

ALBERTA TREASURY

LIBRARY

SEP 8 80

Alberta Heritage Savings Trust Fund

1979-80

Annual Report

ANNUAL
C
9
83
337
979/1980
1

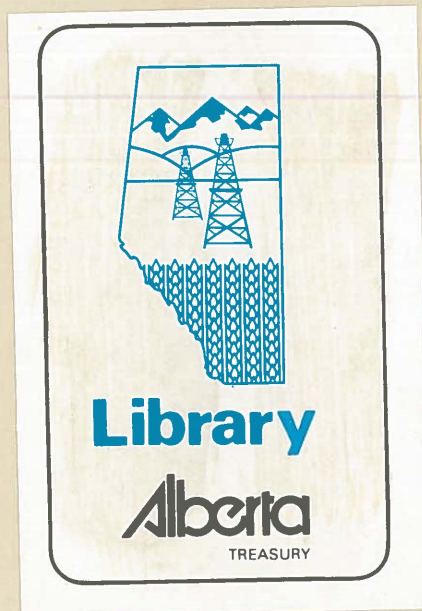
Contents

Alberta TREASURY

Hon. Lou Hyndman
Provincial Treasurer
A.F. Collins
Deputy Provincial Treasurer

Provincial Treasurer's Report	2
Legislative Framework and Overview	4
Sources of Funds	6
Investments	
Capital Projects Division	9
Canada Investment Division	13
Alberta Investment Division	15
Deposits and Marketable Securities	18
Financial Statements	20

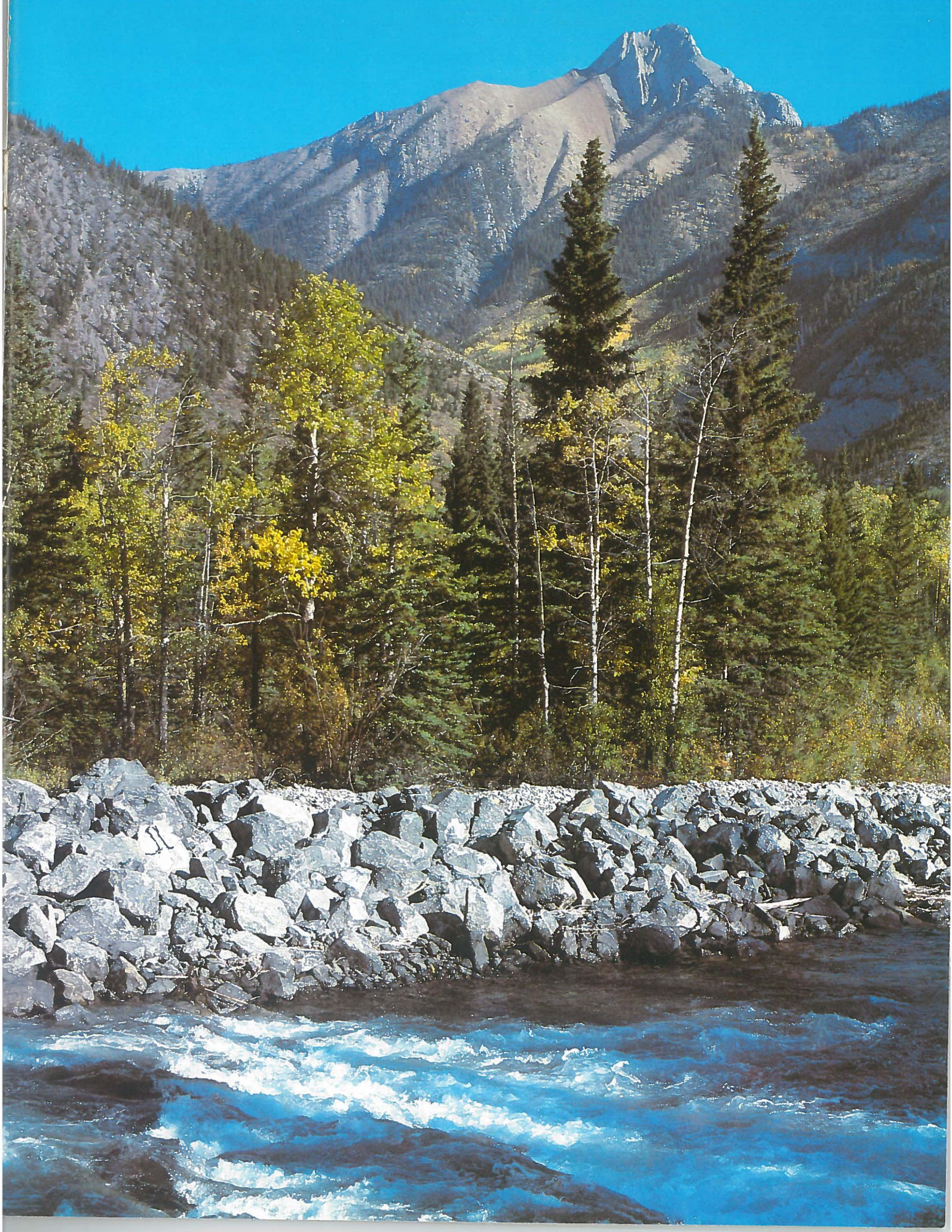
Opposite:
*Blue skies and mountain scenery characterize
Kananaskis Country west of Calgary, Alberta.*



Additional copies of this annual report
and copies of the future quarterly
reports on the Alberta Heritage
Savings Trust Fund may be obtained
by writing:
Heritage Fund Reports
434 Terrace Building,
Edmonton, Alberta
T5K 2C3

ALBERTA TREASURY
MAIN LIBRARY
004388





Provincial Treasurer's Report



In this 75th Anniversary year of the Province it is my honour to present to Albertans the fourth annual report of the Alberta Heritage Savings Trust Fund for the fiscal year ended March 31, 1980.

Albertans remember that it was 50 years ago, in 1930, that this Province finally received ownership rights to the resources that make the Heritage Savings Trust Fund possible.

During the year, total assets increased by \$1,710 million to reach a total of \$6,415 million at year end including deemed assets of \$733 million. Revenue from Alberta's depleting non-renewable resources provided \$1,332 million of the increase.

Net income from the Alberta Heritage Savings Trust Fund's investments amounted to \$343.7 million compared to \$294.4 million in 1978-79. For the first time, net income included a dividend of \$2.3 million on the Province's 50 per cent equity interest in the Alberta Energy Company. Interest on Alberta Investment Division investments amounted to \$166.8 million in 1979-80. Canada Investment Division investments contributed \$48.1 million in income for the year. The remaining income was provided by interest on deposits, marketable securities, and portfolio investments.

A highlight this year was the establishment of the \$300 million Alberta Heritage Foundation for Medical Research Endowment Fund. The Endowment Fund will support a balanced long term programme of medical research based in Alberta, directed to the discovery of new knowledge and the application of that knowledge to improve health and the quality of health care services. The medical research programme will be developed by the Alberta Heritage Foundation for Medical Research.

Income from investments of the Endowment Fund will be available to the Foundation to finance medical research projects for the future benefit of Albertans and Canadians.

Other Capital Projects Division investments totalled \$178 million during the fiscal year. New projects to help protect and maintain Alberta's valuable forest resources and to assist in flood protection were started.

A three year commitment was made to provide grants to universities and public colleges to upgrade their libraries and learning resource centres. Substantial continuing support was also provided through the Capital Projects Division for the construction of health care facilities, oil sands research and development, agricultural research, irrigation rehabilitation, and other investments that will enhance the social and economic environment in Alberta in the years to come.

A new policy on loans from the Canada Investment Division to other provincial governments and their agencies was implemented during 1979-80. Prior to the change, loans were made at the going market rate of interest as applied to each province. Today, all provinces may borrow at the rate at which the most credit-worthy province can borrow in Canadian capital markets. This new approach to determining the interest rate is of significant benefit to many provinces and reflects Alberta's "equal partnership" view of the Canadian federation. New loans in principal amounts totalling \$679 million to five provinces or their agencies were approved in 1979-80. At year end, the Canada Investment Division, with investments of \$929 million, had nearly attained its limit

of 15 per cent of the assets of the Alberta Heritage Savings Trust Fund. One year earlier, the investments held in this Division represented less than 6 per cent of total assets.

In response to this increase in lending activity, the Alberta Legislature, at the 1980 Spring Session, approved an increase in the limit on the Canada Investment Division to 20 per cent of assets. The new limit applies commencing with the 1980-81 fiscal year. Further loans to other provinces will help reduce pressure on Canadian public markets and may decrease foreign borrowings, thereby improving Canada's future balance of payments position and strengthening the Canadian dollar over the long term.

Through the Alberta Investment Division, Albertans participate in the strengthening and diversification of their province's economy. The investments held under this Division at the end of 1979-80 totalled \$3,140 million or 49 per cent of the Heritage Savings Trust Fund's total assets.

During the year, debentures of Alberta Government Telephones Commission and the Alberta Municipal Financing Corporation, which were previously held under Section 9 of The Alberta Heritage Savings Trust Fund Act, were transferred to the Alberta Investment Division. Investment in the Alberta Government Telephones Commission stood at \$1,043 million at year end. These funds are used by the corporation to improve and expand Alberta's modern telecommunications network. The Division also held \$175 million in debentures of Alberta Municipal Financing Corporation which provides funds to our growing municipalities and school systems at attractive rates.

Other important investments made under the Alberta Investment Division include loans to the Alberta Agricultural Development Corporation and the Alberta Opportunity Company. These Provincial corporations serve as lenders to the agricultural and small business sectors of the Alberta economy. The provision of affordable housing to Albertans remained a priority during 1979-80 and net new investments totalling \$284 million were made in the Alberta Housing Corporation and Alberta Home Mortgage Corporation. The Division also continued its major commitment to the development of energy resources through investments in Syncrude and the Alberta Energy Company.

Those funds not required for investment under one of the three divisions are invested under the authority of Section 9 of The Alberta Heritage Savings Trust Fund Act. At March 31, 1980, \$1,467 million was invested in deposits and marketable securities. This represents 23 per cent of the assets of the Alberta Heritage Savings Trust Fund.

