Summary Financial Statements

Province of British Columbia

For the Fiscal Year Ended
March 31, 2004

BRITISH
COLUMBIA

Report of the Auditor General of British Columbia

**ON THE
SUMMARY FINANCIAL STATEMENTS
OF THE GOVERNMENT OF THE
PROVINCE OF BRITISH COLUMBIA**

*To the Legislative Assembly
of the Province of British Columbia*

I have audited the summary financial statements of the Government of the Province of British Columbia consisting of the statement of financial position as at March 31, 2004, and the statements of operations, change in net liabilities, and changes in cash and temporary investments for the year then ended. These financial statements are the responsibility of the Government. 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 the Government, as well as evaluating the overall financial statement presentation.

Reservation

As explained in note 1(c) to these financial statements, the Government's stated accounting policies contain exceptions to generally accepted accounting principles (GAAP) for senior governments, as recommended by The Canadian Institute of Chartered Accountants, related to schools, universities, colleges and institutes, and health care organizations. Had GAAP been followed as at March 31, 2004, it would be expected that financial assets increase by $3.7 billion ($3.4 billion at March 31, 2003), liabilities increase by $3.9 billion ($3.7 billion at March 31, 2003), non-financial assets increase by $4.8 billion ($3.6 billion at March 31, 2003), and the accumulated deficit decrease by $4.6 billion ($3.3 billion at March 31, 2003). Similarly, for the year ended March 31, 2004, revenues increase by $2.3 billion ($2.4 billion for 2003), expenses increase by $2.0 billion ($2.2 billion for 2003), and the annual deficit decrease by $0.3 billion ($0.2 billion for 2003).

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Opinion

In my opinion, except for the effects of my reservation explained in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Government of the Province of British Columbia as at March 31, 2004, the results of its operations and the changes in net liabilities and its cash and temporary investments for the year then ended, in accordance with generally accepted accounting principles for senior governments as recommended by The Canadian Institute of Chartered Accountants.

Wayne Strelioff

Victoria, British Columbia
May 14, 2004

Wayne Strelioff, FCA
Auditor General

Statement of Responsibility for the Summary Financial Statements of the Government of the Province of British Columbia

Responsibility for the integrity and objectivity of the Summary Financial Statements for the Government of the Province of British Columbia rests with the Provincial Government. The Comptroller General prepares these financial statements in accordance with the accounting policies as determined by Treasury Board. The fiscal year for the provincial government is from April 1 to March 31 of the following year.

To fulfill its accounting and reporting responsibilities, the government maintains financial management and internal control systems. These systems give due consideration to costs, benefits and risks and are designed to provide reasonable assurance that transactions are properly authorized by the Legislative Assembly, are executed in accordance with prescribed regulations and are properly recorded. This is done to maintain accountability of public money and safeguard the assets and properties of the Province of British Columbia under government administration. The Comptroller General of British Columbia maintains the accounts of British Columbia, a centralized record of the government's financial transactions, and obtains additional information as required from ministries, Crown corporations and agencies to meet accounting and reporting requirements.

The Auditor General of British Columbia provides an independent opinion on the financial statements prepared by the government. The duties of the Auditor General in this respect are contained in section 11 of the *Auditor General Act*.

Annually, the financial statements are tabled in the Legislature as part of the Public Accounts, and are referred to the Select Standing Committee on Public Accounts of the Legislative Assembly. The Select Standing Committee on Public Accounts reports to the Legislative Assembly with the results of its examination and any recommendations it may have with respect to the financial statements and accompanying audit opinions.

Approved on behalf of the Government of the Province of British Columbia:

GARY COLLINS
Chair, Treasury Board

Summary Financial Statements
Statement of Financial Position
as at March 31, 2004

	Note	In Millions 2004	2003
Financial Assets		$	$
Cash and temporary investments	3	430	312
Accounts receivable	4	2,542	2,380
Inventories for resale	5	238	216
Due from other governments	6	344	135
Due from self–supported Crown corporations and agencies	7	164	402
Equity in self–supported Crown corporations and agencies	8	2,989	2,629
Loans, advances and mortgages receivable	9	1,048	596
Other investments	10	453	328
Financial assets held for sale	11		37
Loans for purchase of assets, recoverable from agencies	12	7,602	7,336
		15,810	14,371
Liabilities			
Accounts payable and accrued liabilities	13	3,543	3,353
Due to other governments	14	1,109	322
Due to Crown corporations, agencies and funds	15	123	101
Deferred revenue	16	1,292	706
Liabilities related to assets held for sale	11		113
Employee pension plans (unfunded pension liabilities)	17	3	4
Taxpayer–supported debt	18	29,431	28,899
Self–supported debt	19	7,507	7,225
		43,008	40,723
Net liabilities	21	(27,198)	(26,352)
Non–financial Assets			
Tangible capital assets	22	10,482	10,381
Prepaid capital advances	23	7,136	7,108
Prepaid program costs	24	82	107
Non–financial assets held for sale	11		593
Other assets	25	144	148
		17,844	18,337
Accumulated surplus (deficit)	26	**(9,354)**	**(8,015)**
Contingencies and commitments	27		
Significant events	34		

The accompanying notes and supplementary statements are an integral part of these financial statements.

Prepared in accordance with the accounting policies as determined by Treasury Board.

ARN VAN IERSEL
Comptroller General

Summary Financial Statements
Statement of Operations
for the Fiscal Year Ended March 31, 2004

	In Millions		
	2004		2003
	Estimates (Note 31) $	Actual $	Actual $
Revenue			
Taxation (Note 28)	13,341	13,808	12,277
Contributions from the federal government	3,992	3,346	3,578
Natural resources	3,396	3,653	3,281
Fees and licences	2,262	2,427	2,283
Net earnings of self–supported Crown corporations and agencies (Note 8)	1,381	1,881	1,766
Miscellaneous	900	977	829
Investment earnings	728	582	639
	26,000	26,674	24,653
Expense			
Health (Note 29)	10,718	10,945	10,724
Education (Note 29)	6,936	6,899	6,898
Social services	2,856	2,871	3,151
Interest (Note 29)	1,792	1,451	1,493
Protection of persons and property	1,428	1,565	1,422
Transportation (Note 29)	1,354	1,267	1,150
Natural resources and economic development	1,127	1,496	1,533
Other	1,123	906	667
General government	466	491	539
	27,800	27,891	27,577
Surplus (deficit) for the year before unusual items	(1,800)	(1,217)	(2,924)
Forecast allowance	(500)		
Results of discontinued operations (Note 11)			(106)
Restructuring exit expense (Note 35)		(122)	(169)
Surplus (deficit) for the year	**(2,300)**	(1,339)	(3,199)
Accumulated surplus (deficit)—beginning of year as restated (Note 26)		(8,015)	(4,816)
Accumulated surplus (deficit)—end of year		**(9,354)**	**(8,015)**

The accompanying notes and supplementary statements are an integral part of these financial statements.

Summary Financial Statements
Statement of Change in Net Liabilities
for the Fiscal Year Ended March 31, 2004

	In Millions	
	2004	2003
	$	$
Surplus (deficit) for the year	(1,339)	(3,199)
Effect of change in tangible capital assets:		
Acquisition of tangible capital assets	(702)	(601)
Amortization of tangible capital assets	526	564
Impact of tangible capital assets held for sale	593	
Disposals and valuation adjustments	75	268
	492	231
Effect of change in:		
Prepaid capital advances	(28)	(75)
Prepaid program costs	25	19
Other assets	4	9
	1	(47)
(Increase) decrease in net liabilities	(846)	(3,015)
Net liabilities—beginning of year	(26,352)	(23,337)
Net liabilities—end of year	**(27,198)**	**(26,352)**

The accompanying notes and supplementary statements are an integral part of these financial statements.

Summary Financial Statements
Statement of Changes in Cash and Temporary Investments
for the Fiscal Year Ended March 31, 2004

	In Millions			
	2004			2003
Operating Transactions	Receipts $	Disburse–ments $	Net $	Net $
Surplus (deficit) for the year			(1,339)	(3,199)
Non–cash items included in surplus (deficit)				
Amortization of tangible capital assets			526	564
Amortization of prepaid capital advances			468	415
Amortization of public debt deferred revenues and deferred charges			(15)	55
Concessionary loan adjustments (decreases)			(2)	(1)
Impact of Tangible Capital Assets held for sale			(51)	51
Valuation adjustments			228	273
Net earnings of self–supported Crown corporations and agencies			(1,881)	(1,766)
Accounts receivable (increases)			(327)	(55)
Due from other governments (increases)			(209)	278
Due from self–supported Crown corporations and agencies (increases) decreases			238	(18)
Accounts payable increases (decreases)			190	(30)
Due to other governments increases			787	223
Due to Crown corporations, agencies and funds increases			22	38
Unfunded pension liability payments			(1)	(2)
Items applicable to future operations increases			615	116
Contributions of self–supported Crown corporations and agencies			1,541	1,657
Cash derived from (used for) operations			790	(1,401)
Capital Transactions				
Tangible capital assets (acquisitions)	629	702	(73)	(392)
Prepaid capital advances (increases)		496	(496)	(490)
Cash (used for) capital	629	1,198	(569)	(882)
Investment Transactions				
Investment in self–supported Crown corporations and agencies		20	(20)	
Loans, advances and mortgages receivable (issues)	120	603	(483)	(35)
Other investments—net decreases (increases)		133	(133)	(44)
Cash (used for) investments	120	756	(636)	(79)
Total financing (requirements)			(415)	(2,362)

Summary Financial Statements
Statement of Changes in Cash and Temporary Investments for the Fiscal Year Ended March 31, 2004—Continued

	In Millions 2004			2003
Financing Transactions[1]	Receipts $	Disburse–ments $	Net $	Net $
Public debt increases	15,905	15,094	811	770
Derived from Warehouse Program investments				1,067
Derived from (used for) purchase of assets, recoverable from agencies	(4,900)	(4,622)	(278)	57
Cash derived from (used for) financing	11,005	10,472	533	1,894
Increase (decrease) in cash and temporary investments			118	(468)
Balance—beginning of year			312	780
Balance—end of year			**430**	**312**

[1]Financing transaction receipts are from debt issues and disbursements are for debt repayments.

The accompanying notes and supplementary statements are an integral part of these financial statements.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004

1. Significant Accounting Policies

(a) REPORTING ENTITY

These financial statements include the accounts of organizations accountable for the administration of their financial affairs and resources to a minister of the government or, directly to the Legislature, and are owned or controlled by the government. For purposes of the reporting entity, accountability to a minister or directly to the Legislature, does not include those entities that are part of a province–wide program and are locally based having initial accountability to a local board.

The reporting entity also includes government partnerships.

A list of organizations included in these consolidated financial statements can be found on pages 67 and 68.

Trusts administered by the government or a Crown corporation or agency are excluded from the reporting entity.

(b) PRINCIPLES OF CONSOLIDATION

Taxpayer–supported Crown corporations' and agencies' financial statements are consolidated with the Consolidated Revenue Fund using the full consolidation method. The government's interests in government partnerships are recorded on a proportional consolidation basis.

