>> Financial Statements <<

March 31, 2006




Balance Sheet

As at March 31, 2006

($ Thousands)

Assets		**2006**		2005
Current				
Cash (Note 4)	$	2,542	$	3,185
Funds held for others (Note 9)		4		9
Accounts and advances receivable		98		77
Lease inducement receivable		–		389
Prepaid expense		112		102
		2,756		3,762
Non-current				
Restricted cash (Note 3)		895		829
Investments (Note 4)		23,316		19,790
Capital assets (Note 6)		1,913		2,124
Lease deposit		132		132
		26,256		22,875
Total assets	**$**	**29,012**	**$**	**26,637**
Liabilities and retained earnings				
Current				
Funds held for others (Note 9)	$	4	$	9
Accounts payable and accrued liabilities		1,612		1,649
Accrued vacation and benefit liabilities		635		667
Lease inducement (Note 7)		124		167
	$	2,375	$	2,492
Non-current				
Lease inducement (Note 7)		494		618
Accrued benefit liability (Note 8)		2,070		1,666
Total liabilities		4,939		4,776
Retained earnings (Note 3)		24,073		21,861
Total liabilities and retained earnings	**$**	**29,012**	**$**	**26,637**

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

Approved by the Members

William S. Rice, Q.C., Chair and Chief Executive Officer

Dennis A. Anderson, FCA, Member

Statement of Income and Retained Earnings

For the year ended March 31, 2006

($ Thousands)

	2006		2005
	Budget (Note 12)	Actual	Actual
Revenue			
Fees (Note 10)	$ 16,495	$ 19,285	$ 18,887
Investment income (Note 5)	893	2,486	1,568
Settlement cost recoveries (Note 10)	–	50	187
Conference fees	–	85	72
Revenue before administrative penalties	17,388	21,906	20,714
Administrative penalties revenue (Note 3)	–	449	249
Total revenue	**$ 17,388**	**$ 22,355**	**$ 20,963**
Expense			
Salaries and benefits	13,935	12,821	12,191
Professional services	1,893	1,761	1,586
Administration	2,255	1,840	1,619
Premises	1,422	1,435	1,347
Amortization	588	622	541
Investor education (Note 3)	600	396	360
Special investigations (Note 13)	–	1,268	296
Total expense	**20,693**	**20,143**	**17,940**
Budget contingency	2,070	–	–
Net income (loss)	**$ (5,375)**	2,212	3,023
Opening retained earnings		21,861	18,838
Closing retained earnings (Note 3)		**$ 24,073**	**$ 21,861**

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

Statement of Cash Flows

For the year ended March 31, 2006

($ Thousands)

Cash flows from operating activities		2006		2005
Cash receipts from fees and other	$	19,383	$	18,959
Cash receipts from settlement cost recoveries		50		187
Cash paid to and on behalf of employees		(12,356)		(11,753)
Cash paid to suppliers for goods and services		(5,476)		(5,043)
Special investigations (Note 13)		(1,476)		(71)
Investment income		2,486		1,568
Cash advanced to MICA project (Note 9)		(8)		(53)
Administrative penalties		449		249
Cash flows from operating activities		**3,052**		**4,043**
Cash flows from investing activities				
Lease inducement received		389		199
(Increase) decrease in restricted cash		(66)		103
Cash used in capital assets [1]		(492)		(348)
Cash used for investments		(3,526)		(2,532)
Cash returned from CSA for NRD funding		–		121
Cash used in investing activities		(3,695)		(2,457)
(Decrease) increase in cash		(643)		1,586
Opening cash		3,185		1,599
Closing cash	**$**	**2,542**	**$**	**3,185**

Supplemental cash flow information

[1] Additions to capital assets	$	(414)	$	(450)
Proceeds on disposal		3		3
(Decreases) increases in capital asset liabilities		(81)		99
	$	**(492)**	**$**	**(348)**

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

Note 1 > Nature of Operations

The Alberta Securities Commission ("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 Commission's investments are independently managed by the Alberta Investment Manager of the Province of Alberta. The Commission does not participate in capital market investment decisions or transactions.

