

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

Financial Statements YEAR ENDED MARCH 31, 2005

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AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Supplementary Retirement Plan Reserve Fund as at March 31, 2005 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the management of the Fund. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2005 and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
May 20, 2005

[Original Signed]
Fred J. Dunn, FCA
Auditor General

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

BALANCE SHEET

As at March 31, 2005 (*thousands*)

| | 2005 | 2004 |
|--|---------------|---------------|
| Assets | | |
| Investments (Note 3) | \$ 19,812 | \$ 17,491 |
| Accrued interest | 11 | - |
| Receivable from participating employers | 224 | 280 |
| | <u>20,047</u> | <u>17,771</u> |
| Liabilities | | |
| Amounts owing to the Supplementary Retirement Plan for Public Service Managers (Notes 2(f) and 6) | 20,047 | 17,771 |
| | <u>20,047</u> | <u>17,771</u> |
| Net Assets | <u>\$ -</u> | <u>\$ -</u> |

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended March 31, 2005 (*thousands*)

| | 2005 | 2004 |
|---|--------------|--------------|
| Increase in assets | | |
| Contributions from participating employers | \$ 1,043 | \$ 2,680 |
| Net investment income (Note 7) | 1,233 | 526 |
| | <u>2,276</u> | <u>3,206</u> |
| Decrease in assets | | |
| Increase in amounts owing to the Supplementary Retirement Plan for Public Service Managers | 2,276 | 3,205 |
| Administration expenses | - | 1 |
| | <u>2,276</u> | <u>3,206</u> |
| Increase in net assets | - | - |
| Net assets at beginning of year | - | - |
| Net assets at end of year | <u>\$ -</u> | <u>\$ -</u> |

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

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2005

NOTE 1 AUTHORITY AND PURPOSE

The Supplementary Retirement Plan Reserve Fund (Reserve Fund) operates under the authority of the *Financial Administration Act*, Chapter F-12, Revised Statutes of Alberta 2000 and Treasury Board Directive 05/99.

The Reserve Fund is established to collect contributions from participating employers and to invest the funds which are reserved to meet future benefit payments of the Supplementary Retirement Plan for Public Service Managers (SRP). The SRP is established effective July 1, 1999 to provide additional pension benefits to eligible public service managers whose pensionable earnings are in excess of the maximum benefit accrual limit as set out by the federal *Income Tax Act*.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES**a) Basis of Presentation**

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Reserve Fund to meet future benefit payments of the SRP.

The Reserve Fund's investments are held in pooled investment funds administered by Alberta Finance or external managers appointed by Alberta Finance. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Reserve Fund or by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Finance.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

NOTE 2 (continued)

Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.

Due to their short term nature, the fair values of deposits, receivables, accrued investment income and accrued liabilities are estimated to approximate their book values.

c) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(e) Valuation of Derivative Contracts

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

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

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

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

Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

NOTE 2 (continued)

Cross-currency interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields and year-end exchange rates.

Income and expense from derivative contracts are accrued as earned and included in net investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

(f) Liabilities

Accrued liabilities of the Reserve Fund are funded by investment income and contributions from participating employers. Contribution rates are set by the Minister of Finance, taking into account recommendations of the SRP's actuary.

The rate in effect at March 31, 2005 remained unchanged at 6.8% of the pensionable salaries of eligible public service managers that were in excess of the maximum benefit accrual limit.

These amounts represent assets held by the Reserve Fund, which are available to meet future benefit payments of the SRP over the long term.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

