

ATB INVESTMENT MANAGEMENT INC.

Financial Statements

YEAR ENDED MARCH 31, 2005

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AUDITOR'S REPORT

To the Board of Directors of ATB Investment Management Inc.

I have audited the balance sheet of ATB Investment Management Inc. as at March 31, 2005 and the statements of operations, shareholder's deficiency and cash flows for the year then ended. These financial statements are the responsibility of ATB Investment Management Inc.'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 ATB Investment Management Inc. 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.

Edmonton, Alberta
May 25, 2005

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

ATB INVESTMENT MANAGEMENT INC.

BALANCE SHEET

As at March 31, 2005

	2005	(Restated - Note 3) 2004
ASSETS		
Current assets		
Cash	\$ 1,950,727	\$ 1,187,554
Accounts receivable	958,562	357,931
Clients' cash held in trust	-	797,653
Prepaid expenses	10,733	8,563
	<u>2,920,022</u>	<u>2,351,701</u>
Non-current assets		
Deferred charges	29,058	46,472
Total assets	<u><u>\$ 2,949,080</u></u>	<u><u>\$ 2,398,173</u></u>
LIABILITIES AND SHAREHOLDER'S DEFICIENCY		
Current liabilities		
Due to ATB (Note 4)	\$ 941,851	\$ 280,914
Accrued liabilities	593,972	218,847
Due to clients	-	797,653
	<u>1,535,823</u>	<u>1,297,414</u>
Non-current liabilities		
Subordinated notes (Note 5)	2,245,000	2,245,000
	<u>3,780,823</u>	<u>3,542,414</u>
Shareholder's deficiency		
Share capital (Note 6)	5,000	5,000
Deficiency	(836,743)	(1,149,241)
	<u>(831,743)</u>	<u>(1,144,241)</u>
Total liabilities and shareholder's deficiency	<u><u>\$ 2,949,080</u></u>	<u><u>\$ 2,398,173</u></u>

Approved by the Board of Directors:

B. Normand,
Chairman of the Board
and Chief Executive Officer

M. Frederick,
Chief Financial Officer

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

ATB INVESTMENT MANAGEMENT INC.

STATEMENT OF OPERATIONS

For the year ended March 31, 2005

	2005	(Restated - Note 3) 2004
Revenue		
Investment management fees	\$ 5,717,870	\$ 1,695,124
Interest revenue (Note 7)	29,623	12,688
Other revenue	121,279	-
	<u>5,868,772</u>	<u>1,707,812</u>
Administration and selling expenses (Note 7)		
Salaries and employee benefits	709,712	371,061
Professional fees	1,641,914	538,873
Trailing commission	2,459,790	749,105
Expense absorption (Note 2)	182,625	583,655
Other expenses	465,573	93,522
Interest expense	96,660	62,493
	<u>5,556,274</u>	<u>2,398,709</u>
Income/(Loss) for the year	<u>\$ 312,498</u>	<u>\$ (690,897)</u>

STATEMENT OF SHAREHOLDER'S DEFICIENCY

For the year ended March 31, 2005

	2005	(Restated - Note 3) 2004
Share capital	\$ 5,000	\$ 5,000
Deficiency, beginning of year, as previously reported	(959,098)	(458,344)
Correction of error (Note 3)	(190,143)	-
Deficiency, beginning of year, as restated	(1,149,241)	(458,344)
Income/(Loss) for the year	312,498	(690,897)
Deficiency, end of year	(836,743)	(1,149,241)
Total shareholder's deficiency	<u>\$ (831,743)</u>	<u>\$ (1,144,241)</u>

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

ATB INVESTMENT MANAGEMENT INC.