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

Fixed-income securities and equities are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Investments are recorded as of the trade date.

The cost of disposals is determined on the average cost basis.

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.

Income and expense from derivative contracts are included in 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 the 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.

Where a hedge relationship is designated, the hedge is documented at inception. The documentation identifies the specific asset being hedged, the risk that is being hedged, the type of derivative used and the matching of critical terms of both the hedged security and the hedging derivative for the purpose of measuring effectiveness. The derivative must be highly effective in accomplishing the objective of offsetting either changes in the fair value or cash flows attributable to the risk being hedged both at inception and over the life of the hedge.

Derivative contracts not designated as hedges for purposes of hedge accounting, which are primarily bond index swaps, equity index swaps, equity index futures, forward foreign exchange contracts and credit default swap contracts, are recorded at fair value.

(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 value of cash deposits, receivables, accrued liabilities and payables are estimated to approximate their book values.

Fair values of investments held either directly by the Commission or by pooled investment funds are determined as follows:

(i) 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.

(ii) 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, forward foreign exchange contracts and 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) Forward foreign exchange contracts and equity index futures contracts are valued 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) Fees, administrative penalty and settlement cost recovery recognition

Fees are recognized when earned, which is upon cash receipt.

Administrative penalty and settlement cost recoveries are recognized when the decision is issued or agreement reached and the amounts are determined to be collectible.

(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 and actuarial losses arising from assumption changes are amortized on a straight-line basis over the average remaining service period of employees active at the date of commencement of the plan. Gains and losses arising from employee changes are recognized in the year of change. The average remaining service period of active employees of the Plan is six 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

The *Securities Act* (Alberta) restricts the use of revenues received by the Commission from administrative penalties to certain operating expenditures that educate investors and enhance the knowledge of the securities market operation.

Note 3 > Restricted Cash and Retained Earnings

Retained earnings include $895 ($829 in fiscal 2005) of restricted cash, as described in Note 2(i).

Changes in restricted cash include:

($ Thousands)

Restricted cash increase (decrease)	**2006**	2005
Administrative penalties	$ 620	$ 251
Less: uncollectible amounts	(195)	(25)
Net realizable value	425	226
Interest income and other	24	23
	449	249
Plus: Accountant's conference income	13	8
Less: Eligible education expenses	(396)	(360)
Restricted cash increase (decrease)	**$ 66**	**$ (103)**

Note 4 > Cash and Investments

(a) Summary		**2006**			2005	
	Cost	Fair Value	%	Cost	Fair Value	%
Cash						
Deposit in the CCITF	$ 2,542	$ 2,542		$ 3,185	$ 3,185	
Investments						
Deposit in the CCITF	$ 60	$ 60	0.3	$ 56	$ 56	0.3
Fixed-income securities (Schedule B)	17,697	17,441	74.0	14,757	14,709	72.8
Canadian equities (Schedule C)	5,559	6,060	25.7	4,977	5,433	26.9
	$23,316	**$23,561**	**100.0**	**$ 19,790**	**$20,198**	**100.0**

Cash consists of demand deposits in the Consolidated Cash Investment Trust Fund ("CCITF"). The CCITF is administered by the Ministry of Finance with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio comprises high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2006, securities held by the CCITF have an average effective market yield of 3.96% per annum (2005: 2.79% per annum).

