GOVERNMENT OF ALBERTA

Annual Report

Treasury Board and Finance

2021-2022

Treasury Board and Finance Government of Alberta | Treasury Board and Finance 2021–2022 Annual Report

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Fiscal Planning and Transparency Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 20 ministries.

The Annual Report of the Government of Alberta contains *Budget 2021* Key Results, the audited Consolidated Financial Statements and Performance Results, which compares actual performance results to desired results set out in the government's strategic plan.

This annual report of the Ministry of Treasury Board and Finance contains the Minister's Accountability Statement, the ministry's Financial Information and Results Analysis, a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes:

- **the financial statements of entities making up the ministry including the regulated funds, provincial agencies and Crown-controlled corporations for which the minister is responsible;**
- **other financial information as required by the *Financial Administration Act* and *Fiscal Planning and Transparency Act*, as separate reports, to the extent that the ministry has anything to report; and**
- **financial information relating to trust funds.**

Each Ministry Annual Report should be considered along with the Government of Alberta Annual Report to provide a complete overview of government's commitment to openness, accountability and fiscal transparency.

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2022, was prepared under my direction in accordance with the *Fiscal Planning and Transparency Act* and the government's accounting policies. All of the government's policy decisions as at June 8, 2022 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

Honourable Jason Nixon
President of Treasury Board and Minister of Finance

Message from the President of Treasury Board and Minister of Finance

I was pleased to assume responsibility as President of Treasury Board and Minister of Finance. With this report, I am pleased to recognize the ministry's accomplishments over the previous year.

Fiscal year 2021-22 was a year of upward momentum. Alberta regained its place as one of the fastest growing jurisdictions in Canada and our fiscal situation improved beyond the projections of *Budget 2021*. The government's prudent fiscal management, buoyed by the rebound in natural resource prices, helped Alberta end the fiscal year with a surplus for the first time in seven years. Credit rating agencies are already recognizing our wise and responsible approach to finances with upgrades to our credit rating and outlook.

In 2021-22, Treasury Board and Finance continued supporting the ongoing response to the COVID-19 pandemic, while ensuring the government's ability to meet its financial obligations and maintain efficient services to Albertans and businesses. The ministry also played a key role in supporting the province's economic recovery, with policy advice and initiatives promoting diversification and long-term economic growth.

Treasury Board and Finance continued to lead fiscal and capital planning guided by three fiscal anchors: bringing per-capita expense in line with comparator provinces, keeping the net debt-to-GDP ratio under 30 per cent and balancing the budget. The ministry's economic analyses, forecasts and advice continued to help inform the government's commitment to helping the economy recover and grow through targeted sector strategies.

The ministry continued to lead the government's effort to reduce red tape by one-third by 2023. The changes have helped modernize our regulatory systems by removing unnecessary barriers and reducing costs for Alberta's job creators.

The impact of this work is clear. The province's economy is expected to fully recover to 2014 levels in 2022, while Alberta continues to be the most attractive destination for investment and job creation in all of North America.

I look forward to better familiarizing myself with the varied aspects of this ministry's business and their talented people, and being part of the incredibly important work that is helping move Alberta forward to a stable, prosperous future.

[Original signed by]

Honourable Jason Nixon
President of Treasury Board and Minister of Finance

June 8, 2022

Management's Responsibility for Reporting

The Ministry of Treasury Board and Finance includes:

