PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

Financial Statements

MARCH 31, 2006

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, 2006 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, 2006 and the Changes in Net Assets Available for Benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Edmonton, Alberta
June 16, 2006

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS

As At March 31, 2006

	2006	2005
	($ thousands)	
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 94,007	$ 82,878
Contributions receivable	202	175
Accounts receivable	950	2
	95,159	83,055
Liabilities		
Accounts payable	763	14
Net assets available for benefits	94,396	83,041
Accrued Benefits		
Accrued benefits (Note 7)	88,612	83,625
Actuarial Surplus (Deficiency) (Note 8)	$ 5,784	$ (584)

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, 2006

	2006	2005
	($ thousands)	
Increase in assets		
Net investment income (Note 9)	$ 11,878	$ 5,680
Contributions		
Current and optional service		
Provincial Judges and Masters in Chambers	785	687
Province of Alberta	1,572	1,385
Unfunded liabilities		
Province of Alberta	1,172	1,172
	3,529	3,244
	15,407	8,924
Decrease in assets		
Pension benefits	3,967	3,871
Administration expenses (Note 10)	85	93
	4,052	3,964
Increase in net assets	11,355	4,960
Net assets available for benefits at beginning of year	83,041	78,081
Net assets available for benefits at end of year	$ 94,396	$ 83,041

See accompanying notes and schedules.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2006

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, 2006 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 pensionable salary limit* under 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 each year on January 1^{st} by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31st in 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 alternative investments including investments in partnership interests, private investment funds, private equities and securities with limited marketability is estimated by Alberta Finance or external managers appointed by Alberta Finance. This is done 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 fair value of 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.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

Note 2 (continued)

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

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

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

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 actuarial value of accrued benefits and in the valuation of the Plan's private and alternative investments and real estate. Uncertainty arises because:

(i) the Plan's actual experience may differ significantly from assumptions used in the calculation of the Plan's accrued benefits, and

(ii) the estimated fair values of the Plan's private and alternative investments and real estate may differ significantly from the values that would have been used had a ready market existed for these investments.

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.

Differences between actual results and expectations are disclosed as assumption changes and net experience gains or losses in the note showing the changes in the value of accrued benefits (see Note 7).

Differences between the estimated fair values and the amount ultimately realized are included in net investment income in the year when the ultimate realizable values are known.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 3 INVESTMENTS (SCHEDULES B TO F)

	2006		2005	
	Fair Value		Fair Value	
	($ thousands)	%	($ thousands)	%
Fixed Income Securities (Schedule B)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 1,457	1.6	$ 993	1.2
Canadian Dollar Public Bond Pool (b)	32,741	34.8	29,255	35.3
Private Mortgage Pool (c)	5,514	5.9	4,938	6.0
Tactical Asset Allocation Pool (m)	188	0.2	166	0.2
External Managers Currency Alpha Pool	39	-	-	-
Total fixed income securities	39,939	42.5	35,352	42.7
Canadian Equities (Schedule C)				
Domestic Passive Equity Pooled Fund (d)	8,266	8.8	7,239	8.7
Canadian Pooled Equities Fund (e)	5,189	5.5	4,485	5.4
External Managers				
Canadian Equity Enhanced Index Pool (f)	2,396	2.5	2,237	2.7
Canadian Large Cap Equity Pool (g)	1,813	1.9	1,451	1.8
Growing Equity Income Pool (h)	1,029	1.1	1,069	1.3
Canadian Multi-Cap Pool (i)	1,126	1.2	947	1.1
Private Equity Pool	105	0.2	115	0.2
Tactical Asset Allocation Pool (m)	(984)	(1.0)	(843)	(1.0)
	18,940	20.2	16,700	20.2
United States Equities (Schedule D)				
S&P 500 Pooled Index Fund (j)	6,090	6.5	6,059	7.3
US Passive Equity Pooled Fund (j)	3,283	3.5	2,913	3.5
Portable Alpha US Pool (k)	1,902	2.0	1,475	1.8
External Managers				
US Mid/Small Cap Equity Pool (l)	1,817	1.9	1,472	1.8
Growing Equity Income Pool (h)	319	0.3	170	0.2
Tactical Asset Allocation Pool (m)	994	1.1	847	1.0
	14,405	15.3	12,936	15.6
Non-North American Equities (Schedule E)				
External Managers				
EAFE Active Equity Pool (n)	11,183	11.9	9,778	11.8
Emerging Markets Equity Pool (o)	968	1.0	905	1.1
EAFE Passive Equity Pool (p)	952	1.0	791	0.9
EAFE Structured Equity Pooled Fund (p)	1,972	2.1	1,631	2.0
	15,075	16.0	13,105	15.8
Alternative Investments - Equities				
Private Income Pool	7	-	-	-
Real Estate Equities (Schedule F)				
Private Real Estate Pool (q)	5,641	6.0	4,785	5.7
Total equities	54,068	57.5	47,526	57.3
Total investments	$ 94,007	100.0	$ 82,878	100.0

