PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

Financial Statements

YEAR ENDED MARCH 31, 2005

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Finance

I have audited the Statement of Net Assets Available for Benefits and Accrued Benefits of the Provincial Judges and Masters in Chambers (Registered) Pension Plan (the Plan) as at March 31, 2005 and the Statement of Changes in Net Assets Available for Benefits for the year then ended. These financial statements are the responsibility of the Plan'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 Net Assets Available for Benefits and Accrued Benefits of the Plan as at March 31, 2005 and the Changes in Net Assets Available for Benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed]

Edmonton, Alberta
June 17, 2005

Fred J. Dunn, FCA
Auditor General

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS

As at March 31, 2005 *(thousands)*

	2005	2004
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 82,878	$ 77,926
Contributions receivable	175	169
Accounts receivable	2	-
	83,055	78,095
Liabilities		
Accounts payable	14	14
Net assets available for benefits	83,041	78,081
Accrued Benefits		
Accrued benefits (Note 7)	83,625	79,453
Actuarial Deficiency (Note 8)	$ (584)	$ (1,372)

See accompanying notes and schedules.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

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

	2005	2004
Increase in assets		
Net investment income (Note 9)	$ 5,680	$ 14,014
Contributions		
Current and optional service		
Provincial Judges and Masters in Chambers	687	655
Province of Alberta	1,385	1,280
Unfunded liabilities (Note 8)		
Province of Alberta	1,172	1,172
	3,244	3,107
	8,924	17,121
Decrease in assets		
Pension benefits	3,871	3,590
Administration expenses (Note 10)	93	86
	3,964	3,676
Increase in net assets	4,960	13,445
Net assets available for benefits at beginning of year	78,081	64,636
Net assets available for benefits at end of year	$ 83,041	$ 78,081

See accompanying notes and schedules.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2005

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Provincial Judges and Masters in Chambers (Registered) Pension Plan (Registered Plan) is a summary only. For a complete description of the Registered Plan, reference should be made to the *Provincial Court Act*, Chapter P-31, Revised Statutes of Alberta 2000, *Court of Queen's Bench Act*, Chapter C-31, Revised Statutes of Alberta 2000, *Financial Administration Act*, Chapter F-12, Revised Statutes of Alberta 2000 and Alberta Regulation 196/2001.

(a) General

Effective April 1, 1998, the Registered Plan is a contributory defined benefit pension plan for Provincial Judges and Masters in Chambers of the Province of Alberta. The Registered Plan is a registered pension plan as defined in the *Income Tax Act* and is not subject to income taxes. The Registered Plan's registration number is 0927764.

(b) Funding Policy

Current service costs are funded by the Province of Alberta and plan members at rates which are expected to provide for all benefits payable under the Registered Plan. The rates in effect at March 31, 2005 remained unchanged at 7.0% of *capped salary* for plan members and 14.03% of *capped salary* for the Province. The rates are to be reviewed at least once every three years by the Province based on recommendations of the Registered Plan's actuary.

(c) Retirement Benefits

The Registered Plan provides for a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. Pensionable earnings after December 31, 1991 are capped at the *maximum benefit accrual limit* as set out in the federal *Income Tax Act.* The maximum benefit accrual percentage allowable under the Registered Plan is 70%. The normal pensionable age is 70 years of age.

Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 and before April 1, 1998 if they retire with at least five years of service and have either attained age 60 or age 55 and the sum of their age and service equals 80. Pensions are reduced if the member is under age 60 and the 80 factor is not attained at age 55.

Members are entitled to an unreduced pension on service after March 31, 1998 if they retire with at least five years of service and have attained age 60 and the sum of their age and service equals 80. Pensions are reduced if the member is under age 60 or if the 80 factor is not attained at age 60. The 80-factor requirement does not apply to members who have attained age 70.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 1 (continued)

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving pension partner may choose to receive a survivor pension. For a beneficiary other than a pension partner or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their own contributions plus interest.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a deferred pension.