The investments made during 1979-80 reflect the basic objectives of the Alberta Heritage Savings Trust Fund:

- To provide a source of investment income, and perhaps capital in the long term, which can be used to cushion the impact of the inevitable relative decline in revenues received from the sale of depleting resources, primarily conventional oil and natural gas.

- To strengthen and diversify the economy of Alberta by making investments which help to ensure new jobs and opportunities for Albertans of this and future generations.
- To improve the quality of life through projects which will provide long term social and economic benefits to Albertans.

It is likely that 1980 will see significant developments for the Alberta Heritage Savings Trust Fund. The Alberta Legislature approved the raising of the limit on the Canada Investment Division to 20 per cent of assets; it also endorsed the establishment of a new Energy Investment Division and a new Commercial Investment Division. The new Energy Investment Division will enable the Alberta Heritage Savings Trust Fund to play an even greater role in the development, transportation and processing of Canadian energy resources and will assist in moving Canada toward energy self-sufficiency. The Commercial Investment Division will be oriented toward maximizing returns, consistent with acceptable levels of risk, through more diversified financial investments.

The Alberta Heritage Savings Trust Fund continues to work for Albertans and Canadians. After four years of successful operation it moves now to a new phase of challenging investment opportunities, economic diversification initiatives, and quality of life projects.



Hon. Lou Hyndman
Provincial Treasurer
August 1980

Legislative Framework and Overview

Legislative Framework

Investments are made in accordance with the provisions of The Alberta Heritage Savings Trust Fund Act. This Act of the Alberta Legislature established the Alberta Heritage Savings Trust Fund in 1976 and was amended in 1977, 1979 and most recently in 1980.

The broad objectives of the Alberta Heritage Savings Trust Fund are to provide a supplementary source of revenue to the Province as revenue from non-renewable resources declines in relative importance in the future, to assist in the strengthening and diversification of the provincial economy, and to undertake projects of long term social or economic benefit to Alberta. These objectives are reflected in the structure and investment criteria specified for the Heritage Savings Trust Fund under the Act. Three investment divisions, each with distinct aims and investment criteria, have comprised the Alberta Heritage Savings Trust Fund from the time of its establishment to the end of 1979-80: the Capital Projects Division, Canada Investment Division, and Alberta Investment Division. Funds not invested under one of these Divisions are invested by the Provincial Treasurer in a portfolio of marketable securities.

Amendments to The Alberta Heritage Savings Trust Fund Act passed in the 1980 Spring Session of the Legislative Assembly have created two additional divisions: the Energy Investment Division and the Commercial Investment Division. Investments made under the Energy Investment Division are to facilitate the development, processing or

transportation of energy resources within Canada and to yield a reasonable return or profit. The Commercial Investment Division has the objective of yielding a commercial return. Authorized investments cover a wide range of securities including equities.

• Capital Projects Division

Investments made under the Capital Projects Division must provide long term economic or social benefits to Alberta but, by their nature, do not return income or principal to the Alberta Heritage Savings Trust Fund. The total investment in this Division is limited to 20 per cent of the Heritage Savings Trust Fund's assets. The Legislature annually appropriates funds for investment in Capital Projects Division projects.

• Canada Investment Division

Under the Canada Investment Division, loans may be made to the federal government, provincial governments or to any entity whose debt is guaranteed by one of those governments. Investment in the Canada Investment Division is now limited to 20 per cent of assets as a result of the amendments to the Act approved by the Legislature in 1980. A 15 per cent limit was in effect through the 1979-80 fiscal year.

Canada Investment Division investments must receive the approval of the Investment Committee of the Alberta Heritage Savings Trust Fund, which consists of the Provincial Cabinet.

• Alberta Investment Division

Through the Alberta Investment Division, investments are made which will strengthen or diversify the provincial economy and provide a reasonable return or profit to the Alberta Heritage Savings Trust Fund. There is no prescribed limit to the proportion of assets that can be devoted to this Division, nor is there a specific delineation of the form these investments may take.

Alberta Investment Division investments must be approved by the Investment Committee.

• Deposits and Marketable Securities

Those funds not used to make investments under one of the divisions already mentioned are invested by the Provincial Treasurer pursuant to Section 9 of The Alberta Heritage Savings Trust Fund Act. Eligible investments include direct and guaranteed debt obligations of governments and their agencies, mortgages, and the debt of chartered banks, Alberta Treasury Branches and corporations.

Overview

An overview of the composition and growth of the Alberta Heritage Savings Trust Fund since its establishment in 1976 is provided by the accompanying chart.

Composition and Growth of the Alberta Heritage Savings Trust Fund 1977 - 1980

(millions of dollars)

March 31, 1977	March 31, 1978	March 31, 1979	March 31, 1980
6,415			
			733
			929
4,705		255	3,140*
		270	
		1,614	
3,374		123	
		96	
		1,056	
		2,566	
2,218	36		
	50		
	704	2,099	
	1,428		1,613

- Capital Projects Division Deemed Assets**
 - investments for the long term social or economic benefit of Albertans

- Canada Investment Division**
 - loans to the Government of Canada or other provincial governments or entities guaranteed by them

- Alberta Investment Division**
 - investments to strengthen or diversify the Alberta economy

- Deposits, Marketable Securities and Portfolio Investments**
 - deposits
 - accrued interest
 - marketable securities
 - long term investments

* Debentures of Alberta Government Telephones Commission and the Alberta Municipal Financing Corporation totalling \$1,218 million previously classified under Deposits, Marketable Securities and Portfolio Investments were transferred to the Alberta Investment Division during 1979-80.

Sources of Funds

Non-Renewable Resource Revenue

Revenue from depleting non-renewable resources supplies more than half of the Provincial revenue obtained from all sources. Each year, upon approval of the Alberta Legislature, 30 per cent of non-renewable resource revenue is transferred to the Alberta Heritage Savings Trust Fund. In 1979-80, the 30 per cent transfer amounted to \$1,332 million. The remaining 70 per cent of non-renewable resource revenue is used, along with taxes and revenue from other sources, to provide services to Albertans.

Alberta's non-renewable resource revenue includes the following, listed in their order of importance:

- Crude Oil Royalty
- Natural Gas and Natural Gas By-Products Royalty
- Bonuses and Sales of Crown Leases
- Rentals and Fees
- Synthetic Crude Oil Royalty
- Coal Royalty

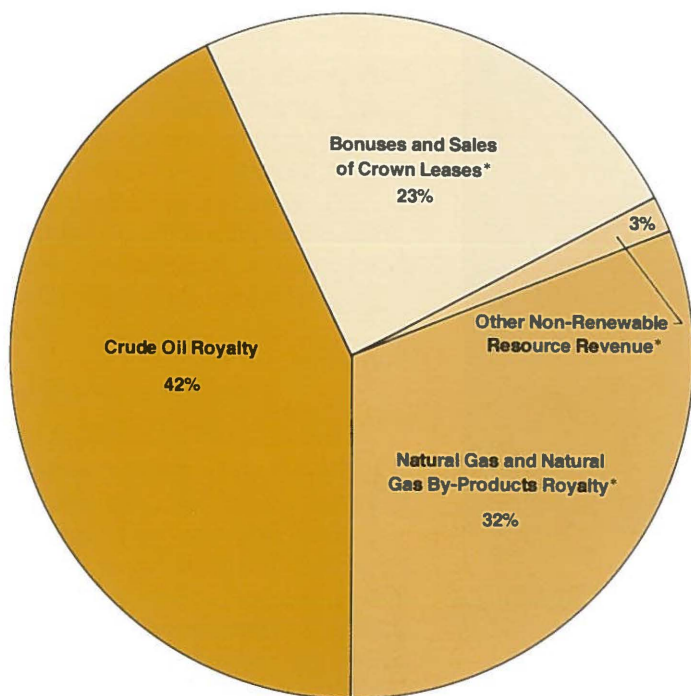
As shown by the accompanying chart, crude oil royalty was the largest single contributor to these revenues in 1979-80. Alberta's resources, however, are finite. The productive capacity of the province's established reserves of conventional crude oil is expected to decline very sharply over the 1980's as witnessed on the crude oil profile presented on this page.

Investment Income

The net investment income earned on the investments of the Alberta Heritage Savings Trust Fund in 1979-80 was \$343.7 million, compared to the 1978-79 income of \$294.4 million. This was the first year that a dividend, amounting to \$2.3 million, was received from the Alberta Energy Company Ltd. equity holdings under the Alberta Investment Division. Other investments in Provincial corporations, and Syncrude and associated debentures contributed a further \$166.8 million to the earnings of this Division.

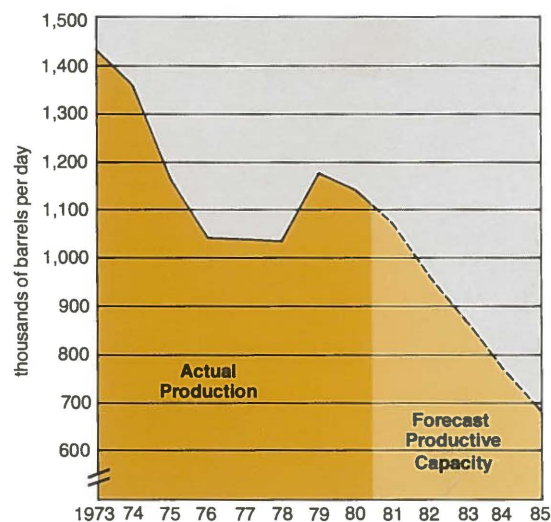
The long term investments and portfolio of marketable securities and deposits held under Section 9 were

Composition of Non-Renewable Resource Revenue Received in 1979-80



* Net of Exploratory Drilling and Geophysical Incentive Credits

Alberta's Conventional Crude Oil Profile



Note:

- 1980 is a forecast of production and 1981 to 1985 is forecast productive capacity.
- Productive capacity refers to established remaining conventional reserves (synthetic production is excluded as are forecast reserve additions).
- Production increase in 1979 represents Alberta's contribution to the Canada-U.S. Swap programme set up to offset Canada's reduced imports from the Organization of Petroleum Exporting Countries (OPEC).
- Source: Alberta Energy Resources Conservation Board.

the second most important source of net investment income, providing \$126.5 million. Interest on Canada Investment Division investments amounted to \$48.1 million in 1979-80.

