

VOLUME

# 1 Public accounts

2001 › 2002

**Consolidated financial statements of the  
gouvernement du Québec**

Fiscal year ended March 31, 2002



# PUBLIC ACCOUNTS 2001-2002

## VOLUME 1

CONSOLIDATED FINANCIAL STATEMENTS OF THE GOUVERNEMENT DU QUÉBEC

Fiscal year ended March 31, 2002

Published in accordance with section 86 of the Financial  
Administration Act (R.S.Q., c. A-6.001)

*Finances, Économie  
et Recherche*

Québec 

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To Her Excellency the Honourable Lise Thibault  
Lieutenant-Governor of Québec  
Parliament Building  
Québec

Your Excellency,

The undersigned has the honour of presenting to Your Excellency the Public Accounts of the  
Gouvernement du Québec for the fiscal year ended March 31, 2002.

A handwritten signature in black ink, appearing to be 'PM', followed by a horizontal line and a period.

Pauline Marois  
Deputy Prime Minister and Minister of Finance,  
the Economy and Research

Québec, December 2002

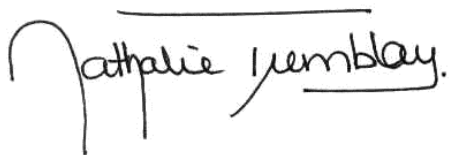


To the Deputy Prime Minister and Minister of Finance,  
the Economy and Research  
Pauline Marois  
Parliament Building  
Québec

Dear Madam,

In accordance with the commission entrusted to me, I have the honour of presenting the Public Accounts of the Gouvernement du Québec for the fiscal year ended March 31, 2002. These accounts have been prepared under section 86 of the Financial Administration Act (R.S.Q., c. A-6.001).

Respectfully yours,

A handwritten signature in black ink, reading "Nathalie Tremblay." The signature is written in a cursive style with a large initial "N" and a horizontal line above the name.

Nathalie Tremblay, CA  
Comptroller of Finance

Québec, December 2002



**TABLE OF CONTENTS**

<b>INTRODUCTION .....</b>	<b>IX</b>
---------------------------	-----------

**SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS**

Consolidated summary of operations.....	XIII
Consolidated revenue.....	XV
Consolidated expenditure.....	XVI
Consolidated financial position.....	XVIII
Reconciliation of revenue, expenditure and annual (deficit) surplus.....	XIX
Financial statistics.....	XX

**CONSOLIDATED FINANCIAL STATEMENTS**

Statement of responsibility .....	3
Auditor General's report.....	4
Consolidated statement of operations .....	9
Consolidated statement of accumulated deficit.....	10
Consolidated statement of financial position .....	11
Consolidated statement of financial requirements and financing .....	12
Notes to financial statements .....	15

**Appendices**

1- Government departments and agencies whose financial transactions were conducted within the Consolidated Revenue Fund and included in the Government's reporting entity .....	35
2- Agencies and special funds whose reporting entity is included in the Government's reporting entity.....	38
3- Enterprises included in the Government's reporting entity .....	41
4- Agencies and funds which conduct fiduciary transactions that are not included in the Government's reporting entity .....	42
5- Breakdown of revenue .....	43
6- Breakdown of expenditure.....	44
7- Short-term investments .....	45
8- Accounts receivable.....	46

9- Investment in Government enterprises .....	47
10- Long-term investments .....	53
11- Bank overdraft .....	55
12- Accounts payable and accrued expenses .....	56
13- Debts .....	58
14- Net debt.....	64
15- Fixed assets .....	65
16- Commitments and contingencies .....	66
17- Summary of fiduciary transactions conducted by Government agencies and funds .....	72
18- Reserve fund .....	73

#### **Notice to readers**

Please note that the name of the department and the title of the Minister remain unchanged for the fiscal year ending March 31, 2002 in the document *Public Accounts 2001-2002*. Pursuant to Order in Council 1109-2002 of September 25, 2002 and section 9 of the Executive Power Act, the Ministère des Finances will henceforth be designated by the name of Ministère des Finances, de l'Économie et de la Recherche, while under the Order in Council, Pauline Marois, will henceforth be known as the Deputy Prime Minister and Minister of Finance, the Economy and Research.

## Introduction

Each year the Ministère des Finances publishes documents on the financial position of the Gouvernement du Québec and the results of its financial transactions.

The *Quarterly Presentation of Financial Transactions* was published at the close of the second, third and fourth quarters of 2001 to account for changes in the financial transactions and facilitate comparison with the projections contained in the *2001-2002 Budget Speech* of March 29, 2001.

The *2001-2002 Public Accounts* complete the information relating to the actual results for fiscal 2001-2002, whose main data formed part of the first *Quarterly Presentation for 2002-2003*.

The Public Accounts for the fiscal year ended March 31, 2002 have been prepared by the Comptroller of Finance for the Minister of Finance in accordance with the accounting policies established by the Conseil du trésor and pursuant to the provisions of section 86 of the Financial Administration Act (R.S.Q., c. A-6.001). They are published in two volumes.

### **Volume 1 – Consolidated Financial Statements of the Gouvernement du Québec**

Volume 1 presents summary data on the consolidated financial transactions and the consolidated financial statements of the Gouvernement du Québec for the fiscal year ended March 31, 2002, accompanied by the Auditor General's report.

### **Volume 2 – Revenue, Appropriations and Expenditure of the Consolidated Revenue Fund and Financial Information on the Special Funds of the Gouvernement du Québec**

Volume 2 is divided into three sections. The first two sections report on the operations of entities whose revenue is paid into the Consolidated Revenue Fund or the Health Services Fund and entities whose operating activities are paid for out of these funds using appropriations allotted by Parliament. Such entities include Government departments, budgetary agencies, the National Assembly and persons designated by it, and other portfolios. The third section presents summary financial information on the special funds.



**SUMMARY  
OF CONSOLIDATED  
FINANCIAL TRANSACTIONS**



## Consolidated summary of operations

FISCAL YEAR ENDED MARCH 31, 2002

(in millions of dollars)

	2002		2001 <sup>(1)</sup>
	Budget*	Actual results	Actual results
Own-source revenue	41 652	40 957	42 856
Government of Canada transfers	9 484	9 305	8 145
<b>Total revenue</b>	<b>51 136</b>	<b>50 262</b>	<b>51 001</b>
Expenditure (excluding debt service)	43 226	43 929	42 018
Debt service	7 910	7 261	7 606
<b>Total expenditure</b>	<b>51 136</b>	<b>51 190</b>	<b>49 624</b>
<b>ANNUAL (DEFICIT) SURPLUS</b>	<b>--</b>	<b>(928)</b>	<b>1 377</b>

\* On the basis of the revenue and expenditure forecasts announced in the 2001-2002 Budget Speech of March 29, 2001.

Under the Act to establish a budgetary surplus reserve fund (2001, c. 56), the government created a reserve fund to finance certain expenditures and maintain a balanced budget. The changes in the reserve fund are shown in Appendix 18.

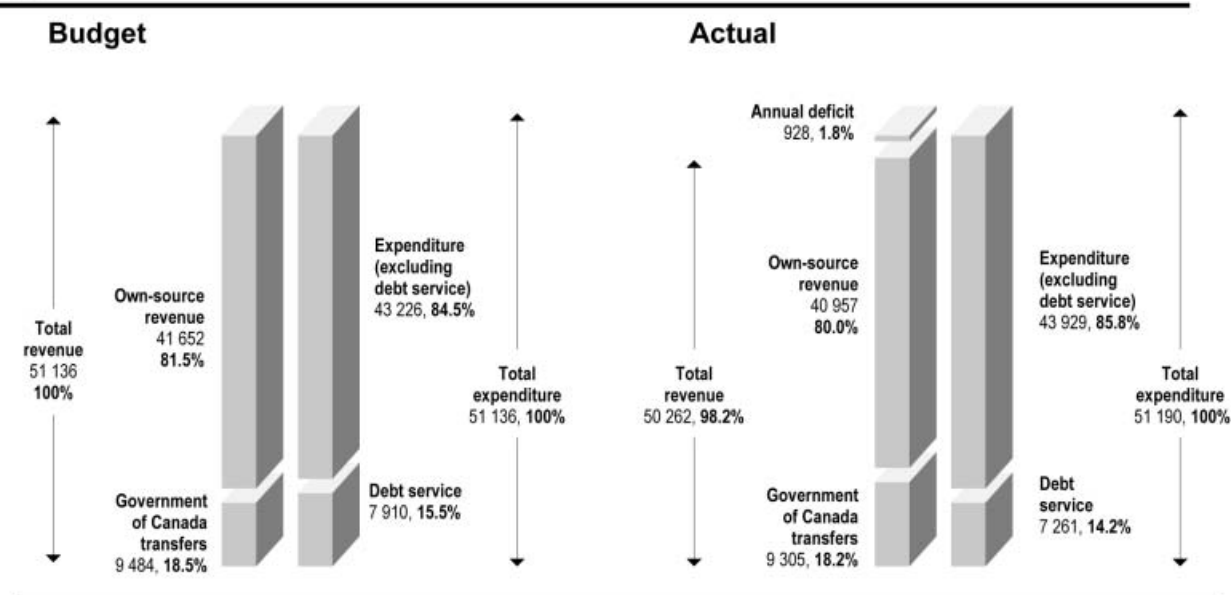
Annual (deficit) surplus	--	(928)	1 377
Transfer to reserve fund	--	--	(950)
Use of reserve fund	--	950	--
<b>Excess of annual surplus (deficit) over reserve fund</b>	<b>--</b>	<b>22</b>	<b>427</b>

(1) Certain revenue and expenditure figures for 2001 were reclassified for consistency with the presentation adopted in 2002.

**Consolidated summary of operations** (cont'd)

FISCAL YEAR ENDED MARCH 31, 2002

(in millions of dollars)

**2002**

Revenue for fiscal 2001-2002 is \$874 million less than forecast in the 2001-2002 Budget Speech. The \$695-million decline in own-source revenue stems partly from the impact of the fiscal measures announced in the 2001-2002 Budget. It is also due to the effects of the economic slowdown on revenue from income taxes and other taxes and the impact of the financial market downturn on revenue from Government enterprises.

As for the \$179-million downward adjustment in federal transfers, it may be attributed essentially to a decrease in equalization revenue.

Expenditure for fiscal 2001-2002, excluding debt service, is \$703 million higher than anticipated in the Budget Speech. This increase reflects the impact of the additional resources allocated mainly to the health and social services sector. In regard to the \$950-million budgetary reserve fund established at the time of the 2001-2002 Budget Speech, \$280 million was used to finance expenditure and \$670 million to maintain a balanced budget.

Lastly, debt service is \$649 million less than projected in the Budget on account of the sharp drop in short-term interest rates.

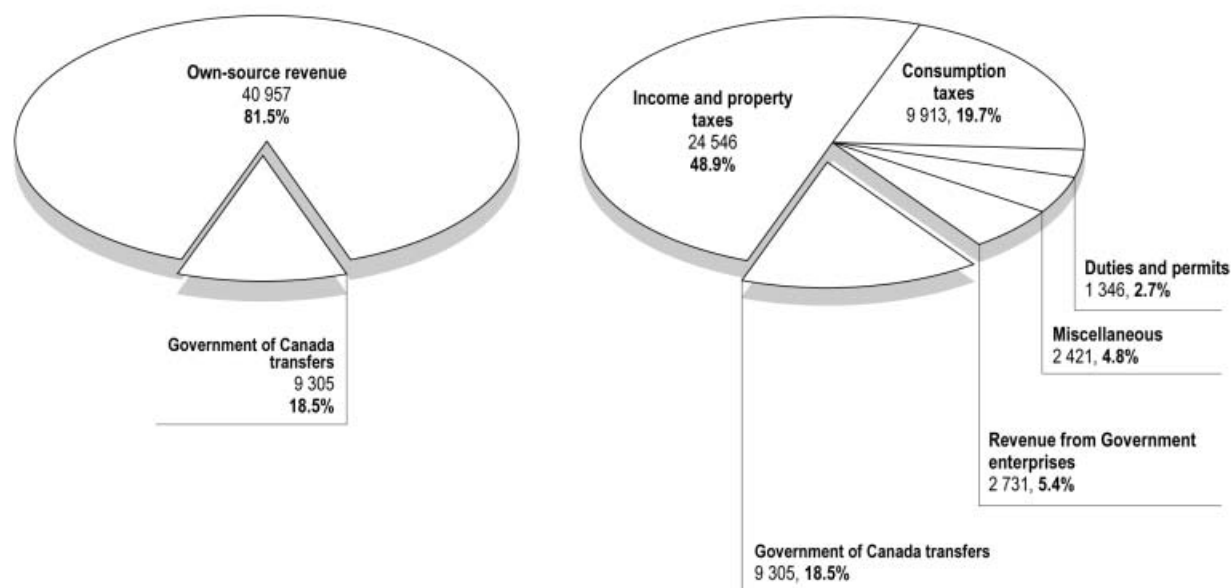
## Consolidated revenue

FISCAL YEAR ENDED MARCH 31, 2002

(in millions of dollars)

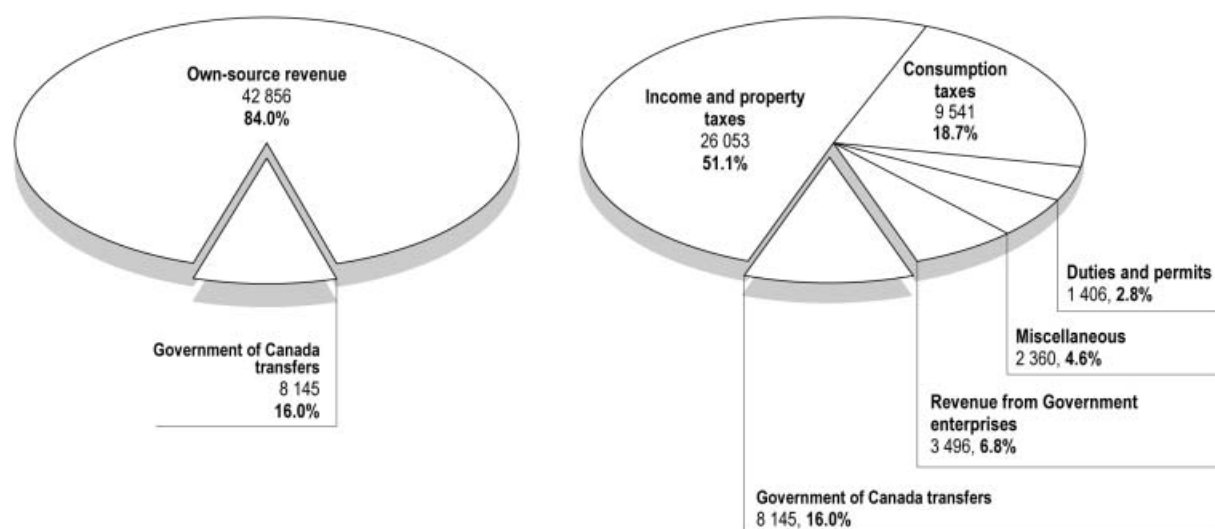
2002

Total revenue: 50 262



2001 <sup>(1)</sup>

Total revenue: 51 001

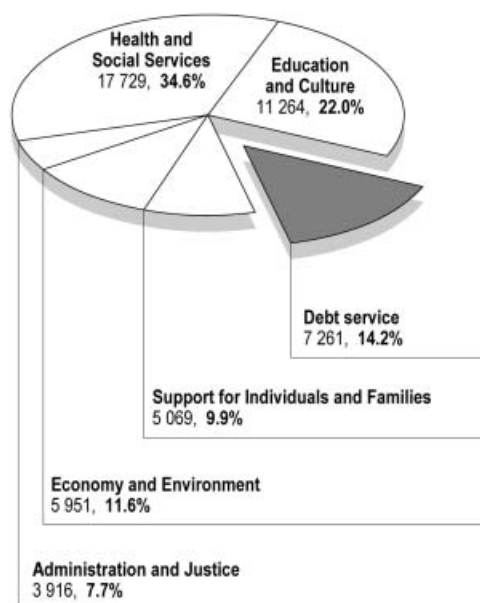
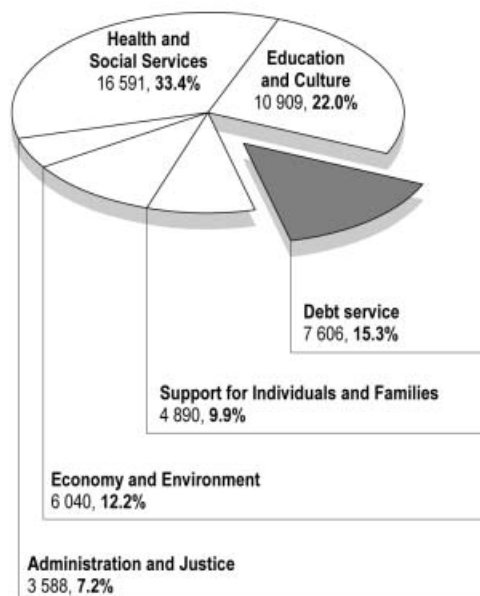


