

Statement of Accumulated Surplus for the year ended March 31, 1998	1998	1997
Balance, beginning of year as previously reported	\$ 38,825	\$ 32,484
Net profit for the year	5,682	6,341
Balance, end of year	\$ 44,507	\$ 38,825

(in thousands of dollars)

Notes to Financial Statements March 31, 1998

1. AUTHORITY AND PURPOSE

The Passport Office Revolving Fund was established in 1969 to provide for the issue of appropriate travel documents to Canadian citizens and to certain permanent residents of Canada who are unable to obtain valid passports from their country of origin. The Revolving Fund Act authorized the operation of the Fund.

The Fund has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital acquisitions and temporary financing of accumulated operating deficits, the total of which is not to exceed \$4,000,000 at any time. An amount of \$745,893 representing net assets assumed by the Fund and assets contributed to the Fund was charged to this authority when the Fund became budgetary in 1981.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Inventories

The inventory of materials and supplies is carried at cost and the inventory of passports-in-process is valued at average cost for the year.

b) Capital

Leasehold improvements are amortized on a straight-line basis over the term of the appropriate lease. Other capital is amortized from the year of acquisition on a straight-line basis over their estimated useful lives as follows:

Furniture	16 years
Electronic data processing (EDP) equipment	5 years
Other equipment	10 years

c) Other capital

Effective April 1, 1994 all expenditures associated with the Technology Enhancement Plan (TEP) are capitalized. The project costs will be amortized on a straight-line basis over five years starting at the completion of the project estimated to be in 1998-99. All project costs for the other capital projects will be amortized on a straight-line basis over the useful life of the project.