The costs of administering the Alberta Heritage Savings Trust Fund during the year are deducted from net investment income. A reimbursement of \$631,000 was made to the provincial General Revenue Fund at year end for general administrative costs incurred during the year by the General Revenue Fund. In addition, administrative costs paid directly from the Heritage Savings Trust Fund during the year totalled \$252,000. Administrative costs and expenses of \$290,000 related to the Syncrude Project are reflected in the accounting for this project.

The accompanying table provides the weighted average yields to maturity for the investment areas as calculated at March 31, 1980. These are the yields that would materialize if investments were held intact to their maturity dates. The weighted average yield at March 31, 1980 on all investments was 11.1 per cent.

A new methodology was introduced in 1979-80 to compute yields. If computed on the same basis as 1978-79, the total portfolio yield would be 10.8 per cent.

New investments made during 1979-80 under the Canada Investment Division carried an average yield to maturity of 12.0 per cent at March 31, 1980. The new Alberta Investment Division investments made during the year had an average yield to maturity of 11.4 per cent.

Net Income Earned and Non-Renewable Resource Revenue Received by the Alberta Heritage Savings Trust Fund 1976-77 to 1979-80

(millions of dollars)				
	1976-77	1977-78	1978-79	1979-80
	1,675			343
	1,354		294	1,332
	1,125	194	1,060	
		931		
	708	88		
		620		

■ Net Income - Net Investment Income less Administrative Expenses
 ■ 30% of Non-Renewable Resource Revenue Transferred from the General Revenue Fund

Note: 1976-77 resource revenue transfer excludes initial transfer of \$1,500 million from the General Revenue Fund made on August 30, 1976.

Yield and Income on Investments

	1979-80 Income	Weighted Average Yield to Maturity(a) at March 31, 1980
	(millions of dollars)	(%)
Alberta Investment Division		
Provincial corporation debentures	151.7	9.9
Syncrude and associated debentures	15.1	8.4
Dividends on Alberta Energy Company Ltd. Shares	2.3	---
Total	169.1	9.8
Canada Investment Division	48.1	11.5
Deposits, Marketable Securities, and Long Term Investments	126.5 ^b	13.1
Total	343.7	11.1

a) Yield to maturity is computed as a simple annual yield. This method differs from that used in previous years in order to express the yields for the different instruments on a consistent basis and thereby to facilitate comparisons among instruments. If computed on the basis of the former method, the total portfolio yield would be 10.8%.

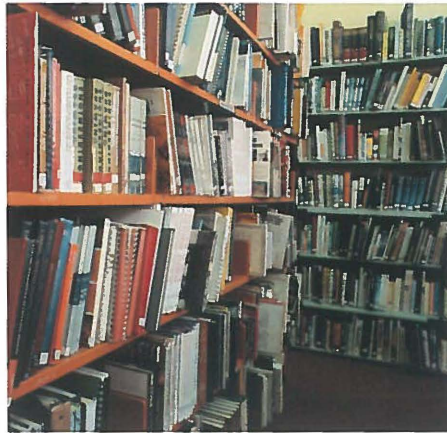
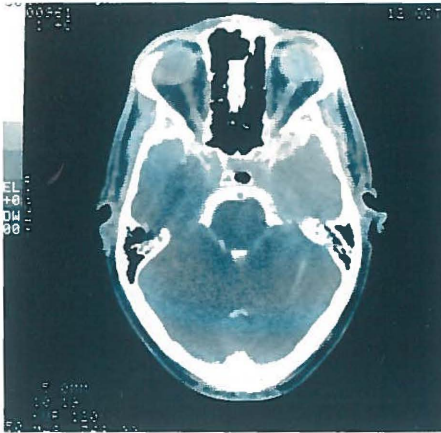
b) Includes \$93.8 million earned on debentures of the Alberta Government Telephones Commission and Alberta Municipal Financing Corporation prior to their transfer to the Alberta Investment Division late in the fiscal year.



Capital Projects Division

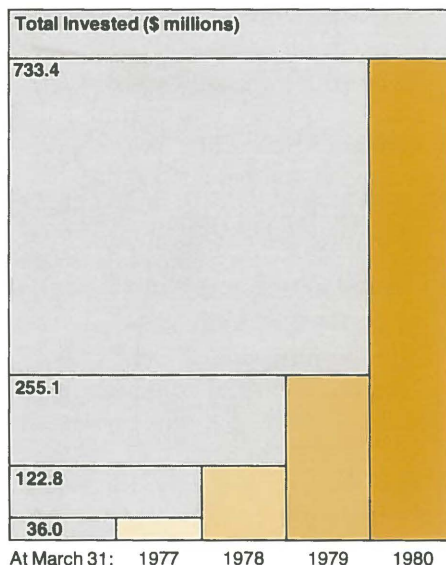
Opposite:
CT (Computerized Tomography) Scanner - diagnostic equipment purchased with funds provided through the Applied Health Research project.

Left:
Close-up of a brain scan made by the CT Scanner.
Center:
Library Development.
Right:
Aerial view of work in progress on flood control in the Paddle River Basin.



During 1979-80, a total of \$478.3 million was invested in the Capital Projects Division of the Alberta Heritage Savings Trust Fund bringing the outstanding investment in the projects of this Division to \$733.4 million.

Capital Projects Division Investments



New Projects

• Alberta Heritage Foundation for Medical Research Endowment Fund

The major new investment of the Alberta Heritage Savings Trust Fund was the establishment of the \$300 million Alberta Heritage Foundation for Medical Research Endowment Fund which will be held and administered by the Provincial Treasurer. The interest income from the Endowment Fund will be available to the Alberta Heritage Foundation for Medical Research. By the financing of awards and grants-in-aid for medical research in the province, the Foundation aims to:

- stimulate research in Alberta in the medical sciences
- implement effective means of utilizing scientific resources available in Alberta
- support medical research laboratories in Alberta
- encourage Albertans to pursue careers in medical research.

The financing activities of the Foundation are expected to commence in 1980-81.

• Maintaining Our Forests

The aim of this seven year project is to re-establish and improve the productivity of the coniferous

forests in central and northern Alberta where losses have occurred through fire, industrial clearing and recreational uses. As well, technology will be developed which will result in improvements in forest productivity. During 1979-80, \$0.9 million was expended on the project.

• Lesser Slave Lake Outlet

The objective of this project is to protect productive land and beach areas from the flooding waters of Lesser Slave Lake. To accomplish this objective a weir and an outlet channel will be constructed. During 1979-80, \$0.2 million was expended.

• Paddle River Basin Development

The Paddle River project, located approximately 85 kilometres north-west of Edmonton, is expected to cost a total of \$19.7 million over a four year period. The aims of the project are to control the flooding of the Paddle River in order to minimize the flood damage to roads, homes and productive land; to provide an assured water supply for rural communities; and to provide for future development of recreational facilities in the area.

Left:
 Research funded under Farming for the Future includes experiments into weed elimination.
 Center:
 At the Pine Ridge Forest Nursery.

Right:
 Equipment to measure the physical properties of oil sand. AOSTRA promotes research into oil sand and heavy oil recovery.



To accomplish these aims, a dam and dykes will be constructed on the Paddle River and flood-free road crossings will be established. A total of \$2.7 million was invested in the project during 1979-80.

- **Library Development**

This project, which provides grants to all public colleges and universities in Alberta, involves a commitment of \$9 million over a three year period. Its objective is to enable these institutions to expand and upgrade their holdings of learning materials in order to enhance the high quality of educational services provided by their libraries and learning resources centres. Grants of \$2.7 million were distributed during 1979-80.

Ongoing Projects^a

- **Farming For The Future**

In its second year of operation, this project provided \$2.6 million in the form of grants to promote agricultural research. Farming for the Future is aimed at assuring the long term viability of agriculture in Alberta and improving net farm incomes.

- **Irrigation Rehabilitation and Expansion**

Grants of \$8.9 million were made in 1979-80 to irrigation districts to provide assistance for the rehabilitation of irrigation systems.

- **Alberta Heritage Learning Resources**

The production and distribution of Western Canadian Literature for Youth, Alberta Literature for Senior Students, Junior Atlas for Alberta and the Relief Model of Alberta were completed. Work continued on the production of Books for Young Readers and Learning Resource Kits which document the history, natural environment, geography, and living patterns of Albertans and other Canadians. During 1979-80, \$4.9 million was expended and the project is expected to be completed in 1980-81.

- **Alberta Oil Sands Technology and Research Authority (AOSTRA)**

During 1979-80, \$38.0 million went toward the promotion of pure and applied research with respect to oil sands deposits and heavy crude oil reservoirs in Alberta. This brings the total investment by the Alberta Heritage Savings Trust Fund in AOSTRA to \$100.9 million.

- **Alberta Reforestation Nursery**

The Pine Ridge Forest Nursery near Smoky Lake was officially opened in September 1979. During 1979-80, \$0.4 million was expended. Upon completion in 1980-81, the nursery will have the capacity to produce 10 million bareroot seedlings and 10 million container seedlings annually.

- **Grazing Reserves Development**

Pasturelands continued to be developed in the grey wooded soil areas of northern and central Alberta. \$3.7 million was expended on land development and the construction of facilities required for grazing reserves during 1979-80.

- **Capital City Recreation Park**

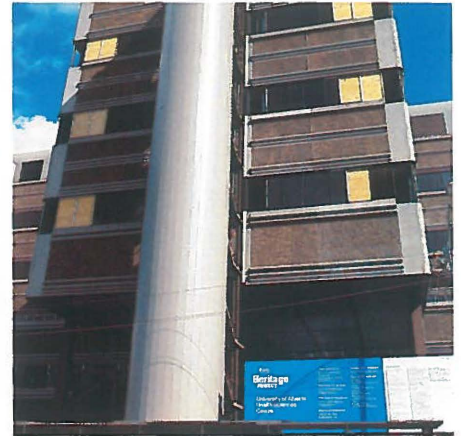
As a 1976-77 Capital Projects Division initiative, Capital City Recreation Park in Edmonton is open for public use. The Strathcona Science Centre opened in July 1980 and generally, the Park is expected to be fully constructed and equipped in 1980-81. Investment in the project for 1979-80 was \$6.4 million.