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

Note 3 (continued)

(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.

(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 Custom Dividend Index over a four-year period. The pool is intended to provide a steady stream of dividend income with potential for capital appreciation by investing in dividend-paying Canadian and US companies that exhibit attractive valuation, growth and quality financial characteristics.

(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 managed by an external manager with expertise in the Canadian small/mid cap 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.

(j) 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.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

Note 3 (continued)

(k) 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.

(l) The External Managers US Mid/Small Cap Equity Pool consists of multiple portfolios of publicly traded United States equities. The portfolios are actively managed by external managers 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 and/or the S&P 500 Total Return Index over a four-year period while reducing return volatility through multiple investment styles and unique market capitalization focus.

(m) The Tactical Asset Allocation Pool is managed with the objective of providing a quick, efficient and economical way to earn excess returns, on an opportunistic basis, by taking positions that effectively alter a portfolio's broad asset mix, or capitalize on significant anomalies in the market. The pool is comprised of synthetic instruments that increase the effective weight of a portfolio in one broad asset category while simultaneously decrease the effective weight in another broad asset category. As the pool is notionally a zero net investment portfolio, it has an absolute return of zero as its benchmark.

(n) The External Managers EAFE (Europe, Australasia and Far East) Active Equity Pool consists of multiple portfolios of publicly traded Non-North American equities. Each portfolio is actively managed by an external manager and has constraints on foreign currency management, country allocation, stock selection and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE Index over a four-year period while reducing return volatility through multiple manager investment styles and market diversification.

(o) The External Managers Emerging Markets Equity Pool consists of publicly traded equities in emerging markets around the world. The portfolios are actively managed by external managers 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.

(p) 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.

(q) 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 limited partnerships and 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, the Minister has established a long-term policy asset mix of 44% fixed income instruments and 56% 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.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

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, 2006:

	Maturity			2006		2005	
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value (a)	Notional Amount	Net Fair Value (a)
	%			($ thousands)			
Equity index swap contracts	76	24	-	$ 17,568	$ 322	$ 13,747	$ (1)
Credit default swap contracts	2	4	94	10,897	25	1,821	(16)
Interest rate swap contracts	46	42	12	8,002	(26)	4,167	(98)
Equity index futures contracts	100	-	-	5,174	86	2,010	24
Cross-currency interest rate swap contracts	15	31	54	5,154	327	5,710	(48)
Forward foreign exchange contracts	100	-	-	2,342	-	1,900	12
Bond index swap contracts	100	-	-	1,921	180	569	4
				$ 51,058	$ 914	$ 29,924	$ (123)

(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, 2006 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, 2006 and changes in net assets available for benefits for the year then ended is as follows:

	2006	2005
	($ thousands)	
Net Assets Available for Benefits		
Assets		
Cash and cash equivalents	$ 4,532	$ 3,833
Income tax refundable	5,693	4,598
Accounts payable, net	(298)	(43)
	9,927	8,388
Liabilities		
Actuarial value of accrued benefits	60,475	47,749
Excess of liabilities over assets	(50,548)	(39,361)
Reserve Fund (a)	46,100	38,831
Net liabilities	$ (4,448)	$ (530)

(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.

	2006	2005
	($ thousands)	
Increase in assets		
Current and optional service		
Provincial Judges and Masters in Chambers	$ 1,067	$ 1,092
Province of Alberta	1,067	1,092
Investment income	123	83
	2,257	2,267
Decrease in assets		
Increase in actuarial value of accrued benefits	(12,726)	(9,454)
Pension benefits	(651)	(556)
Administration costs	(67)	(72)
	(13,444)	(10,082)
Increase in the Reserve Fund	7,269	6,985
Decrease in net assets	(3,918)	(830)
Net (liabilities) assets at beginning of year	(530)	300
Net (liabilities) at end of year	$ (4,448)	$ (530)

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

Note 6 (continued)

An actuarial valuation for the Unregistered Plan was carried out as at December 31, 2005 by Johnson Inc. and was extrapolated to March 31, 2006. The 2005 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. 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 except for the investment return rate which was assumed to be 5.5% per annum until the year 2016 and 6.5% per annum thereafter (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.