(1) Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

**Consolidated expenditure**

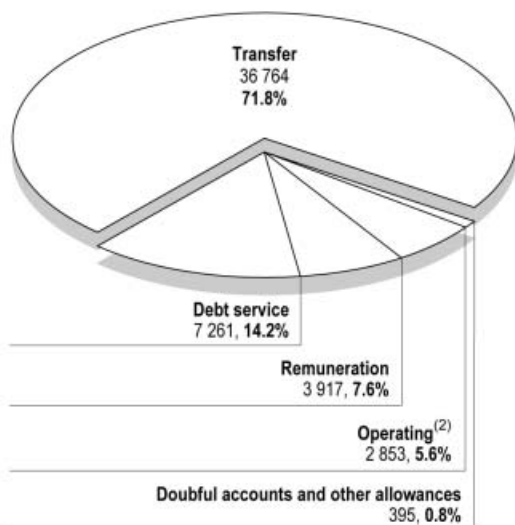
FISCAL YEAR ENDED MARCH 31, 2002

(in millions of dollars)

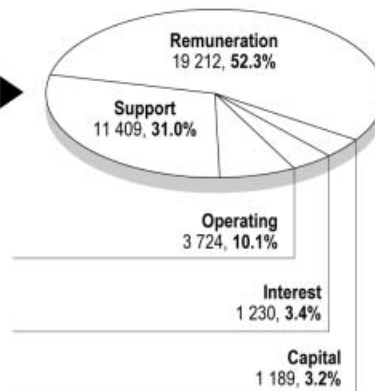
**2002****Total expenditure: 51 190****By mission****2001 <sup>(1)</sup>****Total expenditure: 49 624****By mission**<sup>(1)</sup> Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

2002

By supercategory and category

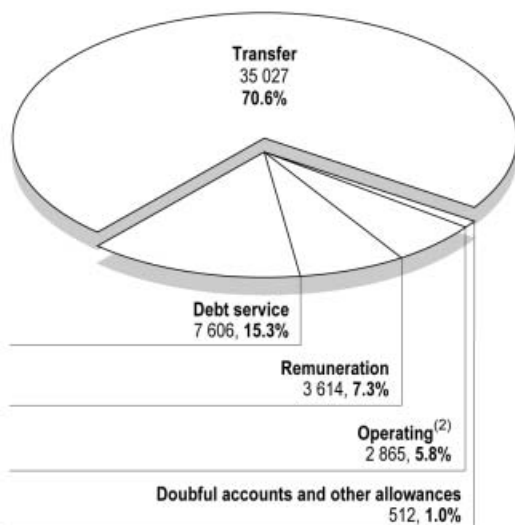


Transfer: 36 764

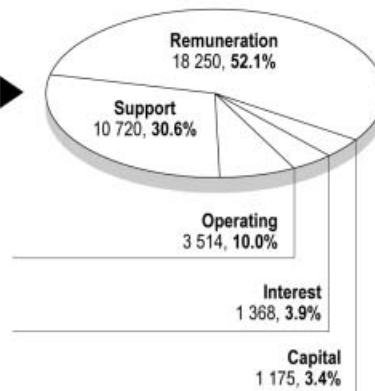


2001<sup>(1)</sup>

By supercategory and category



Transfer: 35 027



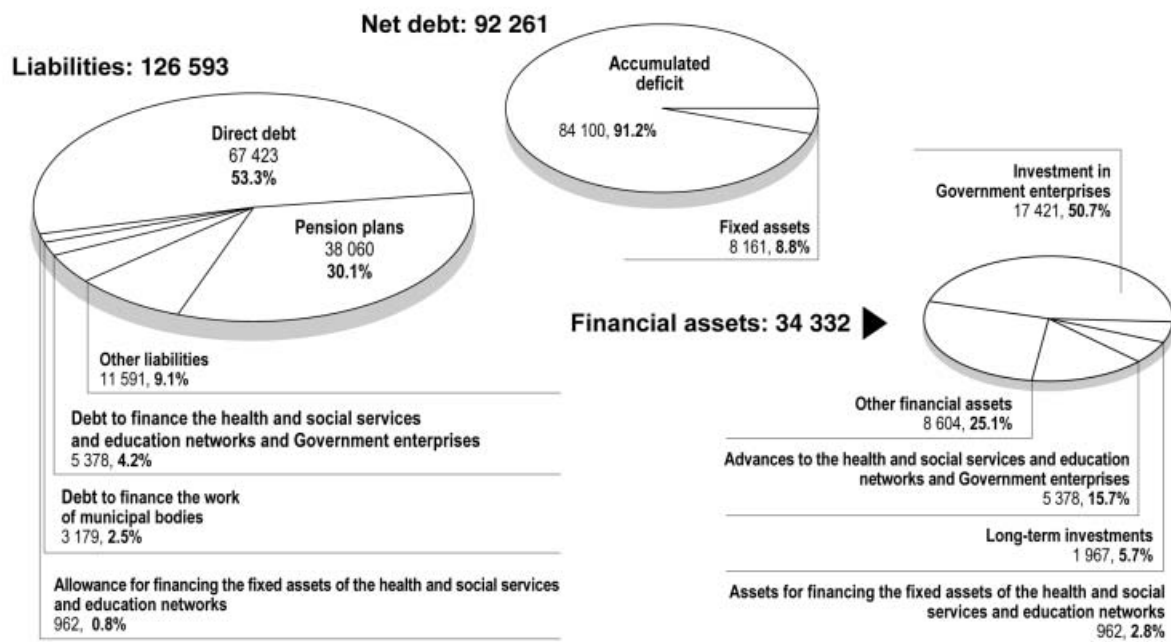
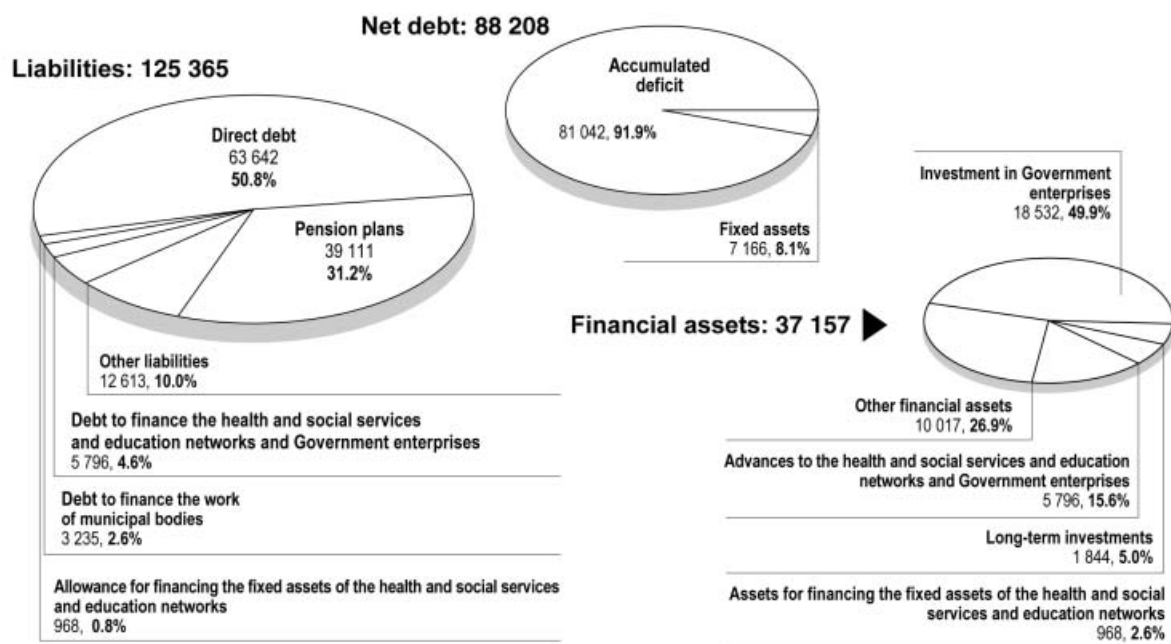
(1) Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

(2) Including \$622 million in 2001-2002 (\$776 million in 2000-2001) for the depreciation of fixed assets.

**Consolidated financial position**

AS AT MARCH 31, 2002

(in millions of dollars)

**2002****2001 <sup>(1)</sup>**

(1) Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

## Reconciliation of revenue, expenditure and annual (deficit) surplus

FISCAL YEAR ENDED MARCH 31, 2002

(in millions of dollars)

	2002	2001 (reclassified)
<b>REVENUE</b>		
Consolidated Revenue Fund excluding Government enterprises	45 171	45 404
Government enterprises	2 731	3 496
Government agencies and special funds	12 818	12 112
	<b>60 720</b>	<b>61 012</b>
<b>EXPENDITURE</b>		
Consolidated Revenue Fund	49 152	47 807
Government agencies and special funds	12 496	11 828
	<b>61 648</b>	<b>59 635</b>
<b>ELIMINATION OF INTER-ENTITY TRANSACTIONS</b>		
Revenue	(10 458)	(10 011)
Expenditure	(10 458)	(10 011)
	<b>--</b>	<b>--</b>
<b>ANNUAL (DEFICIT) SURPLUS</b>	<b>(928)</b>	<b>1 377</b>

Under the Act to establish a budgetary surplus reserve fund (2001, c. 56), the government created a reserve fund to finance certain expenditures and maintain a balanced budget. The changes in the reserve fund are shown in Appendix 18.

Annual (deficit) surplus	(928)	1 377
Transfer to reserve fund	--	(950)
Use of reserve fund	950	--
Excess of annual surplus (deficit) over reserve	<b>22</b>	<b>427</b>

**Financial statistics**

FISCAL YEAR ENDED MARCH 31, 2002

(in millions of dollars)

Fiscal year	Revenue *	Expenditure *	(Deficit ) or surplus	Net debt <sup>(1)</sup>	Accumulated deficit	Fixed assets
2001-2002	50 262	51 190	(928)	92 261 <sup>(6)</sup>	84 100	8 161
2000-2001	51 001	49 624	1 377	88 208 <sup>(5)</sup>	81 042	7 166
1999-2000	47 383	47 376	7	89 162 <sup>(4)</sup>	82 469	6 693
1998-1999	46 695	46 569	126	88 810 <sup>(3)</sup>	82 577	6 233
1997-1998	41 831	43 988	(2 157)	88 597 <sup>(2)</sup>	82 581	6 016

\* Certain figures were reclassified for consistency with the presentation adopted in 2001-2002.

(\$M : millions of dollars)

- (1) Net debt represents total liabilities minus financial assets, recorded in the statement of financial position.
- (2) The net debt of \$64 833 M as at April 1, 1997 was increased by \$21 607 M, including \$13 173 M for the recording of unrecorded pension plan obligations, \$6 889 M for the consolidation of Government enterprises, agencies and special funds, \$731 M for the change to the method used to record borrowings, \$461 M for the recording of public sector restructuring measures and \$353 M for the recording of fixed assets.
- (3) The net debt was increased by \$339 M, including \$217 M for the recording of fixed assets, \$25 M for the recording of accounts payable and accrued expenses and \$97 M for adjustments to other accounts.
- (4) The net debt was increased by \$359 M for the recording of fixed assets.
- (5) The net debt was increased by \$423 M, including \$473 M for the recording of fixed assets, \$12 M for sick leave and vacations and a decrease of \$62 M for investments in Government enterprises.
- (6) The net debt was increased by \$3 125 M, including \$995 M for the recording of fixed assets, \$912 M for the introduction of a provision for deviations in the real rate of return, \$1 306 M for the recording of foreign currency translation and a decrease of \$88 M for the recording of the Government's share of the foreign exchange gains or losses of an enterprise.

**CONSOLIDATED FINANCIAL  
STATEMENTS**



## Statement of responsibility

The Government is responsible for the integrity and objectivity of the consolidated financial statements prepared by the Comptroller of Finance for the Minister of Finance in accordance with the Financial Administration Act (R.S.Q., c. A-6.001, s. 86). These statements are prepared in accordance with the accounting policies disclosed in Note 1 of the financial statements.


To fulfil its accounting and financial reporting responsibilities, the Government maintains systems of financial management and internal control designed to provide reasonable assurance that transactions are duly authorized by Parliament and properly executed and recorded.

The Comptroller of Finance takes care of Government accounting by maintaining a centralized record of financial transactions, and obtains all the information needed to meet its accounting and financial reporting requirements from Government departments, agencies, enterprises and funds.

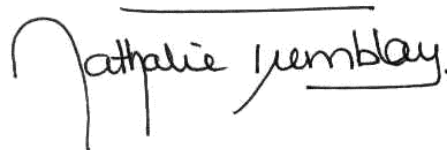
The Government submits its consolidated financial statements for audit assurance to the Auditor General who, in his report to the National Assembly, states the nature and scope of his audit as well as his opinion.

The financial statements are part of the Public Accounts tabled annually in the National Assembly by the Minister of Finance.

On behalf of the Gouvernement du Québec,



Gilles Godbout  
Deputy Minister of Finance,  
the Economy and Research



Nathalie Tremblay, CA  
Comptroller of Finance

Québec, November 25, 2002

## **Auditor General's report**

To the National Assembly,

I have audited the following consolidated financial statements of the Government of Québec for the fiscal year ended March 31, 2002:

- operating results;
- accumulated deficits;
- financial position;
- financial requirements and financing.

The Minister of Finance, Economy and Research is responsible for the preparation of these financial statements. 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 the audit be planned and performed 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 policies used and significant estimates made by the management of government departments and agencies included in the government reporting entity, as well as evaluating the overall financial statement presentation.

### **Commitments for the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP), the Régime de retraite du personnel d'encadrement (RRPE) and the Régime de retraite des agents de la paix en services correctionnels (RRAPSC)**

The liabilities recorded under “Retirement plans” as at March 31, 2002 for the regular service of the RREGOP, the RRPE, excluding that of senior administration, and for the RRAPSC total \$22,166 million (March 31, 2001: \$20,332 million). These three plans are of the shared-cost type, namely their respective cost, i.e. the ensuing annual contribution, is shared in predetermined proportions between the employer and the participants. This sharing of the annual contribution creates a commitment for the government with respect to the financing of these plans, a commitment whose value corresponds to the fund that the government would have accumulated, had it paid its contributions on the same basis as those which were used to determine the participants’ fund. In the case of the RREGOP and the RRPE, the market value of this fund was estimated at \$36,282 million as at December 31, 2001 (December 31, 2000: \$38,581 million). As for the RRAPSC, for which the employees’ contributions were paid into the

## **Auditor General's report (cont'd)**

Consolidated Revenue Fund, the book value of the fund that the employees and the government would have accumulated was evaluated at \$767 million as at that same date (December 31, 2000: \$746 million).

In note 4 of its financial statements, the government does not clearly recognize that it has contracted commitments for the financing of these plans. Indeed, it does not indicate that the commitments to which reference is made ensue from the sharing of the annual contribution established according to the legislative provisions of these plans and the collective agreements that the government has negotiated since the creation of the plans. With respect to total commitments of \$37,049 million (December 31, 2000 : \$39,327 million), \$22,166 million (March 31, 2001: \$20,332 million) are already recorded under liabilities as at March 31, 2002.

Although these commitments have no effect on the liabilities, the net debt, the accumulated deficits and the deficit of the fiscal year ended March 31, 2002, this information must be disclosed appropriately to enable readers of the financial statements to better evaluate the government's financial situation.

