ALBERTA SECURITIES COMMISSION

Financial Statements

YEAR ENDED MARCH 31, 2004

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AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Alberta Securities Commission

I have audited the balance sheet of the Alberta Securities Commission as at March 31, 2004 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed]

Edmonton, Alberta
May 14, 2004

Fred J. Dunn, FCA
Auditor General

ALBERTA SECURITIES COMMISSION

BALANCE SHEET

March 31, 2004 *(thousands)*

	2004	2003
Assets		
Current		
Cash		
Cash (Note 4)	$ 1,599	$ 2,472
Funds held for others (Note 9)	295	655
Accounts and advances receivable	59	749
Lease inducement receivable (Note 7)	67	400
Prepaid expense	42	55
	2,062	4,331
Non-current		
Restricted cash (Note 3)	932	786
Investments (Note 4)	17,258	15,320
Capital assets (Note 6)	2,218	1,727
Lease inducement and deposit (Note 7)	521	588
	20,929	18,421
Total assets	$ 22,991	$ 22,752
Liabilities and Retained Earnings		
Current		
Funds held for others (Note 9)	$ 295	$ 655
Accounts payable and accrued liabilities	970	1,551
Accrued vacation and benefit liabilities	666	607
Lease inducement (Note 7)	170	170
	2,101	2,983
Lease Inducement (Note 7)	785	955
Accrued benefit liability (Note 8)	1,267	1,033
Total liabilities	4,153	4,971
Retained earnings (Note 3)	18,838	17,781
Total liabilities and retained earnings	$ 22,991	$ 22,752

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

Approved by the members:

Stephen P. Sibold, Q.C., Chair

Jerry A. Bennis, FCA, Member

ALBERTA SECURITIES COMMISSION

STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended March 31, 2004 *(thousands)*

	Budget (Note 12)	2004 Actual	2003 Actual
Revenue			
Fees (Note 13)	$ 16,910	$ 16,406	$ 14,655
Investment income (Note 5)	700	1,698	551
Settlement cost recoveries	–	248	12
	17,610	18,352	15,218
Expense			
Salaries and benefits (Schedule A)	11,345	11,363	10,613
Professional services	2,217	2,398	1,820
Premises	1,443	1,315	1,264
Amortization	542	519	556
Other	513	441	657
Materials and supplies	422	429	301
Travel	402	269	394
Member fees (Schedule A)	353	288	275
CSA project costs (Note 11)	247	226	780
Telephone and communications	173	193	218
Investor education (eligible restricted cash expense) (Note 3)	–	69	–
Edmonton office closure (Note 10)	–	–	2,096
Total expense	17,657	17,510	18,974
Budget contingency (Note 12)	1,766		
Income (loss) from operations	(1,813)	842	(3,756)
Administrative penalties revenue (Note 3)	–	215	57
Net income (loss)	$ (1,813)	1,057	(3,699)
Opening retained earnings		17,781	21,480
Closing retained earnings (Note 3)		$ 18,838	$ 17,781

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

ALBERTA SECURITIES COMMISSION

STATEMENT OF CASH FLOWS

Year Ended March 31, 2004 *(thousands)*

	2004	2003
Cash flows from operating activities		
Cash receipts from fees	$ 16,628	$ 14,580
Cash receipts from settlement cost recoveries	248	12
Cash paid to and on behalf of employees	(10,979)	(10,254)
Cash paid to suppliers for goods and services	(5,899)	(5,741)
Edmonton office closure	(130)	(1,966)
Investment income	1,698	561
Cash advanced to MICA project (Note 9)	(110)	–
Cash flows from (used in) operating activities	1,456	(2,808)
Administrative penalties	215	57
Cash flows from (used in) operating activities and administrative penalties	1,671	(2,751)
Cash flows from investing activities		
Lease inducement received	400	19
Increase in restricted cash	(146)	(57)
Cash used for capital assets (1)	(1,096)	(727)
Cash (used for) provided from investments (2)	(1,938)	3,327
Cash returned from (advanced to) CSA for NRD funding	236	(236)
Cash (used in) from investing activities	(2,544)	2,326
Decrease in cash	(873)	(425)
Opening cash	2,472	2,897
Closing cash	$ 1,599	$ 2,472
Supplemental cash flow information		
(1) Additions to capital assets	$ (1,012)	$ (847)
Proceeds on disposal	2	–
Decrease (increase) in capital asset liabilities	(86)	120
	$ (1,096)	$ (727)
(2) (Additions) reductions in investments	$ (1,938)	$ 3,337
Loss on disposal of investments	–	(10)
	$ (1,938)	$ 3,327