Self–supported Crown corporations and agencies and government business partnerships are consolidated with the Consolidated Revenue Fund on the modified equity basis of consolidation.

The definitions of these consolidation methods can be found on page 117.

No adjustments are made for Crown corporations and agencies whose fiscal year–ends are different from the government's fiscal year–end of March 31, unless the effect of an adjustment would be significant to the consolidated operating result.

(c) BASIS OF ACCOUNTING

The government's Summary Financial Statements are prepared in accordance with the Generally Accepted Accounting Principles (GAAP) for senior governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, with the following exceptions:

(i) Reporting entity—PSAB recommends the reporting entity comprise all organizations that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislature, and are owned or controlled by the government. The government currently does not include school districts, universities, colleges and institutes, or health care authorities (SUCH sector) in its reporting entity. These organizations will be included in 2004/05. The inclusion of universities will be reviewed annually.

(ii) Prepaid capital advances—PSAB recommends government transfers be expensed in a government's financial statements in the period that the events giving rise to the transfer occurred, as long as the transfer is authorized, eligibility criteria are met, and a reasonable estimate of the amount can be made. Transfers to school districts, universities, colleges and institutes, and health care authorities for the acquisition of significant tangible capital assets are not expensed in the year they are issued; rather, they are treated as a prepaid expense and amortized over the life of the tangible capital assets acquired with the advances.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

1. Significant Accounting Policies—Continued

The following table provides the impact to the province's financial statements if the accounting policies were changed to conform to current PSAB.

	In Millions (Unaudited)					
	Assets	Liabilities	Net Equity	Revenue	Expense	Surplus
	$	$	$	$	$	$
Inclusion of SUCH sector and expensing prepaid capital advances—increase	**8,503**	**3,892**	**4,611**	**2,300**	**1,963**	**337**

The *Budget Transparency and Accountability Act* requires that any exceptions to GAAP be eliminated for fiscal 2004/05.

(d) Specific Accounting Policies

Revenue

All revenue is recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The exception is corporation income tax which is recorded on a cash basis.

Government transfers are recognized as revenues in the period during which the transfer is authorized and any eligibility criteria are met.

Tax credits/offsets are accrued on the same basis as the associated tax revenues and reduce gross taxation revenue but are not considered valuation allowances.

Expenses

The cost of all goods and services received during the year is expensed.

Interest expense is recorded net of sinking fund earnings and includes debt servicing costs such as amortization of discounts and premiums, foreign exchange gains and losses, and issue costs.

Pension expense is calculated as the cost of pension benefits earned by employees during the year, interest on the pension benefits liability, net of pension plan assets, and amortization of the government's share of any experience gains or losses, less contributions made by members. The estimated total cost of the government's share of the plan amendments related to past service is expensed in the year the plan is amended.

Government transfers include grants, entitlements and transfers under agreements, as described in the definitions on page 117. Government transfers are recognized as expenses in the period in which the events giving rise to the transfer occurred, as long as the transfer is authorized, eligibility criteria have been met and a reasonable estimate of the amount can be made. This excludes transfers that meet the criteria for a prepaid capital advance.

Acquisitions of tangible capital assets and prepaid capital advances are recorded as assets and the cost is amortized over the useful life of the relevant tangible capital asset. Tangible capital assets not related to a capitalized class of assets are expensed in the year of acquisition.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

1. Significant Accounting Policies—Continued

Restructuring exit expenses are recorded when a restructuring plan in appropriate form has been approved by the province. To qualify, the expense must not be associated with or benefit activities that will be continued by the government reporting entity. In addition, the expense must:

(i) be incremental to other expenses incurred in normal operations and incurred as a direct result of the restructuring plan; or,
(ii) represent amounts to be incurred under an existing contractual obligation that will continue after the restructuring plan is completed with no economic benefit to the government; or,
(iii) represent a penalty or compensation incurred to cancel an existing contractual obligation.

Assets

Assets are recorded to the extent that they represent cash and claims upon outside parties, items held for resale to outside parties, prepaid expenses, deferred charges, prepaid capital advances or tangible capital assets acquired as a result of events and transactions prior to the year–end.

Financial Assets

Temporary investments and Warehouse Program investments include short–term investments recorded at the lower of cost or market value.

Inventories for resale include property which has been purchased, or for which development costs have been incurred, that is held for ultimate resale or lease to outside parties. Inventories for resale are recorded at the lower of cost or net realizable value.

Equity in self–supported Crown corporations and agencies represents the province's investment (including long–term advances) in those self–supported Crown corporations and agencies at cost, adjusted for increases and decreases in the investees' net assets.

Loans and advances are recorded at cost less adjustment for any prolonged impairment in value. Mortgages receivable are recorded at the principal amount less valuation allowance, are secured by real estate and are repayable over periods ranging up to thirty years. Concessionary loans and mortgages are recorded at net present value at issue and related present value discounts are expensed. Valuation allowances are made when collectability is considered doubtful.

Other investments are recorded at the lower of cost of acquisition (which may be adjusted by attributed income) or estimated current value. Valuation adjustments are made when the value of investments is impaired.

Loans for purchase of assets, recoverable from agencies are recorded at maturity value less unamortized premium or discount, deferred foreign exchange gains or losses and sinking fund balances. Premium/discount is amortized on a constant yield basis.

Non–Financial Assets

Tangible capital assets are recorded at historical cost, less accumulated amortization. Estimated cost is used to record existing tangible capital assets when actual cost is unknown. The recorded cost, less the residual value, is generally amortized over the estimated useful lives of the assets on a straight–line basis except for some transportation equipment which is amortized using the sinking fund method.

All significant tangible capital assets of government organizations and operations have been capitalized. Crown land is capitalized at a nominal value of $1.

The value of collections (artifacts, specimens and documents) has been excluded from the balance sheet.

Prepaid capital advances are provided to school districts, post–secondary educational institutions, health care organizations and other specified government organizations to fund capital asset acquisitions. The province has an ongoing claim on the assets of these organizations. Prepaid capital advances are amortized over the useful life of the assets funded.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

1. Significant Accounting Policies—Continued

Liabilities

All liabilities are recorded to the extent they represent claims payable to outside parties as a result of events and transactions prior to the year–end, including probable losses on loan guarantees issued by the province, contingent liabilities when it is likely a liability exists and the amount of the liability can be reasonably determined on an individual or portfolio basis, and unfunded pension liabilities.

Employee Pension Plans (Unfunded Pension Liabilities)

The province accounts for employee pension plans by recognizing a liability and an expense in the reporting period in which the employee has provided service. The amount is calculated using the accrued benefit actuarial cost method. Where plans are in a net asset position, and Joint Trusteeship Agreements restrict access to the assets, the province records the value of plan net assets as nil. Changes in net liabilities/assets which arise as a result of actuarial gains and losses, are amortized on a straight–line basis by the plan, over the average remaining service period of employees active at the date of the adjustments. Past service costs from plan amendments are recognized in full in the year of the amendment.

Unfunded pension liabilities of the Members of the Legislative Assembly Superannuation Account represent the terminal funding that would be required from the province for the difference between the present value of the obligations for future benefit entitlements and the amount of funds available in the account.

Public Debt

Public debt represents the direct debt obligations of the Province of British Columbia including borrowings incurred for government operating purposes, the acquisition of capital assets, for re–lending to authorized government bodies and for borrowings in advance of future requirements under the Warehouse Program. Public debt consists of short–term promissory notes, notes, bonds and debentures, bank loans, capital leases and mortgages payable. These obligations are recorded at principal less unamortized premium or discount, deferred foreign exchange gains or losses, and sinking fund balances where applicable. Public debt is reported in two categories: (1) taxpayer–supported, and (2) self–supported.

(1) Taxpayer–supported debt includes direct debt used for government operating and capital purposes, and the debt of Crown corporations and agencies that requires an operating or debt servicing subsidy from the provincial government or that are fully consolidated within these financial statements.

(2) Self–supported debt includes the portion of debt of commercial Crown corporations and agencies that has been borrowed through the government's fiscal agency loan program. It does not include all debt of commercial Crown corporations and agencies as these entities are consolidated on the modified equity basis. Commercial Crown corporations and agencies fully fund their operations and debt from revenue generated through the sale of goods and/or services at commercial rates to buyers that are outside the government reporting entity. Self–supported debt includes debt of the Warehouse Program.

Debt premium/discount is amortized on a constant yield basis. Unamortized premium/discount on bonds called and refinanced is amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter.

When it has been determined that there are sufficient securities to satisfy scheduled interest and principal payments for a debt instrument, the sinking fund assets are set aside in a defeased trust account. The debt and the related securities used to extinguish the debt are removed from the province's Statement of Financial Position. The debt is considered extinguished for financial reporting purposes.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

1. Significant Accounting Policies—Continued

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at the year–end. Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction unless hedged by forward contracts that specify the rate of exchange. Adjustments to revenue or expense transactions arising as a result of foreign currency translation are credited or charged to operations at the time the adjustments arise. Unrealized foreign currency gains and losses, on long–term fixed–term monetary assets and liabilities, are reported as a component of Public Debt and Loans for purchase of assets, recoverable from agencies and amortized over the remaining terms of the related items on a straight–line basis. Non–monetary assets and liabilities are translated at historical rates of exchange.

Derivative Financial Instruments

The province is a party to financial instruments with off–balance sheet risk due to fluctuations in foreign currency exchange rates, interest rate fluctuations and counterparty default on financial obligations. The province does not use derivative financial instruments for speculative purposes. Off–balance sheet position data is given in the form of nominal principal amounts outstanding. Amounts earned and expenses incurred under swaps are recognized and offset against the related interest expense. Gains and losses on terminated derivative contracts are deferred and amortized over the lesser of the remaining term of the contract or the related debt.

2. Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount.

Measurement uncertainty in these financial statements exists in the accruals for pension obligations, Canada Health and Social Transfer (CHST), the Federal Equalization Program and personal income tax.

The nature of the uncertainty in the accruals for pension obligations arises because actual results may differ significantly from the province's best estimates of expected results based on variables such as earnings on pension investments and life expectancy of claimants. Uncertainty related to the accrual for CHST, the Federal Equalization Program and personal income tax arises because of the possible differences between the estimates for the economic factors used in calculating the accruals and actual economic results.

British Columbia Hydro and Power Authority (BC Hydro), a wholly owned self–supported Crown corporation, is directly exposed to counterparty credit risk as a result of the purchase and sale of electricity and natural gas. During fiscal year 2001, the rapid rise of wholesale power prices and in–state supply shortages have caused significant financial hardship for a number of utilities in California, resulting in defaults on payments. As a result, BC Hydro has not recognized some amounts as revenue owed them from sales to these utilities and has recorded provisions for uncollectible amounts and legal costs that are, in management's best estimate, sufficient to cover any remaining exposure. Due to the instability in the California market and ongoing regulatory and legal proceedings, management cannot predict the outcome and the amount ultimately collected may differ materially from management's current estimate.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

3. Cash and Temporary Investments

	In Millions 2004	2003
	$	$
Cash (cheques issued in excess of funds on deposit)	(28)	(248)
Temporary investments[1]	458	560
	430	**312**

[1]Temporary investments consist mainly of units in the Province of British Columbia Investment Management Corporation Pooled Investment Portfolios. Units are carried at the lower of market value or cost of acquisition adjusted by income attributed to the units.

