ALBERTA SECURITIES COMMISSION

Financial Statements

YEAR ENDED MARCH 31, 2005

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Alberta Securities Commission

I have audited the balance sheet of the Alberta Securities Commission as at March 31, 2005 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. 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 Commission as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Edmonton, Alberta
July 4, 2005

ALBERTA SECURITIES COMMISSION

BALANCE SHEET

As at March 31, 2005 *(thousands)*

	2005	2004
Assets		
Current		
Cash (Note 4)	$ 3,185	$ 1,599
Funds held for others (Note 9)	9	295
Accounts and advances receivable	77	57
Lease inducement receivable	389	69
Prepaid expense	102	42
	3,762	2,062
Non-current		
Restricted cash (Note 3)	829	932
Investments (Note 4)	19,790	17,258
Capital assets (Note 6)	2,124	2,218
Lease inducement receivable and lease deposit	132	521
	22,875	20,929
Total assets	$ 26,637	$ 22,991
Liabilities and retained earnings		
Current		
Funds held for others (Note 9)	$ 9	$ 295
Accounts payable and accrued liabilities	1,602	970
Accrued vacation and benefit liabilities	667	666
Lease inducement (Note 7)	167	170
	2,445	2,101
Non-current		
Lease inducement (Note 7)	618	785
Accrued benefit liability (Note 8)	1,713	1,267
Total liabilities	4,776	4,153
Retained earnings (Note 3)	21,861	18,838
Total liabilities and retained earnings	$ 26,637	$ 22,991

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

Approved by the members:

William S. Rice
Chair

Dennis A. Anderson, FCA
Member

ALBERTA SECURITIES COMMISSION

STATEMENT OF INCOME AND RETAINED EARNINGS

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

	Budget (Note 12)	2005 Actual	2004 Actual
Revenue			
Fees (Note 10)	$ 18,260	$ 18,887	$ 16,406
Investment income (Note 5)	830	1,568	1,698
Settlement cost recoveries	-	187	248
	19,090	20,642	18,352
Expense			
Salaries and benefits	12,696	12,191	11,363
Professional services	2,164	1,961	2,179
Administration	1,952	1,476	1,620
Premises	1,343	1,347	1,315
Amortization	560	541	519
Investor education (Note 3)	573	360	514
Total expense	19,288	17,876	17,510
Budget contingency	1,790	-	-
Income (loss) from operations	(1,988)	2,766	842
Administrative penalties revenue (Note 3)	-	257	215
Net income (loss)	(1,988)	3,023	1,057
Opening retained earnings		18,838	17,781
Closing retained earnings (Note 3)		$ 21,861	$ 18,838

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

ALBERTA SECURITIES COMMISSION

STATEMENT OF CASH FLOWS

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

	2005	2004
Cash flows from operating activities		
Cash receipts from fees	$ 18,887	$ 16,628
Cash receipts from settlement cost recoveries	187	248
Cash paid to and on behalf of employees	(11,753)	(10,979)
Cash paid to suppliers for goods and services	(5,050)	(5,899)
Edmonton office closure	-	(130)
Investment income	1,568	1,698
Cash advanced to MICA project (Note 9)	(53)	(110)
Administrative penalties	257	215
Cash flows from operating activities	4,043	1,671
Cash flows from investing activities		
Lease inducement received	199	400
Decrease (increase) in restricted cash	103	(146)
Cash used for capital assets (1)	(348)	(1,096)
Cash used for investments	(2,532)	(1,938)
Cash returned from CSA for NRD funding	121	236
Cash used in investing activities	(2,457)	(2,544)
Increase (decrease) in cash	1,586	(873)
Opening cash	1,599	2,472
Closing cash	$ 3,185	$ 1,599
Supplemental cash flow information		
(1) Additions to capital assets	(450)	(1,012)
Proceeds on disposal	3	2
Increases (decreases) in capital asset liabilities	99	(86)
	$ (348)	$ (1,096)

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

ALBERTA SECURITIES COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1 NATURE OF OPERATIONS

The Alberta Securities Commission is a Provincial Corporation operating under the *Securities Act* (Alberta). The business of the Commission is the regulation of the Alberta capital market, including the administration of the Act, the Securities Regulation and the Alberta Securities Commission Rules.