(g) Province's Liability for Benefits

Benefits are payable by the Province of Alberta if assets are insufficient to pay for all benefits under the Registered Plan.

(h) Cost-of-Living Adjustments

Pensions payable are increased on January 1st of each year by an amount equal to at least 60% of the average of the increases in the Alberta Consumer Price Index in the twelve-month period ending on October 31st of the previous year.

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 Registered Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Registered Plan for the year.

Plan 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.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 2 (continued)

(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 Registered Plan 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.

The fair value of private equities is estimated by Alberta Finance using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate.

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.

The fair values of deposits, receivables, accrued investment income and payables 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 the 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 investment income or loss.

(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.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 2 (continued)

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.

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 investment income or losses. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

(f) Measurement Uncertainty

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the calculation of the Plan's accrued benefits. Uncertainty arises because the Plan's actual experience may differ, perhaps significantly, from assumptions used in the calculation.

While best estimates have been used in the calculation of the Plan's accrued benefits, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements. Differences between actual results and expectations are disclosed as assumption changes and net experience gains or losses in the statement showing the changes in the value of accrued benefits (see Note 7).

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 3 INVESTMENTS (SCHEDULES B TO F)

(thousands)

	2005 Fair Value	%	2004 Fair Value	%
Fixed Income Securities (Schedule B)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 993	1.2	$ 1,345	1.7
Canadian Dollar Public Bond Pool (b)	29,255	35.3	28,160	36.1
Private Mortgage Pool (c)	4,938	6.0	4,731	6.1
Total fixed income securities	35,186	42.5	34,236	43.9
Canadian Equities (Schedule C)				
Domestic Passive Equity Pooled Fund (d)	7,239	8.7	6,995	9.0
Canadian Pooled Equities Fund (e)	4,485	5.4	3,871	5.0
External Managers				
Canadian Equity Enhanced Index Pool (f)	2,237	2.7	-	-
Canadian Large Cap Equity Pool (g)	1,451	1.8	4,141	5.3
Canadian Small Cap Equity Pool	-	-	499	0.6
Growing Equity Income Pool (h)	1,069	1.3	-	-
Canadian Multi-Cap Pool (i)	947	1.1	-	-
Private Equity Pool (j)	115	0.2	128	0.2
Overlay US Equity Pool (n)	(843)	-1.0	-	-
	16,700	20.2	15,634	20.1
United States Equities (Schedule D)				
S&P 500 Pooled Index Fund (k)	6,059	7.3	2,810	3.6
US Passive Equity Pooled Fund (k)	2,913	3.5	2,952	3.8
Portable Alpha US Pool (l)	1,475	1.8	-	-
External Managers				
US Mid/Small Cap Equity Pool (m)	1,472	1.8	767	1.0
US Large Cap Equity Pool	-	-	4,747	6.1
Overlay US Equity Pool (n)	1,013	1.2	-	-
Growing Equity Income Pool (h)	170	0.2	-	-
	13,102	15.8	11,276	14.5
Non-North American Equities (Schedule E)				
External Managers				
EAFE Core Equity Pool (o)	6,618	8.0	6,398	8.2
EAFE Plus Equity Pool (o)	3,160	3.8	2,964	3.8
Emerging Markets Equity Pool (p)	905	1.1	-	-
EAFE Passive Equity Pool (q)	791	0.9	1,520	1.9
EAFE Structured Equity Pooled Fund (q)	1,631	2.0	1,525	2.0
	13,105	15.8	12,407	15.9
Real Estate Equities (Schedule F)				
Private Real Estate Pool (r)	4,785	5.7	4,373	5.6
Total equities	47,692	57.5	43,690	56.1
Total investments	$ 82,878	100.0	$ 77,926	100.0

(a) The Consolidated 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.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 3 (continued)

(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.

(c) 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. In order to reduce 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.

(d) 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 Toronto Stock Exchange 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.

(e) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the S&P/TSX Composite Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations and is designed to reduce risk by prudent security selection while remaining sector neutral.

