January 1, 1998 discounted at the Government of Canada rate and debt issued after January 1, 1998 valued at the Province's borrowing rate.

(c) Debt redemption requirements during each of the next five years are as follows:

	Debt Redemption (thousands of dollars)
2001	$ 411,739
2002	454,735
2003	441,023
2004	338,491
2005	283,604
	$ 1,929,592

7. SHARE CAPITAL

Particulars of share capital are summarized hereunder:

Class	Restricted to	Number of Shares: Authorized	Number of Shares: Issued and Fully Paid	Total Dollar Amount
A	Province of Alberta	4,500	4,500	$ 45,000
B	Municipalities and hospitals	1,000	849	8,490
C	Cities	750	582	5,820
D	Towns and villages	750	305	3,050
E	Schools, universities and colleges	500	134	1,340
		7,500	6,370	$ 63,700

During the year, one Class B, five Class C and two Class E shares were issued and six Class D shares were cancelled at $10.00 each.

8. DIRECTORS' FEES AND RELATED PARTY TRANSACTIONS

Directors' fees paid by the Corporation are as follows:

	2000		1999	
	Number of Individuals	Total	Number of Individuals	Total
Chairman of the Board	1	$ 2,100	1	$ 1,500
Board members	6	$ 11,000	6	$ 8,700

There are two additional Board members who are employees of the Province of Alberta and do not receive compensation from the Corporation.

The Corporation has no employees. Administration and office expenses of $249,530 (1999 - $243,679) were paid to the controlling shareholder, Province of Alberta, at prices which approximate market.

9. INTEREST RATE RISK

Interest rate risk refers to the potential impact of changes in interest rates on the Corporation's earnings and the fair value of the financial instruments when maturities of its financial assets are not matched with the maturities of its financial debt. The following table shows the maturities and effective rates of the Corporation's financial assets and liabilities:

As at December 31, 2000
(thousands of dollars)

Maturities	Within 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	Over 10 Years	2000 Total	1999 Total
Assets							
Cash	$ 22,273	$ -	$ -	$ -	$ -	$ 22,273	$ 76,641
Accrued Interest Receivable	138,838	-	-	-	-	138,838	147,140
Loans	63,008	90,537	579,526	1,488,104	1,378,045	3,599,220 (i)	3,656,880 (i)
Effective Rate	10.5%	9.7%	10.1%	10.4%	8.0%	9.4%	9.8%
Sinking Fund	-	-	-	-	-	-	450,153
Effective Rate							6.7%
Total	224,119	90,537	579,526	1,488,104	1,378,045	3,760,331	4,330,814
Liabilities							
Accrued Interest Payable	73,784	-	-	-	-	73,784	78,324
Debt	409,117	449,953	1,063,118	1,320,596	222,367	3,465,151	3,880,652
Effective Rate	12.6%	12.2%	12.6%	9.9%	6.3%	11.1%	12.1%
Total	482,901	449,953	1,063,118	1,320,596	222,367	3,538,935	3,958,976
Net Gap	$ (258,782)	$ (359,416)	$ (483,592)	$ 167,508	$ 1,155,678	$ 221,396	$ 371,838

(i) This total is not reduced by unamortized discount of $71,419 (1999 - $96,118).

The Corporation manages on a continuous basis its interest rate risk by matching its debt maturity profile to the forecast cash flows and their effect on the Corporation's surplus position. Based on the maturity of its current outstanding loans and debt, the Corporation is able to repay its debt from cash flows with no long-term borrowing in 2001.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts set out in the table represent the fair value of the Corporation's financial instruments based on the following assumptions and valuation methods.

Fair value represents the Corporation's estimate of amounts for cash, short-term investments, sinking fund investments and debt that could be exchanged with unrelated parties who are interested in acquiring these instruments. For loans which lack an available trading market, fair value is based on estimates using net present value techniques which reflect the Corporation's lending rates.

The fair value of accrued interest receivable and payable approximate their carrying value.

Interest rate sensitivity is the main cause of changes in the fair value of the Corporation's financial instruments.

	2000		1999	
	Fair Value	**Book Value**	**Fair Value**	**Book Value**
	(thousands of dollars)			
Assets				
Cash	22,273	22,273	76,641	76,641
Sinking fund investments	-	-	452,008	450,153
Loans	4,122,122	3,527,801	4,188,864	3,560,762
Liabilities				
Debt	4,081,161	3,465,151	4,544,060	3,880,652

11. BUDGET

The 2000 budget was approved by the Board of Directors on February 18, 2000.

Schedule 1

ALBERTA MUNICIPAL FINANCING CORPORATION
SCHEDULE OF DEBT
AS AT DECEMBER 31, 2000
(thousands of dollars)

Date of Issue	Maturity Date	Interest Rate	Principal Outstanding
Canada Pension Plan Investment Fund (Note 6(b))			
Sep 15, 1981	Aug 01, 2001	14.18	216,739
Jun 01, 1982	Jun 01, 2002	15.75	274,735
Apr 05, 1983	Apr 05, 2003	13.82	209,284
Dec 01, 1983	Dec 01, 2003	11.50	231,739
Dec 03, 1984	Dec 03, 2004	13.25	338,491
Nov 01, 1985	Nov 01, 2005	11.66	283,604
Nov 03, 1986	Nov 03, 2006	9.85	395,396
Nov 02, 1987	Nov 02, 2007	9.66	335,383
Oct 03, 1988	Oct 03, 2008	10.04	259,294
Oct 02, 1989	Oct 02, 2009	9.99	291,414
Nov 01, 1989	Nov 01, 2009	9.62	32,457
Dec 01, 1989	Dec 01, 2009	9.26	6,652
Oct 1, 2000	Oct 01, 2020	6.28	222,367
Total			3,097,555
Public			
Mar 02, 1981	Mar 02, 2001	14.10	30,000
Jun 15, 1981	Jun 15, 2001	16.25	85,000
Oct 16, 2000	Aug 01, 2001	5.86	15,000
Oct 16, 2000	Aug 01, 2001	5.90	5,000
Oct 16, 2000	Aug 01, 2001	5.90	5,000
Oct 16, 2000	Aug 01, 2001	5.87	25,000
Nov 01, 2000	Aug 01, 2001	5.87	20,000
Nov 01, 2000	Aug 01, 2001	5.87	10,000
Nov 1, 2000	Jun 03, 2002	5.92	15,000
Nov 1, 2000	Jun 03, 2002	5.78	5,000
Nov 1, 2000	Jun 03, 2002	5.76	10,000
Dec 1, 2000	Jun 03, 2002	5.84	30,000
Dec 15, 2000	Sep 03, 2002	5.60	60,000
Dec 15, 2000	Sep 03, 2002	5.60	60,000
Total			375,000
			3,472,555
Less: Unamortized debt discount			7,404
Total debt 2000			$3,465,151
Total debt 1999			$3,880,652

ALBERTA PENSIONS ADMINISTRATION CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2000

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholder of
Alberta Pensions Administration Corporation

I have audited the balance sheet of the Alberta Pensions Administration Corporation as at December 31, 2000 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 20, 2001

ALBERTA PENSIONS ADMINISTRATION CORPORATION
BALANCE SHEET
AS AT DECEMBER 31, 2000

	2000	1999
ASSETS		
Cash (Note 4)	$ 32,151	$ 565,865
Accounts receivable	26,389	179,099
Prepaid expenses	19,839	19,727
Due from pension plans	1,229,533	1,701,056
Capital assets (Note 5)	1,494,991	1,188,311
	$ 2,802,903	$ 3,654,058
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	$ 757,228	$ 1,761,505
Accrued salaries and benefits	35,211	138,259
Accrued vacation pay	455,183	419,000
Obligation under capital lease [Note14(d)]	60,289	146,982
Unearned capital contributions [Note 3(b)]	1,494,991	1,188,311
	2,802,902	3,654,057
Shareholder's equity:		
Share capital (Note 6)	1	1
	$ 2,802,903	$ 3,654,058

The accompanying notes are part of these financial statements.

On behalf of the Board:

Jack H. McMahon
Chairman of the Board

R. C. (Rick) Milner
Audit Committee Chairman

ALBERTA PENSIONS ADMINISTRATION CORPORATION
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2000

	Budget 2000 (Note 15)	Actual 2000	Actual 1999
Revenue			
Service revenue (Note 7)	$ 15,827,000	$ 12,528,367	$ 14,080,977
Miscellaneous revenue (Note 8)	342,000	368,800	327,042
Total revenue	16,169,000	12,897,167	14,408,019
Operating costs before APEX project and plan specific costs			
Salaries and benefits	5,953,000	5,369,043	4,851,259
Data processing	3,382,000	2,689,729	2,210,769
Contract services	1,038,000	500,352	703,817
Materials and supplies	826,000	745,403	700,547
Rent	496,000	462,752	437,223
Amortization of capital assets	333,000	290,429	227,066
Operating costs before APEX project and plan specific costs	12,028,000	10,057,708	9,130,681
APEX project costs (Note 14)	874,000	510,723	3,617,122
Operating costs before plan specific costs	12,902,000	10,568,431	12,747,803
Plan specific costs (Note 10)	3,267,000	2,328,736	1,660,216
Total operating costs	16,169,000	12,897,167	14,408,019
Net income	$ -	$ -	$ -

ALBERTA PENSIONS ADMINISTRATION CORPORATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2000

	2000	1999
Operating activities		
Net income	$ -	$ -
Items not requiring cash		
Amortization	290,429	227,066
Loss on disposal of capital assets	20,000	9,378
Capital contributions recognized in current year	(290,429)	(227,066)
	20,000	9,378
Changes in non-cash working capital		
(Decrease) increase in accounts receivable	152,710	(101,938)
Increase in prepaid expenses	(112)	(19,727)
Decrease (increase) in due from pension plans	471,523	(499,292)
(Decrease) increase in accounts payable and accrued liabilities	(1,004,277)	919,966
Decrease in accrued salaries and benefits	(103,048)	(240,139)
Increase in vacation pay	36,183	244,000
	(447,021)	302,870
	(427,021)	312,248
Investing activities		
Acquisition of capital assets		
APEX	(157,088)	(361,172)
Non-APEX	(460,021)	(667,166)
	(617,109)	(1,028,338)
Financing activities		
(Decrease) increase in Capital lease obligation	(86,693)	146,982
Increase in capital contributions	597,109	1,018,960
	510,416	1,165,942
(Decrease) increase in cash for the year	(533,714)	449,852
Cash at beginning of year	565,865	116,013
Cash at end of year	$ 32,151	$ 565,865

ALBERTA PENSIONS ADMINISTRATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1 AUTHORITY

The Alberta Pensions Administration Corporation (APA) was incorporated on August 10, 1995 under the Business Corporation Act, Chapter B-15, Statutes of Alberta, and commenced operations on November 1, 1995. The issued share of the Corporation is owned by the Province of Alberta, and accordingly the Corporation is exempt from income taxes.

NOTE 2 NATURE OF OPERATIONS

The Provincial Treasurer of Alberta, operating under the authority of the Public Sector Pension Plans Act, Chapter P-30.7, Statutes of Alberta 1993, as amended, is responsible for administering several Alberta public sector pension plans. On November 1, 1995, the Provincial Treasurer transferred all of the pension administration operations, including all related computer hardware, computer software, office furniture and equipment to the Corporation.

By agreement dated November 1, 1995, between the Provincial Treasurer, as administrator of the pension plans, and the Corporation, the Corporation is to provide administrative services, on a cost recovery basis, for the period November 1, 1995 through December 31, 2001 to the following pension plans:

The Local Authorities Pension Plan
The Public Service Pension Plan
The Universities Academic Pension Plan
The Management Employees Pension Plan
The Special Forces Pension Plan
The Provincial Judges and Masters In Chambers Pension Plan
The Members of the Legislative Assembly Pension Plan

All administrative services required by the pension plans are provided by the Corporation. These services include the collection of contributions, payment of benefits and refunds, communication to stakeholders, pension plan board support services and other services specifically approved by individual pension boards.

NOTE 3 SIGNIFICANT ACCOUNTING POLICY

(a) Capital Assets

Capital assets are recorded at cost.

Capital assets are amortized on a straight line basis over the estimated useful life of the asset as follows:

Computer equipment	2 to 3 years
Computer software	2 to 3 years
Furniture and equipment	5 years
Telephone system	3 years
Leasehold improvements	Lease period
APEX project	5 years

The costs of the Alberta Pension Excellence (APEX) project, a business process reengineering initiative, directly attributable to the development, betterment or acquisition of computer software are capitalized. These activities include:

Costs associated with defining plan rules and developing specifications for programming new pension software.
Purchase and installation of new pension software.
Program modifications to new pension software.

Project costs that do not provide an ongoing economic benefit are expensed.

Capital assets under construction, including software development projects are not amortized until completion and implementation.

(b) Revenue Recognition

Contributions to acquire capital assets are recorded as unearned capital contributions. These amounts are recognized as revenue on the same basis as the acquired capital assets are amortized to operating costs.

(c) Pensions

The Corporation participates in multiemployer pension plans with related government entities. Pension costs included in these statements for these multiemployer pension plans comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for employees' service relating to prior years.

NOTE 4 CASH

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. The Fund is invested primarily in securities maturing in less than one year which are either issued or guaranteed by the Canadian federal and provincial governments, deposits given by or guaranteed by chartered banks, or short-term investment-grade-quality notes of Canadian corporations. Interest is earned on the daily cash balance at the average rate of earnings of the Fund which varies depending on prevailing market interest rates. Interest earned on deposits is included in miscellaneous revenue.

NOTE 5 CAPITAL ASSETS

	2000			1999
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Computer equipment	$ 636,528	$ 408,267	$ 228,261	$ 241,419
Software development projects	112,996	106,396	6,600	13,212
Computer software	395,847	153,678	242,169	201,969
Furniture and equipment	411,180	94,384	316,796	169,995
Telephone system	42,515	42,515	-	-
Leasehold improvements	14,562	6,970	7,592	5,330
APEX project (Note 14)	693,473	-	693,473	556,386
	$ 2,307,101	$ 812,210	$ 1,494,891	$ 1,188,311

NOTE 6 SHARE CAPITAL

	2000	1999
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
1 common share, for cash	$1	$1

NOTE 7 SERVICE REVENUE

The Corporation charged each pension plan with its respective share of the Corporation's operating costs less miscellaneous revenue.

	2000	1999
The Local Authorities Pension Plan	$ 7,111,059	$ 7,681,792
The Public Service Pension Plan	3,273,094	4,070,735
The Universities Academic Pension Plan	923,901	951,819
The Management Employees Pension Plan	485,874	592,750
The Special Forces Pension Plan	480,383	471,373
The Public Service Management (Closed Membership) Pension Plan	135,892	154,538
The Provincial Judges and Masters in Chambers Pension Plan	66,395	82,937
The Members of the Legislative Assembly Pension Plan	51,769	75,033
Total Service Revenue	$ 12,528,367	$ 14,080,977

NOTE 8 MISCELLANEOUS REVENUE

	2000	1999
Miscellaneous revenue is comprised of:		
Cost recovery related to the withdrawal of Alberta Treasury Branches	$ -	$ 104,363
Cost recovery related to the withdrawal of Enmax Corporation	11,649	-
Cost recovery from pension plans	292,623	147,026
Cost recovery from Alberta Justice	37,450	40,679
Interest	25,147	28,718
Other	1,931	6,256
	$ 368,800	$ 327,042

NOTE 9 RELATED PARTY TRANSACTIONS

		2000	1999
The Corporation received the following services at amounts which approximate market from:			
Alberta Treasury	Accounting and administrative	$ 28,986	$ 57,331
	Staffing services	-	547,719
Alberta Infrastructure	Postage and parking rental	51,378	89,175
Innovation and Science	Data processing	737,638	605,017

The Corporation also provided services to the Provincial Pension Plans as disclosed in Note 7.

NOTE 10 PLAN SPECIFIC COSTS

The Corporation makes certain payments on behalf of the pension plans. These costs, which are incurred directly by the pension plans, and which the Corporation does not control, are as follows:

	2000	1999
Pension board remuneration	$ 152,054	$ 168,411
Salaries and benefits	403,543	92,057
Contract services	1,374,887	977,540
Materials and supplies	398,252	422,208
	$ 2,328,736	$ 1,660,216

NOTE 11 SALARIES AND BENEFITS

		2000			1999
		Salary [(a)]	Benefits and Allowances [(b)]	Total	Total
Chairman of APA Board	(c)	$ 6,000	$ 255	$ 6,255	$ 6,000
Board Members of APA	(c)	6,000	179	6,179	8,000
Current Executives:					
Chief Operating Officer	(d)	127,151	21,604	148,755	141,113
Director Operations & Corporate Secretary	(d)	97,371	19,257	116,628	105,675
Director Information Systems	(d)	93,438	18,635	112,073	108,987
Director Finance and Administration	(d)	93,109	14,767	107,876	107,243
Director Pension Policy	(e)	83,130	15,237	98,367	22,568

(a) Salary includes regular base pay, honoraria, bonuses and other lump sum payments.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, long-term disability, WCB premiums, professional memberships, tuition fees and vacation payouts.

(c) Remuneration paid to the Chairman and four Board Members is classified as contract services.

(d) Benefits and allowances include vacation payments to the Chief Operating Officer $4,735 (1999 $6,116), the Director Operations & Corporate Secretary $3,619 (1999 $1,632), the Director Information Systems $3,362 (1999 $1,681) and the Director Finance and Administration $0 (1999 $3,239).

(e) The incumbent joined the Corporation as an executive on October 1, 1999.

NOTE 12 PENSION LIABILITY

The Corporation participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The expense for these pension plans is equivalent to the annual contributions of $292,310 for the year ended December 31, 2000 (1999: $278,613).

Effective January 1, 2000, the Corporation's additional contributions (2.75%) to Management Employees Pension Plan with respect to the pre-1992 deficiency was eliminated and current service contributions were increased 2.75%.

At December 31, 1999, the Management Employees Pension Plan reported a surplus of $46,019,000 (1998: $4,355,000) and the Public Service Pension Plan reported a surplus of $517,020,000 (1998: $406,445,000).

NOTE 13 COMMITMENTS

The Corporation has entered into agreements with minimum annual commitments as follows:

(a) As assignee in the lease agreement between the Landlord and Alberta Infrastructure for office space.

2001 to 2002	$ 497,000

(b) An agreement with a service provider for the provision of information technology services commencing September 1, 1998 to August 31, 2003. The contract amount is negotiated each year before September 1.

2001	$ 1,304,000
2002	$ 1,368,000
2003	$ 944,000

(c) An agreement with a service provider for the lease of hardware and software for the local area network; development, production and back-up servers; and desktop computer equipment.

	Operating Lease	Capital Lease
2001	$ 178,000	$ 54,000
2002	35,000	6,000
2003	8,000	-
	$ 221,000	$ 60,000

NOTE 14 APEX PROJECT

In 1997, the Corporation commenced a multi-year project designed to replace legacy pension systems with a new multi-functional, integrated system. Contract and performance difficulties were encountered with a key pension software vendor in 1999. In 2000, the Corporation concluded, through mutual agreement, its association with this software vendor. The Corporation is re-commencing the project.

APEX project costs incurred, expensed and capitalized during the year were as follows:

	2000	1999
Costs incurred during the year	$ 647,810	$ 3,978,294
Costs expensed during the year	510,723	3,617,122
Costs capitalized during the year	137,087	361,172
Capital asset balance at beginning of year	556,386	195,214
Capital asset balance at end of year	$ 693,473	$ 556,386

NOTE 15 BUDGET

The 2000 budget was approved by the Board of Directors on December 8, 1998.

NOTE 16 COMPARATIVE FIGURES

Certain 1999 figures have been reclassified to conform to the 2000 presentation.

ALBERTA SECURITIES COMMISSION
FINANCIAL STATEMENTS
MARCH 31, 2001

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Alberta Securities Commission

I have audited the balance sheet of the Alberta Securities Commission as at March 31, 2001 and the statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's 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 financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2001 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] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
April 30, 2001

ALBERTA SECURITIES COMMISSION
BALANCE SHEET
AS AT MARCH 31, 2001
($ Thousands)

	2001	2000
ASSETS		
Current		
Cash (Note 3)	$ 4,337	$ 3,129
Accounts receivable	147	170
Work-in-progress	110	74
Prepaid Expense	20	11
	4,614	3,384
Non-curremt		
Restricted assets (Note 4)	625	186
Investments (Note 5)	16,405	15,287
Capital assets (Note 6)	1,856	1,253
	18,886	16,726
Total assets	$ 23,500	$ 20,110
LIABILITIES AND RETAINED EARNINGS		
Current		
Accounts payable and accrued liabilities	$ 914	$ 293
Accrued vacation and benefit liabilities	736	658
Unearned revenue	1,173	681
Lease inducement (Note 7)	-	40
Total current	2,823	1,672
Accrued benefit liability (Note 8)	523	375
Total liabilities	3,346	2,047
Retained earnings (Note 4)	20,154	18,063
Total liabilities and retained earnings	$ 23,500	$ 20,110

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

Approved on behalf of the Members

Stephen Sibold, Q.C., Chair

Jerry A. Bennis, FCA, Member

ALBERTA SECURITIES COMMISSION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2001

($ Thousands)

	2001		2000
	Budget	Actual	Actual
	(Note 10)		
Revenue			
Fees (Note 11)	$ 13,626	$ 13,773	$ 11,628
Investment income	1,136	1,359	1,018
Settlement cost recoveries	-	111	62
Other	65	28	127
	14,827	15,271	12,835
Expense			
Salaries and benefits (Schedule 1)	9,596	9,138	8,104
Premises	910	871	611
Materials and supplies	420	332	330
CSA Project costs (Note 12)	-	243	-
Contract services	927	1,248	1,077
Travel	541	534	461
Amortization	465	451	328
Telephone and communications	224	208	201
Member fees (Schedule 1)	287	140	175
Other (Note 13)	438	454	489
Total expense	13,808	13,619	11,776
Net income from operations	1,019	1,652	1,059
Administrative penalties (Note 4)	-	439	186
Net income	1,019	2,091	1,245
Retained earnings at beginning of year (Note 4)	18,063	18,063	16,818
Retained earnings at end of year (Note 4)	$ 19,082	$ 20,154	$ 18,063

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

ALBERTA SECURITIES COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2001
($ Thousands)

	2001	2000
Cash flows from operating activities		
Cash receipts from fees	$ 14,310	$ 12,120
Cash receipts from settlement cost recoveries	111	62
Cash paid to and on behalf of employees	(8,922)	(7,669)
Cash paid to suppliers for goods and services	(3,752)	(3,569)
Investment income	1,353	1,053
Cash flows from operating activities	3,100	1,997
Administrative penalties	439	186
Cash flows from operating activities and administrative penalties	3,539	2,183
Cash flows used in investing activities		
Increases in restricted assets	(439)	(186)
Purchase of investments	(1,118)	(842)
Cash used for capital assets (1)	(774)	(675)
Cash used in investing activities	(2,331)	(1,703)
Increase in cash	1,208	480
Cash at beginning of period	3,129	2,649
Cash at end of period	$ 4,337	$ 3,129
(1) Supplemental cash flow information		
Additions to capital assets	$ (1,058)	$ (498)
Increases (decreases) in capital asset liabilities	284	(177)
	$ (774)	$ (675)

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

ALBERTA SECURITIES COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2001

($ THOUSANDS)

NOTE 1 NATURE OF OPERATIONS

The Alberta Securities Commission (the "Commission") is a Provincial Corporation under the Securities Act (Alberta) (the "Act"). The business of the Commission is the regulation of the Alberta capital market, including the administration of the Act, the Securities Regulation and the Alberta Securities Commission Rules.

The mission of the Commission is to foster a fair and efficient capital market in Alberta and confidence in that market. In carrying out its mission the Commission strives to balance the needs of investors for adequate protection with the needs of industry to access capital necessary for continued economic growth.

The Commission, as an Alberta Provincial Corporation, is exempt from income tax.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles.

The accounting policies of significance to the Commission are as follows:

(a) Portfolio Investments

Fixed-income securities are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Investments are recorded as of trade date.

The cost of disposals is determined on the average cost basis.

Where there has been a decline in value in 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.

(b) Investment Income

Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability.

Income and expense on index swaps and interest rate swaps are accrued as earned and gains and losses arising as a result of disposal of investments are included in the determination of investment income.

(c) Investment Valuation

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. Fair values of investments held directly by the pooled investment fund are determined as follows:

(i) Public fixed-income securities 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.

(ii) Private fixed-income securities 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.

(d) Valuation of Derivative Contracts

Derivative contracts include bond index swaps, interest rate swaps and cross-currency interest rate swaps. As disclosed in Note 5(b), the value of derivative contracts is included in the fair value of the Commission's investment in the Canadian Dollar Public Bond Pool ("CDPBP"). The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

(i) Bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

(ii) Interest rate swaps are valued based on discounted cash flows using current market yields.

(iii) The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-current fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

(e) Capital Assets

Capital assets are recorded at cost. The Commission capitalizes labour and out of pocket costs for significant individual systems development projects. Assets are amortized on a straight line basis over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and equipment	10 years
Systems development costs	5 years
Leasehold improvements	3.5 years to 10 years

(f) Revenue Recognition

Fees are recognized as revenue when the relevant order, receipt, certificate or other acknowledgment is issued. Fees received concerning matters in progress at year end are recorded as unearned revenue and an estimate of labour costs on these matters is recorded as work in progress. Administrative penalties, cost recoveries from Commission orders and settlement agreements are recognized as revenues when cash is received.

(g) Employee Future Benefits

The Commission participates in the Public Service Pension Plan, a multiemployer pension plan, with other government entities. Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for the service relating to prior years.

The Commission maintains a Supplemental Pension Plan (the Plan) for certain designated executives of the Commission. The cost of the pension is actuarially determined using the projected benefit method pro-rated on services and managements' best estimate of economic assumptions. Past service costs are amortized on a straight line basis over the average remaining service period of employees active at the date of commencement of the plan. The average remaining service period of active employees of the Plan is 12 years.

The Commission also maintains a plan whereby it would make Registered Retirement Savings Plan contributions on behalf of certain employees of the Commission. The contributions are calculated based on a fixed percentage of the employees salary to a maximum of the Registered Retirement Savings Plan contribution of $13,500. The expense included in these financial statements comprise the current contributions made on behalf of the employees.

(h) Lease Inducement

Cash payments received as lease inducements are deferred and amortized on a straight line basis over the lease term.

(i) Restricted Assets

Revenues received by the Commission from Administrative Penalties are not to be used for normal operating expenditures of the Commission and can only be used for endeavours or activities that in the opinion of the Commission enhance the capital market in Alberta.

(j) Fair Value

The carrying value of cash, receivables and payables, and accruals approximate their fair value due to the relatively short periods to maturity of the instruments.

NOTE 3 CASH

Cash consists of demand deposits in the Consolidated Cash Investment Trust Fund. The Consolidated Cash Investment Trust Fund is administered by the Minister of Revenue with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositor's capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

NOTE 4 RESTRICTED ASSETS AND RETAINED EARNINGS

Restricted assets are comprised of administrative penalty revenue, interest earned, less associated costs.

For the year, restricted assets increased as follows:

	2001	2000
Administrative Penalty Revenue	$ 466	$ 182
Interest earned	19	4
	485	186
Less: Seminar and other costs	46	-
Net increase	439	186
Restricted Assets, beginning of year	186	-
Restricted Assets, end of year	$ 625	$ 186
Unrestricted earnings	19,529	17,877
Restricted earnings	625	186
Retained earnings	$ 20,154	$ 18,063

NOTE 5 INVESTMENTS

The Commission's investments are held in the Canadian Dollar Public Bond Pool ("CDPBP"), a pooled investment fund established and administered by the Minister of Revenue. Pooled investment funds have a market based value that is used to allocate income to participants and to value purchases and sales of pool units.

(a) Summary

The following is a summary of the Commission's investment in the CDPBP as at March 31, 2001.

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 326	$ 326	$ 269	$ 269
Public fixed-income securities				
Government of Canada, direct and guaranteed	4,018	3,880	4,039	3,853
Provincial				
Alberta, direct and guaranteed	55	57	58	57
Other, direct and guaranteed	3,723	3,557	2,315	2,206
Municipal	239	234	127	120
Corporate	5,752	5,587	6,487	6,120
Private fixed-income securities				
Corporate	2,202	2,063	1,873	1,688
	16,315	15,704	15,168	14,313
Receivable from sale of investments	22	22	267	267
Accrued interest receivable	221	221	229	229
Receivable from participants for units issued	39	39	-	-
Accrued derivative income (loss)	(21)	(21)	-	-
Liabilities for investment purchases	-	-	(377)	(377)
Payable to participants for units redeemed	(171)	(171)	-	-
	90	90	119	119
Total - Alberta Securities Commission	$ 16,405	$ 15,794	$ 15,287	$ 14,432

CDPBP is managed with the objective of providing competitive above average returns compared to the total return of the Scotia Capital Markets Universe Bond Index over a four year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of portfolio duration and sector rotation. At March 31, 2001 securities held by the pool have an average effective market yield of 5.75% per annum (2000: 6.39% per annum) and the following term structure based on principal amount:

	2001	2000
	%	
under 1 year	5	9
1 to 5 years	36	35
5 to 10 years	29	29
10 to 20 years	15	15
over 20 years	15	12
	100	100

(b) Investment Risk Management

Income and financial returns of the Commission are exposed to credit risk and price risk. 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. Price risk is comprised of interest rate risk and market risk. Interest rate risk relates to the possibility that the investments will change in value due to fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

In order to earn an optimal financial return at an acceptable level of risk, management of the Commission has established an investment policy which is reviewed annually. Risk is reduced through the investment in a pooled bond fund with sufficient diversification and quality restraints on fixed income investments. Individual investments in non-listed and foreign securities are not eligible investments outside of CDPBP. CDPBP uses derivative securities to enhance returns.

(c) Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, rates or currency rates. The Commission participates in CDPBP which holds derivative contracts to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. 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.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. A bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity.

Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

The Commission's proportionate share of the notional value of index swaps issued by CDPBP as at March 31, 2001 are as follows:

		2001		2000	
		Notional Amount	Fair Value (i)	Notional Amount	Fair Value (ii)
Bond index swaps		$ 1,012	$ (5)	$ 1,826	$ 21
Interest rate swaps		334	(16)	309	(9)
		1,346	$ (21)	$ 2,135	$ 12
Cross-currency interest rate swap contracts	(ii)	1,283		1,610	
	(iii)	$ 2,629		$ 3,745	

(i) The method of determining the fair value of derivative contracts is described in Note 2 (d).

(ii) As at March 31, 2001, the combined value of cross-currency interest rate swaps and underlying securities amount to $1,291 (2000: $1,600).

(iii) The notional value of the swap contracts have the following term to maturity: under 1 year - $1,091, 1 to 3 Years - $453, and over 3 Years - $1,085.

(d) Investment Returns

CDPBP uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the pool over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the return of pools with other pools or indices.

The Commission's rate of return for its investment in CDPBP during the year was 9.43% (2000: 1.33%). This compares to the Scotia Capital Markets Universe Bond Index rate of return of 8.70% (2000: 1.26%).

NOTE 6 CAPITAL ASSETS

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ 1,192	$ 704	$ 488	$ 290
Furniture and equipment	556	184	372	296
Systems development costs	-	-	-	6
Leasehold improvements	1,357	361	996	661
	$ 3,105	$ 1,249	$ 1,856	$ 1,253

NOTE 7 LEASE INDUCEMENT

Pursuant to a ten year lease agreement effective April 1, 1996, as amended, the Commission received from its landlord a lease inducement of $200 and is entitled to a further $200 at the beginning of year six. Amortization for each year for the remaining 5 years will be $40 (2001: $40).

NOTE 8 EMPLOYEE FUTURE BENEFITS

The Commission's accrued benefit liability is comprised of:

Accrued Benefit Liability

	2001	2000
Retirement Plan	$ 194	$ 214
Supplemented Pension Plan	329	161
	$ 523	$ 375

The expense for the plans referred to in this note are recorded in the Statement of Income under salaries and employee benefits.

(a) Public Service Pension Plan

The Commission participates in the Public Service Pension Plan (the PSPP). The expense for this pension plan is equivalent to the annual contributions of $171 for the year ending March 31, 2001 (2000: $132).

(b) Registered Retirement Savings Plan

The Commission makes contributions on behalf of employees who do not participate in the PSPP to employee Registered Retirement Savings Plans. The expense for the year ending March 31, 2001 was $225 (2000: $235).

(c) Retirement Plan

The Commission has a retirement plan for a designated executive. The provisions of the retirement plan were established pursuant to a written agreement with the designated executive. The retirement plan provides pension benefits based on a fixed schedule of payments over a fifteen year period ending in 2018. Accrued benefits are payable on the death of the designated executive. The retirement plan is not pre-funded and the benefits will be paid from the assets of the Commission as they come due. During the year the plan was amended, resulting in a $20 gain.

(d) Supplemental Pension Plan

The Commission has a Supplemental Pension Plan (the Plan) for certain designated executives of the Commission. The provisions of the Plan were established pursuant to a written agreement with each executive.

The Plan provides pension benefits to the designated executive which are defined by reference to earnings which are in excess of the $86 limit imposed by the Income Tax Act on registered pension arrangements.

Pension benefits from the Plan are payable on or after attainment of age 55 and are equal to 1.75% of highest average pensionable earnings (average over five years) for each year of service with the Commission. Members of the Plan become vested in the benefits of the plan after two years of service. Accrued benefits are also payable on early retirement (with reductions), death or termination of employment of the designated executive.

An actuarial valuation of the Plan was performed by an independent actuary in March, 2001. The accrued benefit liability was determined as at March 31, 2001.

The Plan is not pre-funded and the benefits will by paid from the assets of the Commission as they come due.

The results of the actuarial valuation as it applied to the Plan are summarized below:

	2001	2000
Balance Sheet at March 31		
Market value of assets	$ -	$ -
Accrued benefit obligation	596	466
Unfunded obligation	596	466
Unamortized transitional obligation	(279)	(305)
Unamortized actuarial gain	12	-
Accrued benefit liability	$ 329	$ 161
Accrued Benefit Obligation		
Accrued benefit obligation at beginning of period	$ 466	$ 331
Service cost	109	106
Interest cost	37	29
Net Actuarial (gain)	(16)	-
Accrued benefit obligation at end of period	$ 596	$ 466
Pension Expense		
The pension expense for the Plan is as follows:		
Service cost	$ 109	$ 107
Interest cost	37	29
Amortization of transitional obligation	22	25
Pension Expense	$ 168	$ 161

Actuarial Assumptions for Actuarial Valuation of the Plan

The assumptions used in the actuarial valuation of the Plan performed in March 2001 are summarized below. The discount rate was established in accordance with the yield on long corporate bonds. Other economic assumptions were established as managements best estimate in collaboration with the actuary. Demographic assumptions were selected by the actuary based on best estimate of the future experience of the plans.

	Plan	
	2001	2000
Discount rate	7.35%	6.5%
Rate of inflation	2.35%	2.0%
Salary increases	3.35%	3.0%

NOTE 9 LEASE OBLIGATIONS

Operating

Future minimum operating lease payments for premises and equipment for each of the next 5 years and in aggregate are as follows:

2002	$ 1,328
2003	1,221
2004	1,192
2005	1,197
2006	1,197
Total	$ 6,135

NOTE 10 BUDGET

The members approved the Commission's 2000-2001 budget on February 9, 2000.

NOTE 11 FEES

Fees are comprised of:

	2001	2000
Distribution of Securities	$ 7,014	$ 5,281
Registrations	4,333	4,115
Annual Financial Statements	1,904	1,777
Orders	522	455
Total	$ 13,773	$ 11,628

NOTE 12 CSA PROJECT COSTS

The Canadian Securities Administrators (CSA) have established a CSA Project Office, the purpose of which is to assist in the development and harmonization of rules, regulations and policies across Canada. The Commissions have also agreed that the costs incurred for the maintenance of the CSA Project Office and any third party costs incurred in the development of harmonized rules, regulations and polices will be shared on an agreed upon cost sharing formula.