The mission of the Commission is to foster a fair and efficient capital market in Alberta and confidence in that market. In carrying out its mission, the Commission strives to balance the needs of investors for adequate protection with the needs of industry to access capital necessary for continued economic growth.

The Commission, as an Alberta Provincial Corporation, is exempt from income tax.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The accounting policies of significance to the Commission are as follows:

(a) Portfolio Investments

Portfolio investments are recorded at cost. Realized gains and losses on disposal of these investments are included in the determination of net operating results for the year. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(b) Investment Income

Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability.

Gains and losses arising as a result of disposal of investments are included in the determination of investment income.

Certain derivative contracts, which are primarily interest rate swaps and cross-currency interest rate swaps, are designated as hedges of market risks for purposes of hedge accounting. Hedge accounting recognizes gains and losses from derivatives in the statement of income in the same period as the gains and losses of the security being hedged. As a result, income and expense from derivative contracts designated as hedges are recognized in income on an accrual basis with gains and losses recognized in income to the extent realized.

Derivative contracts not designated as hedges for purposes of hedge accounting, which are primarily bond index swaps, equity index swaps, credit default swaps, forward foreign exchange contracts and equity index futures contracts are recorded at fair value. Unrealized gains and losses on these derivative contracts are recognized in income.

ALBERTA SECURITIES COMMISSION

NOTE 2 (continued)

(c) Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act.

The fair values of cash, receivables, payables and accrued liabilities are estimated to approximate their book values.

The methods used to determine the fair values of portfolio investments and derivative contracts are explained in the following paragraphs:

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 are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

Derivative contracts include equity and bond index swaps, interest rate swaps, cross-currency interest rate swaps, credit default swaps, equity index futures contracts and forward foreign exchange contracts. The value of derivative contracts is included in the fair value of the Commission's investment in the Canadian Dollar Public Bond Pool and Domestic Passive Equity Pooled Fund (see Note 4). The fair value of derivative contracts at the reporting date is determined by the following methods:

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

(ii) Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates.

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

(iv) Forward foreign exchange contracts and equity index futures contracts are valued based on quoted market prices.

ALBERTA SECURITIES COMMISSION

NOTE 2 (continued)

(d) Capital Assets

Capital assets are recorded at cost.

Assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment and software	3 years
Furniture and equipment	10 years
Leasehold improvements	remaining lease term to March 2011

(e) Fee Revenue Recognition

Fees are recognized when earned which is upon cash receipt.

(f) Employee Future Benefits

The Commission participates in the Public Service Pension Plan, a multi-employer defined benefit pension plan, with other government entities. This plan is accounted for as a defined contribution plan as the Commission has insufficient information to apply defined benefit plan accounting to this pension plan. Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for the service relating to prior years.

The Commission maintains a Supplemental Pension Plan (the Plan) for certain designated executives of the Commission. The cost of the pension is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of economic assumptions. Past service costs and actuarial losses arising from assumption changes are amortized on a straight-line basis over the average remaining service period of employees active at the date of commencement of the plan. Gains and losses arising from employee changes are recognized in the year of change. The average remaining service period of active employees of the Plan is five years.

The Commission also maintains a plan whereby it makes Registered Retirement Savings Plan contributions on behalf of certain employees of the Commission. The contributions are calculated based on a fixed percentage of the employee's salary to a maximum of the Registered Retirement Savings Plan contribution limit as specified in the *Income Tax Act*. The expense included in these financial statements represents the current contributions made on behalf of the employees.

(g) Lease Inducement

Cash payments received as lease inducements are deferred and amortized on a straight-line basis over the lease term.

ALBERTA SECURITIES COMMISSION

NOTE 2 (continued)

(h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(i) Restricted Cash

The *Alberta Securities Act* permits the use of revenues received by the Commission from Administrative Penalties for certain operating expenditures that educate investors and enhance the knowledge of the securities market operation.