- Department of Treasury Board and Finance
- Alberta Heritage Foundation for Medical Research Endowment Fund
- Alberta Heritage Savings Trust Fund
- Alberta Heritage Scholarship Fund
- Alberta Heritage Foundation for Science and Engineering Research Endowment Fund
- Alberta Risk Management Fund
- Provincial Judges and Masters in Chambers Reserve Fund
- Supplementary Retirement Plan Reserve Fund
- Alberta Insurance Council
- Alberta Gaming, Liquor and Cannabis Commission
- Alberta Investment Management Corporation
- Alberta Pensions Services Corporation
- Alberta Securities Commission
- ATB Financial and its subsidiaries
- Credit Union Deposit Guarantee Corporation
- N.A. Properties (1994) Ltd.
- Gainers Inc.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the accompanying ministry financial information and performance results for the ministry rests with the President of Treasury Board and Minister of Finance. Under the direction of the Minister, I oversee the preparation of the ministry's annual report, which includes the financial information, performance results on all objectives and initiatives identified in the Ministry Business Plan, and performance results for all ministry-supported commitments that were included in the 2021-24 Government of Alberta Strategic Plan. The financial information and performance results, out of necessity, include amounts that are based on estimates and judgments. The financial information is prepared using the government's stated accounting policies, which are based on Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliable - information used in applying performance measure methodologies agrees with the underlying source data for the current and prior years' results.
- Understandable - the performance measure methodologies and results are presented clearly.
- Comparable - the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Complete - outcomes, performance measures and related targets match those included in the ministry's *Budget 2021*.

As Deputy Minister, in addition to program responsibilities, I am responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council and the President of Treasury Board and Minister of Finance the information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Fiscal Planning and Transparency Act*.

In fulfilling my responsibilities, I have relied, as necessary, on the executives of the individual entities within the ministry.

[Original signed by]

Athana Mentzelopoulos
Deputy Minister of Treasury Board and Finance

June 8, 2022

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Ministry Mandate and Structure

The Ministry of Treasury Board and Finance (TBF) is responsible for budget, planning and reporting, financial management and economic analysis, red tape reduction, as well as the administration of tax and revenue programs. The ministry provides policy and regulatory oversight for Alberta's liquor, gaming, cannabis, financial, securities, insurance and pensions sectors. TBF also oversees collective bargaining with public-sector labour unions and related negotiations. Through the Public Service Commission (PSC), TBF ensures Alberta has a professional and non-partisan public service that serves Albertans. The ministry is also responsible for providing government communications, public engagement, digital and marketing services through Communications and Public Engagement (CPE).

The ministry is committed to maintaining fiscal discipline, controlling spending and working closely with ministries to deliver on the commitments the government has made to Albertans.

Operational Overview

Treasury Board and Finance

Corporate Planning and Red Tape Reduction

Corporate Planning and Red Tape Reduction (CPRTR) leads the whole of government priority to identify, reduce and eliminate red tape to support economic growth, innovation and competitiveness. The division leads engagement with Albertans and Alberta businesses to identify and implement Red Tape Reduction (RTR) initiatives, while ensuring consumer, environmental, health and safety protections, and fiscal accountability. CPRTR is the centre of excellence on business and strategic planning, reporting and enterprise risk management providing standards, support and guidance for all ministries and the Government of Alberta.

Economic and Fiscal Policy

Economic and Fiscal Policy (EFP) is responsible for the development, interpretation and analysis of economic, fiscal and statistical data to support cross-ministry policy development and decision-making. EFP provides analysis of major issues influencing Alberta's economy including tax policy, economic and demographic trends, as well as economic, non-renewable resource and tax revenues, and federal transfer projections. EFP also delivers quarterly fiscal updates and prepares budget materials such as the tax plan, economic outlook, and information on federal-provincial fiscal relations. The division is responsible for providing advice on federal-provincial fiscal relations, including major federal-provincial transfers and cross-ministry support on federal, provincial and municipal fiscal issues.

Finance and Administrative Services

Finance and Administrative Services (FAS) provides internal financial, facilities and administrative services to TBF, CPE, and Executive Council, as well as internal financial services to the PSC. FAS leads the development of the ministry's budget and provides financial advice and support related to planning and forecasting. FAS oversees the preparation and implementation of ministry financial reporting, financial compliance and accountability, contract policy and management, and financial processes and policies. These services support the delivery of programs and are essential to achieving government objectives pertaining to finance, staff safety and the general functioning of government.