NOTE 13 OTHER EXPENSES

Other expenses are comprised of:

	2001	2000
Repairs and maintenance	$ 113	$ 99
Freight and postage	62	60
Equipment rental	56	51
Advertising	49	61
Business consultation	35	93
Other	139	125
Total	$ 454	$ 489

NOTE 14 CONTINGENCIES

(a) The Commission is involved in various legal proceedings arising from its regulatory activities. Management considers the chance of liability under these legal proceedings not to be determinable and accordingly an estimate of any contingent loss cannot be made.

(b) The 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 Commission to the Bank is limited to $2,160.

NOTE 15 RELATED PARTY TRANSACTIONS

Travel service arrangements provided by a Member's travel agency, including fees for airlines tickets - $218 (2000: $204).

These services are provided in the normal course of operations and are measured at fair value for the services provided.

NOTE 16 COMPARATIVE FIGURES

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

Schedule 1

ALBERTA SECURITIES COMMISSION
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 2001

	2001				2000	
	Number of Individuals (1)	Salary (2)	Benefits and Allowances (3)	Total	Number of Individuals (1)	Total
Securities Commission Members (part-time)	8.0	$ 139,988	$ -	$ 139,988	8.0	$ 175,322
Chair, Securities Commission (4)	0.9	$ 388,446	$ 21,323	$ 409,769	0.7	$ 349,104
Vice Chair, Securities Commission (4)	1.0	180,200	20,927	201,127	1.0	182,575
Vice Chair, Securities Commission (4)	1.0	175,200	15,522	190,722	1.0	167,555
Executive Director (5)	1.0	190,200	18,332	208,532	1.0	195,861
Chief Financial Officer	1.0	143,200	19,443	162,643	1.0	147,489
Director, Capital Markets	1.0	145,200	15,140	160,340	1.0	147,035
Director, Enforcement	0.8	115,668	72,121	187,789	0.6	85,248
Director, Legal/Policy	1.0	150,200	16,369	166,569	0.6	89,017

(1) Number of individuals is the weighted average during the year.

(2) Salary includes regular base pay, bonuses, overtime and lump sum payments and honoraria.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pensions, registered retirement savings plan contributions, health care, dental coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, vacation payouts, professional memberships, tuition, and club memberships.

(4) The Chair and Vice-Chairs are full time Commission Members.

(5) Automobile provided, no dollar amount included in benefits and allowances figures.

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2000

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Member of
The Alberta Government Telephones Commission

I have audited the consolidated balance sheet of The Alberta Government Telephones Commission as at December 31, 2000 and the consolidated statements of revenue, expense and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 Commission as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 8, 2001

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2000

(thousands of dollars)

	2000	1999
ASSETS		
Cash and cash equivalents (Note 3)	$ 45,378	$ 106,679
Interest and accounts receivable	110	9,933
Notes receivable (Note 4)	-	150,000
	$ 45,488	$ 266,612
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	236	1,678
Income taxes (Note 2(d))	40,636	36,494
Debenture debt (Note 5)	-	150,000
Due to the Province of Alberta (Note 6)	4,616	78,440
	45,488	266,612
Equity:		
Retained earnings	-	-
	$ 45,488	$ 266,612

The accompanying notes are part of these consolidated financial statements.

On behalf of the Commission:

Peter McNeil
Chairman and Sole Commission Member

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED STATEMENT OF REVENUE, EXPENSE AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2000

(thousands of dollars)

	2000		1999
	Budget (Note 8)	Actual	
Revenue:			
Interest on notes receivable	$ 7,160	$ 7,160	$ 22,363
Interest premium (Note 4)	187	187	581
Interest on deposits	3,276	3,539	260
Foreign exchange gain on notes	-	1,501	893
Other	151	192	-
	10,774	12,579	24,097
Expense:			
Interest on debenture debt	7,160	7,160	22,363
Interest on income taxes	2,393	2,620	-
Foreign exchange loss on income taxes	-	1,522	955
Other	100	88	-
	9,653	11,390	23,318
Net revenue from operations	1,121	1,189	779
Net revenue from discontinued operations (Note 2)	-	(13)	12,565
Excess of revenue over expenditure for the year	1,121	1,176	13,344
Retained earnings at beginning of year	-	-	-
	1,121	1,176	13,344
Contribution to the Province of Alberta	(1,121)	(1,176)	(13,344)
Retained earnings at end of year	$ -	$ -	$ -

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2000

(thousands of dollars)

	2000	1999
Operating Activities:		
Net revenue from operations	$ 1,189	$ 779
Changes in non-cash balances	12,523	(466)
	13,712	313
Discontinued operations (Note 2)	(13)	3,333
Cash provided by operating activities	13,699	3,646
Investing Activities:		
Decrease in notes receivable	150,000	50,000
Cash provided by investing activities	150,000	50,000
Financing Activities:		
Repayment of debenture debt	(150,000)	(50,000)
Contribution to the Province of Alberta	(75,000)	-
	(225,000)	(50,000)
Cash applied to financing activities	(225,000)	(50,000)
Increase in cash and cash equivalents	(61,301)	3,646
Cash and cash equivalents at beginning of year	106,679	103,033
Cash and cash equivalents at end of year	$ 45,378	$ 106,679

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1 AUTHORITY

The Alberta Government Telephones Commission (the Commission) operates under the authority of the Telecommunications Act, Chapter T-3.5, Statutes of Alberta 1988, as amended and the Alberta Government Telephones Reorganization Act, Chapter A-23.5, Statutes of Alberta 1990.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the following wholly-owned subsidiaries, 475342 Alberta Ltd., and NFI Finance, Inc. 475342 Alberta Ltd. was inactive and wound up during the year. NFI Finance, Inc. was wound up during 1999.

All significant transactions between these companies have been eliminated.

(b) Notes Receivable

Notes receivable are stated at cost, which includes principal amounts outstanding, less provisions for losses on loans. Interest on loans is recognized as income on the accrual basis unless the loans have been classified as non-performing.

(c) Valuation of Assets and Liabilities

The assets and liabilities of the wound-up subsidiaries were settled at market value. Any gains or losses arising from revaluation of the assets and liabilities are included in the determination of excess of revenue over expense for the year.

Due to the short-term nature of cash and cash equivalents, notes receivable and debenture debt, the carrying value approximates fair value.

(d) Income Taxes

The income tax provision is management's estimate of income taxes payable for its U.S. subsidiaries wound-up in 1999.

(e) Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Foreign currency transactions are translated at the average exchange rate prevailing during the year.

NOTE 3 CASH AND CASH EQUIVALENTS

	2000	1999
	(thousands of dollars)	
Bank deposits	$ 476	$ 422
CCITF account	2,127	67,433
Short-term deposits	42,775	38,824
	$ 45,378	$ 106,679

The Consolidated Cash Investment Trust Fund (CCITF) is a demand account managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

Short-term deposits are comprised of bank certificates that are reinvested as they mature.

NOTE 4 NOTES RECEIVABLE

	2000	1999
	(thousands of dollars)	
Notes receivable	$ -	$ 4,500
Sinking fund notes (Note 5)	-	145,500
	$ -	$ 150,000

The notes receivable were issued by TELUS Communications Inc., a subsidiary of TELUS Corporation, on October 4, 1990 pursuant to a debt reorganization agreement between the Commission, the Province of Alberta, and TELUS. The notes are comprised of residual and sinking fund notes issued in series that exactly match the Commission's debenture debt. The notes matching those Commission debentures with sinking fund requirements are referred to as sinking fund notes.

The notes bear interest at 11.8%. The rate for each series is 0.3% greater than that of the corresponding Commission debenture debt series, resulting in an interest premium of $187,000 (1999 - $581,000).

The $150 million note that matures in 2003, has an early redemption provision at TELUS's option during the period 3 years to 6 months prior to maturity. TELUS exercised its option and redeemed all outstanding notes receivable on May 31, 2000.

NOTE 5 DEBENTURE DEBT

Debentures are unconditionally guaranteed as to principal and interest by the Province of Alberta. The debenture deeds require annual sinking fund contributions of 1% of the principal amounts outstanding.

The $150 million debenture that matures in 2003, has an early redemption provision at the Commission's option during the period 3 years to 6 months prior to maturity. The Commission exercised its option and redeemed all outstanding debentures on May 31, 2000.

Sinking fund notes of TELUS Communications Inc. were held by the Commission to meet the sinking fund requirements.

Debenture maturity amounts are exactly offset by notes of TELUS Communications Inc. (Note 4).

NOTE 6 DUE TO THE PROVINCE OF ALBERTA

	2000	1999
	(thousands of dollars)	
Balance at beginning of year	$ 78,440	$ 65,096
Net operations:		
NFI Finance, Inc.	-	4,421
475342 Alberta Ltd.	(13)	8,144
	(13)	12,565
Net revenue from operations of the Commission	1,189	779
Payment made to the Province of Alberta	(75,000)	-
Balance at end of year	$ 4,616	$ 78,440

Pursuant to section 15 of the Telecommunications Act, the amount due to the Province of Alberta can be paid, with the approval of the Lieutenant Governor in Council, with money that the Commission determines to be surplus.

In March 2000, the Commission paid $75 million of the amount due to the Province of Alberta.

NOTE 7 FEES AND BENEFITS

The Commission and its subsidiaries did not pay any fees or benefits to their officers or directors in 2000 and 1999. The Commission and its subsidiaries have no employees.

NOTE 8 BUDGET

The 2000 budget was approved by management on May 11, 2000.

ALBERTA TREASURY BRANCHES
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2001

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the consolidated balance sheet of Alberta Treasury Branches as at March 31, 2001, and the consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of Alberta Treasury Branches' management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 Alberta Treasury Branches as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 11, 2001

ALBERTA TREASURY BRANCHES
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31
($ in thousands)

	2001	2000	1999
ASSETS			
Cash resources (Note 2)			
Cash and non-interest bearing deposits with banks	$ 146,550	$ 89,829	$ 88,138
Interest bearing deposits with banks	817,506	557,132	500,658
Cheques and other items in transit, net	-	-	6,296
	964,056	646,961	595,092
Securities (Note 3)	861,193	630,224	468,479
Loans, net of allowances for credit losses (Notes 4 and 5)			
Residential mortgage	3,977,883	3,651,396	3,296,655
Personal	1,429,627	1,326,961	1,132,262
Credit card	150,752	94,770	39,915
Business and other	4,110,996	3,963,203	3,708,103
General allowance for credit losses	(123,649)	(111,639)	(140,160)
	9,545,609	9,036,330	8,176,935
Other			
Capital assets (Note 6)	74,183	63,616	54,171
Other assets (Notes 7, 12 and 15)	205,502	166,451	127,182
	279,685	230,067	181,353
	$ 11,650,543	$ 10,543,582	$ 9,421,859
LIABILITIES AND EQUITY			
Deposits (Note 8)			
Personal	6,307,770	5,657,036	5,226,318
Business and other	4,611,093	4,267,590	3,795,992
	10,918,863	9,924,626	9,022,310
Other			
Other liabilities (Notes 5, 9, 11 and 11)	273,475	218,445	215,241
Cheques and other items in transit, net (Note 2)	6,654	8,715	-
	280,129	227,160	215,241
Subordinated debenture (Note 10)	17,444	7,519	-
Equity	434,107	272,638	44,148
Commitments and contingent liabilities (Notes 5, 14 and 20)			
	$ 11,650,543	$ 10,431,943	$ 9,281,699

The accompanying notes are an integral part of the consolidated financial statements.

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31
($ in thousands)

	2001	2000	1999
Interest income			
Loans	$ 726,242	$ 644,255	$ 567,513
Securities	43,355	28,085	31,375
Deposits with banks	40,229	31,401	31,696
	809,826	703,741	630,584
Interest expense			
Deposits	446,959	371,561	343,652
Subordinated debenture (Note 10)	898	309	-
	447,857	371,870	343,652
Net interest income	361,969	331,871	286,932
Provision for (recovery of) credit losses (Note 5)	20,969	(41,821)	3,787
Net interest income after provision for (recovery of) credit losses	341,000	373,692	283,145
Other income			
Service charges	44,352	41,720	38,627
Credit fees	17,115	17,508	16,200
Commission and other	11,937	24,491	8,386
Card fees	10,182	7,182	5,980
Foreign exchange	5,489	3,659	4,927
	89,075	94,560	74,120
Net interest and other income	430,075	468,252	357,265
Non-interest expenses			
Salaries and employee benefits (Notes 11 and 12)	134,856	111,676	119,950
Premises and equipment, including amortization	42,314	38,676	40,757
Communications and electronic processing	49,695	51,157	44,947
Restructuring costs	-	-	5,003
Other	41,741	38,253	35,916
	268,606	239,762	246,573
Net income	$ 161,469	$ 228,490	$ 110,692

The accompanying notes are an integral part of the consolidated financial statements.

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31
($ in thousands)

	2001	2000	1999
Equity (deficit) at beginning of year	$ 272,638	$ 44,148	$ (66,544)
Net income for year	161,469	228,490	110,692
Equity at end of year	$ 434,107	$ 272,638	$ 44,148

The accompanying notes are an integral part of the consolidated financial statements.

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31
($ in thousands)

	2001	2000	1999
Cash flows from operating activities			
Net income	$ 161,469	$ 228,490	$ 110,692
Adjustments to determine net cash flows:			
Provision for (recovery of) credit losses	20,969	(41,821)	3,787
Amortization	16,379	14,041	11,674
Net changes in accrued interest receivable and payable	14,233	(3,255)	7,225
Other items, net	1,251	(32,279)	(7,161)
	214,301	165,176	126,217
Cash flows from financing activities			
Net change in deposits	993,929	902,370	296,229
Issue of subordinated debenture (Note 10)	9,925	7,519	-
	1,003,854	909,889	296,229
Cash flows from investing activities			
Net change in interest bearing deposit balances with banks	(259,995)	(56,496)	49,842
Purchase of investment securities	(6,762,829)	(5,100,139)	(4,540,665)
Maturity of investment securities	6,531,860	4,938,394	4,683,588
Net change in loans	(642,042)	(846,106)	(535,102)
Net purchases of capital assets	(26,946)	(23,486)	(15,002)
	(1,159,952)	(1,087,833)	(357,339)
Effect of exchange rate changes on cash and cash equivalents	579	(552)	621
Net change in cash and cash equivalents	58,782	(13,320)	65,728
Cash and cash equivalents at beginning of year	81,114	94,434	28,706
Cash and cash equivalents at end of year	$ 139,896	$ 81,114	$ 94,434
Represented by:			
Cash and non-interest bearing deposits with banks	$ 146,550	$ 89,829	$ 88,138
Cheques and other items in transit, net	(6,654)	(8,715)	6,296
	$ 139,896	$ 81,114	$ 94,434
Supplementary cash flow information:			
Amount of interest paid during the year	$ 401,759	$ 359,661	$ 321,172

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

($ IN THOUSANDS)

Alberta Treasury Branches (ATB) is an Agent of the Crown in right of Alberta and operates under the authority of the Alberta Treasury Branches Act, Statutes of Alberta, 1997, chapter A-37.9, proclaimed in force October 8, 1997. Under that Act, ATB was established as a provincial Crown corporation governed by a Board of Directors appointed by the Lieutenant Governor in Council. ATB's primary business is providing financial services within Alberta.

1. SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements are prepared by management in accordance with Canadian generally accepted accounting principles. Comparative amounts have been reclassified where necessary to conform with the current year's presentation. The significant accounting policies followed in the preparation of these Consolidated Financial Statements are summarized below:

(a) Basis of consolidation

The Consolidated Financial Statements include the assets, liabilities and results of operations, after the elimination of intercompany transactions and balances of ATB and its wholly owned subsidiary, ATB Investment Services Inc.

(b) Translation of foreign currencies

Assets and liabilities arising from foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The income and expenses related to these transactions are translated using the average exchange rate for the year. Realized and unrealized gains and losses arising from these translations are included in other income in the Consolidated Statement of Income.

(c) Use of estimates

In preparing the Consolidated Financial Statements, management must make estimates and assumptions considering values of certain assets and liabilities, net income and related disclosures reported in these Consolidated Financial Statements. Actual results could differ from these estimates.

(d) Specific accounting policies

Other significant accounting policies are disclosed in the following notes with the related financial disclosure.

2. CASH RESOURCES

Cash resources consist of cash, operating and investment deposits with banks and items in transit. Interest bearing deposits with banks are recorded at cost. Interest income on interest bearing deposits is recorded on an accrual basis. Cheques and other items in transit represent the net position of uncleared settlements with other financial institutions and are recorded at cost.

If the total amount of uncleared settlements due to other financial institutions exceeds the total amount of uncleared settlements owed to ATB, the net amount is reported under other liabilities on the Consolidated Balance Sheet.

3. SECURITIES

Securities are reported at cost or amortized cost, adjusted to recognize other than temporary losses in the underlying value. All securities held are investment account securities purchased with the intention to hold them to maturity, or until market conditions render alternative investments more attractive. Gains and losses on disposal of securities are included in income in the year of disposal. The cost or amortized cost of securities approximates the market value of securities.

All securities held mature within one year and the balances are as follows:

	2001	2000	1999
Issued or guaranteed by Canada	$ 106,756	$ 106,853	$ 48,212
Other securities	754,437	523,371	420,267
	$ 861,193	$ 630,224	$ 468,479

Securities pledged at March 31, 2001 totalled $91,600 (2000: $60,600; 1999: $56,200)(Note 14(d)).

4. LOANS

Loans are stated net of any unearned interest and an allowance for credit losses. Interest income is recorded on an accrual basis, except for impaired loans. Accrued interest is included in other assets in the Consolidated Balance Sheet.

(a) Loan fees

Loan and commitment fees are recognized as other income over the term of the loan or over the commitment period, as appropriate.

(b) Impaired loans

Loans, except for credit cards, are classified as impaired when:

- there is no longer reasonable assurance as to the timely collection of the full amount of principal or interest, or
- principal or interest payments are 90 days past due.

Consumer credit card loans are classified as impaired and written off when principal or interest payments become 180 days past due. Business and agricultural credit card loans that become 90 days past due are removed from the credit card portfolio and transferred into the applicable impaired loan category.

When a loan is classified as impaired the carrying amount of the loan is reduced to its estimated realizable amount. Interest income on the loan ceases to be accrued. No portion of cash received on an impaired loan is recorded as interest income until such time as any prior write-offs or specific allowances have been reversed.

Impaired loans are returned to performing status when there is reasonable assurance of the timely collection of all principal and interest, all arrears have been collected, and allowances for loan losses have been reversed.

Loans consist of the following:

	2001			2000	1999
	Recorded investment	Allowance	Net carrying value	Net carrying value	Net carrying value
Residential mortgage	$ 3,980,759	$ 2,876	$ 3,977,883	$ 3,651,396	$ 3,296,655
Personal	1,432,658	3,031	1,429,627	1,326,961	1,132,262
Credit card	150,752	-	150,752	94,770	39,915
Agricultural	1,192,808	3,777	1,189,031	1,108,080	1,063,399
Independent business, commercial and other loans	2,957,221	35,256	2,921,965	2,855,123	2,644,704
	9,714,198	44,940	9,669,258	9,036,330	8,176,935
General allowance	-	123,649	(123,649)	(111,639)	(140,160)
	$ 9,714,198	$ 168,589	$ 9,545,609	$ 8,924,691	$ 8,036,775

Impaired loans (included in the preceding schedule):

	2001			2000	1999
	Recorded investment	Allowance	Net carrying value	Net carrying value	Net carrying value
Residential mortgage	$ 23,887	$ 2,876	$ 21,011	$ 11,348	$ 12,278
Personal	7,907	3,031	4,876	3,794	2,966
Agricultural	21,228	3,777	17,451	37,733	33,708
Independent business, commercial and other loans	59,496	35,256	24,240	17,191	66,127
	112,518	44,940	67,578	70,066	115,079
General allowance	-	123,649	(123,649)	(111,639)	(140,160)
	$ 112,518	$ 168,589	$ (56,071)	$ (41,573)	$ (25,081)

The total recorded investment at March 31, 2001, in assets acquired in satisfaction of problem loans was $269, with an allowance for losses of $98 and a net carrying value of $171. (2000: $130; 1999: $2,764). These amounts are included in the preceding schedules.

5. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is maintained at a level considered adequate to absorb credit-related losses for all on- and off-balance sheet items. Off-balance sheet items include loan guarantees, letters of credit, and derivative financial instruments.

The allowance for credit losses is deducted from the related asset category, except any amounts provided to cover potential losses from off-balance sheet items, which are included in other liabilities.

In establishing the net carrying value of the impaired loan portfolio, allowance has been made for potential legal actions by various borrowers. Management is of the view that it has strong defences and will vigorously defend such actions. However, a previously established allowance will not be reversed until the outcome of such potential actions becomes clearer. Management is unable to estimate the amount of any such contingent gain.

(a) Specific allowance

The specific allowance on non-consumer impaired loans is established on a loan-by-loan basis to reduce the carrying value of the impaired loans to the amount expected to be recovered. One of the following methods is used to determine the net realizable values:

- the discounted value of estimated future cash flows,
- the fair value of any underlying security discounted to the amount recoverable in the event of realization, or
- the observable market value for the loan.

The specific allowance on consumer loans is calculated using a formula based on recent loss experience.

Any change in the amount expected to be recovered on an impaired loan is charged or credited to the provision for credit losses.

(b) General allowance

This allowance recognizes that not all credit losses can be specifically identified on a loan-by-loan basis. The general allowance is determined using a statistical estimate of probable losses inherent in the portfolio based on historical and expected loss experience, loan portfolio composition, and other relevant indicators. It is also based on management's judgement concerning the strength of the economy.

Changes in the allowance for credit losses are as follows:

	Specific			General			Total		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Balance at beginning of year	$ 100,894	$ 109,429	$ 101,843	$ 111,639	$ 140,160	$ 140,702	$ 212,533	$ 249,589	$ 242,545
Write-offs	(27,553)	(19,645)	(22,100)	-	-	-	(27,553)	(19,645)	(22,100)
Recoveries	10,940	24,410	25,357	-	-	-	10,940	24,410	25,357
Provision for (recovery of) credit losses charged to the Consolidated Statements of Income	8,959	(13,300)	4,329	12,010	(28,521)	(542)	20,969	(41,821)	3,787
Balance at end of year	$ 93,240	$ 100,894	$ 109,429	$ 123,649	$ 111,639	$ 140,160	$ 216,889	$ 212,533	$ 249,589

The specific allowances as at March 31, 2001 of $93,240 (2000: $100,894; 1999: $109,429) represent an allowance for loan losses of $44,940 (2000: $52,594; 1999: $64,429) (Note 4) and an allowance for off-balance sheet items of $48,300 (2000: $48,300; 1999: $45,000) (Note 9).

6. CAPITAL ASSETS

Land is recorded at cost. Buildings, equipment, software and leasehold improvements are reported at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life of the related assets.

The maximum life limits for the various classes are as follows:

Buildings	to 20 years
Equipment and software	to 10 years
Leasehold improvements	to 10 years

Gains and losses on the disposal of capital assets are recorded in the Consolidated Statement of Income in the year of disposal. Losses due to write-downs of the net carrying value of capital assets are recorded in the Consolidated Statement of Income in the year the capital asset is impaired.

As at March 31, 2001, the balances are as follows:

	2001			2000	1999
	Cost	Accumulated amortization	Net carrying value	Net carrying value	Net carrying value
Land	$ 7,186	$ -	$ 7,186	$ 7,189	$ 7,338
Buildings	61,252	46,133	15,119	17,782	19,312
Equipment and software	93,451	65,373	28,078	19,963	16,651
Leasehold improvements	49,828	26,028	23,800	18,682	10,870
	$ 211,717	$ 137,534	$ 74,183	$ 63,616	$ 54,171

7. OTHER ASSETS

	2001	2000	1999
Accrued interest receivable	$ 154,013	$ 122,148	$ 106,684
Other items, including accounts receivable, accrued benefit asset and prepaid items	51,489	44,303	20,498
	$ 205,502	$ 166,451	$ 127,182

8. DEPOSITS

Repayment of all deposits, including accrued interest, is guaranteed by the Crown in right of Alberta. A deposit guarantee fee is assessed by the Crown. For the year ended March 31, 2001, the fee was $12,739 (2000: $9,925; 1999: $7,519).

Deposits are summarized as follows:

	2001				2000	1999
	Payable on demand	Payable after notice	Payable on a fixed date	Total	Total	Total
Personal	$ 612,173	$ 1,128,767	$ 4,566,830	$ 6,307,770	$ 5,657,036	$ 5,226,318
Business and other	1,263,281	309,063	3,038,749	4,611,093	4,267,590	3,795,992
	$ 1,875,454	$ 1,437,830	$ 7,605,579	$ 10,918,863	$ 9,924,626	$ 9,022,310

Total deposits include $96,574 (2000: $101,220; 1999: $104,515) denominated in U.S. funds.

As at March 31, 2001, deposits by the Province of Alberta total $33,307 (2000: $46,468; 1999: $86,799) and include deposits for loans made under the Alberta Farm Credit Stability Program in the amount of $32,165 (2000: $45,439; 1999: $86,220).

9. OTHER LIABILITIES

	2001	2000	1999
Accrued interest payable	$ 148,453	$ 102,355	$ 90,146
Allowance for credit losses on off-balance sheet items	48,300	48,300	45,000
Other items, including accounts payable, deposit guarantee fee payable, accrued benefit liability and other accrued liabilities	76,722	67,790	80,095
	$ 273,475	$ 218,445	$ 215,241

10. SUBORDINATED DEBENTURES

Subordinated debentures are unsecured and subordinated to deposits and other liabilities. The following debentures were privately placed with the Crown in right of Alberta and represent ATB's obligation for the cost of the deposit guarantee. These debentures are non-convertible, non-redeemable, non-transferrable, and bear a fixed interest rate payable semi-annually.

Maturity Date	Interest Rate	2001	2000	1999
June 30, 2004	5.475%	$ 7,519	$ 7,519	$ -
June 30, 2005	6.540%	9,925	-	-
		$ 17,444	$ 7,519	$ -

11. EMPLOYEE FUTURE BENEFITS

ATB participates with other Alberta public sector employers in the Public Service Pension Plan (PSPP). The PSPP is a defined benefit pension plan which provides pension benefits for ATB's non-management employees based on years of service and earnings. ATB accounts for the cost of its participation in the PSPP on a defined contribution basis. Expenses related to this plan were $2,492 (2000: $2,391) and are recorded in salaries and employee benefits.

For its management employees, ATB provides a registered pension plan with defined benefit and defined contribution provisions and a defined benefit supplemental plan. Assets are set aside to satisfy the pension obligation of the registered plan. ATB has the ultimate responsibility for ensuring that the liabilities of the registered plan are adequately funded over time. The supplemental plan is not pre-funded and benefits are paid from ATB's assets as they become due.

The cost of the defined contribution provisions of the registered plan is recorded based on the contributions from ATB in the current year, and is included in the Consolidated Statement of Income under salaries and employee benefits. In the year ended March 31, 2001 the expense was $2,479 (2000: $2,349).

The pension expense for the defined benefit provisions of the registered plan and for the supplemental plan is actuarially determined by the projected pension benefit, offset by the assumed investment return on the plan assets, using management's best estimate and actuarial assumptions outlined in the following table. It is recorded in the Consolidated Statement of Income as a component of salaries and employee benefits. The difference between the pension expense and the actual cash contributions to the plan is recorded in the Consolidated Balance Sheet as part of other assets or other liabilities, as appropriate.

Management employees defined benefit pension plans

	Registered plan		Supplemental plan	
	2001	2000	2001	2000
Change in fair value of assets				
Fair value of plan assets at beginning of year	$ 54,448	$ 43,544	$ -	$ -
Contributions from ATB	-	2,578	-	-
Contributions from employees	977	1,018	-	-
Actual return on plan assets	3,988	7,849	-	-
Benefits paid	(399)	(541)	-	-
Transfers to other plans	(698)	-	-	-
Fair value of plan assets at end of year	$ 58,316	$ 54,448	$ -	$ -
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	$ 43,469	$ 39,307	$ 301	$ -
Actuarial loss	8,348	-	114	-
Current service cost	2,483	2,138	429	291
Interest cost	3,640	2,565	59	10
Benefits paid	(399)	(541)	-	-
Accrued benefit obligation at end of year	$ 57,541	$ 43,469	$ 903	$ 301
Funded status				
Plan surplus (deficit)	$ 775	$ 10,979	$ (903)	$ (301)
Unamortized initial transition (asset)	(3,389)	(3,813)	-	-
Unamortized actuarial net (gain)	5,591	(5,688)	114	-
Accrued benefit asset (liability)	$ 2,977	$ 1,478	$ (789)	$ (301)
Net pension benefit expense				
Service cost, net of expected employee contributions	$ 1,425	$ 1,139	$ 429	$ 291
Interest cost	3,640	2,565	59	10
Expected return on plan assets	(4,609)	(3,711)	-	-
Amortization of initial transition asset	(424)	(424)	-	-
Net pension benefit expense	$ 32	$ (431)	$ 488	$ 301
Actuarial assumptions used in actuarial valuations				
Discount rate	7.00%	6.50%	7.00%	6.50%
Return on plan assets	9.00%	8.50%	-	-
Rate of inflation	2.50%	1.50%	2.50%	1.50%
Rate of increase in future compensation	4.00%	2.50%	4.75%	3.50%

Actuarial valuations were performed by an independent actuary as at April 1, 2000 based on the market related discount rate, and were extrapolated to March 31, 2001.

12. DISCLOSURE OF SALARIES AND BENEFITS

ATB is an Agent of the Crown in right of Alberta, and as such, is required to disclose the following information as per the Salary and Benefits Disclosure Directive made by the Treasury Board, pursuant to sections 5, 6 and 7 of the Financial Administration Act. This directive applies to all departments, regulated funds, provincial agencies and Crown-controlled organizations. The amounts disclosed in the following table are the amounts earned in the year. The 2000 comparative numbers have been restated to reflect retroactive adjustments in pension plan contributions.

	2001						2000
	Base salary	Variable pay *3	Deferred variable pay *4	Total salary	Benefits and allowances	Total	Total
Chairman of Board	$ 45	$ -	$ -	$ 45	-	$ 135	$ 47
Board Members (11) *1	300	-	-	300	-	300	318
President and Chief Executive Officer	284	207	-	491	32	523	527
Executive Vice-President Branch Sales & Services	176	61	61	298	69	367	272
Executive Vice-President Marketing & Product Development	161	57	57	275	56	331	237
Senior Vice-President Credit	150	51	51	252	58	310	247
Senior Vice-President Electronic & Centralized Services	160	56	56	272	56	328	238
Chief Financial Officer	144	51	51	246	55	301	223
Vice President Human Resources *2	120	42	42	204	45	249	-

*1-During the current year, the number of board members, excluding the Chairman, was reduced from 15 to 11.

*2-Incumbent on leave during 2000 reporting year.

*3-Variable pay is determined based on goal attainment in the fiscal year and paid in June 2001.

*4-Deferred variable pay was introduced for the year ended March 31, 2001 and is also reported as earned in the year. Payment is deferred for up to 2.5 years and is dependent upon the employee's continued employment with ATB. The actual amount the employee will receive will appreciate or depreciate from the amount shown based on a specified formula to reflect ATB's actual financial performance in the next two fiscal years.

Total salary includes all earned regular base pay, variable pay, deferred variable pay, lump sum payments, retainers, fees, retroactive pay adjustments and any other direct cash remuneration. Accumulated vacation was paid out to the Chief Financial Officer (2001: $3; 2000: $7). This amount is included in the salary figure.

Benefits and allowances consist of employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, medical benefits, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, and employer's statutory contributions. The benefits and allowances figure also includes the cost of additional benefits such as perquisite allowances.

An automobile was provided for the President and Chief Executive Officer; no amount is included in the benefits and allowances figure.

13. RELATED PARTY TRANSACTIONS

In the ordinary course of business, ATB provides normal banking services to various Province of Alberta departments and agencies on terms similar to those offered to non-related parties (see Note 8).

On June 30, 2000 a subordinated debenture issue was privately placed with the Crown in right of Alberta (Note 10).

ATB provides banking services to its directors, officers, and employees at various terms and rates. As at March 31, 2001, the total outstanding balances of loans and residential mortgages to these parties were $164,534 (2000: $164,245; 1999: $143,148).

14. COMMITMENTS & CONTINGENT LIABILITIES

(a) Credit instruments

In the normal course of business, ATB enters into various commitments to provide customers with sources of credit. These include credit commitments, letters of credit, letters of guarantee and loan guarantees.

Guarantees and standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that the customer is unable to meet its financial or performance contractual obligations. In the event of a call on such commitments, ATB has recourse against the customers. Documentary and commercial letters of credit require ATB to honour drafts presented by third parties upon completion of specific activities. Guarantees include a loan guarantee relating to West Edmonton Mall as further disclosed in Note 20.

Commitments to extend credit represent undertakings to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions, and include recently authorized credit not yet drawn down, and credit facilities available on a revolving basis.

These credit arrangements are subject to ATB's normal credit standards, and collateral may be obtained where appropriate. The contract amounts represent the maximum credit risk exposure to ATB should the contracts be fully drawn, and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent the future cash requirements. Contract amounts as at March 31 were:

	2001	2000	1999
Guarantees	$ 410,579	$ 413,977	$ 414,372
Letters of credit	4,904	2,801	9,974
Commitments to extend credit	2,098,536	1,765,137	1,511,451
	$ 2,514,019	$ 2,181,915	$ 1,935,797

(b) Lease commitments

ATB has obligations under long-term non-cancellable operating leases for buildings and equipment. The future minimum lease payments for each of the next five years and thereafter are:

2002	$ 17,586
2003	15,712
2004	14,175
2005	13,363
2006	12,394
2007 and thereafter	47,179
	$ 120,409

(c) Litigation

Various actions and legal proceedings arising from the normal course of business including the counterclaims described in Note 20 are pending against ATB. Management does not consider the aggregate liability, if any, of these actions and proceedings to be material.

(d) Pledged Assets

In the ordinary course of business, ATB pledges securities to the Bank of Canada in order to participate in clearing and payment systems and to have access to its facilities. Amounts pledged at March 31 are provided in Note 3.

15. DERIVATIVE FINANCIAL INSTRUMENTS

ATB enters into derivative transactions in order to manage the risks associated with its interest rate exposure and other market risks. Derivative products used by ATB include interest rate swaps, interest rate caps, foreign exchange forward contracts and index-linked call options.

The interest rate swaps and caps are used to manage exposures to fluctuations in interest rates in ATB's overall portfolio. The index-linked call options and interest rate caps are used to manage exposures to fluctuations in the underlying indices and interest rates arising from specific financial instruments. ATB only enters into derivative instruments for its own account and does not act as an intermediary in this market, which ATB provides to its customers for the purposes of meeting their day to day business needs.

Income and expense associated with derivative financial instruments is accounted for on an accrual basis and recognized over the life of the contract as an adjustment to net interest income. Realized gains and losses from the settlement or early termination of derivative financial instruments are amortized over the remaining original life of the contract. Accrued income and expense and deferred gains and losses are recorded in other assets or other liabilities, as appropriate.

The total amount of deferred expense at March 31, 2001 was $30,650 (2000: $18,577; 1999: $9,943) and is recorded in other assets in the Consolidated Balance Sheet.

The derivative financial instruments are not included in the Consolidated Balance Sheet. Notional principal amounts, upon which payments are based, are not indicative of the credit risk associated with derivative financial instruments.

The notional amounts of derivative contracts are summarized as follows:

	2001			2000	1999
	Term to maturity				
	Within 1 year	1 to 5 years	Total	Total	Total
Interest rate contracts					
Interest rate swaps	$ 1,075,000	$ 480,000	$ 1,555,000	$ 813,750	$ 575,000
Interest rate caps	-	35,000	35,000	125,000	125,000
	1,075,000	515,000	1,590,000	938,750	700,000
Index-linked contracts	69,350	261,300	330,650	273,300	227,820
Foreign exchange forward contracts	5,141	-	5,141	8,151	5,033
	$ 1,149,491	$ 776,300	$ 1,925,791	$ 1,220,201	$ 932,853

The current replacement cost and fair value of derivative contracts are summarized as follows:

2001	Notional amount	Net fair value	Current replacement cost: Favourable position	Current replacement cost: Unfavourable position
Interest rate contracts				
Interest rate swaps	$ 1,555,000	$ 2,823	$ 6,652	$ 3,829
Interest rate caps	35,000	122	122	-
Index-linked contracts	330,650	46,995	46,995	-
Foreign exchange forward contracts	5,141	2	134	132
Total	$ 1,925,791	$ 49,942	$ 53,903	$ 3,961
2000 Total	$ 1,220,201	$ 75,071	$ 76,175	$ 1,104
1999 Total	$ 932,853	$ 12,326	$ 15,187	$ 2,861

Fair values are determined using pricing models which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. Fair values have been segregated between those contracts which are in a favourable position (positive fair value) and those contracts which are in an unfavourable position (negative fair value).