NOTE 3 RESTRICTED CASH AND RETAINED EARNINGS

Retained earnings include $829 ($932 in 2004) of restricted cash, as described in Note 2(i). The restricted cash decrease represents administrative penalty receipts, interest income and net acccounting conference income during the year of $257 less eligible investor education expenses of $360. Accounting conference net income of $8 ($6 in 2004) is net of $64 ($57 in 2004) of expenses.

NOTE 4 CASH AND INVESTMENTS

a) Summary

			2005			2004
	Cost	Fair Value	%	Cost	Fair Value	%
Cash						
Deposit in the CCITF	$ 3,185	$ 3,185		$ 1,599	$ 1,599	
Investments						
Deposit in the CCITF	$ 56	$ 56	0.3	$ 54	$ 54	0.3
Fixed-income securities (Schedule B)	14,757	14,709	72.8	12,386	12,442	69.7
Canadian equities (Schedule C)	4,977	5,432	26.9	4,818	5,364	30.0
	$ 19,790	$ 20,198	100.0	$ 17,258	$ 17,860	100.0

Cash consists of demand deposits in the Consolidated Cash Investment Trust Fund that is managed by the Ministry of Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital. The Fund is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. The average effective yield for securities held by the fund at March 31, 2005 was 2.8% (2.1% in 2004) per annum.

The Commission's investments are held in pooled investment funds established and managed by the Ministry of Finance. Investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of units. As at March 31, 2005, the Commission's percentage ownership, at market, in pooled investment funds is 0.17% or less.

ALBERTA SECURITIES COMMISSION

NOTE 4 (continued)

(b) Investment Risk Management

The value of investments is exposed to credit 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 interest rate risk and market risk. Interest rate risk relates to the possibility that the investments will change in value due to 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 an optimal financial return at an acceptable level of risk, the Commission has established an investment policy, which is reviewed annually. Risk is reduced through asset class diversification, diversification within each asset class and quality and duration constraints on fixed-income instruments. Controls are in place respecting the use of derivatives. While the Commission reports the results of these risk management initiatives in its accounts, the Commission is a passive third party recipient of these transactions and does not engage directly in derivative or swap contracting.

(c) 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 Ministry of Finance uses derivative contracts within the investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk 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.

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.

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.

A credit default swap allows counter-parties to buy and sell protection on credit risk inherent in a bond. A premium is paid, based on a notional amount, from one counter party to a second counter party in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

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

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NOTE 4 (continued)

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

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

The following is a summary of the Commission's proportionate share of the notional amount and fair value of swap contracts issued by pooled funds as at March 31, 2005.

		Maturity			2005		2004
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount (a)	Net Fair Value (b)	Notional Amount (a)	Net Fair Value (b)
Equity index swap contracts	83%	17%	-	$ 2,067	$ 52	$ 1,679	$ (5)
Cross-currency interest rate swaps	9%	21%	70%	1,651	(46)	1,196	(178)
Interest rate swap contracts	39%	53%	8%	868	(24)	1,054	(48)
Bond index swap contracts	100%	-	-	286	2	176	4
Credit default swap contracts	29%	10%	61%	260	3	81	(1)
Forward foreign exchange contracts	100%	-	-	91	7	-	-
Equity index futures contracts	-	-	-	-	-	1	-
				$ 5,223	$ (6)	$ 4,187	$ (228)

(a) Current credit exposure is represented by the replacement cost of all outstanding contracts in favourable position (positive fair value).

(b) The method of determining the fair value of derivative contracts is described in note 2(c).

NOTE 5 NET INVESTMENT INCOME

	2005	2004
Interest	$ 766	$ 768
Net realized gain on investments	535	542
Derivative income	214	333
Dividends	53	55
	$ 1,568	$ 1,698

NOTE 6 CAPITAL ASSETS

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Computer equipment and software	$ 1,946	$ 1,391	$ 555	$ 484
Furniture and equipment	511	252	259	291
Leasehold improvements	2,378	1,068	1,310	1,443
	$ 4,835	$ 2,711	$ 2,124	$ 2,218

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NOTE 7 LEASE INDUCEMENTS

Lease inducement balances include:

Lease	Term	Current Inducement	Future Inducement
Calgary, old	10 years, ending 2006	$ 40	$ -
Calgary, new	8 years, ending March 2011	124	618
Calgary sublease	3 years, ending October 2005	3	-
		$ 167	$ 618

NOTE 8 ACCRUED BENEFIT LIABILITY AND PENSION EXPENSE

The accrued benefit liability includes:

	2005	2004
Retirement Plan	$ 190	$ 182
Supplemental Pension Plan	1,523	1,085
	$ 1,713	$ 1,267

The following pension expense for the plans is recorded in the Statement of Income under salaries and benefits.