4. Accounts Receivable

	In Millions 2004	2003
	$	$
Taxes receivable	1,742	1,666
Trade accounts receivable	1,176	1,015
Accrued interest	343	315
	3,261	2,996
Provision for doubtful accounts	(719)	(616)
	2,542	**2,380**

5. Inventories for Resale

	In Millions 2004	2003
	$	$
Properties	49	82
Small Business Forest Enterprise Program	176	131
Other	13	3
	238	**216**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

6. Due from Other Governments

	2004 (In Millions)	2003 (In Millions)
	$	$
Government of Canada		
Current	186	95
Long–term	132	
Provincial governments		
Current	18	14
Local governments[1]		
Current	8	24
Long–term		2
	344	**135**

[1] Local governments are municipal units established by the provincial government which include regional and metropolitan municipalities, cities, towns, townships, districts, rural municipalities and villages.

7. Due from Self–supported Crown Corporations and Agencies

	2004 (In Millions)	2003 (In Millions)
	$	$
British Columbia Hydro and Power Authority	91	338
British Columbia Lottery Corporation	71	62
Columbia Power Corporation	2	2
	164	**402**

See page 73 for details.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

8. Equity in Self–supported Crown Corporations and Agencies

	In Millions			
	2004			2003
	Investments $	Unremitted Earnings $	Total $	Total $
British Columbia Hydro and Power Authority	20	1,614	1,634	1,630
British Columbia Railway Company	258	164	422	371
Columbia Power Corporation	276	23	299	293
Insurance Corporation of British Columbia		618	618	319
Provincial Capital Commission		16	16	16
	554	**2,435**	**2,989**	**2,629**

Change in Equity in Self–supported Crown Corporations and Agencies

Balance—beginning of year	534	2,095	2,629	2,520
Increase in investment	20		20	
Net earnings of self–supported Crown corporations and agencies		1,881	1,881	1,766
Contributions paid to the Consolidated Revenue Fund		(1,353)	(1,353)	(1,483)
Adjustments to contributions paid		(188)	(188)	(174)
Balance—end of year	**554**	**2,435**	**2,989**	**2,629**

See pages 73 and 74 for details.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

9. Loans, Advances and Mortgages Receivable

	In Millions 2004	2003
Loans and Advances	$	$
British Columbia Student loans	412	302
Industrial Development Fund commercial loans	97	135
Land Tax Deferment loans	150	144
British Columbia Ferry Services Inc.	428	
Construction loans to social housing projects	21	24
Accountable advances	17	29
Miscellaneous	57	67
	1,182	701
Provision for doubtful accounts	(170)	(145)
	1,012	556
Mortgages Receivable		
Reconstruction Program	49	58
Miscellaneous	8	
	57	58
Provision for doubtful accounts	(21)	(18)
	36	40
	1,048	**596**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

9. Loans, Advances and Mortgages Receivable—Continued

The BC Student Loan Program provides loans to students for higher education. Students are required to repay these loans through a contracted service provider, to the province over a maximum of 174 months with a floating interest rate of prime plus 2.5% or a fixed rate of prime plus 5%. Defaulted loans are due on demand with interest at a floating rate of prime plus 2.5%. The Program also administers defaulted student loans issued by financial institutions under a guaranteed and risk sharing agreement with the province. Defaulted risk sharing loans arise due to bankruptcy or death of the student while attending school.

The Industrial Development Fund provided loans to assist the establishment of new industry, the introduction of new technology to existing industry, or the development of a region of British Columbia. These loans incur interest at rates ranging from 0% to 10%. The Industrial Development Fund was eliminated pursuant to the repeal of the *Industrial Development Incentive Act under the Budget Measures Implementation Act, 2002*. No loans were issued after March 31, 2002.

The Land Tax Deferment Program allows eligible owners to defer payment of all, or a portion of, annual property taxes due on residences. Eligible individuals are either 60 years or older, a surviving spouse or a person with a disability. Simple interest is charged on the deferred taxes at a rate set by the Minister of Provincial Revenue. This rate will not exceed 2.0% below the prime lending rate of the principal banker to the government. The deferred taxes, administration fees, plus any outstanding interest, must be repaid before the residence can be legally transferred to a new owner, other than directly to a surviving spouse.

As part of a secured debenture amendment and preferred share surrender agreement, dated May 23, 2003, the province exchanged its interest in British Columbia Ferry Corporation for an interest-bearing debt in British Columbia Ferry Service Inc. The loan is interest bearing at 5.33% with a maturity date of April 1, 2006.

Construction loans are provided by British Columbia Housing Management Commission (BCHMC), a taxpayer-supported Crown corporation, and an approved lender under the *National Housing Act.* BCHMC provides construction loans for societies that are building approved projects under social housing programs. Interest is payable at the province's weighted average borrowing rate for short-term funds, plus administration costs. Loans are repaid at substantial completion of each project from financing arranged with private lenders.

Accountable advances represent funds issued for program costs that have not been expended in accordance with the applicable agreements.

The Reconstruction Program provides financial assistance to homeowners to pay for repairs to homes with premature building envelope failure. The financial assistance is provided in the form of subsidized interest loans, no interest loans or deferred payment loans and secured by registered mortgages. This Program is administered by the Homeowner Protection Office.

Miscellaneous mortgages receivable have terms ranging from less than one year to twenty years with some loans being payable on demand. Interest rates range from 3.5% to 10%.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

10. Other Investments

	In Millions 2004	2003
	$	$
Government of Canada bonds	36	18
Provincial government bonds	63	63
Commercial loans and investments	111	111
British Columbia Ferry Services Inc	75	
Pooled Investment Portfolios	14	45
Columbia Basin Trust investments	201	152
Miscellaneous	68	54
	568	443
Provision for doubtful accounts	(115)	(115)
	453	**328**

Government of Canada bonds have a market value of $37.4 million (par value $35.5 million), with yields ranging from 2.305% to 4.336%. Maturity dates range from June 18, 2004 to June 1, 2012.

Provincial bonds of various provinces have a market value of $68.9 million (par value $60.9 million), with yields ranging from 2.075% to 4.566%. Maturity dates range from March 8, 2005 to July 22, 2013.

Commercial loans and investments are recorded at the lower of cost of acquisition adjusted by attributed income and market value. A provision in the full amount of these loans has been recorded.

As part of a secured debenture amendment and preferred share surrender agreement dated May 23, 2003, the province exchanged its interest in British Columbia Ferry Corporation for 75,477 preferred shares in British Columbia Ferry Services Inc. These non–voting shares are valued at $1,000 per share and entitle the province to a fixed cumulative dividend at a rate of 8% of the issue price.

Pooled investment portfolios consist of units in the British Columbia Investment Management Corporation's BC Focus Fund and Illiquid Fund. These funds' investments consist primarily of debt and equity holdings of privately held companies.

Columbia Basin Trust investments include $9 million in bankers acceptances and deposits. The balance of $192 million represents investments in power development joint ventures.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

11. Assets Held for Sale

The Financial Statements and related notes for the fiscal year ended March 31, 2003, have been restated to report the disposal of long lived assets and discontinued operations of only significant government operations. For the 2003/04 fiscal year, the impact of the government's decision to sell the shares and transfer control of British Columbia Ferry Services Inc. (BCFSI), (formerly British Columbia Ferry Corporation) to the British Columbia Ferry Authority is shown.

British Columbia Ferry Services Inc. provides ferry transportation services in British Columbia. The British Columbia Ferry Authority is an independent no-share capital corporation; its purpose is to govern BCFSI and to appoint its Board of Directors. As of April 2, 2003, BCFSI is no longer owned or controlled by the province and its assets and operations are no longer included in the government reporting entity. On that date, the province exchanged its ownership in BCFSI for non-voting preference shares in BCFSI with a stated value of $75 million and a promissory note from BCFSI with a par value of $428 million.

The discontinued operations and assets held for sale of the British Columbia Railway Company, a modified equity enterprise, are included in Equity in self-supported Crown corporations and agencies and described in Note 34, Significant Events.

12. Loans for Purchase of Assets, Recoverable from Agencies

	In Millions	
	2004	2003
	$	$
British Columbia Hydro and Power Authority	7,040	6,696
British Columbia Railway Company	467	481
Columbia Power Corporation		47
Improvement districts	5	6
Post–secondary educational institutions	90	106
	7,602	7,336
Provision for doubtful accounts		
	7,602	**7,336**

13. Accounts Payable and Accrued Liabilities

	In Millions	
	2004	2003
	$	$
Trade accounts payable and other liabilities	1,700	1,624
Accrued interest on debt	805	789
Accrued employee leave entitlements	280	245
Other accrued estimated liabilities[1]	758	695
	3,543	**3,353**

[1]Includes pending litigation, provision for guaranteed debt payout and other miscellaneous accrued claims.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

14. Due to Other Governments

	In Millions 2004	2003
	$	$
Government of Canada		
Current	334	297
Long–term	738	
Provincial governments		
Current	30	22
Local governments[1]		
Current	7	3
	1,109	**322**

[1]Local governments are municipal units established by the provincial government which include regional and metropolitan municipalities, cities, towns, townships, districts, rural municipalities and villages.

15. Due to Crown Corporations, Agencies and Funds

	In Millions 2004	2003
	$	$
British Columbia Liquor Distribution Branch	44	44
Post–secondary educational institutions		1
Trust funds	79	56
	123	**101**

16. Deferred Revenue

	In Millions 2004	2003
	$	$
Medical Services Plan premiums	66	69
Motor vehicle licences and permits	185	166
Petroleum, natural gas and minerals, leases and fees	35	32
Water rentals and recording fees	70	76
Derivative debt instruments	144	47
Federal Contributions	390	
Unearned lease revenue	106	107
Federal and municipal highway project revenues	65	36
Forest Stand Management Fund	15	16
Deferred Capital Contributions	85	67
Miscellaneous	131	90
	1,292	**706**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

17. Employee Pension Plans (Unfunded Pension Liabilities)

	In Millions 2004	2003
	$	$
Members of the Legislative Assembly Superannuation Account	3	4

The province contributes to four defined benefit pension plans for substantially all its employees and to the Members of the Legislative Assembly Superannuation Account (the Account). The four pension plans are the Public Service Pension Plan, the Municipal Pension Plan, the Teachers' Pension Plan and the College Pension Plan. The plans provide pensions based on length of service and highest five–year average earnings. No unfunded liability exists for the future indexing of pensions as the obligation is limited to the amount of available assets in separate inflation accounts.

There are additional employee pension plans in Crown corporations and agencies consolidated on the modified equity basis. Net assets or net liabilities of the pension funds are included in the investment balance of the particular Crown corporation or agency.