NOTE 7 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Registered Plan was carried out as at December 31, 2005 by Johnson Inc. and was then extrapolated to March 31, 2006. The 2005 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. After consultation with the Registered Plan's actuary, the Plan's management approved these best estimates.

The major assumptions used were:

	December 31, 2005 Valuation and March 31, 2006 Extrapolation	March 31, 2003 Valuation and March 31, 2005 Extrapolation
	%	%
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

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

Note 7 (continued)

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

	2006	2005
	($ thousands)	
Accrued pension benefits at beginning of year	$ 83,625	$ 79,453
Interest accrued on benefits	5,436	5,164
Net experience losses (gains)	214	(411)
Benefits earned	3,304	3,290
Net benefits paid	(3,967)	(3,871)
Accrued pension benefits at end of year	$ 88,612	$ 83,625

(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 surplus and current service cost to changes in assumptions used in the actuarial extrapolation as at March 31, 2006:

	Sensitivities		
	Changes in Assumptions %	Decrease in Plan Surplus ($ 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%	$ (6.0)	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%)	(9.9)	1.8%

* The current service cost as % of capped pensionable earnings as determined by the 2005 valuation is 20.95%.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 8 ACTUARIAL SURPLUS

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

NOTE 9 NET INVESTMENT INCOME

Net investment income is comprised of the following:

	2006	2005
	($ thousands)	
Net realized and unrealized gains on investments including those arising from derivative transactions	$ 8,449	$ 2,555
Interest income	2,581	2,335
Dividend income	658	640
Real estate operating income	271	237
Securities lending income	23	16
Pooled funds management and associated custodial fees	(104)	(103)
	$ 11,878	$ 5,680

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

	2006	2005
	($ thousands)	
Fixed Income Securities	$ 2,003	$ 1,891
Canadian Equities	4,814	2,328
Foreign Equities		
United States	962	(207)
Non-North American	3,095	945
Real Estate	1,004	723
	$ 11,878	$ 5,680

NOTE 10 ADMINISTRATION EXPENSES

Administration expenses comprise $32,000 (2005 $28,000) in investment management and $53,000 (2005 $65,000) 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 $104,000 (2005 $103,000), which have been deducted from investment income of the pools, are excluded from administration expenses (see Note 9).

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTE 11 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2006 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 FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT RETURNS **Schedule A**

March 31, 2006

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, 2006 are as follows:

	One Year Return				4 Year Compound Annualized Return
	2006	**2005**	**2004**	**2003**	
Time-weighted rates of return					
Short-term fixed income	2.9	2.4	3.0	2.9	2.8
Scotia Capital 91-Day T-Bill Index	*2.8*	*2.2*	*3.0*	*2.7*	*2.7*
Long-term fixed income	5.7	5.6	11.7	9.6	8.1
Scotia Capital Universe Bond Index	*4.9*	*5.0*	*10.8*	*9.2*	*7.4*
Canadian equities	28.8	15.0	36.7	(17.2)	13.7
S&P/TSX Composite Index	*28.4*	*13.9*	*37.7*	*(17.6)*	*13.5*
United States equities	8.1	(2.1)	22.2	(30.4)	(2.5)
Standard & Poor's 500 Index	*7.8*	*(1.5)*	*20.5*	*(30.7)*	*(3.0)*
Non-North American equities	24.1	7.6	40.9	(29.0)	7.5
MSCI EAFE Index	*20.0*	*6.2*	*40.5*	*(29.3)*	*6.1*
Real estate	21.3	17.3	7.5	9.8	13.8
IPD All Property Index	*17.1*	*21.3*	*8.0*	*11.5*	*11.8*
Overall	14.3	7.3	21.8	(8.6)	8.1
Policy Benchmark	*12.7*	*6.8*	*21.3*	*(9.3)*	*7.2*

The current sector benchmark indices are as of March 31, 2006. Benchmark indices may have been different in prior years, therefore the benchmark returns may be a blend of different indices.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES — Schedule B