	2005	2004
Public Service Pension Plan	$ 277	$ 231
Registered Retirement Savings Plan	287	270
Retirement Plan	29	2
Supplemental Pension Plan	438	286
	$ 1,031	$ 789

(a) Public Service Pension Plan

The Commission participates in the Public Service Pension Plan (the PSPP).

At December 31, 2004 the PSPP reported a deficiency of $450,068 and in 2003 a deficiency of $584,213.

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NOTE 8 (continued)

(b) Registered Retirement Savings Plan

The Commission makes contributions on behalf of employees who do not participate in the PSPP to employee Registered Retirement Savings Plans.

(c) Retirement Plan

The Commission has a retirement plan for an executive who is now retired. The provisions of the retirement plan were established pursuant to a written agreement. The retirement plan provides pension benefits based on a fixed schedule of payments over a fifteen year period ending in August 2017. Accrued benefits are payable on death. The retirement plan is not pre-funded and the benefits are paid ($21 in 2005, $21 in 2004) from the assets of the Commission as they come due.

(d) Supplemental Pension Plan

The Commission has a Supplemental Pension Plan (the Plan) for certain designated executives of the Commission. The provisions of the Plan were established pursuant to a written agreement with each designated executive.

The Plan provides pension benefits to the designated executives that are defined by reference to earnings in excess of the limit (increased from $86 to $92 effective January 1, 2004 and $100 January 1, 2005) imposed by the *Income Tax Act* on registered pension arrangements.

Pension benefits from the Plan are payable on or after attainment of age 55 and are equal to 1.75% of highest average pensionable earnings (average over five years) for each year of service with the Commission. Members of the Plan become vested in the benefits of the plan after two years of service. Accrued benefits are also payable on early retirement (with reductions), death or termination of employment of the designated executive.

The Plan is not pre-funded and the benefits will be paid as they come due from the assets of the Commission.

Actuarial valuations of the Plan are undertaken every three years and the most recent, at April 1, 2004, was performed by an independent actuary. An extrapolation of the 2004 valuation was made by the actuary for March 31, 2005 through March 31, 2008, as at April 1, 2005. The next valuation is scheduled for April 1, 2007.

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NOTE 8 (continued)

The results of the actuarial valuation and extrapolation and management's cost estimates as they apply to the Plan are summarized below:

Balance Sheet at March 31	**2005**	**2004**
Market value of assets	$ -	$ -
Accrued benefit obligation	1,895	1,391
Unfunded obligation	1,895	1,391
Unamortized transitional obligation	(176)	(202)
Unamortized actuarial loss	(320)	(104)
Employee change liability, management estimate	124	-
Accrued benefit liability	$ 1,523	$ 1,085
Accrued Benefit Obligation		
Accrued benefit obligation at beginning of the year	$1,391	$1,033
Service cost	205	197
Interest cost	97	64
Net Actuarial loss, less benefits paid of $33 ($- in 2004)	202	97
Accrued benefit obligation at end of the year	$ 1,895	$ 1,391
Pension Expense		
The pension expense for the Plan is as follows:		
Service cost	$ 205	$ 197
Interest cost	97	64
Amortization of transitional obligation	26	25
Recognized actuarial losses during year	110	-
Pension expense	$ 438	$ 286

Actuarial Assumptions for Actuarial Valuation of the Plan

The assumptions used in the 2005 actuarial extrapolation of the Plan are summarized below. The 2004 assumptions are based on the 2004 actuarial valuation of the Plan. The discount rate was established in accordance with the yield on long term corporate bonds and applies to both the accrued benefit obligation and benefit costs. Other economic assumptions were established as management's best estimate in collaboration with the actuary. Demographic assumptions were selected by the actuary based on best estimate of the future experience of the plans.