## **Revenues from an enterprise of the government**

To comply with the new standards of the Canadian Institute of Chartered Accountants, Hydro-Québec, an enterprise of the government, modified on January 1, 2002 its accounting policies concerning the translation of foreign currencies. Therefore, the enterprise retroactively applied this standard in its intermediate financial statements for the three-month period ended March 31, 2002. In accordance with the recommendations of the Institute, the enterprise retroactively applied its modified accounting policies and restated the figures of 2001. When recording its participation in this enterprise, the government entered the portion of this restatement attributable to the period between April 1 and December 31, 2001 directly in the consolidated statement of accumulated deficits and in the net debt rather than in its operating results for the year. In my opinion, the revenues from the government's participation in an enterprise should be recorded by uniformly applying the accounting policies of the enterprise over the government's entire fiscal year. The government thus overstated the revenues from its enterprises by \$323 million and understated by the same amount its deficit for the fiscal year ended March 31, 2002.

## **Reporting entity**

The government reporting entity, which is described in note 1 of its financial statements, does not include the entities of the education network and those of the health and social services network. In accordance with the recommendations of the CICA, these entities should be included in its reporting entity as they

**Auditor General's report** (cont'd)

meet the criteria for inclusion in that entity. The accounts of each of these entities should therefore be combined line by line with those of the government.

Given the fact that the government did not compile the necessary information, I was unable to determine the effects of the non-consolidation of the entities of the networks for each item in the financial statements. However, based on the information that I do have, the inclusion of the accounts of these entities in the government's financial statements would have a significant impact on the financial information presented in those statements.

**Allowance for tax claims**

The allowance for doubtful accounts deducted from the value attributable to the debtors, includes an allowance for tax claims of the ministère du Revenu. This latter allowance comprises a sum established on the basis of a statistical analysis of files, to which has been added an amount to compensate for the risk caused by the use of a statistical method and to take into account the increase in the debts written off during the fiscal year. In my opinion, this additional amount is unjustified, as the elements in question had already been taken into consideration during the statistical analysis of the files. Moreover, the allowance for tax claims was determined on the basis of the amounts of the claims as at December 31, 2001 rather than as at March 31, 2002, the end of the government's fiscal year.

The effect of these practices was to understate the deficit of the fiscal year ended March 31, 2002 by \$147.5 million (to understate the surplus of the fiscal year ended March 31, 2001 by \$41 million) and to overstate the allowance for doubtful accounts, the accumulated deficits, as well as the net debt by \$64.5 million as of that date (March 31, 2001 : \$212 million).

**Provision for losses on guaranteed financial initiatives**

Investissement Québec establishes the provision for losses on its financial initiatives guaranteed by the government according to the credit risks and the initiatives in progress. The government records a different provision for these same initiatives according to its own assessment of the credit risks and on the basis of the authorized interventions rather than of those in progress. In my opinion, the provision established by Investissement Québec is appropriate because it is evaluated on the basis of the accrual accounting method and a meticulous analysis of the credit risks. Hence, the government should have

## **Auditor General's report (cont'd)**

recorded in its books the provision calculated by Investissement Québec. The effect of not having entered an appropriate provision is to overstate the deficit by \$50.1 million as at March 31, 2002 (understate the surplus of the fiscal year ended March 31, 2001 by \$41.6 million) and to overstate the provision for losses on guaranteed financial initiatives, the net debt and the accumulated deficits by \$178.4 million at that date (March 31, 2001: \$128.3 million).

In my opinion, except for the inappropriate disclosure by the government of its commitments concerning the financing of the RREGOP, the RRPE and the RRAPSC, the undetermined effects of the non-consolidation of the entities of the education network and those of the health and social services network, the understatement of the annual deficit by \$420.4 million as well as the overstatement of the net debt and the accumulated deficits by \$242.9 million, as detailed in the previous paragraphs, these consolidated financial statements present fairly, in all material respects, the financial position of the Government of Québec as at March 31, 2002, as well as the results of its operations and the changes in its financial position for the year then ended, in accordance with the accounting policies set forth in Note 1. As required by the *Auditor General Act* (R.S.Q., c. V-5.01), I report that, in my opinion, these accounting policies have been applied on a basis consistent with that of the preceding year.

## **Comparability of financial statements**

The Commission de la santé et de la sécurité du travail (CSST) retroactively modified its accounting policy for the provision for fluctuations in the real rate of return during its last two fiscal years, namely that ended on December 31, 2000 and that ended on December 31, 2001. Moreover, the amortization of the provision for fluctuations in the real rate of return for 2001 is not established according to the same mechanism that was used previously. These repetitive changes have an impact on the consolidated financial statements of the government, as the operations of the CSST are recorded therein according to the modified equity method.

The effect of the modifications made by the CSST in 2000 is to increase the “Participation in enterprises of the government” account by \$911.8 million as at March 31, 2001 and to increase the government’s surplus by \$186.5 million for the fiscal year ended at that date. As for the modifications made by the CSST in 2001, their effect is to reduce this same account by \$555.1 million as at March 31, 2002 and the deficit of the government of the fiscal year ended on that date by \$356.7 million.

Although the successive changes in the accounting policy of the CSST are in accordance with generally accepted accounting principles in Canada, they increase the risk of confusion regarding the interpretation of the information presented in the consolidated statement of the operating results and in the consolidated

**Auditor General's report** (cont'd)

statement of the government's financial position, and do not promote the comparability of financial statements from one year to the next.

Acting Auditor General,

A handwritten signature in black ink, reading "Doris Paradis". The script is cursive and fluid.

Doris Paradis, CA

Québec City, November 25, 2002

## Consolidated statement of operations

FISCAL YEAR ENDED MARCH 31, 2002

(in millions of dollars)

Appendix	2002		2001
	Budget *	Actual results	Actual results
			(Note 10)
<b>5 REVENUE (Note 2)</b>			
Income and property taxes	25 113	24 546	26 053
Consumption taxes	9 885	9 913	9 541
Duties and permits	1 340	1 346	1 406
Miscellaneous	2 058	2 421	2 360
Revenue from Government enterprises	3 256	2 731	3 496
Own-source revenue	41 652	40 957	42 856
Government of Canada transfers	9 484	9 305	8 145
<b>Total revenue</b>	<b>51 136</b>	<b>50 262</b>	<b>51 001</b>
<b>6 EXPENDITURE</b>			
Health and Social Services	17 264	17 729	16 591
Education and Culture	11 337	11 264	10 909
Economy and Environment	5 950	5 951	6 040
Support for Individuals and Families	4 883	5 069	4 890
Administration and Justice	3 792	3 916	3 588
<b>Sub-total</b>	<b>43 226</b>	<b>43 929</b>	<b>42 018</b>
Debt service	7 910	7 261	7 606
<b>Total expenditure</b>	<b>51 136</b>	<b>51 190</b>	<b>49 624</b>
<b>ANNUAL (DEFICIT) SURPLUS</b>	<b>--</b>	<b>(928)</b>	<b>1 377</b>

\* On the basis of the revenue and expenditure forecasts announced in the 2001-2002 Budget Speech of March 29, 2001.

Under the Act to establish a budgetary surplus reserve fund (2001, c. 56), the government created a reserve fund to finance certain expenditures and maintain a balanced budget. The changes in the reserve fund are shown in Appendix 18.

Annual (deficit) surplus	--	(928)	1 377
Transfer to reserve fund	--	--	(950)
Use of reserve fund	--	950	--
<b>Excess of annual surplus (deficit) over reserve</b>	<b>--</b>	<b>22</b>	<b>427</b>

**Consolidated statement of accumulated deficit**

FISCAL YEAR ENDED MARCH 31, 2002

(in millions of dollars)

	2002		2001
	Budget *	Actual results	Actual results
<b>PREVIOUSLY ESTABLISHED ACCUMULATED DEFICIT, BEGINNING OF YEAR</b>	(81 042)	(81 042)	(82 419)
Government's share of restatements by Government enterprises (Appendix 9)	--	(2 218)	--
<b>Restated accumulated deficit</b>	(81 042)	(83 260)	(82 419)
Annual (deficit) surplus	--	(928)	1 377
Government's share of foreign exchange gains or losses of Government enterprises	--	88	--
<b>ACCUMULATED DEFICIT, END OF YEAR</b>	<b>(81 042)</b>	<b>(84 100)</b>	<b>(81 042)</b>

\* On the basis of the revenue and expenditure forecasts announced in the 2001-2002 Budget Speech of March 29, 2001.

## Consolidated statement of financial position

AS AT MARCH 31, 2002

(in millions of dollars)

Appendix		2002	2001
	<b>FINANCIAL ASSETS</b>		(Note 10)
7	Short-term investments	1 445	1 654
8	Accounts receivable	7 064	8 231
9	Investment in Government enterprises	17 421	18 532
10	Long-term investments	1 967	1 844
	Deferred expenses related to debts	95	132
	Advances to the health and social services and education networks and Government enterprises (Note 5)	5 378	5 796
	Assets for financing the fixed assets of the health and social services and education networks (Note 7)	962	968
	<b>TOTAL FINANCIAL ASSETS</b>	<b>34 332</b>	<b>37 157</b>
	<b>LIABILITIES</b>		
11	Bank overdraft	2 878	2 776
12	Accounts payable and accrued expenses	8 182	8 328
	Deferred revenue	531	1 509
	Pension plans (Note 4)	38 060	39 111
13	Direct debt (Notes 5 and 6)	67 423	63 642
13	Debt to finance the health and social services and education networks and Government enterprises (Notes 5 and 6)	5 378	5 796
13	Debt to finance the work of municipal bodies (Notes 5 and 6)	3 179	3 235
	Allowance for financing the fixed assets of the health and social services and education networks (Note 7)	962	968
	<b>TOTAL LIABILITIES</b>	<b>126 593</b>	<b>125 365</b>
14	<b>NET DEBT</b>	<b>(92 261)</b>	<b>(88 208)</b>
15	<b>FIXED ASSETS (Note 3)</b>	<b>8 161</b>	<b>7 166</b>
	<b>ACCUMULATED DEFICIT</b>	<b>(84 100)</b>	<b>(81 042)</b>
16	Commitments and contingencies (Note 8)		
17	Fiduciary transactions conducted by Government agencies and funds		
18	Reserve fund		

**Consolidated statement of financial requirements and financing**

FISCAL YEAR ENDED MARCH 31, 2002

(in millions of dollars)

	2002		2001	
<b>OPERATING ACTIVITIES</b>				
Annual (deficit) surplus		(928)		1 377
Items not affecting liquid assets:				
Government's share in the results				
of enterprises entered as revenue less				
declared dividends	(371)		(1 157)	
Doubtful accounts and other allowances	395		512	
Sick leave and vacations	75		58	
Pension costs (Note 4)	1 395		1 248	
Interest charges relating to pension				
plans (Note 4)	3 322		3 006	
Depreciation of fixed assets	622		776	
Amortization of deferred expenses related to debts	72		1	
Amortization of deferred foreign exchange				
loss	153		163	
Amortization of discounts and premiums	61	5 724	99	4 706
		4 796		6 083
Pensions plans				
Benefits and other payments	(2 720)		(2 567)	
Employee and independent				
employer contributions	92	(2 628)	106	(2 461)
Specific purpose accounts (Appendix 12)				
Payments and other debits	(527)		(377)	
Receipts and other credits	567	40	367	(10)
Changes in financial assets and liabilities				
related to operations		(345)		(2 304)
Liquid assets provided by				
operating activities		1 863		1 308
<b>INVESTMENT ACTIVITIES</b>				
Changes in investment in Government				
enterprises				
Investments made		(648)		(425)
Changes in long-term investments				
Investments made		(346)		(200)
Investments realized		133		50
		(213)		(150)
Fixed assets				
Acquisition		(1 626)		(1 264)
Disposal		9		15
		(1 617)		(1 249)
Liquid assets used for investment				
activities		(2 478)		(1 824)
<b>NET FINANCIAL REQUIREMENTS</b>		(615)		(516)

**Consolidated statement of financial requirements and financing (cont'd)**

FISCAL YEAR ENDED MARCH 31, 2002

(in millions of dollars)

	2002	2001
<b>FINANCING ACTIVITIES</b>		
Changes in debts		
Borrowings made	9 011	8 594
Borrowings repaid	<u>(5 388)</u>	<u>(5 586)</u>
	3 623	3 008
Changes in the Retirement Plans Sinking Fund		
Payments	(2 535)	(1 607)
Reinvestment of Fund investment		
income	(605)	(412)
Changes in liquid assets <sup>(1)</sup>	<u>132</u>	<u>(473)</u>
<b>NET FINANCING</b>	<u><u>615</u></u>	<u><u>516</u></u>

(1) Liquid assets include cash in bank and short-term investments less short-term borrowings.



## Notes to financial statements

### 1. Significant accounting policies

The Gouvernement du Québec accounts for its financial transactions in accordance with the accounting policies disclosed below. When necessary, the information included in the consolidated financial statements is based on best estimates and judgments.

#### Reporting entity

The Government's reporting entity encompasses departments, agencies, enterprises and special funds which must account for the management of their financial transactions and resources to a Minister or directly to the National Assembly and which are part of the Government or under its control. They are listed in an appendix to the financial statements.

Fiduciary transactions conducted by certain agencies and funds are not included in the Government's reporting entity. These agencies and funds are listed in an appendix to the financial statements.

#### Consolidation method

The accounts of the Consolidated Revenue Fund and the other entities included in the Government's reporting entity, with the exception of Government enterprises, have been standardized and combined line by line in accordance with the accounting policies disclosed below. Inter-entity transactions and balances have been eliminated.

Government enterprises are accounted for using the modified equity method. Therefore, investment in these enterprises is recorded at cost, which is adjusted annually by the Government's share in the results of these enterprises with an offsetting entry to revenue, and reduced by the portion of dividends that are paid or reported by an enterprise and that accrue to the Government. A Government enterprise has all of the following characteristics:

- a) it is a separate legal entity that has the authority to enter into contracts in its own name and to go before a court;
- b) it is vested with the financial and administrative power to carry out commercial activities;
- c) its main activity is the sale of goods or the delivery of services to individuals or to organizations not included in the Government's reporting entity;
- d) it may, during the normal course of its operations, pursue its activities and settle its debts using revenue from sources not included in the Government's reporting entity.

## **Revenue**

Revenue from income and property taxes, consumption taxes, duties, permits, fines and forfeitures is recorded in the fiscal year during which it is received, after deducting reimbursements and other amounts deductible under the applicable legislation. Assessments and amounts billed before the end of the fiscal year are entered as revenue.

Revenue from Government of Canada transfers is recorded in the fiscal year during which it is received. However, claims issued and estimates of revenue from transfers related to shared-cost programs without fiscal compensation are recorded in the fiscal year during which the related expenditures are made.

Other revenue is recorded on the accrual basis. Interest income ceases to be recorded when there is no reasonable assurance that the principal or interest will be recovered.

## **Expenditure**

Transfers are recorded in the fiscal year during which the events that give rise to them occur, insofar as the transfers have been authorized and once beneficiaries have met the eligibility criteria.

Expenditure includes the cost of goods and services acquired during the fiscal year, with the exception of fixed assets for which an annual depreciation is recorded.

Debt service interest charges resulting from transactions in foreign currency are translated into Canadian dollars at the rates in effect at the time of the transactions.

## **Financial assets**

Short-term investments are recorded at cost and accounts receivable, loans and advances are recorded initially at cost and then brought down to their net recoverable value through valuation allowances.

Investment in Government enterprises is recorded using the modified equity method.

Other long-term investments are entered at cost and reduced by any durable loss in value. The loss in value is charged to operations for the fiscal year during which it is known.

## **Liabilities**

### *Accounts payable and accrued expenses*

#### **Specific purpose accounts**

The Financial Administration Act (R.S.Q., c. A-6.001) provides for the creation of specific purpose accounts in which amounts received in respect of a contract or an agreement calling for the allocation of funds to a specific purpose may be deposited. Consequently, certain amounts receivable or payable under shared-cost programs without fiscal compensation or as a result of third-party compensation are recorded in specific purpose accounts.

#### **Sick leave and vacations**

Obligations relating to sick leave and vacations owed to Government employees are recorded as liabilities. The annual change in this account is posted to expenditure.