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

ALBERTA SECURITIES COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2004 *(thousands)*

NOTE 1 NATURE OF OPERATIONS

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

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

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Portfolio investments

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

b) Investment Income

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

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

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

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

NOTE 2 (continued)

c) Valuation of Financial Assets and Liabilities

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

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

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

Public fixed-income securities and equities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

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

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

(i) Equity and bonds index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.
(ii) Interest rate swaps and cross-currency swaps are valued based on discounted cash flows using current market yields and exchange rates.
(iii) Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.
(iv) Equity index futures contracts are based on quoted market prices.

d) Capital Assets

Capital assets are recorded at cost.

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

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

e) Fee Revenue Recognition

Fees are recognized when earned which is upon cash receipt.

NOTE 2 (continued)

f) Employee Future Benefits

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

The Commission maintains a Supplemental Pension Plan (the Plan) for certain designated executives of the Commission. The cost of the pension is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of economic assumptions. Past service costs are amortized on a straight-line basis over the average remaining service period of employees active at the date of commencement of the plan. The average remaining service period of active employees of the Plan is 10 years.

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

g) Lease Inducement

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

h) Use of Estimates

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

i) Restricted Cash

Revenues received by the Commission from Administrative Penalties can be used for certain operating expenditures that educate investors and enhance the knowledge of the securities market operation. This change in use is a result of a June 2003 amendment of the *Alberta Securities Act*.

NOTE 3 RESTRICTED CASH AND RETAINED EARNINGS

Retained earnings include $932 (2003 $786) of restricted cash, as described in Note 2(i). The restricted cash increase represents administrative penalty receipts during the year of $215 less eligible investor education expenses of $69.

ALBERTA SECURITIES COMMISSION

NOTE 4 CASH AND INVESTMENTS

a) Summary

		2004			2003	
	Cost	Fair Value	%	Cost	Fair Value	%
Cash						
Deposit in the CCITF	$ 1,599	$ 1,599		$ 627	$ 627	
Less funds held for others (Note 9)	–	–		(655)	(655)	
CCITF cash	–	–		2,500	2,500	
	$ 1,599	$ 1,599		$ 2,472	$ 2,472	
Investments						
Deposit in the CCITF	$ 54	$ 54	0.3	$ 6,206	$ 6,206	35.2
Fixed-income securities (Schedule B)	12,386	12,442	69.7	8,755	8,544	48.5
Canadian equities (Schedule C)	4,818	5,364	30.0	2,859	2,877	16.3
	17,258	17,860	100.0	17,820	17,627	100.0
Less CCITF cash held for current purposes	–	–		(2,500)	(2,500)	
	$ 17,258	$ 17,860		$ 15,320	$ 15,127	

Cash consists of demand deposits in the Consolidated Cash Investment Trust Fund that is managed by the Ministry of Revenue to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital. The Fund is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. The average effective yield for fiscal 2004 was 2.11% (2003 3.23%).