STATEMENT OF CASH FLOWS

For the year ended March 31, 2005

	(Restated - Note 3)	
	2005	2004
Cash flows from (used in) operating activities		
Income/(loss) for the year	\$ 312,498	\$ (690,897)
Items not affecting cash		
Amortization of deferred charges	17,414	17,413
	<u>\$ 329,912</u>	<u>\$ (673,484)</u>
Changes in non-cash working capital		
Increase in accounts receivable	(600,631)	(357,931)
Increase in prepaid expenses	(2,170)	(8,563)
Increase in accrued liabilities	375,125	218,847
	<u>102,236</u>	<u>(821,131)</u>
Cash flows from financing activities		
Change in due to ATB	660,937	(41,315)
Issue of subordinated notes	-	1,800,000
	<u>660,937</u>	<u>1,758,685</u>
Net increase in cash	763,173	937,554
Cash, beginning of year	1,187,554	250,000
Cash, end of year	<u>\$ 1,950,727</u>	<u>\$ 1,187,554</u>
Supplementary cash flow information		
Interest paid	\$ 95,613	\$ 55,464
Interest received	\$ 29,623	\$ 12,688

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

ATB INVESTMENT MANAGEMENT INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2005

NOTE 1 INCORPORATION AND OPERATIONS

ATB Investment Management Inc. (ATBIM) is a wholly owned subsidiary of Alberta Treasury Branches (ATB) established for the purpose of managing a family of ATB mutual fund portfolios and other provisions of discretionary portfolio management services. The continuing operations of ATBIM are dependent upon ATB's ongoing financial support. ATBIM was incorporated in Alberta under the *Business Corporations Act* (Alberta) on August 21, 2002. As a provincial corporation, ATBIM is exempt from income tax. ATBIM is registered with the Alberta Securities Commission (ASC).

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. In preparing the financial statements, management makes estimates and assumptions considering values of certain assets, liabilities, revenues, expenses and related disclosures reported in the financial statements. Actual results could differ from these estimates. Certain comparative amounts have been reclassified where necessary to conform to the current year's presentation. The significant accounting policies followed in the preparation of these financial statements are summarized below:

Revenue recognition

Investment management fees are based on net asset values of the ATB mutual fund portfolios and are recognized on an accrual basis. Interest revenue includes interest earned on cash deposits with ATB and is recorded on an accrual basis. Other revenue includes fees earned from clients for management of their accounts.

Cash

Cash consists of cash on deposit with ATB

Clients' cash held in trust

Clients' cash held in trust represents amounts in trust accounts with Royal Bank of Canada for the settlement of mutual fund transactions. The corresponding liabilities are included in due to clients.

Deferred charges

Deferred charges represent the unamortized cost of the implementation fees for setting up the registrar and the transfer agent for the mutual fund portfolios. Amortization is calculated on a straight-line basis, over the four-year term of the related contract. The amortization expense is charged to the mutual fund portfolios over the same contract term, as set out in the management agreement.

ATB INVESTMENT MANAGEMENT INC.

NOTE 2 (continued)**Expense absorption**

In its sole discretion, ATBIM may waive or absorb expenses of the ATB Compass Portfolio mutual funds. The effect of such waivers and absorption is to recognize expenses of \$182,625 (2004 - \$583,655) that are otherwise attributable to the funds. It is expected that such waivers and absorption will decline as the net assets of the funds grow over time.

NOTE 3 CORRECTION OF PRIOR PERIOD

During the year, the Company paid \$124,481 in fees and expenses to third parties that related to the prior year. In addition, \$65,662 in bonuses were paid to executives during the year that related to the prior year. These expenses were not accrued for in fiscal 2004, accordingly these amounts, totalling \$190,143 have been corrected by restating the prior year.

NOTE 4 DUE TO ATB

In the normal course of operations, ATB pays expenses and collects revenues on behalf of ATBIM. These amounts are recorded as payable and receivable in the respective accounts of both ATB and ATBIM. The amounts due to and from ATB are generally repaid in the following month.

The amount due to ATB is subject to interest charges at ATB's prime lending rate. The prime lending rate at March 31, 2005 was 4.25% (2004 - 4.0%).