#### **Allowance for losses on guaranteed financial initiatives**

Obligations resulting from borrowings and other guaranteed financial initiatives are recorded as liabilities when a loss is probable. The annual change in this allowance is posted to expenditure.

The allowance for probable losses is evaluated using a rate based on past experience regarding losses on each of the guarantee programs. Special guarantees are grouped according to risk level.

### *Pension plans*

Government pension plans are defined benefit pension plans. Within the context of preparing the Government's financial statements, obligations relating to vested benefits are evaluated using the actuarial projected benefit method prorated on service, according to the most probable assumptions set by the Government with regard, notably, to inflation, interest and employee remuneration. This method has been adjusted, however, to reflect the way in which benefits are earned by employees.

#### **Total cost of plans**

The annual cost of vested benefits for all pension plans, including the cost of changes to the plans, and the amortization of adjustments to estimates based on actuarial gains or losses are charged to expenditure, with an offsetting entry in the retirement plans account, i.e. pension plan liability. Changes to actuarial assumptions are included in the adjustments to estimates based on actuarial gains or losses.

In the case of the Government and Public Employees Retirement Plan (RREGOP), the Pension Plan of Management Personnel (PPMP), the Civil Service Superannuation Plan (CSSP), the Teachers Pension Plan (TPP), the Pension Plan of Certain Teachers (PPCT) and transfers from the TPP and the CSSP to RREGOP and the PPMP, adjustments to estimates based on actuarial gains or losses are amortized using the straight-line method over a period corresponding to the estimated average remaining years of service of participants in these plans as a whole. However, adjustments to estimates based on actuarial gains or losses for the other pension plans are amortized over a period corresponding to the estimated average remaining years of service of participants in each plan.

The total cost of the pension plans also includes interest charges on obligations relating to vested benefits, with an offsetting entry to liabilities in the retirement plans account. The investment income of the Retirement Plans Sinking Fund, created to pay for benefits under these plans, is taken into account in computing interest charges on obligations relating to vested benefits.

### *Debts*

Borrowings are recorded at the amount received at the time of issue, adjusted by the premium or discount amortization to obtain the amount of principal repayable at maturity. The amortization is calculated using the effective rate for each borrowing.

Issue expenses are deferred and amortized over the term of each borrowing using the straight-line method. The unamortized balance is included in deferred expenses related to debts.

Borrowings in foreign currency are translated into Canadian dollars at the rates in effect on March 31.

Foreign exchange gains or losses resulting from the translation of borrowings are deferred and amortized over the remaining term of each borrowing using the straight-line method.

### **Derivative instruments**

The Government uses derivative instruments to manage foreign exchange and interest rate risks related to debts. These instruments are recorded at cost.

Derivative instruments used to manage the foreign exchange risk associated with the repayment of interest and principal on borrowings and with the cash management transactions such risk management entails, including currency swap contracts and foreign exchange forward contracts, are translated into Canadian dollars at the rates in effect on March 31. The components of these instruments, namely, financial assets and liabilities, are offset against one another and shown as "Debts" items.

Interest rate exchanges stemming from interest rate swap contracts used to change exposure to interest rate risk over the long term are reconciled with interest charges for the borrowings with which these swap contracts are associated.

Gains or losses on derivative instruments are deferred and amortized over the term of each contract. However, foreign exchange gains or losses on short-term contracts aimed at modifying the foreign exchange risk associated with long-term borrowings are amortized over the remaining term of the borrowing portfolio in the currency concerned using the straight-line method.

### **Sinking fund**

Securities held by the sinking fund are recorded at the amount paid at the time of purchase, adjusted by the premium or discount amortization to obtain the amount of principal receivable at maturity. The amortization is calculated on the basis of the effective rate for each security.

The difference between the book value of a security and the amount received at the time of its disposal is charged to results.

### **Fixed assets**

Fixed assets consist of acquired, built, developed or improved non-financial assets, whose useful life extends beyond the fiscal year and which are intended to be used on an ongoing basis for producing goods or delivering services.

They include land, buildings, facilities such as parks and outdoor recreational areas, complex networks such as dams, canals, roads and bridges, equipment such as vehicles and furniture, and the development of data processing systems.

Fixed assets are recorded at cost and depreciated using a logical, systematic method over a period corresponding to their useful life. They are a component of net debt. Their cost includes financing charges capitalized during their construction, improvement or development.

The cost of fixed assets held under capital leases is equal to the present value of payments due. Works of art and historic property are not recorded as fixed assets but are mentioned in a note to the financial statements, and their cost is charged to expenditure for the fiscal year during which they are acquired.

Fixed assets acquired through donation or for a nominal fee are recorded at their fair value at the time of acquisition with an offsetting entry to deferred revenue liabilities, which are gradually transferred to

operating results using the same term and method of amortization as for the fixed assets concerned. However, land is recorded at its nominal value.

Sums received from agencies not included in the Government's reporting entity for the purchase of fixed assets are recorded as deferred revenue liabilities and gradually transferred to operating results using the same term and method of amortization as for the fixed assets concerned. However, contributions received for the purchase of land are deducted from the latter's cost.

## 2. Revenue

**According to applicable legislation, revenue is shown after deduction of the following items:**

	2002	2001
	(in millions of dollars)	(Note 10)
Personal income tax		
Refundable tax credits:		
Sales tax	693	441
Day care expenses	228	167
Other	96	39
Property tax refunds	243	233
Family assistance allowances	19	24
	<u>1 279</u>	<u>904</u>
Corporate taxes		
Refundable tax credits:		
Tax credits for large corporations		193
Scientific research and experimental development	349	174
Cinematographic productions	97	100
Tax credits relating to the reporting of tips	40	47
Other	231	188
	<u>717</u>	<u>702</u>
Duties and permits		
Silvicultural work and other forest management activities	198	230
Highway carrier monitoring	48	45
Refundable mining duties credits for losses pertaining to exploration and capital expenditures and other	3	10
	<u>249</u>	<u>285</u>
	<u><u>2 245</u></u>	<u><u>1 891</u></u>

### 3. Fixed assets

Fixed assets are recorded at cost and shown in net debt. They are depreciated over their useful life using the following methods:

<u>Category</u>	<u>Depreciation method</u>	<u>Useful life</u>
Buildings	Straight-line and annuity	10 to 50 years
Facilities	Straight-line	5 to 10 years
Complex networks	Straight-line	10 to 40 years
Equipment	Straight-line	3 to 20 years
Development of data processing systems	Straight-line	5 to 10 years

Works of art and historic property consist mainly of paintings, sculptures, drawings, prints, photographs, installations, films and videos and their cost is charged to expenditures for the fiscal year in which they are acquired.

## 4. Pension plans

The Gouvernement du Québec contributes to several pension plans for its employees. Employees of the public and parapublic sectors, the Members of the National Assembly and the judges of the Court of Québec participate in these plans.

### Pension plans

	Estimated number of participants as at December 31, 2001	Number of beneficiaries as at December 31, 2001
Government and Public Employees Retirement Plan (RREGOP)	450 000	104 434
Pension Plan of Management Personnel (PPMP)	23 250	11 564
Teachers Pension Plan and Pension Plan of Certain Teachers (TPP and PPCT)	7 900 *	44 654 *
Civil Service Superannuation Plan (CSSP)	3 200 *	25 208 *
Superannuation Plan for the Members of the Sûreté du Québec (SPMSQ)	4 000	3 585
Pension Plan of Peace Officers in Correctional Services (PPPOCS)	2 750	948
Pension Plan of the Judges of the Court of Québec (PPJCO)	273	292
Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFETQ)	280	67
Pension Plan of the Members of the National Assembly (PPMNA)	121	259
	<u>491 774</u>	<u>191 011</u>

\* These plans have not admitted any new participants since July 1, 1973.

These plans are “defined benefit” pension plans, which means that they guarantee participants a set income upon retirement, calculated on the basis of participants’ average income for the best paid years, generally five, and their number of years of service. The portion of benefits accrued prior to July 1, 1982 is usually indexed to the cost of living, while those accrued after that date are partially indexed.

There are two types of pension plans:

- cost-sharing pension plans;
- cost-balance pension plans.

## **Cost-sharing pension plans**

In the case of RREGOP and the PPMP, the Government covers costs at a rate of 50% for years of service since July 1, 1982 and 58.33% (7/12) for years of service prior to July 1, 1982. The contributions of participants and independent employers are paid into the Caisse de dépôt et placement du Québec.

In the case of the PPPOCS, the Government covers 46% of costs, while employees cover 54%. Employee contributions are paid into the Consolidated Revenue Fund.

## **Cost-balance pension plans**

Cost-balance pension plans are plans for which employers cover the difference between the cost of plans and the contributions paid by participants. All Government plans except RREGOP, the PPMP and the PPPOCS fall into this category. The contributions of participants and independent employers to these cost-balance plans are paid into the Consolidated Revenue Fund. The Government covers the difference between the cost of each plan and the contributions paid by participants and independent employers.

## **Value of actuarial obligations relating to vested benefits for the pension plans as a whole**

The value of actuarial obligations relating to vested benefits for the pension plans as a whole for service rendered as at a given date is determined by actuaries of the Commission administrative des régimes de retraite et d'assurances (CARRA). For this purpose, they use the actuarial projected benefit method prorated on service and take into account, among other things, the most probable long-term economic assumptions.

Long-term economic assumptions:

- Yield, net of inflation	4.85%
- Inflation rate	3.00%
- Salary escalation rate, net of inflation	1.10%

## **Government's liability with regard to the pension plans**

The Government's liability with regard to the pension plans is recorded in conformity with the recommendations of the Canadian Institute of Chartered Accountants for public sector pension plans.

The liability recorded with respect to the pension plans is established on the basis of the value of actuarial obligations relating to vested benefits for the pension plans as a whole, taking into account certain adjustments stemming from actuarial gains or losses noted during the actuarial valuations prepared every

three years. These gains or losses are amortized using the accounting policy established for this purpose. The Government's liability with regard to the pension plans also includes interest charges calculated on the basis of the value of the actuarial obligations relating to vested benefits as at a given date for the pension plans as a whole.

As shown by the following table concerning the main pension plans, the Government's liability with regard to the pension plans as a whole is estimated at \$48 259 million as at March 31, 2002, including \$25 307 million for RREGOP and the PPMP.

### Pension plans liability

	Actuarial obligations relating to vested benefits	Restate- ments	Pension plans liability as at March 31, 2002	Pension plans liability as at March 31, 2001
		(in millions of dollars)		(Note 10)
RREGOP				
- regular service	19 814	(1 205)	18 609	17 002
- transferred service	2 486	(227)	2 259	2 247
PPMP				
- regular service	3 712	(316)	3 396	3 126
- transferred service	1 149	(106)	1 043	980
TPP and PPCT	15 363	(999)	14 364	14 343
CSSP	5 337	(270)	5 067	5 106
Other	3 497	24	3 521	3 366
	<u>51 358</u>	<u>(3 099)</u>	<u>48 259</u>	<u>46 170</u>
Sinking fund <sup>(1)</sup>	(10 199)		(10 199)	(7 059)
	<u>41 159</u>	<u>(3 099)</u>	<u>38 060</u>	<u>39 111</u>

(1) Under the Financial Administration Act (R.S.Q., c. A-6.001, s. 8), the Minister of Finance may make long-term investments, by way of a deposit with the Caisse de dépôt et placement du Québec, using a part of the Consolidated Revenue Fund up to an amount equal to the sums recorded as the pension plans liability in order to create a sinking fund to provide for the payment of all or part of the benefits awarded under these plans. The sinking fund's assets are recorded at a value based on their market value. During fiscal 2001-2002 the Minister made investments of \$2 535 million in the Retirement Plans Sinking Fund (\$1 607 million in 2000-2001). At March 31, 2002, \$605 million in investment income (\$412 million in 2001) was reinvested in the sinking fund, and was taken into account in calculating the interest charges relating to pension plans.

### Actuarial valuations and subsequent estimates

The most recent estimates, which were filed and issued in 2002, were determined on the basis of actuarial valuations as at December 31, 2001 for the PPMNA; as at December 31, 2000 for the PPCT, the PPJCQ, the SPMSQ and service transferred from the TPP and the CSSP to RREGOP and the PPMP; as at December 31, 1999 for the CSSP, the TPP, RREGOP and the PPMP, other than service transferred from

the TPP and the CSSP to RREGOP and the PPMP, and for the PPMP (RRAS); as at December 31, 1997 for the PPPOCS; as at December 31, 1996 for the PPMP (RRAS) and as at December 31, 1994 for the PPFETQ.

## Total cost of pension plans

	2002	2001
	(in millions of dollars)	
Pension costs		
Cost of vested benefits excluding interest charges	1 253	1 262
Employee contributions	(88)	(106)
Independant employer contributions	(4)	
	<u>1 161</u>	<u>1 156</u>
Cost of changes	28 <sup>(1)</sup>	
Amortization of adjustments to estimates based on actuarial gains or losses	206	92
	<u>1 395</u>	<u>1 248</u>
Interest charges relating to the pension plans	2 717 <sup>(2)</sup>	2 594 <sup>(2)</sup>
Total	<u><u>4 112</u></u>	<u><u>3 842</u></u>

(1) A new pension plan for the judges of the Court of Québec and the municipal courts of Laval, Montréal and Québec was introduced under the Act to amend the Courts of Justice Act (S.Q., 2001, c. 8), assented to on May 30, 2001. The impact of the changes to the pension plan and the supplementary benefits plan of the judges of the Court of Québec was \$28 million as at March 31, 2002.

(2) After deducting Retirement Plans Sinking Fund investment income of \$605 million in 2001-2002 (\$412 million in 2000-2001).

## Funding of pension plans

### *Actuarial valuations for funding purposes for regular service under “cost-sharing” pension plans (RREGOP, PPMP AND PPPOCS)*

By law, CARRA actuaries are required to prepare, every three years, an actuarial valuation for funding purposes for each of the pension plans in order to determine the rates of contribution for these plans. To that end, the actuaries take legislative provisions and collective agreements into account using the valuation method agreed upon by the parties concerned and economic assumptions that are more conservative than those used to prepare valuations for accounting purposes.

According to these valuations, Government commitments for funding purposes are calculated as the fund that the Government would have amassed had it been required to pay contributions since 1973 on the same bases as those used to determine the rate of contribution of participants. In the case of RREGOP and the PPMP, this fund was estimated at \$36 282 million at fair value and \$41 147 million at cost as at December 31, 2001 (\$38 581 at fair value and \$39 723 million at cost as at December 31, 2000). In the

case of the PPPOCS, for which employee contributions were paid into the Consolidated Revenue Fund, the value of the fund that would have been amassed by employees and the Government was \$767 million at cost as at December 31, 2001 (\$746 million as at December 31, 2000).

The difference between these amounts and the liability recorded for these three plans represents a non-payable amount that does not have to be recorded as a liability of the Government. The difference may be attributed to the use of different economic assumptions and methods.

## 5. Debts

Debts by type of currency take into account the derivative instruments used to manage foreign exchange risks.