The Commission's investments are held in pooled investment funds established and managed by the Ministry of Revenue. Investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of units. As at March 31, 2004, the Commission's percentage ownership, at market, in pooled investment funds is 0.15% or less.

b) Investment Risk Management

The value of investments is exposed to credit and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of interest rate risk and market risk. Interest rate risk relates to the possibility that the investments will change in value due to fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

In order to earn an optimal financial return at an acceptable level of risk, management of the Commission has established an investment policy, which is reviewed annually. Risk is reduced through asset class diversification, diversification within each asset class and quality and duration constraints on fixed-income instruments. Controls are in place respecting the use of derivatives. While the Commission reports the results of these risk management initiatives in its accounts, the Commission is a passive third party recipient of these transactions and does not engage directly in derivative or swap contracting.

NOTE 4 (continued)

c) Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Ministry of Revenue uses derivative contracts within the investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount.

An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index.

For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount.

Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies.

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

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

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

The following is a summary of the Commission's proportionate share of the notional amount and fair value of swap contracts issued by pooled funds as at March 31, 2004.

(thousands)

	Maturity			2004		2003	
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
Equity index swap contracts	93%	7%	–	$ 1,679	$ (5)	$ 659	$ (16)
Cross-currency interest rate swaps	1%	21%	78%	1,196	(178)	606	(137)
Interest rate swap contracts	43%	44%	13%	1,054	(48)	499	(18)
Bond index swap contracts	100%	–	–	176	4	149	–
Credit default swap contracts	–	45%	55%	81	(1)	–	–
Equity index futures contracts	100%	–	–	1	–	8	–
				$ 4,187	$ (228)	$ 1,921	$ (171)

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

NOTE 5 NET INVESTMENT INCOME

	2004	2003
Interest	$ 768	$ 873
Net realized gain (loss) on investments	542	(257)
Derivative income (loss)	333	(106)
Dividends	55	41
	$ 1,698	$ 551

NOTE 6 CAPITAL ASSETS

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Computer equipment and software	$ 1,722	$ 1,238	$ 484	$ 398
Furniture and equipment	497	206	291	314
Leasehold improvements	2,300	857	1,443	1,015
	$ 4,519	$ 2,301	$ 2,218	$ 1,727

NOTE 7 LEASE INDUCEMENTS AND DEPOSIT

Lease inducement balances and current amortization includes:

Lease	Term	Curent Inducement	Future Inducement
Calgary, old	10 years, ending 2006	$ 40	$ 40
Calgary, new	8 years, ending March 2011	123	742
Calgary sublease	3 years, ending October 2005	7	3
		$ 170	$ 785

The remaining new Calgary lease inducement of $588 is receivable over three years with $199 due in April 2004. A lease deposit of $132 is payable to the landlord and offsets a portion of the current lease inducement receivable.

NOTE 8 ACCRUED BENEFIT LIABILITY AND PENSION EXPENSE

The accrued benefit liability includes:

	2004	2003
Retirement Plan	$ 182	$ 201
Supplemental Pension Plan	1,085	832
	$ 1,267	$ 1,033

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

	2004	2003
Public Service Pension Plan	$ 231	$ 194
Registered Retirement Savings Plan	270	240
Retirement Plan	2	6
Supplemental Pension Plan	286	292
	$ 789	$ 732

a) Public Service Pension Plan

The Commission participates in the Public Service Pension Plan (the PSPP). At December 31, 2003 the PSPP reported an actuarial deficiency of $596,213 and in 2002 an actuarial deficiency of $175,528.

b) Registered Retirement Savings Plan

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

c) Retirement Plan

The Commission has a retirement plan for an executive who is now retired. The provisions of the retirement plan were established pursuant to a written agreement. The retirement plan provides pension benefits based on a fixed schedule of payments over a fifteen year period ending in August 2017. Accrued benefits are payable on death. The retirement plan is not pre-funded and the benefits are paid ($21 in 2004, $13 in 2003) from the assets of the Commission as they come due.

d) Supplemental Pension Plan

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

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

ALBERTA SECURITIES COMMISSION

NOTE 8 (continued)

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

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

An actuarial valuation of the Plan, as at April 1, 2004, was performed by an independent actuary.