The estimated financial position as at March 31, 2004 for each plan is as follows:

	In Millions				
	Public Service Pension Plan	Municipal Pension Plan	Teachers' Pension Plan	College Pension Plan	Total
	$	$	$	$	$
Accrued benefit obligation	8,986	9,049	10,566	1,331	29,932
Pension fund assets	11,069	10,300	10,182	1,523	33,074
	(2,083)	(1,251)	384	(192)	(3,142)
Unamortized actuarial gain (loss)			(776)	(196)	(972)
Accrued net obligation (asset)	**(2,083)**	**(1,251)**	**(392)**	**(388)**	**(4,114)**

The College, Public Service, Municipal and Teachers' plans are joint trusteeship plans. In joint trusteeship plans, control of the plans and their assets are assumed by individual pension boards made up of government and plan member representatives. Provisions of these plans stipulate that the province has no formal claim to any pension plan surpluses or assets. The boards are fully responsible for the management of the plans, including investment of the assets and administration of the plans. The British Columbia Pension Corporation (Pension Corporation) provides benefit administrative services as agents of the boards of trustees.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

17. Employee Pension Plans (Unfunded Pension Liabilities)—Continued

In the event that a plan deficit is determined by an actuarial valuation (performed every three years), the pension boards, by agreement, are required to address it through contribution adjustments or other means. It is expected, therefore, that any unfunded liabilities in the future will be short-term in nature.

The reported net assets of the pension plans are under joint trusteeship agreements which limit the province's possible conditional share to 50%. The province has no claim on accrued asset amounts. If the individual pension boards decide to reduce or suspend employer contributions for a period of time, the province may record an asset. Therefore, the recorded value of the net assets is nil until such time that such a decision is made. Also, only 70% of the pension fund assets and accrued benefit obligation are included for the Municipal Pension Plan, reflecting the province's interest in the plan.

The accrued benefit obligations and pension assets shown for 2003/04 are based on extrapolation of the most recent actuarial valuations as follows: Public Service Pension Plan (March 31, 2002); Municipal Pension Plan (December 31, 2000); Teachers' Pension Plan (December 31, 2002); and College Pension Plan (August 31, 2003). Fund assets are based on market value at the date of actuarial valuation and extrapolated using actuarial growth assumptions.

The Account is also administered by the Pension Corporation. As members of the Legislative Assembly retire, the present value of the amount required to provide a legislative member’s future pension benefits are transferred from the Account to the Public Service Pension Plan from which monthly pensions are paid. Pension benefits are based on length of service and highest five-year average earnings. The unfunded pension liability for the Account represents the terminal funding that would be required from the province for the difference between the present value of the obligations for future benefit entitlements and the amount of funds available in the Account.

Key actuarial assumptions used in the valuations include a long-term annual rate of return on pension fund assets of 7.30% for the Public Service Pension Plan, 7.25% for the Municipal Pension Plan, 7.25% for the Teachers’ Pension Plan, and 7.20% for the College Pension Plan, and long-term annual salary increases of 4.80% for the Public Service Pension Plan, 4.75% for the Municipal Pension Plan, 4.75% for the Teachers’ Pension Plan, and 4.70% for the College Pension Plan.

The audited financial statements of each pension plan listed, along with full descriptions, benefit formulas, inflation assumptions and funding policies may be found at www.pensionsbc.ca.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

18. Taxpayer–supported Debt[1]

In Millions

	Year of Maturity	Canadian Dollar	US Dollar[2]	Japanese Yen[2]	Other Currencies[2]	2004 Canadian Dollar Total	2003 Canadian Dollar Total
Short–term promissory notes	2004						976
	2005	850	73			923	
Notes, bonds and debentures[3]	2004						1,912
	2005	1,036	489		610	2,135	2,123
	2006	2,365				2,365	2,296
	2007	1,431	1,179		370	2,980	2,987
	2008	930	829	59	418	2,236	2,248
	2009	2,103	1,157			3,260	2,970
	2009–2014	6,983	919	204	935	9,041	8,387
	2014–2019	783				783	659
	2019–2024	2,776				2,776	2,473
	2024–2029	1,635				1,635	1,632
	2029–2034	3,110				3,110	3,110
	2034–2039	665				665	165
	2039–2044	350				350	200
Total debt issued at face value		**25,017**	**4,646**	**263**	**2,333**	32,259	32,138
Sinking funds[4]						(2,680)	(3,135)
Unamortized premium (discount)						(119)	(119)
Unrealized foreign exchange gains/(losses)						(18)	24
Amount held in the Consolidated Revenue Fund						(11)	(9)
Total taxpayer–supported debt						**29,431**	**28,899**

The effective interest rates (weighted average percent) as at March 31 on the above debt are:

2004	5.67%	
2003		5.98%

[1] The balances and interest rates reflect the impact of the related derivative contracts, presented in Note 20 (Risk Management and Derivative Financial Instruments).

[2] Foreign currencies include: $3,023 million US ($4,646 million Canadian); 22,000 million Japanese yen ($263 million Canadian); 1,000 million Swiss francs ($1,028 million Canadian); and 741 million euros ($1,305 million Canadian). Effective January 1, 2002, debt originally issued in and totalling 2,499 million French francs and 703 million Deutsche marks was converted at established fixed exchange rates (6.55957 French francs for 1 euro and 1.95583 Deutsche marks for 1 euro) and is now reported in euros.

[3] Notes, bonds and debentures include nil (2003: $6 million) in bank loans, $32 million (2003: $47 million) in capital leases and $134 million (2003: $141 million) in mortgages.

[4] Sinking fund balances include assets totalling $108 million (2003: $138 million) invested in the Matched Book Program and assets totalling $2,572 million (2003: $2,997 million) set aside for orderly repayment of debt. Sinking funds are managed by the British Columbia Investment Management Corporation.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

18. Taxpayer–supported Debt—Continued

Notes, bonds and debentures

Redeemable by the bond holder

Balances include debentures issued to the Canada Pension Plan totalling $3,424 million (2003: $3,447 million) at a weighted average interest rate of 8.73% (2003: 9.27%). These debentures mature at various dates from April 2, 2004 to March 1, 2024, with interest rates varying between 5.29% and 14.06%. These debentures are redeemable in whole or in part before maturity, on six months' prior notice, at the option of the Minister of Finance of Canada, subject to certain restrictions. During the year, $300 million in Canada Pension Plan debentures were issued. Under Canada Pension Plan legislation, any significant amendment to benefits or contributions requires the approval of the legislature of two–thirds of the provinces.

Balances include 5.45% debentures due August 17, 2028, totalling $200 million (2003: $200 million). The holders have a put option that, if exercised, would result in the bond maturing on August 17, 2005. If the option is not exercised, the debenture will mature on August 17, 2028, and the effective rate on the bond will be 5.62% for the period August 18, 2005 to August 17, 2028.

Balances include 5.86% debentures due June 18, 2029, totalling $250 million (2003: $250 million). The holders have a put option that, if exercised, would result in the bond maturing on June 19, 2006. If the option is not exercised, the debenture will mature on June 18, 2029.

Balances include British Columbia Savings Bonds totalling $180 million (2003: $229 million) maturing at dates from October 15, 2005 to October 15, 2007, and with an effective rate of 2.35% are redeemable at par by the holder each April 15 and October 15 prior to maturity.

Redeemable by the province

Balances include debentures issued to the Canada Pension Plan totalling $3,424 million (2003: $3,447 million) at a weighted average interest rate of 8.73% (2003: 9.27%). These debentures mature at various dates from April 2, 2004 to March 1, 2024, with interest rates varying between 5.29% and 14.06%. These debentures are redeemable in whole or in part before maturity, on 30 days' prior notice, at the option of the province.

Issues totalling $150 million (2003: $80 million) with effective rates ranging from 2.25% to 2.31% are redeemable at par at the province's option on dates ranging from October 20, 2005 to April 30, 2015.

Defeasances

At March 31, 2004, sufficient securities had been set aside in a defeasance trust account to satisfy the scheduled interest and principal payment requirements of $763 million (2003: $814 million). The securities are government of Canada bonds, provincial bonds or BC Municipal Finance Authority securities that are held to maturity and match the timing and specific amounts required to pay the interest and principal payments on the debt. The debt is considered extinguished for financial reporting purposes. The debt and related securities used to extinguish the debt are removed from the province's Statement of Financial Position.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

18. Taxpayer–supported Debt—Continued

Notes, bonds and debentures—Continued

Aggregate payments to meet sinking fund instalments and retirement provisions

Aggregate payments for the next five fiscal years to meet sinking fund instalments and retirement provisions on notes, bonds and debentures are:

	In Millions Canadian Dollar
2005	1,836
2006	2,164
2007	2,765
2008	2,101
2009	3,130

19. Self–supported Debt[1]

In Millions

	Year of Maturity	Canadian Dollar	US Dollar[2]	Japanese Yen[2]	Other Currencies[2]	2004 Canadian Dollar Total	2003 Canadian Dollar Total
Short–term promissory notes	2004						1,187
	2005	267	733			1,000	
Notes, bonds and debentures	2004						300
	2005	388	75	135		598	598
	2006	413				413	413
	2007	314				314	314
	2008	9	397			406	430
	2009	144				144	144
	2009–2014	1,674	356		150	2,180	1,747
	2014–2019	350				350	
	2019–2024	1,296				1,296	1,296
	2024–2029	75	655			730	810
	2029–2034	575				575	575
	2034–2039	50	393			443	491
Total debt issued at face value		**5,555**	**2,609**	**135**	**150**	8,449	8,305
Sinking funds[3]						(1,048)	(1,029)
Unamortized premium (discount)						4	(6)
Unrealized foreign exchange gains/(losses)						102	(45)
Total self–supported debt						**7,507**	**7,225**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

19. Self–supported Debt—Continued

The effective interest rates (weighted average percent) as at March 31 on the above debt are:

2004	6.11%	
2003		6.25%

[1]The balances and interest rates reflect the impact of the related derivative contracts, presented in Note 20 (Risk Management and Derivative Financial Instruments).

[2]Foreign currencies include: $1,949 million US ($2,609 million Canadian); 10,000 million Japanese yen ($135 million Canadian); 97 million euros ($150 million Canadian).

[3]Sinking funds at March 31, 2004, totalling $397 million US (2003: $372 million US) act as a natural hedge of the US dollar debentures and short–term promissory notes. Sinking funds are managed by the British Columbia Investment Management Corporation.

Notes, bonds and debentures

Redeemable by the bond holder

Balances include debentures issued to the Canada Pension Plan totalling $317 million (2003: $317 million) at a weighted average interest rate of 11.11% (2003: 11.11%). These debentures mature at various dates from July 10, 2004 to June 9, 2009 with interest rates varying between 9.62% and 14.06%. These debentures are redeemable in whole or in part before maturity, on six months' prior notice, at the option of the Minister of Finance of Canada, subject to certain restrictions. During the year, no Canada Pension Plan debentures were issued for self–supported debt. Under Canada Pension Plan legislation, any significant amendment to benefits or contributions requires the approval of the legislature of two–thirds of the provinces.

Redeemable by the province

Balances include debentures issued to the Canada Pension Plan totalling $317 million (2003: $317 million) at a weighted average interest rate of 11.11% (2003: 11.11%). These debentures mature at various dates from July 10, 2004 to June 9, 2009, with interest rates varying between 9.62% and 14.06%. These debentures are redeemable in whole or in part before maturity, on 30 days' prior notice, at the option of the province.