($ Thousands)

The Commission's investments are held in pooled investment funds established and managed by the Ministry of Finance. Investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of pool units. As at March 31, 2006, the Commission's percentage ownership, at market, in pooled investment funds is 0.18% or less as follows:

	% Ownership	
	2006	2005
Internally managed investment pools		
Canadian Dollar Public Bond Pool	0.18	0.17
Canadian Pooled Equity Fund	0.15	0.17
Domestic Passive Equity Pooled Fund	0.12	0.13
Externally managed investment pools		
Canadian Large Cap Equity Pool	0.05	0.03

(i) The Canadian Dollar Public Bond Pool is managed 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 comprises high-quality Canadian fixed income instruments and related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(ii) The Domestic Passive Equity Pooled Fund ("Pool") is managed using a passive approach with the objective of providing investment returns comparable to the Standard and Poors/Toronto Stock Exchange ("S&P/TSX") Index. The portfolio comprises publicly traded equities in Canadian corporations similar in weights to the S&P/TSX 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 investments 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 five years or less.

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

(iv) The Canadian Large Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities. An external manager actively manages each portfolio with expertise in the Canadian large cap equity market. The performance objective is to provide returns higher than the total return of the TSX index over a four-year period. Return volatility is reduced through multiple manager investment style and market capitalization focus.

(b) Investment risk management

Income and financial returns of the Commission 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 comprises 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 (see Note 4 (c)).

(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 Finance uses derivative contracts held within pooled 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.

Forward foreign exchange contracts are contractual 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 the specified equity index.

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

($ Thousands)

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, 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)
Equity index swap contracts	77%	23%	–	$ 2,823	$ 60	$ 2,067	$ 52
Cross-currency interest rate swaps	14%	22%	64%	1,342	74	1,651	(46)
Interest rate swap contracts	51%	45%	4%	2,986	(6)	868	(24)
Bond index swap contracts	100%	–	–	695	25	286	2
Credit default swap contracts	1%	1%	98%	5,412	11	260	3
Forward foreign exchange contracts	100%	–	–	134	(1)	91	7
Equity index futures contracts	100%	–	–	612	11	–	–
				$14,004	**$ 174**	**$ 5,223**	**$ (6)**

(a) Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value).

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

Note 5 > Net Investment Income

	2006	2005
Net realized gain on investments including derivative income	$ 1,448	$ 754
Interest	983	766
Dividends	60	53
Other	(5)	(5)
	$ 2,486	**$ 1,568**

Note 6 > Capital Assets

	2006			2005
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	$ 2,129	$ 1,642	$ 487	$ 555
Furniture and equipment	545	304	241	259
Leasehold improvements	2,481	1,296	1,185	1,310
	$ 5,155	**$ 3,242**	**$ 1,913**	**$ 2,124**

($ Thousands)

Note 7 > Lease Inducement

Lease	Term	Current inducement	Future inducement
Calgary	8 years, ending March 2011	**$ 124**	**$ 494**

Note 8 > Accrued Benefit Liability and Pension Expense

The accrued benefit liability includes:

	2006	2005
Retirement Plan	$ 198	$ 190
Supplemental Pension Plan	1,923	1,523
Less: current portion	(51)	(47)
	$ 2,070	**$ 1,666**

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

	2006	2005
Public Service Pension Plan	$ 325	$ 277
Registered Retirement Savings Plan	274	287
Retirement Plan	29	29
Supplemental Pension Plan	426	438
	$ 1,054	**$ 1,031**

(a) Public Service Pension Plan

The Commission participates in the Public Service Pension Plan (the "PSPP"). At December 31, 2005, the PSPP reported a deficiency of $187,704 and in 2004 a deficiency of $450,068.

(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 15-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 fiscal 2006, $21 in fiscal 2005) 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.

($ Thousands)

The Plan provides pension benefits to the designated executives that are defined by reference to earnings in excess of the limit ($105 effective January 1, 2006, and $100 effective January 1, 2005) imposed by the *Income Tax Act* on registered pension arrangements.

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 as they come due from the assets of the Commission.