- **Fish Creek Provincial Park**

A total of \$6.8 million was spent on the purchase of land for Fish Creek Provincial Park in 1979-80 and \$3.5 million went toward the

Left:
Construction site - Kananaskis Country
Recreation Development.

Right:
Walter C. MacKenzie Health Sciences Centre.



completion of recreational facilities within the Park. The Park is located in south Calgary and will be essentially completed in 1981-82.

- **Irrigation Headworks Improvement**

During 1979-80, \$3.4 million went to upgrade existing headworks and water storage systems as part of the continuing programme to assure a water supply for irrigation in southern Alberta.

- **Land Reclamation**

A total of \$2.8 million was spent under the Land Reclamation project during 1979-80 bringing the total investment to \$6.3 million. As well as the practical reclaiming of land, related research is conducted under this project.

- **Alberta Children's Provincial General Hospital**

During 1979-80, \$7.2 million was expended on the construction of the Alberta Children's Provincial General Hospital in Calgary. The hospital is expected to be fully constructed and operational by 1981.

- **Applied Health Research**

Provincial support continued in the areas of applied cancer and heart disease research bringing the total Alberta Heritage Savings Trust Fund investment to \$18.2 million.

In 1979-80, \$11.8 million went to more than 40 individual cancer research projects and 12 heart disease research projects involving the treatment of patients, renovations to facilities and the purchase of equipment.

- **Southern Alberta Cancer Centre and Specialty Services Facility**

In Calgary the construction of the addition to the Foothills Provincial General Hospital continues. This new facility includes a cancer centre and hospital, a hostel unit, a specialty services and day services centre, and a provincial public health laboratory. During 1979-80, \$17 million was expended on the project which is expected to be completed in the spring of 1981.

- **Walter C. MacKenzie Health Sciences Centre**

The Walter C. MacKenzie Health Sciences Centre in Edmonton, when completed, will encompass the University of Alberta Hospital. Phase I of the project is expected to be completed in the spring of 1982 and Phase II of the project, approved for Alberta Heritage Savings Trust Fund financing to commence in 1980, is expected to be completed in 1986. During 1979-80, \$26.6 million was invested in Phase I of the project.

- **Kananaskis Country Recreation Development**

The development of the recreational potential of 124,000 acres of land in Alberta's Rocky Mountains is taking place with the construction of hundreds of kilometres of trails and roads, campsites and facilities, and the preservation of historical lands and wildlife. The project was initiated in 1978-79 with completion scheduled for 1981-82. Investment in 1979-80 totalled \$23.2 million bringing the total investment to date to \$35.3 million.

- **Airport Terminal Buildings**

The Airport Terminal Buildings project is now in its second year of funding with 12 airport terminals either completed or under construction at sites throughout Alberta. During 1979-80, \$4.7 million was expended under the project.

^a During 1979-80, it was decided that the development of Government Centre South, in Calgary, would not proceed as a project under the Capital Projects Division. Since \$64,000 had been expended on the project from the Capital Projects Division in 1978-79 for planning purposes, a reimbursement of that amount was paid to the Alberta Heritage Savings Trust Fund from the General Revenue Fund.



Canada Investment Division

Opposite:
Flags of the Canadian provinces.

During the past year, new loans were made to five provinces or their agencies through the Canada Investment Division. These new investments, amounting to \$679 million at par value, increased total assets of this Division to \$928.5 million. At year end, 14.5 per cent of the assets of the Alberta Heritage Savings Trust Fund were Canada Investment Division investments.

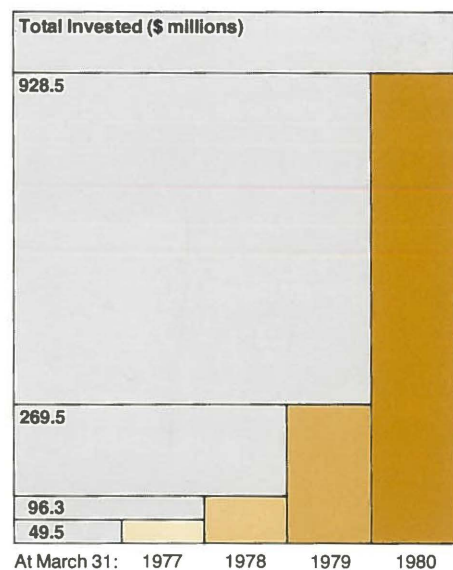
In November 1979, a new lending policy was implemented which allows

a common interest rate to all provincial borrowers based on the rate at which the most credit-worthy province can borrow at the time of the loan. Investment in the Canada Investment Division from the time of the policy change to the end of the fiscal year was \$479 million.

The accompanying table provides details of the past investments and the 1979-80 investment activity of the Division. The Hydro Quebec loan and the three Newfoundland

loans were purchased at discounts to provide yields to maturity at the time of issue of 11.65 per cent. The three Nova Scotia loans and the four New Brunswick loans were purchased to provide a yield to maturity of 11.50 per cent while the two Prince Edward Island loans, made near the end of the fiscal year, had a yield to maturity of 13.95 percent. This interest rate variance reflects the rapid increase in interest rates in the early months of 1980.

Canada Investment Division Investments



Canada Investment Division Summary of Investment Transactions For the Year Ended March 31, 1980

	Par Value	Cost at March 31, 1979 ^a	Purchases	Cost at March 31, 1980 ^a
(millions of dollars)				
Province of Manitoba debentures Investment at March 31, 1979	75	74.6		74.6
Province of New Brunswick and guaranteed debentures Investment at March 31, 1979	47	46.8		46.8
Investments made during 1979-80:				
Province of New Brunswick New Brunswick Electric	11.25% Jan. 10, 1990	25	24.6	24.6
Province of New Brunswick Power Commission	11.25% Jan. 10, 1990	50	49.3	49.3
Province of New Brunswick New Brunswick Electric	11.25% Jan. 10, 2000	25	24.5	24.5
Province of New Brunswick Power Commission	11.25% Jan. 10, 2005	50	49.0	49.0
		197	46.8	147.4
				194.3
Province of Newfoundland and guaranteed debentures Investment at March 31, 1979	50	49.5		49.6
Investments made during 1979-80:				
Province of Newfoundland	11.25% Dec. 15, 1987	50	49.0	49.0
Newfoundland and Labrador Hydro	11.25% Dec. 15, 1999	75	72.7	72.7
Newfoundland Municipal Financing Corporation	11.25% Dec. 15, 1999	25	24.2	24.2
		200	49.5	145.9
				195.5
Province of Nova Scotia and guaranteed debentures Investment at March 31, 1979	100	98.6		98.7
Investments made during 1979-80:				
Province of Nova Scotia	11.25% Jan. 4, 2000	75	73.6	73.6
Nova Scotia Power Corporation	11.25% Jan. 4, 2000	50	49.0	49.1
Nova Scotia Municipal Finance Corporation	11.25% Jan. 4, 2000	25	24.7	24.7
		250	98.6	147.3
				246.0
Province of Prince Edward Island debentures Investments made during 1979-80:				
Province of Prince Edward Island	13.50% Mar. 28, 1985	20	19.7	19.7
Province of Prince Edward Island	13.50% Mar. 28, 2000	9	8.7	8.7
		29	28.4	28.4
Province of Quebec guaranteed debentures Investments made during 1979-80:				
Hydro Quebec	11.00% Oct. 15, 2004	200	189.5	189.7
Total	951	269.5	658.5	928.5

a) Includes amortization of discount to this date.
Note: Totals may not add due to rounding.

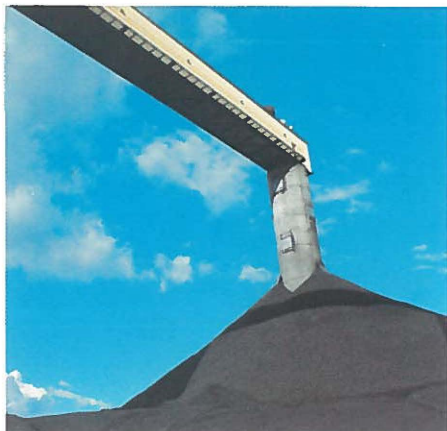


Alberta Investment Division

Opposite:
At the Syncrude Project, Fort McMurray, Alberta.

Left:
The Alberta Energy Company Ltd. holds a 25% interest in the Coal Valley Mine west of Edson, Alberta.

Right:
One of the Alberta Government Telephones Commission microwave towers.



Investments forming the Alberta Investment Division strengthen or diversify the Alberta economy and yield a reasonable return or profit to the Alberta Heritage Savings Trust Fund.

The Division's assets during 1979-80 increased from \$1,614 million to \$3,140 million and at year end represented 49 per cent of the Heritage Savings Trust Fund. A transfer of \$1,218 million of debentures of the Alberta Government Telephones

Commission and the Alberta Municipal Financing Corporation was made to the Alberta Investment Division. These debentures were previously held under the authority of Section 9 of The Alberta Heritage Savings Trust Fund Act.

Alberta. Subsidiaries of AEC provide utility services to the Syncrude Project and transport synthetic crude oil from the plant to Edmonton.

• Alberta Syncrude Equity

At March 31, 1980, the Province of Alberta held an equity investment of \$179.1 million in the Syncrude Project through the Alberta Heritage Savings Trust Fund. Alberta's equity interest in the Project was reduced from 10 per cent to 8 per cent during the 1979-80 fiscal year when the Alberta Energy Company exercised its option to purchase 20 per cent of the Syncrude Project. The Heritage Savings Trust Fund received \$54.9 million which was applied to recover its earlier investment in the Project.