(f) The External Managers Canadian Equity Enhanced Index Pool consists of a 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 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 markets. 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 Growing Equity Income Pool is managed with the objective of providing returns higher than the total return of the S&P/TSX Composite Index over a four-year period while maintaining a steady and growing stream of dividend income to participants. The portfolio is comprised of publicly traded equities in mature Canadian corporations with strong financial characteristics and dividend growth history and is designed to reduce risk by holding securities of established and well-capitalized companies.

(i) 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.

(j) The Private Equity Pool is in the process of orderly liquidation.

NOTE 3 (continued)

(k) The S&P 500 Pooled Index Fund and the US Passive Equity Pooled Fund are passively managed. The portfolios are comprised of publicly traded United States equities similar in weights to the S&P 500 Index. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. The pools utilize 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 pools also invests in futures, swaps and other structured investments.

(l) The Portable Alpha US Pool provides exposure to the United States equity market by replicating the S&P 500 Index with S&P 500 index swaps and futures contracts. Externally managed absolute return strategy investments and money market instruments are actively used as underlying securities to add value to the exposure. The performance objective is to provide returns higher than the S&P 500 Index over the long term.

(m) The External Managers US Mid/Small Cap Equity Pool consists of a single portfolio of publicly traded United States equities actively managed by an external manager with expertise in the US mid/small 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 while reducing return volatility.

(n) 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 contract. 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.

(o) 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 EAFE Plus portfolios are actively managed by external managers with fewer 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.

(p) 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.

(q) The External Managers EAFE Passive Equity Pool and the EAFE Structured Equity Pooled Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of Non-North American publicly traded equities similar in weights to the MSCI EAFE index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(r) 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.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

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.

Actuarial liabilities of the Registered Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, management has established a policy asset mix of 45% fixed income instruments and 55% equities. 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 Registered Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest, credit 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.

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.

NOTE 5 (continued)

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

(thousands)

	Maturity Under 1 Year %	Maturity 1 to 3 Years %	Maturity Over 3 Years %	2005 Notional Amount	2005 Net Fair Value (a)	2004 Notional Amount	2004 Net Fair Value (a)
Equity index swap contracts	66	34	-	$13,747	$ (1)	$10,400	$ (69)
Interest rate swap contracts	39	49	12	4,645	(122)	5,591	(279)
Cross-currency interest rate swap contracts	14	30	56	5,710	(48)	4,447	(578)
Forward foreign exchange contracts	100	-	-	1,900	12	539	(2)
Credit default swap contracts	29	10	61	1,343	8	483	(3)
Bond index swap contracts	100	-	-	569	4	398	10
Equity index futures contracts	100	-	-	2,010	24	108	14
				$29,924	$ (123)	$21,966	$ (907)

(a) The method of determining fair value of derivative contracts is described in Note 2 (e).

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 Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

NOTE 6 PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (UNREGISTERED) PENSION PLAN (UNREGISTERED PLAN)

The Unregistered Plan is established with effect from April 1, 1998 to collect contributions and to provide pension benefits to plan members in excess of the maximum benefits allowed by the *Income Tax Act*. The Unregistered Plan is a *Retirement Compensation Arrangement* (RCA) under the *Income Tax Act* and is administered by the Province separately. Accordingly, the Unregistered Plan's assets, liabilities and net assets available for benefits referred to below have not been included in these financial statements.

The Unregistered Plan is funded by contributions from plan members and the Province. The contribution rates in effect at March 31, 2005 were unchanged at 7.0% of pensionable salary in excess of *capped salary* for plan members and 7.0% of the excess for the Province. The contribution rate for the Province must equal or exceed the rate payable by plan members and is set by the Minister of Finance, taking into account recommendations of the Unregistered Plan's actuary. If assets held in the Unregistered Plan are insufficient to pay for benefits as they become due, the amount due is payable by the Province.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 6 (continued)

A summary of the net assets available for benefits for the Unregistered Plan as at March 31, 2005 and changes in net assets available for benefits for the year then ended is as follows:

(thousands)