Current credit exposure is limited to the amount of loss that ATB would suffer if every counterparty to which ATB was exposed were to default at once, which is represented by the current replacement cost of all outstanding contracts in a favourable position. ATB attempts to limit its credit exposure by dealing with counterparties believed to be credit worthy.

16. ESTIMATED FAIR VALUE OF BALANCE SHEET FINANCIAL INSTRUMENTS

The amounts are designed to approximate the fair values of ATB's financial instruments using the valuation methods and assumptions described below. Since many of ATB's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the use of subjective assumptions and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The carrying value of most of ATB's financial instruments is not adjusted to reflect changes in interest rates, as it is ATB's intention to hold the instruments to maturity.

The estimated fair values disclosed do not reflect the value of items that are not considered financial instruments, such as capital assets or intangible assets.

Estimated fair values of balance sheet financial instruments are summarized as follows:

	2001			2000			1999		
	Carrying value	Fair value	Fair value over carrying value	Carrying value	Fair value	Fair value over carrying value	Carrying value	Fair value	Fair value over carrying value
Assets									
Cash resources	$ 964,056	$ 964,056	$ -	$ 646,961	$ 646,961	$ -	$ 595,092	$ 595,092	$ -
Securities	861,193	861,193	-	630,224	630,224	-	468,479	468,479	-
Loans	9,545,609	9,720,444	174,835	8,924,691	8,810,784	(113,907)	8,036,775	8,143,502	106,727
Other assets	205,502	205,502	-	166,451	166,451	-	127,182	127,182	-
Liabilities									
Deposits	10,918,863	11,066,983	148,120	9,924,626	9,953,354	28,728	9,022,310	9,101,963	79,653
Other	297,573	297,573	-	234,679	234,679	-	215,241	215,241	-

Fair values were determined as follows:

Short-term financial instruments

For items which are short-term in nature, the estimated fair value is equal to carrying value. These include cash resources, securities, other assets and other liabilities.

Floating rate financial instruments

For floating rate financial instruments, fair value is equal to carrying value as the interest rates automatically reprice to market.

Fixed rate financial instruments

For fixed rate loans, fair value is determined by discounting the expected future cash flows at market rates.

For fixed rate deposits, fair value is determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms.

17. INTEREST RATE RISK

Interest rate risk is the risk that net interest income will decrease because of an adverse movement in interest rates. The following table details the gap between interest sensitive assets and interest sensitive liabilities, based on the earlier of the repricing or maturity date of both on- and off-balance sheet assets and liabilities.

The gap position is presented as of the close of the business day (March 31). It represents the position of ATB for that day only and may change significantly due to customer preferences and risk management policies.

Non-interest bearing accounts are reported as non-interest sensitive. Due to the current rate environment, interest bearing accounts which no longer demonstrate a direct correlation with market interest rate movements and are no longer deemed to be sensitive are reported as non-interest sensitive.

	Term to maturity/repricing							
2001	**Within 3 months**	**3 - 6 months**	**6 - 12 months**	**Total within 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest sensitive**	**Total**
Assets								
Cash	$ 146,550	$ -	$ -	$ 146,550	$ -	$ -	$ -	$ 146,550
Effective interest rate	4.96%	-	-	4.96%	-	-	-	4.96%
Securities and interest bearing deposits with banks	1,478,162	158,588	41,949	1,678,699	-	-	-	1,678,699
Effective interest rate	5.09%	5.28%	5.45%	5.12%	-	-	-	5.12%
Loans	4,268,194	402,861	629,186	5,300,241	3,927,762	22,712	294,894	9,545,609
Effective interest rate	7.57%	7.56%	7.58%	7.57%	7.43%	8.09%	12.94%	7.68%
Other	-	-	-	-	-	-	279,685	279,685
	5,892,906	561,449	671,135	7,125,490	3,927,762	22,712	574,579	11,650,543
Liabilities and Equity								
Deposits	3,996,392	502,279	1,473,945	5,972,616	2,794,641	-	2,151,606	10,918,863
Effective interest rate	4.30%	5.13%	4.93%	4.53%	5.58%	-	0.57%	3.92%
Other liabilities and equity	-	-	-	-	-	-	714,236	714,236
Subordinated debenture	-	-	-	-	17,444	-	-	17,444
Effective interest rate	-	-	-	-	6.08%	-	-	5.48%
	3,996,392	502,279	1,473,945	5,972,616	2,812,085	-	2,865,842	11,650,543
On-balance sheet gap	1,896,514	59,170	(802,810)	1,152,874	1,115,677	22,712	(2,291,263)	-
Derivatives used for asset/liability purposes (notional amounts)								
Pay side swaps	(1,125,000)	-	-	(1,125,000)	(430,000)	-	-	(1,555,000)
Effective interest rate	4.99%	-	-	4.99%	5.40%	-		
Receive side swaps	430,000	200,000	875,000	1,505,000	50,000	-	-	1,555,000
Effective interest rate	5.04%	6.04%	5.53%	5.46%	5.40%	-	-	-
Off-balance sheet gap	(695,000)	200,000	875,000	380,000	(380,000)	-	-	-
Net gap	$ 1,201,514	$ 259,170	$ 72,190	$ 1,532,874	$ 735,677	$ 22,712	$ (2,291,263)	$ -
% of assets	10.31%	2.22%	0.62%	13.15%	6.31%	0.19%	(19.65%)	-
2000								
Net gap	$ 331,709	$ 371,930	$ (550,055)	$ 153,584	$ 783,768	$ 38,198	$ (967,550)	$ -
% of assets	3.18%	3.57%	(5.27%)	1.47%	7.44%	0.37%	(9.27%)	-
1999								
Net gap	$ 504,199	$ 173,708	$ (721,767)	$ (43,860)	$ 876,614	$ 28,496	$ (861,250)	$ -
% of assets	5.43%	1.87%	(7.77%)	(0.47%)	9.44%	0.31%	(9.27%)	-

18. CREDIT RISK

Credit risk is the risk of loss due to borrowers failing to meet their financial obligations. Credit risk arises from both on- and off-balance sheet transactions. ATB's credit risk is significantly influenced by movements in the Alberta economy which in recent years has shown strong growth and occasional sharp declines. The credit risk is managed to ensure diversification by limiting concentrations to single borrowers and high-risk industries. The 1994 guarantee for the West Edmonton Mall financing disclosed in Note 20 is an exception. Further, policies and procedures are established to promote sound lending practices and ensure prompt attention to problem loans.

19. MARKET SEGMENT INFORMATION

ATB conducts its business through market segments that offer different products and services – deposit business, individual lending, agricultural lending and independent business lending. The deposit business market segment provides a wide range of deposit and investment products and sundry financial services to all clients. The lending business market segments provide a variety of credit products and services including credit cards, designed specifically for each particular group of borrowers.

Results for these market segments presented in the following table are based on ATB's internal financial reporting systems and are consistent with the accounting policies followed in the preparation of ATB's Consolidated Financial Statements. The assets and liabilities are transfer-priced based on their nature and term to determine the net interest income. Non-interest expenses are currently not allocated to the market segments.

		Lending business				
2001	**Deposit business**	**Individual**	**Agricultural**	**Independent business and commercial**	**Other *1**	**Total**
Net interest income	$ 153,409	$ 84,389	$ 28,131	$ 73,944	$ 22,096	$ 361,969
Other income	49,527	9,497	1,762	16,770	11,519	89,075
Total revenue	202,936	93,886	29,893	90,714	33,615	451,044
Provision for credit losses	-	4,643	230	12,176	3,920	20,969
Net operating revenue	202,936	89,243	29,663	78,538	29,695	430,075
Non-interest expenses						268,606
Net income						$ 161,469
Average loans	$ -	$ 5,288,991	$ 1,156,234	$ 2,968,031	$ (54,819)	$ 9,358,437
Average deposits	9,112,680	-	-	-	1,361,373	10,474,053
Total assets	-	5,468,753	1,206,379	2,932,195	2,043,216	11,650,543

		Lending business				
2000	**Deposit business**	**Individual**	**Agricultural**	**Independent business and commercial**	**Other *1**	**Total**
Net interest income	$ 135,058	$ 69,726	$ 25,055	$ 67,251	$ 34,781	$ 331,871
Other income	31,533	4,912	1,710	11,055	45,350	94,560
Total revenue	166,591	74,638	26,765	78,306	80,131	426,431
Provision for (recovery of) credit losses	-	3,668	682	10,541	(56,712)	(41,821)
Net operating revenue	166,591	70,970	26,083	67,765	136,843	468,252
Non-interest expenses						239,762
Net income						$ 228,490
Average loans	$ -	$ 4,743,410	$ 1,062,809	$ 2,705,505	$ (55,861)	$ 8,455,863
Average deposits	8,210,056	-	-	-	1,373,391	9,583,447
Total assets	-	5,041,219	1,121,082	2,874,029	1,395,613	10,431,943

		Lending business				
1999	**Deposit business**	**Individual**	**Agricultural**	**Independent business and commercial**	**Other *1**	**Total**
Net interest income	$ 125,847	$ 63,477	$ 25,286	$ 62,711	$ 9,611	$ 286,932
Other income	29,801	6,183	1,577	8,595	27,964	74,120
Total revenue	155,648	69,660	26,863	71,306	37,575	361,052
Provision for (recovery of) credit losses	-	3,670	3,824	12,972	(16,679)	3,787
Net operating revenue	155,648	65,990	23,039	58,334	54,254	357,265
Non-interest expenses						246,573
Net income						$ 110,692
Average loans	$ -	$ 4,134,000	$ 1,038,757	$ 2,397,584	$ 40,885	$ 7,611,226
Average deposits	7,704,447	-	-	-	1,185,610	8,890,057
Total assets	-	4,468,832	1,063,399	2,644,704	1,104,764	9,281,699

* 1 Comprised of business of a corporate nature such as investment, risk management, asset liability management and treasury operations, as well as revenue, expenses and general allowances and recoveries for credit losses not expressly attributed to the market segments. It also includes the financial implications of the West Edmonton Mall guarantee (Note 20), which is not typical of normal business activities of ATB.

20. WEST EDMONTON MALL LOAN GUARANTEE

Under the terms of a guarantee agreement dated October 31, 1994, relating to the refinancing of West Edmonton Mall (WEM), ATB guaranteed to the Toronto Dominion Bank (TD Bank) repayment of a $353,000 credit facility in accordance with the terms of the agreement, and in any event by October 31, 2004.

In the event that ATB is required to honour its guarantee, the net cost to ATB would be the difference between the amount then owed to the TD Bank and the proceeds from a realization or refinancing of WEM. In 1998 ATB obtained an appraisal that values WEM at $300,000. As a result of this appraisal, ATB has provided for a loan guarantee loss of $45,000, having regard to the difference between the appraised value and the amount owed to the TD Bank.

On August 25, 1998, ATB filed a Statement of Claim against the owners of WEM and others. ATB seeks to have the refinancing agreements set aside. ATB claims in the alternative that the owners of WEM have defaulted on their obligation to maintain the facility to the standard required under the loan agreements. It is management's opinion that if the facility is not properly maintained, the value of WEM could decline below $300,000, thereby, potentially increasing ATB's liability under its guarantee to the TD Bank. Any increase in ATB's liability under the guarantee would be charged against earnings in the year it is identified. Management believes it has taken the necessary steps to minimize ATB's exposure under the guarantee to a point where a material addition to the existing provision is unlikely.

In April and June 1998, WEM provided ATB with copies of purported agreements dated November 15, 1994, February 23, 1996 and March 25, 1996, that purport to amend the WEM refinancing agreements dated October 31, 1994. The agreements purport to extend the term of the guarantee to 2014 and to amend the terms of repayment and other provisions of the refinancing agreements. Management believes that it will be successful in its legal action to set aside these purported amending agreements and as a result no liability to them has been established.

In December 1998, and January 1999, two counterclaims were filed in this action by the owners of WEM and others against ATB. These counterclaims are for significant amounts. In the opinion of management, these counterclaims are without merit and are unlikely to result in a material loss.

ATB INVESTMENT SERVICES INC.
FINANCIAL STATEMENTS
March 31, 2001

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Directors of ATB Investment Services Inc.

I have audited the balance sheet of ATB Investment Services Inc. as at March 31, 2001, and the statements of income, changes in shareholder's deficit and cash flows for the year then ended. These financial statements are the responsibility of ATB Investment Services Inc.'s 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 financial statements present fairly, in all material respects, the financial position of ATB Investment Services Inc. as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 8, 2001

ATB INVESTMENT SERVICES INC.
BALANCE SHEET
AS AT MARCH 31

	2001	2000
ASSETS		
Current assets:		
Cash	$ 300,000	$ 100,000
Prepaid expenses	88,954	80,300
	388,954	180,300
Non-current assets:		
Capital Assets (Note 2)	94,822	
Total assets	$ 483,776	$ 180,300
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Non-current liabilities		
Due to ATB (Note 3)	$ 793,016	$ 818,180
Subordinated note (Note 4)	1,117,180	99,000
	1,910,196	917,180
Shareholder's deficit		
Share capital (Note 5)	1,000	1,000
Deficit	(1,427,420)	(737,880)
	(1,426,420)	(736,880)
Total liabilities and shareholder's deficit	$ 483,776	$ 180,300

The accompanying notes are an intergral part of these financial statements.

Allison D. O'Brien
Director

Craig Warnock
Director

ATB INVESTMENT SERVICES INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31

	2001	2000
Commission income	$ 732,228	$ 269,807
Total income	732,228	269,807
Administrative and selling expenses		
Salaries and employee benefits	629,841	143,806
Processing, selling and premises rental (Note 6)	298,467	152,966
Professional and training	258,978	225,919
Other expenses	139,434	53,186
	1,326,720	575,877
Interest expense	95,048	41,147
Total expenses	1,421,768	617,024
Net loss	$ 689,540	$ 347,217

ATB INVESTMENT SERVICES INC.
STATEMENT OF CHANGES IN SHAREHOLDER'S DEFICIT
FOR THE YEAR ENDED MARCH 31

	2001	2000
Share capital	$ 1,000	$ 1,000
Deficit:		
Deficit, beginning of year	737,880	390,663
Net loss for the year	689,540	347,217
Deficit, end of year	1,427,420	737,880
Total shareholder's deficit	$ (1,426,420)	$ (736,880)

ATB INVESTMENT SERVICES INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

	2001	2000
Cash flows from operating activities		
Net loss	$ (689,540)	$ (347,217)
Adjustments to determine net cash flows:		
Increase in prepaid expenses	(8,654)	(12,100)
Amortization expense	14,064	-
	(684,130)	(359,317)
Cash flows from financing activities:		
Issue of subordinate note	1,018,180	-
(Decrease) increase in Due to ATB	(25,164)	359,317
	993,016	359,317
Cash flows from investing activities:		
Purchases of capital asssets	(108,886)	-
Net change in cash	200,000	-
Cash, beginning of year	100,000	100,000
Cash, end of year	$ 300,000	$ 100,000

ATB INVESTMENT SERVICES INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2001

ATB Investment Services Inc. (ATBIS) is a wholly owned subsidiary of Alberta Treasury Branches (ATB), established for the purpose of distributing mutual funds to customers of ATB. ATBIS was incorporated under the Business Corporations Act (Alberta) on October 3, 1997, by the Provincial Treasurer on behalf of the Treasury Branches Deposits Fund. The incorporation was approved by the Lieutenant Governor in Council under Alberta Order in Council 407/97, dated September 24, 1997.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared by management in accordance with Canadian generally accepted accounting principles.

Use of estimates

In preparing the financial statements, management makes estimates and assumptions considering values of certain assets and liabilities, net income and related disclosures reported in these financial statements. Actual results could differ from these estimates.

Fair value of financial instruments

At March 31, 2001 the estimated fair values of Cash, Due to ATB and Subordinated Notes approximate their carrying values.

NOTE 2 CAPITAL ASSETS

Equipment and software are reported at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life of the related assets.

The maximum life limits for equipment and software is up to 5 years.

Gains and losses on the disposal of capital assets are recorded in the Statement of Income in the year of disposal. Losses due to write-downs of the net carrying value of capital assets are recorded in the Statement of Income in the year the capital asset is impaired.

As at March 31, 2001 the balances are as follows:

			2001	2000
	Cost	Accumulated amortization	Net carrying value	Net carrying value
Software	$ 81,799	$ 2,694	$ 79,105	$ -
Equipment	27,087	11,370	15,717	-
	$ 108,886	$ 14,064	$ 94,822	$ -

NOTE 3 DUE TO ATB

In the normal course of operations, ATB pays expenses and collects revenues on behalf of ATBIS. These amounts are duly recorded on both ATB's and ATBIS's accounts. ATB management has agreed to defer the settlement of these amounts until such time when ATBIS generates adequate revenues to enable it to pay its obligations to ATB. The amounts due to (from) ATB at March 31 are as follows:

	2001	2000
Due to ATB	$ 1,525,244	$ 1,215,182
Due from ATB	(732,228)	(397,002)
	$ 793,016	$ 818,180

The net amount due to ATB is subject to interest charges at ATB's prime lending rate.

NOTE 4 SUBORDINATED NOTE

The subordinated notes held by ATB, are secured by a floating charge on all the assets of ATBIS, and bear interest at prime lending rate of ATB payable annually. The subordinated notes have no specified maturity dates, are repayable upon demand of ATB subject to the prior approval of the Alberta Securities Commission.

Date of Issue	2001	2000
Oct. 31, 1997	$ 99,000	$ 99,000
May 31, 2000	1,018,180	-
	$ 1,117,180	$ 99,000

NOTE 5 SHARE CAPITAL

Authorized

An unlimited number of Class A voting common shares without nominal or par value.

An unlimited umber of Class B non-voting common shares without nominal or par value.

An unlimited number of 10% non-cumulative redeemable non-voting preferred shares without nominal or par value.

Issued	
100 Class A voting common shares for cash	$ 1,000

NOTE 6 INDIRECT COSTS

In addition to direct costs, there are some indirect costs incurred by employees of ATB who perform administrative and selling services on behalf of ATBIS. Where readily determinable, these costs have been charged back to ATBIS at prevailing market rates. The amount charged for the year ended March 31, 2001 is $167,367 (2000: $120,912).

ATB has made available a self-contained office space to ATBIS. In addition, beginning this year ATB has provided space for the processing services. The cost for the space has been allocated on a pro-rata basis and charged back to ATBIS. The amount charged for the current year is $131,100 (2000: $32,054).

NOTE 7 COMPARATIVE AMOUNTS

Comparative amounts have been reclassified where necessary to conform with the current year's presentation.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION FINANCIAL STATEMENTS DECEMBER 31, 2000

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Directors of the
Credit Union Deposit Guarantee Corporation

I have audited the balance sheet of the Credit Union Deposit Guarantee Corporation as at December 31, 2000 and the statements of income and equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 15, 2001

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
BALANCE SHEET
DECEMBER 31, 2000
(thousands of dollars)

	2000	1999
ASSETS		
Cash	$ 2,399	$ 1,219
Investments (Note 3)	78,203	73,967
Accrued interest receivable	676	598
Due from credit unions	2,074	1,613
Loans receivable	15	225
Other assets (Note 4)	713	1,033
Capital assets (Note 5)	142	141
	$ 84,222	$ 78,796
LIABILITIES		
Accounts payable and accrued liabilities	$ 419	$ 258
Accrual for financial assistance (Note 6)	3,700	4,900
Deferred revenue	951	770
Amounts due to and investment in S C Financial Ltd. (Note 7)	6,747	5,809
Long-term unclaimed credit union balances payable	389	385
	12,206	12,122
Commitments and Contingencies (Note 9)		
EQUITY		
Deposit Guarantee Fund	69,674	64,292
Master Bond Fund	2,342	2,382
	72,016	66,674
	$ 84,222	$ 78,796

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

On behalf of the Board:

R. A. Splane, Director

Mary C. Arnold, FCA, Director

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
STATEMENTS OF INCOME AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2000
(thousands of dollars)

	2000		1999
	Budget	Actual	Actual
DEPOSIT GUARANTEE FUND			
Revenues:			
Interest	$ 3,920	$ 4,299	$ 3,128
Deposit guarantee assessments	9,376	9,838	8,681
Recovery of special assistance (Note 8)	250	152	140
	13,546	14,289	11,949
Expenses:			
Interest and bank charges	54	46	33
Provision for (recovery of) financial assistance (Note 6)	33	(1,125)	(810)
Special contribution (Note 7)	6,262	6,736	5,810
Administration (Schedule 1)	3,206	2,847	2,692
	9,555	8,504	7,725
Income before income taxes	3,991	5,785	4,224
Income taxes (Note 10)	414	403	99
Net income for the year	3,577	5,382	4,125
Equity at beginning of year	62,733	64,292	60,167
Equity at end of year	$ 66,310	$ 69,674	$ 64,292
MASTER BOND FUND			
Revenues:			
Insurance assessments	$ 673	$ 602	$ 500
Interest	83	138	132
	756	740	632
Expenses:			
Insurance premium	569	531	416
Administration	120	120	145
Insurance claims paid (recovered)	150	129	(7)
	839	780	554
Net income for the year	(83)	(40)	78
Equity at beginning of year	2,296	2,382	2,304
Equity at end of year	$ 2,213	$ 2,342	$ 2,382

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

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2000
(thousands of dollars)

	2000		1999
	Budget	Actual	Actual
Operating activities			
Assessments received	$ 10,063	$ 10,160	$ 8,910
Interest received	3,940	4,309	3,138
Loan principal and interest recovered	75	260	150
Special assistance received	250	152	140
Interest and bank charges paid	(54)	(46)	(33)
Financial assistance recoveries (paid)	(498)	(75)	195
Insurance claims recovered (paid)	(150)	(129)	7
Income taxes paid	(414)	(324)	(74)
Paid to suppliers and employees	(3,651)	(3,039)	(2,909)
Special contribution paid	(5,780)	(5,798)	(5,407)
Cash flows from operating activities	3,781	5,470	4,117
Investing activities			
Purchase of investments, net	(3,656)	(4,236)	(3,818)
Purchase of capital assets	(125)	(54)	(81)
Cash flows from investing activities	(3,781)	(4,290)	(3,899)
Cash inflow (outflow)	-	1,180	218
Cash at beginning of year	1,501	1,219	1,001
Cash at end of year	$ 1,501	$ 2,399	$ 1,219

The accompanying notes and schedules are part of these financial statements

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1 AUTHORITY AND PURPOSE

The Credit Union Deposit Guarantee Corporation (the "Corporation"), operates under the authority of the Credit Union Act, Chapter C-31.1, Statutes of Alberta, 1989, as amended. The Corporation guarantees the repayment of all deposits with Alberta credit unions including accrued interest. The Credit Union Act provides that the Province of Alberta (Province) will ensure that this obligation of the Corporation is carried out. As at December 31, 2000 credit unions in Alberta held deposits totaling $6,119,312,000. Supervised credit unions receive assistance, support and direction in planning, policy and operational matters from the Corporation.

In 1986, S C Financial Ltd. was incorporated under the Alberta Business Corporations Act for the purpose of providing $335,000,000 of deficit financing assistance to credit unions under supervision. All of the outstanding shares of S C Financial Ltd. are held by the Corporation (Notes 2(c) and 7).

The Corporation guarantees the interest on the S C Financial Ltd. Debentures issued in exchange for Stabilization Preferred Shares of the credit unions and the interest is funded by the Province pursuant to its indemnification. Accordingly, the obligation of the Corporation pursuant to its guarantee is not reported in these financial statements.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of presentation

These financial statements have been prepared in accordance with generally accepted accounting principles.

These financial statements reflect separate funds: a Deposit Guarantee Fund and a Master Bond Fund.

The Deposit Guarantee Fund enables the Corporation to guarantee the repayment of all deposits with credit unions, its primary objective. The Deposit Guarantee Fund's statement of income includes assessments received from credit unions, assistance payments recorded on behalf of credit unions, as well as all other revenues and expenses related to the primary objective.

The Master Bond Fund provides insurance coverage to credit unions under a policy administered by the Corporation. A credit union may claim a maximum of $100,000 for directors liability claims and $85,000 for other claims, less its deductible, which is payable out of the Master Bond Fund; a reinsurance policy insures the amount of the claim that exceeds $100,000 or $85,000 respectively. The Master Bond Fund's statement of income includes insurance assessments received from credit unions, interest income, premiums paid for the reinsurance policy, administration fee, and insurance claims paid (recovered).

(b) Use of estimates

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles and necessarily include estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The most significant areas requiring the use of estimates are the accrual for financial assistance, provision for (recovery of) financial assistance, allowance for loan impairment and Master Bond Fund insurance claims (expected and unreported). The Corporation reviews these estimates annually. Actual amounts may differ significantly from those estimates depending upon certain future events and uncertainties.

(c) Non-consolidation of S C Financial Ltd.

S C Financial Ltd. has not been consolidated in these financial statements since increases or decreases in the equity of S C Financial Ltd. do not accrue to the benefit of the Corporation.

(d) Cash

Daily cash balances are maintained in the Consolidated Cash Investment Trust Fund. The Consolidated Cash Investment Trust Fund is administered by the Provincial Treasurer with the objective of providing competitive interest income to account holders while maintaining maximum security and liquidity of account holders' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of earnings in the portfolio.

(e) Investments

Investments are carried at cost or amortized cost, with any discount or premium amortized on a straight-line basis over the life of the investments. Investments are written down when there is a decline in value that is other than temporary. Gains and losses on disposal of investments are included in interest revenues in the year of disposal. Substantially all securities held are purchased with the intention to hold them to maturity.

(f) Loans receivable

Impaired loans acquired as a result of credit union merger or dissolution proceedings are recorded at estimated net realizable value. As future cash flows cannot be determined with reasonable reliability, estimated net realizable values are based on the fair value of security underlying the loans, net of expected costs of realization and disposal. Annually, management reviews the adequacy of the allowance for loan impairment on a loan-by-loan basis and adjusts the allowance to an amount considered adequate to provide for expected loan losses. No portion of cash received on an impaired loan is recorded as interest income until such time as any allowances have been reversed and the principal has been fully recovered.

Foreclosed assets held for sale are valued at the lower of the principal portion of the loan and market value adjusted for any revenues received and expenses incurred subsequent to foreclosure less estimated costs of disposition.

(g) Capital assets

The following rates are designed to amortize the cost of capital assets over their estimated useful lives:

Furniture and equipment	five year straight-line
Computer equipment	30 per cent declining-balance
Computer software	one year straight-line
Leasehold improvements	straight-line over lease term

(h) Income taxes

The Corporation records income taxes based on the tax liability method. Therefore, future income taxes are recognized based on the tax effects that will arise if an asset is realized or a liability is settled for its carrying amount.

(i) Insurance claims

The Corporation estimates and accrues the Master Bond Fund's share of losses from any reported claims. It makes an additional accrual of the estimated losses from unreported claims based on the last three years' average actual loss experience.

(j) Accrual for financial assistance

The Corporation recognizes financial assistance to specific credit unions as an expense when the need for assistance becomes likely and it can reasonably estimate the amount.

Additionally, an accrual for financial assistance is established by assessing the aggregate risk in the credit union system based on existing capital available in individual credit unions, current and anticipated market and economic conditions, the likelihood of losses, and the application of historic loss experience. It reflects management's best estimate of the losses arising from the inherent risk in the credit union system. Future economic conditions are not predictable with certainty and actual losses may vary significantly from management's estimate.

(k) Fair value of financial instruments

Most financial instruments are valued at their carrying amounts included on the balance sheet, which are reasonable estimates of fair value. This approach applies to cash, accrued interest receivable, due from credit unions, loans receivable, accounts payable and accrued liabilities, accrual for financial assistance, amounts due to and investment in S C Financial Ltd. and long-term unclaimed credit union balances payable. The fair values of investments are disclosed in Note 3.

NOTE 3 INVESTMENTS

	2000		1999	
	Cost	Market Value [2]	Cost	Market Value [2]
	(thousands of dollars)		(thousands of dollars)	
Securities issued or guaranteed by:				
Canada	$ 40,805	$ 41,680	$ 35,198	$ 34,596
Provinces	16,511	16,407	17,679	17,187
Other	20,887 [1]	20,974	21,090 [1]	20,543
Total	78,203	79,061	73,967	72,326

[1] These securities include shares of Credit Union Central of Alberta Ltd. ($100,000) and Co-operative Trust Company of Canada ($15,000), which approximate market value and have no specific term to maturity.

[2] Market value is calculated using independent pricing sources and Canadian investment dealers.

The investment portfolio is managed by external managers with the objective of providing investment returns higher than the total return of the applicable Scotia Capital Markets All-Government indices over a four year period. The portfolio is comprised of high quality Canadian fixed income and debt related instruments. Competitive investment returns are achieved through management of the portfolio duration and holdings.

As at December 31, 2000, securities held have an average effective yield of 5.56% per annum based on market (1999 – 6.22%); 5.76% per annum based on book (1999 – 5.69%). These securities have the following term structure based on par: under one year - 9% (1999 – 7%); over one year and under five years - 51% (1999 – 62%); over five years and under ten years - 40% (1999 – 31%).

The market value of the investments is subject to fluctuation as a result of normal market risk. The principle factor influencing the market value is the prevailing rate of interest. An increase of 1 per cent in interest rates will result in a decrease of approximately $752,000 (1999 - $716,000) in the market value of the total investments; and conversely, a decrease of 1 percent in interest rates will result in an increase in the market value of the same amount.

NOTE 4 OTHER ASSETS

	2000	1999
	(thousands of dollars)	
Prepaid expenses	$ 644	$ 617
Income taxes recoverable	-	324
Future income taxes recoverable (Note 10)	69	92
	$ 713	$ 1,033

NOTE 5 CAPITAL ASSETS

	2000	1999
	(thousands of dollars)	
Furniture and equipment	$ 428	$ 410
Computer equipment	271	292
Computer software	50	42
Leasehold improvements	75	63
	824	807
Less: Accumulated amortization	(682)	(666)
Net book value	$ 142	$ 141

NOTE 6 ACCRUAL FOR FINANCIAL ASSISTANCE

To fulfill the mandate described in Note 1, the Corporation assists credit unions experiencing financial difficulties when and as required. The Corporation monitors credit unions experiencing financial difficulty and has a contingent responsibility to provide further financial assistance the amount of which, if any, is undeterminable at this time.

The book value of the accrual for financial assistance approximates its fair value as it represents the Corporation's best estimate of the future amounts to be paid.

	2000	1999
	(thousands of dollars)	
Accrual for financial assistance:		
Balance at beginning of year	$ 4,900	$ 5,515
Financial assistance (recovery of)	(1,097)	(605)
(Paid) during year	(103)	(10)
Balance at end of year	$ 3,700	$ 4,900
Provision for (recovery of) financial assistance:		
Financial assistance (recoveries of), net of loan loss provisions (recoveries of)	$ (1,097)	$ (605)
Provision for (recovery of) financial assistance	(28)	(205)
Provision for (recovery of) financial assistance	$ (1,125)	$ (810)

NOTE 7 AMOUNTS DUE TO AND INVESTMENT IN S C FINANCIAL LTD.

	2000	1999
	(thousands of dollars)	
Balance at beginning of year	$ 5,809	$ 5,406
Payment of previous year's special contribution	(5,809)	(5,406)
Special contribution current year	6,736	5,810
Special assistance due	12	-
	6,748	5,810
Shares	(1)	(1)
Balance at end of year	$ 6,747	$ 5,809

A special contribution is an annual amount payable by the Corporation under the Credit Union Restructuring Agreement. It is equal to 0.11 per cent of credit union deposits and borrowings and is payable to S C Financial Ltd., as directed by the Province, until the year 2010.

NOTE 8 RECOVERY OF SPECIAL ASSISTANCE

In 1989, the Corporation provided deficit assistance to supervised credit unions totalling $12,524,000. It may recover portions of this assistance based on a percentage of the credit unions' annual net income plus patronage allocations less investment share dividends, both net of tax. The credit unions repaid $152,000 during the year (1999 - $140,000) and $2,868,000 to date.

NOTE 9 COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

The Corporation is committed to a non-cancellable operating lease for business premises totalling $725,000.

The following amounts represent minimum payments over the next two years:

2001	$ 149,000
2002	144,000
2003	144,000
2004	144,000
2005	144,000

(b) Litigation

There are legal proceedings pending against the Corporation which arise from normal business activities. Management of the Corporation believes that the financial cost of resolution of these proceedings will not be material to the financial position of the Corporation.

(c) Leasehold improvements

The Corporation is committed to leasehold improvements in the next fiscal period of approximately $125,000.

NOTE 10 INCOME TAXES

The Corporation is a deposit insurance corporation for income tax purposes. Its taxable income excludes assessments and financial assistance recoveries and no deduction may be made for financial assistance, insurance premiums, claims, or special contributions paid on behalf of member credit unions. As at December 31, 2000, $56,000 in income taxes payable is included in accounts payable and accrued liabilities.

The Corporation's statutory income tax rate is 28%. Income taxes differ from the expected result that would have been obtained by the combined federal and provincial tax rate to income before income taxes, for the following reasons:

	2000	1999
	(thousands of dollars)	
Expected income tax expense on pre-tax income at the statutory rate	$ 1,609	$ 1,205
Add (deduct) tax effect of:		
Non-taxable assessments received	(2,923)	(2,571)
Non-deductible special contribution paid	1,886	1,627
Non-deductible insurance premiums paid	149	117
Non-taxable assistance recoveries	(358)	(266)
Non-deductible claims paid (recovered)	36	(2)
Other	4	(11)
Income taxes	$ 403	$ 99

At December 31, 2000 the Corporation had tax values of capital assets in excess of related book values of approximately $245,000 (1999 - $329,000), which are reflected in these financial statements as future income taxes recoverable.

	2000	1999
	(thousands of dollars)	
Current income taxes	$ 380	$ 74
Future income taxes	23	25
Income taxes	$ 403	$ 99

NOTE 11 DIRECTORS' AND MANAGEMENT REMUNERATION

	2000			1999
	Director Fees or Salary [1]	Benefits [2] and Allowances	Total	Total
	(thousands of dollars)			
Chair [3]	$ 34	$ -	$ 34	$ 29
Board Members [3]	60	-	60	48
Current senior management:				
Chief Executive Officer	$ 149	$ 25	$ 174	$ 166
Chief Financial Officer	103	18	121	109
Senior Manager, Credit	86	9	95	86
Senior Manager, Operations [4]	78	9	87	76
Former senior management:				
Senior Manager, Operations [3]	$ -	$ -	$ -	$ 88

1 Salary includes regular base pay, bonuses and vacation payouts.

2 Employer's share of all employee benefits and contributions made on behalf of employees including Canada Pension Plan, Employment Insurance, group Registered Retirement Savings Plan, health care, dental coverage, vision coverage, medical benefits including out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, professional and club memberships, staff fund, automobile allowances and tuitions.

3 The Chair and Board Members are paid on a per diem basis for preparation and meeting time. The Deputy Provincial Treasurer is a Board Member but receives no remuneration from the Corporation.

4 The 1999 amount and the amount for the period January 1 to June 30, 2000 for the current incumbent represents remuneration paid for the position of Manager, Examinations.

5 Salary for 2000 includes vacation payout of approximately $3,000 effective December 31, 1999.

NOTE 12 2000 BUDGET

The 2000 budget was approved by the Board of Directors on September 28, 1999.

NOTE 13 COMPARATIVE FIGURES

The 1999 figures have been restated where necessary to conform to 2000 presentation.

Schedule 1

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
SCHEDULE OF ADMINISTRATION EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2000
(thousands of dollars)

	2000		1999
	Budget	Actual	Actual
Deposit Guarantee Fund			
Salaries and benefits	$ 2,339	$ 2,171	$ 2,118
Rental charges	162	166	158
Staff travel	217	147	158
Office	133	111	98
Other	101	105	77
Professional fees	154	104	84
Board and committee fees	115	94	77
Amortization	68	51	51
Board and committee expenses	37	18	16
	3,326	2,967	2,837
Allocation to Master Bond Fund	(120)	(120)	(145)
	$ 3,206	$ 2,847	$ 2,692

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2001

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholder of N.A. Properties (1994) Ltd.