Defeasances

At March 31, 2004, sufficient securities had been set aside in a defeasance trust account to satisfy the scheduled interest and principal payment requirements of $68 million (2003: $68 million). The securities are government of Canada bonds or provincial bonds that are held to maturity and match the timing and specific amounts required to pay the interest and principal payments on the debt. The debt is considered extinguished for financial reporting purposes. The debt and related securities used to extinguish the debt are removed from the province's Statement of Financial Position.

Aggregate payments to meet sinking fund instalments and retirement provisions

Aggregate payments for the next five fiscal years to meet sinking fund instalments and retirement provisions on notes, bonds and debentures are:

	In Millions Canadian Dollar
2005	566
2006	427
2007	327
2008	431
2009	150

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

20. Risk Management and Derivative Financial Instruments

The province borrows funds in both domestic and foreign capital markets, and manages its existing debt portfolio to achieve the lowest debt costs within specified risk parameters. As a result, the province is exposed to risks associated with interest rate fluctuations, foreign exchange rate fluctuations and credit risk. In accordance with risk management policy guidelines set by the Risk Committee of the Ministry of Finance, the province uses a variety of derivative financial instruments to hedge exposure to interest and foreign exchange risks.

Derivatives used by the province include interest rate swaps, cross–currency swaps, forward foreign exchange contracts, forward rate agreements, advanced rate setting agreements and options. A derivative instrument is a financial contract with a financial institution or counterparty that is applied to effect a hedge on interest rate or foreign exchange exposure contained in the underlying provincial debt instrument. A derivative derives value from the impact of market changes on the underlying hedged debt instrument.

The province also engaged in commodity derivative hedging on behalf of the British Columbia Ferry Corporation. The objective of commodity derivative hedging was to reduce the financial risks associated with price volatility in the commodity market. As at March 31, 2004, the remaining notional amounts under commodity contracts totalled nil (2003: 122,000) barrels of oil. Effective April 2, 2003, the contracts were transferred to British Columbia Ferry Services Inc. and matured at various dates from May 31, 2003, to August 31, 2003.

The following tables present maturity schedules of the province's derivatives by type, outstanding at March 31, 2004, based on the notional amounts of the contracts.

Taxpayer–supported Debt

In Millions

Year of Maturity	Cross Currency Swaps	Interest Rate Swaps	Advanced Rate Setting Agreement	Forward Foreign Exchange Contracts	Total
	$	$	$	$	$
2005	1,099	95	200	73	1,467
2006		745			745
2007	1,919	1,679			3,598
2008	1,305				1,305
2009	1,158	1,055			2,213
6–10 years	2,013	1,011			3,024
Over 10 years	218	634			852
Total	**7,712**	**5,219**	**200**	**73**	**13,204**

As at March 31, 2004, the province entered into two advanced rate setting agreements to lock in interest rates in advance of an expected bond issue. The hedging instrument for both is a Government of Canada bond, 5.75%, maturing June 1, 2029 with a notional amount of $200 million.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

20. Risk Management and Derivative Financial Instruments—Continued

Self–supported Debt

	Year of Maturity	Cross Currency Swaps	Interest Rate Swaps	Delayed Interest Rate Swap	Total
		In Millions			
		$	$	$	$
	2005	279	1,168		1,447
	2006	135	236		371
	2007		200		200
	2008	200	524		724
	2009				
	6–10 years	440	1,296	200	1,936
	Over 10 years		150		150
Total		**1,054**	**3,574**	**200**	**4,828**

On behalf of British Columbia Hydro and Power Authority (BC Hydro), the province entered into a delayed interest rate swap to hedge the refinancing risk on a BC Hydro debt issue. Under the interest rate swap, the province pays a fixed semi–annual rate and receives a floating rate, starting June 21, 2004 and maturing December 21, 2012, on a notional amount of $200 million.

Interest rate risk

Interest rate risk is the risk that the province's debt servicing costs will fluctuate due to changes in interest rates. The province uses derivative contracts to manage interest rate risk by exchanging a series of interest payments, and assuming either a fixed or floating rate liability to a counterparty, based on the notional principal amount. Derivatives allow the province to alter the proportion of its debt held in fixed and floating rate form to take advantage of changes in interest rates.

The government's current policy guidelines, with respect to the provincial government direct debt portfolio, that totals $25,943 million (2003: $25,309 million), allow floating rate exposure up to 45.00% (2003: 45.00%) of this portion of the taxpayer–supported debt. At March 31, 2004, floating rate debt exposure was 35.62% (2003: 40.57%) of the government direct debt portfolio.

Under current policy guidelines for BC Hydro, the maximum floating rate exposure is 46.00% (2003: 46.00%) of their debt that totals $7,040 million (2003: $6,784 million). At March 31, 2004, floating rate debt exposure for BC Hydro was 29.30% (2003: 38.40%) of their debt.

Based on the taxpayer–supported and self–supported debt portfolios at March 31, 2004, a 1.00% increase in interest rates would result in an increase in the annual debt servicing expense of $93 million (2003: $100 million) for the taxpayer–supported debt portfolio and $15 million (2003: $25 million) for the self–supported debt portfolio.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

20. Risk Management and Derivative Financial Instruments—Continued

Foreign exchange risk

Foreign exchange risk is the risk that the province's debt servicing costs and principal payments will fluctuate due to changes in foreign exchange rates. The province uses derivative contracts to hedge foreign exchange risk by converting foreign currency principal and interest cash flows into Canadian dollar cash flows. Within specified limits set by policy, the province and provincial corporations may only assume unhedged exposure to US dollars and Japanese yen.

The government's current policy guidelines with respect to the provincial government direct debt portfolio, which totals $25,943 million (2003: $25,309 million), allow unhedged foreign debt exposure up to 10.00% (2003: 10.00%) of this portion of the taxpayer–supported debt. At March 31, 2004, unhedged foreign debt exposure in Japanese yen was 4.73% (2003: 2.99%) of the government direct debt portfolio. At March 31, 2004, there was no unhedged foreign debt exposure in US dollars for the government direct debt portfolio (2003: nil).

Under current policy guidelines for BC Hydro, the maximum unhedged foreign debt exposure is 30.00% (2003: 30.00%) of their debt, which totals $7,040 million (2003: $6,784 million). At March 31, 2004, 20.10% (2003: 25.20%) of their debt was in the form of unhedged foreign debt in US dollars.

Based on the taxpayer–supported and self–supported debt portfolios at March 31, 2004, a one cent decrease in the Canadian dollar versus the US dollar would result in an increase of $11 million (2003: $15 million) in the annual debt servicing expense for the self–supported debt portfolio. A decrease of one yen versus the value of the Canadian dollar (for example, from 79 yen to 78 yen) would result in an increase to the annual debt servicing expense of $3 million (2003: $2 million) for the taxpayer–supported debt portfolio.

Credit risk

Credit risk is the risk that the province will incur financial loss due to a counterparty defaulting on its financial obligation to the province. In accordance with the government's policy guidelines, the province reduces its credit risk by dealing with only highly rated counterparties. The province only enters into derivative transactions with counterparties that have a rating from Moody's Investors Service and Standard & Poor's of at least AA–/Aa3 or A+/A1 in the case of Canadian Schedule A banks. The province also establishes limits on individual counterparty credit exposures and monitors these exposures on a regular basis.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

21. Net Liabilities

The Statement of Change in Net Liabilities (*see* page 33) shows the net impact of applying the expenditure basis of accounting. The net liabilities calculation uses the expenditure, rather than the expense, basis of accounting. Under the expenditure basis of accounting, prepaid capital advances, tangible capital assets, prepaid program costs and other assets are recorded as expenditures when calculating the current year surplus or deficit. Under the expense basis of accounting, these items are recorded on the Statement of Financial Position as assets and amortized over an applicable period of time.

22. Tangible Capital Assets

	In Millions 2004	In Millions 2003
	Net Book Value $	Net Book Value $
Land and land improvements	833	770
Buildings (including tenant improvements)	921	944
Highway infrastructure	6,263	6,161
Ferries and related infrastructure	11	15
Transportation equipment	2,053	2,088
Computer hardware and software	268	257
Other	133	146
	10,482	**10,381**

See Statement of Tangible Capital Assets on page 75.

The estimated useful lives of the more common tangible capital assets are: buildings (10–50 years); highway infrastructure (15–40 years); ferries and related infrastructure (5–40 years); transportation equipment (5–40 years); computer hardware and software (3–5 years); and other (including vehicles, specialized equipment, and furniture and equipment) (5–20 years). Land improvements are amortized over 30 years (recreation areas) or 40 years (dams and water management systems). Tenant improvements are amortized over 5 years or the length of the relevant lease term.

Included in tangible capital assets of British Columbia Transit (BCT) and of Rapid Transit Project 2000 Ltd (RTP) are capital assets under lease to Greater Vancouver Transportation Authority (GVTA). These capital assets under lease consist of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets are made available to GVTA for their use under the *Greater Vancouver Transportation Authority Act* and an Order in Council (OIC) enacted thereunder, and represent one of the province's contributions toward public transportation in the Greater Vancouver Regional District. The OIC–directed lease arrangements with GVTA and BCT are for one dollar per year under an initial fifteen–year term with additional five–year renewal periods upon the agreement of BCT and GVTA. The net book value of these assets is $945 million (2003: $963 million). A similar lease arrangement is under negotiation with GVTA for the RTP assets.

23. Prepaid Capital Advances

	In Millions 2004	In Millions 2003
	$	$
Health facilities	3,074	2,953
Post–secondary educational institutions	2,609	2,401
Schools	6,429	6,475
	12,112	11,829
Accumulated amortization	(4,976)	(4,721)
	7,136	**7,108**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

24. Prepaid Program Costs

	In Millions	
	2004	2003
	$	$
Prepaid program costs[1]	**82**	**107**

[1]Includes inventories of operating material held in the Purchasing Commission and Queen's Printer warehouses pending distribution in a subsequent fiscal year. Also includes inventories of supplies and other not for resale items held by taxpayer–supported Crown corporations and agencies and charged to expenses when consumed in the normal course of operations.

25. Other Assets

	In Millions	
	2004	2003
	$	$
Deferred debt instrument costs	119	122
Deferred treaty costs	21	23
Other deferred costs	4	3
	144	**148**

26. Accumulated Surplus (Deficit)

	In Millions	
	2004	2003
	$	$
Accumulated surplus (deficit)—beginning of year as previously reported	(7,954)	(4,785)
Adjustments to accumulated surplus (deficit)[1,2]	(61)	(31)
Accumulated surplus (deficit)—beginning of year as restated[2]	(8,015)	(4,816)
Surplus (deficit) for the year[2]	(1,339)	(3,199)
Accumulated surplus (deficit)—end of year	**(9,354)**	**(8,015)**

[1]In fiscal 2002/03, the opening accumulated deficit for 2002/03 was restated to apply changes due to correction of errors. These adjustments were made: to recognize the outstanding amount of leave liability for the Healthcare Benefits Trust for those organizations funded through government ($30 million increase); to adjust the land account for land held for the federal government that had been capitalized by the province ($1 million increase); to adjust revenue recognition for safety inspection fees recognized as revenue in prior years that should have been deferred to future years to coincide with the related cost incurrence ($8 million increase); and, to transfer the trust account held for the Crop Insurance Fund to be included as a part of regular government operations, ($8 million decrease). The net effect of these changes results in an increase to the 2002/03 opening accumulated deficit of $31 million (from $4,785 to $4,816).