Actuarial valuations of the Plan are undertaken every three years. At April 1, 2006, an independent actuary performed a Plan valuation. The next valuation is scheduled for April 1, 2009. The results of the actuarial valuation and management's cost estimates as they apply to the Plan are summarized below:

Balance sheet at March 31		**2006**		2005
Market value of assets	$	—	$	—
Accrued benefit obligation		2,152		1,895
Unfunded obligation		2,152		1,895
Unamortized transitional obligation		(151)		(176)
Unamortized actuarial loss		(78)		(320)
Employee change liability estimate		—		124
Accrued benefit liability	**$**	**1,923**	**$**	**1,523**

Accrued benefit obligation				
Accrued benefit obligation at beginning of the year	$	1,895	$	1,391
Service cost		192		205
Interest cost		120		97
Assumption changes		85		—
Net actuarial loss (gain) plus benefits paid of $26 ($33 in fiscal 2005)		(140)		202
Accrued benefit obligation at end of the year	**$**	**2,152**	**$**	**1,895**

Pension expense

The pension expense for the Plan is as follows:

Service cost	$	192	$	205
Interest cost		120		97
Amortization of transitional obligation		26		26
Recognized actuarial losses during year		88		110
Pension expense	**$**	**426**	**$**	**438**

($ Thousands)

Actuarial assumptions for actuarial valuation of the Plan

The assumptions used in the 2006 actuarial valuation of the Plan are summarized below. The 2005 assumptions are based on the 2005 extrapolation of the Plan. The discount rate was established in accordance with the yield on long-term corporate bonds and applies to both the accrued benefit obligation and benefit costs. 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.

	2006	2005
Discount rate, year-end obligation	5.4%	5.8%
Discount rate, net benefit cost prior year	5.8%	6.1%
Rate of inflation	2.50%	2.65%
Salary increases	4.00%	3.65%
Remaining service life ("EARSL")	6 years	5 years

Note 9 > Funds Held for Others

The Commission holds, in a separate bank account, $4 ($9 in fiscal 2005) in cash for participants in the Market Integrity Computer Analysis ("MICA") system upgrade project. The Commission has recorded a total project expense of $14 ($164 in fiscal 2005). 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 current phase of the MICA project will assist participants in the analysis of trading activities and was completed in 2006. A decision on future system development is pending.

Note 10 > Fees and Settlement Cost Recoveries

		2006		2005
Distribution of securities	$	9,372	$	9,178
Registrations		6,497		6,109
Annual financial statements		3,125		3,300
Orders (Applications)		291		300
Total fees	**$**	**19,285**	**$**	**18,887**
Settlement cost recoveries	$	82	$	212
Less: uncollectible amounts		(32)		(25)
Net realizable value	**$**	**50**	**$**	**187**

Note 11 > Commitments and Contingencies

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

($ Thousands)

(a) Commitments

Premises lease and equipment rental > Commitments arising from contractual obligations associated primarily with the eight-year lease of premises and three-year average rental of office equipment at March 31, 2006, amounted to $8,278 ($10,450 in fiscal 2005). These commitments become expenses of the Commission when the terms of the contracts are met.

2006-07	$ 1,646
2007-08	1,675
2008-09	1,660
2009-10	1,650
2010-11	1,647
Thereafter	—
Total	**$ 8,278**

Canadian Securities Administrators ("CSA") > The Commission shares, based on an agreed upon cost sharing formula, the costs incurred for the maintenance of the CSA Secretariat 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.

SEDAR operations agreement > CDS INC. ("CDS") operates the SEDAR electronic filing and payment system on behalf of the CSA under an August 1, 2004, agreement. The Commission, as one of the agreement signatories, commits to pay CDS 11.7% of any shortfall from SEDAR system operating costs that exceed revenues. Alternatively, CDS must pay to CSA SEDAR revenues in excess of system operating costs ("surplus"). The surplus is not divisible; the CSA owns it as a group. CDS payments received from SEDAR surpluses to October 31, 2005, and interest earned totals $8,865 at March 31, 2006. This amount is held in trust by the Ontario Securities Commission. The principal CSA administrators, including the ASC, have agreed that SEDAR surplus amounts can only be used to offset any shortfall in SEDAR revenues, develop or enhance the SEDAR and SEDI systems, and reduce SEDAR fees.