	2005	**2004**
Discount rate	5.80%	6.10%
Rate of inflation	2.65%	2.35%
Salary increases	3.65%	3.35%
Remaining service life (EARSL)	5 years	10 years

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NOTE 9 FUNDS HELD FOR OTHERS

The Commission holds, in a separate bank account, $9 ($295 in 2004) in cash for participants in the Market Integrity Computer Analysis (MICA) system upgrade project. The Commission has recorded a total project expense of $164 ($53 in 2004) and has a remaining commitment of $6. Funds are disbursed as payments are made for approved expenditures. Expenditures, if any, in excess of the amounts held for others and the Commission's contribution, require further participant approval and contribution. The MICA project will assist participants in the analysis of trading activities.

NOTE 10 FEES

	2005	2004
Distribution of Securities	$ 9,172	$ 6,879
Registrations	6,109	6,715
Annual Financial Statements	3,300	2,504
Other	6	3
Orders (Applications)	300	305
Total	$ 18,887	$ 16,406

NOTE 11 COMMITMENTS AND CONTINGENCIES

Set out below are details of commitments to organizations outside the Commission and contingencies from guarantees and legal actions. Any losses arising from the settlement of contingencies are treated as expenses in the year of settlement.

(a) Commitments

Commitments arising from contractual obligations associated primarily with the eight year lease of premises, the remaining MICA commitment and three year average rental of office equipment at March 31, 2005 amounted to $10,450 ($11,692 in 2004). These commitments become expenses of the Commission when the terms of the contracts are met.

2005-06	$ 1,732
2006-07	1,756
2007-08	1,804
2008-09	1,729
2009-10	1,717
Thereafter	1,712
Total	$ 10,450

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NOTE 11 (continued)

Canadian Securities Administrators (CSA) - The Commission also agreed to share, based on an agreed upon cost sharing formula, the costs incurred for the maintenance of the CSA Secretariat (formerly Project Office), and any third party costs incurred in the development of harmonized rules, regulations and policies. The CSA Secretariat was established to assist in the development and harmonization of rules, regulations and policies across Canada.

SEDAR operations agreement - CDS INC. (CDS) operates the SEDAR electronic filing and payment system on behalf of the CSA under an August 1, 2004 agreement. The Alberta Securities Commission, as one of the agreement signatories, commits to pay CDS 11.7% of any shortfall from SEDAR system operating costs that exceed revenues. Alternatively, CDS must pay to CSA SEDAR revenues in excess of system operating costs ("surplus"). The surplus is not divisible; the CSA owns it as a group. CDS has paid $5,783 to the OSC, in trust, to December 31, 2004. This amount represents the SEDAR surpluses to July 31, 2004. Subsequent to March 31, 2005 a further $160 was paid to OSC for the period ending October 31, 2004. The principal CSA administrators, including the Commission, have agreed that SEDAR surplus amounts can only be used to offset any shortfall in SEDAR revenues, develop or enhance the SEDAR and SEDI systems, and reduce SEDAR fees.

(b) Legal Actions

The Commission is involved in various legal proceedings arising from its operations and regulatory activities. Management considers the chance of liability under these legal proceedings not to be determinable and accordingly an estimate of any contingent loss cannot be made.

NOTE 12 BUDGET

The Minister of Finance approved budget includes fee increases of $2,719 and a contingency expense provision of $1,916 less a vacancy reserve of $126. A budget contingency provision of up to ten percent of planned expenditures for unplanned expenses and revenue shortfalls is provided for in the Memorandum of Understanding between the Minister and the Commission. Commission members must approve any expenditure that is applied to the budget contingency expense provision. Subsequent to budget approval, the Commission members approved and the Finance Minister agreed to a revised budget including, a deferral of the fee increase beyond 2005, revenue increases of $500 arising from accelerated financial statement filings and related fees, following a change in the filing rule and elimination of the contingency expense provision of $1,916. Members also approved a further expenditure (which was applied against the contingency amount) of $135 for an enforcement staff position and professional fees for a compensation survey and a financial reporting controls documentation project. Actual revenues and expenses resulting from these budget changes are recorded in their respective accounts.