[2]In fiscal 2003/04, further restatements to the 2002/03 accumulated deficit were made to apply changes due to correction of errors. These adjustments were made: to recognize the outstanding amount of leave liability for the Healthcare Benefits Trust for those organizations funded through government ($23 million increase); to adjust expense for School District Building Envelope Program ($7 million increase); to transfer the trust account held for the Crop Insurance Fund to be included as a part of regular government operations, ($8 million decrease); and, to adjust the accrual for employee leave liability ($8 million increase). The net effect of these changes is a $30 million increase to the 2002/03 deficit (from $3,169 to $3,199). When combined with the prior year's change, the total impact to the 2003/04 opening accumulated deficit is $61 million (from $7,954 to $8,015).

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

27. Contingencies and Commitments

(a) GUARANTEED DEBT

Guaranteed debt as at March 31, 2004, totalled $156 million (2003: $264 million). These guarantees include amounts where indemnities have been made for explicit quantifiable loans. *See* Statement of Guaranteed Debt on page 76 for details.

(b) CONTINGENT LIABILITIES

(i) Litigation

The province is a defendant in legal actions and is involved in matters such as expropriation compensation disputes and tax assessment appeals. These matters may give rise to future liabilities.

The province has the following contingent liabilities where the estimated or known claim is or exceeds $100,000, but the likelihood of payment is uncertain.

	In Millions	
	2004	2003
	$	$
Negligence and miscellaneous	2	38
Contract disputes	130	163
Damages to persons or property	28	157
Expropriation disputes		34
Timber harvesting rights disputes	3	
Property access disputes	9	22
Motor vehicle accidents	1	2
Tax disputes	18	8
	191	**424**

When it is determined that it is likely that a liability exists and the amount can be reasonably estimated, the amount is recorded as an accrued liability (*see* Note 13) and an expense. The accrued liability for litigation at March 31, 2004 was $61 million (2003: $36 million).

(ii) Guarantees and Indemnities

The province also has contingent liabilities in the form of indemnities, indirect guarantees and outstanding claims for amounts that are not explicit or reasonably estimable at this time.

(iii) Environmental Clean–up

The province is responsible for the environmental clean–up of numerous contaminated sites in the province. For those sites where the province has possession, a liability of $130 million (2003: $145 million) has been accrued based on preliminary environmental audits. This liability is based on the minimum estimated clean–up costs for those sites where an estimate has been made and it has been determined that the government is liable. Estimated clean–up costs, not already accrued, for sites under evaluation are approximately $93 million at March 31, 2004. In addition, the Ministry of Energy and Mines has determined possible net liabilities of $300 million for sites the province does not own. Many other sites remain to be evaluated; the future liability for all environmental clean–up costs is not currently determinable.

(iv) Aboriginal Land Claims

Treaty negotiations between the province, Canada and First Nations commenced in 1994. The province anticipates that these negotiations will result in modern–day treaties defining the boundaries and nature of First Nations treaty settlement lands. As of March 31, 2004, there were 45 treaty tables in various stages of negotiation, representing two–thirds of the aboriginal people in British Columbia.

When final treaty agreements are ratified, the provincial cost of treaties is recorded in the Public Accounts. Costs are amortized over the same period as the period of capital transfers established in final agreements.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

27. Contingencies and Commitments—Continued

Four Agreements in Principle (AiPs) were signed in 2003, to add to the AiP signed with Sechelt in 1999. It is expected that the capital transfer components in all the AiPs will be entirely provided by Canada. The provincial land commitments of Provincial Crown Land within all five AiPs are as follows:

Lheidli T'enneh, 3,120 hectares
Maa-nulth, 20,900 hectares
Sliammon, 6,000 hectares
Tsawwassen, 427 hectares
Sechelt, 933 hectares

Since the signing of the Sechelt AiP, there has been little or no progress in negotiations and a final agreement is not anticipated in the near future.

Eighty percent of funding for First Nations negotiation costs is in the form of loans from Canada and is repayable from treaty settlements. The province has committed to reimburse Canada 50% of any negotiation support loans that default, along with 50% of the interest accrued. The earliest date at which the loans are expected to become due is 2006 and the amount of any provincial liability is not determinable at this time.

Some First Nations have chosen not to negotiate through the formal British Columbia Treaty Commission process. Several have commenced litigation claiming aboriginal rights and/or title over their asserted Traditional Territories and/or challenging provincial approvals regarding resource allocation and extraction on those lands with respect to the adequacy of consultation and accommodation. The result of these actions is not determinable at this time.

(v) Crown Corporations

The Insurance Corporation of British Columbia (ICBC) has settled some claims which require ICBC to provide claimants with periodic payments, usually for a lifetime. ICBC has purchased annuities to make these payments; however, if the annuities are insufficient, ICBC remains responsible. The gross amount of these settlements at December 31, 2003, was approximately $594 million (2002: $569 million).

The BC Transportation Financing Authority has contingent liabilities of $92 million remaining after deducting the estimated settlement expense currently accrued from gross claims outstanding for capital projects.

Powerex, a wholly–owned subsidiary of the British Columbia Hydro and Power Authority, has been named as a defendant in a number of lawsuits regarding alleged market manipulation of energy prices in the California wholesale electricity markets. Estimates of claims against all market participants could reach several billion US dollars. Management cannot predict the outcome of the various claims; however, Powerex states the terms of its sales were just and reasonable.

(c) COMMITMENTS

The government has ongoing operational and capital commitments to fund a variety of programs for public welfare including health, education, social services, protection of persons and property, and management of natural resources. Any significant non–operating commitments of less than five years duration and costing more than $50 million are detailed in this note.

(i) Restructuring plan

The province is in the final year of a three–year restructuring plan. In each year, associated costs are determined, included in the Estimates, and recorded in the financial statements.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

27. Contingencies and Commitments—Continued

(ii) 2010 Winter Olympics

On July 2, 2003, the International Olympic Committee selected Vancouver to host the 2010 Olympic and Paralympic Winter Games. A comprehensive Multi-Party Agreement (MPA) between Canada, British Columbia, the City of Vancouver, the Resort Municipality of Whistler, the Canadian Olympic Committee, the Canadian Paralympic Committee, and the Vancouver 2010 Organizing Committee was signed November 14, 2002. This agreement establishes the roles and relationships of all the parties, the contractual arrangements, financial contributions, legal responsibilities, and the sport legacies of the Games. On September 30, 2003 the "Vancouver Organizing Committee for the 2010 Olympic and Paralympic Games" (VANOC) was incorporated. The province has the power to appoint three of the twenty board members. VANOCs mandate is to plan, organize, finance and stage the Winter Games.

The province, has established a commitment of $600 million for the 2010 Olympic Games. The MPA outlines the province's obligations for the Games. The obligations include: medical services for the Games; sharing security costs with the Government of Canada; providing one half of the costs of the venues; and providing $55 million to the Legacy Endowment Fund. To date, the province has spent $111 million toward its $600 million commitment. In addition, the province has guaranteed any potential financial shortfall that may be incurred by VANOC as a result of staging the Games. A shortfall is not anticipated at this time. The province has also agreed to upgrade the Sea to Sky Highway at a cost estimated to be $600 million.

(iii) Crown corporations

The province has committed to the construction of the expansion to the Vancouver Convention Centre and other shared upgrades to adjacent facilities. The cost is to be shared by the province ($230 million), the Government of Canada ($223 million) and Tourism Vancouver ($90 million).

28. Revenue

	In Millions 2004	2003
Taxation revenue includes	$	$
Personal income	4,878	4,154
Corporation income	776	613
Social service	4,001	3,794
Property	1,576	1,541
Other	2,577	2,175
	13,808	**12,277**

See notes at end of the Schedule of Net Revenue by Source on page 94 for additional information on taxation revenue.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

29. Expense

	In Millions 2004	2003
Interest expense by function	$	$
Health	151	152
Education	446	453
Transportation	138	138
Interest[1]	1,451	1,493
	2,186	**2,236**

	In Millions 2004	2003
Total expense by group account classification	$	$
Government transfers	19,669	19,544
Operating costs	2,677	2,369
Salaries and benefits	2,370	2,281
Interest[1]	2,186	2,236
Other	466	583
Amortization	523	564
	27,891	**27,577**

[1]Includes foreign exchange gain amortization of $19 million (2003: loss amortization of $7 million)

30. Valuation Allowances

	In Millions 2004	2003
	$	$
Accounts receivable	165	152
Loans, advances and mortgages receivable	41	31
Investments	8	6
Tangible capital assets	14	7
	228	**196**

These amounts are included in Other in expense by group account classification in Note 29 and represent the write–down of assets and liabilities in the above Statement of Financial Position categories.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

31. Comparison to Estimates

The Estimates numbers on the Statement of Operations are taken from the Estimated Statement of Operations on page 4 of the Estimates, Fiscal Year Ending March 31, 2004. They do not include supplementary spending of $419 million approved by the Legislature during the 2003/04 fiscal year. Of this amount, $319 million was additional Canadian Health and Social Transfer funds from the federal government that were not known at the time of the budget, but were included in the *Supply Act* passed on May 29, 2003.

32. Trusts Under Administration

	In Millions	
	2004	2003
	$	$
Public Trustee and Official Administrators —administered by government officials	530	575
Supreme and Provincial Court (Suitors' Funds) —administered by the Courts	32	22
Credit Union Deposit Insurance Corporation of B.C. —administered by various government officials and a non–government investment corporation	117	104
Other trust funds —administered by various government officials	68	43
	747	**744**

33. Workers' Compensation Board of British Columbia (WCB)

WCB administers the *Workers' Compensation Act*. Its main functions are promotion of occupational health and safety, compensation for occupational injury, death or disease, and rehabilitation of injured workers. WCB collects funds necessary for its operations from employers covered under the Act, and operates similar to a trust. It is excluded from the government reporting entity. The audited financial statements of WCB at December 31 reflect the following financial information:

	In Millions	
	December 31 2003	December 31 2002
	$	$
Assets	8,481	8,078
Liabilities	8,473	8,225
Net Equity	**8**	**(147)**

	In Millions	
	December 31 2003	December 31 2002
	$	$
Revenue	1,573	795
Expense	1,419	1,366
Surplus (deficit)	**154**	**(571)**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

34. Significant Events

Government Restructuring

The province has stated its intentions to reorganize government. As part of the reorganization, the province will discontinue some operations and invite outside investors to participate in other operations. These include, among others, liquor distribution, land registry operations, rail operations and highway operations.

British Columbia Railway Company (BCRC)Operations

On November 25, 2003, BCRC and BCR Properties signed an agreement with Canadian National Railway Company (CN) under which CN will assume the operations of the industrial freight railway business carried on by BC Rail Partnership, by purchasing the shares of BC Rail Ltd., and the partnership interests of BC Rail Partnership (collectively "BC Rail"), for proceeds of $1 billion (the "Transaction").