2002				
Currency	Direct		Health and social services and education networks and Government enterprises <sup>(1)</sup>	
	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent
		(in millions of dollars)		(in millions of dollars)
In Canadian dollars	37 669	37 669 <sup>(3)</sup>	5 025	5 025
In U.S. dollars	11 878	18 929	224	358
In yen	547 816	6 583	7 004	84
In euros	5 053	7 015		
Other currencies <sup>(4)</sup>		1 548		
Less:				
Derivative instruments - net		327		55
Sinking fund		3 151		34
Debts before deferred foreign exchange loss		68 266		5 378
Deferred foreign exchange loss		843		
		<b>67 423</b>		<b>5 378</b>

2001				
Currency	Direct		Health and social services and education networks and Government enterprises <sup>(1)</sup>	
	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent
		(in millions of dollars)		(in millions of dollars)
In Canadian dollars	33 954	33 954 <sup>(3)</sup>	5 415	5 415
In U.S. dollars	12 246	19 320	224	354
In yen	561 637	7 055	8 520	107
In euros	1 329	1 843		
Other currencies <sup>(4)</sup>		5 238		
Less :				
Derivative instruments - net		269		54
Sinking fund		2 036		26
Debts before deferred foreign exchange loss		65 105		5 796
Deferred foreign exchange loss		1 463		
		<b>63 642</b>		<b>5 796</b>

(See Notes 1, 2, 3 and 4 on page 30)

2002

Work of municipal bodies <sup>(2)</sup>		Total		Derivative instruments - net	Total after impact of derivative instruments
In millions of monetary units	Total in Canadian equivalent (in millions of dollars)	In millions of monetary units	Total in Canadian equivalent (in millions of dollars)		
2 382	2 382	45 076	45 076	19 450	64 526
172	274	12 274	19 561	(13 866)	5 695
5 000	60	559 820	6 727	3 051	9 778
284	393	5 337	7 408	(7 408)	
			1 548	(1 539)	9
	(70)		312	(312)	
			3 185		3 185
	3 179		76 823		76 823
			843		843
	3 179		75 980		75 980

2001

Work of municipal bodies <sup>(2)</sup>		Total		Derivative instruments - net	Total after impact of derivative instruments
In millions of monetary units	Total in Canadian equivalent (in millions of dollars)	In millions of monetary units	Total in Canadian equivalent (in millions of dollars)		
2 339	2 339	41 708	41 708	14 102	55 810
172	271	12 642	19 945	(7 854)	12 091
12 000	151	582 157	7 313	984	8 297
		1 329	1 843	(2 348)	(505)
	393		5 631	(5 126)	505
	(81)		242	(242)	
			2 062		2 062
	3 235		74 136		74 136
			1 463		1 463
	3 235		72 673		72 673

**Weighted average interest rate <sup>(5)</sup>**

Currency	Direct		Health and social services and education networks and Government enterprises		Work of municipal bodies	
	2002	2001	2002	2001	2002	2001
In Canadian dollars	6.82 %	7.39 %	6.54 %	6.61 %	7.11 %	7.51 %
In U.S. dollars	6.89	7.18	4.73	5.84	8.53	8.53
In yen	3.61	4.04	0.72	1.40	9.89	10.05
In euros	5.73	5.23			8.37	
Weighted average rate	<b>6.43 %</b>	<b>6.86 %</b>	<b>6.33 %</b>	<b>6.47 %</b>	<b>7.51 %</b>	<b>7.97 %</b>

- (1) To offset this debt, advances to the health and social services and education networks and to Government enterprises are granted on the same conditions as these borrowings and recorded as financial assets.
- (2) Under the water treatment program, the Government is committed, in accordance with an agreement with the municipalities and the Société québécoise d'assainissement des eaux (SQAE), to contributing to the financing of work costs by repaying, based on date of maturity, the principal and interest on borrowings contracted by the SQAE.
- (3) The Government held \$400 million worth of its securities as at March 31, 2002 (\$199 million in 2001).
- (4) In 2002, other currencies included the Swiss franc, the pound sterling, the Australian dollar and the Swedish krona. In 2001, they included, in addition to those mentioned for 2002, the Deutsche mark, the French franc, the Dutch guilder, the peseta and the Luxembourg franc. A detailed table by type of currency and debt is presented in Appendix 13.
- (5) The weighted average interest rate corresponds to the nominal rate of borrowings.

**Debt schedules after impact of derivative instruments****Direct**

Maturing on March 31 <sup>(6)</sup>	In Canadian dollars <sup>(9)</sup>	In U.S. dollars <sup>(9)</sup>	In yen	In euros	Other	Total
						(in millions of dollars)
2003	11 222	(7 840)	4 843	(1 645)	(450)	6 130
2004	4 128	158				4 286
2005	4 555	11	(83)	1		4 484
2006	6 023	75	12	4		6 114
2007	4 060	111	18			4 189
	<b>29 988</b>	<b>(7 485)</b>	<b>4 790</b>	<b>(1 640)</b>	<b>(450)</b>	<b>25 203</b>
2008-2012	12 084	5 067	1 985	1 540	345	21 021
2013-2017	1 067	558	2 467	70		4 162
2018-2022	372	558	296	30	114	1 370
2023-2027	4 406	3 975	240			8 621
2028 and thereafter	5 254	2 635				7 889
	<b>53 171</b>	<b>5 308</b>	<b>9 778</b>		<b>9</b>	<b>68 266</b>

**Health and social services and education networks  
and Government enterprises**

Maturing on March 31 <sup>(7)</sup>	In Canadian dollars <sup>(9)</sup>	In U.S. dollars <sup>(9)</sup>	In yen	In euros	Other	Total
						(in millions of dollars)
2003	1 486					1 486
2004	861					861
2005	80					80
2006	902					902
2007	11					11
	<b>3 340</b>					<b>3 340</b>
2008-2012	1 436					1 436
2013-2017	20					20
2018-2022	20					20
2023 and thereafter	562					562
	<b>5 378</b>					<b>5 378</b>

**Work of municipal  
bodies**

Maturing on March 31 <sup>(8)</sup>	In Canadian dollars <sup>(9)</sup>	In U.S. dollars <sup>(9)</sup>	In yen	In euros	Other	Total
						(in millions of dollars)
2003	661					661
2004	640					640
2005	270					270
2006	379					379
2007	399					399
	<b>2 349</b>					<b>2 349</b>
2008-2012	780					780
2013-2017	50					50
	<b>3 179</b>					<b>3 179</b>

(6) This schedule takes into account \$2 530 million in 2003 for treasury bills and was drawn up considering projected repayments of \$603 million in 2003, \$485 million in 2004, \$373 million in 2005, \$306 million in 2006, \$305 million in 2007 and \$789 million in 2008-2012 for savings products redeemable on demand.

(7) This schedule includes an amount of \$344 million, for treasury bills, maturing in 2003.

(8) This schedule includes an amount of \$95 million, for treasury bills, maturing in 2003.

(9) These schedules take into account the sinking fund of \$2 798 million for debts in Canadian dollars and \$387 million for debts in U.S. dollars.

## 6. Risk management and derivative instruments

To meet the financial requirements arising from its operations for repaying maturing loans and for maintaining the desired level of liquid assets, the Government has provided itself with an annual financing and debt-management program targeting Canadian and international financial markets.

Participation in these markets involves various types of risk. Therefore, the Government devises risk-management strategies by using the different derivative instruments at its disposal.

### **Foreign exchange risk**

Foreign exchange risk is the risk that the cash flows needed to repay the interest and principal on loans in foreign currency will vary according to market fluctuations. To manage this risk, the Government uses derivative instruments such as currency swap contracts and foreign exchange forward contracts. The purpose of such contracts is to exchange cash flows from one currency to another. These contracts mature at various dates until 2011.

### **Interest rate risk**

Interest rate risk is the risk that debt service will vary unfavourably according to interest rate fluctuations. To reduce its exposure to interest rate risk, the Government uses interest rate swap contracts or short-term derivative products. Interest rate swap contracts make it possible to exchange payments of interest at fixed rates for payments of interest at variable rates or vice versa on the basis of a reference par value.

### **Credit risk**

Credit risk is the risk that a counterparty will default on his contractual obligations, an event that could entail financial losses for the Government. To protect itself from such a risk within the scope of derivative instrument transactions, the Government has adopted a credit risk management policy that limits potential losses by counterparties.

A credit limit is set for each counterparty based mainly on his credit rating. When this limit is exceeded, a process is implemented to ensure that the amounts owed by the counterparty concerned fall within the limits set.

The Government deals with major financial institutions whose credit rating is equal to or higher than its own. As at March 31, 2002, over 85% of its derivative instrument portfolio was associated with counterparties that had an "AA" or "Superior" rating. All of the Government's counterparties had at least an "A" rating with a recognized credit rating agency.

## Liquidity risk

Liquidity risk is the risk that the Government will not be able to meet its financial commitments over the short term. To offset this risk, the Government has obtained lines of credit totalling C\$1 165 million from various Canadian banking institutions.

In addition, the Government has concluded credit agreements for U.S.\$3 500 million with a Canadian and international banking syndicate.

As at March 31, 2002, none of these credit lines or agreements had been drawn upon.

## 7. Allowance for financing the fixed assets of the health and social services and education networks

Under the General and Vocational Colleges Act (R.S.Q., c. C-29), the Education Act (R.S.Q., c. I-13.3), the University Investments Act (R.S.Q., c. I-17), the Act respecting health services and social services (R.S.Q., c. S-4.2) and the Act respecting health services and social services for Cree Native persons (R.S.Q., c. S-5), the Government has created sinking funds for the purpose of repaying, out of the sums deposited by the Minister responsible, borrowings (principal and interest) contracted to finance the fixed assets of organizations in the health and social services and education networks.

The net assets of these sinking funds are as follows:

	2002	2001
	(in millions of dollars)	
Sinking funds relating to borrowings by:		
General and vocational colleges in Québec	223	203
Québec school boards	309	335
Québec university establishments	278	280
Québec health and social services organizations	152	150
	<u>962</u>	<u>968</u>

## 8. Commitments and contingencies

- A) Commitments for transfers to school boards and educational institutions, health and social services institutions, municipalities and municipal bodies, and other beneficiaries are shown in summary form in Appendix 16. As at March 31, 2002, these commitments totalled \$19 682 million (\$18 978 million as at March 31, 2001).

- B) Net guaranteed financial initiatives as at March 31, 2002 totalled \$46 701 million (\$46 300 million as at March 31, 2001) including \$38 289 million as at March 31, 2002 (\$38 541 million as at March 31, 2001) related to Hydro-Québec loan guarantees. These net guaranteed financial initiatives are shown in summary form in Appendix 16.
- C) The Government is faced with claims and lawsuits, pending or potential. Some pertain to land claims by Native groups and benefit claims by social aid recipients under 30 years of age, while others, involving \$645 million (\$581 million in 2001), derive from breach of contract, personal injury or property damage and other similar causes. Since the outcome of these contingencies is uncertain, it is impossible to determine the potential loss the Government might incur.

## 9. Major transactions between Government enterprises and entities included in the Government's reporting entity

The most important transactions between the Government and its enterprises break down as follows:

	2002	2001
	(in millions of dollars)	
Revenue		
Income and property taxes	511	475
Sales of goods and services	566	538
	<u>1 077</u>	<u>1 013</u>
Expenditure		
Health and Social Services	143	135
Economy and Environment	79	108
Administration and Justice	36	38
	<u>258</u>	<u>281</u>
Accounts receivable	<u>291</u>	<u>872</u>
Accounts payable and accrued expenses	<u>33</u>	<u>225</u>

## 10 Comparative figures

Certain comparative figures for 2001 were reclassified for consistency with the presentation adopted in 2002.

**Government departments and agencies whose financial transactions  
were conducted within the Consolidated Revenue Fund and included  
in the Government's reporting entity**

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Affaires municipales et Métropole

Commission municipale du Québec

Régie du logement

Agriculture, Pêcheries et Alimentation

Commission de protection du territoire agricole du Québec

Régie des marchés agricoles et alimentaires du Québec

Assemblée nationale

Conseil du trésor, Administration et Fonction publique

Commission de la fonction publique

Conseil exécutif

Conseil permanent de la jeunesse

Culture et Communications

Commission de protection de la langue française

Commission de toponymie

Commission des biens culturels du Québec

Conseil de la langue française

Office de la langue française

Secrétariat à la politique linguistique

Éducation

Commission consultative de l'enseignement privé

Commission d'évaluation de l'enseignement collégial

Conseil supérieur de l'éducation

Emploi et Solidarité sociale

Commission des partenaires du marché du travail

Environnement

Bureau d'audiences publiques sur l'environnement

Famille, Enfance et Condition féminine

Conseil de la famille et de l'enfance

Conseil des aînés

Conseil du statut de la femme

Secrétariat à la condition féminine

**Government departments and agencies whose financial transactions were conducted within the Consolidated Revenue Fund and included in the Government's reporting entity (cont'd)**

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## Faune et Parcs

Société de la faune et des parcs du Québec

## Finances

Inspecteur général des institutions financières

## Industrie et Commerce

## Justice

Comité de la rémunération des juges de la Cour du Québec et des cours municipales

Conseil de la justice administrative

Conseil de la magistrature

Tribunal des droits de la personne

## Personnes désignées par l'Assemblée nationale

Directeur général des élections - Commission de la représentation

Protecteur du citoyen

Vérificateur général

## Recherche, Science et Technologie

Agence d'évaluation des technologies et des modes d'intervention en santé

Conseil de la science et de la technologie

## Régions

## Relations avec les citoyens et Immigration

Commission d'accès à l'information

Commission des droits de la personne et des droits de la jeunesse

Conseil des relations interculturelles

Curateur public (Le) \*

Office de la protection du consommateur

## Relations internationales

## Ressources naturelles

## Revenu

**Government departments and agencies whose financial transactions were conducted within the Consolidated Revenue Fund and included in the Government's reporting entity (cont'd)**

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Santé et Services sociaux

- Conseil de la santé et du bien-être
- Conseil médical du Québec
- Office des personnes handicapées du Québec
- Protecteur des usagers en matière de santé et de services sociaux

Sécurité publique

- Bureau du coroner
- Comité de déontologie policière
- Commissaire à la déontologie policière
- Commission québécoise des libérations conditionnelles
- Régie des alcools, des courses et des jeux

Tourisme, Loisir et Sport

Transports

- Commission des transports du Québec

Travail

- Commission de l'équité salariale
- Conseil consultatif du travail et de la main-d'oeuvre
- Conseil des services essentiels
- Régie du bâtiment du Québec

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\* This entity also conducts fiduciary transactions that are not included in the Government's reporting entity.

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**Agencies and special funds whose reporting entity  
is included in the Government's reporting entity**

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*Agencies*

Agence de l'efficacité énergétique  
Agence métropolitaine de transport <sup>(1)</sup>  
Bibliothèque nationale du Québec  
Bureau d'accréditation des pêcheurs et des aides-pêcheurs du Québec  
Bureau des services financiers <sup>(1)</sup>  
Commissaire de l'industrie de la construction  
Commission de la capitale nationale du Québec  
Commission de reconnaissance des associations d'artistes et des associations de producteurs  
Commission des lésions professionnelles  
Commission des normes du travail  
Commission des services juridiques  
Commission des valeurs mobilières du Québec  
Conseil des arts et des lettres du Québec  
Corporation d'urgences-santé de la région de Montréal métropolitain  
École nationale de police du Québec <sup>(1)</sup>  
École nationale des pompiers du Québec <sup>(1)</sup>  
Fondation de la faune du Québec  
Fonds d'aide aux recours collectifs  
Fonds d'assurance-prêts agricoles et forestiers  
Fonds de la recherche en santé du Québec  
Fonds québécois de la recherche sur la nature et les technologies  
Fonds québécois de la recherche sur la société et la culture  
Héma-Québec  
Institut de la statistique du Québec  
Institut de tourisme et d'hôtellerie du Québec <sup>(1)</sup>  
Institut national de santé publique du Québec  
Investissement Québec  
La Financière agricole du Québec  
Musée d'art contemporain de Montréal  
Musée de la civilisation  
Musée du Québec  
Office de la sécurité du revenu des chasseurs et piégeurs cris  
Office des professions du Québec  
Office Québec-Amériques pour la Jeunesse  
Régie de l'assurance maladie du Québec  
Régie de l'énergie  
Régie des installations olympiques  
Régie du cinéma  
Sidbec

**Agencies and special funds whose reporting entity  
is included in the Government's reporting entity (cont'd)**

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*Agencies (cont'd)*

Société de développement des entreprises culturelles  
Société de développement de la zone de commerce international de Montréal à Mirabel  
Société de la Place des Arts de Montréal <sup>(1)</sup>  
Société de télédiffusion du Québec (Télé-Québec)  
Société des Traversiers du Québec  
Société d'habitation du Québec <sup>(1)</sup>  
Société du Centre des congrès de Québec  
Société du Grand Théâtre de Québec  
Société du Palais des congrès de Montréal  
Société du parc industriel et portuaire de Bécancour  
Société du parc industriel et portuaire Québec-Sud  
Société immobilière du Québec  
Société nationale de l'amiante  
Société québécoise d'assainissement des eaux  
Société québécoise de récupération et de recyclage  
Société québécoise d'information juridique  
Tribunal administratif du Québec

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(1) Entities whose year-end date does not correspond to March 31, 2002 and for which no data were available for the period between the end of their fiscal year and March 31, 2002.