I have audited the consolidated balance sheet of N.A. Properties (1994) Ltd., as at March 31, 2001 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's 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 Company as at March 31, 2001, 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] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 2, 2001

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2001
(thousands of dollars)

	2001	2000
ASSETS		
Cash and cash equivalents (Note 4)	$ 3,007	$ 2,896
Accounts receivable	22	21
Note receivable (Note 5)	7	6
Prepaid expenses	2	2
Real Estate	-	1
	3,038	2,926
Investment in Defeasance Fund (Note 6)	139,967	127,188
	$ 143,005	$ 130,114
LIABILITIES		
Obligations under indemnities and commitments (Note 9)	$ 1,711	$ 1,692
Accounts payable	2	300
	1,713	1,992
Present value of future obligations (Note 6)	139,967	127,188
	141,680	129,180
SHAREHOLDER'S EQUITY (DEFICIENCY)		
Share capital (Note 8)	5,769	5,769
Deficit	(4,444)	(4,835)
	1,325	934
	$ 143,005	$ 130,114

The accompanying notes are part of these financial statements

On behalf of the Board:

Director - Peter NcNeil

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 2001
(thousands of dollars)

	2001 Actual	2000 Actual
Revenue		
Interest and other	$ 169	$ 216
Rental	27	24
	196	240
Expenses		
Indemnity (Note 7)	-	260
General and administrative	39	57
Rental operating expense	48	39
	87	356
Operating income (loss) before provision	109	(116)
Recovery of provision (Note 9)	282	454
Excess of revenue over expenses for the year	391	338
Deficit, beginning of year	(4,835)	(5,173)
Deficit, end of year	$ (4,444)	$ (4,835)

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2001
(thousands of dollars)

	2001	**2000**
Net inflow (outflow) of cash related to the following activities:		
Operating		
Gain for the year	$ 391	$ 338
Items not affecting cash:		
Recovery of provision (Note 9)	(282)	(454)
	109	(116)
Mortgages		
Principal reductions	4	650
Net change in non-cash balances related to operations	(2)	(1,357)
Net increase (decrease) in cash during the year	111	(823)
Cash and cash equivalents, beginning of year	2,896	3,719
Cash and cash equivalents, end of year	$ 3,007	$ 2,896

N.A. PROPERTIES (1994) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2001

NOTE 1 AUTHORITY

N. A. Properties (1994) Ltd. (the "Company") was continued on March 31, 1994 as an amalgamated corporation under the Business Corporation Act, Chapter B-15, Statutes of Alberta 1981, as amended. The Province of Alberta owns all issued shares of the Company and accordingly the Company is exempt from income tax.

NOTE 2 NATURE OF OPERATIONS

The Company's mandate is to dispose of remaining assets. The Company also has a long term obligation to administer the Defeasance Fund described in Note 6 and manage indemnities described in Note 7.

The Province of Alberta has indemnified the Company for all net losses, expenses or liabilities existing or subsequently incurred by the Company in its mandate of disposing of its assets.

There were no recoveries from the Province of Alberta in partial satisfaction of the indemnity in the year (2000 - NIL).

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and within the framework of the accounting policies summarized below:

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 356395 Alberta Ltd., and Terra Losa Centre Ltd. Separate audited financial statements have not been prepared for these subsidiaries as disclosure in these financial statements is adequate.

Real Estate Properties

The real estate property is stated at the lower of cost and estimated market value.

Investment in Defeasance Fund

Investments consist of bond coupons and residuals and are stated at cost with any discount or premium amortized on the basis of the underlying yield to maturity. Carrying values of investments are written down when there is a permanent impairment in value.

Fair Value

The carrying value of cash, accounts receivable and accounts payable approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of other financial assets and liabilities are provided in the applicable notes to the financial statements.

NOTE 4 CASH AND CASH EQUIVALENTS

	2001	2000
	(thousands of dollars)	
Bank deposits	$ -	$ 133
CCITF account	3,007	2,763
	$ 3,007	$ 2,896

The Consolidated Cash Investment Trust Fund (CCITF) is a demand account managed by Alberta Finance with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

Due to the short-term nature of cash and cash equivalents, the carrying value approximates fair value.

NOTE 5 NOTE RECEIVABLE

The non-interest bearing note receivable in the amount of $933,000 was issued in November 1987 and matures in the year 2027. The carrying value of the note receivable as at March 31, 2001 is $7,000 (2000 - $6,000). The note receivable is discounted by 20% based on the yield in effect at the time of issuance and adjusting the rate for a risk premium. The fair market value of the note at March 31, 2001 is estimated to be $20,000 (2000 – $16,000) using the current interest rate in effect and adjusting the rate for a risk premium.

NOTE 6 INVESTMENT IN DEFEASANCE FUND/PRESENT VALUE OF FUTURE OBLIGATIONS

The Fund consists of Government of Canada and provincial bond coupons and residuals which, together with the income earned thereon, is expected to accumulate to the sum not less than $335,000,000 on October 31, 2010. At that time, the Fund will be used to repay the principal of any outstanding debentures issued to credit unions under the terms of the Credit Union Deficit Financing Agreement dated October 31, 1986 and any excess will be paid to the Province. Credit Union Deposit Guarantee Corporation (CUDGC) is responsible for any deficiency in the Fund.

As the income earned on these investments in the amount of $12,779,000 (2000 - $11,638,000) does not accrue to the benefit of the Company, but rather to the benefit of the holders of the debentures and the Province, it is not included in income. Investments mature in the years 2009 and 2010 and the yield on the portfolio is approximately 9.79%. The fair value of the Defeasance Fund at March 31, 2001 is estimated to be $197,888,000 (2000 - $178,408,000).

Present Value of Future Obligations

Based on repayments of debentures by S C Financial Ltd. (SCF), a wholly owned subsidiary of CUDGC, up to and including the Credit Unions' October 31, 2000 year end, the future obligations at October 31, 2010 would be $297,239,000 to the credit unions and the excess would be paid to the Province. These amounts will change based on future repayments of debentures through to October 31, 2010.

Interest on these debentures is at a rate per annum equal to the lesser of 14% and prime, and is payable by SCF.

NOTE 7 INDEMNITIES AND COMMITMENTS

The Company has provided indemnities of principal and interest on mortgages sold to a Canadian chartered bank. The principal and interest on these mortgages totaled $14,128,000 at March 31, 2001 (2000 - $23,338,000). The Company's indemnities expire in part in 2001, 2002, 2003, 2016 and in full in 2017.

The Company is obligated for monthly land lease payments and annual property taxes on the leased property, until the year 2018. The Company, in turn, leases the land to tenants.

NOTE 8 SHARE CAPITAL

Authorized
- Unlimited number of Class "A" voting shares
- Unlimited number of Class "B" voting shares
- Unlimited number of Class "C" non-voting shares
- Unlimited number of Class "D" non-voting shares
- Unlimited number of Class "E" voting shares
- Unlimited number of Class "F" non-voting shares

		2001	2000
		(thousands of dollars)	
Issued			
1	Class "A" share	$ 5,768	$ 5,768
1,000	Class "B" shares	1	1
		$ 5,769	$ 5,769

NOTE 9 RECOVERY OF PROVISION

The provision for obligations under indemnities and commitments (Note 6) is based on an estimate of future costs to settle those obligations. Mortgage provisions have been reversed upon pay out of the mortgages.

The table below shows the recovery in the provision during the year, net of the additional obligation for leasehold obligations.

	2001	2000
	(thousands of dollars)	
Obligations for indemnities and commitments	$ 91	$ -
Provisions - net of recoveries	191	454
	$ 282	$ 454

NOTE 10 CONTINGENCIES

The Company had lawsuits filed by plaintiffs in two separate actions. An estimate of the loss to the Company cannot be made.

NOTE 11 RELATED PARTY TRANSACTIONS

There were no related party transactions in the year ended March 31, 2001, except as disclosed in Note 6.

NOTE 12 FEES AND SALARIES

There were no directors' fees or salaries paid during the year. The Company had no employees in 2001 and 2000.

NOTE 13 BUDGET

The Company's 2000-01 annual budget appears in the 2001–02 Government and Lottery Fund Estimates. The budget projected a net expense for the year of $NIL. Since the company has liquidated most of its assets, a detailed budget was not prepared.

S C FINANCIAL LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 2000

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholder of
S C Financial Ltd.

I have audited the balance sheet of S C Financial Ltd. as at December 31, 2000 and the statement of income for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 15, 2001

S C FINANCIAL LTD.
BALANCE SHEET
DECEMBER 31, 2000
(thousands of dollars)

	2000	1999
ASSETS		
Cash	$ 1	$ 1
Stabilization Preferred Shares (Note 3)	-	-
	$ 1	$ 1
SHAREHOLDER'S EQUITY		
Share Capital		
Authorized - Unlimited number of Class A shares		
Issued - 10 Class A shares	$ 1	$ 1
	$ 1	$ 1

The accompanying notes are part of these financial statements

Approved on behalf of the Board:

J. Laitner, Director

R.A. Splane, Director

S C FINANCIAL LTD.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2000
(thousands of dollars)

	2000		1999
	Budget	Actual	Actual
Revenue:			
Recovery on indemnity from the Province of Alberta (Note 3)	$ 14,752	$ 14,809	$ 13,901
Special contribution from Credit Union Deposit Guarantee Corporation (Note 1 and 4)	6,262	6,736	5,810
	21,014	21,545	19,711
Expense:			
Interest on debentures (Note 3)	21,014	21,545	19,711
Net income for the year	$ -	$ -	$ -

The accompanying notes are part of these financial statements

S C FINANCIAL LTD.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1 AUTHORITY AND PURPOSE

S C Financial Ltd. (the Company) was incorporated on May 29, 1986 under the Alberta Business Corporations Act, as a wholly-owned entity of the Credit Union Deposit Guarantee Corporation (CUDGC), a Provincial Corporation. The Company is a deposit insurance corporation by virtue of it being a wholly-owned entity of a deposit insurance corporation. Accordingly, it is treated as such for income tax purposes.

Pursuant to the Credit Union Deficit Financing Agreement, the Company provided deficit financing assistance to supervised credit unions. In 1986, Stabilization Preferred Shares Series B were issued by credit unions to the Company in exchange for debentures totalling $335,000,000. CUDGC provided funds to the Company to purchase investments which will accumulate to $335,000,000 at October 31, 2010 in order to repay debentures outstanding and the balance to the Province of Alberta (Province) at that date (Note 3). Pursuant to an agreement, the Company transferred the investments to N.A. Properties (1994) Ltd. (wholly-owned by the Province). In exchange, N.A. Properties (1994) Ltd. assumed the Company's obligation totalling $335,000,000.

In 1989, CUDGC contributed $12,524,000 to the Company to provide cash deficit financing assistance to supervised credit unions in exchange for Stabilization Preferred Shares Series B.

The Credit Union Restructuring Agreement requires CUDGC to make an annual special contribution equal to 0.11% of credit union deposits and borrowings (loans payable) to the Company as directed by the Province, each year through to 2010. For the 2000 fiscal year, the special contribution was $6,736,000 (1999 - $5,810,000).

NOTE 2 FINANCIAL STATEMENT PRESENTATION

A cash flow statement is not provided as disclosure in these financial statements is considered to be adequate. Operating or administrative costs of the Company are paid by CUDGC.

NOTE 3 STABILIZATION PREFERRED SHARES

The Stabilization Preferred Shares Series B have no value to the Company itself because any redemptions thereon flow through the Company and accrue to the benefit of the Province or CUDGC. Therefore, these shares do not appear as an asset with value on the balance sheet of the Company.

The Stabilization Preferred Shares are non-voting and are not entitled to dividends. They are redeemable at the option of the credit unions for the issue price, or otherwise shall be redeemed in an amount equal to 25% through 2000 inclusive, and 50% thereafter, of the annual net income of the credit unions, plus patronage allocations, less investment share dividends, both net of tax. Any funds received in respect of redemption of the Stabilization Preferred Shares are used on a pro rata basis to repay the debentures and CUDGC. The redemption amount for the current year is $4,438,000 (1999 – $3,375,000). The amount of debentures outstanding after the 2000 redemptions is $297,239,000. The future obligation of N.A. Properties (1994) Ltd. (see Note 1) would be $297,239,000 to the credit unions and $37,761,000 to the Province at October 31, 2010. These amounts will change based on annual redemptions through to October 31, 2010. The present value of this future obligation is $136,592,000 which is supported by assets with an amortized cost of $136,592,000 held by N.A. Properties (1994) Ltd.

On a quarterly basis, the Company pays interest on the debentures at the lesser of 14% or prime. CUDGC, with an indemnity from the Province, guarantees payment of the interest.

NOTE 4 DUE TO RELATED PARTIES

Transactions with related parties are undertaken to meet funding commitments under the Credit Union Deficit Financing Agreement and Credit Union Restructuring Agreement. Balances have been disclosed on a net basis in these financial statements to reflect the flow-through nature of the transactions.

	2000	1999
	(thousands of dollars)	
Redemption of Stabilization Preferred Shares:		
Due from credit unions	$ 507	$ 61
Due to credit unions on repayment of debentures	(518)	(61)
Due to Credit Union Deposit Guarantee Corporation	11	-
	-	-
Interest on debentures:		
Due to credit unions	(3,735)	(3,213)
Due to Province to fund interest	(3,001)	(2,597)
Due from Credit Union Deposit Guarantee Corporation - special contribution	6,736	5,810
	-	-
	$ -	$ -

NOTE 5 1999 BUDGET

The 2000 budget was approved by the Board of Directors on September 28, 1999.

GAINERS INC.
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

AUDITORS' REPORT

To the Shareholder of Gainers Inc.

We have audited the consolidated balance sheet of Gainers Inc. as at September 30, 2000 and the consolidated statements of operations and deficit, and cash flow for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2000 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Price Waterhouse Coopers LLP
Chartered Accountants

Edmonton, Alberta
November 10, 2000

(except as to note 2, which is as of December 30, 2000)

GAINERS INC.
CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2000
(in thousands of dollars)

	1999	1998
ASSETS		
Cash	$ 6	$ 140
LIABILITIES		
Accounts payable and accrued liabilities	$ 271	$ 1,162
Principal and interest on prior years' income taxes (Note 3)	7,312	6,836
Long-term debt (Note 4)	200,160	199,875
	207,743	207,873
Contingencies (Note 5)		
DEFICIT, LESS SHARE CAPITAL		
Deficit	(222,740)	(222,736)
Share capital (Note 6)	1	1
Contributed surplus	15,002	15,002
	(207,737)	(207,733)
	$ 6	$ 140

Approved by Board of Directors

D. Harrington, Director

GAINERS INC.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 2000
(in thousands of dollars)

	2000	1999
Revenue		
Reversal of legal fee accrual	$ 519	$ -
Recovery of legal fees	-	330
Other	3	6
Recovery of WCB premiums	-	55
Interest income from trust account	-	19
Lease revenue and other income	-	3
	522	413
Expenses		
General and administrative	26	117
	496	296
Other income (expenses)		
Interest on income tax reassessment	(500)	(465)
Gain on disposal of fixed assets	-	1,102
Land remediation costs	-	(670)
	(500)	(33)
Net (loss) earnings for the year	(4)	263
Deficit - Beginning of year	(222,736)	(222,999)
Deficit - End of year	$ (222,740)	$ (222,736)

GAINERS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2000
(in thousands of dollars)

	2000	1999
Cash provided by (used in)		
Operating activities		
Net (loss) earnings for the year	$ (4)	$ 263
Item not affecting cash		
Gain on disposal of fixed assets	-	(1,102)
	(4)	(839)
Net change in non-cash working capital items	(415)	1,419
	(419)	580
Financing activities		
Repayment of long-term debt	(20)	(3,570)
Proceeds from long-term debt	305	1,932
	285	(1,638)
Investing activities		
Proceeds on disposal of assets	-	1,952
Land remediation costs capitalized to fixed assets	-	(773)
	-	1,179
(Decrease) increase in cash	(134)	121
Cash - Beginning of year	140	19
Cash - End of year	$ 6	$ 140

GAINERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2000

NOTE 1 BASIS OF PRESENTATION

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

The consolidated financial statements of the company include the accounts of Gainers Inc. and its wholly-owned subsidiary companies: Gainers Properties Inc. ("GPI") and MPF Note Inc. (collectively the "company"). MPF Note Inc. was inactive during the year.

Through September 25, 1993, the company operated on a going-concern basis, which contemplated the realization of assets and discharge of liabilities in the normal course of business. Events since that date have resulted in the discontinuance of all ongoing business. The company has disposed of its non-monetary assets, with the exception of its investment in Pocklington Corp. Inc. described below. The company is waiting for the determination or settlement of numerous lawsuits before its dissolution.

Any repayment of the long-term debt by the company is expected by management to be immaterial.

NOTE 2 INVESTMENT IN AND AMOUNTS DUE FROM FORMER AFFILIATES

The investment, which is recorded at $nil value, is comprised of 77,500 Class A preferred shares of Pocklington Corp. Inc. with a par value of, and which are redeemable at, U.S. $100 per share and which carry annual non-cumulative dividends of U.S. $11 per share. In November 1989, a demand for redemption of the shares was made by Gainers Inc. and an action was commenced against Mr. Peter Pocklington arising from this investment, seeking by way of damages the monies invested together with interest thereon. Mr. Pocklington has counter claimed seeking statutory indemnification as a director for his actions. Management believes that this counterclaim is without merit. The investment in Pocklington Corp. Inc. has been written down to $nil on the balance sheet.

Advances to the former affiliate, Pocklington Financial Corporation (formerly Pocklington Holdings Inc.) are non-interest bearing and have no specific terms of repayment. In January 1990, Gainers Inc. made demand on and brought an action against Pocklington Financial Corporation to recover the advances. In December 1995, a judgement was rendered and collected in favour of Gainers Inc. in the amount of $770,000. This amount has been recovered by the company from Pocklington Financial Corporation. This amount was subject to the secured claim of the Province as described in note 5 and was subsequently remitted to the Province of Alberta ("Alberta"). The company has appealed this decision as the company believes that the amount of the judgement should have been higher. The company won the appeal, however the ability to collect any increased judgement is not currently determinable.

On August 8, 1989, Gainers Inc. acquired the shares of 350151 Alberta Ltd. ("350151") for $100 cash. On October 4, 1989, Gainers Inc., at the direction of the former owner, sold the shares of 350151 to Pocklington Holdings Inc. for $100 cash. Alberta filed a claim to have the sale reversed. The accounts of 350151 are not included in these financial statements. In December 1995, a judgement as to the ownership of the shares was rendered in favour of Pocklington Financial Corporation. The Province has appealed this decision, and on November 21, 2000 the Alberta Court of Appeal reversed the 1995 judgement. The Court of Appeal has held that the purported sale of the shares of 350151 to Pocklington Holdings Inc. on October 4, 1998 was a breach of the Master Agreement (Note 4) and awarded $4.7 Million in damages plus trial and appeal costs to the Province against Mr. Pocklington.

On August 8, 1989, 350151 guaranteed payment of the Manual Loan (Note 4), and granted a collateral land mortgage to the Province of a property called the Carma 362 Lands.

Subsequent to September 30, 2000, the Province realized the sum of $5,606,190 (inclusive of interest) from the mortgage security on the Carma 362 Lands.

Pocklington Financial Corporation is now in receivership and bankruptcy.

NOTE 3 INCOME TAXES

The prior years' liability for income taxes plus accrued interest is an unsecured debt. The long-term debt owed to Alberta is a secured debt and thus ranks in priority. It is considered unlikely that the company will be able to settle this liability for income taxes and interest as the amount owing to Alberta exceeds the amount which is reasonably expected to be recovered from the remaining assets of the company.

The Company has capital and non-capital income tax losses available for carry forward to reduce taxable income of future years.

NOTE 4 LONG-TERM DEBT

	2000	1999
	(in thousands of dollars)	
Province of Alberta		
Term loan, originally payable by semi-annual instalments commencing April 1, 1991 of $964,650 principal and interest; interest at 9.6%	$ 6,000	$ 6,000
Assignment of prior operating loans from previous banker		
Term bank loan (U.S. $8,749,339), interest at prime plus 1.5%	11,567	11,567
Operating loan, interest at prime plus 1.5%	20,979	20,979
Manual loan	-	-
Advances under guarantee for principal and interest payments	31,947	31,947
Promissory note - interest at prime plus 3.0%	49,000	49,000
Advance to facilitate sale	13,000	13,000
Advances under guarantee and indemnity for operating line	18,469	18,469
Default costs and guarantee fees - interest at prime plus 3.0%	14,707	14,422
Accrued interest	34,491	34,491
	$ 200,160	$ 199,875

The fair value of the long-term debt is dependent on outcomes from claims filed by or against Gainers Inc. Due to the uncertainty of these items, the fair value as at September 30, 2000 is estimated to be $nil.

Province of Alberta

On September 25, 1987, Gainers Inc. and GPI entered into the Master Agreement with Alberta, which provided for a term loan facility and a loan guarantee. Pursuant to the Master Agreement, Gainers Inc. and GPI granted securities to 369413 Alberta Ltd. ("Nominee") which holds the securities and loans, as later described in this Note, in trust for Alberta. A number of events of default, which still continue, occurred during 1989, resulting in the long-term debt and liability to Alberta becoming due and payable. Alberta acted on its security and, on October 6, 1989, took control of Gainers Inc.'s issued and outstanding shares which, previous to this, were controlled by Mr. Peter Pocklington.

As at October 6, 1989, operating loans of $20,979,000 and a term loan of U.S. $8,749,000 and a loan of $5,000,000 (guaranteed by GPI and referred to as the "Manual Loan") were purchased, transferred and assigned to the Nominee. In addition, Alberta has made payments since October 6, 1989 of $87,422,000 under the guarantee to cover principal and interest payments due, including the purchase in December 1993 of the balance due under the promissory note made by GPI to Yasuda Mutual Life Assurance Company. On August 26, 1998, the Nominee and Alberta demanded payment of the $5,000,000 Manual loan. At September 30, 1998, the Manual loan had been paid in full by GPI from the sale of assets by GPI.

Interest

The interest on the loans and other indebtedness owing to Alberta has not been paid in accordance with the terms of the indebtedness. Effective February 5, 1994, Alberta declared all indebtedness owing by the company to Alberta to be non-interest bearing from the later of February 5, 1994 and the date the indebtedness to the Province of Alberta was incurred.

Security

Collateral security for the indebtedness to Alberta includes a general assignment of book debts, general security agreements over all real and personal property of the company, a pledge of inventory, and fixed and floating charge debentures amounting to $70,000,000 covering all of the assets of the company. The company continues to be in default and in breach of certain covenants of this indebtedness.

Master Agreement

The Master Agreement provided for Alberta to advance a term loan to GPI in the aggregate amount of $12,000,000. As at September 30, 1989, $6,000,000 of the term loan had been advanced. An interest payment due on October 1, 1989 was not made and Alberta, acting on its security, seized control of the Company. Since default has occurred under the Master Agreement, the entire amount of the monies advanced for the term loan are due and owing by GPI to Alberta. The term loan which has been advanced, and interest thereon, and the performance and observance of the other covenants of GPI under the Master Agreement, including the obligations of GPI to Alberta in respect to the promissory note, is collaterally secured by a demand debenture made by GPI to the Nominee in the principal sum of $67,000,000 dated September 25, 1987 and constituting a fixed mortgage and charge over all of the real property, equipment and chattels of GPI and a floating charge over all of the undertaking and other property and assets of GPI, and by a pledge by GPI of preferred shares held by GPI in Gainers Inc.

NOTE 5 CONTINGENCIES

(a) The company and Alberta have filed claims against Mr. Peter Pocklington and companies controlled by him for recovery of certain loans, payments and other transactions prior to October 6, 1989. The claim aggregates approximately $38,000,000 plus interest. Ultimate recovery of this claim cannot be determined at this time.

(b) Under the terms of the Master Agreement, the company and Mr. Peter Pocklington are liable for all losses, expenses, costs and claims incurred by Alberta as a consequence of a default by the company, as defined in note 1, or by Mr. Pocklington. As a result, since the date of default the Company has provided approximately $14,707,000 in the consolidated financial statements for these costs and expenses. It is expected that further costs and expenses will be incurred in the future as a result of continuing default. Ultimate recovery of this claim cannot be determined at this time.

(c) Alberta has brought a claim against Mr. Peter Pocklington for $4 million plus interest and costs. On December 6, 1999, a summary judgement against Mr. Pocklington was granted to Alberta for $2,000,000 of this claim (plus accrued interest and costs) and Alberta is continuing its claim against Mr. Pocklington for the remaining sum of $2,000,000 (plus interest and costs).

Mr. Peter Pocklington has brought a counter claim against the company in which Mr. Pocklington claims indemnification for the entire amount of the main claim.

NOTE 6 SHARE CAPITAL

Authorized
Unlimited number of Class A common shares
Unlimited number of Class B preferred shares redeemable/retractable at $1 per share with non-cumulative annual dividends at a rate not exceeding 16% of the redemption value
12,000,000 Class C preferred shares redeemable at $1 per share with cumulative annual dividend compounded semi-annually at 9.6% of the redemption price
Issued

	2000	1999
	(in thousands of dollars)	
101 Class A common shares	$ 1	$ 1
6,000,000 Class C preferred shares	6,000	6,000
	6,001	6,001
Less: 6,000,000 Class C preferred shares held by GPI	6,000	6,000
	$ 1	$ 1

STATEMENT OF REMISSIONS, COMPROMISES AND WRITE-OFFS

For the Year Ended March 31, 2001

The following statement has been prepared pursuant to section 28 of the Financial Administration Act. The statement includes all remissions, compromises and write-offs of the Ministry of Treasury made or approved during the fiscal year.

Remissions under section 26 of the Financial Administration Act:	
Department of Treasury:	
Alberta Corporate Tax Act	$ 1,124,691
Alberta Income Tax Act	1,070
	1,125,761
Write-offs:	
Department of Treasury:	
Implemented guarantees and indemnities:	
Credit Union Deposit Guarantee Corporation	15,200,670
Canadian Western Bank	1,264,827
Rural utilities loans	3,912
	16,469,409
Accounts and interest receivable:	
Rural gas co-operatives	114,777
Judgement debts	114,081
Tobacco tax	6,852
Alberta Family First Home Program	2,505
Risk management and insurance	1,959
	240,174
	16,709,583
Alberta Treasury Branches:	
Loans and accounts receivable	39,918,333
	56,627,916
	$ 57,753,677

STATEMENT OF BORROWINGS MADE UNDER SECTION 61(1) OF THE FINANCIAL ADMINISTRATION ACT

For the Year Ended March 31, 2001

The following statement has been prepared pursuant to section 61(2) of the Financial Administration Act.

	Issue Principal	Proceeds
Payable in Canadian dollars:		
Promissory notes	$ 11,227,763,308	$ 11,204,509,103
Debentures	161,600,000	164,470,390
	$ 11,389,363,308	$ 11,368,979,493
Payable in U.S. dollars:		
Debentures	$ 290,940,000	$ 289,331,101

STATEMENT OF THE AMOUNT OF THE DEBT OF THE CROWN FOR WHICH SECURITIES WERE PLEDGED

The following statement has been prepared pursuant to section 68(2) of the Financial Administration Act.

The amount of the debt of the Crown outstanding at the end of the 2000-01 fiscal year for which securities were pledged under Part 6 of the Financial Administration Act was $Nil.

STATEMENT OF GUARANTEES AND INDEMNITIES

For the Year Ended March 31, 2001

The following statement has been prepared pursuant to section 76 of the Financial Administration Act. The statement summarizes the amounts of all guarantees and indemnities given by the Ministry of Treasury on behalf of the Crown and Provincial corporations for the year ended March 31, 2001, the amounts paid as a result of liability under guarantees and indemnities, and the amounts recovered on debts owing as a result of payments under guarantees and indemnities.

Program/Borrower	Amount of Guarantee or Indemnity	Payments	Recoveries
CROWN GUARANTEES			
Gainers Inc. and subsidiaries	$ -	$ 89,852	$ 6,189,032
Rural utilities loans	-	3,912	66,706
Judgement debts	-	-	91,345
Export Loan Guarantee Program	-	-	57,248
	-	93,764	6,404,331
CROWN INDEMNITIES			
Credit Union Deposit Guarantee Corporation	-	15,200,670	-
Canadian Western Bank	-	1,264,827	594
	-	16,465,497	594
	$ -	$ 16,559,261	$ 6,404,925

STATEMENT OF BORROWINGS MADE UNDER SECTION 61(1) OF THE FINANCIAL ADMINISTRATION ACT

For the Year Ended March 31, 2001

The following statement has been prepared pursuant to section 61(2) of the Financial Administration Act.

	Issue Principal	Proceeds
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Promissory notes	$ 11,227,763,308	$ 11,204,509,103
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STATEMENT OF GUARANTEES AND INDEMNITIES

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Export Loan Guarantee Program	-	-	57,248
	-	93,764	6,404,331
CROWN INDEMNITIES			
Credit Union Deposit Guarantee Corporation	-	15,200,670	-
Canadian Western Bank	-	1,264,827	594
	-	16,465,497	594
	$ -	$ 16,559,261	$ 6,404,925

LOCAL AUTHORITIES PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2000

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Local Authorities Pension Board

I have audited the statement of net assets available for benefits and accrued benefits of the Local Authorities Pension Plan as at December 31, 2000 and the statements of changes in net assets available for benefits, changes in accrued benefits and changes in actuarial surplus for the year then ended. These financial statements are the responsibility of the plan's 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 financial statements present fairly, in all material respects, the financial position of the plan as at December 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 2, 2001

LOCAL AUTHORITIES PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS AS AT DECEMBER 31, 2000

($ thousands)

	2000	1999
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 9,429,943	$ 8,773,571
Contributions receivable (Note 6)	14,343	9,963
Accrued Investment Income	1,548	-
	9,445,834	8,783,534
Liabilities		
Due to ENMAX Corporation (Note 7)	85,700	-
Accounts payable (Note 8)	6,611	2,876
	92,311	2,876
Net assets available for benefits	9,353,523	8,780,658
Asset fluctuation reserve	(58,800)	(461,700)
Actuarial value of net assets available for benefits	9,294,723	8,318,958
Accrued Benefits		
Actuarial value of accrued benefits	8,410,900	7,438,600
Actuarial surplus	**$ 883,823**	**$ 880,358**

See accompanying notes and schedules.

LOCAL AUTHORITIES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2000

($ thousands)

	2000	1999
Increase in assets		
Investment income (Note 9)	$ 394,802	$ 1,176,787
Contributions (Note 10)	316,634	264,314
Group Transfer (Note 11)	289,286	-
Total increase in assets	1,000,722	1,441,101
Decrease in assets		
Pension benefits	286,515	274,058
Refunds to members	45,724	25,675
Transfer to ENMAX Corporation (Note 7)	85,700	-
Transfers to other plans	1,406	665
Interest on refunds of additional contributions	(12)	55
Plan expenses (Note 12)	8,524	9,105
Total decrease in assets	427,857	309,558
Increase in net assets for the year	572,865	1,131,543
Net assets available for benefits at beginning of year	8,780,658	7,649,115
Net assets available for benefits at end of year	**$ 9,353,523**	**$ 8,780,658**

See accompanying notes and schedules.

LOCAL AUTHORITIES PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2000
($ thousands)

	2000	1999
Increase in accrued benefits		
Interest accrued on benefits	$ 597,800	$ 524,800
Benefits earned	344,500	281,200
Group transfer* (Note 11)	266,500	-
Plan improvements* (Note 16)	138,300	-
Experience loss * (Note 13 a)	44,100	-
Increase in accrued benefits	1,391,200	806,000
Decrease in accrued benefits		
Benefits paid including interest	343,400	310,800
Transfer to ENMAX Corporation (Note 7)	75,500	-
	418,900	310,800
Net increase in accrued benefits	972,300	495,200
Accrued benefits at beginning of year	7,438,600	6,943,400
Accrued benefits at end of year (Note 13)	**$ 8,410,900**	**$ 7,438,600**

* Represent results of an actuarial valuation as at December 31, 1999 which was completed subsequent to the release of financial statements for 1999.

See accompanying notes and schedules.

LOCAL AUTHORITIES PENSION PLAN
STATEMENT OF CHANGES IN ACTUARIAL SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2000
($ thousands)

	2000	1999
Actuarial surplus at beginning of year	$ 880,358	$ 505,415
Increase in net assets available for benefits	572,865	1,131,543
Net decrease (increase) in asset fluctuation reserve	402,900	(261,400)
Net increase in accrued benefits	(972,300)	(495,200)
Actuarial surplus at end of year	**$ 883,823**	**$ 880,358**

See accompanying notes and schedules.

LOCAL AUTHORITIES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Local Authorities Pension Plan is a summary only. For a complete description of the plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993 and Alberta Regulation 366/93, as amended.

(a) General

The Local Authorities Pension Plan is a contributory defined benefit pension plan for eligible employees of local authorities and approved public bodies. These include cities, towns, villages, municipal districts, hospitals, school divisions and districts, colleges and technical institutes.

(b) Funding

Current and prior service costs are funded by employers and employees at rates, which are expected to provide for all benefits payable under the plan. The rates for employers are 1.0% more than the rates for employees. There were no changes in rates in 2000. The rates in effect at December 31, 2000 were 4.025% of pensionable earnings up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 5.90% for the excess for employees, and 5.025% of pensionable earnings up to the YMPE and 6.90% for the excess for employers. The rates are to be reviewed at least once every three years by the board based on recommendations of the plan's actuary.

(c) Retirement Benefits

The plan provides for a pension of 1.4% for each year of pensionable service based on the average salary of the highest five consecutive years up to the YMPE and 2.0% on the excess. The maximum service allowable under the plan is 35 years. Unreduced pensions are payable to members who retire with at least two years of service and have either attained age 65, or age 55 and the sum of their age and service equals 85. Reduced pensions are payable to members retiring early.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least two years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least two years of service.

(e) Death Benefits

Death benefits are payable on the death of a member if the member had at least two years of service. The benefits may take the form of a survivor pension, if the beneficiary is a spouse, or a lump sum payment. The beneficiary of a deceased member with fewer than two years of service is entitled to receive death benefits in the form of a lump sum payment.

(f) Termination Benefits

Members who terminate with at least two years of service and who are not immediately entitled to a pension may receive the commuted value for all service plus excess contributions if applicable, which is subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with fewer than two years of service receive a refund of their contributions and interest.

(g) Prior Service and Reciprocal Transfers

All prior service purchases are to be cost-neutral to the plan.

Transferred-in service will be on an actuarial reserve basis and transfers out will receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The plan is a registered pension plan as defined in the *Income Tax Act*. The plan's registration number is 0216556.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The plan's percentage ownership in pooled investment funds at December 31 was as follows:

	% Ownership	
	2000	1999
Canadian Dollar Public Bond Pool	24.7	31.8
Canadian Pooled Equities Fund	39.8	47.8
Domestic Passive Equity Pooled Fund	28.0	39.7
External Managers Fund	34.8	38.3
EAFE Structured Equity Pooled Fund	35.8	28.7
Floating Rate Note Pool	1.4	1.6
Private Equity Pool	53.5	53.5
Private Mortgage Pool	41.1	39.6
Private Real Estate Pool	40.1	39.4
US Passive Equity Pooled Fund	64.5	38.3
United States Pooled Equities Fund	40.8	39.7
U S Structured Equity Pooled Fund	-	27.6

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine fair value of investments held either by the plan or by pooled investment funds are explained in the following paragraphs:

Short-term securities, 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.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Treasury.

The fair value of private equities is estimated by Alberta Treasury.