Energy Investments

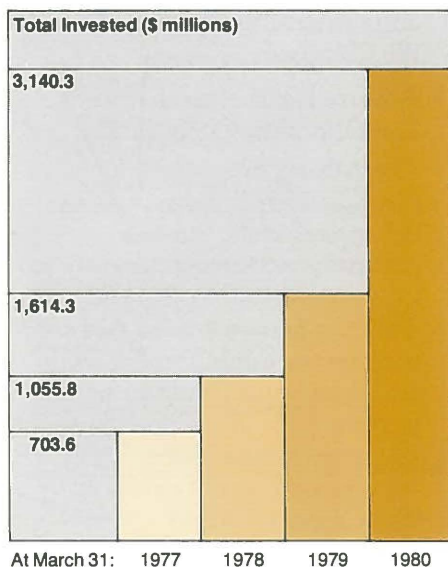
• Alberta Energy Company Ltd.

The Division's investment in the equity of Alberta Energy Company Ltd. (AEC) increased during 1979-80 by \$0.6 million to \$76.3 million in order to maintain the Province's 50 per cent equity in the Company. The Alberta Heritage Savings Trust Fund received a dividend of \$2.3 million this year on its AEC shares.

During the year, AEC exercised its option to purchase 20 per cent of the Syncrude Project. The Company in turn resold one-half of the equity for \$365 million, leaving its holdings in Syncrude at 10 per cent. Other AEC activities include investments in the development of the oil and gas potential of the Suffield Military Block and the Primrose Lake Air Weapons Range. AEC also holds one-third of the ownership of an ethane gathering system to feed the ethylene manufacturing facility at Joffre,

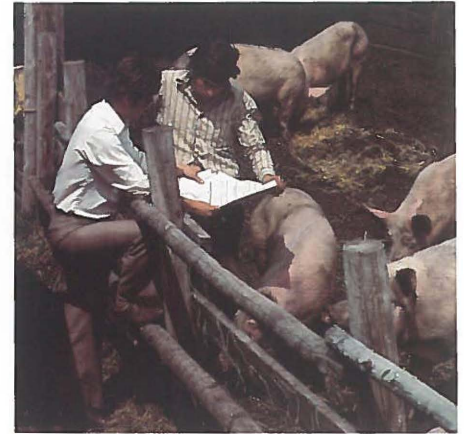
1979-80 represented the first full fiscal year of the operational phase of the Syncrude Project and a total of 17 million barrels of synthetic crude oil was shipped. Start-up difficulties were experienced, however, with the result that production figures were below expectations. As a consequence of the lower production for the year ended March 31, 1980, the Alberta Heritage Savings Trust Fund incurred a net loss of \$4.4 million.

Alberta Investment Division Investments



*Left:
The programmes of the Alberta Housing Corporation include the financing of land development and assembly.*

*Right:
The Alberta Agricultural Development Corporation makes loans for purposes such as new farm buildings.*



● **Convertible Debentures**

During 1979-80, the Gulf Canada Limited and Canada-Cities Service Ltd. debentures provided \$19.5 million of interest income to the Alberta Heritage Savings Trust Fund. The option to convert the total or a portion of the debentures into an equity interest in the Syncrude Project was not exercised during the year.

Investment in the Alberta Municipal Financing Corporation totalled \$175 million at March 31, 1980. This represents a decrease from \$744.2 million at March 31, 1979 because of the sale of debentures to the General Revenue Fund for cancellation under the Municipal Debt Reduction and Hospital Debt Retirement Programmes.

\$90.6 million brought the total investment in the Corporation to \$402.5 million.

● **Alberta Opportunity Company**

The Alberta Opportunity Company has the objective of promoting the development of resources and the general growth and diversification of the Alberta economy. The Company makes loans and provides loan guarantees to a variety of small businesses. In its lending activity, priority is given to businesses located outside the major growth centres of Edmonton and Calgary. In 1979-80, net new investments of \$19.5 million were made by the Alberta Heritage Savings Trust Fund in debentures of the Company.

● **Alberta Home Mortgage Corporation**

Alberta Home Mortgage Corporation provides several programmes including mortgage financing for rental and ownership housing for low to middle income families. During 1979-80, net new investment in the Corporation was \$193.9 million raising total investment in the Corporation by the Alberta Heritage Savings Trust Fund to \$749.1 million.

● **Alberta Agricultural Development Corporation**

The Alberta Investment Division purchased \$53 million of debentures of the Alberta Agricultural Development Corporation during 1979-80. The Corporation's objectives are to foster the establishment and maintenance of family farms and improvement in their productivity, and to encourage processing of Alberta agricultural products. The Corporation uses a variety of loan and incentive programmes to achieve these goals.

● **Alberta Housing Corporation**

Alberta Housing Corporation constructs specialized housing throughout the province. Projects include housing for the elderly, the handicapped and those families whose incomes are not sufficient to enable them to acquire adequate family housing of a reasonable standard. Housing is provided at rents geared to income. Net new investment during 1979-80 of

Investment in Alberta Provincial Corporations

● **Alberta Government Telephones Commission**

Investment by the Alberta Heritage Savings Trust Fund in the debentures of Alberta Government Telephones Commission increased by \$244.4 million in 1979-80 to \$1,043 million. Alberta Government Telephones provides the sophisticated telecommunications network that is vital to the continued strong growth of the Alberta economy.

● **Alberta Municipal Financing Corporation**

The Corporation provides loans to municipalities and school systems at a rate reflecting its cost of capital thereby imparting significant savings in interest costs to its borrowers.

Alberta Investment Division Summary of Investment Transactions
For the Year Ended March 31, 1980

	Cost March 31, 1979	Purchases	Transfers from Section 9	Repayments	Cost March 31, 1980
(millions of dollars)					
Alberta Housing Corporation debentures					
Investment at cost March 31, 1979	311.9			2.4	309.5
Investments made during 1979-80:					
10.15% February 15, 2009		13.0		—	13.0
10.15% August 15, 2009		40.0		—	40.0
10.80% December 1, 2009		20.0		—	20.0
11.85% February 1, 2010		20.0		—	20.0
	311.9	93.0		2.4	402.5
Alberta Home Mortgage Corporation debentures					
Investment at cost March 31, 1979	555.2			16.1	539.1
Investments made during 1979-80:					
9.90% March 1, 1989		20.0		—	20.0
10.10% June 1, 1989		25.0		—	25.0
9.85% August 1, 1989		25.0		—	25.0
9.85% September 1, 1989		25.0		—	25.0
10.80% October 1, 1989		25.0		—	25.0
10.80% November 1, 1989		25.0		—	25.0
10.80% December 15, 1989		25.0		—	25.0
11.70% February 1, 1990		25.0		—	25.0
11.70% March 15, 1990		15.0		—	15.0
	555.2	210.0		16.1	749.1
Alberta Opportunity Company debentures					
Investment at cost March 31, 1979	71.5			5.0	66.5
Investments made during 1979-80:					
9.44% March 1, 1984		3.5		—	3.5
10.00% June 15, 1984		5.0		—	5.0
10.90% October 15, 1984		5.0		—	5.0
11.75% January 31, 1985		5.0		—	5.0
11.75% March 31, 1985		6.0		—	6.0
	71.5	24.5		5.0	91.0
Alberta Agricultural Development Corporation debentures					
Investment at cost March 31, 1979	138.0			2.8	135.2
Investments made during 1979-80:					
10.35% May 1, 2004		22.0		—	22.0
10.15% September 1, 2004		20.0		—	20.0
11.85% March 1, 2005		11.0		—	11.0
	138.0	53.0		2.8	188.2
Alberta Government Telephones Commission debentures					
Investments made during 1979-80:					
8.000% April 15, 1980			30.0		30.0
9.750% October 1, 1980			35.0		35.0
8.500% June 1, 1981			50.0		50.0
9.375% November 3, 1981			44.9		44.9
9.125% February 2, 1982			50.0		50.0
9.375% August 1, 1982			50.0		50.0
9.375% August 15, 1982			50.0		50.0
9.250% May 17, 1983			49.9		49.9
9.000% September 15, 1983			35.0		35.0
9.125% November 15, 1983			49.9		49.9
8.375% February 1, 1984			50.1		50.1
8.250% June 1, 1984			25.0		25.0
8.125% August 2, 1984			49.9		49.9
9.125% October 17, 1997			49.9		49.9
9.125% December 15, 1997			49.9		49.9
9.625% June 15, 1998			50.0		50.0
9.500% September 1, 1998			49.7		49.7
10.000% December 15, 1998			49.8		49.8
10.125% June 1, 1999			49.9		49.9
10.750% October 1, 1999			74.3		74.3
11.700% November 15, 1999			50.0		50.0
12.625% February 15, 2000			50.0		50.0
			1,043.0		1,043.0
Alberta Municipal Financing Corporation debentures					
Investments made during 1979-80:					
11.70% November 1, 1999			70.0		70.0
13.45% March 3, 2000			35.0		35.0
11.85% December 15, 2000			70.0		70.0
			175.0		175.0
Alberta Energy Company Ltd. shares	75.8			—	76.3
Equity in Syncrude Project	225.9	8.9 ^a		55.7 ^b	179.1
Gulf Canada Limited 8½% convertible debenture	118.5			—	118.5
Canada-Cities Service Ltd. 8½% convertible debenture	117.6			—	117.6
Total	1,614.3	389.9	1,218.0	81.9	3,140.3

a) Net advances (\$12.5 million) plus a portion of first quarter's reported loss subsequently recovered (\$0.8 million) less operating loss for the year (\$4.4 million).

b) Proceeds from Alberta Energy Company Ltd. purchase of 20% interest in the Project (\$54.9 million) plus a recovery of a portion of the first quarter's loss (\$0.8 million).

Note: Totals may not add due to rounding.

Deposits and Marketable Securities

Investment Environment

The Canadian economy did not register a strong performance in 1979-80. However, while growth was slow, the widely expected recession did not materialize. In fact, the unemployment rate fell from 7.8 per cent to 7.4 per cent and manufacturing capacity utilization remained high over the twelve month period. This kept inflationary pressures high as evidenced by a 9.3 per cent increase in the Consumer Price Index — essentially unchanged from the previous fiscal year.

The apparent calm registered in the aggregate economic statistics belies the volatile behavior of the securities markets. The Toronto Stock Exchange TSE 300 Composite Index rose 50 per cent over the eleven months ended February only to drop 18 per cent in March. Of greater interest were the moves in the traditionally stable, conservative fixed income markets. The Bank Rate rose to 15.49 per cent by year end from a twenty year high of 11.25 per cent on April 1, 1979. Average yields on Government of Canada securities with maturities of 10 years and over rose from 9.91 per cent to 13.45 per cent over the same period. Similarly, conventional mortgage rates increased from 11.25 per cent to the 15.75 - 16.75 per cent range.