	2005	2004
Net Assets Available for Benefits		
Assets		
Cash and cash equivalents	$ 3,833	$ 2,931
Income tax refundable	4,598	3,578
Accounts (payable) receivable, net (b)	(43)	240
	8,388	6,749
Liabilities		
Actuarial value of accrued benefits	47,749	38,295
Excess of liabilities over assets	(39,361)	(31,546)
Reserve Fund (a) (b)	38,831	31,846
Net (liabilities) assets	$ (530)	$ 300

(a) Contributions from the Province of Alberta as determined by the Minister of Finance based on recommendations by the Unregistered Plan's actuary are collected and held in the Provincial Judges and Masters in Chambers Reserve Fund. These contributions are invested by the Province to meet future benefit payments of the Unregistered Plan over the long term.

(b) Additional contributions from the Province of Alberta to retire unfunded liabilities of the Unregistered Plan are deposited into the Reserve Fund in 2004-05. Comparative figures have been restated to be consistent with 2004-05 presentation.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 6 (continued)

(thousands)

	2005	2004
Increase in assets		
Current and optional service		
Provincial Judges and Masters in Chambers	$ 1,092	$ 806
Province of Alberta	1,092	806
Investment income	83	83
	2,267	1,695
Decrease in assets		
Increase in actuarial value of accrued benefits	(9,454)	(6,837)
Pension benefits	(556)	(431)
Administration costs	(72)	(67)
	(10,082)	(7,335)
Increase in the Reserve Fund	6,985	5,361
Increase in net assets	(830)	(279)
Net assets at beginning of year	300	579
Net (liabilities) assets at end of year	$ (530)	$ 300

An actuarial valuation for the Unregistered Plan was carried out as at March 31, 2003 by Johnson Inc. and was extrapolated to March 31, 2005. The 2003 valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. The 2005 extrapolation took into account the impact of the increase in the *yearly maximum pension accruals limit* for defined benefit pension as announced in the Federal Budget 2005. After consultation with the Unregistered Plan's actuary, the Plan's management approved these best estimates.

The major assumptions used in the actuarial valuation were the same as those used in the valuation of the Registered Plan (see Note 7).

The Unregistered Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Unregistered Plan.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 7 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Registered Plan was carried out as at March 31, 2003 by Johnson Inc. and was then extrapolated to March 31, 2005. The 2003 valuation was determined using the projected benefit method based on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. The 2005 extrapolation took into account the impact of the increase in the *yearly maximum pension accruals limit* for defined benefit pension as announced in the Federal Budget 2005. After consultation with the Registered Plan's actuary, the Plan's management approved these best estimates.

The major assumptions used were:

	2004 and 2005 Extrapolation %	2003 Valuation %
Asset real rate of return	3.5	3.5
Inflation rate	3.0	3.0
Investment return	6.5	6.5
Salary escalation rate	4.0	4.0
Pension cost of living increase as a percentage of Alberta Consumer Price Index	60	60

The following statement shows the principal components of the change in the value of accrued pension benefits:

	2005	2004
Accrued pension benefits at beginning of year	$ 79,453	$ 75,652
Interest accrued on benefits	5,164	4,917
Additional cost due to salary increase	-	1,717
Other experience gains, net	(411)	(1,651)
Benefits earned	3,290	2,408
Net benefits paid	(3,871)	(3,590)
Accrued pension benefits at end of year	$ 83,625	$ 79,453

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 7 (continued)

(b) Sensitivity of Changes in Major Assumptions

The Registered Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Registered Plan. The following is a summary of the sensitivities of the Registered Plan's deficiency and current service cost to changes in assumptions used in the actuarial valuation at March 31, 2005:

		Sensitivities	
	Changes in Assumptions %	Increase in Plan Deficiency ($ millions)	Increase in Current Service Cost as % of Capped Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 5.5	1.3%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	0.2	0.0%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	9.5	1.8%

* The current service cost as % of capped pensionable earnings as determined by the 2003 valuation is 21.03%.

NOTE 8 ACTUARIAL DEFICIENCY

The actuarial deficiency of the Registered Plan as of any particular valuation date is funded by additional contributions from the Province over a period not exceeding 15 years.