March 31, 2006

	Plan's Share 2006	Plan's Share 2005
	($ thousands)	
Deposits and short-term securities	$ 1,730	$ 1,259
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	9,019	8,733
Provincial, direct and guaranteed		
Alberta	194	18
Other	6,097	7,066
Municipal	166	371
Corporate, public and private	22,251	17,670
	37,727	33,858
Receivable from sale of investments and accrued investment income	803	405
Liabilities for investment purchases	(321)	(170)
	482	235
	$ 39,939	$ 35,352

(a) Fixed income securities held as at March 31, 2006 had an average effective market yield of 4.78% (2005 4.59%) per annum. The following term structure of these securities as at March 31, 2006 is based on principal amount:

	2006	2005
	%	
under 1 year	3	3
1 to 5 years	31	35
6 to 10 years	35	33
11 to 20 years	12	12
over 20 years	19	17
	100	100

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES — Schedule C

March 31, 2006

	Plan's Share 2006	Plan's Share 2005
	($ thousands)	
Deposits and short-term securities	$ 96	$ 125
Public Equities (a) (b)		
Consumer discretionary	977	1,055
Consumer staples	554	719
Energy	5,231	3,369
Financials	5,596	5,315
Health care	199	224
Industrials	1,126	888
Information technology	764	894
Materials	2,764	2,359
Telecommunication services	879	1,028
Utilities	184	231
	18,274	16,082
Small Cap pooled fund	339	288
	18,613	16,370
Private Equities	105	115
Receivable from sale of investments and accrued investment income	429	269
Liabilities for investment purchases	(303)	(179)
	126	90
	$ 18,940	$ 16,700

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $7,313,000 (2005 $6,519,000), 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

March 31, 2006

	Plan's Share 2006	Plan's Share 2005
	($ thousands)	
Deposits and short-term securities	$ 58	$ 135
Public Equities (a) (b)		
Consumer discretionary	1,490	1,517
Consumer staples	1,205	1,207
Energy	1,343	1,120
Financial	3,044	2,604
Health care	1,821	1,664
Industrials	1,782	1,614
Information technology	2,178	1,939
Materials	501	502
Telecommunication services	409	355
Utilities	452	456
	14,225	12,978
Receivable from sale of investments and accrued investment income	371	58
Liabilities for investment purchases	(249)	(235)
	122	(177)
	$ 14,405	$ 12,936

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $5,880,000 (2005 $7,575,000), which were used as underlying securities to support the notional amount of US equity index swaps and futures contracts.

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

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

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

March 31, 2006

	Plan's Share 2006	Plan's Share 2005
	($ thousands)	
Deposits and short-term securities	$ 343	$ 323
Public Equities (a) (b)		
Consumer discretionary	1,705	1,670
Consumer staples	859	737
Energy	1,074	1,061
Financial	4,181	3,360
Health care	994	757
Industrials	1,914	1,487
Information technology	970	631
Materials	1,173	1,105
Telecommunication services	786	1,077
Utilities	628	548
	14,284	12,433
Emerging market equity pools	376	376
Receivable from sale of investments and accrued investment income	341	148
Liabilities for investment purchases	(269)	(175)
	72	(27)
	$ 15,075	$ 13,105

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $1,884,000 (2005 $1,663,000), 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. 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:

	Plan's Share 2006	Plan's Share 2005
	($ thousands)	
Japan	$ 3,323	$ 2,120
United Kingdom	2,817	2,696
France	1,450	1,223
Germany	970	876
Switzerland	961	778
Netherlands	734	671
Australia	531	559
Italy	455	474
Spain	394	361
Sweden	297	332
Other	2,352	2,343
	$ 14,284	$ 12,433

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN REAL ESTATE

Schedule F

March 31, 2006

	Plan's Share 2006	Plan's Share 2005
	($ thousands)	
Deposits and short-term securities	$ 3	$ 2
Real estate (a)		
Office	2,788	2,176
Retail	1,866	1,938
Industrial	587	378
Residential	254	216
	5,495	4,708
Passive index	131	69
Receivable from sale of investments and accrued investment income	12	6
	$ 5,641	$ 4,785

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

	Plan's Share 2006	Plan's Share 2005
	($ thousands)	
Ontario	$ 3,346	$ 3,133
Alberta	1,538	978
Quebec	502	495
British Columbia	109	102
	$ 5,495	$ 4,708