NOTE 3 INVESTMENTS (SCHEDULES A TO E)*(thousands)*

| | 2005 | | 2004 | |
|---|------------------|--------------|------------------|--------------|
| | Fair Value | % | Fair Value | % |
| Fixed Income Securities (Schedule A) | | | | |
| Deposit in the Consolidated Cash | | | | |
| Investment Trust Fund (a) | \$ 65 | 0.3 | \$ 11,997 | 68.6 |
| Canadian Dollar Public Bond Pool (b) | 6,544 | 33.0 | 2,993 | 17.1 |
| Real rate of return bonds (c) | 1,122 | 5.7 | - | - |
| Private Mortgage Pool (d) | 1,096 | 5.5 | - | - |
| Total fixed income securities | 8,827 | 44.5 | 14,990 | 85.7 |
| Canadian Equities (Schedule B) | | | | |
| Domestic Passive Equity Pooled Fund (e) | 2,351 | 11.9 | 187 | 1.1 |
| External Managers | | | | |
| Canadian Equity Enhanced Index Pool (f) | 362 | 1.8 | - | - |
| Canadian Large Cap Equity Pool (g) | 235 | 1.2 | 146 | 0.8 |
| Canadian Multi-Cap Pool (h) | 153 | 0.8 | - | - |
| Canadian Pooled Equities Fund | 33 | 0.2 | - | - |
| Overlay US Equity Pool (k) | (201) | (1.0) | - | - |
| | 2,933 | 14.9 | 333 | 1.9 |
| United States Equities (Schedule C) | | | | |
| S&P 500 Pooled Index Fund (i) | 3,080 | 15.6 | 606 | 3.5 |
| External Managers | | | | |
| US Small/Mid Cap Equity Pool (j) | 398 | 2.0 | - | - |
| US Large Cap Equity Pool | - | - | 506 | 2.9 |
| Overlay US Equity Pool (k) | 241 | 1.2 | - | - |
| | 3,719 | 18.8 | 1,112 | 6.4 |
| Non-North American Equities (Schedule D) | | | | |
| External Managers | | | | |
| EAFE Core Equity Pool (l) | 1,792 | 9.0 | 533 | 3.0 |
| EAFE Plus Equity Pool (l) | 927 | 4.7 | 269 | 1.5 |
| EAFE Passive Equity Pool (m) | 818 | 4.1 | 254 | 1.5 |
| Emerging Markets Equity Pool (n) | 203 | 1.0 | - | - |
| | 3,740 | 18.8 | 1,056 | 6.0 |
| Real Estate Equities (Schedule E) | | | | |
| Private real estate Pool (o) | 593 | 3.0 | - | - |
| Total equities | 10,985 | 55.5 | 2,501 | 14.3 |
| Total investments | \$ 19,812 | 100.0 | \$ 17,491 | 100.0 |

- a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.
- b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

NOTE 3 (continued)

- (c) Real rate of return bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.
- (d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. To limit investment risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage and geographic location.
- (e) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the total return of the S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.
- (f) The External Managers Canadian Equity Enhanced Index Pool consists of single portfolio of publicly traded Canadian equities in the large cap market and is designed to generate a consistent level of investment return above the total return of the S&P/TSX Composite Index over a four-year period with relatively low risk.
- (g) The External Managers Canadian Large Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap equity market. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple managers, each of whom has a different investment style and market capitalization focus.
- (h) The Canadian Multi-Cap Pool consists of a single portfolio with multiple components. The large cap component is internally managed and provides exposure to the Canadian equity market through structured investments replicating the S&P/TSX 60 Index. The small/mid cap component is comprised of investments in the External Managers Canadian Multi-Cap Pool. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period.
- (i) The S&P 500 Pooled Index Fund is passively managed. The portfolio is comprised of publicly traded United States equities similar in weights to the Standard & Poor's (S&P) 500 Index. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. The pool utilizes a combination of pure security replication and synthetic replication strategies to obtain exposure to the benchmark. To enhance investment returns with no substantial increase in risks, the pool also invests in futures, swaps and other structured investments.
- (j) The External Managers US Small/Mid Cap Equity Pool consists of a single portfolio of publicly traded United States equities. The portfolio is actively managed by an external manager with expertise in the US small and mid cap equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index over a four-year period.
- (k) The Overlay US Equity Pool is managed with the objective of providing a quick, effective and efficient way to reduce exposure to Canadian equities and increase exposure to United States equities through synthetic instruments on a largely unfunded basis. The Pool is comprised of a long position through United States equity index futures contracts and a short position through Canadian equity index futures contracts. Cash and short-term securities held by the Pool support approximately 5% to 10% of the Pool's notional exposure in Canadian and United States equity index futures contracts.
- (l) The External Managers EAFE (Europe, Australasia and Far East) Core and Plus Equity Pools consist of multiple portfolios of publicly traded Non-North American equities. Each Core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) EAFE Index asset mix by country. The Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period while reducing return volatility through multiple manager investment style and market diversification.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

NOTE 3 (continued)

- (m) The External Managers EAFE Passive Equity Pool's performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The pool consists of a single portfolio of Non-North American publicly traded equities similar in weights to the MSCI EAFE index.
- (n) The External Managers Emerging Markets Equity Pool consists of a single portfolio of publicly traded equities in emerging markets around the world. The portfolio is actively managed by an external manager with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital International Emerging Markets Free (MSCI EMF) Index over a four-year period.
- (o) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The pool is intended to provide diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

In order to earn the best possible return at an acceptable level of risk, management has established a benchmark policy asset mix of 45% fixed income instruments and 55% equities to the combined assets available for investments of the Reserve Fund and the SRP. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Reserve Fund uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to credit, interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

NOTE 5 (continued)

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. For credit default swaps, parties buy and sell insurance against credit risks inherent in bonds. Periodic payments, based on a notional amount, are exchanged for a contingent payment following a defined credit event of a reference entity. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies.