*Special funds*

Assistance Fund for Independent Community Action  
Assistance Fund for Victims of Crime  
Civil Status Fund  
Collection Fund  
Financial Assistance Fund for Certain Disaster Areas  
Financing Fund  
Fonds du Centre financier de Montréal  
Forestry Fund  
Fund to Combat Poverty through Reintegration into the Labour Market  
Fund for the Contributions of Motorists to Public Transit  
Fund for the Management of Québec Immovables on Foreign Soil  
Fund for the Sale of Goods and Services of the Ministère des Transports  
Geographic Information Fund  
Government Information Fund  
Government Services Fund

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**Agencies and special funds whose reporting entity  
is included in the Government's reporting entity (cont'd)**

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*Special funds (cont'd)*

Health Services Fund  
Horse-Racing Industry Fund  
Ice Storm Fund  
Information Technology Fund of the Conseil du trésor  
Information Technology Fund of the Ministère de la Solidarité sociale  
Information Technology Fund of the Ministère du Revenu  
Labour Market Development Fund  
Land Information Fund  
Police Services Fund  
Prescription Drug Insurance Fund  
Québec Youth Fund  
Regional Development Fund  
Register Fund of the Ministère de la Justice  
Road Network Preservation and Improvement Fund  
Rolling Stock Management Fund  
Sinking Fund relating to Borrowings by General and Vocational Colleges in Québec  
Sinking Fund relating to Borrowings by Québec Health and Social Services Agencies  
Sinking Fund relating to Borrowings by Québec School Boards  
Sinking Fund relating to Borrowings by Québec University Establishments  
Special Olympic Fund  
Support Payments Fund \*  
Tourism Partnership Fund

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\* This fund also conducts fiduciary transactions nature that are not included in the Government's reporting entity.

## Enterprises included in the Government's reporting entity

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Centre de recherche industrielle du Québec  
Commission de la santé et de la sécurité du travail  
Corporation d'hébergement du Québec  
Financement-Québec  
Fonds d'indemnisation du courtage immobilier  
Hydro-Québec \*  
Immobilière SHQ  
Loto-Québec  
Régie de l'assurance-dépôts du Québec  
Société de développement de la Baie James  
Société de l'assurance automobile du Québec  
Société des alcools du Québec  
Société des établissements de plein air du Québec  
Société générale de financement du Québec  
Société Innovatech du Grand Montréal  
Société Innovatech du Sud du Québec  
Société Innovatech Québec et Chaudière - Appalaches  
Société Innovatech Régions ressources

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\* This enterprise also conducts fiduciary transactions that are not included in the Government's reporting entity.

**Agencies and funds which conduct fiduciary transactions  
that are not included in the Government's reporting entity**

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Caisse de dépôt et placement du Québec  
Comité Centraide – public sector  
Commission administrative des régimes de retraite et d'assurances  
Commission de la construction du Québec  
Curateur public (Le) (fiduciary section)  
Fonds central pour le bénéfice des personnes incarcérées  
Fonds d'assurance-récolte  
Fonds d'assurance-stabilisation des revenus agricoles  
Fonds d'indemnisation des services financiers  
Fonds du régime tripartite d'assurance revenu brut à l'égard des récoltes  
Fonds national de formation de la main-d'oeuvre  
Guarantee Insurance Fund administered by the Régie des marchés agricoles et alimentaires du Québec  
Hydro-Québec – Pension Plan  
Régie des rentes du Québec  
Support Payments Fund (fiduciary section)  
Travel Agents' Security Funds  
Trust Funds

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**APPENDIX 5**

**Breakdown of revenue**

FISCAL YEAR ENDED MARCH 31, 2002

	2002	2001
	(in millions of dollars)	(Note 10)
<b>Income and property taxes</b>		
Personal income tax	15 882	17 077
Contributions to the Health Services Fund	4 599	4 719
Corporate taxes	4 065	4 257
	<b>24 546</b>	<b>26 053</b>
<b>Consumption taxes</b>		
Sales	7 579	7 392
Fuel	1 579	1 581
Tobacco	741	554
Pari-mutuel	14	14
	<b>9 913</b>	<b>9 541</b>
<b>Duties and permits</b>		
Motor vehicles	723	705
Alcoholic beverages	140	146
Natural resources	210	287
Other	273	268
	<b>1 346</b>	<b>1 406</b>
<b>Miscellaneous</b>		
Sales of goods and services	1 579	1 580
Interest	452	451
Fines, forfeitures and recoveries	390	329
	<b>2 421</b>	<b>2 360</b>
<b>Revenue from Government enterprises</b>		
Commission de la santé et de la sécurité du travail	(33)	443
Société des alcools du Québec	489	471
Loto-Québec	1 352	1 358
Hydro-Québec	1 041	1 160
Other	(118)	64
	<b>2 731</b>	<b>3 496</b>
<b>Total own-source revenue</b>	<b>40 957</b>	<b>42 856</b>
<b>Government of Canada transfers</b>		
Equalization	5 336	5 650
Canada Health and Social Transfer	2 958	1 597
Other programs	1 011	898
<b>Total Government of Canada transfers</b>	<b>9 305</b>	<b>8 145</b>
<b>Total revenue</b>	<b>50 262</b>	<b>51 001</b>

## APPENDIX 6

**Breakdown of expenditure**

FISCAL YEAR ENDED MARCH 31, 2002

	<u>2002</u>	<u>2001</u>
	(in millions of dollars)	
		(Note 10)
<b>BY SUPERCATEGORY AND CATEGORY</b>		
Transfer		
Remuneration	19 212	18 250
Operating	3 724	3 514
Capital	1 189	1 175
Interest	1 230	1 368
Support	11 409	10 720
	<u>36 764</u>	<u>35 027</u>
Remuneration	3 917	3 614
Operating <sup>(1)</sup>	2 853	2 865
Doubtful accounts and other allowances	395	512
<b>Sub-total</b>	<u>43 929</u>	<u>42 018</u>
Debt service		
Interest on debt <sup>(2)</sup>	4 544	5 012
Interest relating to pension plans <sup>(3)</sup>	2 717	2 594
<b>Sub-total</b>	<u>7 261</u>	<u>7 606</u>
<b>Total expenditure</b>	<u><u>51 190</u></u>	<u><u>49 624</u></u>

(1) Including \$622 million in 2001-2002 (\$776 million in 2000-2001) for the depreciation of fixed assets.

(2) After deducting \$623 million in revenue in 2001-2002 (\$672 million in 2000-2001), including \$385 million in interest income from advances to the health and social services and education networks and to Government enterprises (\$405 million in 2000-2001), \$52 million in short-term investment income (\$45 million in 2000-2001), and \$186 million in investment income of the Sinking Fund for Government Borrowings (\$222 million in 2000-2001).

(3) After deducting \$605 million in investment income of the Retirement Plans Sinking Fund in 2001-2002 (\$412 million in 2000-2001).

APPENDIX 7

**Short-term investments**  
AS AT MARCH 31, 2002

	<u>2002</u>	<u>2001</u>
	(in millions of dollars)	
Treasury bills	70	253
Deposit certificates	768	1 090
Banker's acceptances	115	273
Bonds	387	
Other	<u>105</u>	<u>38</u>
	<u><u>1 445</u></u>	<u><u>1 654</u></u>

Rates of return on short-term investments vary mainly from 1.8% to 4.7%.

## APPENDIX 8

**Accounts receivable**  
 AS AT MARCH 31, 2002

	<u>2002</u>	<u>2001</u>
	(in millions of dollars)	
Accounts receivable		
Income and property taxes <sup>(1)</sup>	2 679	2 727
Consumption taxes <sup>(1)</sup>	2 375	2 147
Duties and permits <sup>(1)</sup>	130	132
Miscellaneous revenue	1 326	1 285
Revenue from Government enterprises	139	721
Government of Canada transfers	700	1 683
Specific purpose accounts	81	44
Expenditure and other	<u>521</u>	<u>533</u>
	<b>7 951</b>	<b>9 272</b>
Allowance for doubtful accounts	<b>(904)</b>	<b>(1 046)</b>
Accrued interest on investments	<u>17</u>	<u>5</u>
	<b><u>7 064</u></b>	<b><u>8 231</u></b>

(1) Including the portion attributable to agents and assignees, i.e. \$667 million for income and property taxes (\$864 million in 2001), \$1 826 million for consumption taxes (\$1 633 million in 2001) and \$103 million for duties and permits (\$107 million in 2001).

**Investment in Government enterprises**  
AS AT MARCH 31, 2002

*Investment in Government enterprises* <sup>(1)</sup>

			2002	2001
	Loans and advances	Equity value	Investment in Government enterprises	Investment in Government enterprises
			(in millions of dollars)	
Centre de recherche industrielle du Québec <sup>(4)</sup>	5	19	24	26
Commission de la santé et de la sécurité du travail <sup>(2)</sup>		(680)	(680)	264
Corporation d'hébergement du Québec		122	122	97
Financement-Québec		27	27	19
Fonds d'indemnisation du courtage immobilier <sup>(3)</sup>		4	4	4
Hydro-Québec <sup>(2) (4)</sup>	7	14 158	14 165	14 884
Immobilière SHQ <sup>(3)</sup>		19	19	16
Loto-Québec		193	193	161
Régie de l'assurance-dépôts du Québec <sup>(3)</sup>		231	231	206
Société de développement de la Baie James <sup>(2)</sup>		12	12	3
Société de l'assurance automobile du Québec <sup>(2)</sup>		505	505	534
Société des alcools du Québec		34	34	32
Société des établissements de plein air du Québec		29	29	25
Société générale de financement du Québec <sup>(2)</sup>		2 323	2 323	1 876
Société Innovatech du Grand Montréal		266	266	286
Société Innovatech du Sud du Québec		33	33	16
Société Innovatech Québec et Chaudière - Appalaches		81	81	62
Société Innovatech Régions ressources		33	33	21
<b>Total</b>	<b>12</b>	<b>17 409</b>	<b>17 421</b>	<b>18 532</b>

(1) These enterprises are wholly-owned by the Gouvernement du Québec and/or are under its control.

(2) Equity value was determined on the basis of audited financial statements as at December 31, 2001, and adjusted according to unaudited interim results as at March 31, 2002.

(3) Equity value was determined on the basis of audited financial statements as at December 31, 2001.

(4) Loans and advances to the Centre recherche industrielle du Québec mature in 2002-2003, and those of Hydro-Québec have no fixed maturity date.

## APPENDIX 9

**Investment in Government enterprises** (cont'd)  
 AS AT MARCH 31, 2002

*Summary of the financial statements of Government enterprises*

					2002		2001
	Revenue	Expenditure	Net income or (net loss)	Liabilities	Assets	Net equity	Net equity
						(in millions of dollars)	(Note 10)
Centre de recherche industrielle du Québec	34	36	(2)	22	41	19	21
Commission de la santé et de la sécu- rité du travail <sup>(1) (3)</sup>	2 115	2 197	(82)	9 196	8 515	(681)	312
Corporation d'héber- gement du Québec	263	235	28	3 612	3 734	122	97
Financement-Québec	9	1	8	6 661	6 688	27	19
Fonds d'indemnisa- tion du courtage immobilier <sup>(1)</sup>					4	4	4
Hydro-Québec <sup>(1)</sup>	12 578	11 470	1 108	45 027	59 861	14 834	14 280
Immobilière SHQ <sup>(1)</sup>	221	218	3	2 350	2 369	19	16
Loto-Québec	3 662	2 213	1 449	676	869	193	161
Régie de l'assurance- dépôts du Québec <sup>(1)</sup>	27	1	26	1	232	231	206
Société de dévelop- pement de la Baie James <sup>(1)</sup>	21	21		5	17	12	3
Société de l'assurance automobile du Québec <sup>(1)</sup>	1 477	1 510	(33)	7 084	7 575	491	524
Société des alcools du Québec	1 695	1 206	489	542	576	34	32
Société des établisse- ments de plein air du Québec	72	69	3	105	128	23	18
Société générale de financement du Québec <sup>(1)</sup>	879	963	(84)	669	3 014	2 345	1 728
Société Innovatech du Grand Montréal	21	61	(40)	1	267	266	286
<b>Amounts carried forward</b>	<b>23 074</b>	<b>20 201</b>	<b>2 873</b>	<b>75 951</b>	<b>93 890</b>	<b>17 939</b>	<b>17 707</b>

APPENDIX 9

**Investment in Government enterprises** (cont'd)  
AS AT MARCH 31, 2002

*Summary of the financial statements of Government enterprises (cont'd)*

						2002	2001
	Revenue	Expenditure	Net income or (net loss)	Liabilities	Assets	Net equity (in millions of dollars)	Net equity (Note 10)
<b>Amounts brought forward</b>	23 074	20 201	2 873	75 951	93 890	17 939	17 707
Société Innovatech du Sud du Québec	1	2	(1)		33	33	16
Société Innovatech Québec et Chaudière- Appalaches	2	12	(10)		81	81	62
Société Innovatech Régions ressources	3	2	1	1	34	33	21
	<u>23 080</u>	<u>20 217</u>	<u>2 863</u>	<u>75 952</u>	<u>94 038</u>	<u>18 086</u>	<u>17 806</u>
<b>Adjustments <sup>(2)</sup></b>			(132)			629	714
<b>Restatement</b>						(1 306)	
			<u>2 731</u>			<u>17 409</u>	<u>18 520</u>

(1) These data were derived from audited financial statements as at December 31, 2001.

(2) These adjustments stem mainly from unaudited interim results as at March 31, 2002.

(3) The net assets of the Commission de la santé et de la sécurité du travail, including assessments collected by employers, the administration of which is entrusted to the Commission, cannot be used for purposes other than those prescribed by law.

**Investment in Government enterprises** (cont'd)  
AS AT MARCH 31, 2002

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*Accounting changes made by Government enterprises***Hydro-Québec and the Société générale de financement du Québec**

Since January 1, 2002, these enterprises have had to comply with a new private sector standard for foreign currency translation set by the Canadian Institute of Chartered Accountants (CICA). In conformity with generally accepted private sector accounting principles, these enterprises applied this change in accounting policy retroactively, with Hydro-Québec restating its results for previous fiscal years and the Société générale de financement making no such restatement. This reduced their net equity by \$1 306 million as at January 1, 2002 and increased their net income by \$41 million for the first quarter ended March 31, 2002.

Consequently, in accordance with CICA standards for the public sector, the Government corrected and reduced the value of its investment in Hydro-Québec and the Société générale de financement by \$1 306 million without restating the results for previous years. Since the fiscal year of the Government is different from that of these enterprises and the Government thus had to adjust its revenue from them on the basis of unaudited interim results as at March 31, 2002, this change increased revenue from these enterprises by \$41 million for the fiscal year ended March 31, 2002.

**Commission de la santé et de la sécurité du travail**

Since January 1, 2001, this enterprise has made certain changes in its capitalization policy and introduced a provision for deviations in the real rate of return, without capping. In conformity with generally accepted private sector accounting principles, this enterprise applied the change in accounting policy retroactively without restating its results for previous fiscal years. This reduced its net equity by \$912 million as at January 1, 2001 and decreased the deficiency of revenue over expenditure by \$284 million for the fiscal year ended December 31, 2001.

Consequently, in accordance with CICA standards for the public sector, the Government corrected and reduced the value of its investment in the Commission de la santé et de la sécurité du travail by \$912 million without restating the results for previous years. Since the fiscal year of the Government is different from that of this enterprise and the Government thus had to adjust its revenue from it on the basis of unaudited interim results as at March 31, 2002, this change increased revenue from this enterprise by \$356 million for the fiscal year ended March 31, 2002.

**Investment in Government enterprises** (cont'd)  
AS AT MARCH 31, 2002

*Accounting changes made by Government enterprises (cont'd)*

**Government's share of the changes in accounting policies made by Government enterprises**

In conformity with CICA standards for the public sector, the Government recorded the changes in accounting policies made by these enterprises in the same way they did: that is, retroactively and without restatement. This increased (decreased) the following items as at April 1, 2001:

Investment in Government enterprises	(2 218)
Net debt	2 218
Accumulated deficit	2 218

**Estimate revisions by the Société de l'assurance automobile du Québec**

In 2001, this enterprise changed its amortization period for surpluses and deficits recorded under its provision for deviations in the real rate of return. It also added new criteria for calculating this provision and changed the amortization of certain investment income. These estimate revisions, which the Société applied in accordance with CICA private sector standards, reduced the deficiency of revenue over expenditure by \$197 million. The Government also took these revisions into account in its 2001-2002 financial results, in conformity with CICA public sector standards.