Financial Sector Regulation and Policy

Financial Sector Regulation and Policy (FSRP) provides policy and regulatory support and analysis on insurance (including consumer protection), pensions (including the Canada Pension Plan), horse racing, alcohol, gaming and cannabis. The Superintendent of Pensions and Superintendent of Insurance regulates and supervises registered pension plans as well as insurance companies. Working closely with regulatory and administrative agencies such as the Alberta Insurance Council, Automobile Insurance Rate Board, Alberta Gaming Liquor and Cannabis, Alberta Pensions Services Corporation, Alberta Teachers' Retirement Fund, and Horse Racing Alberta, the division is responsible for ensuring legislation, regulation and policy meets current and emerging needs.

Office of the Controller

The Office of the Controller (OOC) is responsible for government accounting policies and financial reporting, financial management and control policies, risk management (financial and audit risks) and financial business process management. Corporate Internal Audit Services (CIAS) reports administratively to the Controller and performs internal audits across government. CIAS helps ministries accomplish their objectives by bringing a systematic, disciplined approach to evaluating and then recommending improvements to risk management, control and governance processes.

Provincial Bargaining Coordination Office

The Provincial Bargaining Coordination Office (PBCO) represents government's interests, as employer and funder, during public-sector labour relations and related negotiations. PBCO prepares bargaining mandates and supports cross-sectoral coordination in bargaining by providing training, strategic advice, negotiations support, and compensation research, to government and its funded employer partners on public sector labour relations matters. While collaborating with Alberta Education and key education stakeholders, PBCO also administers the Teacher Employers' Bargaining Association with respect to teacher collective bargaining and contract administration.

Tax and Revenue Administration

Tax and Revenue Administration (TRA) administers tax, revenue, grants and other programs under multiple acts, including the *Alberta Corporate Tax Act*, the *Freehold Mineral Rights Tax Act*, the *Motor Vehicle Accident Claims Act*, the *Fuel Tax Act*, the *Tobacco Tax Act*, and the *Tourism Levy Act*. The division works to ensure a fair, efficient and effective provincial tax and revenue administration system. TRA also contributes to the development of Alberta tax and revenue policy and supports Treasury Board and Finance and other ministries by providing a centralized audit and collection function for several programs.

Treasury Board Secretariat

Treasury Board Secretariat (TBS) provides timely, relevant and accurate budget, operating and capital planning analysis, advice and recommendations to decision-makers including the Premier, Cabinet, Minister, Treasury Board Committee and other bodies. TBS provides guidance to ministries on budget and fiscal planning, including capital and operating spending, and is accountable for the government's budgeting process and reporting (annual budget, quarterly and mid-year fiscal updates), and key components of year-end reporting (Key Results chapter in the Government of Alberta Annual Report, and Final Results Year-end Report which includes the government's Annual Infrastructure Report). As the secretariat to the Treasury Board Committee, TBS serves as the primary contact for coordinating overall fiscal planning, including budgeting, operating and capital spending processes across government.

Treasury and Risk Management

Treasury and Risk Management (TRM) is responsible for managing the government's treasury, including debt and cash management. TRM is also responsible for assisting departments and some government agencies with insurable risks and losses from property and liability claims. The division provides policy advice, monitors investment performance and accounting for the government's various investments, including the Alberta Heritage Savings Trust Fund. Lending money to local authorities for capital projects is also managed by TRM. In addition, the division provides policy advice relating to financial institutions and capital markets as well as the regulation of some Alberta financial institutions. TRM also supports financial services providers in their efforts to start, relocate or expand operations in Alberta.

Public Service Commission

The Public Service Commission (PSC) is the government's full service human resources (HR) department providing HR advice to support the attraction and retention of qualified employees to serve the needs of Albertans. The Public Agency Secretariat collaborates with departments and Alberta's agencies, boards and commissions (ABCs) to promote best practices in board governance and leads the centralized board member recruitment process. PSC represents the interest of the government as the employer in Alberta Public Service (APS) related collective bargaining and labour relations matters, and is responsible for the *Public Service Act* and the Code of Conduct and Ethics for the Public Service of Alberta, as well as occupational health, wellness and safety policies. PSC provides internal communications services, and advances government's employee engagement and diversity and inclusion policies.