Portfolio Characteristics

The amortized cost of deposits and marketable securities held under Section 9 of The Alberta Heritage Savings Trust Fund Act at the end of the fiscal year was \$1,569.8 million. Of the total, 66.8 per cent was in short term securities and participation in the Consolidated Cash Investment Trust Fund (CCITF) of the Province with the remainder invested in long term bonds and debentures.

• Income from Investments

The increase in interest rates described above resulted in lower market values for the holdings of marketable securities. The decline in market value is realized only if the securities are sold prior to maturity, for example to take advantage of more attractive investment opportunities. Losses arising from such activity during the year reduced gross income of the portfolio by \$43.7 million. In addition, a provision of \$88.9 million was made for a decline in market value of the securities held at year end bringing net income on the portfolio to \$126.5 million (including interest earned on debentures of the Alberta Government Telephones Commission and Alberta Municipal Financing Corporation prior to their transfer to the Alberta Investment Division late in the year). This additional provision for decline in market value will be reversed to the extent that securities prices rise as interest rates fall (as has happened since the year end) or if the securities are held to maturity.

• Deposits and Short Term Investments

The short term investments at year end covered a wide range of money market instruments but over 60 per cent was accounted for by bank deposit notes of the Canadian chartered banks and Government of Canada treasury bills. This concentration reflects the underlying financial strength of the issuers, along with the marketability and liquidity of these instruments.

Growth of the short term investments and CCITF participation from \$657 million to \$1,048.3 million was concentrated in the last quarter. It evidenced the need to maintain high levels of liquidity to accommodate new initiatives such as the loans under the Canada Investment Division. It also reflected the sharp deterioration in the market for long term securities.

The environment of rising interest rates generated losses on the holdings of conventional notes and debentures but the integrity of the capital invested in short term securities was maintained due to the rapid turnover of the portfolio. Moreover, with short term rates equal to or above long term rates for much of the year, the expansion of short term holdings provided this protection of capital without foregoing higher interest rates which normally accrue to longer term securities. The weighted average yield to maturity on short term securities at year end was 14.4 per cent. Toward the end of the year, the term to maturity on the investments was extended to take advantage of historically high rates and indications that short term rates were about to decline. Consequently, the average term to maturity at year end was 124 days, nearly double the 67 days at the beginning of the fiscal year.

• Debentures and Notes

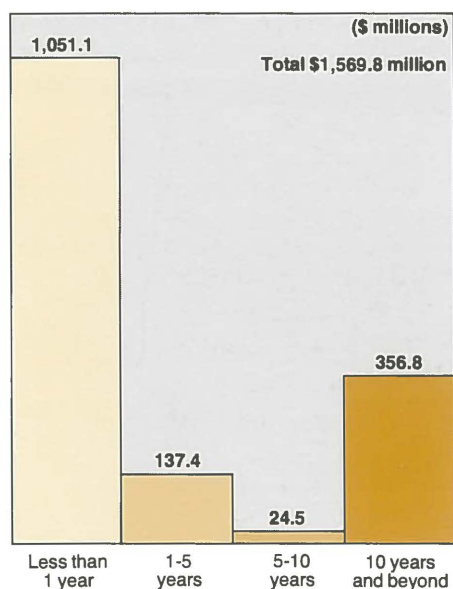
Investments in debentures and notes constituted about one-third of the marketable securities portfolio. Over the year, holdings rose by \$258 million.

This portfolio continued to be dominated by holdings of Government of Canada securities which accounted for over

two-thirds of this investment category. Moreover, these investments accommodated 76 per cent of the increase in notes and debentures. The concentration in federal government securities reflects the continued large deficits and financing requirements of the federal government as well as a very light corporate borrowing calendar. Holdings of provincial securities also increased significantly.

Reflecting the environment of rising rates, the weighted average yield to maturity on the notes and debentures at year end was 10.4 per cent on an amortized cost basis and 14.4 per cent based on market value. The average term to maturity declined from 17.2 years to 16.2 years over the twelve month period.

Maturity of Deposits and Marketable Securities Held by The Alberta Heritage Savings Trust Fund at March 31, 1980



Deposits and Marketable Securities Selected Characteristics at March 31, 1980

	Proportion (%)	Average ^(a) Term (Years)	Average ^(b) Yield to Maturity (%)
Deposits in the CCITF	2.8	demand	13.7
Marketable Securities			
Short Term Investments	64.0	0.3	14.4
Debentures and Notes			
Government of Canada, direct and guaranteed	22.2	15.4	10.3
Provincial, direct and guaranteed	8.4	19.8	10.6
Corporate	2.6	10.3	10.9
Total Debentures and Notes	33.2	16.2	10.4
Total Portfolio	100.0	5.5	13.1

- a) Term to maturity is weighted by cost as at March 31, 1980.
- b) Yield to maturity is computed as a simple annual yield. This method differs from that used in previous years in order to express the yields for the different instruments on a consistent basis and

thereby to facilitate comparisons among instruments. If computed on the basis of the former method, the total portfolio yield would be 12.8%. Yields to maturity refer to the yields that would materialize if the investments were held to their respective maturity dates.

Deposits, Marketable Securities and Long Term Investments Summary of Investment Transactions For the Year Ended March 31, 1980

	Amor- tized Cost March 31, 1979	Pur- chases	Sales, Re- demptions & Amor- tization	Transfers to the Alberta Invest- ment Division	Amor- tized Cost March 31, 1980	Market Value March 31, 1980
(millions of dollars)						
Deposit with the Province of Alberta (CCITF)	29.3	14.8 ^a	—	—	44.1	44.1
Marketable Securities:						
Short Term Investments	627.7	2,191.7	1,815.2	—	1,004.2	1,004.2
Debentures and Notes:						
Government of Canada, direct and guaranteed	153.5	700.1	504.6	—	349.0	282.0
Province of Alberta guaranteed securities:						
Alberta Government Telephone Commission debentures	9.4	—	5.0	—	4.4	3.2
Other provinces, direct and guaranteed	82.4	61.1	15.7	—	127.8	99.7
Corporate	18.2	25.0	3.0	—	40.3	33.9
	891.2	2,977.9	2,343.5	—	1,525.7	1,423.0 ^b
Long Term Investments:						
Alberta Government Telephone Commission:						
Notes	10.0	—	10.0	—	—	—
Debentures	798.6	244.0	(0.4)	1,043.0	—	—
Alberta Municipal Financing Corporation debentures	744.2	250.0	819.2	175.0	—	—
	1,552.8	494.0	828.8	1,218.0	—	—
Total	2,473.3	3,486.7	3,172.3	1,218.0	1,569.8	1,467.1

a) Net deposits.

b) The difference between amortized cost and market value reflects a provision for losses of \$88.9 million during 1979-80. The remaining difference of \$13.8 million is the provision from previous years.

Note: Totals may not add due to rounding.

Alberta Heritage Savings Trust Fund

Financial Statements

March 31, 1980

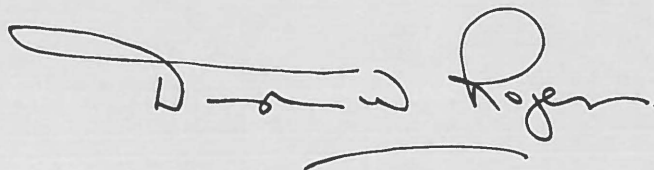
Auditor's Report	21
Balance Sheet	22,23
Statement of Income, Expenditure, Transfers and Fund Equity	24
Statement of Changes in Financial Position	25
Capital Projects Division, Statement of Amounts Expended	26,27
Notes to the Financial Statements	28,29,30
Schedule of Canada Investment Division Investments	31
Schedule of Alberta Investment Division Investments	32,33
Schedule of Capital Projects Division Investments	34,35

**Alberta Heritage Savings Trust Fund
Auditor's Report**

To the Provincial Treasurer

I have examined the balance sheet of the Alberta Heritage Savings Trust Fund as at March 31, 1980 and the statements of income, expenditure, transfers and fund equity, changes in financial position and Capital Projects Division statement of amounts expended for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust Fund as at March 31, 1980 and the results of its operations, the changes in its financial position and the amounts expended within the Capital Projects Division for the year then ended in accordance with the disclosed basis of accounting described in Note 2 to the financial statements applied, after giving retroactive effect to the change in accounting method for the valuation of short term securities referred to in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

A handwritten signature in black ink, appearing to read "Donald Royen". The signature is written in a cursive style with a horizontal line underneath the name.

Edmonton, Alberta
July 17, 1980

C.A.
Auditor General

Alberta Heritage Savings Trust Fund

Balance Sheet

March 31, 1980

(thousands of dollars)

ASSETS

	1980	1979
Assets:		
Deposit in the Consolidated Cash Investment Trust Fund of the Province of Alberta	\$ 44,116	\$ 29,253
Accrued interest receivable	145,598	106,871
Marketable securities, at aggregate cost or market value, whichever is lower (Note 4)	1,423,019	877,463
Long term investments, at cost (Note 5)	—	1,552,870
Canada Investment Division investments, at cost (Schedule 1)	928,513	269,519
Alberta Investment Division investments (Schedule 2 and Note 2)	<u>3,140,311</u>	<u>1,614,347</u>
	5,681,557	4,450,323
Deemed Assets:		
Capital Projects Division investments, at cost (Schedule 3 and Note 2)	<u>733,435</u>	<u>255,089</u>
	<u>\$6,414,992</u>	<u>\$4,705,412</u>

The accompanying notes are part of these financial statements.