**Investment in Government enterprises** (cont'd)  
AS AT MARCH 31, 2002

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*Commitments***Corporation d'hébergement du Québec**

As at March 31, 2001, the uncompleted balance of contracts signed by the Corporation and related to ongoing projects subject to contractual commitments totalled \$66 million (\$53 million in 2001).

**Hydro-Québec**

Hydro-Québec has provided for a capital investment of \$2 243 million for 2002 (\$2 245 million for 2001).

Hydro-Québec has issued guarantees for an amount of \$1 450 million as at March 31, 2002 (\$2 447 million as at March 31, 2001).

*Contingency***Commission de la santé et de la sécurité du travail**

On May 26, 1988, the Supreme Court of Canada ruled that the Act respecting occupational health and safety was not applicable to businesses under federal jurisdiction. Following this ruling, the Commission reimbursed these employers for assessments that were wrongfully paid, including interest of 5% per year.

However, lawsuits were filed in Québec Superior Court by several out-of-province transportation firms which consider themselves to be under federal jurisdiction. They are claiming full reimbursement of the assessments paid to the Commission for the period 1981-1988, inclusively, rather than just the portion of assessments applicable under the Act respecting occupational health and safety. These firms are also claiming interest on their eventual refunds at the rate set under section 28 of the Act respecting the Ministère du Revenu, rather than the 5% rate determined by the Commission. These lawsuits total approximately \$46 million not including the claim for interest.

The Commission is unable to predict the outcome of these lawsuits.

**Long-term investments**  
AS AT MARCH 31, 2002

*Government investments*

	2002			2001
	Shares and capital investments	Bonds and notes	Loans and advances	Total
				Total
				(in millions of dollars)
Municipalities and municipal bodies				
Municipalities			9 <sup>(1)</sup>	13
Municipal bodies			4 <sup>(1)</sup>	5
			<b>13</b>	<b>18</b>
Individuals, enterprises and other				
Students			688 <sup>(2)</sup>	605
Enterprises	153		836 <sup>(3)</sup>	947
Survivor's pension plan			384 <sup>(4)</sup>	382
Other		100	378 <sup>(4)</sup>	429
	<b>153</b>	<b>100</b>	<b>2 286</b>	<b>2 363</b>
Allowance for doubtful accounts			585	537
	<b>153</b>	<b>100</b>	<b>1 701</b>	<b>1 826</b>
	<b>153</b>	<b>100</b>	<b>1 714</b>	<b>1 844</b>

(1) Loans and advances to municipalities and municipal bodies bear interest at rates of 6.3% to 10.0%.

(2) Loans and advances to students bear interest at rates of 5.0% to 14.9%.

(3) Loans to enterprises bear interest at an average rate of 5.25%.

(4) The loan on the survivor's pension plan bears interest at a rate of 4.69% while all other loans bear interest at various rates of up to 13.25%.

**Long-term investments** (cont'd)  
AS AT MARCH 31, 2002*Maturity of investments*

	<u>2002</u>
	(in millions of dollars)
2003	453
2004	288
2005	188
2006	144
2007	138
	<u>1 211</u>
2008-2012	434
2013-2017	138
2018-2022	31
2023 and thereafter	4
	<u>1 818</u>
No fixed maturity date	149
	<u><u>1 967</u></u>

APPENDIX 11

**Bank overdraft**  
AS AT MARCH 31, 2002

	<u>2002</u>	<u>2001</u>
	(in millions of dollars)	
Outstanding cheques	1 278	1 109
Short-term borrowings <sup>(1)</sup>	<u>1 999</u>	<u>2 107</u>
	<u>3 277</u>	<u>3 216</u>
Cash in bank	201	232
Cash and notes on hand and outstanding deposits	<u>198</u>	<u>208</u>
	<u>399</u>	<u>440</u>
	<u><u>2 878</u></u>	<u><u>2 776</u></u>

<sup>(1)</sup> Breakdown of short-term borrowings

	<u>2002</u>	<u>2001</u>
	(in millions of dollars)	
Banker's acceptances and borrowings	357	323
Treasury bills	1 333	1 053
Notes at par	3	79
Discount notes	<u>306</u>	<u>652</u>
	<u>1 999</u>	<u>2 107</u>

Short-term borrowings mature at various dates in 2002-2003 and bear interest at rates varying mainly from 1.7% to 2.2%.

## Accounts payable and accrued expenses

### AS AT MARCH 31, 2002

	2002	2001
	(in millions of dollars)	
Remuneration	540	616
Suppliers	1 155	1 160
Advances from trust funds	230	197
Clearing account for collected taxes	106	215
Specific purpose accounts <sup>(1)</sup>	54	14
Transfers to :		
School boards and educational institutions	707	666
Health and social services institutions	132	463
Municipalities and municipal bodies	202	125
Other	986	957
Accrued interest on borrowings	1 764	1 781
Sick leave and vacations <sup>(2)</sup>	996	929
Allowance for losses on guaranteed financial initiatives <sup>(2)</sup>	978	877
Survivor's pension plan <sup>(2)</sup>	332	328
	<b>8 182</b>	<b>8 328</b>

(1) Summary of specific purpose accounts (see table on next page).

(2) Includes mainly amounts payable over the long-term.

**Accounts payable and accrued expenses** (cont'd)  
AS AT MARCH 31, 2002

(1) Summary of specific purpose accounts:

	Balance as at March 31, 2001 (Note 10)	Payments and other debits	Receipts and other credits	Variation for the year	Balance as at March 31, 2002
		(in millions of dollars)			
<b>SALES OF GOODS AND SERVICES</b>					
Account for administering the Goods and Services Tax		105	107	2	2
Account for financing the assistance program for compulsive gamblers	2	12	20	8	10
Account for financing services for elderly persons who are losing their autonomy		28	30	2	2
Account for financing the Prime- Vert and Québec animal health improvement programs		3	24	21	21
Account for financing the horse-racing industry recovery plan	2	25	24	(1)	1
Other	6	20	23	3	9
<b>GOVERNMENT OF CANADA TRANSFERS</b>					
Account for administering the Firearms Act		15	15		
Account for minority language education and second-language instruction		12	12		
Account for financing millennium scholarships	3	78	76	(2)	1
Account for financing farm risk management programs		164	166	2	2
Account for the third Summit of the Americas		26	26		
Account for infrastructure work		18	18		
Other	1	21	26	5	6
	<u>14</u>	<u>527</u>	<u>567</u>	<u>40</u>	<u>54</u>

**Debts**

AS AT MARCH 31, 2002

Currency	2002							
	Direct		Health and social services and education networks and Government enterprises		Work of municipal bodies		Total	
	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent
	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)
<b>IN CANADIAN DOLLARS</b>								
Treasury bills	2 530	2 530	344	344	95	95	2 969	2 969
Savings products	3 031	3 031					3 031	3 031
Bonds and notes	28 817	28 817	4 596	4 596	2 287	2 287	35 700	35 700
Medium-term notes on the Canadian market	3 060	3 060	85	85			3 145	3 145
Medium-term notes on the European market	30	30					30	30
Commitments under capital leases	201	201					201	201
Currency swap contracts	18 266	18 266	387	387	797	797	19 450	19 450
	<b>55 935</b>	<b>55 935</b>	<b>5 412</b>	<b>5 412</b>	<b>3 179</b>	<b>3 179</b>	<b>64 526</b>	<b>64 526</b>
<b>IN U.S. DOLLARS</b>								
Bonds and notes	10 115	16 118	3	4	72	117	10 190	16 239
Medium-term notes on the Canadian market	13	21					13	21
Medium-term notes on the U.S. market	900	1 435	142	228	100	157	1 142	1 820
Medium-term notes on the European market	850	1 355	79	126			929	1 481
Currency swap contracts	(8 305)	(13 234)	(224)	(358)	(172)	(274)	(8 701)	(13 866)
	<b>3 573</b>	<b>5 695</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 573</b>	<b>5 695</b>
<b>IN YEN</b>								
Bonds and notes	215 627	2 591	5 000	60	5 000	60	225 627	2 711
Medium-term notes on the U.S. market	3 392	41					3 392	41
Medium-term notes on the European market	328 797	3 951	2 004	24			330 801	3 975
Currency swap contracts	265 942	3 195	(7 004)	(84)	(5 000)	(60)	253 938	3 051
	<b>813 758</b>	<b>9 778</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>813 758</b>	<b>9 778</b>
AMOUNTS CARRIED FORWARD		71 408		5 412		3 179		79 999

**Debts (cont'd)**  
AS AT MARCH 31, 2002

2002								
Currency	Direct		Health and social services and education networks and Government enterprises		Work of municipal bodies		Total	
	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent
		(in millions of dollars)		(in millions of dollars)		(in millions of dollars)		(in millions of dollars)
AMOUNTS BROUGHT FORWARD		71 408		5 412		3 179		79 999
IN EUROS								
Bonds and notes	3 993	5 543			233	323	4 226	5 866
Medium-term notes on the European market	1 060	1 472			51	70	1 111	1 542
Currency swap contracts	(5 053)	(7 015)			(284)	(393)	(5 337)	(7 408)
	<u>-</u>	<u>-</u>			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
IN SWISS FRANCS								
Bonds and notes	510	482					510	482
Currency swap contracts	(500)	(473)					(500)	(473)
	<u>10</u>	<u>9</u>					<u>10</u>	<u>9</u>
IN POUNDS STERLING								
Bonds and notes	198	450					198	450
Currency swap contracts	(198)	(450)					(198)	(450)
	<u>-</u>	<u>-</u>					<u>-</u>	<u>-</u>
IN AUSTRALIAN DOLLARS								
Bonds and notes	634	539					634	539
Currency swap contracts	(634)	(539)					(634)	(539)
	<u>-</u>	<u>-</u>					<u>-</u>	<u>-</u>
IN SWEDISH KRONOR								
Bonds and notes	504	77					504	77
Currency swap contracts	(504)	(77)					(504)	(77)
	<u>-</u>	<u>-</u>					<u>-</u>	<u>-</u>
		71 417		5 412		3 179		80 008
Less:								
Sinking fund		3 151		34				3 185
Deferred foreign exchange loss		843						843
		<u>67 423</u>		<u>5 378</u>		<u>3 179</u>		<u>75 980</u>

## APPENDIX 13

**Debts (cont'd)**  
**AS AT MARCH 31, 2001**

Currency	2001							
	Direct		Health and social services and education networks and Government enterprises		Work of municipal bodies		Total	
	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent
	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)
	(Note 10)	(Note 10)	(Note 10)	(Note 10)				
<b>IN CANADIAN DOLLARS</b>								
Treasury bills	1 924	1 924	815	815	226	226	2 965	2 965
Savings products	2 682	2 682					2 682	2 682
Bonds and notes	26 116	26 116	4 498	4 498	2 113	2 113	32 727	32 727
Medium-term notes on the Canadian market	2 929	2 929	85	85			3 014	3 014
Medium-term notes on the U.S. market	65	65	17	17			82	82
Medium-term notes on the European market	30	30					30	30
Commitments under capital leases	208	208					208	208
Currency swap contracts	12 799	12 799	407	407	896	896	14 102	14 102
	<b>46 753</b>	<b>46 753</b>	<b>5 822</b>	<b>5 822</b>	<b>3 235</b>	<b>3 235</b>	<b>55 810</b>	<b>55 810</b>
<b>IN U.S. DOLLARS</b>								
Bonds and notes	10 213	16 111	3	4	72	114	10 288	16 229
Medium-term notes on the Canadian market	13	21					13	21
Medium-term notes on the U.S. market	1 070	1 690	142	225	100	157	1 312	2 072
Medium-term notes on the European market	950	1 498	79	125			1 029	1 623
Currency swap contracts	(4 582)	(7 229)	(224)	(354)	(172)	(271)	(4 978)	(7 854)
	<b>7 664</b>	<b>12 091</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7 664</b>	<b>12 091</b>
<b>IN YEN</b>								
Bonds and notes	222 504	2 795	5 000	63	12 000	151	239 504	3 009
Medium-term notes on the U.S. market	3 391	43					3 391	43
Medium-term notes on the European market	335 742	4 217	3 520	44			339 262	4 261
Currency swap contracts	98 955	1 242	(8 520)	(107)	(12 000)	(151)	78 435	984
	<b>660 592</b>	<b>8 297</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>660 592</b>	<b>8 297</b>
<b>AMOUNTS CARRIED FORWARD</b>								
		67 141		5 822		3 235		76 198

**Debts (cont'd)**  
AS AT MARCH 31, 2001

Currency	2001							
	Direct		Health and social services and education networks and Government enterprises		Work of municipal bodies		Total	
	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent
	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)	(in millions of dollars)
	(Note 10)	(Note 10)	(Note 10)	(Note 10)				
AMOUNTS BROUGHT FORWARD		67 141		5 822		3 235		76 198
IN EUROS								
Bonds and notes	993	1 377					993	1 377
Medium-term notes on the European market	336	466					336	466
Currency swap contracts	(1 693)	(2 348)					(1 693)	(2 348)
	<b>(364)</b>	<b>(505)</b>					<b>(364)</b>	<b>(505)</b>
IN SWISS FRANCS								
Bonds and notes	511	464					511	464
Currency swap contracts	(511)	(464)					(511)	(464)
	<b>-</b>	<b>-</b>					<b>-</b>	<b>-</b>
IN DEUTSCHE MARKS								
Bonds and notes	1 633	1 159			261	185	1 894	1 344
Medium-term notes on the European market	578	409			99	70	677	479
Currency swap contracts	(2 071)	(1 468)			(360)	(255)	(2 431)	(1 723)
	<b>140</b>	<b>100</b>			<b>-</b>	<b>-</b>	<b>140</b>	<b>100</b>
IN FRENCH FRANCS								
Bonds and notes	5 805	1 228					5 805	1 228
Medium-term notes on the European market	2 811	594					2 811	594
Currency swap contracts	(6 701)	(1 417)					(6 701)	(1 417)
	<b>1 915</b>	<b>405</b>					<b>1 915</b>	<b>405</b>
IN POUNDS STERLING								
Bonds and notes	198	444					198	444
Currency swap contracts	(198)	(444)					(198)	(444)
	<b>-</b>	<b>-</b>					<b>-</b>	<b>-</b>
AMOUNTS CARRIED FORWARD		67 141		5 822		3 235		76 198

**Debts (cont'd)**  
AS AT MARCH 31, 2001

Currency	2001							
	Direct		Health and social services and education networks and Government enterprises		Work of municipal bodies		Total	
	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent	In millions of monetary units	Total in Canadian equivalent
	(Note 10)	(in millions of dollars) (Note 10)	(Note 10)	(in millions of dollars) (Note 10)		(in millions of dollars)		(in millions of dollars)
AMOUNTS BROUGHT FORWARD		67 141		5 822		3 235		76 198
IN DUTCH GUILDERS								
Bonds and notes	350	220					350	220
Currency swap contracts	(350)	(220)					(350)	(220)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
IN AUSTRALIAN DOLLARS								
Bonds and notes	635	489					635	489
Currency swap contracts	(635)	(489)					(635)	(489)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
IN LUXEMBOURG FRANCS								
Bonds and notes	2 032	70			4 000	138	6 032	208
Currency swap contracts	(2 032)	(70)			(4 000)	(138)	(6 032)	(208)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
IN SWEDISH KRONOR								
Bonds and notes	506	77					506	77
Currency swap contracts	(506)	(77)					(506)	(77)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
IN PESETAS								
Bonds and notes	10 025	84					10 025	84
Currency swap contracts	(10 025)	(84)					(10 025)	(84)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		67 141		5 822		3 235		76 198
Less:								
Sinking fund		2 036		26				2 062
Deferred foreign exchange loss		1 463						1 463
		<u>63 642</u>		<u>5 796</u>		<u>3 235</u>		<u>72 673</u>

**Debts** (cont'd)  
AS AT MARCH 31, 2002

***Sinking fund***

Changes in fund balance  
for the fiscal year ended March 31, 2002

	<u>2002</u>	<u>2001</u>
	(in millions of dollars)	(Note 10)
Opening balance	2 062	1 851
Plus:		
Payment from the Consolidated Revenue Fund	939	137
Net revenue	<u>186</u>	<u>222</u>
	<u>3 187</u>	<u>2 210</u>
Less:		
Funds used to repay debts	<u>2</u>	<u>148</u>
Closing balance	<u><u>3 185</u></u> <sup>(1)</sup>	<u><u>2 062</u></u> <sup>(1)</sup>

***Sinking fund***

Statement of financial position  
as at March 31, 2002

	<u>2002</u>	<u>2001</u>
	(in millions of dollars)	
Investments		
Treasury bills	112	36
Bonds and notes	<u>3 037</u>	<u>1 988</u>
	<u>3 149</u>	<u>2 024</u>
Other assets		
Cash on hand	5	5
Accounts receivable and accrued interest	<u>48</u>	<u>50</u>
	<u>53</u>	<u>55</u>
Liabilities		
Deferred foreign exchange gain	<u>17</u>	<u>17</u>
Fund balance	<u><u>3 185</u></u> <sup>(1)</sup>	<u><u>2 062</u></u> <sup>(1)</sup>

(1) Including \$34 million (\$26 million in 2001) from the Sinking Fund for Government Borrowings contracted to finance the health and social services and education networks and Government enterprises.