Based on an actuarial valuation of the Registered Plan as at March 31, 2003, the Registered Plan's actuary has recommended the actuarial deficiency be funded by additional annual contribution of $1,172,000 from the Province over 15 years.

Any assets remaining in the Registered Plan after all benefits are paid on complete wind-up must be returned to the Province of Alberta.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 9 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	$ 2,555	$ 11,171
Interest income	2,335	2,078
Dividend income	640	579
Real estate income	237	243
Securities lending income	16	17
Pooled funds management and associated custodial fees	(103)	(74)
	$ 5,680	$ 14,014

The following is a summary of the Registered Plan's net investment income by type of investments:

	2005	2004
Fixed Income Securities	$ 1,891	$ 3,286
Canadian Equities	2,328	4,526
Foreign Equities		
United States	(207)	2,091
Non-North American	945	3,798
Real Estate	723	313
	$ 5,680	$ 14,014

NOTE 10 ADMINISTRATION EXPENSES

Administration expenses comprise $28,000 (2004 $23,000) investment management and $65,000 (2004 $63,000) in general administration costs. These expenses were paid to Alberta Finance and Alberta Pensions Administration Corporation respectively on a cost-recovery basis. Pooled funds management and associated custodial fees totalling $103,000 (2004 $74,000), which have been deducted from investment income of the pools, are excluded from administration expenses (see Note 9).

NOTE 11 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2005 presentation.

NOTE 12 RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULES TO THE PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENT RETURNS — Schedule A

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 proceeds received from an investment dollar initially invested. Total proceeds include 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.

Investment returns and the relevant benchmarks for the Plan for the one-year and four-year periods ended March 31, 2005 are as follows:

	One Year Return				4 Year Compound Annualized
	2005	2004	2003	2002	Return
Time-weighted rates of return					
Short-term fixed income	2.4	3.0	2.9	3.9	3.1
Scotia Capital 91-Day T-Bill Index	*2.2*	*3.0*	*2.7*	*3.7*	*2.9*
Long-term fixed income	5.6	11.7	9.6	5.9	8.2
Scotia Capital Universe Bond Index	*5.0*	*10.8*	*9.2*	*5.1*	*7.5*
Canadian equities	15.0	36.7	(17.2)	3.7	7.7
S&P/TSX Composite Index	*13.9*	*37.7*	*(17.6)*	*4.9*	*7.9*
United States equities	(2.1)	22.2	(30.4)	2.1	(4.0)
Standard & Poor's 500 Index	*(1.5)*	*20.5*	*(30.7)*	*1.6*	*(4.4)*
Non-North American equities	7.6	40.9	(29.0)	(5.7)	0.4
MSCI EAFE Index	*6.2*	*40.5*	*(29.3)*	*(7.3)*	*(0.6)*
Real estate	17.3	7.5	9.8	7.2	10.4
*Real Estate Index**	*21.3*	*8.0*	*11.5*	*9.1*	*12.4*
Overall	**7.3**	**21.8**	**(8.6)**	**3.3**	**5.4**
Policy Benchmark	***6.8***	***21.3***	***(9.3)***	***3.1***	***4.9***

* Russell Canadian Property Index to December 31, 2002 and the IPD Large Institutional All Property Benchmark Index thereafter.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES — Schedule B

Year Ended March 31, 2005 *(thousands)*

	Plan's Share 2005	Plan's Share 2004
Deposits and short-term securities	$ 1,093	$ 1,390
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	8,733	6,710
Provincial, direct and guaranteed		
Alberta	18	21
Other	7,066	6,996
Municipal	371	382
Corporate, public and private	17,670	18,783
	33,858	32,892
Receivable from sale of investments and accrued investment income	405	353
Liabilities for investment purchases	(170)	(399)
	235	(46)
	$ 35,186	$ 34,236

(a) Fixed income securities held as at March 31, 2005 had an average effective market yield of 4.59% (2004 4.39%) per annum. The following term structure of these securities as at March 31, 2005 is based on principal amount:

	2005 %	2004 %
under 1 year	3	3
1 to 5 years	35	37
6 to 10 years	33	30
11 to 20 years	12	11
over 20 years	17	19
	100	100

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES — Schedule C

Year Ended March 31, 2005 *(thousands)*

	Plan's Share 2005	Plan's Share 2004
Deposits and short-term securities	$ 125	$ 122
Public Equities (a) (b)		
Consumer discretionary	1,055	1,124
Consumer staples	719	634
Energy	3,369	2,260
Financial	5,315	4,873
Health care	224	346
Industrials	888	1,219
Information technology	894	1,223
Materials	2,359	2,589
Telecommunication services	1,028	726
Utilities	231	506
	16,082	15,500
Small Cap pooled fund	288	6
	16,370	15,506
Private Equities	115	128
Receivable from sale of investments and accrued investment income	269	64
Liabilities for investment purchases	(179)	(186)
	90	(122)
	$ 16,700	$ 15,634

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $6,519,000 (2004 $4,914,000), which were used as underlying securities to support the notional amount of Canadian equity index swap contracts.

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

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES — Schedule D

Year Ended March 31, 2005 *(thousands)*

	Plan's Share 2005	Plan's Share 2004
Deposits and short-term securities	$ 301	$ 308
Public Equities (a) (b)		
Consumer discretionary	1,517	1,800
Consumer staples	1,207	1,099
Energy	1,120	653
Financial	2,604	2,302
Health care	1,664	1,359
Industrials	1,614	1,269
Information technology	1,939	1,762
Materials	502	417
Telecommunication services	355	324
Utilities	456	260
	12,978	11,245
Receivable from sale of investments and accrued investment income	58	70
Liabilities for investment purchases	(235)	(347)
	(177)	(277)
	$ 13,102	$ 11,276

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $7,575,000 (2004 $3,838,000), which were used as underlying securities to support the notional amount of U.S. equity index swaps and futures contracts.

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

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES — Schedule E

Year Ended March 31, 2005 *(thousands)*

	Plan's Share 2005	Plan's Share 2004
Deposits and short-term securities	$ 323	$ 354
Public Equities (a) (b)		
Consumer discretionary	1,670	1,885
Consumer staples	737	918
Energy	1,061	928
Financial	3,360	2,911
Health care	757	941
Industrials	1,487	1,384
Information technology	631	759
Materials	1,105	949
Telecommunication services	1,077	963
Utilities	548	475
	12,433	12,113
Emerging market equity pools	376	-
Receivable from sale of investments and accrued investment income	148	261
Liabilities for investment purchases	(175)	(321)
	(27)	(60)
	$ 13,105	$ 12,407

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $1,663,000 (2004 $1,755,000), which were used as underlying securities to support the notional amount of Non-North American equity index swaps.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index. The following is a summary of the Plan's share of Non-North American public equities by country based on geographic location of stock exchange on which stocks were purchased:

(thousands)

	Plan's Share 2005	Plan's Share 2004
United Kingdom	$ 2,696	$ 2,786
Japan	2,120	2,308
France	1,223	1,141
Germany	876	820
Switzerland	778	953
Netherlands	671	659
Australia	559	593
Italy	474	536
Spain	361	322
Sweden	332	229
Other	2,343	1,766
	$ 12,433	$ 12,113

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN REAL ESTATE

Schedule F

Year Ended March 31, 2005 *(thousands)*

	Plan's Share 2005	Plan's Share 2004
Deposits and short-term securities	$ 2	$ 5
Real estate (a)		
Office	2,176	1,946
Retail	1,938	1,852
Industrial	378	291
Residential	216	229
	4,708	4,318
Passive index	69	39
Receivable from sale of investments and accrued investment income	6	11
	$ 4,785	$ 4,373

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

	Plan's Share 2005	Plan's Share 2004
Ontario	$ 3,133	$ 3,195
Alberta	978	1,034
Quebec	495	-
British Columbia	102	89
	$ 4,708	$ 4,318