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.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the plan's funded status, asset values are adjusted by an asset fluctuation reserve. Assets for the previous two years are projected to increase at the rate of return assumed in the actuarial valuation. The actuarial value of assets is determined by averaging three years' values, current market value and the projected asset values.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign 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. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date 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 are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES A TO C)

Investments are summarized as follows:

	2000		1999	
	($ thousands)	%	($ thousands)	%
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 231,726	2.5	$ 64,548	0.7
Fixed Income Securities				
Canadian Dollar Public Bond Pool (Schedule A)	2,181,173	23.1	2,554,167	29.1
Real Rate of Return Bonds (b)	487,987	5.2	-	-
Private Mortgage Pool (c)	398,021	4.2	402,532	4.6
Floating Rate Note Pool (d)	28,246	0.3	40,126	0.5
Corporate	14,195	0.2	-	-
Total deposits and fixed income securities	3,341,348	35.5	3,061,373	34.9
Canadian Equities				
Canadian Pooled Equities Fund (Schedule B)	978,110	10.4	1,262,893	14.4
Domestic Passive Equity Pooled Fund (e)	635,229	6.7	1,002,939	11.4
External Managers Fund (Canadian) (Schedule C)	835,926	8.9	672,157	7.7
Private Equity Pool (f)	42,844	0.4	41,446	0.5
	2,492,109	26.4	2,979,435	34.0
Foreign Equities				
External Managers Fund (International) (Schedule C)	1,465,527	15.5	1,083,104	12.3
External Managers Fund (United States) (Schedule C)	779,509	8.3	515,684	5.9
EAFE Structured Equity Pooled Fund (g)	166,223	1.8	282,835	3.2
US Passive Equity Pooled Fund (h)	652,023	6.9	270,667	3.1
United States Pooled Equities Fund	1,521	-	2,602	-
US Structured Equity Pooled Fund	-	-	86,376	1.0
	3,064,803	32.5	2,241,268	25.5
Real Estate				
Private Real Estate Pool (i)	531,683	5.6	491,495	5.6
Total equities and real estate	6,088,595	64.5	5,712,198 -	65.1
Total Investments	**$ 9,429,943**	**100**	**$ 8,773,571**	**100**

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) Real rate of return bonds are issued or guaranteed by the Government of Canada, bear interest at a fixed rate adjusted for inflation, and have terms to maturity of over 20 years.

(c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. As at December 31, 2000, mortgages held by the pool have an average effective market yield of 7.27 % per annum (1999: 7.95% per annum) and the following term structure based on principal amount.

Under 1 year: 8% (1999: 8%); 1 to 5 years: 27 % (1999: 28%); 5 to 10 years: 28% (1999: 29%); 10 to 20 years: 23% (1999: 22%); and over 20 years: 14% (1999: 13%).

(d) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(e) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 300 Index.

(f) The Private Equity Pool is in the process of orderly liquidation.

(g) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool (see Note 3d) to generate the floating rate cash flows needed for its equity swap obligations.

(h) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

(i) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification, by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the pool provides diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. 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. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a policy asset mix of 35% fixed income instruments, 60% equities and 5% real estate. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. 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.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2000.

	2000		1999	
	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
	($ thousands)			
Equity index swap contracts	$ 1,116,494	$ (25,680)	$ 1,055,488	$ 77,240
Bond index swap contracts	174,008	1,090	434,534	(2,892)
Interest rate swap contracts	259,455	(4,070)	284,178	(4,211)
Forward foreign exchange contracts	188,798	133	108,112	653
Equity index futures contracts	1,579	7	2,604	74
	1,740,334	$ (28,520)	1,884,916	$ 70,864
Cross-currency interest rate swap contracts (b)	806,456		654,107	
	$ 2,546,790		$ 2,539,023	

(a) The method of determining fair value of derivative contracts is described in Note 2 (f).

(b) As at December 31, 2000, the combined values of cross-currency interest rate swaps and underlying securities amounted to $813,775,000 (1999: $651,936,000).

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $715,041,000 that mature between 1 and 3 years and $240,819,000 that mature over 3 years.

NOTE 6 CONTRIBUTIONS RECEIVABLE

	2000	1999
	($ thousands)	
Employers	$ 7,819	$ 5,428
Employees	6,524	4,535
	$ 14,343	**$ 9,963**

NOTE 7 DUE TO AND TRANSFER TO ENMAX CORPORATION

In December 2000, the Lieutenant Governor in Council approved the withdrawal of all active members of ENMAX Corporation from the plan effective December 31, 2000. In accordance with section 18(1) of Schedule 1 to the *Public Sector Pension Plans (Legislative Provisions) Regulation (AR 365/ 93),* an initial transfer of approximately 80% of the estimated apportioned assets was made to the ENMAX Corporation Pension Plan in January 2001. The final transfer will be made after the actuarial amount to be transferred has been determined by the plan's actuary. The total apportioned assets and liabilities to be transferred estimated to amount to $85,700,000 and $75,500,000 respectively have been accrued in these financial statements. The excess of total apportioned assets over liabilities represents the total apportioned plan surplus to be transferred to ENMAX. All rights of ENMAX Corporation and its active employees in relation to the plan are extinguished after the final transfer has been made.

NOTE 8 ACCOUNTS PAYABLE

	2000	1999
	($ thousands)	
Benefits	$ 67	$ 105
Refunds and transfers	6,794	1,735
Additional contribution refunds and miscellaneous	21	999
Plan expenses	(271)	37
	$ 6,611	**$ 2,876**

NOTE 9 INVESTMENT INCOME

The following is a summary of the Plan's proportionate share of investment income from pooled funds and directly held investments.

	2000	1999
	($ thousands)	
Deposits and Fixed Income Securities:		
Deposit in the Consolidated Cash Investment Trust Fund	$ 5,573	$ 4,147
Canadian Dollar Public Bond Pool	264,967	(28,367)
Real Rate of Return Bonds	26,247	(431)
Private Mortgage Pool	42,649	721
Floating Rate Note Pool	2,282	89
Other	(1,153)	113
	340,565	(23,728)
Equities:		
Canadian Equities:		
Canadian Pooled Equities Fund	84,342	314,274
Domestic Passive Equity Pooled Fund	75,124	257,384
External Managers Fund (Canadian)	116,180	85,437
Private Equity Pool	12,195	6,422
Other	-	(153)
	287,841	663,364
Foreign Equities:		
External Managers Fund (International)	(191,560)	297,655
External Managers Fund (United States)	(20,109)	66,289
EAFE Structured Equity Pooled Fund	(9,068)	50,883
US Passive Equity Pooled Fund	(49,348)	29,278
United States Pooled Equities Fund	2,326	(3,255)
US Structured Equity Pooled Fund	(1,053)	6,665
Global Structured Equity Pooled Fund	-	57,836
	(268,812)	505,351
Real Estate:		
Private Real Estate Pool	35,208	31,800
	54,237	1,200,515
	$ 394,802	**$ 1,176,787**

Investment income is comprised of the following:

	2000	1999
	($ thousands)	
Net realized and unrealized gains on investments	$ 111,865	$ 669,531
Interest income	274,741	249,630
Derivative income	(67,192)	187,894
Dividend income	56,095	51,549
Real estate income	26,747	24,614
Securities lending income	1,108	1,051
Pooled funds management and associated custodial fees (Note 12)	(8,562)	(7,482)
	$ 394,802	**$ 1,176,787**

NOTE 10 CONTRIBUTIONS

	2000	1999
	($ thousands)	
Current and prior service		
Employers	$ 170,694	$ 143,779
Employees (a)	143,754	120,079
Transfers from other plans and miscellaneous	2,186	456
	$ 316,634	**$ 264,314**

(a) Includes $5,039,000 (1999: $4,025,000) of prior service contributions.

NOTE 11 GROUP TRANSFER

In December 1999, the Lieutenant Governor in Council approved the transfer of certain active members from the Public Service Pension Plan (PSPP) to the Local Authorities Pension Plan (LAPP) and from the LAPP to the PSPP effective January 1, 2000. Accordingly the plans' actuaries calculated the amounts of assets and liabilities to be transferred from the PSPP to LAPP as a result. The amounts were determined in accordance with provisions of the *Public Sector Pension Plans Act*, *Alberta Regulation 365/93, as amended,* and actuarial assumptions approved by the respective boards for the actuarial valuations of both plans as at December 31, 1998 as follows:

	$ millions
Assets and liabilities to be transferred as at December 31, 1998:	
Based on LAPP assumptions	$ 229.9
Based on PSPP assumptions	200.4
Average of LAPP and PSPP assumptions	215.2
Add:	
Contributions in respect of transferred members for 1999	18.3
Average market return and interest on contributions for 1999	33.0
Assets and liabilities to be transferred as at December 31, 1999	**266.5**
Average market return from January 1, 2000 to December 1, 2000	22.8
Assets transferred from PSPP on December 1, 2000	**$ 289.3**

NOTE 12 PLAN EXPENSES

	2000	1999
	($ thousands)	
General administration costs	$ 6,654	$ 5,413
APEX project costs	293	1,968
Investment management costs	913	883
Plan restructuring costs (to move LAPP to independence)	477	702
Actuarial fees	187	139
	$ 8,524	**$ 9,105**

General administration costs and business process reengineering costs (APEX project), including plan board costs (see Note 14) were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Treasury on a cost recovery basis to manage the plan's investment portfolio. Pooled funds management and associated custodial fees totalling $8,562,000 (see Note 9), which have been deducted from investment income of the pools, are excluded from plan expenses.

Plan restructuring costs (see Note 15) include remuneration to senior officials of Local Authorities Pension Plan Corporation as follows:

	2000	1999
	($ thousands)	
Chief Executive Officer		
Salaries and bonus	$ 156.8	$ 148.5
Benefits	0.4	0.4
Director, Pension Policy		
Salaries and bonus	78.0	65.6
Benefits	0.2	0.2
	$ 235.4	**$ 214.7**

Total plan expenses, excluding plan-restructuring costs but including pooled funds management and associated custodial fees amounted to $136 per member (1999: $142 per member).

The $6 per member cost decrease is attributed to the following factors: decrease in APEX project cost $15, decrease in investment management cost $1, increase in operating cost $5, increase in pooled funds management cost $3, and increase in plan specific cost $2.

Pooled funds management and associated custodial fees amounted to $70 per member (1999: $67 per member). These expenses have been deducted from investment income of the pools and included in the determination of investment returns for the plan (see Note 9).

Total plan expenses, excluding plan-restructuring costs but including pooled funds management and associated custodial fees amounted to 0.18% (1999: 0.18%) of assets under administration.

NOTE 13 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the plan was carried out as at December 31, 1999 by William M. Mercer Limited and then extrapolated to December 31, 2000, taking into account significant changes to the plan since December 31, 1999. The December 31, 1999 valuation was completed after the financial statements of the plan for 1999 were released. As a result, the differences between the actuarial valuation results and extrapolation results as reported in 1999 are accounted for as gains and losses in 2000.

The experience loss as revealed in the December 31, 1999 valuation and reported in 2000 was mainly attributed to the following factors:

- Mortality, termination and retirement experience were less favourable than assumed, and
- Current service contributions were less than normal actuarial cost.

The experience gain due to lower than expected cost-of-living adjustment was offset by loss due to lower than assumed increases in the Yearly Maximum Pensionable Earnings.

The valuation as at December 31, 1999 was determined using the projected benefit method based on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected market conditions and other future events. This estimate was, after consultation with the plan's actuary, adopted by the Local Authorities Pension Plan Board of Trustees. The major assumptions used were:

	December 31	
	2000 Extrapolation	1999 Valuation
	%	%
Investment return	7.25	7.25
Inflation rate	3.5	3.5
Salary escalation rate*	4.25	4.25

* Excludes merit and promotion.

(b) Sensitivity of Changes in Major Assumptions

The plan's future experience will inevitably differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the plan.

The following is a summary of the sensitivities of the Plan's surplus and current service cost to changes in assumptions used in actuarial extrapolation at December 31, 2000:

		Sensitivities	
	Changes in Assumptions %	Increase (Decrease) in Plan Surplus ($ million)	Increase in Current Service Cost as % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ (555)	0.7%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	(308)	0.8%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	-1.0%	(1,393)	2.5%

* The current service cost as % of pensionable earnings as determined by the December 31, 1999 valuation is 10.8%.

NOTE 14 REMUNERATION OF BOARD MEMBERS

Remuneration paid with respect to a total of 14 board members during the year amounted to $105,000 (1999: $103,000).

NOTE 15 PLAN RESTRUCTURING

In June 1997, the Local Authorities Pension Plan Board of Trustees approved the development of a non-statutory pension plan to replace the existing statutory plan. In accordance with provisions and regulations of the *Public Sector Pension Plans Act,* the board is authorized to charge the plan, up to a certain amount, all costs incurred in connection with the development of the non-statutory plan. The amount authorized is $750,000 in 2000 and $1,072,000 in 1999. Total development costs incurred and charged to the plan in 2000 amounted to $477,000 (1999: $702,000).

NOTE 16 PLAN IMPROVEMENTS

The plan received approval from the Lieutenant Governor in Council to improve benefits in 2000 for those members who leave the plan before qualifying for retirement. The improvement decreases the vesting period to two years of service from five years and provides a termination benefit of commuted value plus excess contributions for employees, if applicable, on all service. As a result of the improved vesting and termination benefits, the plan's actuary determined that the liability of the plan for accrued benefits as at December 31, 1999 would increase by $138,300,000.

NOTE 17 SUBSEQUENT EVENT

Subsequent to the year-end, the board has authorized an actuarial valuation of the plan to be carried out as at December 31, 2000. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the plan and will be accounted for as gains or losses in 2001.

NOTE 18 BUDGET INFORMATION

The accrued benefits are based on the Local Authorities Pension Plan Board of Trustees' best estimates of future events after consultation with the plan's actuary. Differences between actual results and the board's expectations are disclosed as experience gains and losses in the statement of changes in accrued benefits. Accordingly, a budget is not included in these financial statements.

Schedule A

LOCAL AUTHORITIES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL (a)(b)
DECEMBER 31, 2000
($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 38,093	$ 154,307	$ 18,083	$ 56,800
Public Fixed Income Securities				
Government of Canada, direct and guaranteed	562,198	2,277,359	684,147	2,148,862
Provincial:				
Alberta, direct and guaranteed	7,324	29,668	11,368	35,707
Other, direct and guaranteed	465,211	1,884,485	379,388	1,191,633
Municipal	30,386	123,088	28,510	89,549
Corporate	782,684	3,170,510	1,072,596	3,368,956
Private Fixed Income Securities				
Corporate	267,244	1,082,557	333,355	1,047,046
Total deposit and fixed-income securities	2,153,140	8,721,974	2,527,447	7,938,553
Receivable from sale of investments and accrued investment income	28,741	116,425	31,565	99,143
Liabilities for investment purchases	(708)	(2,867)	(4,845)	(15,218)
	28,033	113,558	26,720	83,925
	$ 2,181,173	**$ 8,835,532**	**$ 2,554,167**	**$ 8,022,478**

(a) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and bond-related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) Fixed income securities held as at December 31, 2000 had an average effective current yield of 6.07% per annum based on market value (1999: 6.47% per annum). The following term structure of these securities as at December 31 is based on principal amount.

	2000	1999
	%	
under 1 year	6	11
1 to 5 years	37	34
5 to 10 years	28	29
10 to 20 years	15	17
over 20 years	14	9
	100	**100**

Schedule B

LOCAL AUTHORITIES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITIES FUND (a)
DECEMBER 31, 2000
($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,197	$ 3,009	$ 2,656	$ 5,550
Canadian Public Equities (b)				
Common shares and rights:				
Communications and media	37,893	95,231	102,405	214,030
Conglomerates	39,366	98,932	59,977	125,354
Consumer products	31,197	78,404	40,416	84,470
Financial services	197,368	496,017	167,426	349,923
Gold and precious minerals	21,310	53,554	42,941	89,748
Industrial products	348,426	875,650	385,895	806,528
Merchandising	9,156	23,009	21,032	43,958
Metals and minerals	38,399	96,503	48,423	101,204
Oil and gas	101,857	255,983	113,080	236,341
Paper and forest products	31,713	79,700	24,882	52,005
Pipelines	8,681	21,817	16,836	35,188
Real estate and construction	9,918	24,926	33,375	69,754
Transportation and environmental services	1,104	2,775	22,796	47,643
Utilities	88,921	223,473	172,656	360,855
	965,309	2,425,974	1,252,140	2,617,001
Passive index	3,652	9,178	7,672	16,036
	968,961	**2,435,152**	**1,259,812**	**2,633,037**
Receivable from sale of investments and accrued investment income	9,771	24,556	4,349	9,090
Liabilities for investment purchases	(1,819)	(4,572)	(3,924)	(8,202)
	7,952	19,984	425	888
	$ 978,110	**$ 2,458,145**	**$ 1,262,893**	**$ 2,639,475**

(a) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 Index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is managed by means of prudent security selection and sector rotation.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule C

LOCAL AUTHORITIES PENSION PLAN
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND (a)
DECEMBER 31, 2000

($ thousands)

	External Managers 2000	External Managers 1999	2000 Plan's Share	2000 Total Pool	1999 Plan's Share	1999 Total Pool
Foreign Public Equity Pools						
Multi Region	4	4	$ 733,179	$ 2,013,072	$ 381,128	$ 919,706
Europe	3	3	521,145	1,377,161	366,130	1,018,169
Pacific Basin	2	2	211,189	584,819	317,503	882,206
Emerging markets	1	2	14	40,506	18,343	76,055
	10	11	1,465,527	4,015,558	1,083,104	2,896,136
United States	6	5	779,509	3,147,608	515,684	1,518,742
Canadian Public Equity Pools						
Large Cap	3	3	656,765	1,200,300	507,467	1,055,108
Small Cap	4	5	179,161	478,145	164,690	466,572
	7	8	835,926	1,678,445	672,157	1,521,680
	23	24	**$ 3,080,962**	**$ 8,841,611**	**$ 2,270,945**	**$ 5,936,558**

(a) The External Managers Fund is comprised of numerous portfolios of publicly traded equities, which are managed by numerous external managers with expertise in global and Canadian equity markets. The objective of the fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor's and Toronto Stock Exchange indices over a four-year period. Risk is managed by means of manager, style and market diversification.

MANAGEMENT EMPLOYEES PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2000

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the statement of net assets available for benefits and accrued benefits of the Management Employees Pension Plan as at December 31, 2000 and the statements of changes in net assets available for benefits, changes in accrued benefits and changes in actuarial surplus for the year then ended. These financial statements are the responsibility of the Plan's 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 financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 2, 2001

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS AS AT DECEMBER 31, 2000
($ thousands)

	2000	1999
Net Assets Available For Benefits		
Assets		
Investments (Note 3)	$ 1,551,155	$ 1,446,515
Accrued investment income	344	281
Due from Alberta Treasury Branches	699	-
Contributions receivable (Note 6)	3,275	2,953
	1,555,473	1,449,749
Liabilities		
Accounts Payable (Note 7)	70	5,355
Net assets available for benefits	1,555,403	1,444,394
Asset fluctuation reserve (Note 2 (c))	(66,200)	(86,700)
Actuarial value of net assets available for benefits	1,489,203	1,357,694
Accrued Benefits (Note 11)		
Actuarial value of accrued benefits	1,384,545	1,311,675
Actuarial surplus	**$ 104,658**	**$ 46,019**

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2000

($ thousands)

	2000	1999
Increase in assets		
Investment income (Note 8)	$ 117,078	$ 206,210
Contributions (Note 1(b))		
Current and past service		
Employees	16,667	13,681
Employers	22,316	15,777
Pre-1992 unfunded liability		
Employees	-	1,475
Employers	-	5,403
Transfers from other plans	66	1
	39,049	36,337
Total increase in assets	156,127	242,547
Decrease in assets		
Pension benefits	43,160	38,232
Refunds to members	1,415	1,554
Transfer (from) to Alberta Treasury Branches (Note 9)	(421)	66,279
Transfers to other plans	244	-
Administration expenses (Note 10)	720	796
Total decrease in assets	45,118	106,861
Increase in net assets for the year	111,009	135,686
Net assets available for benefits at beginning of year	1,444,394	1,308,708
Net assets available for benefits at end of year	**$ 1,555,403**	**$ 1,444,394**

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2000
($ thousands)

	2000	1999
Increase in accrued benefits		
Interest accrued on benefits	$ 94,842	$ 93,814
Benefits earned	37,800	32,900
Net experience losses (gains)*	(15,374)	11,237
Changes in actuarial assumptions*	-	20,761
Increase in accrued benefits	117,268	158,712
Decrease in accrued benefits		
Benefits paid	44,819	40,286
Transfer (from) to Alberta Treasury Branches (Note 9)	(421)	57,604
Decrease in accrued benefits	44,398	97,890
Net increase in accrued benefits	72,870	60,822
Accrued benefits at beginning of year	1,311,675	1,250,853
Accrued benefits at end of year (Note 11)	**$ 1,384,545**	**$ 1,311,675**

* An extrapolation was performed at December 31, 2000 and an actuarial valuation was carried out at December 31, 1999.

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN ACTUARIAL SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2000
($ thousands)

	2000	1999
Actuarial surplus at beginning of year	$ 46,019	$ 4,355
Increase in net assets available for benefits	111,009	135,686
Net decrease (increase) in asset fluctuation reserve	20,500	(33,200)
Net increase in accrued benefits	(72,870)	(60,822)
Actuarial surplus at end of year	**$ 104,658**	**$ 46,019**

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Management Employees Pension Plan is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act,* Chapter P-30.7, Statutes of Alberta 1993 and Alberta Regulation 367/93, as amended.

(a) General

The Management Employees Pension Plan is a contributory defined benefit pension plan for eligible management employees of the Province of Alberta and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992 and have not withdrawn from the Plan since that date continue as members of this Plan.

(b) Funding

Current service costs are funded by employee and employer contributions at rates which together with investment earnings are expected to provide for all benefits payable under the Plan. The rates in effect in 2000 are 7.75% (1999: 7%) of pensionable salary for employees and 10.75% (1999: 8%) for employers. The rates were reviewed in 2000 by the Provincial Treasurer and are to be reviewed again at least once every three years based on recommendations of the Plan's actuary.

As there was a surplus at December 31, 1999 in respect of benefits accrued for pre-1992 service, additional contributions required to liquidate the pre-1992 unfunded liability ceased effective January 1, 2000.

(c) Retirement Benefits

The Plan provides a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. Pensionable earnings after December 31, 1991 are capped at $86,111 per year by the federal *Income Tax Act.* The maximum service allowable under the Plan is 35 years.

Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 if they retire with at least five years of service and have either attained age 60 or age 55 and the sum of their age and service equals 80. Pensions on service after 1991 are reduced if the member is under age 60 and the 80 factor is not attained.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse, or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their contributions plus interest.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a refund or a deferred pension. A refund is based on contributions and interest in relation to service before 1992 and commuted value for service after 1991. Refunds are subject to the Plan's lock-in provisions.

(g) Guarantee

The Province of Alberta guarantees payment of all benefits arising from service before 1994.

(h) Prior Service and Transfers

All prior service purchases are to be cost-neutral to the Plan.

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers out receive the greater of the termination benefits or commuted value for all service.

(i) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(j) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0570887.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

The majority of Plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The Plan's respective percentage ownership of pooled investment funds at December 31 was as follows:

	% Ownership	
	2000	1999
Canadian Dollar Public Bond Pool	5.6	5.7
Canadian Pooled Equities Fund	7.2	7.7
Canadian Equity Index (excluding Nortel) Pooled Fund	68.0	-
Domestic Passive Equity Pooled Fund	0.2	8.1
External Managers Fund	5.1	5.5
EAFE Structured Equity Pooled Fund	6.4	6.9
Floating Rate Note Pool	0.1	0.4
Private Equity Pool	7.6	7.6
Private Mortgage Pool	5.8	5.9
US Passive Equity Pooled Fund	3.2	6.4
United States Pooled Equities Fund	6.3	6.3
US Structured Equity Pooled Fund	-	7.0

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs.

(i) Short-term securities, 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.

(ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

(iii) The fair value of private equities is estimated by Alberta Treasury.

(iv) The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To moderate the effects of market volatility on investment value, annual net realized and unrealized gains and losses excluding those arising from derivative transactions are amortized equally over three years commencing at the beginning of the current year.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign 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. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods.

(i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

(ii) Interest rate swaps are valued based on discounted cash flows using current market yields.

(iii) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

(iv) The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES A TO D)

Investments are summarized as follows:

	2000		1999	
	($ thousands)	%	($ thousands)	%
Deposit in the Consolidated Cash				
Investment Trust Fund (a)	$ 33,016	2.1	$ 3,335	0.2
Fixed Income Securities				
Canadian Dollar Public Bond Pool (b) (Schedule A)	495,174	31.9	459,205	31.8
Private Mortgage Pool (c)	56,485	3.7	59,826	4.1
Real Rate of Return Bonds (d)	65,487	4.2	40,655	2.8
Floating Rate Note Pool (e)	2,795	0.2	10,211	0.7
Total deposit and fixed income securities	652,957	42.1	573,232	39.6
Canadian Equities				
Canadian Pooled Equities Fund (f) (Schedule B)	177,021	11.4	203,823	14.1
Canadian Equity Index (excluding Nortel)				
Pooled Fund (g) (Schedule C)	201,280	13.0	-	-
Domestic Passive Equity Pooled Fund	5,020	0.3	203,655	14.1
External Managers Fund (Canadian) (h) (Schedule D)	79,866	5.2	81,587	5.6
Private Equity Pool (i)	6,061	0.4	5,863	0.4
	469,248	30.3	494,928	34.2
Foreign Equities				
External Managers Fund (International) (h) (Schedule D)	187,968	12.1	158,776	11.0
External Managers Fund (United States) (h) (Schedule D)	178,914	11.5	84,067	5.8
EAFE Structured Equity Pooled Fund (j)	29,633	1.9	67,657	4.7
US Passive Equity Pooled Fund (k)	32,201	2.1	45,462	3.2
United States Pooled Equities Fund	234	-	413	-
US Structured Equity Pooled Fund	-	-	21,980	1.5
	428,950	27.6	378,355	26.2
Total equities	898,198	57.9	873,283	60.4
Total investments	**$ 1,551,155**	**100.0**	**$ 1,446,515**	**100.0**

(a) The Consolidated Cash Investment Trust Fund is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and related derivatives (see Schedule A). Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the Pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. As at December 31, 2000, mortgages held by the Pool have an average effective market yield of 7.27 % per annum (1999: 7.95%) and the following term structure based on principal amount:

Under 1 year: 8% (1999: 8%); 1 to 5 years: 27% (1999: 28%); 5 to 10 years: 28% (1999: 29%); 10 to 20 years: 23% (1999: 22%); over 20 years: 14% (1999: 13%).

(d) Real Rate of Return Bonds are issued or guaranteed by the Government of Canada, bear interest at a fixed rate adjusted for inflation, and have terms to maturity of over 20 years.

(e) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the Pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(f) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 Index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(g) The Canadian Equity Index (excluding Nortel) Pooled Fund is passively managed with the objective of providing investment returns comparable to the Pooled Fund's benchmark which is the total return of the Toronto Stock Exchange (TSE) 300 Index excluding Nortel Networks Corp. The portfolio is comprised of publicly traded Canadian equities and structured investments replicating the benchmark (see Schedule B). The Pooled Fund's investment in units of the Floating Rate Note Pool (see Note 3e) was used as the underlying securities to support the equity index swaps of the Pool.

(h) The External Managers Fund is comprised of numerous portfolios of publicly traded equities, which are managed by numerous external managers with expertise in Canadian and approved foreign equity markets. The international equity pools consist of investments in non-North American investments in Europe, Australia, the Far East, Pacific Basin and Emerging Markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor and Toronto Stock Exchange indices over a four-year period. Risk is reduced through manager, style and market diversification.

(i) The Private Equity Pool is in the process of orderly liquidation.

(j) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The Pooled Fund provides exposure to foreign markets in Europe, Australia and Far East through the use of structured investments such as foreign equity index swaps. The Pooled Fund's investment in units of the Floating Rate Note Pool (see Note 3e) was used as the underlying securities to support the equity index swaps of the Pool.

(k) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the Pooled Fund also invests in futures, swaps and other structured investments. The Pooled Fund's investment in units of the Floating Rate Note Pool (see Note 3e) was used as the underlying securities to support the equity index swaps of the Pool.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. 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. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established a benchmark policy asset mix of 45% fixed income instruments and 55% equities, changed since the year end to 40% fixed income instruments and 60% equities. Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. 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.

(i) A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

(ii) Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(iii) Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2000.

	2000		1999	
	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
	($ thousands)			
Equity index swap contracts	$ 91,273	$ 2,143	$ 219,345	$ 16,276
Bond index swap contracts	39,504	248	78,123	(520)
Interest rate swap contracts	28,084	(573)	58,544	(869)
Forward foreign exchange contracts	26,798	12	16,636	52
Equity index futures contracts	209	1	318	9
	185,868	$ 1,831	372,966	$ 14,948
Cross-currency interest rate swap contracts (b)	91,670		132,120	
	$ 277,538		$ 505,086	

(a) The method of determining fair value of derivative contracts is described in Note 2 (f).

(b) As at December 31, 2000, the combined value of cross-currency interest rate swaps and underlying securities amounted to $ 92,444,000 (1999: $131,870,000).

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $71,708,000 that mature between 1 and 3 years and $41,050,000 that mature over 3 years.

NOTE 6 CONTRIBUTIONS RECEIVABLE

	2000	1999
	($ thousands)	
Employees	$ 1,358	$ 1,216
Employers	1,917	1,737
	$ 3,275	**$ 2,953**

NOTE 7 ACCOUNTS PAYABLE

	2000	1999
	($ thousands)	
Benefits	$ 26	$ 32
Refunds	73	221
Administration expenses	(29)	(16)
Payable to Alberta Treasury Branches	-	5,117
Payable to Public Service Management (Closed Membership) Pension Plan	-	1
	$ 70	**$ 5,355**

NOTE 8 INVESTMENT INCOME

Investment income is comprised of the following:

	2000	1999
	($ thousands)	
Net realized and unrealized gains on investments	$ 44,529	$ 109,256
Interest income	49,867	48,010
Derivative income	14,586	41,501
Dividend income	9,188	8,514
Securities lending income	171	171
Pooled funds management and associated custodial fees	(1,263)	(1,242)
	$ 117,078	**$ 206,210**

The following is a summary of the Plan's proportionate share of investment income from pooled funds and directly held investments.

	2000	1999
	($ thousands)	
Deposits and Fixed Income Securities:		
Deposit in the Consolidated Cash Investment Trust Fund	$ 693	$ 1,010
Canadian Dollar Public Bond Pool	52,443	(5,547)
Private Mortgage Pool	6,285	86
Real Rate of Return Bonds	10,405	3,625
Floating Rate Note Pool	498	23
Private Bond Pool	-	4
	70,324	(799)
Equities:		
Canadian Equities:		
Canadian Pooled Equities Fund	11,316	52,561
Canadian Equity Index (excluding Nortel) Pooled Fund	12,459	-
Domestic Passive Equity Pooled Fund	47,022	50,369
External Managers Fund (Canadian)	11,913	10,288
Private Equity Pool	1,725	932
Miscellaneous	572	(13)
	85,007	114,137
Foreign Equities:		
External Managers Fund (International)	(27,957)	49,754
External Managers Fund (United States)	(7,776)	11,051
EAFE Structured Equity Pooled Fund	(2,112)	12,632
US Passive Equity Pooled Fund	(509)	5,484
United States Pooled Equities Fund	369	(516)
US Structured Equity Pooled Fund	(268)	1,696
Global Structured Equity Pooled Fund	-	12,771
	(38,253)	92,872
	46,754	207,009
	$ 117,078	**$ 206,210**

NOTE 9 TRANSFER TO ALBERTA TREASURY BRANCHES

During 1999, the withdrawal of all active members of Alberta Treasury Branches (ATB) from the Management Employees Pension Plan (MEPP) was approved effective December 31, 1998. Accordingly, the Plan's actuary determined that assets totalling $57,604,000 and $2,252,000 were required to be transferred to ATB and the Public Service Management (Closed Membership) Pension Plan on behalf of ATB respectively. These amounts, plus adjustments for the market return of MEPP from December 31, 1998 to the date of transfer in 1999 and interest on the contributions made by or in respect of transferred members during 1999, totalled $66,279,000.

During 2000, due to data changes arising from ATB's review of data used in the original calculation and adjustments relating to combined pensionable service of active ATB members, the Plan's actuary determined that assets required to be transferred to ATB in the original calculation were overstated by $572,000. This amount, plus adjustments for administration expenses and the market return of MEPP from December 31, 1998 to December 31, 2000, less interest paid to ATB on finalization of the original transfer, totalled $421,000.

NOTE 10 ADMINISTRATION EXPENSES

	2000	1999
	($ thousands)	
General administration costs	$ 375	$ 538
Investment management costs	233	215
Actuarial fees	112	43
	$ 720	**$ 796**

General administration costs, including plan specific costs of $38,000 (1999: $44,000) were paid to the Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Treasury and do not include pooled funds management and associated custodial fees (see Note 8), which have been deducted in arriving at investment income.

In 2000, total administration costs of $720,000 amounted to $134 per member (1999: $139 per member). The $5 per member cost net decrease in 2000 is attributed to the following factors: decrease in business process reengineering cost $24, increase in plan specific cost $13 and increase in investment management cost $6.

NOTE 11 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 1999 by Aon Consulting Inc. and was then extrapolated to December 31, 2000. The 1999 valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Management Employees Pension Board approved this best estimate.

The major assumptions used in the actuarial valuation and extrapolation were:

	December 31	
	2000 Extrapolation	1999 Valuation
	%	%
Asset real rate of return	4.25	4.25
Inflation rate	3.0	3.0
Investment rate of return	7.25	7.25
Salary escalation rate*	3.0	3.0
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

* Excludes merit and promotion.

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's surplus and current service cost to changes in assumptions used in actuarial extrapolations at December 31, 2000:

		Sensitivities	
	Changes in Assumptions %	Increase (Decrease) in Plan Surplus ($ millions)	Increase in Current Service Cost as % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ (101)	1.3%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	(26)	0.6%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	(222)	3.7%

* The current service cost as % of pensionable earnings as determined by the December 31, 1999 valuation is 18.7%.

NOTE 12 BUDGET INFORMATION

The accrued benefits are based on the Management Employees Pension Board's best estimates of future events. Differences between actual results and the Board's expectations are disclosed as net experience gains and losses in the Statement of Changes in Accrued Benefits. Accordingly, a budget is not included in these financial statements.

NOTE 13 COMPARATIVE FIGURES

Comparative figures have been restated to be consistent with the 2000 presentation.

NOTE 14 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Management Employees Pension Board.

Schedule A

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL (a)
DECEMBER 31, 2000
($ thousands)

	Plan's Share	
	2000	**1999**
Deposit in the Consolidated Cash Investment Trust Fund	$ 8,648	$ 3,251
Public Fixed Income Securities		
Government of Canada direct and guaranteed	127,631	123,000
Provincial:		
Alberta, direct and guaranteed	1,663	2,044
Other, direct and guaranteed	105,613	68,209
Municipal	6,898	5,126
Corporate	177,687	192,838
Private Fixed Income Securities		
Corporate	60,670	59,933
Total deposit and fixed income securities	488,810	454,401
Receivable from sale of investments and accrued investment income	6,525	5,675
Liabilities for investment purchases	(161)	(871)
	6,364	4,804
	$ 495,174	**$ 459,205**

(a) Fixed income securities held as at December 31, 2000 had an average effective market yield of 6.07% per annum (1999: 6.47% per annum). The following term structure of these securities as at December 31, 2000 is based on principal amount.

