

ATB INVESTMENT MANAGEMENT INC.
FINANCIAL STATEMENTS
MARCH 31, 2003

Auditor's Report

Balance Sheet

Statement of Operations

Statement of Changes in Shareholder's Deficiency

Statement of Cash Flows

Notes to the Financial Statements



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, 2003, and the statements of operations, changes in shareholder's deficiency and cash flows for the period 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, 2003 and the results of its operations and cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed]

Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
May 2, 2003

ATB INVESTMENT MANAGEMENT INC.
BALANCE SHEET
AS AT MARCH 31, 2003

ASSETS

Current assets		
Cash	\$	250,000
Client funds held in trust		27,254
		<u>277,254</u>
Non-current assets		
Deferred charges		63,885
Total assets	\$	<u>341,139</u>

LIABILITIES AND SHAREHOLDER'S DEFICIENCY

Current liabilities		
Due to ATB (Note 3)	\$	322,229
Trust liabilities		27,254
		<u>349,483</u>
Non-current liabilities		
Subordinated notes (Note 4)		445,000
		<u>794,483</u>
Shareholder's deficiency		
Share capital (Note 5)		5,000
Deficiency		(458,344)
		<u>(453,344)</u>
Total liabilities and shareholder's deficiency	\$	<u>341,139</u>

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

Approved by the Board of Directors:

B. Normand
Chairman of the Board and Chief Executive Officer

C. Warnock
Director and Chief Financial Officer

ATB INVESTMENT MANAGEMENT INC.
STATEMENT OF OPERATIONS
FOR THE EIGHT MONTHS ENDED MARCH 31, 2003

Revenue	
Investment management fees	<u>\$ 81,493</u>
Administrative and selling expenses	
Professional fees (Note 6)	270,261
Fund subsidy	215,540
Other expenses (Note 6)	<u>46,884</u>
	532,685
Interest expense (Note 6)	<u>7,152</u>
Total expenses	<u>539,837</u>
Loss for the period	<u>\$ 458,344</u>

ATB INVESTMENT MANAGEMENT INC.
STATEMENT OF CHANGES IN SHAREHOLDER'S DEFICIENCY
FOR THE EIGHT MONTHS ENDED MARCH 31, 2003

Share capital	<u>\$ 5,000</u>
Deficiency, beginning of period	-
Loss for the period	<u>458,344</u>
Deficiency, end of period	<u>458,344</u>
Total shareholder's deficiency	<u>\$ 453,344</u>

ATB INVESTMENT MANAGEMENT INC.
STATEMENT OF CASH FLOWS
FOR THE EIGHT MONTHS ENDED MARCH 31, 2003

Cash flows used in operating activities	
Loss for the period	\$ (458,344)
Adjustments to determine net cash flows	
Increase in deferred charges	<u>(63,885)</u>
	<u>(522,229)</u>
Cash flows used in financing activities	
Increase in Due to ATB	322,229
Issue of subordinated notes	445,000
Issue of share capital	<u>5000</u>
	<u>772,229</u>
Net change in cash	250,000
Cash, beginning of period	-
Cash, end of period	<u>\$ 250,000</u>
Supplementary cash flow information	
Amount of interest paid during the year	\$ nil

ATB INVESTMENT MANAGEMENT INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2003

NOTE 1 INCORPORATION

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. 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.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized below:

- Measurement Uncertainty

In preparing the financial statements, management makes estimates and assumptions considering values of certain assets, liabilities, revenues, expenses and related disclosures reported in these financial statements, such as deferred charges, accrued liabilities and costs allocated from ATB. Actual results could differ from these estimates.

- Revenue Recognition

ATBIM receives its revenue from third party clients for providing investment management services. Revenues are recognized on a monthly basis as earned.

- Cash and Client Funds Held in Trust

Cash includes cash and short-term investments with original maturities of less than three months.

Client funds held in trust represent amounts deposited in trust accounts with Royal Bank of Canada, principally for the settlement of purchase transactions. A small portion of funds represent amounts in transit from the sale of mutual funds or those awaiting client instructions. The corresponding liabilities are included in trust liabilities.

- 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.

NOTE 3 DUE TO ATB

In the normal course of operations, ATB pays expenses and collects revenues on behalf of ATBIM. These amounts are duly recorded on both ATB's and ATBIM's accounts. ATB management has agreed to defer the settlement of these amounts until such time when ATBIM generates adequate revenues to enable it to pay its obligations to ATB. From time to time, the net amount due to ATB is converted into a subordinated note. The amounts due to (from) ATB at March 31 are as follows:

	2003
Due to ATB	\$ 405,892
Due from ATB	(83,663)
Total	<u>\$ 322,229</u>

The net amount due to ATB is subject to interest charges at ATB's prime lending rate. The prime lending rate at March 31, 2003 was 4.75%.

NOTE 4 SUBORDINATED NOTE

The subordinated notes held by ATB, are secured by a floating charge on all the assets of ATBIM 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.

Date of Issue	2003
Aug. 30, 2002	245,000
Feb. 25, 2003	200,000
Total	<u>\$ 445,000</u>

NOTE 5 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:

100 Class A voting common shares	<u>\$5,000</u>
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NOTE 6 RELATED PARTY TRANSACTIONS

ATB charges ATBIM for certain administrative and selling services. Where determinable, ATB allocates costs for employees of ATB providing services to ATBIM. These expenses are recorded at the exchange amount which is the value agreed upon by the two parties. For the period ended March 31, 2003, amounts incurred in respect of employee services was \$54,950 and are included in professional fees.

ATBIM also incurred interest expense for the period ended March 31, 2003 on amounts due to ATB in the amount of \$642 and the subordinated notes in the amount of \$6,510.

Alberta Treasury Branch Investment Services (ATBIS), another wholly owned subsidiary of ATB, receives trailer fees from ATBIM on the sale of ATB Mutual Funds. For the period ended March 31, 2003, the amount incurred with respect to trailer fees to ATBIS was \$23,784 and is included in other expenses.

NOTE 7 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair value of financial instruments, excluding amounts due to ATB, approximates the carrying value due to the short term nature of these instruments. The fair value of amounts due to ATB, including subordinated notes, is not readily determinable as there are no fixed terms of repayment.