ALBERTA SECURITIES COMMISSION

NOTE 13 RELATED PARTY TRANSACTIONS

The Commission is related through common ownership to all provincial government ministries, agencies, boards, commissions and crown corporations. The Commission conducted all transactions with these entities as though they were unrelated parties and recorded transaction costs of $60 ($66 in 2004).

NOTE 14 COMPARATIVES

Comparative 2004 professional services expense are increased by CSA project costs of $226 and are reduced by $445 of investor education costs that have been reclassified to conform to their 2005 presentation.

Comparative 2004 administration costs include other, materials and supplies, travel, member fees and telephone and communication costs that have been reclassified to conform to their 2005 presentation.

ALBERTA SECURITIES COMMISSION

SCHEDULES TO THE FINANCIAL STATEMENTS

SCHEDULE OF SALARIES AND BENEFITS Schedule A

For the year ended March 31, 2005 *(dollars)*

	Base Salary (1)	Other Cash Benefits (2)	Other Non-cash Benefits (3)	2005 Total	2004 Total (4)
Chair, Securities Commission (5)	$ 412,000	$ 58,400	$ 227,986	$ 698,386	$ 559,632
Vice Chair, Securities Commission (5)	211,000	25,000	64,888	300,888	284,495
Vice Chair, Securities Commission (5)	191,500	25,000	37,019	253,519	241,016
Members (part-time)	367,848	-	-	367,848	288,487
Executives					
Executive Director	235,000	33,500	71,211	339,711	316,530
Director, Legal/Policy	182,000	19,000	41,797	242,797	231,908
Director, Capital Markets	176,500	10,000	43,478	229,978	220,310
Director, Enforcement (6)	180,000	25,000	41,004	246,004	235,750
Director, Administrative Services	160,400	-	37,393	197,793	201,561
Chief Accountant	166,500	19,000	21,608	207,108	197,190
General Counsel	176,000	30,000	21,082	227,082	201,238

(1) Base salary includes regular base pay and honoraria.

(2) Other cash benefits include bonuses, lump sum payments, Chair and Executive Director's automobile allowance and vacation payouts.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pensions, registered retirement savings plan contributions, health care, dental coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disablity, professional memberships, tuition, club memberships, worker's compensation and Supplemental Pension Plan.

(4) 2004 Comparative figures are restated to include Supplemental Pension Plan accruals.

(5) The Chair and Vice Chairs are full time Commission Members. The Chair’s 2005 compensation includes $100,000 of incremental Supplemental Pension Plan accrual.

(6) The previous Director of Enforcement resigned October 10, 2003 and his vacation payout is included in 2004.

ALBERTA SECURITIES COMMISSION

SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES — Schedule B

March 31, 2005 *(thousands)*

	Commission's share 2005 Cost	Commission's share 2005 Fair Value	Commission's share 2004 Cost	Commission's share 2004 Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 90	$ 90	$ 19	$ 19
Public fixed-income securities				
Government of Canada direct and guaranteed	4,417	4,350	3,000	2,964
Provincial:				
Alberta, direct and guaranteed	8	9	9	9
Other, direct and guaranteed	3,259	3,419	2,800	2,968
Municipal	181	186	164	169
Corporate	5,323	5,196	5,082	5,018
Private fixed-income securities				
Corporate	1,373	1,353	1,343	1,326
	14,651	14,603	12,417	12,473
Accounts receivable and accrued investment income	175	175	145	145
Accounts payable and accrued liabilities	(69)	(69)	(176)	(176)
	106	106	(31)	(31)
	$ 14,757	$ 14,709	$ 12,386	$ 12,442

(a) Fixed income securities held as at March 31, 2005 have an average effective market yield of 4.34% per annum (4.20% per annum in 2004) and the following term structure based on principal amounts:

	2005 %	2004 %
under 1 year	3	2
1 to 5 years	38	40
5 to 10 years	31	30
10 to 20 years	12	10
over 20 years	16	18
	100	100

(b) The Commission's fixed income securities are held in the Canadian Dollar Public Bond Pool (the Pool). The Pool is managed by the Ministry of Finance with the objective of providing above average returns compared 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 related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