Communications and Public Engagement

Communications and Public Engagement (CPE) is the government's full service communications, public relations and marketing department, delivering coordinated government-wide communications that make it easy for Albertans to understand government information and access government services. In addition to branches in each ministry that provide strategic communications planning, issues management, media relations, and crisis communications support, CPE also provides centralized communications support to all of government in digital communications, web development, graphic design, marketing and advertising, research and public engagement.

Key Highlights in the Past Year

With careful fiscal management and the increase in the price of Alberta's energy resources, Alberta's fiscal position is improving. In 2021-22, Alberta recorded some of the fastest economic growth in Canada. Alberta's economic recovery is well underway with record levels of investment and increasing employment in a tight labour market. Alberta has one of the lowest net debt-to-GDP ratios in the nation, and has made substantial progress in bringing per capita expenses associated with delivering government services in-line with comparator provinces.

TBF actions in 2021-22 aimed to support this economic recovery and sound fiscal management. TBF provided advice on policies to stimulate short-term economic recovery, but more importantly, on broader policies to create the conditions for long-term economic growth. Alberta is attracting new investment, across regions and sectors. With improving economic conditions, increased prices for Alberta's energy resources and by maintaining discipline in government spending decisions, Alberta's fiscal situation has improved beyond what was anticipated in *Budget 2021*.

TBF leads government fiscal and capital planning to support government priorities and the allocation of funding for the public services on which Albertans rely. Over fiscal 2021-22, government fiscal decision-making continued to be guided by three fiscal anchors first introduced in the 2020-21 Mid-year Fiscal Update and Economic Statement:

Actions that Support the Priorities of the Government of Alberta Strategic Plan

Key Priority Three: Fiscal Accountability

Objective One: Value for each tax dollar spent

In response to the MacKinnon Panel recommendations, TBF along with the Ministry of Infrastructure, implemented the *Infrastructure Accountability Act* to help guide government decision-making around capital projects to best support jobs and the economy, as well as provide Albertans with the public infrastructure they need.

Alberta's per capita expenditures, which were heavily impacted by government's response to the COVID-19 pandemic, became more aligned with comparator provinces between 2019-20 and 2020-21.

Alberta's net debt-to-GDP ratio for 2021-22 was estimated at **16.2 per cent**.

The final result was a surplus of **$3.9 billion**.

- bringing per capita expense in line with comparator provinces to improve efficiency in government use of Albertan's tax dollars;
- keeping the net debt-to-GDP ratio under 30 per cent; and
- balancing the budget.

Alberta's per capita expenditures, which were heavily impacted by government's response to the COVID-19 pandemic, became more aligned with comparator provinces between 2019-20 and 2020-21. Preliminary estimates from Statistics Canada continue to indicate that Alberta's expenditures are trending in the right direction. *Budget 2022* forecasts that Alberta will be within the projected spending range for comparator provinces (British Columbia, Ontario, Quebec per capita average) in 2022-23.

In 2021-22, Alberta's net debt-to-GDP ratio was 16.2 per cent and the final result for fiscal 2021-22 was a surplus of $3.9 billion. Economic recovery and higher than expected revenues played a part in achieving this result. However, it was also supported by a $2.2 billion partial reversal of the 2019-20 provisions of an onerous contract related to the Sturgeon Refinery, primarily as a results of the change in the ownership structure. *Budget 2022* has forecast surpluses in the coming years of $500 million in 2022-23, $900 million in 2023-24 and $700 million in 2024-25. Overall government expense in 2021-22 was $2.5 billion higher than budget. This was largely driven by increases to health expenditure, agriculture indemnity payments in response to severe drought, and federally-funded increases for municipal infrastructure and transit recovery.