	2000	1999
	%	
under 1 year	6	11
1 to 5 years	37	34
5 to 10 years	28	29
10 to 20 years	15	17
over 20 years	14	9
	100	**100**

Schedule B

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITIES FUND
DECEMBER 31, 2000

($ thousands)

	Plan's Share	
	2000	**1999**
Deposit in the Consolidated Cash Investment Trust Fund	$ 217	$ 429
Canadian Public Equities (a) :		
Common shares and rights:		
Communications and media	6,858	16,528
Conglomerates	7,125	9,680
Consumer products	5,646	6,523
Financial services	35,720	27,022
Gold and precious minerals	3,857	6,930
Industrial products	63,059	62,281
Merchandising	1,657	3,394
Metals and minerals	6,950	7,815
Oil and gas	18,434	18,250
Paper and forest products	5,739	4,016
Pipelines	1,571	2,717
Real estate and construction	1,795	5,386
Transportation and environmental services	200	3,679
Utilities	16,093	27,866
	174,704	202,087
Passive index	661	1,238
	175,365	203,325
Receivable from sale of investments and accrued investment income	1,768	702
Liabilities for investment purchases	(329)	(633)
	1,439	69
	$ 177,021	**$ 203,823**

(a) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule C

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN EQUITY INDEX (EXCLUDING NORTEL) POOLED FUND
DECEMBER 31, 2000

($ thousands)

	Plan's Share
Deposit in the Consolidated Cash Investment Trust Fund	$ 3,907
Floating Rate Note Pool (a)	22,300
	26,207
Canadian Public Equities (b):	
Common shares and rights:	
Communications and media	10,212
Conglomerates	7,487
Consumer products	8,648
Financial services	29,708
Gold and precious minerals	6,823
Industrial products	34,473
Merchandising	6,138
Metals and minerals	8,337
Oil and gas	26,099
Paper and forest products	3,749
Pipelines	5,817
Real estate and construction	2,009
Transportation and environmental services	3,437
Utilities	18,735
	171,672
Receivable from sale of investments and accrued investment income	3,584
Liabilities for investment purchases	(183)
	3,401
	$ 201,280

(a) The Pooled Fund's investment in the Floating Rate Note Pool was used as underlying securities to support equity index swaps of the Pooled Fund.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule D

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND
DECEMBER 31, 2000

($ thousands)

	Number of External Managers		Plan's Share	
	2000	1999	2000	1999
Canadian Public Equity Pools				
Large Cap	3	3	$ 56,257	$ 56,015
Small Cap	4	5	23,609	25,572
	7	8	79,866	81,587
International Public Equity Pools				
Multi Region	4	3	88,972	36,658
Europe	3	3	66,026	62,684
Pacific Basin	2	2	32,966	54,328
Emerging markets	1	2	4	5,106
	10	10	187,968	158,776
United States Public Equity Pools	6	5	178,914	84,067
	23	23	**$ 446,748**	**$ 324,430**

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN FINANCIAL STATEMENTS MARCH 31, 2001

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued benefits of the Provincial Judges and Masters in Chambers Pension Plan as at March 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's 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 financial statements present fairly, in all material respects, the net assets available for benefits and accrued benefits of the Plan as at March 31, 2001 and the results of its operations and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA

Auditor General

Edmonton, Alberta
June 1, 2001

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS AS AT MARCH 31, 2001

($ thousands)

	2001	2000
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 72,542	$ 95,300
Receivable from the sale of investments	15,890	-
Receivable from the RCA account (Note 6)	1,098	369
Contributions receivable	126	68
	89,656	95,737
Liabilities		
Due to the Province of Alberta (Note 7)	17,100	-
Accounts payable	515	328
	17,615	328
Net assets available for benefits	72,041	95,409
Accrued Benefits		
Accrued benefits (Note 8)	67,602	65,881
Actuarial Surplus (Note 9)	**$ 4,439**	**$ 29,528**

See accompanying notes and schedules.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED MARCH 31, 2001

($ thousands)

	2001	2000
Increase in assets		
Investment income (Note 10)	$ -	$ 15,400
Contributions		
Current and past service		
Provincial Judges and Masters in Chambers	606	702
Province of Alberta	902	842
	1,508	1,544
	1,508	16,944
Decrease in assets		
Transfer to the Province of Alberta (Note 7)	17,100	-
Investment loss (Note 10)	4,913	-
Pension benefits	2,863	2,653
	24,876	2,653
(Decrease) Increase in net assets for the year	(23,368)	14,291
Net assets available for benefits at beginning of year	95,409	81,118
Net assets available for benefits at end of year	**$ 72,041**	**$ 95,409**

See accompanying notes and schedules.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2001

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Provincial Judges and Masters in Chambers Pension Plan is a summary only. For a complete description of the plan, reference should be made to the Provincial Court Judges Act, Chapter P-20.1, Revised Statutes of Alberta 1980, Financial Administration Act, Chapter F-9, Revised Statutes of Alberta 1980, Alberta Regulation 265/88 and 177/98, as amended.

(a) General

Effective April 1, 1998, the Provincial Judges and Masters in Chambers Pension Plan is a contributory defined benefit pension plan for Provincial Judges and Masters in Chambers of the Province of Alberta. Pensionable earnings earned after December 31, 1991 are capped at $86,111 by the Income Tax Act.

(b) Funding

Current service costs are funded by the Province of Alberta and plan members at rates which are expected to provide for all benefits payable under the plan. The rates in effect at March 31, 2001 are 7.0% of capped earnings for plan members (2000 9.0%) and 9.22% of capped earnings for the Province (2000 9.22%). The rates are to be reviewed at least once every three years by the Province based on recommendations of the plan's actuary.

The unfunded liability, if any, as of any particular valuation date is funded by the Province of Alberta on the basis that it is to be liquidated by 20 equal annual contribution payments.

(c) Retirement Benefits

The plan provides for a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. The maximum pensionable service allowable under the plan is 35 years. The normal pensionable age of the plan is 70 years of age.

Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 if they retire with at least five years of service and have either attained age 60 or age 55 and the sum of their age and service equals 80. Pensions on service after 1991 are reduced if the member is under age 60 and the 80 factor is not attained.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their own contributions plus interest.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a deferred pension.

(g) Province's Liability for Benefits

The Province of Alberta is liable to pay all benefits not paid by the plan.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The plan is a registered pension plan as defined in the Income Tax Act and is not subject to income taxes. The plan's registration number is 0927764.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Revenue. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

The plan's respective percentage ownership in pooled investment funds at March 31 was as follows:

	% Ownership	
	2001	2000
Canadian Dollar Public Bond Pool	0.29	0.39
Canadian Pooled Equities Fund	0.25	0.47
Domestic Passive Equity Pooled Fund	0.29	0.55
External Managers Fund	0.26	0.28
EAFE Structured Equity Pooled Fund	0.18	0.23
Floating Rate Note Pool	0.02	0.02
Private Equity Pool	0.56	0.56
Private Mortgage Pool	0.44	0.25
Private Real Estate Pool	0.30	0.31
US Passive Equity Pooled Fund	0.16	0.34
United States Pooled Equities Fund	0.40	0.40
US Structured Equity Pooled Fund	-	0.23

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, 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.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

The fair value of private equities is estimated by management.

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.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(d) Foreign 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. At the year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(e) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date 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 are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES A TO B)

Investments are summarized as follows:

	2001		2000	
	($ thousands)	**%**	**($ thousands)**	**%**
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 2,445	3.4	$ 3,151	3.3
Fixed Income Securities				
Canadian Dollar Public Bond Pool (Schedule A)	24,053	33.1	35,601	37.3
Private Mortgage Pool (b)	3,889	5.4	2,530	2.7
Floating Rate Note Pool (c)	289	0.4	393	0.4
Total deposits and fixed income securities	30,676	42.3	41,675	43.7
Canadian Equities				
Canadian Pooled Equities Fund (d)	5,509	7.6	11,656	12.2
Domestic Passive Equity Pooled Fund (e)	5,965	8.2	13,293	14.0
External Managers Fund (Canadian) (Schedule B)	2,679	3.7	4,184	4.4
Private Equity Pool (f)	453	0.6	599	0.6
	14,606	20.1	29,732	31.2
Foreign Equities				
External Managers Fund (International) (Schedule B)	10,686	14.8	8,956	9.4
External Managers Fund (United States) (Schedule B)	10,017	13.8	5,608	5.9
EAFE Structured Equity Pooled Fund (g)	755	1.0	2,007	2.1
US Passive Equity Pooled Fund (h)	1,719	2.4	3,096	3.3
United States Pooled Equities Fund	16	-	48	-
US Structured Equity Pooled Fund	-	-	316	0.3
	23,193	32.0	20,031	21.0
Equities in Real Estate				
Private Real Estate Pool (i)	4,067	5.6	3,862	4.1
Total equities	41,866	57.7	53,625	56.3
Total investments	**$ 72,542**	**100.0**	**$ 95,300**	**100.0**

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. As at March 31, 2001, mortgages held by the pool have an average effective market yield of 7.14% per annum (2000: 7.66%) and the following term structure based on principal amount.

Under 1 year: 10% (2000: 7%); 1 to 5 years: 25% (2000: 28%); 5 to 10 years: 22% (2000: 29%); 10 to 20 years: 25% (2000: 15%); and over 20 years: 18% (2000: 14%).

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(d) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 index over a four-year period while maintaining preservation of members' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(e) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of publicly traded Canadian equities and structured investments replicating the TSE 300.

(f) The Private Equity Pool is in the process of orderly liquidation.

(g) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool (see Note 3(c)) to generate the floating rate cash flows needed for its equity swap obligations.

(h) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

(i) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the pool provides diversification from the securities market with opportunities for high returns.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. 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. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, management has established a policy asset mix: 45% fixed income instruments and 55% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. 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.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at March 31, 2001.

	2001		2000	
	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
	($ thousands)			
Equity index swap contracts	$ 5,504	$ (430)	$ 11,965	$ 661
Bond index swap contracts	1,541	(8)	4,504	52
Interest rate swap contracts	1,597	(54)	2,942	(45)
Forward foreign exchange contracts	1,792	(4)	1,189	(6)
Equity index futures contracts	95	(6)	12	2
	10,529	$ (502)	20,612	$ 664
Cross-currency interest rate swap contracts (b)	4,879		8,054	
	$ 15,408		$ 28,666	

(a) The method of determining fair value of derivative contracts is described in Note 2 (e).

(b) Cross-currency interest rate swaps are valued as a package, which include underlying securities. As at March 31, 2001, the combined value of cross-currency interest rate swaps and underlying securities amounted to $4,900,000 (2000 $8,071,000).

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $3,413,000 that mature between one and three years and $2,234,000 that mature over three years.

NOTE 6 RETIREMENT COMPENSATION ARRANGEMENT ACCOUNT

The Retirement Compensation Arrangement (RCA) Account for Provincial Judges and Masters in Chambers has been established by the Province to collect contributions and to provide pension benefits to plan members in excess of the maximum benefits allowed by the federal Income Tax Act, effective April 1, 1998. The RCA Account is administered by the Province as a separate trust. Accordingly, the RCA account's net assets available for benefits, liabilities for accrued benefits and actuarial deficit referred to below have not been included in these financial statements.

The RCA Account is funded equally by contributions from plan members and the Province. The contribution rates in effect at March 31, 2001 are 7.0% of pensionable salary in excess of $86,111 for plan members and 7.0% for the Province. If assets held in the trust are insufficient to pay for benefits as they become due, the amount due is payable by the Province.

A summary of the net assets available for benefits and accrued benefits for the RCA Account as at March 31, 2001 and changes in net assets available for benefits for the year then ended is as follows:

Summary of net assets available for benefits and accrued benefits at March 31, 2001:

	2001	2000
	($ thousands)	
Net Assets Available For Benefits		
Cash and cash equivalents	$ 2,997	$ 1,599
Income taxes recoverable	1,832	1,174
Accounts payable	(2)	(61)
	4,827	2,712
Payable to the Provincial Judges and Masters in Chambers Pension Plan	1,098	369
Net assets available for benefits	3,729	2,343
Accrued Benefits		
Actuarial value of accrued benefits	20,357	24,710
Actuarial deficit	**$ (16,628)**	**$ (22,367)**

Summary of changes in net assets available for benefits for the year ended March 31, 2001:

	2001	2000
	($ thousands)	
Increase in assets		
Current and previous year's contributions		
Provincial Judges and Masters in Chambers	$ 651	$ 1,150
Province of Alberta	639	1,156
Investment income	127	37
	1,417	2,343
Decrease in assets		
Pension Benefits	31	-
Increase in assets for the year	1,386	2,343
Net assets available for benefits at beginning of year	2,343	-
Net assets available for benefits at end of year	**$ 3,729**	**$ 2,343**

An actuarial valuation for the RCA account was carried out as at March 31, 2000 by Johnson Incorporated and was then extrapolated to March 31, 2001, taking into account significant changes to the plan since March 31, 2000. The 2000 valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This best estimate was, after consultation with the plan's actuary, approved by management.

The major assumptions used in the actuarial valuation and extrapolation were the same as those used in the valuation of the plan (see Note 8).

RCA Account's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the RCA Account.

NOTE 7 DUE TO THE PROVINCE OF ALBERTA

In March 2001, the Lieutenant Governor in Council approved the return of actuarial surplus in the amount of $17,100,000 from the plan to the Province (see Note 9).

NOTE 8 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the plan was carried out as at March 31, 2000 by Johnson Incorporated and was then extrapolated to March 31, 2001, taking into account significant changes to the plan since March 31, 2000. The 2000 valuation was determined using the projected benefit method, based on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This best estimate was, after consultation with the plan's actuary, adopted by management.

The major assumptions used were:

	March 31	
	2001 Extrapolation	2000 Valuation
	%	%
Asset real rate of return	3.5	3.5
Inflation rate	3.5	3.5
Investment return	7.0	7.0
Salary escalation rate	4.0	4.0
Pension cost of living increase as a percentage of Alberta Consumer Price Index	60	60

The following statement shows the principal components of the change in the value of accrued pension benefits.

	2001	2000
	($ thousands)	
Accrued pension benefits at beginning of year	$ 65,881	$ 62,262
Interest accrued on benefits	4,674	4,939
Net experience gains	(1,859)	(211)
Benefits earned	1,769	1,544
Net benefits paid	(2,863)	(2,653)
Accrued pension benefits at end of year	**$ 67,602**	**$ 65,881**

(b) Sensitivity of Changes in Major Assumptions

The plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the plan. The following is a summary of the sensitivities of the plan's surplus and current service cost to changes in assumptions used in actuarial extrapolation at March 31, 2001:

	Sensitivities		
	Changes in Assumptions %	**Decrease in Plan Surplus ($ millions)**	**Increase in Current Service Cost as % of Pensionable Earnings ***
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ (3.8)	1.2%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	(0.2)	Nil
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	(8.4)	3.4%

* The current service cost as % of capped pensionable earnings as determined by the 2000 valuation is 18.85%.

NOTE 9 ACTUARIAL SURPLUS

The plan surplus may be used to reduce the Province's contributions required under the plan, or returned to the Province by an order of the Lieutenant Governor in Council.

NOTE 10 INVESTMENT INCOME (LOSS)

The following is a summary of the plan's proportionate share of investment income (loss) from pooled funds and directly held investments.

	2001	2000
	($ thousands)	
Deposits and Fixed Income Securities		
Deposit in the Consolidated Cash Investment Trust Fund	$ 159	$ 137
Canadian Dollar Public Bond Pool	3,262	534
Private Mortgage Pool	251	82
Floating Rate Note Pool	22	5
	3,694	758
Equities		
Canadian Equities		
Canadian Pooled Equities Fund	(2,149)	4,409
Domestic Passive Equity Pooled Fund	(1,615)	4,595
External Managers Fund (Canadian)	15	926
Private Equity Pool	(44)	257
	(3,793)	10,187
Foreign Equities		
External Managers Fund (International)	(2,902)	2,374
External Managers Fund (United States)	(1,785)	662
EAFE Structured Equity Pooled Fund	(357)	571
US Passive Equity Pooled Fund	(121)	322
United States Pooled Equities Fund	2	17
US Structured Equity Pooled Fund	(18)	65
Global Structured Equity Pooled Fund	-	228
	(5,181)	4,239
Real Estate		
Private Real Estate Pool	367	216
	(8,607)	14,642
	$ (4,913)	**$ 15,400**

Investment income (loss) is comprised of the following:

	2001	2000
	($ thousands)	
Net realized and unrealized gains on investments	$ (7,247)	$ 9,210
Interest income	2,946	2,899
Derivative income	(1,230)	2,630
Dividend income	477	497
Real estate income	205	217
Securities lending income	10	6
Pooled funds management and associated custodial fees	(74)	(59)
	$ (4,913)	**$ 15,400**

NOTE 11 ADMINISTRATION EXPENSES

Accommodation and certain administration costs, including salaries, benefits and telecommunication services incurred on behalf of the plan by the Government of Alberta have not been included in the plan's expenses. These costs, which are not considered material to the plan, are recorded by the Province of Alberta and are not recovered from the plan.

NOTE 12 BUDGET INFORMATION

The accrued benefits are based on management's best estimates of future events after consultation with the plan's actuary. Differences between actual results and management's expectations are disclosed as experience gains or losses in Note 8. Accordingly, a budget is not included in these financial statements.

NOTE 13 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by management.

Schedule A

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL (a) (b)
MARCH 31, 2001

($ thousands)

	Plan's Share	
	2001	**2000**
Deposit in the Consolidated Cash Investment Trust Fund	$ 497	$ 663
Public Fixed Income Securities		
Government of Canada direct and guaranteed	5,908	9,505
Provincial:		
Alberta, direct and guaranteed	87	141
Other, direct and guaranteed	5,418	5,441
Municipal	356	296
Corporate	8,509	15,097
Private Fixed Income Securities		
Corporate	3,141	4,165
Total deposit and fixed income securities	23,916	35,308
Receivable from sale of investments and accrued investment income	430	1,223
Liabilities for investment purchases	(293)	(930)
	137	293
	$ 24,053	**$ 35,601**

(a) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of members' capital. The portfolio is comprised of high quality Canadian fixed income instruments and bond-related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) Fixed income securities held as at March 31, 2001 had an average effective market yield of 5.75% per annum (2000: 6.39% per annum). The following term structure of these securities as at March 31, 2001 is based on principal amount

	2001	**2000**
	%	
under 1 year	5	9
1 to 5 years	36	35
5 to 10 years	29	29
10 to 20 years	15	15
over 20 years	15	12
	100	**100**

Schedule B

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND (a) (b)
MARCH 31, 2001
($ thousands)

	Plan's Share	
	2001	**2000**
Foreign Public Equity Pools		
Multi Region	$ 5,045	$ 2,705
Europe	3,980	3,252
Pacific Basin	1,661	2,756
Emerging Markets	-	243
	10,686	8,956
United States	10,017	5,608
Canadian Public Equity Pools		
Large Cap	1,472	3,003
Small Cap	1,207	1,181
	2,679	4,184
	$ 23,382	**$ 18,748**

(a) The External Managers Fund is comprised of numerous portfolios of publicly traded equities, which are managed by numerous external managers with expertise in global and Canadian equity markets. The objective of the fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor and Toronto Stock Exchange indices over a four-year period. Risk is managed by means of manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at March 31, 2001:

	Plan's Share	
	2001	**2000**
	($ thousands)	
Cash and short-term securities	$ 299	$ 379
Receivables from sale of investments and accrued investment income	609	161
Investments		
Public equities	22,746	18,390
Convertible bonds	2	3
Liability for investment purchases	(274)	(185)
	$ 23,382	**$ 18,748**

PUBLIC SERVICE MANAGEMENT (CLOSED MEMBERSHIP) PENSION PLAN FINANCIAL STATEMENTS DECEMBER 31, 2000

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the statement of accrued benefits and net assets available for benefits of the Public Service Management (Closed Membership) Pension Plan as at December 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's 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 financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 2, 2001

PUBLIC SERVICE MANAGEMENT (CLOSED MEMBERSHIP) PENSION PLAN
STATEMENT OF ACCRUED BENEFITS AND NET ASSETS AVAILABLE FOR BENEFITS AS AT DECEMBER 31, 2000

($ thousands)

	2000	1999
Accrued Benefits		
Actuarial value of accrued pension benefits (Note 6)	$ 644,664	$ 655,623
Net Assets Available for Benefits		
Assets		
Cash and cash equivalents (Note 3)	3,385	5,758
Accounts receivable	3	14
	3,388	5,772
Liabilities		
Accounts payable (Note 4)	8	30
Net assets available for benefits	3,380	5,742
Excess of actuarial value of accrued pension benefits over net assets	**$ 641,284**	**$ 649,881**

See accompanying notes.

PUBLIC SERVICE MANAGEMENT (CLOSED MEMBERSHIP) PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31, 2000

($ thousands)

	2000	1999
Increase in assets		
Investment income	$ 188	$ 173
Contributions from the Province of Alberta (Note 1(b))	53,500	54,500
Transfer from Alberta Treasury Branches (Note 7)	-	2,470
Total increase in assets	53,688	57,143
Decrease in assets		
Pension benefits	55,881	56,244
Refunds to members	20	88
Administration expenses (Note 5)	149	165
Total decrease in assets	56,050	56,497
Increase (Decrease) in net assets for the year	(2,362)	646
Net assets available for benefits at beginning of year	5,742	5,096
Net assets available for benefits at end of year	**$ 3,380**	**$ 5,742**

See accompanying notes.

PUBLIC SERVICE MANAGEMENT (CLOSED MEMBERSHIP) PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Public Service Management (Closed Membership) Pension Plan is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993, as amended.

(a) General

The Public Service Management (Closed Membership) Pension Plan is a defined benefit pension plan for eligible retired management employees of the Province of Alberta and certain provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were retired or were entitled to receive deferred pensions or had attained 35 years of service before August 1, 1992 continue as members of this Plan.

(b) Funding

The Plan is funded by investment income and money appropriated to the Plan, if any, by the Legislative Assembly.

The Plan's actuary performs an actuarial valuation of the Plan at least once every three years.

(c) Retirement Benefits

The Plan provides for a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to receive a pension if they terminated before August 1, 1992 and attained age 55 with at least five years of service. In addition, those members who had achieved 35 years of service at August 1, 1992 and subsequently terminated are also entitled to a pension.

(d) Guarantee

The Province of Alberta guarantees payment of all benefits arising under the Plan. After all assets in the Plan are exhausted, the Province of Alberta pays all benefits under the Plan and the plan costs.

(e) Cost-of-Living Adjustments

Pensions payable by the Plan are increased each year by an amount equal to at least 60 percent of the increase in the Alberta Consumer Price Index.

(f) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act*, and is not subject to income taxes. The Plan's registration number is 0570887.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles (see Note 1 d). The statements provide information about the net assets available in the Plan to meet future benefit payments, and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. Short-term securities 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 fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Investment income is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of deposits in the Consolidated Cash Investment Trust Fund. The Fund is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

NOTE 4 ACCOUNTS PAYABLE

	2000	1999
	($ thousands)	
Benefits and refunds	**$ 8**	**$ 30**

NOTE 5 ADMINISTRATION EXPENSES

	2000	1999
	($ thousands)	
General administration costs	$ 133	$ 140
Investment management costs	13	17
Actuarial fees	3	8
	$ 149	**$ 165**

General administration costs, including the board costs, were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Treasury, and do not include custodial fees, which have been deducted in arriving at investment income.

Total administration expenses amounted to $55 per member (1999: $60 per member).

NOTE 6 ACTUARIAL VALUE OF ACCRUED PENSION BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 1999 by Aon Consulting Inc. and was then extrapolated to December 31, 2000. The valuation as at December 31, 1999 was determined using the projected benefit method prorated on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Management Employees Pension Board approved this best estimate.

The major assumptions used in the actuarial valuation and extrapolation were:

	December 31, 2000 Extrapolation	December 31, 1999 Valuation
	%	%
Asset real rate of return	4.25	4.25
Inflation rate	3.0	3.0
Investment rate of return	7.25	7.25
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

The following statement shows the principal components of the change in the value of accrued benefits.

	2000	1999
	($ thousands)	
Actuarial value of accrued pension benefits at beginning of year	$ 655,623	$ 657,524
Net experience losses (gains)	(564)	9,792
Interest accrued on benefits	45,506	42,384
Changes in actuarial assumptions	-	(1,938)
Net benefits paid	(55,901)	(52,139)
Actuarial value of accrued pension benefits at end of year	**$ 644,664**	**$ 655,623**

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains and losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's deficiency to changes in assumptions used in actuarial extrapolations at December 31, 2000:

	Sensitivities: Changes in Assumptions %	Sensitivities: Increase in Plan Deficiency ($ million)
Inflation rate increase holding the nominal investment return assumption constant	1.0%	$ 34
Investment rate of return decrease holding the inflation rate assumption constant	(1.0%)	58

NOTE 7 TRANSFER FROM ALBERTA TREASURY BRANCHES

During 1999, the withdrawal of all active members of Alberta Treasury Branches from the Management Employees Pension Plan (MEPP) was approved effective December 31, 1998. Accordingly, the Plan's actuary determined that assets totaling $2,252,000 were required to be transferred to the Closed Plan to compensate for the liabilities of the Closed Plan in respect of members of the Closed Plan who, at the time of their last termination, were employees of Alberta Treasury Branches. This amount plus an adjustment for the market return of MEPP from December 31, 1998 to the date of transfer totaling $2,470,000 was transferred to the Closed Plan in December 1999.

NOTE 8 BUDGET INFORMATION

The accrued benefits are based on the Management Employees Pension Board's best estimate of future events. Differences between actual results and management's expectations are disclosed as net experience gains and losses in Note 6. Accordingly, a budget is not included in these financial statements.

NOTE 9 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Management Employees Pension Board.

PUBLIC SERVICE PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2000

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Public Service Pension Board

I have audited the statement of net assets available for benefits and liability for accrued benefits of the Public Service Pension Plan as at December 31, 2000 and the statements of changes in net assets available for benefits, changes in liability for accrued benefits and changes in actuarial surplus for the year then ended. These financial statements are the responsibility of the Plan's 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 financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 8, 2001

PUBLIC SERVICE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND LIABILITY FOR ACCRUED BENEFITS AS AT DECEMBER 31, 2000

($ thousands)

	2000	1999
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 4,044,661	$ 4,118,948
Accounts receivable (Note 6)	9,547	8,264
	4,054,208	4,127,212
Liabilities		
Accounts payable	1,524	1,592
Net assets available for benefits	4,052,684	4,125,620
Asset fluctuation reserve (Note 2 (c))	(70,600)	(202,600)
Actuarial value of net assets available for benefits	3,982,084	3,923,020
Liability for Accrued Benefits		
Liability for accrued benefits (Note 7)	3,347,000	3,406,000
Actuarial surplus	**$ 635,084**	**$ 517,020**

See accompanying notes and schedules.

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2000

($ thousands)

	2000	1999
Increase in assets		
Investment income (Note 8)	$ 263,443	$ 550,010
Contributions		
Current and past service:		
Employers	58,851	62,750
Employees	59,864	63,917
Transfers from other plans	3,964	374
	122,679	127,041
Total increase in assets	386,122	677,051
Decrease in assets		
Pension benefits	144,705	140,624
Refunds to members	18,885	20,282
Group transfer (Note 11)	289,286	-
Transfers to other plans	2,473	438
Interest on refunds of additional contributions	(5)	125
Administration expenses (Note 9)	3,714	4,407
Total decrease in assets	459,058	165,876
Increase (decrease) in net assets for the year	(72,936)	511,175
Net assets available for benefits at beginning of year	4,125,620	3,614,445
Net assets available for benefits at end of year	**$ 4,052,684**	**$ 4,125,620**

See accompanying notes and schedules.

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN LIABILITY FOR ACCRUED BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2000
($ thousands)

	2000	1999
Increase in liability for accrued benefits		
Interest accrued on benefits	$ 235,000	$ 233,000
Benefits earned	122,000	120,000
Plan improvements (Note 10)	-	71,000
Increase in liability for accrued benefits	357,000	424,000
Decrease in liability for accrued benefits		
Benefits paid	166,000	161,000
Group transfer (Note 11)	250,000	(22,000)
	416,000	139,000
Net increase (decrease) in liability for accrued benefits	(59,000)	285,000
Liability for accrued benefits at beginning of year	3,406,000	3,121,000
Liability for accrued benefits at end of year (Note 7)	**$ 3,347,000**	**$ 3,406,000**

See accompanying notes and schedules.

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN ACTUARIAL SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2000
($ thousands)

	2000	1999
Actuarial surplus at beginning of year	$ 517,020	$ 406,445
Increase (decrease) in net assets available for benefits	(72,936)	511,175
Net decrease (increase) in asset fluctuation reserve	132,000	(115,600)
Net decrease (increase) in liability for accrued benefits	59,000	(285,000)
Actuarial surplus at end of year	**$ 635,084**	**$ 517,020**

See accompanying notes and schedules

PUBLIC SERVICE PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Public Service Pension Plan is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act,* Chapter P-30.7, Statutes of Alberta 1993 and Alberta Regulation 368/93, as amended.

(a) General

The Public Service Pension Plan is a contributory defined benefit pension plan for eligible employees of the Province of Alberta, approved provincial agencies and public bodies.

(b) Funding

Current service costs are funded equally by employers and employees at rates, which are expected to provide for all benefits payable under the Plan. The rates in effect are 4.675% (1999: 4.675%) of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 6.55% (1999: 6.55%) for the excess. The rates are to be reviewed at least once every three years by the Board based on recommendations of the Plan's actuary.

Retirement Benefits

The Plan provides a pension of 1.4% for each year of pensionable service based on average salary of the highest five consecutive years up to the YMPE and 2.0% on the excess. The maximum service allowable under the Plan is 35 years. Pensions are payable to members who retire with at least two years of service and either have attained age 65, or have attained age 55 and the sum of their age and years of service equals 85. Reduced pensions are payable to members at age 55 or older retiring early with a minimum of two years of service.

(d) Termination Benefits

Members who terminate with at least two years of service and are not immediately entitled to a pension may receive the commuted value for all service plus excess contributions if applicable, which is subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with less than two years of service receive a refund of their contributions and interest.

(e) Disability Benefits

Unreduced pensions are payable to members who become totally disabled and have at least two years of service. Reduced pensions are payable to members who become partially disabled and have at least two years of service.

(f) Death Benefits

Death benefits are payable on the death of a member. If the member has at least two years of service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse or where service is less than two years, a lump sum payment must be chosen.

(g) Prior Service and Transfers

All prior service purchases are to be cost-neutral to the Plan.

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers-out receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act* and the Plan is not subject to income taxes. The Plan's registration number is 0208769.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The Plan's respective percentage ownership in pooled investment funds at December 31 was as follows:

	% Ownership	
	2000	1999
Canadian Dollar Public Bond Pool	16.7	17.0
Canadian Pooled Equities Fund	10.7	22.3
Domestic Passive Equity Pooled Fund	19.1	26.3
External Managers Fund	13.1	13.3
EAFE Structured Equity Pooled Fund	31.4	15.2
Floating Rate Note Pool	1.0	0.9
Private Mortgage Pool	17.0	19.5
Private Real Estate Pool	10.7	11.8
US Passive Equity Pooled Fund	15.5	14.7
United States Pooled Equities Fund	15.9	17.0
US Structured Equity Pooled Fund	-	15.2

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, 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.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

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.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted by an asset fluctuation reserve. The market values of assets for the previous two years are projected to increase at the rate of return assumed in the actuarial valuation. The actuarial value of assets is determined by averaging three years' values, current market value and the projected asset values.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign 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. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date 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 are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES A TO C)

Investments are summarized as follows:

	2000		1999	
	($ thousands)	%	($ thousands)	%
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 89,165	2.2	$ 39,026	0.9
Fixed Income Securities				
Canadian Dollar Public Bond Pool (Schedule A)	1,474,986	36.5	1,366,964	33.2
Private Mortgage Pool (b)	164,638	4.1	197,967	4.8
Floating Rate Note Pool (c)	19,558	0.5	22,034	0.5
Total deposits and fixed income securities	1,748,347	43.3	1,625,991	39.4
Canadian Equities				
Canadian Pooled Equities Fund (d)	262,324	6.5	589,460	14.3
Domestic Passive Equity Pooled Fund (Schedule B)	433,018	10.7	664,690	16.1
External Managers Fund (Canadian) (Schedule C)	176,782	4.3	239,480	5.8
	872,124	21.5	1,493,630	36.2
Foreign Equities				
External Managers Fund (International) (Schedule C)	512,164	12.7	382,407	9.3
External Managers Fund (United States) (Schedule C)	467,191	11.5	167,609	4.1
EAFE Structured Equity Pooled Fund (e)	145,585	3.6	150,217	3.7
US Passive Equity Pooled Fund (f)	156,352	3.9	103,671	2.5
United States Pooled Equities Fund	592	-	1,118	-
US Structured Equity Pooled Fund	-	-	47,432	1.2
	1,281,884	31.7	852,454	20.8
Equities in Real Estate				
Private Real Estate Pool (g)	142,306	3.5	146,873	3.6
Total equities	2,296,314	56.7	2,492,957	60.6
Total investments	**$ 4,044,661**	**100.0**	**$ 4,118,948**	**100.0**

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. As at December 31, 2000, mortgages held by the pool have an average effective market yield of 7.27% per annum (1999: 7.95%) and the following term structure based on principal amount.

Under 1 year: 8% (1999: 8%); 1 to 5 years: 27% (1999: 28%); 5 to 10 years: 28% (1999: 29%); 10 to 20 years: 23% (1999: 22%); and over 20 years: 14% (1999: 13%).

The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool (see Note 3 (c)) to generate the floating rate cash flows needed for its equity swap obligations.

The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the pool provides diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. 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. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established a target policy asset mix of 35% fixed income instruments and 65% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. 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.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2000.

	2000		1999	
	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
	($ thousands)			
Equity index swap contracts	$ 500,198	$ (11,137)	$ 576,215	$ 44,490
Bond index swap contracts	117,670	737	232,558	(1,548)
Interest rate swap contracts	137,427	(2,396)	158,504	(2,400)
Forward foreign exchange contracts	74,643	66	40,624	200
Equity index futures contracts	686	3	902	26
	830,624	$ (12,727)	1,008,803	$ 40,768
Cross-currency interest rate swap contracts (b)	396,757		368,708	
	$ 1,227,381		$ 1,377,511	

(a) The method of determining fair value of derivative contracts is described in Note 2 (f).

(b) As at December 31, 2000, the combined value of cross-currency interest rate swaps and underlying securities amounted to $400,384,000 (1999: $367,727,000).

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $334,199,000 that mature between one and three years and $148,323,000 that mature over three years.

NOTE 6 ACCOUNTS RECEIVABLE

	2000	1999
	($ thousands)	
Contributions Receivable		
Employers	$ 4,936	$ 4,097
Employees	4,611	4,167
	$ 9,547	**$ 8,264**

NOTE 7 LIABILITY FOR ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 1998 by Buck Consultants Limited and was then extrapolated to December 31, 2000, taking into account significant changes to the Plan since December 31, 1998 (see Notes 10 and 11).

The valuation as at December 31, 1998 was determined using the projected benefit method, based on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the Plan's actuary, adopted by the Public Service Pension Board.

The major assumptions used were:

	December 31	
	1999 & 2000 Extrapolation %	1998 Valuation %
Investment return	7.5	7.5
Inflation rate	3.25	3.25
Salary escalation rate	3.75	3.75
Pension cost of living increase as a percentage of Alberta Consumer Price Index	60	60

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan. The following is a summary of the sensitivities of the Plan's surplus and current service cost to changes in assumptions used in actuarial extrapolation at December 31, 2000:

		Sensitivities	
	Changes in Assumptions %	Increase (Decrease) in Plan Surplus ($ millions)	Increase in Current Service Cost as % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ (172)	0.45%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	(154)	0.83%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	-1.0%	(484)	2.04%

* The current service cost as % of pensionable earnings as determined by the December 31, 1998 valuation is 9.35%.

NOTE 8 INVESTMENT INCOME

Investment income is comprised of the following:

	2000	1999
	($ thousands)	
Net realized and unrealized gains on investments	$ 77,606	$ 280,642
Interest income	146,477	129,405
Derivative income	13,947	113,308
Dividend income	20,532	21,908
Real estate income	7,717	7,429
Securities lending income	456	440
Pooled funds management and associated custodial fees	(3,292)	(3,122)
	$ 263,443	**$ 550,010**

The following is a summary of the Plan's proportionate share of investment income from pooled funds and directly held investments.