Prior to closing, BC Rail will undergo a corporate restructuring to ensure that only assets and liabilities of BC Rail's Industrial Freight Railway business are owned by BC Rail at the time of the Transaction. Part of this restructuring will involve transferring the railbed and related infrastructure from BC Rail to BCRC. The BC Rail Partnership and BC Rail will continue to be liable for certain inter-company debt owing to BCRC and BCR Properties.

As part of the Transaction, BCRC and CN will enter into a Revitalization Agreement under which CN will lease the railbed and related infrastructure from BCRC for a term of 60 years. The Revitalization Agreement also gives CN the option to renew the lease for an additional 30 years at no cost to CN and allows for further extensions of the term of the agreement beyond this time, should BCRC not excercize its option to repurchase the rail operations.

The province and BCRC have provided commercial indemnities to CN with respect to the Transaction including indemnities related to tax attributes of BC Rail at closing.

The maximum payable under the indemnities related to tax attributes is $367 million, plus interest at 9% from the date of closing and any taxes payable by CN on the amounts received under the indemnities. These indemnities remain in effect until 90 days after the last date on which a tax assessment or reassessment can be issued in respect of the tax attributes. It is unlikely the province and BCRC will ultimately be held liable for any amounts under these indemnities.

The maximum payable under the other indemnities - not related to tax attributes - is limited to $262 million. There are certain other specific indemnities (including certain environmental indemnities and matters unrelated to the industrial freight railway business) for which there are not limits on the amounts payable thereunder.

At March 31, 2004, the book value of the net assets of these operations held for sale was $755 million and annual net income was $86 million.

Columbia Basin Trust

On January 16, 2004, the provincial government announced a regulation to bring the *Columbia Basin Trust Amendment Act, 2003* into force. The government's stated objective is to increase efficiency and deliver ongoing savings, provide representation from Columbia Basin residents and continue the mandate of the Columbia Basin Trust to invest its share of the power project and other income to further the economic, social and environmental well-being of Columbia Basin residents. The development and management of power projects, currently done through joint ventures between the Trust and Columbia Power Corporation, will be consolidated under a single corporation that will be a subsidiary of the Trust. The Trust will hold 100% of the subsidiary's shares and will appoint a majority of the board of directors. The mandate of the power subsidiary and the continued 50/50 sharing of power income will be set out in agreements between the province and the Trust to implement the power restructuring.

On May 3, 2004, the Arrow Lakes Generating Station(a joint venture of the Columbia Basin Trust and Columbia Power Corporation) incurred damage to a portion of the intake channel resulting in the temporary suspension of power generation. The cause of the damage is currently under investigation and the appropriate steps have been taken to prevent further damage and to carry out necessary repairs. The financial impact of this cannot be determined at this time. Recourse under insurance policies and warranties under the Design-Build Contract are currently under investigation.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

35. Restructuring Exit Expense

Reported restructuring exit expenses of $122 million (2003: $169 million) do not include an additional recovery of ($16) million (2003: expenses of $78 million) for restructuring exit expenses of government organizations that were consolidated using the modified equity basis. This consists of $8 million in expenses (2003: expenses of $37 million) for British Columbia Hydro and Power Authority, recoveries of ($25) million (2003: expenses of $26 million) for the British Columbia Liquor Distribution Branch, nil (2003: expenses of $15 million) for the Insurance Corporation of British Columbia and expenses of $1 million (2003: nil) for British Columbia Lottery Corporation.

	In Millions	
	2004	2003
Restructuring exit expense by function	$	$
Health	10	6
Education	1	2
Social services	22	17
Protection of persons and property	17	2
Transportation	5	14
Natural resources	25	69
Other	13	55
General government	29	4
	122	**169**

	In Millions	
	2004	2003
Restructuring exit expense by group account classification	$	$
Government transfers	3	16
Operating costs	38	61
Salaries and benefits	78	89
Other	3	3
	122	**169**

36. Comparatives

Certain of the comparative figures for the previous year have been restated to conform with the current year's presentation. These restatements have had no effect on the operating result as previously reported except as specifically noted.

Summary Financial Statements
Reporting Entity
for the Fiscal Year Ended March 31, 2004

TAXPAYER–SUPPORTED CROWN CORPORATIONS AND AGENCIES
(GOVERNMENT ORGANIZATIONS)
RECORDED ON A CONSOLIDATED BASIS

Consolidated Revenue Fund[1]

Health Sector
Canadian Blood Services[2]
Forensic Psychiatric Services Commission

Education Sector
Industry Training and Apprenticeship Commission[3]
Industry Training Authority[4]
Private Post–Secondary Education Commission

Natural Resources and Economic Development Sector
552513 British Columbia Ltd[5]
BC Immigrant Investment Fund Ltd
B.C. Pavilion Corporation
British Columbia Enterprise Corporation
British Columbia Trade Development Corporation[3]
Columbia Basin Trust
Creston Valley Wildlife Management Authority Trust Fund
Discovery Enterprises Inc
Forestry Innovation Investment Ltd[4]
Innovation and Science Council of British Columbia[6]
Land and Water British Columbia Inc
Oil and Gas Commission
Partnerships British Columbia Inc
Tourism British Columbia
Vancouver Convention Centre Expansion Project[4]
Vancouver Trade and Convention Centre Authority

Transportation Sector
BC Transportation Financing Authority
British Columbia Ferry Corporation[7]
British Columbia Transit
Rapid Transit Project 2000 Ltd
Victoria Line Ltd[3]

Protection of Persons and Property
British Columbia Securities Commission
Organized Crime Agency of British Columbia Society

Social Services Sector
B.C. Community Financial Services Corporation
Interim Authority for Community Living British Columbia
Legal Services Society

Summary Financial Statements
Reporting Entity
for the Fiscal Year Ended March 31, 2004—Continued

TAXPAYER–SUPPORTED CROWN CORPORATIONS AND AGENCIES
(GOVERNMENT ORGANIZATIONS)
RECORDED ON A CONSOLIDATED BASIS—CONTINUED

Other Sector

B.C. Festival of the Arts Society[3]
B.C. Games Society
British Columbia Arts Council
British Columbia Assessment Authority
British Columbia Buildings Corporation
British Columbia Heritage Trust[3]
British Columbia Housing Management Commission
First Peoples' Heritage, Language and Culture Council
Homeowner Protection Office
Pacific National Exhibition[7]
Provincial Rental Housing Corporation
Royal BC Museum[4]

SELF–SUPPORTED CROWN CORPORATIONS AND AGENCIES
(GOVERNMENT ENTERPRISES)
RECORDED ON A MODIFIED EQUITY BASIS

BCIF Management Ltd
British Columbia Hydro and Power Authority
British Columbia Liquor Distribution Branch
British Columbia Lottery Corporation
British Columbia Railway Company
Columbia Power Corporation
Insurance Corporation of British Columbia
Provincial Capital Commission

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[1] The Consolidated Revenue Fund has been allocated to the appropriate sector on the Statement of Financial Position by Sector (page 69) and Operations by Sector (page 71).

[2] This organization reflects a government partnership amongst Canadian provinces and is proportionally consolidated based upon the province's share (14.67%) of the total provincial contributions to the partnership.

[3] These organizations were wound up during the fiscal year.

[4] These organizations began operations during the fiscal year.

[5] 552513 British Columbia Ltd was involved in the acquisition and disposal of Skeena Cellulose Inc.

[6] This organization changed its name during the current year. It was formerly known as Science Council of British Columbia.

[7] During the year, the government transferred control of these organizations to outside the government reporting entity.

Summary Financial Statements
Statement of Financial Position by Sector
as at March 31, 2004

In Millions

	Health	Education	Social Services	Debt Servicing	PPP[1]	Transpor–tation	NR and ED[2]	Other[3]	General Govern–ment[4]	Adjust–ments[5]	Total
Financial Assets	$	$	$	$	$	$	$	$	$	$	$
Cash and temporary investments	15	1	11	238		14	157	(6)			430
Accounts receivable	104	27	77	380	136	31	725	24	1,083	(45)	2,542
Inventories for resale					7	10	192	20	9		238
Due from the Province of British Columbia						37				(37)	
Due from other governments	19	36	7		13	17	22	29	201		344
Due from self–supported Crown corporations and agencies							93		71		164
Equity in self–supported Crown corporations and agencies			5		618	422	1,934	16		(6)	2,989
Loans, advances and mortgages receivable	3	303	1		5	428	85	59	164		1,048
Other investments	27			23		76	268	59			453
Loans for purchase of assets, recoverable from agencies				10,839						(3,237)	7,602
	168	367	101	11,480	779	1,035	3,476	201	1,528	(3,325)	15,810

Summary Financial Statements
Statement of Financial Position by Sector
as at March 31, 2004—Continued

In Millions

	Health	Education	Social Services	Debt Servicing	PPP[1]	Transpor–tation	NR and ED[2]	Other[3]	General Govern–ment[4]	Adjust–ments[5]	Total
Liabilities	$	$	$	$	$	$	$	$	$	$	$
Accounts payable and accrued liabilities.....	527	87	139	805	230	225	659	301	640	(70)	3,543
Due to other governments	30		6		47	3	7	2	1,014		1,109
Due to Crown corporations, agencies and funds							1	78	44		123
Due to the Province of British Columbia											
Deferred revenue	109	10		144	226	131	173	111	391	(3)	1,292
Unfunded pension liabilities									3		3
Taxpayer–supported debt	5		5	29,245	4	2,851	60	508	1	(3,248)	29,431
Self–supported debt				7,507							7,507
	671	97	150	37,701	507	3,210	900	1,000	2,093	(3,321)	43,008
Net liabilities	(503)	270	(49)	(26,221)	272	(2,175)	2,576	(799)	(565)	(4)	(27,198)
Non–financial Assets											
Tangible capital assets................................	83	13	30		65	8,438	676	1,037	140		10,482
Prepaid capital advances.............................	1,670	5,466									7,136
Prepaid program costs	15		1		4	22	18	13	9		82
Other assets..				105	21	15	3				144
	1,768	5,479	31	105	90	8,475	697	1,050	149	0	17,844
Accumulated surplus (deficit)	**1,265**	**5,749**	**(18)**	**(26,116)**	**362**	**6,300**	**3,273**	**251**	**(416)**	**(4)**	**(9,354)**

[1]Protection of persons and property.

[2]Natural Resources and Economic Development.

[3]Includes housing, recreation and culture and other activities which cannot be allocated to the specific sectors.

[4]Includes the Legislature, tax collection and administration, CHST and equalization transfers from the federal government, liquor and gaming profits, general administration and central agency services such as accounting, auditing, budgeting, insurance and risk management to all sectors.

[5]Represents sectoral adjustments to conform to government accounting policies and to eliminate transactions between sectors.