TBF is responsible for ensuring that the government has sufficient cash to fund its fiscal and capital programs, refinancing maturing debt and meeting the borrowing needs of provincial corporations. Prudent management of government finances and investments allowed the government to meet the province's financial requirements at reasonable cost and ensured continued delivery of government programs.

To support budget advice and public policy development, TBF developed a variety of economic forecast scenarios grounded in realistic possible future economic outcomes. These scenarios supported informed and evidence-based fiscal and policy decisions. This enabled TBF to provide timely and strategic economic and financial policy advice to decision makers across government including on initiatives in support of Alberta's Recovery Plan.

Government continued to reduce the tax burden for Albertans to support investment and competitiveness. Alberta remains the most tax-competitive business jurisdiction in Canada and among the most attractive investment destinations in North America. Alberta's combined federal-provincial business tax rate is now lower than that of 44 U.S. states. This contributed to very high levels of investment in Alberta in 2021-22.

As a result of government's prudent fiscal management during the 2021-22 fiscal year and the fiscal outlook included in *Budget 2022*, S&P Global Ratings raised Alberta's current long-term credit rating in May 2022.

The following table represents the Ministry of Treasury Board and Finance's significant achievements for 2021-22, including progress toward commitments in the 2021-24 Government of Alberta Strategic Plan.

Alberta's government remained focused on fiscal accountability	Alberta made progress against or aligned with the stated fiscal anchors. Alberta's per capita expenditures became more aligned with comparator provinces between 2019-20 and 2020-21. Preliminary estimates from Statistics Canada continue to indicate that Alberta's expenditures are trending in the right direction. *Budget 2022* forecasts that Alberta will be within the projected spending range for comparator provinces (3-province per capita average) in 2022-23. In 2021-22 the Government of Alberta achieved a surplus of $3.9 billion.

Government implemented robust financial planning strategies, cash management and sound borrowing programs

The accumulated surplus in the Alberta Heritage Savings Trust Fund (Heritage Fund) was significantly higher in 2021-22 while various endowments also earned healthy returns. The market value of the net assets held by the Fund is $18.8 billion – the highest level since the creation of the Fund in 1976. On behalf of its Alberta-based pension, endowment and government fund clients, The Alberta Investment Management Corporation (AIMCo) earned a total fund return of 14.7 per cent net of all fees for the year ended December 31, 2021. This represents the strongest year in AIMCo's history, surpassing an aggregated client benchmark of 8.0 per cent, and producing a record annual value-add of $7.7 billion.

TBF continues to effectively support government operations through participation in capital markets. TBF increased activity under the province's bond buyback program with the repurchase and cancellation of $735 million of the province's outstanding long-term bonds that are within two years of maturity. Outstanding Alberta bonds with a maturity of two years and less are regularly bought back before maturity to smooth the cash required to repay maturing debt. This provides flexibility to the province for future debt refinancing and debt repayments.

TBF developed a new cash pooling structure allowing the government to make better use of surplus cash in the bank accounts of some provincial corporations and regulated funds to reduce debt, or invest, depending on fiscal circumstances. The new structure, targeted to be implemented by the end of June 2022, will replace an outdated and administratively complex structure. The new automated cash pooling structure is more efficient and flexible, and aligned with treasury best practices. This will reduce the amount of money that the government will need to borrow and allow the government greater flexibility in managing its cash.

TBF provided assistance to the Calgary Airport Authority to restructure its debt. The Calgary Airport Authority raised $2.1 billion in debt financing through its initial bond offering and subsequently repaid approximately two-thirds of the $3 billion owed on loans from the province.