(b) Legal actions

The Commission is involved in various legal proceedings arising from its operations and regulatory activities, including a contingent liability with respect to a claim concerning the methodology used to calculate pension benefit payments under the PSPP. The claim has been filed jointly and severally against the Province of Alberta and the employers participating in the PSPP. Management considers the likelihood of liability under these proceedings not to be determinable and, accordingly, an estimate of any contingent loss cannot be made.

Note 12 > Budget

The Commission's budget was approved on January 19, 2005, and includes a contingency expense provision of $2,070 less a vacancy reserve of $140. A budget contingency provision of up to 10% of budget 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.

Note 13 > Special Investigations

Special investigation costs resulted from an investigation undertaken by the Independent Commission Members at the direction of the Minister of Finance and subsequent related projects. These non-recurring costs included: $468 ($38 in fiscal 2005) of fees for independent professional reviews of enforcement, personnel management and information technology business processes; $424 ($70 in fiscal 2005) of legal fees advising Members on Commission document confidentiality, wrongful dismissal and business process findings; $233 ($170 in fiscal 2005) of legal cost indemnification for Commission officers; and $143 ($18 in fiscal 2005) of incremental Member fees and expenses for managing these processes.

Note 14 > Related Party Transactions

The Commission is related through common ownership to all provincial government ministries, agencies, boards, commissions and crown corporations. The Commission conducted all transactions with these entities as though they were unrelated parties and recorded transaction costs of $71 ($60 in fiscal 2005).

Note 15 > Comparatives

Certain comparative figures have been reclassified to conform to their 2006 presentation.

SCHEDULE A

Schedule of salaries and benefits
For the year ended March 31, 2006

	Base Salary (1)	Cash Benefits (2)	Non-cash Benefits (3)	2006 Total	2005 Total
Chair, Securities Commission (4)	$ 433,614	$ 56,297	$ 111,002	$ 600,913	$ 698,386
Vice Chair, Securities Commission (4)	218,400	25,000	77,953	321,353	300,888
Vice Chair, Securities Commission (4)	218,400	30,000	51,040	299,440	253,519
Members (Independent)	466,735	—	—	466,735	367,848
Executives					
Executive Director	243,225	41,000	86,953	371,178	339,711
Director, Market Regulation (5)	150,360	37,805	48,838	237,003	242,797
Director, Corporate Finance (6)	51,484	22,082	60,020	133,586	229,978
Director, Enforcement	186,500	20,000	45,161	251,661	246,004
Director, Corporate Resources (7)	140,921	24,232	61,042	226,195	197,793
Chief Accountant	180,765	35,000	23,947	239,712	207,108
General Counsel (8)	182,734	38,774	29,230	250,738	227,082
Controller (9)	78,750	14,500	12,833	106,083	—

(1) Base salary includes regular base pay and Member compensation arising from meeting attendance and hearing and application panel participation. Member compensation includes $140,000 ($18,000 in fiscal 2005) recorded as special investigation costs.

(2) Cash benefits include bonuses, payments in lieu of vacation and Chair and Executive Director's automobile allowance.

(3) Employer's share of all employee benefits including pensions, registered retirement savings plan contributions, health and dental plans, group life insurance, employee and family assistance plan, disability plans, professional memberships, tuition, club memberships, worker's compensation and Supplemental Pension Plan.

(4) The Chair (three incumbents in fiscal 2006, one in fiscal 2005) and Vice Chairs are full time Commission Members. The Chair's compensation includes $88,000 ($195,000 in fiscal 2005) of accrued and unpaid Supplemental Pension Plan expense.

(5) The Director, Market Regulation was appointed in January 2006 and replaced the Director, Legal/Policy following reorganization. Amounts include a payment in lieu of vacation and Acting Director salary.