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

	2004	2003
Balance Sheet at March 31		
Market value of assets	$ –	$ –
Accrued benefit obligation	1,391	1,033
Unfunded obligation	1,391	1,033
Unamortized transitional obligation	(202)	(229)
Unamortized actuarial gain	(104)	(33)
Employee change liability estimate	–	61
Accrued benefit liability	$ 1,085	$ 832
Accrued Benefit Obligation		
Accrued benefit obligation at beginning of period	$ 1,033	$ 829
Service cost	197	190
Interest cost	64	60
Net actuarial loss (gain)	97	(46)
Accrued benefit obligation at end of period	$ 1,391	$ 1,033
Pension Expense		
The pension expense for the Plan is as follows:		
Service cost	$ 197	$ 206
Interest cost	64	60
Amortization of transition obligation	25	26
Pension expense	$ 286	$ 292

NOTE 8 (continued)

Actuarial Assumptions for Actuarial Valuation of the Plan

The assumptions used in the April 2004 actuarial valuation of the Plan are summarized below. The 2003 assumptions are based on the March 2001 actuarial valuation of the Plan. The discount rate was established in accordance with the yield on long corporate bonds. Other economic assumptions were established as management's best estimate in collaboration with the actuary. Demographic assumptions were selected by the actuary based on best estimate of the future experience of the plans.

	2004	2003
Discount rate	6.10%	7.15%
Rate of inflation	2.35%	2.20%
Salary increases	3.35%	3.70%

NOTE 9 FUNDS HELD FOR OTHERS

The Commission holds, in a separate bank account, $295 ($655 in 2003) in cash for participants in the Market Integrity Computer Analysis (MICA) system upgrade project. The Commission has recorded a total project expense of $110 ($75 in 2004, $35 in 2003) and has a remaining commitment of $60. Funds are disbursed as payments are made for approved expenditures. Expenditures, if any, in excess of the amounts held for others and the Commission's contribution, require further participant approval and contribution. The MICA project will assist participants in the analysis of trading activities.

NOTE 10 EDMONTON OFFICE CLOSURE

The Commission closed its Edmonton office on February 1, 2003. Closure costs of $2,096 include: employee severances of $1,400, lease termination of $145, litigation settlement with Edmonton employees of $250, furniture fixtures and leasehold write-offs of $200 and operational costs of $100.

NOTE 11 COMMITMENTS, CONTINGENCIES AND GUARANTEES

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

a) Commitments

Commitments arising from contractual obligations associated primarily with the eight year lease of premises, the remaining MICA commitment and three year average rental of office equipment at March 31, 2004 amounted to $11,692 (2003 $12,656). These commitments become expenses of the Commission when the terms of the contracts are met.

2004-05	$ 1,538
2005-06	1,623
2006-07	1,648
2007-08	1,729
2008-09	1,729
Thereafter	3,425
Total	$ 11,692

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

b) Guarantees

The Commission, along with the Ontario Securities Commission and the British Columbia Securities Commission, guaranteed a line of credit from a Canadian bank for the Mutual Fund Dealers Association of Canada (MFDA). The Commission's share of the guarantee is limited to $2,160. As at March 31, 2004 the MFDA had no line of credit balance outstanding. The guarantors are in the process of negotiating a release from their guarantee.

c) Legal Actions

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

NOTE 12 BUDGET

The Minister of Revenue approved budget includes fee increases of $1,880 and a contingency expense provision of $1,766. A budget contingency provision of up to ten percent of planned expenditures for unplanned expenses and revenue shortfalls is provided for in the Memorandum of Understanding between the Minister and the Commission. Commission members must approve any expenditure that is applied to the budget contingency expense provision. Subsequent to budget approval, the Commission members approved a revised budget including, a deferral of the fee increase beyond 2004, revenue increases of $940 and a contingency expense provision reduction of $940. Members also approved a further expenditure (which was applied against the contingency amount) of $145 for the national recruitment of a senior management team member and for additional legal staff. Actual revenues and expenses resulting from these budget changes are recorded in their respective accounts.