ALBERTA SECURITIES COMMISSION

SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES

Schedule C

March 31, 2005 *(thousands)*

	Commission's share 2005		Commission's share 2004	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Deposits and short-term securities	$ 38	$ 38	$ 34	$ 34
Public equities (a) (b)				
Financial	1,588	1,741	1,497	1,723
Energy	907	1,117	639	783
Materials	725	780	823	907
Consumer discretionary	387	374	387	371
Telecommunication services	343	356	268	256
Information technology	321	314	365	428
Industrials	260	287	376	398
Consumer staples	203	230	187	209
Health care	98	82	117	116
Utilities	72	79	167	181
	4,904	5,360	4,826	5,372
Receivable from sale of investments and accrued investment income	71	71	21	21
Accounts payable and accrued liabilities	(36)	(36)	(63)	(63)
	35	35	(42)	(42)
	$ 4,977	$ 5,433	$ 4,818	$ 5,364

(a) The Commission's effective net investment in Canadian public equities includes the fair value of deposits and floating rate notes totaling $2,067 ($1,680 in 2004) which are used as underlying securities to support the notional amount of Canadian equity index swap contracts.

(b) The industrial classifications are those used by the Toronto Stock Exchange indices.

ALBERTA SECURITIES COMMISSION

Schedule C (continued)

(c) The Commission's investments in Canadian equities, as determined by the Ministry of Finance, are held in the following pooled funds administered by the Ministry of Finance.

	2005 Cost	2005 Fair Value	2004 Cost	2004 Fair Value
Domestic Passive Equity Pooled Fund (i)	$ 2,927	$ 2,978	$ 2,338	$ 2,391
Canadian Pooled Equity Fund (ii)	1,427	1,788	1,172	1,517
External Managers Canadian Large Cap Equity Pool (iii)	623	667	1,308	1,456
	$ 4,977	$ 5,433	$ 4,818	$ 5,364

(i) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange S&P/TSX Composite Total Return Index. The portfolio is comprised of publicly traded equities in Canadian corporations similar in weights to the S&P/TSX Composite Index. To enhance investment returns with no substantial increase in risks, the pool uses structured investments such as domestic equity index swaps. The Pool's investment in units of the Floating Rate Note Pool (FRNP) are used as the underlying securities to support the index swaps of the Pool. FRNP is managed with the objective of generating floating rate income needed for the swap obligations in respect of structured investments in equities and bonds. Through the use of interest rate swaps, FRNP provides investment opportunities in high quality floating-rate instruments with remaining term-to-maturity of five years or less.

(ii) The Canadian Pooled Equity Fund is managed with the objective of providing competitive returns comparable to the total return of the Toronto Stock Exchange S&P/TSX Composite Index. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(iii) The 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 returns higher than the total return of the S&P/TSX Composite Index over a four-year period. Return volatility is reduced through multiple manager investment style and market capital focus.

ALBERTA SECURITIES COMMISSION

SCHEDULE OF INVESTMENT RETURNS Schedule D

The Commission 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 Commission over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and 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 return of pools with other pools or indices.

Investment return percentages for the Commission are as follows:

	One Year Return					5 Year Compound Annualized Return
Time-weighted rates of return	**2005**	**2004**	**2003**	**2002**	**2001**	
Short-term fixed income	**3.7**	**4.2**	**2.9**	**4.0**	**5.8**	**4.1**
Scotia Capital 91-day T-Bill Index	*2.2*	*3.0*	*2.7*	*3.7*	*5.7*	*3.5*
Long-term fixed income	**5.4**	**11.7**	**9.5**	**5.7**	**9.4**	**8.3**
Scotia Capital Universe Bond Index	*5.0*	*10.8*	*9.2*	*5.1*	*8.7*	*7.7*
Canadian equities	**15.0**	**36.6**	**(17.5)**	**n/a**	**n/a**	**n/a**
S&P/TSX Composite Index	*13.9*	*37.7*	*(17.6)*	*n/a*	*n/a*	*n/a*
Overall	**7.8**	**17.8**	**2.3**	**4.3**	**8.6**	**8.0**