There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Reserve Fund's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at March 31, 2005:

(thousands)

| | Maturity | | | Notional Amount | 2005 Net Fair Value | Notional Amount | 2004 Net Fair Value |
|--|-----------------|-----------------|-----------------|--------------------|------------------------------|--------------------|------------------------------|
| | Under 1 Year | 1 to 3 Years | Over 3 Years | | | | |
| Equity index swap contracts | 73% | 27% | - | \$ 2,867 | \$ 24 | \$ 313 | \$ (4) |
| Cross-currency interest rate swap contracts | 8% | 32% | 60% | 1,278 | 9 | 276 | (42) |
| Interest rate swap contracts | 38% | 49% | 13% | 1,127 | (29) | 195 | (9) |
| Equity index futures contracts | 100% | - | - | 439 | 6 | 5 | - |
| Forward foreign exchange contracts | 100% | - | - | 414 | 3 | 34 | - |
| Credit default swap contracts | 32% | 11% | 57% | 290 | 3 | 24 | - |
| Bond index swap contracts | 100% | - | - | 127 | 1 | 42 | 1 |
| | | | | \$ 6,542 | \$ 17 | \$ 889 | \$ (54) |

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Reserve Fund attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

NOTE 6 SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS (SRP)

An actuarial valuation of the SRP was carried out as at December 31, 2002 by Aon Consulting Inc. and was then extrapolated to December 31, 2004.

As at December 31, 2004, the SRP reported an actuarial surplus of \$9.4 million (2003 \$9.3 million), taking into account the amounts owing from the Reserve Fund.

NOTE 7 NET INVESTMENT INCOME

Net investment income is comprised of the following:

(thousands)

| | 2005 | 2004 |
|--|-----------------|---------------|
| Net realized and unrealized gains (losses) on investments, including those arising from derivative transactions | \$ 499 | \$ (29) |
| Interest income | 568 | 546 |
| Dividend income | 167 | 10 |
| Real estate income | 21 | - |
| Security lending income | 3 | - |
| Administration expenses | (25) | (1) |
| | <u>\$ 1,233</u> | <u>\$ 526</u> |

The following is a summary of the Fund's proportionate share of net investment income by type of investments:

(thousands)

| | 2005 | 2004 |
|-------------------------|-----------------|---------------|
| Fixed Income Securities | \$ 591 | \$ 495 |
| Canadian Equities | 457 | 3 |
| Foreign Equities | | |
| United States | (117) | 12 |
| Non-North American | 232 | 16 |
| Real Estate | 70 | - |
| | <u>\$ 1,233</u> | <u>\$ 526</u> |

NOTE 8 APPROVAL OF FINANCIAL STATEMENTS

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

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

SCHEDULES TO THE SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES

Schedule A

March 31, 2005 (thousands)

| | Reserve Fund's Share 2005 | Reserve Fund's Share 2004 |
|--|---------------------------------|---------------------------------|
| Deposits and short-term securities | \$ 86 | \$ 12,002 |
| Fixed income securities (a) | | |
| Government of Canada, direct and guaranteed | 3,077 | 713 |
| Provincial, direct and guaranteed | | |
| Alberta | 4 | 2 |
| Other | 1,580 | 714 |
| Municipal | 83 | 41 |
| Corporate, public and private | 3,944 | 1,526 |
| | <u>8,688</u> | <u>2,996</u> |
| Receivable from sale of investments and accrued investment income | 91 | 35 |
| Liabilities for investment purchases | (38) | (43) |
| | <u>53</u> | <u>(8)</u> |
| | <u>\$ 8,827</u> | <u>\$ 14,990</u> |

- (a) Fixed income securities held as at March 31, 2005 had an average effective market yield of 4.15% (2004 4.20%) per annum. The following term structure of these securities as at March 31, 2005 was based on principal amount:

| | 2005 % | 2004 % |
|----------------|------------|------------|
| Under 1 year | 2 | 2 |
| 1 to 5 years | 32 | 40 |
| 6 to 10 years | 30 | 30 |
| 11 to 20 years | 17 | 10 |
| Over 20 years | 19 | 18 |
| | <u>100</u> | <u>100</u> |

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES**Schedule B**March 31, 2005 (*thousands*)

| | Reserve Fund's Share 2005 | Reserve Fund's Share 2004 |
|--|--|--|
| Deposits and short-term securities | \$ 7 | \$ 4 |
| Public equities (a) (b) | | |
| Consumer discretionary | 179 | 24 |
| Consumer staples | 123 | 13 |
| Energy | 592 | 49 |
| Financials | 911 | 106 |
| Health care | 41 | 7 |
| Industrials | 155 | 26 |
| Information technology | 169 | 26 |
| Materials | 435 | 56 |
| Telecommunication services | 184 | 16 |
| Utilities | 45 | 9 |
| | 2,834 | 332 |
| Small Cap pooled fund | 47 | - |
| Receivable from sale of investments and accrued investment income | 55 | 2 |
| Liabilities for investment purchases | (10) | (5) |
| | 45 | (3) |
| | \$ 2,933 | \$ 333 |