NOTE 5 SUBORDINATED NOTES

The subordinated notes held by ATB are unsecured and bear interest at the prime lending rate of ATB. The subordinated notes have no specified maturity dates and are repayable upon demand by ATB, subject to the prior approval of the Alberta Securities Commission. Since ATB does not have the unilateral right to demand repayment, the subordinated notes have been classified as a non-current liability.

ATB INVESTMENT MANAGEMENT INC.

NOTE 6 SHARE CAPITAL

Authorized:

- An unlimited number of Class A voting common shares without nominal or par value.
- An unlimited number of Class B non-voting common shares without nominal or par value.
- An unlimited number of 10% non-cumulative redeemable non-voting preferred shares without nominal or par value, redeemable at \$100 per share.

Issued:

	2005	2004
100 Class A Voting Common Shares	\$ 5,000	\$ 5,000

NOTE 7 RELATED PARTY TRANSACTIONS

In the normal course of operations, ATB charges ATBIM for certain administrative and selling services as well as charging interest on subordinated notes and amounts owing to ATB. In addition, ATB Securities Inc. (an affiliate) charges ATBIM for client referral fees and for costs incurred related to transaction processing for ATBIM clients. ATB Securities Inc. and ATB Investment Services Inc. (an affiliate) charge trailing commission fees to ATBIM on the sale of mutual funds. Where determinable, ATB allocates costs for employees of ATB providing services to ATBIM. ATBIM recovers from ATB, ATB Investment Services Inc. (an affiliate) and ATBS certain salary costs. The summary of these transactions is as follows:

RELATED PARTY	TRANSACTIONS	RECORDED AS	2005	2004
REVENUE				
ATB	Interest income	Other revenue	\$ 29,623	\$ 12,688
ADMINISTRATION & SELLING EXPENSES				
ATB Investment Services Inc.	Trailer fees	Trailing commission	\$ 1,135,445	\$ 482,432
ATB Securities Inc.	Trailer fees	Trailing commission	1,324,345	266,673
ATB	Employee services	Professional fees	116,242	36,675
ATB	Information technology and rent	Other expenses	130,715	12,800
ATB Securities Inc.	Client referral fees	Professional fees	102,229	-
ATB Securities Inc.	Transaction fees	Other expenses	42,510	-
ATB Securities Inc.	Salaries	Salaries & employee benefits	44,700	44,700
			<u>\$ 2,896,186</u>	<u>\$ 843,280</u>

ATB INVESTMENT MANAGEMENT INC.

NOTE 7 (continued)

RELATED PARTY	TRANSACTIONS	RECORDED AS	2005	2004
SALARIES AND EMPLOYEE BENEFITS				
ATB	Salaries (recoveries)	Salaries and employee benefits	\$ (58,919)	\$ (56,113)
ATB Investment Services Inc.	Salaries (recoveries)	Salaries and employee benefits	(8,417)	(17,727)
ATB Securities Inc.	Salaries (recoveries)	Salaries and employee benefits	(8,417)	(17,727)
			<u>\$ (75,753)</u>	<u>\$ (91,567)</u>
INTEREST EXPENSE				
ATB	Interest expense on subordinated notes	Interest expense	\$ 90,034	\$ 56,082
ATB	Interest expense on due to ATB	Interest expense	6,626	5,617
			<u>\$ 96,660</u>	<u>\$ 61,699</u>

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

NOTE 8 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair value of cash, accounts receivable and accrued liabilities approximates the carrying value due to the short-term nature of these instruments. The fair value of amounts due to ATB and subordinated notes is not readily determinable as there are no fixed terms of repayment.

NOTE 9 INTEREST RATE RISK

ATBIM is subject to interest rate risk in that the amounts due to ATB and the subordinated notes are subject to fluctuations in interest rates. For each 1% change in the rate of interest on these obligations, the change in annual interest expense is approximately \$27,000 (2004 - \$22,000) based on the outstanding balances at March 31, 2005. This would be partially offset by increased interest earned on deposits.