NOTE 13 FEES

	2004	2003
Distribution of securities	$ 6,879	$ 6,172
Registrations	6,715	5,686
Annual financial statements	2,504	2,448
Other	3	8
Orders (applications)	305	341
Total	$ 16,406	$ 14,655

NOTE 14 COMPARATIVES

Comparative 2003 other revenue amounts of $8 have been reclassified as fees revenue to conform to their 2004 presentation.

ALBERTA SECURITIES COMMISSION

SCHEDULES TO THE FINANCIAL STATEMENTS

SCHEDULE OF SALARIES AND BENEFITS — Schedule A

For the Year Ended March 31, 2004 *(dollars)*

	2004				2003	
	Number of Individuals (1)	Salary (2)	Benefits and Allowances (3)	Total	Number of Individuals (1)	Total
Chair, Securities Commission (4)	1.0	$ 433,150	$ 30,980	$ 464,130	1.0	$ 468,305
Vice Chair, Securities Commission (4)	1.0	$ 224,150	$ 18,601	$ 242,751	1.0	$ 230,881
Vice Chair, Securities Commission (4,5)	1.0	$ 200,150	$ 16,854	$ 217,004	0.8	$ 541,246
Members (part-time)	9.0	$ 288,487	$ –	$ 288,487	9.0	$ 275,405
Executive Director	1.0	$ 245,150	$ 27,560	$ 272,710	1.0	$ 262,881
Director, Legal Services and Policy Development	1.0	$ 194,150	$ 18,032	$ 212,182	1.0	$ 210,636
Director, Capital Markets	1.0	$ 183,650	$ 16,788	$ 200,438	1.0	$ 198,650
Director, Enforcement (6)	1.0	$ 182,934	$ 37,084	$ 220,018	1.0	$ 186,186
Director, Administrative Services (7)	1.0	$ 165,150	$ 16,186	$ 181,336	0.6	$ 106,102
Chief Accountant	1.0	$ 173,150	$ 22,690	$ 195,840	1.0	$ 191,632
General Counsel (8)	0.9	$ 170,983	$ 22,905	$ 193,888	0.0	–

(1) Number of individuals is the weighted average during the year.

(2) Salary includes regular base pay, bonuses, overtime and lump sum payments and honoraria.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, registered retirement savings plan contributions, health care, dental coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, vacation payouts, professional memberships, tuition, club memberships, worker's compensation and Chair and Executive Director's automobile allowance.

(4) The Chair and Vice-Chairs are full-time Commission Members.

(5) The previous Vice-Chair resigned in 2003. Salary and Benefits and Allowances amounts in 2003 include retiring allowance, bonus, and vacation payout.

(6) Previous Director, Enforcement resigned October 10, 2003. Vacation payout included in Benefits and Allowances. Current Director commenced employment on October 1, 2003.

(7) The Director, Administrative Services was hired September 9, 2002 as a new member of the senior management group.

(8) General Counsel position created May 1, 2003, as a member of the senior management group.

ALBERTA SECURITIES COMMISSION

SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES — Schedule B

March 31, 2004 *(thousands)*

	2004 Cost	2004 Fair Value	2003 Cost	2003 Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 19	$ 19	$ 15	$ 15
Public fixed-income securities				
Government of Canada, direct and guaranteed	3,000	2,964	1,788	1,754
Provincial:				
Alberta, direct guaranteed	9	9	20	21
Other, direct guaranteed	2,800	2,968	1,617	1,592
Municipal	164	169	181	180
Corporate	5,082	5,018	4,067	3,949
Private fixed-income securities				
Corporate	1,343	1,326	975	941
	12,417	**12,473**	**8,663**	**8,452**
Accounts receivable and accrued investment income	145	145	111	111
Accounts payable and accrued liabilities	(176)	(176)	(19)	(19)
	(31)	**(31)**	**92**	**92**
	$ 12,386	**$ 12,442**	**$ 8,755**	**$ 8,544**