(6) The Director, Corporate Finance was appointed in March 2006 and replaced the Director, Capital Markets following reorganization. Amounts include a payment in lieu of vacation and three months of base salary.

(7) The Director, Corporate Resources replaced the Director, Administrative Services in September 2005. Amounts include a payment in lieu of vacation and Acting Director salary.

(8) Includes payment in lieu of vacation.

(9) The Controller was appointed to the Senior Management group effective September 1, 2005.

SCHEDULE B

Schedule of investments in fixed income securities

March 31, 2006

($ Thousands)

	Commission's share			
	2006		2005	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 108	$ 108	$ 90	$ 90
Public fixed-income securities				
Government of Canada direct and guaranteed	4,838	4,728	4,417	4,350
Provincial:				
Alberta, direct and guaranteed	107	103	8	9
Other, direct and guaranteed	2,963	3,094	3,259	3,419
Municipal	84	88	181	186
Corporate	7,957	7,779	5,323	5,196
Private fixed-income securities				
Corporate	1,405	1,306	1,373	1,353
	17,462	**17,206**	**14,651**	**14,603**
Accounts receivable and accrued investment income	374	374	175	175
Accounts payable and accrued liabilities	(139)	(139)	(69)	(69)
	235	235	106	106
	$ 17,697	**$ 17,441**	**$ 14,757**	**$ 14,709**

(a) Fixed income securities held as at March 31, 2006, have an average effective market yield of 4.7% per annum (fiscal 2005: 4.34% per annum) and the following term structure based on principal amounts:

	2006	2005
	%	%
under 1 year	2	3
1 to 5 years	34	38
5 to 10 years	33	31
10 to 20 years	12	12
over 20 years	19	16
	100	100

SCHEDULE C

Schedule of investments in Canadian equities
March 31, 2006
($ Thousands)

	Commission's share			
	2006		2005	
	Cost	Fair Value	Cost	Fair Value
Deposit and short-term securities	$ 36	$ 36	$ 38	$ 38
Public equities (a)(b)				
Financials	1,685	1,850	1,588	1,741
Energy	1,449	1,693	907	1,117
Materials	784	902	725	780
Industrials	334	370	260	287
Consumer discretionary	350	319	387	374
Telecommunication services	270	293	343	356
Information technology	288	262	321	314
Consumer staples	186	178	203	230
Health care	85	68	98	82
Utilities	52	49	72	79
	5,483	5,984	4,904	5,360
Receivable from sale of investments and accrued investment income	127	127	71	71
Accounts payable and accrued liabilities	(87)	(87)	(36)	(36)
	40	40	35	35
	$ 5,559	**$ 6,060**	**$ 4,977**	**$ 5,433**

(a) The Commission's effective net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $2,221,000 (fiscal 2005: $2,067,000), which are used as underlying securities to support the notional amount of Canadian equity index swap contracts.

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

SCHEDULE D

Schedule of investment returns

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 compound 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 pools with the other pools or indices.

Investment returns percentages for the Commission are as follows:

	One Year Return (loss)					Five-Year Compound Annualized Return
	2006	2005	2004	2003	2002	
Time-weighted rates of return						
Short-term fixed income	**4.2**	**3.7**	**4.2**	**2.9**	**4.0**	**3.8**
Scotia Capital 91-day T-Bill Index	*2.8*	*2.2*	*3.0*	*2.7*	*3.7*	*2.9*
Long-term fixed income	**5.5**	**5.4**	**11.7**	**9.5**	**5.7**	**7.5**
Scotia Capital Universe Bonded Index	*4.9*	*5.0*	*10.8*	*9.2*	*5.1*	*7.0*
Canadian equities	**29.4**	**15.0**	**36.6**	**(17.5)**	**n/a**	**n/a**
S&P/TSX Composite Index	*28.4*	*13.9*	*37.7*	*(17.6)*	*n/a*	*n/a*
Overall	**11.3**	**7.8**	**17.8**	**2.3**	**4.3**	**8.6**