## APPENDIX 14

**Net debt**  
 FOR THE FISCAL YEAR ENDED MARCH 31, 2002

	<u>2002</u>	<u>2001</u>
	(in millions of dollars)	
<b>PREVIOUSLY ESTABLISHED OPENING BALANCE</b>	88 208	89 112
Government's share of restatements by Government enterprises (Appendix 9)	2 218	
<b>Restated balance</b>	<u>90 426</u>	<u>89 112</u>
Annual deficit (surplus)	928	(1 377)
Increase in the net book value of fixed assets	995	473
Government's share of foreign exchange gains or losses of Government enterprises	(88)	
<b>Annual change in net debt</b>	<u>1 835</u>	<u>(904)</u>
<b>CLOSING BALANCE</b>	<u><u>92 261</u></u>	<u><u>88 208</u></u>

**Fixed assets**  
AS AT MARCH 31, 2002

	Land	Buildings	Facilities	Complex networks	Equipment	Development of data processing systems	2002 Total	2001 Total
Cost of fixed assets							(in millions of dollars)	
Opening balance	347	3 491	190	11 708	1 688	772	18 196	17 060
Acquisition	9	256	3	842	294	222	1 626	1 264
Disposal and other	(1)	(26)	(17)	(2)	(67)	(17)	(130)	(128)
Closing balance	355	3 721	176	12 548	1 915	977	19 692	18 196
Accumulated depreciation								
Opening balance		1 712	95	8 016	867	340	11 030	10 367
Depreciation expenses		95	11	228	190	98	622	776
Impact of disposal and other		(44)	(16)	4	(55)	(10)	(121)	(113)
Closing balance	--	1 763	90	8 248	1 002	428	11 531	11 030
Fixed assets (Note 3)	355	1 958	86	4 300	913	549	8 161 <sup>(1)</sup>	7 166 <sup>(1)</sup>

(1) Including fixed assets rented under capital leases totalling \$201 million in 2001-2002 (\$208 million in 2000-2001).

**Revision of useful life estimates**

Experience acquired over the past six years has allowed the Government to refine its investment portrait and better estimate the useful life of the principal components of the main road network included in the "complex networks" category. In accordance with the standards of the Canadian Institute of Chartered Accountants (CICA), this revision was made on the basis of best estimates by experts in the field and appropriate judgments under the circumstances. It reduced expenditure by \$271 million during the fiscal year.

## Commitments and contingencies

### AS AT MARCH 31, 2002

#### *Commitments*

	2002	2001
TRANSFERS FOR	(in millions of dollars)	
<b>Repayment of the principal on borrowings for capital expenditures :</b>		
School boards and educational institutions	7 715	7 012
Health and social services institutions	3 622	3 293
Municipalities and municipal bodies	2 820	2 905
Other beneficiaries	329	277
	<b>14 486</b>	<b>13 487</b>
<b>Other capital expenditures :</b>		
School boards and educational institutions	1 771	2 073
Health and social services institutions	1 983	1 777
Municipalities and municipal bodies	830	1 060
Other beneficiaries	612	581
	<b>5 196</b>	<b>5 491</b>
	<b>19 682 *</b>	<b>18 978 *</b>

\* Commitments in foreign currency are shown at their Canadian equivalent at the exchange rates in effect on March 31 and take currency swap contracts into account.

#### *Agreement between the Gouvernement du Québec and the Québec Cree*

An agreement was signed by the Government and the Québec Cree in February 2002 to help the Cree achieve more autonomy and take charge of their development. The agreement also allows the Cree to play a greater role in economic development activities in the territory covered by the James Bay and Northern Québec Agreement (JBNQA).

The February 2002 agreement provides in particular for annual transfer payments to the James Bay Cree over a period of 50 years, i.e. from 2002-2003 to 2051-2052. In return, the Cree assume the obligations of the Gouvernement du Québec, Hydro-Québec and the Société d'énergie de la Baie James under certain provisions of the JBNQA, pertaining to the Cree's economic and community development. The transfer payments amount to \$23 million in 2003, \$46 million in 2004 and \$70 million annually thereafter until 2052.

**Commitments and contingencies** (cont'd)  
AS AT MARCH 31, 2002

*Summary schedule of transfer commitments for repayment of the principal on borrowings for capital expenditures*

Maturity	School boards	General and vocational colleges	Universities	Health and social services institutions	Municipalities and municipal bodies	Other beneficiaries	Total
						(in millions of dollars)	
2003	734	287	428	697	348	39	2 533
2004	828	261	476	835	337	53	2 790
2005	335	186	296	227	306	57	1 407
2006	627	136	206	350	236	55	1 610
2007	347	196	339	451	223	56	1 612
	2 871	1 066	1 745	2 560	1 450	260	9 952
2008-2012	1 067	287	280	850	708	36	3 228
2013-2017	165	144	65	145	310	27	856
2018-2022	10	6	2	44	212	6	280
2023-2027	2	3		23	81		109
2028-2032		2			47		49
2033-2037					11		11
2038-2042					1		1
	<u>4 115</u>	<u>1 508</u>	<u>2 092</u>	<u>3 622</u>	<u>2 820</u>	<u>329</u>	<u>14 486</u>

Note: This schedule was drawn up according to the dates shown on bonds or notes at the balance sheet date. Any refinancing after that date will affect the above schedule.

**Commitments and contingencies** (cont'd)  
AS AT MARCH 31, 2002

*Guaranteed financial initiatives*

	<u>2002</u>	<u>2001</u>
	(in millions of dollars)	
<b>Government agencies and enterprises</b>		
Hydro-Québec <sup>(1)</sup>	38 289	38 541
Investissement Québec <sup>(1)</sup>	1 847	1 310
Société d'habitation du Québec <sup>(1)</sup>	264	172
Other	49	58
	<u>40 449</u>	<u>40 081</u>
<b>Individuals and corporations</b>		
Loans to farm producers <sup>(1)</sup>	3 991	3 748
Loans to students <sup>(1)</sup>	3 152	3 259
Other loans	87	89
	<u>7 230</u>	<u>7 096</u>
<b>Total guaranteed financial initiatives</b>	47 679	47 177
Less :		
Allowance for losses on guaranteed financial initiatives	978	877
<b>NET GUARANTEED FINANCIAL INITIATIVES</b>	<u><u>46 701</u></u>	<u><u>46 300</u></u>

(1) See additional information on following pages.

**Commitments and contingencies** (cont'd)  
AS AT MARCH 31, 2002

*Hydro-Québec loan guarantees* <sup>(1) (2)</sup>

	2002	2001
	Authorized	Contingent liabilities <sup>(3)</sup>
	(in millions of dollars)	
<b>Negotiable bonds</b>		
In Canadian dollars	13 763	14 962
In U.S. dollars	14 979	13 723
Other currencies	1 112	1 890
	<u>29 854</u>	<u>30 575</u>
<b>Other borrowings</b>		
In Canadian dollars	7 250	3 912
In U.S. dollars	8 280	2 940
Other currencies	5 902	1 596
	<u>21 432</u>	<u>8 448</u>
<b>Total</b>	<u>51 286</u>	<u>39 023</u>
Less : Sinking fund		482
	<u>51 286</u>	<u>38 541</u>

(1) The Gouvernement du Québec, which is Hydro-Québec's sole shareholder, guarantees loans contracted in various currencies by this enterprise. The value of assets in Hydro-Québec was \$59 464 million as at March 31, 2002.

(2) Loan guarantees bear interest at fixed and variable rates and mature at various dates until 2031.

(3) Loan guarantees are shown at their Canadian equivalent at the rates in effect on March 31, 2002.

*Investissement Québec loan guarantees* <sup>(1) (2)</sup>

	2002	2001
	Authorized	Contingent liabilities
	(in millions of dollars)	
<b>Loan guarantees in effect :</b>		
Business start-up and re-start investment and support programs	131	68
Various programs	1 102	636
<b>Authorized loan guarantees not in effect :</b>		
Various programs	967	606
	<u>2 200</u>	<u>1 310</u>
<b>Allowance for losses on guaranteed financial initiatives</b>		
		(349)
		<u>1 079</u>

(1) The Government guarantees the payment of principal and interest on the loans concerned under the Act respecting Investissement Québec and La Financière du Québec (R.S.Q., c. I-16).

(2) The total value of securities received as loan guarantees was \$186 million as at March 31, 2002 (\$206 million as at March 31, 2001).

## APPENDIX 16

**Commitments and contingencies (cont'd)**  
 AS AT MARCH 31, 2002

*Société d'habitation du Québec loan guarantees* <sup>(1)</sup>

	2002		2001
	Authorized	Contingent liabilities	Contingent liabilities
	(in millions of dollars)		
Assistance program for community housing and NPOs - Private <sup>(2)</sup>	41	41	5
Achat-Rénovation and Accès Logis programs <sup>(3)</sup>	223	223	167
	<u>264</u>	<u>264</u>	<u>172</u>
Allowance for losses on guaranteed financial initiatives		(6)	(5)
		<u>258</u>	<u>167</u>

(1) The Société d'habitation du Québec (SHQ) guarantees the reimbursement of losses of principal and interest under the Act respecting the Société d'habitation du Québec (R.S.Q., c. S-8).

(2) Loans from financial institutions guaranteed by the SHQ and granted to non-profit organizations for a period of 25 years. The organizations are responsible for paying the interest on these loans, which finance the cost of buildings.

(3) Loans from financial institutions guaranteed by the SHQ and granted to non-profit organizations for periods of 15 and 25 years. The SHQ reimburses the interest on loans guaranteed for 15 years, while the organizations pay that on those guaranteed for 25 years. The loans finance the cost of buildings.

**Farm producer loan guarantees** <sup>(1)</sup>

	2002		2001
	Authorized	Contingent liabilities	Contingent liabilities
	(in millions of dollars)		(Note 10)
Act respecting La Financière agricole du Québec (R.S.Q., c. L-0.1)	3 759	3 759	3 461
Various acts	232	232	287
	<u>3 991</u>	<u>3 991</u>	<u>3 748</u>
Allowance for losses on guaranteed financial initiatives		(62)	(58)
		<u>3 929</u>	<u>3 690</u>

(1) Balances of principal and interest on loans for which the Fonds d'assurance-prêts agricoles et forestiers reimburses losses and covers related charges.

**Commitments and contingencies** (cont'd)  
AS AT MARCH 31, 2002

*Student loan guarantees* <sup>(1)</sup>

	2002		2001
	Authorized	Contingent liabilities	Contingent liabilities
	(in millions of dollars)		
Loans for which the Government repays interest as long as the borrower is a student	1 043	1 043	1 115
Loans for which borrowers are responsible for repaying principal and interest	2 060	2 060	2 088
Loans for the purchase of a personal computer, for which borrowers are responsible for repaying interest	49	49	56
	<u>3 152</u>	<u>3 152</u>	<u>3 259</u>
Allowance for losses on guaranteed financial initiatives		(521)	(544)
		<u>2 631</u>	<u>2 715</u>

(1) The Government guarantees the reimbursement of losses of principal and interest to lending institutions under the Act respecting financial assistance for students (R.S.Q., c. A-13.3).

**Summary of fiduciary transactions conducted  
by Government agencies and funds  
AS AT MARCH 31, 2002**

	2002			2001	
	Liabilities	Assets	Increase (decrease) in accrued equity (in millions of dollars)	Net equity	Net equity (restated)
Caisse de dépôt et placement du Québec <sup>(1)</sup>	36 535	121 808	(2 990)	85 273	88 263
Comité Centraide - public sector <sup>(1)</sup>	8	8			
Commission administrative des régimes de retraite et d'assurances: <sup>(1)</sup>					
RREGOP and PPMP	94	34 677	(1 939)	34 583	36 522
Other plans	103	398	(113)	295	408
Commission de la construction du Québec <sup>(1)</sup>					
General Fund	52	45		(7)	(7)
Supplemental pension plan - general account	66	3 260	(381)	3 194	3 575
Supplemental pension plan - pensioners' account	2	3 204	(125)	3 202	3 327
Other	400	1 720	(113)	1 320	1 433
Curateur public (Le) <sup>(2)</sup>	60	290	(19)	230	249
Fonds central pour le bénéfice des personnes incarcérées <sup>(1)</sup>		2		2	2
Guarantee Insurance Fund administered by the Régie des marchés agricoles et alimentaires du Québec <sup>(2)</sup>		5	1	5	4
Fonds d'assurance-récolte and Fonds d'assurance-stabilisation des revenus agricoles <sup>(2)</sup>	314	334	16	20	4
Travel Agents' Security Funds <sup>(2)</sup>	10	7	(2)	(3)	(1)
Support Payments Fund <sup>(2)</sup>	321	321			
Fonds d'indemnisation des services financiers <sup>(1)</sup>	3	6	2	3	1
Fonds du régime tripartite d'assurance revenu brut à l'égard des récoltes <sup>(2)</sup>		14		14	14
Trust Funds <sup>(2)</sup>	394	394			
Fonds national de formation de la main-d'oeuvre <sup>(2)</sup>	6	80	(15)	74	89
Hydro-Québec - Pension Plan <sup>(1)</sup>	18	9 167	(303)	9 149	9 452
Régie des rentes du Québec <sup>(2)</sup>					
Fonds du régime de rentes du Québec	668	18 136	116	17 468	17 352
Other	30	33		3	3
	<u>39 084</u>	<u>193 909</u>	<u>(5 865)</u>	<u>154 825</u>	<u>160 690</u>
Less: Funds entrusted to the Caisse de dépôt et placement du Québec		60 515	(2 318)	60 515	62 833
	<u>39 084</u>	<u>133 394</u>	<u>(3 547)</u>	<u>94 310</u>	<u>97 857</u>

(1) Financial statements as at December 31, 2001.

(2) Financial statements as at March 31, 2002.

**Reserve fund**  
AS AT MARCH 31, 2002

	RESERVE FUND ACCOUNTS					2002	2001
	Health and social services	Education	Social solidarity	Research	Mainte- nance of a balanced budget	Total (in millions of dollars)	Total
Opening balance	600	200	100	50		950	
Transfert to reserve fund							950
Reallocation of sums among reserve fund accounts	(449)	(170)	(7)	(44)	670		
Use of reserve fund							
Expenditures financed	(151)	(30)	(93)	(6)		(280)	
Maintenance of a balanced budget					(670)	(670)	
Closing balance	--	--	--	--	--	--	950

Under the Act to establish a budgetary surplus reserve fund (2001, c. 56), the Government created a reserve fund to finance capital projects and other projects having a defined duration. However, the Government may, when it believes that the public interest so warrants, use the reserve fund for projects other than those for which it was created. The Minister of Finance determines, in the Budget Speech, the portion of the surplus for the fiscal year exceeding the budgetary objectives that is to be transferred to the reserve fund and the amounts that are to be allocated to each account.

In addition, the Government may appropriate the reserve fund in whole or in part to maintain a balanced budget.

The reserve fund was used in full during the fiscal year ended March 31, 2002: \$280 million served to finance expenditure and \$670 million to maintain a balanced budget.