(a) Fixed income securities held as at March 31, 2004 have an average effective market yield of 4.20% per annum (2003: 5.41% per annum) and the following term structure based on principal amounts:

	2004 %	2003 %
under 1 year	2	2
1 to 5 years	40	37
5 to 10 years	30	31
10 to 20 years	10	11
over 20 years	18	19
	100	100

b) The Commission's fixed income securities are held in the Canadian Dollar Public Bond Pool (the Pool). The Pool is managed by the Ministry of Revenue with the objective of providing above average returns compared to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

ALBERTA SECURITIES COMMISSION

SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES

Schedule C

March 31, 2004 *(thousands)*

	2004 Cost	2004 Fair Value	2003 Cost	2003 Fair Value
Deposits and short-term securities	$ 34	$ 34	$ 25	$ 25
Public equities (a) (b)				
Financial	1,497	1,723	887	952
Materials	823	907	457	437
Energy	639	783	361	446
Information technology	365	428	191	145
Industrials	376	398	209	193
Consumer discretionary	387	371	243	199
Telecommunication services	268	256	168	155
Consumer staples	187	209	109	119
Utilities	167	181	113	117
Health Care	117	116	98	92
	4,826	5,372	2,836	2,855
Passive index	–	–	11	10
	4,826	5,372	2,847	2,865
Receivable from sale of investments and accrued investment income	21	21	8	8
Accounts payable and accrued liabilities	(63)	(63)	(21)	(21)
	(42)	(42)	(13)	(13)
	$ 4,818	**$ 5,364**	**$ 2,859**	**$ 2,877**

(a) The Commission's effective net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $1,680 (2003 $667) which are used as underlying securities to support the notional amount of Canadian equity index swap contracts and futures contracts.

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

ALBERTA SECURITIES COMMISSION

Schedule C (continued)

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

		2004			2003	
	Cost	Fair Value		Cost	Fair Value	
Domestic Passive Equity Pooled Fund (i)	$ 2,338	$ 2,391		$ 1,250	$ 1,272	
Canadian Pooled Equity Fund (ii)	1,172	1,517		1,156	1,173	
External Managers Canadian Large Cap Equity Pool (iii)	1,308	1,456		453	432	
	$ 4,818	$ 5,364		$ 2,859	$ 2,877	

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

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

(iii) The Canadian Large Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap equity market. The performance objective is to provide returns higher than the total return of the S&P/TSX Composite Index over a four-year period. Return volatility is reduced through multiple manager investment style and market capital focus.

SCHEDULE OF INVESTMENT RETURNS

Schedule D

Year Ended March 31, 2004

The Commission uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Commission over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the return of pools with other pools or indices.

Investment returns for the Commission are as follows:

	One Year Return				4 Year Compound Annualized
	2004	**2003**	**2002**	**2001**	**Return**
Time-weighted rates of return					
Short-term fixed income	**4.2**	**2.9**	**4.0**	**5.8**	**4.2**
Scotia Capital 91-day T-Bill Index	*3.0*	*2.7*	*3.7*	*5.7*	*3.8*
Long-term fixed income	**11.7**	**9.5**	**5.7**	**9.4**	**9.1**
Scotia Capital Universe Bond Index	*10.8*	*9.2*	*5.1*	*8.7*	*8.4*
Canadian equities	**36.6**	**(17.5)**	**n/a**	**n/a**	**n/a**
Toronto Stock Exchange (S&P/TSX) Composite Index	*37.7*	*(17.6)*	*n/a*	*n/a*	*n/a*
Overall	**17.8**	**2.3**	**4.3**	**8.6**	**8.1**