	2000	1999
	($ thousands)	
Deposits and Fixed Income Securities:		
Deposit in the Consolidated Cash Investment Trust Fund	$ 4,275	$ 3,510
Canadian Dollar Public Bond Pool	159,610	(15,549)
Private Mortgage Pool	20,349	347
Floating Rate Note Pool	1,502	49
Real Rate of Return Bonds	-	(116)
Other	-	34
	185,736	(11,725)
Equities:		
Canadian Equities:		
Canadian Pooled Equities Fund	53,562	145,214
Domestic Passive Equity Pooled Fund	84,519	159,558
External Managers Fund (Canadian)	41,929	29,532
Domestic Structured Equity Pooled Fund	-	5,928
Other	-	(103)
	180,010	340,129
Foreign Equities:		
External Managers Fund (International)	(74,489)	114,136
External Managers Fund (United States)	(25,723)	25,025
EAFE Structured Equity Pooled Fund	(3,995)	27,221
US Passive Equity Pooled Fund	(8,667)	12,489
United States Pooled Equities Fund	997	(1,398)
US Structured Equity Pooled Fund	(578)	3,660
Global Structured Equity Pooled Fund	-	30,781
	(112,455)	211,914
Real Estate:		
Private Real Estate Pool	10,152	9,692
	77,707	561,735
	$ 263,443	**$ 550,010**

NOTE 9 ADMINISTRATION EXPENSES

	2000	1999
	($ thousands)	
General administration costs	$ 2,839	$ 3,719
Investment management costs	442	426
Actuarial fees	251	106
Board costs	159	122
Other professional fees	23	34
	$ 3,714	**$ 4,407**

General administration costs and Board costs were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Treasury and do not include pooled funds management and associated custodial fees, which have been deducted in arriving at investment income.

In 2000, total administration expenses of $3,714,000 amounted to $65 per member (1999: $72 per member).

NOTE 10 PLAN IMPROVEMENTS

The Plan was amended, effective February 1, 2000, to improve benefits for those members who leave the Plan before qualifying for retirement. The amendment decreases the vesting period to two years of service from five years, provides termination benefit payments of full commuted value and applies the minimum 50% employer cost rule to all service. Liability of the Plan for accrued benefits as at December 31, 1999 and 2000 include the present value of plan amendment benefits as determined by the Plan's actuary.

NOTE 11 GROUP TRANSFER

In December 1999, the Lieutenant Governor in Council approved the transfer of certain active members from the Public Service Pension Plan (PSPP) to the Local Authorities Pension Plan (LAPP) and from the LAPP to the PSPP effective January 1, 2000. Accordingly the Plans' actuaries determined that assets amounting to $215,000,000 were required to be transferred from the PSPP to LAPP as a result. The amount was calculated in accordance with provisions of the *Public Sector Pension Plans Act*, *Alberta Regulation 365/93, as amended,* and actuarial assumptions approved by the respective Boards for the actuarial valuations of both Plans as at December 31, 1998.

The amount plus adjustments for the average market returns of the Plans from December 31, 1998 to the date of transfer, contributions made by or in respect of the transferred members during 1999 and interest on the contributions totalling $289,286,000 were transferred from the PSPP to the LAPP on December 1, 2000.

The amount plus adjustments for a prior year reserve for the excess of assets to be transferred over actuarial liabilities to be released, and gains associated with plan amendment benefits relating to the transferred members which were not included in the calculation of the original transfer amount, summed up to $250,000,000.

NOTE 12 SUBSEQUENT EVENT

Subsequent to the year-end, the board has authorized an actuarial valuation of the Plan to be carried out as at December 31, 2000. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2001.

NOTE 13 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by the Public Service Pension Board.

Schedule A

PUBLIC SERVICE PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL (a) (b)
DECEMBER 31, 2000

($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 25,760	$ 154,307	$ 9,678	$ 56,800
Public Fixed Income Securities				
Government of Canada, direct and guaranteed	380,178	2,277,359	366,148	2,148,862
Provincial:				
Alberta, direct and guaranteed	4,953	29,668	6,084	35,707
Other, direct and guaranteed	314,592	1,884,485	203,045	1,191,633
Municipal	20,548	123,088	15,259	89,549
Corporate	529,278	3,170,510	574,042	3,368,956
Private Fixed Income Securities				
Corporate	180,720	1,082,557	178,408	1,047,046
Total deposit and fixed income securities	1,456,029	8,721,974	1,352,664	7,938,553
Receivable from sale of investments and accrued investment income	19,436	116,425	16,893	99,143
Liabilities for investment purchases	(479)	(2,867)	(2,593)	(15,218)
	18,957	113,558	14,300	83,925
	$ 1,474,986	**$ 8,835,532**	**$ 1,366,964**	**$ 8,022,478**

(a) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and bond related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) Fixed income securities held as at December 31, 2000 had an average effective market yield of 6.07% per annum (1999: 6.47% per annum). The following term structure of these securities as at December 31, 2000 is based on principal amount.

	2000	1999
	%	
under 1 year	6	11
1 to 5 years	37	34
5 to 10 years	28	29
10 to 20 years	15	17
over 20 years	14	9
	100	**100**

Schedule B

PUBLIC SERVICE PENSION PLAN
SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND (a)
DECEMBER 31, 2000
($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 2,854	$ 14,943	$ 15,062	$ 57,310
Short-term Securities	1,720	9,008	2,355	8,960
Floating Rate Note Pool	189,193	990,705	218,096	829,873
	193,767	1,014,656	235,513	896,143
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	11,061	57,918	28,857	109,805
Conglomerates	8,051	42,159	11,746	44,694
Consumer products	11,782	61,698	19,825	75,435
Financial services	31,033	162,503	52,318	199,073
Gold and precious minerals	6,690	35,030	13,210	50,268
Industrial products	77,593	406,317	123,629	470,418
Merchandising	8,480	44,403	13,152	50,047
Metals and minerals	7,623	39,917	14,351	54,609
Oil and gas	27,098	141,899	35,593	135,433
Paper and forest products	4,425	23,171	12,602	47,950
Pipelines	4,662	24,411	5,483	20,865
Real estate and construction	3,363	17,612	8,304	31,596
Transportation and environmental services	3,366	17,627	5,987	22,781
Utilities	8,781	45,981	54,704	208,154
	214,008	1,120,646	399,761	1,521,128
Passive index	31,686	165,926	1,106	4,210
	245,694	1,286,572	400,867	1,525,338
Receivable from sale of investments and accrued investment income	286	1,499	28,310	107,720
Liabilities for investment purchases	(6,729)	(35,234)	-	-
	(6,443)	(33,735)	28,310	107,720
	$ 433,018	**$ 2,267,493**	**$ 664,690**	**$ 2,529,201**

(a) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of publicly traded Canadian equities and structured investments replicating the TSE 300.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule C

PUBLIC SERVICE PENSION PLAN
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND (a) (b)
DECEMBER 31, 2000
($ thousands)

	External Managers		2000		1999	
	2000	**1999**	**Plan's Share**	**Total Pool**	**Plan's Share**	**Total Pool**
Foreign Public Equity Pools						
Multi Region	4	3	$ 220,432	$ 2,013,072	$ 103,839	$ 919,706
Europe	3	3	218,696	1,377,161	143,204	1,018,169
Pacific Basin	2	2	73,029	584,819	124,455	882,206
Emerging markets	1	2	7	40,506	10,909	76,055
	10	10	512,164	4,015,558	382,407	2,896,136
United States	6	5	467,191	3,147,608	167,609	1,518,742
Canadian Public Equity Pools						
Large Cap	3	3	131,684	1,200,300	164,346	1,055,108
Small Cap	4	5	45,098	478,145	75,134	466,572
	7	8	176,782	1,678,445	239,480	1,521,680
	23	23	**$ 1,156,137**	**$ 8,841,611**	**$ 789,496**	**$ 5,936,558**

(a) The External Managers Fund is comprised of numerous portfolios of publicly traded equities, which are managed by numerous external managers with expertise in global and Canadian equity markets. The objective of the fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor's and Toronto Stock Exchange indices over a four-year period. Risk is reduced through manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at December 31, 2000:

	2000	1999
	($ thousands)	
Cash and short-term securities	$ 103,216	$ 97,347
Receivables from sale of investments and accrued investment income	32,354	8,418
Investments		
Public equities	8,744,311	5,839,208
Convertible bonds	60	1,500
Liability for investment purchases	(38,330)	(9,915)
	$ 8,841,611	**$ 5,936,558**

SPECIAL FORCES PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2000

AUDITOR'S REPORT

To the Special Forces Pension Board

I have audited the statement of net assets available for benefits and accrued benefits of the Special Forces Pension Plan as at December 31, 2000, and the statements of changes in net assets available for benefits, changes in accrued benefits and changes in deficiency for the year then ended. These financial statements are the responsibility of the plan's 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 financial statements present fairly, in all material respects, the financial position of the plan as at December 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 8, 2001

SPECIAL FORCES PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS AS AT DECEMBER 31, 2000

($ thousands)

	2000	1999
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 1,042,371	$ 975,205
Accounts receivable (Note 6)	1,512	1,304
	1,043,883	976,509
Liabilities		
Accounts payable (Note 7)	65	66
Net assets available for benefits	1,043,818	976,443
Asset fluctuation reserve	47,200	61,700
Actuarial value of net assets available for benefits	$ 996,618	$ 914,743
Accrued Benefits		
Actuarial value of accrued benefits (Note 8)		
Plan Fund	$ 1,037,000	$ 891,646
Indexing Fund	4,763	2,245
	$ 1,041,763	$ 893,891
Excess (Deficiency) of actuarial value of net assets over actuarial value of accrued benefits (Note 8)		
Plan Fund *	$ (45,145)	$ 20,852
Indexing Fund	-	-
	$ (45,145)	$ 20,852

* The excess of actuarial value of Plan Fund net assets over actuarial value of accrued benefits is comprised of a pre-1992 deficiency of $52,500,000 (1999: $11,502,000) and a post-1991 surplus of $7,355,000 (1999: $32,354,000).

See accompanying notes and schedules.

SPECIAL FORCES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2000

($ thousands)

	Plan Fund	Indexing Fund	2000	1999
Increase in assets				
Investment income (Note 9)	$ 73,620	$ 188	$ 73,808	$ 139,037
Contributions (Note 10)	28,980	2,330	31,310	30,593
Total increase in assets	102,600	2,518	105,118	169,630
Decrease in assets				
Pension benefits	36,427	-	36,427	34,204
Refunds to members	658	-	658	380
Administration expenses (Note 11)	658	-	658	630
Total decrease in assets before transfer	37,743	-	37,743	35,214
Increase in net assets before transfer	64,857	2,518	67,375	134,416
Net assets available for benefits at beginning of year	974,198	2,245	976,443	842,027
Net assets available for benefits at end of year	$ 1,039,055	$ 4,763	$ 1,043,818	$ 976,443

See accompanying notes and schedules.

SPECIAL FORCES PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2000

($ thousands)

	2000			
	Pre-1992	Post-1991	Total	1999
Increase in accrued benefits				
Interest accrued on benefits	$ 49,300	$ 17,700	$ 67,000	$ 66,900
Benefits earned	-	24,600	24,600	24,600
Changes in actuarial assumptions* (Note 8)	53,400	35,200	88,600	-
Experience gains (losses)*	6,700	(3,046)	3,654	-
Cost-of-living indexing adjustments and interest	-	2,518	2,518	-
	109,400	76,972	186,372	91,500
Decrease in accrued benefits				
Benefits, transfers and interest	34,400	4,100	38,500	35,900
Net increase in accrued benefits	75,000	72,872	147,872	55,600
Accrued benefits at beginning of year	655,600	238,291	893,891	838,291
Accrued benefits at end of year (Note 8)	$ 730,600	$ 311,163	$ 1,041,763	$ 893,891

* An actuarial valuation was carried out at December 31, 2000 and the 1998 valuation was extrapolated to December 31, 1999.

See accompanying notes and schedules.

SPECIAL FORCES PENSION PLAN
STATEMENT OF CHANGES IN DEFICIENCY
FOR THE YEAR ENDED DECEMBER 31, 2000

($ thousands)

	2000			
	Pre-1992	Post-1991	Total	1999
Surplus (Deficiency) at beginning of year	$ (11,502)	$ 32,354	$ 20,852	$ (31,264)
Net increase in net assets available for benefits	22,202	45,173	67,375	134,416
Net decrease (increase) in asset fluctuation reserve	11,800	2,700	14,500	(26,700)
Net increase in accrued benefits	(75,000)	(72,872)	(147,872)	(55,600)
Surplus (Deficiency) at end of year	$ (52,500)	$ 7,355	$ (45,145)	$ 20,852

See accompanying notes and schedules.

SPECIAL FORCES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Special Forces Pension Plan is a summary only. For a complete description of the plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993 and Alberta Regulation 369/93, as amended.

(a) General

The Special Forces Pension Plan is a contributory defined benefit pension plan for police officers employed by participating local authorities in Alberta.

(b) Funding

Plan Fund

Current service costs are funded by employers and employees at rates which are expected to provide for all benefits payable under the plan. The rates in effect at December 31, 2000, are 8.30 percent (1999: 8.30 percent) of pensionable salary for employers and 7.20 percent (1999: 7.20 percent) for employees. Rates are to be reviewed at least once every three years by the Special Forces Pension Board based on recommendations of the plan's actuary.

The unfunded liability for service prior to December 31, 1991 as determined by actuarial valuation is being financed by additional contributions from the Province of Alberta, employers and employees. Additional contributions are payable until December 31, 2036 unless the unfunded liability has been previously eliminated. The rates in effect at December 31, 2000 are 1.25 percent (1999: 1.25 percent) of pensionable salary for the Province of Alberta, and 0.75 percent each (1999: 0.75 percent each) for employers and employees.

Indexing Fund

Benefit payments are funded by post-1991 cost-of-living adjustment (COLA) (see Note 1(i)) contributions from employers and employees at rates that are expected to meet or exceed the funding or solvency requirements of the plan. The rates in effect at December 31, 2000 are 0.75 percent (1999: 0.75 percent) of pensionable salary each for employers and employees. Rates are to be reviewed at least once every three years by the board based on recommendations of the plan's actuary.

Subject to the *Employment Pension Plans Act*, the indexing fund may receive surpluses of the plan fund respecting service after 1991.

(c) Retirement Benefits

The plan provides for a pension of 2.0 percent for each year of pensionable service based on the average salary of the five highest consecutive years. The maximum service allowable under the plan is 35 years. Members are entitled to a pension if they have at least 25 years of service or have at least five years of service and attained age 55. Pensions will be reduced at the age of 65.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member if the member had at least five years of service. Benefits may take the form of a survivor pension, if the beneficiary is a spouse or a dependent minor child, or a lump sum payment. A surviving spouse or the beneficiary of a deceased member with less than five years of service is entitled to receive death benefits in the form of a lump sum payment.

(f) Termination Benefits

Members who terminate with at least five years of service and who are not immediately entitled to a pension may receive a refund of contributions and interest on service prior to 1992 and the commuted value for service after 1991, subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with less than five years of service receive a refund of contributions and interest.

(g) Guarantee

Payment of all benefits arising from service before 1994, excluding post-1991 COLA benefits on 1992 and 1993 service (see Note 1 (i)), is guaranteed by the Province of Alberta.

(h) Prior Service and Transfers

All prior service purchases are to be cost-neutral to the plan.

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers-out receive the greater of the termination benefits or commuted value for all service.

(i) Cost-of-Living Adjustments (COLA)

Pensions payable by the plan fund are increased each year by 60 percent of the increase in the Alberta Consumer Price Index for service before 1992. Cost-of-living adjustments for service after 1991 are payable by the indexing fund at rates determined by the Special Forces Pension Board.

(j) Income Taxes

The plan is a registered pension plan as defined in the *Income Tax Act* and is not subject to income taxes. The plan's registration number is 0584375.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

The plan's respective percentage ownership in pooled investment funds at December 31, 2000 was as follows:

	% Ownership	
	2000	1999
Canadian Dollar Public Bond Pool	3.8	3.6
Canadian Equity Index (excluding Nortel) Pooled Fund	32.0	-
Canadian Pooled Equities Fund	3.9	6.1
Domestic Passive Equity Pooled Fund	1.5	7.0
External Managers Fund	3.4	3.4
EAFE Structured Equity Pooled Fund	3.7	2.5
Floating Rate Note Pool	0.1	0.1
Private Equity Pool	6.4	6.4
Private Mortgage Pool	3.7	3.8
Private Real Estate Pool	3.4	3.4
US Passive Equity Pooled Fund	6.8	3.6
United States Pooled Equities Fund	4.5	4.5
US Structured Equity Pooled Fund	-	2.4

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, 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.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by Alberta Treasury.

The fair value of private equities is estimated by Alberta Treasury.

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.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To moderate the effects of market volatility on investment value, annual net realized and unrealized gains and losses excluding those arising from derivative transactions are amortized equally over three years commencing at the beginning of the current year.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign 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. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date 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 are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES A TO D)

Investments are summarized as follows:

	2000		1999	
	($ thousands)	%	($ thousands)	%
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 15,985	1.5	$ 2,393	0.2
Fixed Income Securities				
Canadian Dollar Public Bond Pool (Schedule A)	331,840	31.8	286,628	29.4
Private Mortgage Pool (b)	36,166	3.5	38,306	3.9
Floating Rate Note Pool (c)	2,294	0.2	3,519	0.4
Total deposits and fixed income securities	386,285	37.0	330,846	33.9
Canadian Equities				
Canadian Equity Index (excluding Nortel) Pooled Fund (Schedule B)	94,724	9.1	-	-
Canadian Pooled Equities Fund (Schedule C)	95,878	9.2	160,437	16.5
Domestic Passive Equity Pooled Fund (d)	33,290	3.2	177,300	18.2
External Managers Fund (Canadian) (Schedule D)	59,522	5.7	70,749	7.3
Private Equity Pool (e)	5,097	0.5	4,931	0.5
Foreign Equities				
External Managers Fund (International) (Schedule D)	146,048	14.0	91,812	9.4
External Managers Fund (United States) (Schedule D)	90,681	8.7	38,754	4.0
EAFE Structured Equity Pooled Fund (f)	17,104	1.7	24,804	2.5
US Passive Equity Pooled Fund (g)	69,041	6.6	25,503	2.6
United States Pooled Equities Fund	166	-	293	-
US Structured Equity Pooled Fund	-	-	7,575	0.8
Equities in Real Estate				
Private Real Estate Pool (h)	44,535	4.3	42,201	4.3
Total equities	656,086	63.0	644,359	66.1
Total investments	$ 1,042,371	100.0	$ 975,205	100.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. At December 31, 2000, mortgages held by the pool have an average effective market yield of 7.27% per annum (1999: 7.95% per annum) and the following term structure based on principal amount:

Under 1 year: 8% (1999: 8%); 1 to 5 years 27% (1999: 28%); 5 to 10 years: 28% (1999: 29%); 10 to 20 years: 23% (1999: 22%); and over 20 years: 14% (1999: 13%).

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(d) The Domestic Passive Equity Pooled fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchanges (TSE) 300 Index. The portfolio is comprised of publicly traded Canadian equities and structured investments replicating TSE 300.

(e) The Private Equity Pool is in the process of orderly liquidation.

(f) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool (see Note 3 c) to generate the floating rate cash flows needed for its equity swap obligations.

(g) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

(h) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the pool provides diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. 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. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the board has established a policy asset mix of 37% fixed income instruments and 63% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

NOTE 5 DERIVATIVES CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. 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.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on the changes in the level of a specified stock index in the future.

The following is a summary of the plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2000.

	2000		1999	
	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
Equity index swap contracts	$ 114,858	$ (711)	$ 131,262	$ 10,330
Bond index swap contracts	26,473	166	48,763	(325)
Interest rate swap contracts	28,074	(482)	34,806	(520)
Forward foreign exchange contracts	18,745	(1)	9,788	52
Equity index futures contracts	197	1	224	6
	188,347	$ (1,027)	$ 224,843	$ 9,543
Cross-currency interest rate swap contracts (b)	92,055		79,356	
	$ 280,402		$ 304,199	

(a) The method of determining fair value of derivative contracts is described in Note 2 (f).

(b) As at December 31, 2000, the combined value of cross-currency interest rate swaps and underlying securities amounted to $92,860,000 (1999: $79,170,000).

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $78,595,000 that mature between 1 and 3 years and $31,378,000 that mature over 3 years.

NOTE 6 ACCOUNTS RECEIVABLE

	2000	1999
	($ thousands)	
Contributions Receivable		
Employers	$ 685	$ 554
Employees	635	502
Province of Alberta	192	210
Refunds and transfers	-	38
	$ 1,512	$ 1,304

NOTE 7 ACCOUNTS PAYABLE

	2000	1999
	($ thousands)	
Administration expenses	$ 49	$ 55
Benefits and refunds	16	11
	$ 65	$ 66

NOTE 8 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the plan was carried out as at December 31, 2000 by William M. Mercer Limited. The December 31, 2000 valuation resulted in a deficiency of $45.2 million as disclosed in the Statement of Net Assets Available for Benefits and Accrued Benefits.

The valuation as at December 31, 2000 was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the plan's actuary, adopted by the Special Forces Pension Board.

The major assumptions used were:

	December 31	
	2000 Valuation %	**1999 Extrapolation %**
Investment return	7.0	7.5
Inflation rate	3.25	3.5
Salary escalation rate*	3.75	4.0
Pension cost-of-living increase as a percent of Alberta Consumer Price Index	60	60

* Excludes merit and promotion.

The following table summarizes the effects of changes in major actuarial assumptions, which increase accrued benefits and plan deficiency at December 31, 2000:

	2000		
	Pre-1992	**Post-1991**	**Total**
		($ thousands)	
Changes in economic assumptions:			
Decrease in inflation rate and real rate of return assumptions by 0.25%	$ 31,100	$ 17,100	$ 48,200
Change in demographic assumptions:			
Decrease in termination rate and increase in early retirement rate assumptions	22,300	18,100	40,400
Changes in actuarial assumptions	$ 53,400	$ 35,200	$ 88,600

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the Statement of Changes in Accrued Benefits, which shows the principal components of the change in the actuarial value of accrued benefits.

Based on the information provided above, the following table summarizes the actuarial value of net assets, accrued benefits, and the resulting surplus (deficiency) of the Plan Fund as at December 31, 2000.

	2000 Pre-1992	2000 Post-1991	2000 Total	1999 Total
	($ thousands)			
Plan Fund net assets available for benefits	$ 711,900	$ 327,155	$ 1,039,055	$ 974,198
Asset fluctuation reserve	33,800	13,400	47,200	61,700
Plan Fund actuarial value of net assets	678,100	313,755	991,855	912,498
Plan Fund accrued benefits	730,600	306,400	1,037,000	891,646
Plan Fund surplus (deficiency)	$ (52,500)	$ 7,355	$ (45,145)	$ 20,852

As at December 31, 2000, the Indexing Fund held investments of $4,763,000 (1999 $2,245,000) with offsetting accrued benefits of the same amount.

(b) Sensitivity of Changes in Major Assumptions

The plan's future experience will inevitably differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the plan.

The following is a summary of the sensitivities of the plan's deficiency and current service cost to changes in assumptions used in actuarial extrapolation at December 31, 2000:

	Sensitivities: Changes in Assumptions %	Sensitivities: Increase in Plan Deficiency	Sensitivities: Increase in Current Service Cost as % of Pensionable Earnings*
		($ million)	
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 71.0	0.0%
Salary escalation rate increase holding inflation rate and norminal investment return assumptions constant	1.0%	24.8	1.3%
Investment rate of return decrease holding inflation rate and salary assumptions constant	(1.0%)	166.6	3.6%

* The current service cost as % of pensionable earnings as determined by the December 31, 2000 valuation is 16.7%.

NOTE 9 INVESTMENT INCOME

Investment income is comprised of the following:

	2000	1999
	($ thousands)	
Net realized and unrealized gains on investments	$ 30,978	$ 81,157
Interest income	31,600	26,503
Derivative income	3,887	23,814
Dividend income	5,755	6,107
Real estate income	2,281	2,123
Securities lending income	105	114
Pooled funds management and associated custodial fees	(798)	(781)
	$ 73,808	$ 139,037

The following is a summary of the plan's proportionate share of investment income from pooled funds and directly held investments.

	2000	1999
	($ thousands)	
Deposits and Fixed Income Securities:		
Deposit in the Consolidated Cash Investment Trust Fund	$ 479	$ 327
Canadian Dollar Public Bond Pool	34,073	(3,226)
Private Mortgage Pool	4,024	71
Floating Rate Note Pool	224	8
Other	-	(12)
	38,800	(2,832)
Equities:		
Canadian Equities:		
Canadian Equity Index (excluding Nortel) Pooled Fund	6,474	-
Canadian Pooled Equities Fund	13,537	40,289
Domestic Passive Equity Pooled Fund	31,140	42,144
External Managers Fund (Canadian)	9,439	9,112
Private Equity Pool	1,451	763
Structured Note and Other	322	1,395
Foreign Equities:		
External Managers Fund (International)	(20,178)	26,502
External Managers Fund (United States)	(4,313)	6,378
EAFE Structured Equity Pooled Fund	(1,007)	4,462
US Passive Equity Pooled Fund	(5,031)	3,074
United States Pooled Equities Fund	262	(366)
US Structured Equity Pooled Fund	(93)	585
Global Structured Equity Pooled Fund	-	4,759
Real Estate:		
Private Real Estate Pool	3,005	2,772
	35,008	141,869
	$ 73,808	$ 139,037

NOTE 10 CONTRIBUTIONS

	2000	1999
	($ thousands)	
Current and past service		
Employers	$ 14,064	$ 13,881
Employees	12,900	12,593
Unfunded liability		
Employers	1,165	1,113
Employees	1,165	1,113
Province of Alberta	1,924	1,856
Transfers from other plans	92	37
	$ 31,310	$ 30,593

NOTE 11 ADMINISTRATION EXPENSES

	2000	1999
	($ thousands)	
General administration costs	$ 412	$ 447
Investment management costs	177	167
Actuarial fees	69	16
	$ 658	$ 630

General administration costs including plan board costs were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Treasury and do not include pooled funds management and associated custodial fees, which have been deducted in arriving at investment income.

Total administration expenses amounted to $166 per member (1999: $165 per member). The $1 per member cost increase in 2000 is attributed to the following factors: increase in plan specific cost $17, increase in operating cost $7, increase in investment management cost $2, and decrease in business process reengineering cost $25.

NOTE 12 REMUNERATION OF BOARD MEMBERS

Remuneration paid to board members, as approved by the Lieutenant Governor in Council, is as follows:

	Chairman	Members
Remuneration Rate for 2000:		
Up to 4 hours	$ 146	$ 108
4 to 8 hours	249	179
Over 8 hours	395	281

	2000	1999
During 2000, the following amounts were paid:		
Remuneration		
Chairman	$ 3,702	$ 4,258
Members (6)	15,806	18,060
Travel expenses		
Chairman	3,250	4,698
Members (6)	29,615	21,973

Remuneration with respect to the board member nominated by the Government of Alberta belongs to the Crown, and is to be paid to the Provincial Treasurer.

NOTE 13 BUDGET INFORMATION

The accrued benefits are based on the Special Forces Pension Board's best estimates of future events after consultation with the plan's actuary. Differences between actual results and management's expectations are disclosed as net experience gains and losses in the statement of changes in accrued benefits. Accordingly, a budget is not included in these financial statements.

NOTE 14 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Special Forces Pension Board.

Schedule A

SPECIAL FORCES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL (a) (b)
DECEMBER 31, 2000

($ thousands)

	2000		1999	
	Plan's Share	**Total Pool**	**Plan's Share**	**Total Pool**
Deposit in the Consolidated Cash Investment Trust Fund	$ 5,796	$ 154,307	$ 2,029	$ 56,800
Public Fixed Income Securities				
Government of Canada, direct and guaranteed	85,532	2,277,359	76,775	2,148,862
Provincial:				
Alberta, direct and guaranteed	1,114	29,668	1,276	35,707
Other, direct and guaranteed	70,776	1,884,485	42,575	1,191,633
Municipal	4,623	123,088	3,200	89,549
Corporate	119,076	3,170,510	120,366	3,368,956
Private Fixed Income Securities				
Corporate	40,658	1,082,557	37,409	1,047,046
Total deposit and fixed income securities	327,575	8,721,974	283,630	7,938,553
Receivable from sale of investments and accrued investment income	4,373	116,425	3,542	99,143
Liabilities for investment purchases	(108)	(2,867)	(544)	(15,218)
	4,265	113,558	2,998	83,925
	$ 331,840	$ 8,835,532	$ 286,628	$ 8,022,478

(a) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and bond related derivatives. Competitive returns are achieved through management of portfolio duration and sector rotation.

(b) Fixed income securities held as at December 31, 2000 had an average effective market yield of 6.07% per annum (1999: 6.47% per annum). The following term structure of these securities as at December 31, 2000 is based on principal amount.

	2000	1999
	%	
under 1 year	6	11
1 to 5 years	37	34
5 to 10 years	28	29
10 to 20 years	15	17
over 20 years	14	9
	100	100

Schedule B

SPECIAL FORCES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN EQUITY INDEX (excluding Nortel) POOLED FUND (a)
DECEMBER 31, 2000
($ thousands)

	2000	
	Plan's Share	**Total Pool**
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,838	$ 5,745
Floating Rate Note Pool	10,494	32,794
	12,332	38,539
Canadian Public Equities (b):		
Common shares and rights:		
Communications and media	4,806	15,018
Conglomerates	3,523	11,010
Consumer products	4,070	12,718
Financial services	13,981	43,689
Gold and precious minerals	3,211	10,034
Industrial products	16,223	50,696
Merchandising	2,889	9,027
Metals and minerals	3,924	12,261
Oil and gas	12,283	38,382
Paper and forest products	1,764	5,513
Pipelines	2,737	8,554
Real estate and construction	946	2,955
Transportation and environmental services	1,617	5,054
Utilities	8,817	27,552
	80,791	252,463
Receivable from sale of investments and accrued investment income	1,687	5,271
Liabilities for investment purchases	(86)	(269)
	1,601	5,002
	$ 94,724	$ 296,004

(a) The Canadian Equity Index (excluding Nortel) Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Pooled Fund's benchmark which is the total return of the Toronto Stock Exchange (TSE) 300 Index excluding Nortel Networks Corp. The portfolio is comprised of publicly traded Canadian equities and structured investments replicating the benchmark. The Pooled Fund's investment in units of the Floating Rate Note Pool (see Note 3 c) was used as the underlying security to support the equity index swaps of the Pool.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule C

SPECIAL FORCES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITIES FUND (a)
DECEMBER 31, 2000
($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 117	$ 3,009	$ 337	$ 5,550
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	3,714	95,231	13,009	214,030
Conglomerates	3,859	98,932	7,619	125,354
Consumer products	3,058	78,404	5,134	84,470
Financial services	19,347	496,017	21,270	349,923
Gold and precious minerals	2,089	53,554	5,455	89,748
Industrial products	34,154	875,650	49,024	806,528
Merchandising	897	23,009	2,672	43,958
Metals and minerals	3,764	96,503	6,152	101,204
Oil and gas	9,984	255,983	14,366	236,341
Paper and forest products	3,109	79,700	3,161	52,005
Pipelines	851	21,817	2,139	35,188
Real estate and construction	972	24,926	4,240	69,754
Transportation and environmental services	108	2,775	2,896	47,643
Utilities	8,717	223,473	21,934	360,855
Passive index	358	9,178	975	16,036
	94,981	2,435,152	160,046	2,633,037
Receivable from sale of investments and accrued investment income	958	24,556	553	9,090
Liabilities for investment purchases	(178)	(4,572)	(499)	(8,202)
	780	19,984	54	888
	$ 95,878	$ 2,458,145	$ 160,437	$ 2,639,475

(a) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the Toronto Stock Exchange 300 Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in the Canadian market. Risk is reduced by prudent security selection and sector rotation.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule D

SPECIAL FORCES PENSION PLAN
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND
DECEMBER 31, 2000
($ thousands)

	Enternal Managers		2000		1999	
	2000	**1999**	**Plan's Share**	**Total Pool**	**Plan's Share**	**Total Pool**
Foreign Public Equity Pools						
Multi Region	4	3	$ 95,621	$ 2,013,072	$ 25,848	$ 919,706
Europe	3	3	34,743	1,377,161	34,001	1,018,169
Pacific Basin	2	2	15,682	584,819	29,469	882,206
Emerging Markets	1	2	2	40,506	2,494	76,055
	10	10	146,048	4,015,558	91,812	2,896,136
United States	6	5	90,681	3,147,608	38,754	1,518,742
Canadian Public Equity Pools						
Large Cap	3	3	34,476	1,200,300	52,954	1,055,108
Small Cap	4	5	25,046	478,145	17,795	466,572
	7	8	59,522	1,678,445	70,749	1,521,680
	23	23	$ 296,251	$ 8,841,611	$ 201,315	$ 5,936,558

(a) The External Managers Fund is comprised of numerous portfolios of publicly traded equities, which are managed by numerous external managers with expertise in Canadian and approved foreign equity markets. The objective of the fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor and Toronto Stock Exchange indices over a four-year period. Risk is reduced through manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at December 31, 2000.

	2000	1999
	($ thousands)	
Cash and short-term securities	$ 103,216	$ 97,347
Receivables from sale of investments and accrued investment income	32,354	8,418
Investments		
Public equities	8,744,311	5,839,208
Convertible bonds	60	1,500
Liability for investment purchases	(38,330)	(9,915)
	$ 8,841,611	$ 5,936,558

SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS

FINANCIAL STATEMENTS

DECEMBER 31, 2000

AUDITOR'S REPORT

To the Minister of Finance

I have audited the Statement of Net Assets Available for Benefits and Accrued Benefits of the Supplementary Retirement Plan for Public Service Managers as at December 31, 2000 and as at December 31, 1999 and the Statement of Changes in Net Assets Available for Benefits for the year and for the six month period respectively then ended. These financial statements are the responsibility of the Plan's 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 financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2000 and as at December 31, 1999 and the results of its operations and the changes in its financial position for the year and for the six month period respectively then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 29, 2001

SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS
AS AT DECEMBER 31, 2000

($ thousands)

	2000	1999
Net Assets Available for Benefits		
Assets		
Cash and cash equivalents (Note 3)	$ 450	$ 171
Accounts receivable (Note 4)	563	152
	1,013	323
Liabilities		
Accounts payable	134	150
Net RCA assets (Note 1 (j))	879	173
Due from the SRP Reserve Fund (Note 5)	2,986	768
Net assets available for benefits	3,865	941
Accrued Benefits		
Actuarial value of accrued benefits (Note 6)	3,685	908
Actuarial surplus	**$ 180**	**$ 33**

The accompanying notes are part of these financial statements.

SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2000

($ thousands)

	Year Ended December 31, 2000	Six Months Ended December 31, 1999
Increase in assets		
Contributions		
Employees	$ 429	$ 121
Employers	429	121
Investment income	14	1
Total increase in assets	872	243
Decrease in assets		
Administration expenses (Note 7)	166	70
Increase in net RCA assets (Note 1 (j))	706	173
Increase in amounts due from the SRP Reserve Fund (Note 5)	2,218	768
Increase in net assets for the period	2,924	941
Net assets available for benefits at beginning of period	941	-
Net assets available for benefits at end of period	**$ 3,865**	**$ 941**

The accompanying notes are part of these financial statements.

SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Supplementary Retirement Plan for Public Service Managers (the Plan) is a summary only. For a complete description of the Plan, reference should be made to sections 5, 7 and 93 of the *Financial Administration Act*, and the *Retirement Compensation Arrangement Directive* (Treasury Board Directive 01/99 and 04/99), as amended.

(a) General

The Plan was established on July 1, 1999 to provide additional pension benefits to certain public service managers of designated employers who participate in the Management Employees Pension Plan (MEPP) and whose annual salary exceeds $86,111, the maximum yearly pensionable earnings allowed by the federal *Income Tax Act.* The Plan is supplementary to the MEPP. Services under MEPP are used to determine eligibility for vesting and early retirement. A member's pension commencement date is the same under both plans and the pension is payable in the same form. Members of MEPP who have attained 35 years of combined pensionable service are not eligible to participate in the Plan.

(b) Funding

Current service costs are funded by employee and employer contributions which together with investment earnings, income tax refunds and transfers from the SRP Reserve Fund (see Note 5), are expected to provide for all benefits payable under the Plan. The contribution rates for designated employers equals or exceeds the rate for eligible employees. The contribution rates in effect at December 31, 2000 are 7.75% of pensionable salary in excess of $86,111 for eligible employees and 7.75% for designated employers. The rates are to be reviewed at least once every three years by the Minister of Finance based on recommendations of the Plan's actuary.

(c) Retirement Benefits

The Plan provides a pension of 2.0% of pensionable earnings that are in excess of $86,111 for each year of pensionable service after July 1, 1999, based on the average salary of the highest five consecutive years.