Policy and regulatory oversight for the liquor, gaming, cannabis, financial, securities, insurance and pensions sectors that is effective, fair and in the interests of Albertans

In November 2021, Alberta joined British Columbia as the only other province to introduce captive insurance legislation. Bill 76 the *Captive Insurance Companies Act* (coming into force in July 2022) will allow a parent company to create a licensed insurance company to provide coverage for itself and its subsidiaries. The formation of captive insurers as an alternative to the traditional insurance market will help relieve cost and insurance availability pressures on Alberta businesses. There has been broad interest across multiple industries – including energy, agriculture, hotel and tourism, and other entities – who are considering establishing their own captive insurers.

Government has taken actions to both stabilize automobile insurance costs and improve medical benefits for Albertans injured in collisions. Recent actions, including the implementation of Usage Based Insurance and amendments to the Minor Injury Regulation in 2020-21, followed by enabling Direct Compensation for Property Damage (DCPD) in 2021-22, have focused on making rates more affordable, improving care, and expanding options for consumers.

Alberta Gaming Liquor and Cannabis (AGLC) capitalized on the passage of Bill C-218, An *Act to amend the Criminal Code* (sports betting) by launching sports betting through Play Alberta, Alberta's only legal online gambling website on September 1, 2021. This gives Albertans a legal option for sports betting and encourages Albertans to wager funds within Alberta, instead of on the offshore illicit market. Single event wagering generated $19.4 million in total bets in the first seven months of operation.

Through Bill 13, the *Financial Innovation Act* introduced on March 30, 2022, TBF is establishing a regulatory sandbox for financial services and fintech companies in Alberta. The regulatory sandbox signals Alberta's willingness to co-operate with and support innovators and investors in emerging financial services such as blockchain technology and cryptocurrencies. Implementing a regulatory sandbox in Alberta will offer Albertans a wider variety of financial-related products and services, increasing competition and potentially lowering costs, while promoting innovation in Alberta.

Alberta has a professional and inclusive public service that proudly serves Albertans	Championed by the Deputy Minister of Executive Council, the APS continued to implement Diversity and Inclusion (D&I) initiatives to support an inclusive and respectful workplace that: develops and retains employees and strengthens engagement; continues to recruit and retain a workforce that reflects Alberta's diversity; addresses barriers and biases faced by underrepresented groups; continues to support the development of all employees to reduce bias and systemic racism and increase inclusion; and enhances the knowledge of workforce composition and approaches to advance diversity and inclusion in the APS. To support D&I within the ministry, the department of TBF has created its own Diversity and Inclusion Grassroots Team which is comprised of TBF staff, including the Deputy Minister, to explore and respond to the D&I needs within the department. In 2022-23 the D&I Grassroots Team will continue developing and implementing initiatives within TBF to support D&I within the ministry. In 2021, the Government of Alberta ratified a new Collective Agreement with the Alberta Union of Provincial Employees. The new agreement supports labour stability for the public service and recognizes the province's long-term economic outlook, offering measured but competitive compensation increases in the later term of the agreement.
Government communicates on priorities and initiative effectively and efficiently	CPE branches in every ministry continued to provide support to ministry priorities throughout the year. This included legislation, regulatory amendments, engagements, media relations and news conference support. CPE supported communications and public relations approaches to key government initiatives including Alberta's Recovery Plan, suspension of the Alberta Fuel Tax, *Budget 2022*, surgical wait times, and the Fairness for Newcomers Summit. More than 52,000 Albertans participated in telephone town halls on topics such as COVID-19, education, child care, and *Budget 2022*. (see COVID-19 section under Discussion and Analysis of Results on page 19 for more information)

Discussion and Analysis of Results

COVID-19/Recovery Plan

In 2021-22, TBF continued to support the ongoing response to the COVID-19 pandemic and Alberta's Recovery Plan.

TBF provided economic and revenue analysis on government programs and initiatives. The analysis helped to inform decision makers across government including members of the Executive Council and the Treasury Board on the impact of the programs on the economy, employment and government revenue. This allowed government to better understand the broader economic and fiscal implications, and assess potential consequences, of government decisions.