Summary Financial Statements
Statement of Operations by Sector
for the Fiscal Year Ended March 31, 2004

In Millions

	Health	Education	Social Services	Debt Servicing	PPP[1]	Transportation	NR and ED[2]	Other[3]	General Government[4]	Adjustments[5]	Total
Revenue	$	$	$	$	$	$	$	$	$	$	$
Taxation						446	24	62	13,276		13,808
Contributions from the federal government	45	148	57		215	24	22	117	2,718		3,346
Natural resources							3,653				3,653
Fees and licences	1,539	2	6		602	91	102	24	61		2,427
Contributions from the provincial government/self–supported Crown corporations and agencies					299	58	105	311	1,442	(334)	1,881
Miscellaneous	229	9	84		132	19	132	334	87	(49)	977
Investment earning	2	4	1	703	1	28	25	7	7	(196)	582
Total revenue	1,815	163	148	703	1,249	666	4,063	855	17,591	(579)	26,674

Summary Financial Statements
Statement of Operations by Sector
for the Fiscal Year Ended March 31, 2004—Continued

In Millions

	Health	Education	Social Services	Debt Servicing	PPP[1]	Transpor–tation	NR and ED[2]	Other[3]	General Govern–ment[4]	Adjust–ments[5]	Total
Expense	$	$	$	$	$	$	$	$	$	$	$
Government transfers	10,013	5,993	2,234		631	144	124	530	21	(21)	19,669
Operating costs	372	364	241		318	482	793	505	(60)	(338)	2,677
Salaries and benefits	319	36	371		542	136	473	162	331		2,370
Interest				1,434		143	1	70		538	2,186
Other	241	504	23		59	167	84	(20)	155	(747)	466
Amortization	17	2	13		17	345	29	44	56		523
Operating expense	10,962	6,899	2,882	1,434	1,567	1,417	1,504	1,291	503	(568)	27,891
Surplus (deficit) for the year before unusual items	(9,147)	(6,736)	(2,734)	(731)	(318)	(751)	2,559	(436)	17,088	(11)	(1,217)
Restructuring exit expense	(7)				(3)		(3)	(50)	(74)	15	(122)
Surplus (deficit) for the year 2003/04	**(9,140)**	**(6,736)**	**(2,734)**	**(731)**	**(315)**	**(751)**	**2,562**	**(386)**	**17,162**	**(26)**	**(1,095)**
Surplus (deficit) for the year 2002/03	**(9,009)**	**(6,754)**	**(3,031)**	**(728)**	**(614)**	**(918)**	**2,273**	**(281)**	**15,969**	**(106)**	**(3,199)**

[1] Protection of persons and property.

[2] Natural Resources and Economic Development.

[3] Includes housing, recreation and culture and other activities which cannot be allocated to the specific sectors.

[4] Includes the Legislature, tax collection and administration, CHST and equalization transfers from the federal government, liquor and gaming profits, general administration and central agency services such as accounting, auditing, budgeting, insurance and risk management to all sectors.

[5] Represents sectoral adjustments to conform to government accounting policies and to eliminate transactions between sectors.

Summary Financial Statements
Statement of Self–supported Crown Corporations and Agencies
Summary of Financial Position
as at March 31, 2004

In Millions

	Utility[1]	Insurance[2]	Liquor[3]	Transpor–tation[4]	Finance[5]	Natural Resources[6]	2004 Total	2003 Total
Assets	$	$	$	$	$	$	$	$
Cash and temporary investments	77	6,490	(10)	56	73	4	6,690	5,838
Accounts receivable	329	177	49	48	44		647	619
Inventories	87		69	36	6		198	242
Long–term investments	88	31					119	396
Tangible capital assets	10,088	84	24	891	55	15	11,157	11,079
Other assets	578	117	2	98	6		801	786
	11,247	6,899	134	1,129	184	19	19,612	18,960
Liabilities								
Accounts payable and accrued liabilities	1,124	4,840	127	216	113		6,420	6,030
Deferred revenue	1,089	1,441				3	2,533	2,424
Due to the Province of British Columbia	93				71		164	402
Long–term debt due to the Province of British Columbia	6,900			467			7,367	7,270
Other long–term debt	108		7	24			139	205
	9,314	6,281	134	707	184	3	16,623	16,331
Equity								
Investment by the Consolidated Revenue Fund	296			258			554	534
Unremitted earnings—end of year	1,637	618		164		16	2,435	2,095
	1,933	618		422		16	2,989	2,629
Total liabilities and equity	**11,247**	**6,899**	**134**	**1,129**	**184**	**19**	**19,612**	**18,960**

[1]Utility—British Columbia Hydro and Power Authority and Columbia Power Corporation.
[2]Insurance—Insurance Corporation of British Columbia (ICBC).
[3]Liquor—British Columbia Liquor Distribution Branch.
[4]Transportation—British Columbia Railway Company.
[5]Finance—British Columbia Lottery Corporation and BCIF Management Ltd.
[6]Natural Resources—Provincial Capital Commission.

Summary Financial Statements
Statement of Self–supported Crown Corporations and Agencies
Summary of Results of Operations and Statement of Equity
for the Fiscal Year Ended March 31, 2004

In Millions

	Utility[1]	Insur–ance[2]	Liquor[3]	Transpor–tation[4]	Finance[5]	Natural Resources[6]	2004 Total	2003 Total[7]
	$	$	$	$	$	$	$	$
Revenue	3,455	3,300	2,004	374	1,891	4	11,028	10,279
Expense	3,370	2,998	1,280	323	1,172	4	9,147	8,513
Net earnings of self–supported Crown corporations and agencies	85	302	724	51	719		1,881	1,766
Contributions paid to the Consolidated Revenue Fund	(95)	(3)	(724)		(534)		(1,356)	(1,483)
Adjustments to contributions[8]					(185)		(185)	(174)
Increase (decrease) in unremitted earnings in self–supported Crown corporations and agencies	(10)	299		51			340	109
Unremitted earnings—beginning of year	1,647	319		113		16	2,095	1,986
Adjustment to unremitted earnings								
Unremitted earnings—end of year	1,637	618		164		16	2,435	2,095
Investment by the Consolidated Revenue Fund	296			258			554	534
Equity in self–supported Crown corporations and agencies for the year	**1,933**	**618**	**0**	**422**	**0**	**16**	**2,989**	**2,629**

[1]Utility—British Columbia Hydro and Power Authority and Columbia Power Corporation.

[2]Insurance—Insurance Corporation of British Columbia (ICBC).

[3]Liquor—British Columbia Liquor Distribution Branch.

[4]Transportation—British Columbia Railway Company.

[5]Finance—British Columbia Lottery Corporation and BCIF Management Ltd.

[6]Natural Resources—Provincial Capital Commission.

[7]BC Hydro has a change in accounting policy that requires electricity trade income to be netted against corresponding energy costs. It has restated the the 2002/03 amounts, decreasing revenue and increasing expenses by $1,189 million, netting to $0.

[8]This adjustment is for British Columbia Lottery Corporation transfers to charities and local governments which is shown as a recovery by the Consolidated Revenue Fund.

Summary Financial Statements
Statement of Tangible Capital Assets[1]
for the Fiscal Year Ended March 31, 2004

In Millions

	Land and Land Improve–ments	Buildings	Highway Infra–structure	Ferries	Transpor–tation Equipment	Computer Hardware / Software	Other	2004 Total	2003 Total
Historical Cost[2]	$	$	$	$	$	$	$	$	$
Opening cost	841	1,750	10,121	83	2,564	724	361	16,444	16,249
Additions	77	53	406		20	105	41	702	601
Disposals and valuation adjustments	(12)	(115)	(19)	(14)	(5)	(33)	(59)	(257)	(406)
	906	1,688	10,508	69	2,579	796	343	16,889	16,444
Accumulated Amortization									
Opening balance	71	806	3,960	68	476	467	215	6,063	5,745
Amortization expense	5	51	285	2	52	89	42	526	564
Effects of disposals and valuation adjustments	(3)	(90)		(12)	(2)	(28)	(47)	(182)	(246)
	73	767	4,245	58	526	528	210	6,407	6,063
Net book value for the year ended March 31, 2004	**833**	**921**	**6,263**	**11**	**2,053**	**268**	**133**	**10,482**	10,381
Net book value for the year ended March 31, 2003	**770**	**944**	**6,161**	**15**	**2,088**	**257**	**146**		**10,381**

[1]This statement includes assets that are held on capital leases at March 31, 2004, at a net book value totalling $32 million (2003: $45 million) comprised of: heavy equipment $0 million (2003: $4 million) and vehicles $32 million (2003: $41 million).

[2]Historical cost includes work–in–progress at March 31, 2004, totalling $295 million (2003: $191 million) comprised of: buildings $39 million (2003: $21 million); land improvements $6 million (2003: $7 million); highway infrastructure $190 million (2003: $106 million); transportation equipment $1 million (2003: $3 million); computer hardware/software $58 million (2003: $50 million); and specialized equipment $1 million (2003: $4 million). Work–in–progress is not amortized.

Summary Financial Statements
Statement of Guaranteed Debt[1]
as at March 31, 2004

Guaranteed debt represents that debt of municipalities and other governments, private enterprises and individuals, and debt and minority interests of provincial Crown corporations and agencies, which has been explicitly guaranteed or indemnified by the government, under the authority of a statute, as to net principal or redemption provisions.

	In Millions	
	2004	2003
Taxpayer–supported Guaranteed Debt	Net Outstanding[1] $	Net Outstanding[1] $
Municipalities and other local governments		
Municipal Act debentures	1	1
Subtotal, municipalities and other local governments	1	1
Government services		
Homeowner Protection Act loan guarantees	104	98
Subtotal, government services	104	98
Health and education		
Financial Administration Act student aid loans	41	54
Subtotal, health and education	41	54
Economic development		
Securities Act		1
Financial Administration Act		
Business Development Bank Guaranteed Program	1	1
Emergency Credit Enhancement Program	3	7
Farm Distress Operating Loan Program	1	3
Feeder Association's Loan Guarantee Program	5	5
Miscellaneous guarantees each less than $1 million		1
Home Mortgage Assistance Program Act mortgages	10	15
Home Mortgage Assistance Program Act second mortgages[2]	1	1
Subtotal, economic development	21	34
Total taxpayer–supported guaranteed debt	167	187

Summary Financial Statements
Statement of Guaranteed Debt[1]
as at March 31, 2004—Continued

	In Millions 2004	2003
Self–supported Guaranteed Debt	Net Outstanding[1] $	Net Outstanding[1] $
Economic development		
British Columbia Railway Finance Act capital leases[3]		2
Subtotal, economic development		2
Utilities		
Hydro and Power Authority Act bonds and debentures[3]		87
Subtotal, utilities		87
Total self–supported guaranteed debt		89
Grand total, all guaranteed debt	167	276
Provision for probable payout	(11)	(12)
Net total, all guaranteed debt[4]	**156**	**264**

[1]Guaranteed debt includes gross principal debt less sinking fund balances, and represents the total amount of contingent liability of the government arising from relevant guarantees.

[2]The British Columbia Second Mortgage Program was sold to the Bank of Montreal in June 1989, with the condition that the province will buy back any mortgages which may become uncollectible in future years.

[3]*See* the financial statements of government organizations and enterprises for details of maturity dates, interest rates and redemption features of the outstanding debt of these Crown agencies and for details of derivative financial products.

[4]Debentures totalling $0.3 million (2003: $0.3 million) have been defeased and are considered extinguished for financial reporting purposes.