Statement A

LIABILITIES AND FUND EQUITY

	1980	1979
Liabilities:		
Accounts payable	\$ 34,534	\$ 18,547
Due to the General Revenue Fund of the Province of Alberta, net	<u>19,982</u>	<u>953</u>
	54,516	19,500
 Fund Equity:		
Represented by net assets (Statement B)	<u>5,627,041</u>	<u>4,430,823</u>
	5,681,557	4,450,323
Represented by deemed assets (Statement B)	<u>733,435</u>	<u>255,089</u>
	<u>\$6,414,992</u>	<u>\$4,705,412</u>

Alberta Heritage Savings Trust Fund
**Statement of Income, Expenditure,
 Transfers and Fund Equity**

Statement B

For the Year Ended March 31, 1980
 (thousands of dollars)

	1980	1979
Income and Retained Earnings:		
Investment income before the undernoted	\$ 476,242	\$ 309,346
Deduct:		
Net loss on sale of investments	43,654	2,926
Provision for decline in value of marketable securities	88,898	12,030
	<u>132,552</u>	<u>14,956</u>
Investment income, net	343,690	294,390
Administrative expenses (Note 6)	883	696
Net income for the year	342,807	293,694
Retained earnings at beginning of year	574,977	281,283
Retained earnings at end of year	<u>917,784</u>	<u>574,977</u>
Transfers from the General Revenue Fund of the Province of Alberta (Note 7) :		
Non-renewable resource revenue transfer for the year	1,331,757	1,059,710
Cumulative transfers at beginning of year:		
As previously reported	4,110,227	3,051,225
Prior period adjustment	708	—
As restated	4,110,935	3,051,225
Cumulative transfers at end of year	<u>5,442,692</u>	<u>4,110,935</u>
Fund equity at end of year	<u>\$6,360,476</u>	<u>\$4,685,912</u>
Represented by:		
Net assets	\$5,627,041	\$4,430,823
Deemed assets	733,435	255,089
	<u>\$6,360,476</u>	<u>\$4,685,912</u>

Alberta Heritage Savings Trust Fund

Statement C

Statement of Changes in Financial Position

For the Year Ended March 31, 1980

(thousands of dollars)

	1980	1979
Funds were provided from:		
Net income for the year	\$ 342,807	\$ 293,694
Add (deduct) non-cash items:		
Increase in accrued interest receivable	(38,727)	(32,857)
Amortization of discount/premium on investments, net	(788)	(336)
Provision for decline in value of marketable securities	88,898	12,030
	<u>49,383</u>	<u>(21,163)</u>
Funds provided from operations	392,190	272,531
Non-renewable resource revenue transfer	1,331,757	1,059,710
Disposals, repayments and redemptions of investments:		
Long term investments	829,241	1,042
Alberta Investment Division investments	81,899	4,348
Increase (decrease) in accounts payable, net	35,016	(22,100)
	<u>\$2,670,103</u>	<u>\$1,315,531</u>
Funds were applied to:		
Increase (decrease) in deposit in the Consolidated Cash Investment Trust Fund of the Province of Alberta	\$ 14,863	\$ (153,537)
Purchases of investments:		
Marketable securities, net	634,454	266,917
Long term investments	494,012	333,813
Canada Investment Division investments	658,535	173,150
Alberta Investment Division investments	389,893	562,896
Capital Projects Division investments	478,346	132,292
	<u>\$2,670,103</u>	<u>\$1,315,531</u>

Alberta Heritage Savings Trust Fund
Capital Projects Division
Statement of Amounts Expended

For the Year Ended March 31, 1980
(thousands of dollars)

	<u>Legislative Appropriation</u>	<u>Amounts Expended</u>	<u>Lapsed Appropriation</u>
Health Care Facilities and Applied Health Research:			
New Health Care Facilities:			
Southern Alberta			
Children's Hospital	\$ 12,000	\$ 7,168	\$ 4,832
Alberta Health Sciences Centre	45,000	26,567	18,433
Southern Alberta Cancer Centre and Specialty Services Facility	35,000	17,009	17,991
Applied Health Research:			
Cancer and Heart Disease Research:			
Cancer Research	4,547	3,599	948
Heart Disease Research	11,850	8,247	3,603
Irrigation Rehabilitation and Expansion:			
Irrigation Rehabilitation and Expansion	9,000	8,939	61
Irrigation Headworks Improvement	5,500	3,387	2,113
Renewable Resources Improvement:			
Alberta Reforestation Nursery	590	366	224
Grazing Reserves Development	5,424	3,716	1,708
Maintaining our Forests	1,000	919	81
Land Reclamation	5,000	2,752	2,248
Development of Oil Sands Technology:			
Alberta Oil Sands Technology and Research Authority	38,200	38,000	200
Establishing and Improving Recreational Facilities:			
Capital City Recreation Park	7,485	6,427	1,058
Fish Creek Provincial Park (Department of Environment)	6,800	6,799	1
Fish Creek Provincial Park (Department of Recreation, Parks and Wildlife)	3,719	3,487	232

Statement D

	<u>Legislative Appropriation</u>	<u>Amounts Expended</u>	<u>Lapsed Appropriation</u>
Kananaskis Regional Recreation Facility Development:			
Kananaskis Country Recreation Development	24,316	23,201	1,115
Development and Improvement of Alberta's Transportation Facilities:			
Airport Terminal Buildings	5,300	4,732	568
Developing and Producing Canadian Content Educational Resources:			
Alberta Heritage Learning Resources	5,080	4,935	145
Farming for the Future:			
Farming for the Future Programme	2,600	2,563	37
Improvement of Libraries at Colleges and Universities:			
Library Development	3,000	2,712	288
Management of Water Systems:			
Paddle River Basin Development	3,056	2,696	360
Lesser Slave Lake Stabilization	1,511	189	1,322
Alberta Heritage Foundation for Medical Research	<u>300,000</u>	<u>300,000</u>	<u>—</u>
	<u>\$535,978</u>	478,410	<u>\$57,568</u>
Preservation of Historic Sites:			
Government House South (Recovery of costs on discontinued project)		<u>(64)</u>	
		<u>\$478,346</u>	

Amounts expended were authorized under The Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Act, 1978, The Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Supplementary Act, 1979 and The Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division, The Alberta Heritage Foundation for Medical Research) Act, 1979.

Alberta Heritage Savings Trust Fund
Notes to the Financial Statements
March 31, 1980

Note 1 **Authority**

The Alberta Heritage Savings Trust Fund operates under the authority of The Alberta Heritage Savings Trust Fund Act, Chapter 2, Statutes of Alberta 1976.

Note 2 **Significant Accounting Policies and Reporting Practices**

These financial statements have been prepared in accordance with generally accepted accounting principles except that:

- (i) The item shown on the balance sheet as "Capital Projects Division investments" represents the aggregate amount expended from November 4, 1976 to March 31, 1980 under the authority of "Appropriation Acts" passed pursuant to Section 6(2)(a) of The Alberta Heritage Savings Trust Fund Act. The "Capital Projects Division investments" do not represent assets owned by the Alberta Heritage Savings Trust Fund. These investments are deemed to be assets of the Trust Fund with a value equal to the amounts expended, pursuant to Section 6(5)(a) of The Alberta Heritage Savings Trust Fund Act.
- (ii) The investment in the Alberta Energy Company Ltd. (included in the Alberta Investment Division) which represents 50% of the outstanding voting shares of the Company has not been adjusted for the Fund's share of retained earnings. The Company reported earnings for the year ended December 31, 1979 of \$27,422,000 (1978 - \$18,786,000) and retained earnings at December 31, 1979 of \$68,729,000 (1978 - \$45,842,000). Dividend income received on this investment in the year ended March 31, 1980 of \$2,268,000 (1979 - \$ Nil) has been included in the Fund's investment income for the year.

Note 3 **Change in Accounting Method**

Short term securities amounting to \$1,004,208,000 and included in the balance sheet at March 31, 1980 as part of marketable securities contain amortization of discounts on purchase in the amount of \$18,588,000. In prior years, accumulated amortization was recorded as accrued interest on the balance sheet. The previously reported marketable securities and accrued interest at March 31, 1979 have been adjusted by \$16,409,000 to reflect this change in accounting method. If the change had not been made marketable securities and accrued interest at March 31, 1980 would have been \$1,404,431,000 and \$164,186,000 respectively.

Note 4 **Marketable Securities**

Marketable securities at March 31, 1980 are summarized hereunder:

	<u>Par Value</u>	<u>Amortized Cost</u>	<u>Market Value</u>
Government of Canada bonds, direct and guaranteed	\$354,955,000	\$ 349,037,000	\$ 282,016,000
Provincial bonds, direct and guaranteed:			
Alberta	4,740,000	4,398,000	3,214,000
Other provinces	131,550,000	127,781,000	99,714,000
Corporate bonds	40,350,000	40,252,000	33,867,000
	<u>\$531,595,000</u>	<u>521,468,000</u>	<u>418,811,000</u>
Short term securities:			
Bearer deposit notes		421,708,000	421,708,000
Deposit receipts		245,585,000	245,585,000
Treasury bills		182,268,000	182,268,000
Short term			
promissory notes		116,224,000	116,224,000
Bankers' acceptances		22,425,000	22,425,000
Mid term			
promissory notes		14,498,000	14,498,000
Guaranteed investment certificates		1,500,000	1,500,000
		<u>1,004,208,000</u>	<u>1,004,208,000</u>
Total marketable securities		<u>\$1,525,676,000</u>	<u>\$1,423,019,000</u>
1979 comparative total		<u>\$ 891,222,000</u>	<u>\$ 877,463,000</u>

Note 5 **Transfer of Investments**

Debentures of Alberta Government Telephones Commission and Alberta Municipal Financing Corporation, classified in the previous year as "long term investments", have been transferred to the Alberta Investment Division to give effect to a decision of March 25, 1980, of the Alberta Heritage Savings Trust Fund Investment Committee. There is no effect on the investment income of the Fund as a result of this transfer. Transactions in these debentures are summarized hereunder:

Long term investments:	
Balance, March 31, 1979	\$1,552,870,000
Purchases	494,012,000
Disposals, redemption and amortization	(828,913,000)
Transferred to Alberta Investment Division	<u>\$1,217,969,000</u>

Note 6 **Administrative Expenses**

Administrative expenses comprise:

	1980	1979
Expenses directly attributable to the administration of the Fund	\$252,000	\$ 77,000
Other administrative expenses estimated and charged to the Fund pursuant to Section 10(2) of The Alberta Heritage Savings Trust Fund Act (a)	<u>631,000</u>	<u>619,000</u>
	<u>\$883,000</u>	<u>\$696,000</u>

(a) Administrative expenses for the year ended March 31, 1980 relating to the Syncrude Project estimated at \$290,000 are not included in other administrative expenses but are reflected in results of operations of the project for the year (Schedule 2 note (c)).