(a) The Reserve Fund's net investment in Canadian public equities includes the notional amount of Canadian equity index swap contracts and equity index futures contracts totalling \$1,938 (2004 \$132).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES

Schedule C

March 31, 2005 (*thousands*)

| | Reserve Fund's Share 2005 | Reserve Fund's Share 2004 |
|--|---------------------------------|---------------------------------|
| Deposits and short-term securities | \$ 63 | \$ 5 |
| Public equities (a) (b) | | |
| Consumer discretionary | 436 | 173 |
| Consumer staples | 350 | 114 |
| Energy | 320 | 65 |
| Financials | 714 | 228 |
| Health care | 478 | 134 |
| Industrials | 455 | 125 |
| Information technology | 559 | 171 |
| Materials | 143 | 41 |
| Telecommunication services | 103 | 33 |
| Utilities | 128 | 25 |
| | <u>3,686</u> | <u>1,109</u> |
| Receivable from sale of investments and accrued investment income | 14 | 3 |
| Liabilities for investment purchases | (44) | (5) |
| | <u>(30)</u> | <u>(2)</u> |
| | <u>\$ 3,719</u> | <u>\$1,112</u> |

(a) The Reserve Fund's net investment in United States public equities includes the notional amount of U.S. equity index swap contracts and equity index futures contracts totalling \$1,368 (2004 \$186).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES

Schedule D

March 31, 2005 (thousands)

| | Reserve Fund's Share 2005 | Reserve Fund's Share 2004 |
|--|---------------------------------|---------------------------------|
| Deposits and short-term securities | \$ 69 | \$ 21 |
| Public equities (a) | | |
| Consumer discretionary | 482 | 162 |
| Consumer staples | 213 | 77 |
| Energy | 316 | 79 |
| Financials | 952 | 249 |
| Health care | 221 | 80 |
| Industrials | 434 | 120 |
| Information technology | 184 | 64 |
| Materials | 314 | 81 |
| Telecommunications services | 306 | 81 |
| Utilities | 158 | 40 |
| | <u>3,580</u> | <u>1,033</u> |
| Emerging market pooled funds | 84 | - |
| Receivable from sale of investments and accrued investment income | 45 | 11 |
| Liabilities for investment purchases | (38) | (9) |
| | <u>7</u> | <u>2</u> |
| | <u>\$ 3,740</u> | <u>\$ 1,056</u> |

(a) The sector classification conforms to the Global Industry Classification Standard followed by Standard & Poor's. The following is a summary of the Reserve Fund's investment in Non-North American public equities by country based on geographic location of stock exchange on which stocks were purchased.

| | Reserve Fund's Share 2005 | Reserve Fund's Share 2004 |
|----------------|---------------------------------|---------------------------------|
| United Kingdom | \$ 779 | \$ 237 |
| Japan | 625 | 198 |
| France | 353 | 97 |
| Germany | 254 | 70 |
| Switzerland | 227 | 81 |
| Netherlands | 193 | 56 |
| Australia | 163 | 50 |
| Italy | 138 | 46 |
| Spain | 105 | 27 |
| Sweden | 95 | 19 |
| Other | 648 | 152 |
| | <u>\$ 3,580</u> | <u>\$ 1,033</u> |

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

SCHEDULE OF INVESTMENTS IN REAL ESTATEMarch 31, 2005 (*thousands*)**Schedule E**

| | Reserve Fund's Share 2005 | Reserve Fund's Share 2004 |
|--|--|--|
| Real estate (a) | | |
| Office | \$ 270 | \$ - |
| Retail | 240 | - |
| Industrial | 47 | - |
| Residential | 27 | - |
| | <hr/> 584 | <hr/> - |
| Passive index | 8 | - |
| | <hr/> | <hr/> |
| Receivable from sale of investments and accrued investment income | 1 | - |
| | <hr/> \$ 593 | <hr/> \$ - |

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

| | Reserve Fund's Share 2005 | Reserve Fund's Share 2004 |
|------------------|--|--|
| Ontario | \$ 389 | \$ - |
| Alberta | 121 | - |
| Quebec | 61 | - |
| British Columbia | 13 | - |
| | <hr/> \$ 584 | <hr/> \$ - |

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

SCHEDULE OF INVESTMENT RETURNS**Schedule F**

For the year ended March 31, 2005

The Plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total return received from an investment dollar initially invested. Total return includes cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

| | One Year Return 2005 |
|--------------------------------------|---------------------------------|
| Time-weighted rates of return | |
| Overall actual return | 6.7% |
| Policy benchmark return | 6.2% |