Members are entitled to an unreduced pension on service if they retire with at least five years of combined pensionable service and have either attained age 60, or age 55 and the sum of their age and combined pensionable service equals 80. Pensions are reduced if the member is under age 60 and the 80 factor is not attained.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of combined pensionable service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of combined pensionable service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of combined pensionable service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse, or where combined pensionable service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Members who terminate with fewer than five years of combined pensionable service receive a refund of their contributions plus interest.

Members who terminate with more than five years of combined pensionable service and are not immediately entitled to a pension may apply for a refund or a deferred pension. Refunds are based on commuted value plus employee contribution excess, if any, and are subject to the Plan's lock-in provisions.

(g) Guarantee

Designated employers guarantee payment of all benefits arising under the Plan. If assets held in the Plan are insufficient to pay for benefits as they become due, the amount due is payable by designated employers.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(i) Plan Surplus

The Government has the right to amend or discontinue the Plan in whole or in part at any time. Any assets remaining in the Plan after provision for benefits payable to or in respect of members on the complete wind-up of the Plan accrue to the Government.

(j) Income Taxes

The Plan is a Retirement Compensation Arrangement (RCA) account as defined in the *Income Tax Act*. Income taxes are payable on any cash contributions from eligible employees and designated employers at the rate of 50%. Income taxes are recoverable at the same rate when pension benefits payments are made out of the Plan to retired plan members, or when administration expenses exceed investment income.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. Short-term securities 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 fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Investment income is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

NOTE 4 ACCOUNTS RECEIVABLE

	2000	1999
	($ thousands)	
Income taxes recoverable	$ 552	$ 122
Contributions receivable	11	30
	$ 563	**$ 152**

NOTE 5 SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND (SRP RESERVE FUND)

Designated employers guarantee payment of all benefits arising under the Plan (see Note 1 (g)). To provide for their future obligations to the Plan, designated employers contribute to the SRP Reserve Fund at rates determined by the Plan's actuary. The rate in effect at December 31, 2000 is 42.5% of pensionable salary of eligible employees that are in excess of $86,111 (or approximately 5.72% of the total earnings of SRP participants).

The SRP Reserve Fund is a regulated fund established and administered by the Government to collect contributions from designated employers and to invest the funds, which are reserved to meet future benefit payments of the Plan. As at December 31, 2000, the SRP Reserve Fund had assets totalling $2,986,000 (1999: $768,000).

NOTE 6 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2000 by Johnson Incorporated. The valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Plan's management approved this best estimate.

The major assumptions used in the valuation were:

	December 31, 2000 Valuation	June 30, 1999 Valuation
	%	%
Asset real rate of return	4.25	4.00
Inflation rate	3.00	3.25
Investment rate of return	7.25	7.25
Salary escalation rate*	4.25	3.75
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

* Includes merit and promotion.

The following statement shows the principal components of the change in the value of accrued benefits.

	Year Ended December 31, 2000	Six Months Ended December 31, 1999
	($ thousands)	
Actuarial value of accrued pension benefits at beginning of period	$ 908	$ -
Interest accrued on benefits	66	-
Benefits earned	2,147	978
Net experience losses and changes in actuarial assumptions	730	-
Administration expenses	(166)	(70)
Actuarial value of accrued pension benefits at end of period	**$ 3,685**	**$ 908**

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's surplus and current service cost to changes in assumptions used in the actuarial valuation at December 31, 2000:

	Sensitivities		
	Changes in Assumptions %	Decrease in Plan Surplus ($ millions)	Increase in Current Service Cost as % of Pensionable Earnings in excess of $86,111*
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ (0.28)	5.2%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	(0.56)	10.2%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	(0.45)	8.2%

* The current service cost as % of pensionable earnings in excess of $86,111 as determined by the December 31, 2000 valuation was 55.3% (or approximately 7.45% of the total earnings of SRP participants).

NOTE 7 ADMINISTRATION EXPENSES

Administration costs were paid to the Alberta Pensions Administration Corporation on a cost-recovery basis. Total administration costs of $166,000 amounted to $350 per member.

NOTE 8 BUDGET INFORMATION

The accrued benefits are based on management's best estimates of future events. Differences, if any, between actual results and management's expectations are disclosed as net experience gains and losses in Note 6(a). Accordingly, a budget is not included in these financial statements.

NOTE 9 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by management.

UNIVERSITIES ACADEMIC PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2000

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Universities Academic Pension Board

I have audited the statement of net assets and accrued pension liability of the Universities Academic Pension Plan as at December 31, 2000 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in deficiency for the year then ended. These financial statements are the responsibility of the plan's 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 financial statements present fairly, in all material respects, the financial position of the plan as at December 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 4, 2001

UNIVERSITIES ACADEMIC PENSION PLAN
STATEMENT OF NET ASSETS
AND ACCRUED PENSION LIABILITY
AS AT DECEMBER 31, 2000
($ thousands)

	2000	1999
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 1,816,277	$ 1,746,574
Accrued investment income	2,023	2,014
Contributions receivable:		
Employers	2,101	1,535
Employees	2,243	1,598
Province of Alberta	573	299
	1,823,217	1,752,020
Liabilities		
Accounts payable and accrued liabilities	703	558
Net assets available for benefits	1,822,514	1,751,462
Asset fluctuation reserve	(31,000)	(88,300)
Actuarial value of net assets	1,791,514	1,663,162
Deficiency	105,686	109,238
Accrued pension liability	**$ 1,897,200**	**$ 1,772,400**

See accompanying notes and schedules.

UNIVERSITIES ACADEMIC PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31

($ thousands)

	2000	1999
Contributions received		
Current and past service:		
Employers	$ 23,057	$ 19,702
Employees	24,677	20,517
Additional contributions to meet pre-1992 unfunded liability:		
Employers	1,567	2,092
Employees	1,567	2,092
Province of Alberta	4,123	3,873
Transfers from other plans	441	48
	55,432	48,324
Other income		
Net investment income (Note 6)	102,500	241,119
Payments made		
Pension benefits	(81,437)	(77,726)
Refunds and transfers to members	(4,282)	(4,062)
Plan expenses (Note 7)	(1,161)	(1,163)
	(86,880)	(82,951)
Increase in net assets	71,052	206,492
Net assets available for benefits at beginning of year	1,751,462	1,544,970
Net assets available for benefits at end of year	**$ 1,822,514**	**$ 1,751,462**

See accompanying notes and schedules.

UNIVERSITIES ACADEMIC PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31

($ thousands)

	2000			1999
	Pre-1992	Post-1991	Total	Total
Increase in accrued pension liability				
Interest accrued on liability	$ 96,600	$ 32,700	$ 129,300	$ 125,900
Benefits earned	-	48,100	48,100	40,800
Net experience losses *	36,000	14,700	50,700	-
	132,600	95,500	228,100	166,700
Decrease in accrued pension liability				
Benefits paid, including interest	75,000	10,600	85,600	84,700
Changes in actuarial assumptions *	7,400	9,100	16,500	-
Changes in TIAA - CREF balance *	(800)	-	(800)	-
Present value of prior service payments due *	-	2,000	2,000	-
	81,600	21,700	103,300	84,700
Net increase in accrued pension liability	51,000	73,800	124,800	82,000
Accrued pension liability at beginning of year	1,365,821	406,579	1,772,400	1,690,400
Accrued pension liability at end of year (Note 8)	**$ 1,416,821**	**$ 480,379**	**$ 1,897,200**	**$ 1,772,400**

* An actuarial valuation was performed at December 31, 2000 and the 1998 actuarial valuation was extrapolated to December 31, 1999.

See accompanying notes and schedules.

UNIVERSITIES ACADEMIC PENSION PLAN
STATEMENT OF CHANGES IN DEFICIENCY
FOR THE YEAR ENDED DECEMBER 31

($ thousands)

	2000			
	Pre-1992	Post-1991	Total	Total
Deficiency (surplus) at beginning of year	$ 155,921	$ (46,683)	$ 109,238	$ 172,730
Net increase in net assets available for benefits	(5,440)	(65,612)	(71,052)	(206,492)
Net increase (decrease) in asset fluctuation reserve	(42,000)	(15,300)	(57,300)	61,000
Net increase in accrued pension liability	51,000	73,800	124,800	82,000
Deficiency (surplus) at end of year	**$ 159,481**	**$ (53,795)**	**$ 105,686**	**$ 109,238**

See accompanying notes and schedules.

UNIVERSITIES ACADEMIC PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Universities Academic Pension Plan is a summary only. For a complete description of the plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993, as amended, and Alberta Regulation 370/93.

(a) General

The Universities Academic Pension Plan is a contributory defined benefit pension plan for all academic staff members and other eligible employees of the universities of Alberta, Calgary, Lethbridge, Athabasca University and The Banff Centre.

(b) Funding Policy

Contributions and investment earnings are expected to fund all benefits payable under the plan. Contributions are reviewed in consultation with the plan's actuary at least once every three years by the Universities Academic Pension Board.

Current service costs for the universities of Alberta, Calgary and Lethbridge are funded by matching employee and employer contributions on pensionable salaries. Rates in effect at December 31, 2000, are 5.9% (1999: 5.9%) of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 8.3% (1999: 8.3%) on pensionable salary above the YMPE.

Rates in effect for employees of Athabasca University and The Banff Centre are 5.4% (1999: 5.4%) of pensionable salaries up to the Canada Pension Plan's YMPE and 7.8% (1999: 7.8%) on pensionable salary above the YMPE. Employers contribute at a rate 1.0% more than employees.

The unfunded liability for service prior to January 1, 1992 as determined by actuarial valuation is financed by additional contributions from the Province of Alberta, employers and employees. Contribution rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2043. The rate for employer and the rate for employee at December 31, 2000 is 0.475% (1999: 0.475%) of salary and the rate for the Province of Alberta is 1.25% (1999: 1.25%) of salary.

(c) Retirement Benefits

The plan provides for a pension of 2.0% for each year of pensionable service, based on the average salary of the highest five consecutive years. The maximum service allowable under the plan is 35 years. The plan's benefits and contributions were integrated with the Canada Pension Plan as of January 1, 1994. As a result, pensions for service after 1993 are reduced at age 65. The reduction is based on 0.6% of the Canada Pension Plan's average YMPE for the same five years as used in calculating the average salary of the highest five consecutive years.

Subject to certain conditions, members are entitled to an actuarially unreduced pension for service before 1994 if they have attained age 65 and have at least five years of service or have attained age 55 and have at least ten years of service.

Members are entitled to an actuarially unreduced pension for service after 1993 if they have either attained age 60 and have at least five years of service or have attained age 55 and the sum of their age and service equals 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least five years of service.

(d) Disability Benefits

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the plan.

Members who become disabled and have at least five years of service and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension. If total service is less than ten years, the pension is based on post-1993 service only. A reduced pension is paid where the member is partially disabled.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member had at least ten years of service, a surviving spouse may choose to receive a survivor pension based on total service. For service between five and ten years, the surviving spouse may choose to receive a pension based on the post-1993 service and a lump sum payment for pre-1994 service. For a beneficiary other than a spouse, or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Termination benefits for service before 1994 are different than for service after 1993.

Refunds on service performed before 1994 equal employee and employer contributions plus interest if transferred directly to a RRSP. Otherwise, refunds equal only employee contributions plus interest.

For service after 1993, the refund depends on whether the member has more or less than five years of total service. If the member has five or more years of service, the refund is based on the greater of the commuted value or 1.75 times employee contributions and interest. If the member has less than five years' service, the refund is equal to employee contributions plus interest. Refunds are subject to the plan lock-in provisions.

Members who terminate with fewer than five years of service and who are not immediately entitled to a pension may receive a refund.

Members who terminate with more than five years of service and are not immediately entitled to a pension may elect to receive a refund or a deferred pension.

(g) Prior Service and Transfers

All prior service purchases are to be cost-neutral to the plan.

Reciprocal agreements provide that service be transferred into the Plan on an actuarial reserve basis and the service transferred out of the Plan receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The plan is a registered pension plan as defined in the *Income Tax Act*. The plan's registration number is 0339572.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, 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.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by Alberta Treasury.

The fair value of private equities is estimated by Alberta Treasury.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the plan's funded status, asset values are adjusted by an asset fluctuation reserve. Assets for the previous two years are projected to increase at the rate of return assumed in the actuarial valuation. The actuarial value of assets is determined by averaging three years' values, the current market value and the projected asset values.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign 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. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of Net Investment Income.

(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date 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 are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES A TO C)

Investments are summarized as follows:

	2000		1999	
	($ thousands)	%	($ thousands)	%
Deposit in the Consolidated Cash Investment Trust Fund [(a)]	$ 19,316	1.1	$ 17,169	1.0
Fixed Income Securities				
Canadian Dollar Long Bond Pool (Schedule A)	500,664	27.6	438,819	25.1
Real Rate of Return Bonds [(b)]	190,475	10.5	165,798	9.5
Floating Rate Note Pool [(c)]	7,585	0.4	19,465	1.1
Canadian Dollar Public Bond Pool [(d)]	4,216	0.2	14,757	0.8
Total deposit and fixed income securities	722,256	39.8	656,008	37.5
Canadian Equities				
Domestic Passive Equity Pooled Fund (Schedule B)	262,868	14.5	282,517	16.2
External Managers Fund (Canadian) (Schedule C)	146,116	8.0	133,678	7.7
Canadian Pooled Equities Fund [(e)]	113,046	6.2	129,435	7.4
Private Equity Pool [(f)]	7,764	0.4	7,510	0.4
Foreign Equities				
External Managers Fund (International) (Schedule C)	223,076	12.3	201,099	11.5
External Managers Fund (United States) (Schedule C)	136,430	7.5	102,430	5.9
EAFE Structured Equity Pooled Fund [(g)]	103,110	5.7	137,204	7.9
US Passive Equity Pooled Fund [(h)]	101,331	5.6	54,299	3.1
United States Pooled Equities Fund	280	-	493	-
US Structured Equity Pooled Fund	-	-	41,901	2.4
Total equities	1,094,021	60.2	1,090,566	62.5
Total investments	**$ 1,816,277**	**100.0**	**$ 1,746,574**	**100.0**

(a) The Consolidated Cash Investment Trust Fund is managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) Real rate of return bonds are issued or guaranteed by the Government of Canada, bear interest at a fixed rate adjusted for inflation and have terms to maturity of over 20 years.

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(d) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation. As at December 31, 2000, securities held by the Pool have an average effective market yield of 6.07% per annum based on market (1999: 6.47% per annum) and the following term structure based on principal amount:

Under 1 year: 6% (1999: 11%); 1 to 5 years: 37% (1999: 34%); 5 to 10 years: 28% (1999: 29%); 10 to 20 years: 15% (1999: 17%); over 20 years: 14% (1999: 9%).

(e) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(f) The Private Equity Pool is in the process of orderly liquidation.

(g) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool [see Note 3(c)] to generate the floating rate cash flows needed for its equity swap obligations.

(h) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

NOTE 4 INVESTMENT RISK MANAGEMENT

Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. 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.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2000.

	2000		1999	
	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
	($ thousands)			
Equity index swap contracts	$ 325,229	$ (7,034)	$ 349,994	$ 26,210
Bond index swap contracts	336	2	2,511	(17)
Interest rate swap contracts	69,027	(875)	75,390	(1,019)
Forward foreign exchange contracts	38,678	1	20,563	111
Equity index futures contracts	346	2	474	14
	433,616	$ (7,904)	448,932	$ 25,299
Cross-currency interest rate swap contracts (b)	167,036		132,078	
	$ 600,652		$ 581,010	

(a) The method of determining fair value of derivative contracts is described in Note 2 (f).

(b) As at December 31, 2000, the combined value of cross-currency interest rate swaps and underlying securities amounted to $168,796,000 (1999: $133,313,000).

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $163,120,000 that mature between 1 and 3 years and $33,791,000 that mature over 3 years.

NOTE 6 NET INVESTMENT INCOME

Investment income is comprised of the following:

	2000	1999
	($ thousands)	
Net realized and unrealized gains on investments	$ 52,849	$ 101,001
Interest income	64,694	53,778
Derivative income	(23,016)	78,319
Dividend income	9,529	9,358
Securities lending income	263	257
Pooled funds management and associated custodial fees	(1,819)	(1,594)
	$ 102,500	**$ 241,119**

The following is a summary of the plan's proportionate share of investment income from pooled funds and directly held investments.

	2000	1999
	($ thousands)	
Deposits and Fixed Income Securities:		
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,618	$ 1,019
Canadian Dollar Long Bond Pool	61,562	(26,099)
Real Rate of Return Bonds	39,658	12,007
Floating Rate Note Pool	562	43
Canadian Dollar Public Bond Pool	504	(322)
Other	54	3
	103,958	(13,349)
Equities:		
Canadian Equities:		
Domestic Passive Equity Pooled Fund	24,480	70,679
External Managers Fund (Canadian)	21,111	15,818
Canadian Pooled Equities Fund	9,195	33,032
Private Equity Pool	2,210	1,164
Domestic Structured Equity Pooled Fund	-	1,354
Other	-	(25)
Foreign Equities:		
External Managers Fund (International)	(40,950)	61,546
External Managers Fund (United States)	(3,916)	13,073
EAFE Structured Equity Pooled Fund	(7,157)	24,683
US Passive Equity Pooled fund	(6,360)	6,500
United States Pooled Equities Fund	440	(616)
US Structured Equity Pooled Fund	(511)	3,233
Global Structured Equity Pooled Fund	-	24,027
	(1,458)	254,468
	$ 102,500	**$ 241,119**

NOTE 7 PLAN EXPENSES

	2000	1999
	($ thousands)	
General plan costs	$ 871	$ 893
Investment management costs	237	225
Actuarial fees	53	45
	$ 1,161	**$ 1,163**

General plan costs including plan board costs were paid to Alberta Pensions Administration Corporation on a cost recovery basis. Investment management costs, including portfolio management, investment systems, internal audit and cash management expenses, were paid to Alberta Treasury on a cost recovery basis.

Pooled funds management and associated custodial fees totalling $1,819,000 (1999: $1,594,000), which have been deducted from investment income of the pools, are excluded from plan expenses.

Total expenses, including pooled funds management and associated custodial fees, amounted to $404 per member (1999: $390 per member). The $14 per member cost increase in 2000 is attributed to the following factors: increase in pooled funds management cost $21, increase in general operations cost $7, increase in plan specific cost $5, and decrease in business process re-engineering cost $19.

Total expenses, including pooled funds management and associated custodial fees, amounted to 0.163% (1999: 0.157%) of assets under administration.

NOTE 8 ACCRUED PENSION LIABILITY

(a) Actuarial Valuation

An actuarial valuation of the plan was carried out as at December 31, 2000 by William M. Mercer Limited. The December 31, 2000 valuation resulted in a deficiency of $105.7 million as disclosed in the statement of net assets and accrued pension liability. The valuation as at December 31, 2000 was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the plan's actuary, the Universities Academic Pension Board adopted this best estimate.

The major assumptions used were:

	December 31	
	2000 Valuation	1999 Extrapolation
	%	%
Asset real rate of return	4	4
Inflation rate	3.50	3.25 **
Investment return	7.50	7.25
Salary escalation rate*	3.50	3.25 **
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60	60

* Excludes merit and promotion.
** Reflects fully phased in rates.

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting deficiency as at December 31, 2000 allocated between the pre-1992 and post-1991 periods:

	2000			1999
	Pre-1992	Post-1991	Total	Total
	($ thousands)			
Fair value of assets	$ 1,280,340	$ 542,174	$ 1,822,514	$ 1,751,462
Asset fluctuation reserve	(23,000)	(8,000)	(31,000)	(88,300)
Actuarial value of net assets	1,257,340	534,174	1,791,514	1,663,162
Accrued pension liability	1,416,821	480,379	1,897,200	1,772,400
Deficiency (surplus)	**$ 159,481**	**$ (53,795)**	**$ 105,686**	**$ 109,238**

The plan's unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25 percent of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows the present value at December 31, 2000 of the Province of Alberta's obligation for future additional contributions is $144 million.

The Province reports its obligation to the plan in its consolidated financial statements. The amount reported by the Province represents estimates of the present value of the Province's obligation for future additional contributions, including deferred adjustments.

(b) Sensitivity of Changes in Major Assumptions

The plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the plan.

	Sensitivities		
	Changes in Assumptions %	Increase in Plan Deficiency $ millions	Increase in Current Service Cost as % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 108.2	0.9%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	39.0	0.8%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	248.6	3.0%

* The current service cost as % of pensionable earnings as determined by the December 31, 2000 valuation is 14.19%.

NOTE 9 REMUNERATION OF BOARD MEMBERS

Remuneration rates as approved by the Lieutenant Governor in Council are as follows:

	Chairman	Members
Remuneration rates effective April 1, 2000:		
Up to 4 hours	$ 146	$ 108
4 to 8 hours	249	179
Over 8 hours	395	281

During the year, the following amounts were paid:

	2000	1999
Remuneration		
Chairman	$ 2,977	$ 5,771
Members (8)	24,877	37,101
Travel expenses		
Chairman	1,286	1,741
Members (8)	19,547	26,681

Board members are paid only for attending and preparing for board and committee meetings. Preparation time for a meeting is remunerated at no more than 4 hours. Remuneration with respect to the board member nominated by the Government of Alberta belongs to the Crown and is paid to the Provincial Treasurer.

NOTE 10 BUDGET INFORMATION

The accrued pension liability is based on the Universities Academic Pension Board's best estimates of future events after consultation with the plan's actuary. Differences between actual results and the Board's expectations are disclosed as net experience gains or losses in the statement of changes in accrued pension liability. Accordingly, a budget is not included in these financial statements.

NOTE 11 SUBSEQUENT EVENTS

On December 31, 2000, the plan ceased to operate as a statutory plan governed by the *Public Sector Pension Plans Act.* On January 1, 2001, it continued as a new plan under the *Employment Pension Plans Act*. In accordance with section 18(1) of Schedule 3 to the *Public Sector Pension Plans (Legislative Provisions) Regulation (AR 365/ 93),* an initial transfer of 90% of the estimated apportioned assets of the old plan was made to the new plan in January 2001. The balance of the estimated apportioned assets will be transferred to the new plan in the second half of 2001.

The Province of Alberta will continue to be responsible for its share of the unfunded liability for pre-1992 service.

SCHEDULE A

UNIVERSITIES ACADEMIC PENSION PLAN

SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR LONG BOND POOL (a)

DECEMBER 31, 2000

($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,742	$ 1,742	$ 947	$ 947
Public Fixed Income Securities (b)				
Government of Canada direct and guaranteed	203,341	203,341	210,380	210,380
Other provincial, direct and guaranteed	186,080	186,080	136,329	136,329
Municipal	12,212	12,212	11,513	11,513
Corporate	90,561	90,561	73,906	73,906
Total deposit and fixed income securities	493,936	493,936	433,075	433,075
Receivable from sale of investments and accrued investment income	6,728	6,728	5,744	5,744
	$ 500,664	**$ 500,664**	**$ 438,819**	**$ 438,819**

(a) The Canadian Dollar Long Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Long Bond Index over the long term while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) Fixed income securities held as at December 31, 2000 had an average effective market yield of 6.11% per annum (1999: 6.65%). The following term structure of these securities as at December 31, 2000 is based on principal amount.

	2000	1999
	%	
0 to 5 years	-	2
5 to 10 years	3	2
10 to 20 years	29	28
over 20 years	68	68
	100	100

SCHEDULE B

UNIVERSITIES ACADEMIC PENSION PLAN

SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND (a)

DECEMBER 31, 2000

($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,732	$ 14,943	$ 6,402	$ 57,310
Short-term securities	1,044	9,008	1,001	8,960
Floating Rate Note Pool	114,852	990,705	92,698	829,873
	117,628	1,014,656	100,101	896,143
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	6,714	57,918	12,266	109,805
Conglomerates	4,887	42,159	4,992	44,694
Consumer products	7,153	61,698	8,426	75,435
Financial services	18,839	162,503	22,237	199,073
Gold and precious minerals	4,061	35,030	5,615	50,268
Industrial products	47,104	406,317	52,547	470,418
Merchandising	5,148	44,403	5,590	50,047
Metals and minerals	4,627	39,917	6,100	54,609
Oil and gas	16,450	141,899	15,128	135,433
Paper and forest products	2,686	23,171	5,356	47,950
Pipelines	2,830	24,411	2,331	20,865
Real estate and construction	2,042	17,612	3,529	31,596
Transportation and environmental services	2,043	17,627	2,545	22,781
Utilities	5,331	45,981	23,251	208,154
	129,915	1,120,646	169,913	1,521,128
Passive index	19,236	165,926	470	4,210
	149,151	1,286,572	170,383	1,525,338
Receivable from sale of investments and accrued investment income	174	1,499	12,033	107,720
Liabilities for investment purchases	(4,085)	(35,234)	-	-
	(3,911)	(33,735)	12,033	107,720
	$ 262,868	**$ 2,267,493**	**$ 282,517**	**$ 2,529,201**

(a) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 300 Index.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

SCHEDULE C

UNIVERSITIES ACADEMIC PENSION PLAN
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND (a) (b)
DECEMBER 31, 2000

($ thousands)

	External Managers		2000		1999	
	2000	1999	Plan's Share	Total Pool	Plan's Share	Total Pool
Foreign Public Equity Pools						
Multi Region	4	3	$ 65,120	$ 2,013,072	$ 54,599	$ 919,706
Europe	3	3	76,030	1,377,161	70,430	1,018,169
Pacific Basin	2	2	41,527	584,819	61,181	882,206
Emerging Markets	2	2	40,399	40,506	14,889	76,055
	11	10	223,076	4,015,558	201,099	2,896,136
United States	6	5	136,430	3,147,608	102,430	1,518,742
Canadian Public Equity Pools						
Large Cap	3	3	94,271	1,200,300	91,084	1,055,108
Small Cap	4	5	51,845	478,145	42,594	466,572
	7	8	146,116	1,678,445	133,678	1,521,680
	24	23	**$ 505,622**	**$ 8,841,611**	**$ 437,207**	**$ 5,936,558**

(a) The External Managers Fund is comprised of numerous portfolios of publicly traded equities, which are managed by numerous external managers with expertise in Canadian and approved foreign equity markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor's and Toronto Stock Exchange indices over a four-year period. Risk is reduced through manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at December 31, 2000:

	2000	1999
Cash and short-term securities	$ 103,216	$ 97,347
Receivables from sale of investments and accrued investment income	32,354	8,418
Investments		
Public equities	8,744,311	5,839,208
Convertible bonds	60	1,500
Fixed income securities		
Liability for investment purchases	(38,330)	(9,915)
	$ 8,841,611	**$ 5,936,558**

SCHEDULE D

UNIVERSITIES ACADEMIC PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
YEAR ENDED DECEMBER 31, 2000

The plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns and the relevant benchmarks for the plan for the one- and five-year periods ended December 31, 2000 are as follows:

	One Year Return					5 Year Compound Annualized Return
	2000	**1999**	**1998**	**1997**	**1996**	
Time-weighted rates of return						
Short-term fixed income	5.7	5.1	5.2	4.0 *	6.2	5.2
Scotia Capital Markets 91-Day T-Bill	5.5	4.7	4.7	3.2	5.0	4.6
Long-term fixed income	13.8	(2.3)	8.5	9.2	12.3	8.1
Scotia Capital Markets Universe Bond	10.2	(1.1)	9.2	9.6	12.3	7.9
Canadian equity	10.0	27.3	(3.5)	14.7	29.8	15.0
Toronto Stock Exchange 300 Index	7.4	31.7	(1.6)	15.0	28.4	15.5
Foreign equity	(10.1)	30.6	24.7	15.3	13.0	13.8
Morgan Stanley (MSCI) World	(10.2)	18.1	33.5	20.9	14.0	14.3
Real Estate **	n/a	n/a	12.8	20.7	6.4	n/a
*Russell Canadian Property Index ** *	n/a	n/a	16.0	19.0	7.0	n/a
Overall	**5.9**	**15.7**	**7.5**	**12.4**	**16.1**	**11.4**
Policy Benchmark	4.6	13.4	9.1	13.6	18.6	11.8

* Restated in 2000.

** Real estate return is reported on a net basis after expenses, while the Russell Canadian Property Index reports return on a gross basis.

ALPHABETICAL LIST OF ENTITIES' FINANCIAL INFORMATION IN MINISTRY 2000-01 ANNUAL REPORTS

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Resource Development
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Treasury
Alberta Heritage Foundation for Medical Research Endowment Fund	Treasury
Alberta Heritage Savings Trust Fund	Treasury
Alberta Heritage Scholarship Fund	Treasury
Alberta Heritage Science and Engineering Research Endowment Fund	Treasury
Alberta Historical Resources Foundation, The	Community Development
Alberta Informatics Circle of Research Excellence Inc. (iCORE)	Innovation and Science
Alberta Insurance Council	Treasury
Alberta Municipal Financing Corporation	Treasury
Alberta Opportunity Company	Agriculture, Food and Rural Development
Alberta Pensions Administration Corporation	Treasury
Alberta Petroleum Marketing Commission	Resource Development
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Treasury
Alberta School Foundation Fund	Learning
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Treasury
Alberta Social Housing Corporation	Community Development
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Treasury
ATB Investment Services Inc.	Treasury
Child and Family Services Authorities:	Children's Services
Awasak Child and Family Services Authority	
Calgary Rocky View Child and Family Services Authority	
Child and Family Services Authority Region 13	
Child and Family Services Authority Region 14	
Diamond Willow Child and Family Services Authority	
Hearthstone Child and Family Services Authority	
Keystone Child and Family Services Authority	
Ma'Mowe Capital Regional Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Neegan Awas'sak Child and Family Services Authority	
Ribstone Child and Family Services Authority	
Sakaigun Asky Child and Family Services Authority	
Sakaw Askiy Child and Family Services Authority	
Silver Birch Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Sun Country Child and Family Services Authority	
West Yellowhead Child and Family Services Authority	
Windsong Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Treasury
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Environment	Environment
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Justice	Justice
Department of Learning	Learning

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY (continued)

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Department of Resource Development	Resource Development
Department of Treasury	Treasury
Environmental Protection and Enhancement Fund	Environment
Gainers Inc.	Treasury
Government House Foundation, The	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
Lottery Fund	Gaming
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development	Economic Development
Ministry of Environment	Environment
Ministry of Executive Council	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment	Human Resources and Employment
Ministry of Infrastructure	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations	International and Intergovernmental Relations
Ministry of Justice	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs	Municipal Affairs
Ministry of Resource Development	Resource Development
Ministry of Treasury	Treasury
N.A. Properties (1994) Ltd.	Treasury
Natural Resources Conservation Board	Environment
Persons with Developmental Disabilities	Health and Wellness
Calgary Region Community Board	
Central Alberta Community Board	
Edmonton Community Board	
Northeast Alberta Community Board	
Northwest Alberta Community Board	
South Alberta Community Board	
Persons with Developmental Disabilities Foundation	Health and Wellness
Persons with Developmental Disabilities Michener Centre Facility Board	Health and Wellness
Persons with Developmental Disabilities Provincial Board	Health and Wellness
S C Financial Ltd.	Treasury
Supplementary Retirement Plan Reserve Fund	Treasury
Victims of Crime Fund	Justice
Wild Rose Foundation, The	Community Development

ENTITIES NOT INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Fund or Agency	*Ministry Annual Report*
Alberta Cancer Board	Health and Wellness
Alberta Foundation for HealthResearch	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Treasury
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts Trust Account	Municipal Affairs
Local Authorities Pension Plan	Treasury
Long-Term Disability Income Continuance Plan -Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan -Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Treasury
Provincial Judges and Masters in Chambers Pension Plan	Treasury
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Treasury
Public Service Pension Plan	Treasury
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Treasury
Supplementary Retirement Plan for Public Service Managers	Treasury
Universities Academic Pension Plan	Treasury
Workers' Compensation Board	Human Resources and Employment

GOVERNMENT ORGANIZATION CHANGES: 2001-02

Ministry	***Program/Entity Changes***	***Previous Location***	***New Location***
Aboriginal Affairs and Northern Development (new)	Aboriginal Affairs	International and Intergovernmental Relations	
	Northern Alberta Development Council Western Economic Partnership Agreement	Energy (formerly Resource Development)	
Agriculture, Food and Development	except Public Lands (includes land management and grazing		Sustainable Resource Rural Development (new)
Children's Services	no change		
Community Development	except seniors except seniors' Housing except Alberta Social Housing Corporation except Alberta Order of Excellence Persons with Developmental Disabilities Boards and Foundation Michener Centre Premier's Council on the Status of Persons with Disabilities Parks and Protected Areas		Seniors (new) Seniors (new) Seniors (new) Executive Council Health & Wellness Health & Wellness Health & Wellness Environment
Economic Development	no change		
Energy (formerly Resource Development	except Forest Industry Development except Northern Alberta Development Council except Western Economic Partnership Agreement		Sustainable Resource Development (new) Aboriginal Affairs and Northern Development (new)
Environment	except Parks and Protected Areas except Land and Forest Service except Fisheries and Wildlife Management except Natural Resources Conservation Board except Environmental Protection & Enhancement Fund (except Forest Development Research program) except small water capital except Forest Development Research program (formerly part of EPEF)		Community Development Sustainable Resource Development (new) Sustainable Resource Development (new) Sustainable Resource Development (new) Sustainable Resource Development (new) Transportation (new) Innovation and Science
Executive Council	except Alberta Corporate Service Centre Alberta Order of Excellence	Community Development	Government Services

Ministry	*Program/Entity Changes*	*Previous Location*	*New Location*
Finance (formerly part of Treasury)	Financial Management and Planning	Treasury	Finance
	except Alberta Securities Infrastructure		Revenue
	except Medical Research Endowment Fund	Revenue	
	except Heritage Savings Trust Fund		Revenue
	except Heritage Scholarship Fund		Revenue
	except Risk Management Fund		Revenue
Gaming	no change		
Government Services	Information Management and Privacy	Municipal Affairs	
	Records Management	Innovation & Science	
	Alberta Corporate Service Centre	Executive Council	
Health and Wellness	except Persons with Developmental Disabilities		Community Development
	except Michener Centre		Community Development
	except Premier's Council on the Status of Persons with Disabilities		Community Development
	except Healthy Aging		Seniors (new)
Human Resources and Employment	no change		
Infrastructure	except National Infrastructure Program		Transportation (new)
	except Roads and Public Transportation (including water infrastructure)		Transportation (new)
	except Transportation Engineering(including highways)		Transportation (new)
	except surplus land		Transportation (new)
	except Transportation Safety Board		Transportation (new)
Innovation and Science	except Records Management		Government Services
	Forest Development Research Program formerly part of EPEF)		Environment
International and Intergovernmental Relations	except Aboriginal Affairs		Aboriginal Affairs and Northern Development (new)
Justice	except Policing and Correctional Services		Solicitor General (new)
	except Victims of Crime Fund		Solicitor General (new)
Learning	no change		
Municipal Affairs	except Information Management and Privacy		Government Services
Revenue (formerly part of Treasury)	Tax and Revenue Administration	Treasury	Revenue (new)
	Investment Management Division	Treasury	Revenue (new)
	Alberta Securities Commission	Treasury	Revenue (new)
	Medical Research Endowment Fund	Treasury	Revenue (new)
	Heritage Savings Trust Fund	Treasury	Revenue (new)
	Risk Management Fund	Treasury	Revenue (new)
	Heritage Scholarship Fund	Treasury	Revenue (new)

Ministry	*Program/Entity Changes*	*Previous Location*	*New Location*
Seniors (new)	Seniors Seniors' Housing Corporation Alberta Social Housing Corporation Healthy Aging Partnership Initiative	Community Development Community Development Community Development Health and Wellness	
Solicitor General (new)	Policing and Correctional Services Victims of Crime Fund	Justice Justice	
Sustainable Resource Development (new)	Public Lands(includes land management and grazing) Surface Rights and Land Compensation Boards Land and Forest Service Fisheries and Wildlife Management Natural Resources Conservation Board Environmental Protection and Enhancement Fund (except Forest Development Research Program) Forest Industry Development	Agriculture, Food and Rural Development Agriculture, Food and Rural Development Environment Environment Environment Environment Energy (formerly Resource Development)	
Transportation (new)	Roads and Public Transportation (including water infrastructure) Transportation Engineering (including highways) Transportation Safety Board surplus land small water capital	Infrastructure Infrastructure Infrastructure Infrastructure Environment	