Prior to April 1, 1979, the date of commencement of operations, these expenses (1979-\$257,000) were included as other administrative expenses.

Note 7 **Transfer from the General Revenue Fund**

30% of the estimated non-renewable resource revenue received by the Province during the year ended March 31, 1980 has been transferred to the Alberta Heritage Savings Trust Fund pursuant to Section 5 (5) of The Alberta Heritage Savings Trust Fund Act. An adjustment will be made pursuant to Section 5 (6) of the Act on the finalization of the 1979-80 Public Accounts, so that the amount of the non-renewable resource revenue in the Alberta Heritage Savings Trust Fund for the year ended March 31, 1980 becomes equal to 30% of the non-renewable resource revenue received in that year.

The prior period adjustment of \$708,000 (1979 - \$ Nil) represents the adjustment made on the finalization of the 1978-79 Public Accounts.

Note 8 **Capital Projects Division Commitments**

The Legislative Assembly has authorized the expenditure of \$278,090,000 for Capital Projects Division investments during the period April 1, 1980 to March 31, 1981 pursuant to The Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Act, 1979.

Note 9 **Contingencies**

Claims received and possible claims pending at March 31, 1980 in respect of Capital Projects Division land acquisitions exceed amounts expended by approximately \$40,000,000 (1979 - \$46,000,000). The actual liability cannot be determined until expropriation proceedings are completed.

Note 10 **Approval of Financial Statements**

These financial statements were approved by management on July 17, 1980.

Canada Investment Division Investments

March 31, 1980

(thousands of dollars)

Debenture Issued by	Interest Rate	Maturity Date	Par Value	Amortized Cost	
				1980	1979
Province of Manitoba	9.75%	Dec. 1, 1988	\$ 75,000	\$ 74,610	\$ 74,565
Province of New Brunswick	11.25%	Jan. 10, 1990	25,000	24,646	—
	9.50%	Dec. 15, 1997	47,000	46,792	46,781
	11.25%	Jan. 10, 2000	25,000	24,530	—
New Brunswick Electric Power Commission	11.25%	Jan. 10, 1990	50,000	49,291	—
	11.25%	Jan. 10, 2005	50,000	49,009	—
Province of Newfoundland	11.25%	Dec. 15, 1987	50,000	49,011	—
	10.00%	Mar. 15, 1998	50,000	49,573	49,549
Newfoundland and Labrador Hydro	11.25%	Dec. 15, 1999	75,000	72,723	—
Newfoundland Municipal Financing Corporation	11.25%	Dec. 15, 1999	25,000	24,241	—
Province of Nova Scotia	10.00%	Dec. 21, 1998	50,000	49,345	49,312
	11.25%	Jan. 4, 2000	75,000	73,592	—
Nova Scotia Municipal Finance Corporation (a)	11.25%	Jan. 4, 2000	25,000	24,671	—
Nova Scotia Power Corporation	10.00%	Dec. 21, 1998	50,000	49,345	49,312
	11.25%	Jan. 4, 2000	50,000	49,061	—
Province of Prince Edward Island	13.50%	Mar. 28, 1985	20,000	19,685	—
	13.50%	Mar. 28, 2000	9,000	8,730	—
Hydro Quebec	11.00%	Oct. 15, 2004	200,000	189,658	—
			<u>\$951,000</u>	<u>\$928,513</u>	<u>\$269,519</u>

(a) These serial debentures mature in equal annual amounts in the years 1981 to 2000 inclusive.

Alberta Investment Division Investments

March 31, 1980

(thousands of dollars)

	1980	1979
Provincial corporation debentures, at cost (a):		
Alberta Agricultural Development Corporation	\$ 188,240	\$ 138,000
Alberta Government Telephones Commission	1,042,970	—
Alberta Home Mortgage Corporation	749,051	555,195
Alberta Housing Corporation	402,493	311,894
Alberta Municipal Financing Corporation	175,000	—
Alberta Opportunity Company	91,000	71,500
Alberta Energy Company Ltd. common shares, at cost (b)	76,337	75,762
Equity in Syncrude Project, at cost less amortization (c)	179,081	225,857
Gulf Canada Limited (d):		
8.125% convertible debenture, at cost including interest capitalized	118,537	118,537
Canada-Cities Service Ltd. (d):		
8.375% convertible debenture, at cost including interest capitalized	117,602	117,602
	<u>\$3,140,311</u>	<u>\$1,614,347</u>

(a) Provincial corporation debentures bear interest rates from 8.00% to 13.45% with maturity dates from April 15, 1980 to February 1, 2010.

Authorization has been given to purchase additional debentures of Provincial corporations as follows:

Alberta Agricultural Development Corporation	\$ 9,000,000
Alberta Home Mortgage Corporation	335,000,000
Alberta Housing Corporation	130,000,000
Alberta Opportunity Company	54,000,000

(b) Pursuant to Section 19(1) of The Alberta Energy Company Act, the aggregate amount that the Province may have invested in the Company at any time, or be committed to invest, in common shares shall not exceed \$250 million as the purchase price thereof.

Authorization has been given to purchase and dispose of shares of the Company to maintain the percentage of voting shares held by the Fund at any time at 50% of the total number of issued and outstanding voting shares of the Company.

Schedule 2 continued

- (c) Authorization has been given to pay from the Fund the Province's share of construction and operating costs incurred under the Syncrude Project – Ownership and Management Agreement. As an equity participant in the joint venture, the Fund is, as lessee, entitled to its proportionate share of all substances produced subject to the liabilities to the Province of Alberta, as lessor, in accordance with the Alberta Crown Agreement. The Fund's former 10% share in the Project was reduced to 8% as a result of Alberta Energy Company Ltd. exercising, on August 30, 1979, its option to purchase a 20% interest in the Project retroactive to March 1, 1979. The exercise of the option resulted in the receipt of \$54,898,000, including an excess of the selling price over the net book value of assets sold of \$9,797,000, which was applied to reduce the Fund's investment in the Project. For accounting purposes, the Project commenced operations effective April 1, 1979. The Fund's investment in the project is summarized hereunder:

Investment, March 31, 1979		\$225,857,000
Funding during the year:		
Net advances	\$12,521,000	
Less sale to Alberta Energy Company Ltd.	<u>54,898,000</u>	<u>(42,377,000)</u>
		183,480,000
Results of operations:		
Sales of share of substances produced	35,432,000	
Less total operating cost	<u>39,831,000</u>	<u>(4,399,000)</u>
Investment, March 31, 1980		<u>\$179,081,000</u>

Amortization of the Fund's investment in the Project amounting to \$3,313,000 (1979-\$ Nil) is included in total operating cost. It is intended that the investment cost will be fully amortized by December 31, 2004, the date of expiry of the approval of the Project by the Energy Resources Conservation Board.

- (d) Interest under loan agreements with Gulf Canada Limited and Gulf Canada Resources, Inc. amounting to \$18,537,000 and with Cities Service Company and Canada-Cities Service Ltd. amounting to \$17,602,000, accrued from the dates the funds were advanced to March 1, 1979 (the Conversion Computation Date), has been capitalized. Beginning March 1, 1979, interest on the principal outstanding, including capitalized interest, is receivable semi-annually. The Province of Alberta has the option at any time prior to March 1, 1984 to convert the whole or any part of each debenture, amounting to at least \$20 million excluding capitalized interest, into a percentage equity interest in the Syncrude Project. Should this option be exercised to the maximum extent, the Fund's equity in the Project would be increased from the present 8% to approximately 17%. In the event that the conversion option is not exercised, the principal together with capitalized interest is to be repaid to the Fund in 10 equal annual payments beginning on March 1, 1985 subject to the right of the borrowers to redeem earlier, in whole or in part, after March 1, 1984.

Alberta Heritage Savings Trust Fund
Capital Projects Division Investments

Schedule 3

March 31, 1980
(thousands of dollars)

	1980	1979
Health Care Facilities and Applied Health Research:		
New Health Care Facilities:		
Southern Alberta Children's Hospital	\$ 22,628	\$ 15,460
Alberta Health Sciences Centre	64,838	38,271
Southern Alberta Cancer Centre and Specialty Services Facility	30,931	13,922
Applied Health Research:		
Cancer and Heart Disease Research:		
Cancer Research	6,873	3,274
Heart Disease Research	11,290	3,043
Irrigation Rehabilitation and Expansion:		
Irrigation Rehabilitation and Expansion	31,573	22,634
Irrigation Headworks Improvement	9,515	6,128
Renewable Resources Improvement:		
Alberta Reforestation Nursery	11,909	11,543
Grazing Reserves Development	6,161	2,445
Maintaining our Forests	919	—
Land Reclamation	6,258	3,506
Development of Oil Sands Technology:		
Alberta Oil Sands Technology and Research Authority	100,949	62,949
Establishing and Improving Recreational Facilities:		
Capital City Recreation Park	39,861	33,434
Fish Creek Provincial Park (Department of Environment)	21,713	14,914
Fish Creek Provincial Park (Department of Recreation, Parks and Wildlife)	9,552	6,065

Kananaskis Regional Recreation Facility Development:		
Kananaskis Country Recreation Development	35,272	12,071
Development and Improvement of Alberta's Transportation Facilities:		
Airport Terminal Buildings	5,512	780
Developing and Producing Canadian Content Educational Resources:		
Alberta Heritage Learning Resources	7,603	2,668
Farming for the Future:		
Farming for the Future Programme	4,481	1,918
Improvement of Libraries at Colleges and Universities:		
Library Development	2,712	—
Management of Water Systems:		
Paddle River Basin Development	2,696	—
Lesser Slave Lake Stabilization	189	—
Alberta Heritage Foundation for Medical Research	300,000	—
Preservation of Historic Sites:		
Government House South	—	64
	<u>\$733,435</u>	<u>\$255,089</u>

1854

1854