TBF provided timely, relevant and accurate strategic advice, analysis and guidance to Premier, Minister, Deputy Minister, Treasury Board, and other government ministries to support spending decisions on emerging priorities. This supported the allocation of government resources toward government priorities and areas that Albertans need most, such as health care system resources, the Alberta Recovery Plan and economic diversification strategies.

In the second year of the pandemic the province was impacted by the successive waves of COVID-19 which required renewed health restrictions. Despite these challenges, Alberta's economy continued to recover. Alberta's strong fundamentals coupled with recovery plan initiatives encouraged record levels of investment. Employment in the private sector is recovering to pre-pandemic levels and the overall unemployment rate declined steadily throughout the fiscal year. A number of specific actions were taken in TBF over the course of the year to support this recovery and respond to the pandemic. In support of the tourism industry government:

- Extended the Tourism Levy Abatement for all hotels and lodgings to June 30, 2021, with estimated saving of approximately $13 million that industry would have otherwise had to remit to government; and

Highlights

$2.5 billion was allocated in *Budget 2021* to support disaster and emergency assistance along with unexpected COVID-19 expenditure requirements. This was a prudent contingency allocation given the economic and health uncertainty during the pandemic. It also provided transparency to Albertans about government's evaluation of risk and ability to manage unanticipated events. This $2.5 billion contingency was ultimately allocated as follows:

- **$750 million** for disaster and emergency assistance which went towards crop insurance payments to agriculture producers affected by the spring 2021 drought. In total, $2.8 billion in agriculture disaster support payments were made in 2021-22.
- **$1.25 billion** for the health care system. In total **$2 billion** was spent in 2021-22 including **$294 million** for lab testing and contact tracing, **$222 million** for vaccine distribution, **$499 million** for acute and continuing care, **$394 million** for drugs, mental health, health link, physician compensation, staffing and operations and **$451 million** for personal protective equipment, rapid testing and supplies.
- **$500 million** was allocated to recovery plan initiatives with $122 million for the Small and Medium Enterprise Relaunch Grant which offers financial assistance to Alberta organizations that were ordered to close or curtail operations, and experienced a revenue reduction of at least 30 per cent as a result of health restrictions, and to support municipalities.

- Implemented a revenue-tested tourism levy abatement from October 1, 2021 to March 31, 2022, allowing hotels and other lodging providers that have suffered revenue declines of at least 40 per cent to keep the tourism levy that they would have otherwise remitted to government. This revenue-tested abatement freed-up an estimated $3 million for eligible operators to employ staff, continue operations and provide services through the winter season.

TBF supported several ministries to partner with the federal government to deliver a number of COVID-19 relief, recovery and safe-restart programs. In 2021-22, TBF:

- Provided input and advice in the development of the Site Rehabilitation Program that provided grants to oil field service contractors to perform well, pipeline, and oil and gas site closure and reclamation work. This program accelerated site reclamation efforts while putting Alberta's specialized oil and gas labour force back to work.
- Facilitated the approval of provincial funding to fulfill federal matching requirements for municipal transit. $79.5 million federal funding was secured as part of a $159 million commitment to support the municipal transit system, which was significantly impacted by the low ridership and increased expenses to safeguard frontline workers during the pandemic.
- Worked cooperatively with ministries in engaging with federal officials to gain clarity on the terms and conditions associated with a wide variety of federal programs and worked with ministries to properly track and account for the large number of partnership programs.

Government held approximately 2½ to 3 months of cash (approximately **$4 billion**) in the General Revenue Fund to ensure short-term obligations could be met. Government issued **$4.9 billion** in term debt, to fund the province's fiscal and capital requirements and maintained strong working relationships with all six major Canadians banks and investors in the Province's bonds and money market programs. These approaches were developed with close regard to market conditions and risk in order to effectively manage government's cash and capital requirements at the lowest cost to taxpayers.

TBF provided advice to support decision making on the allocation of COVID-19 expenses. Total COVID-19/Recovery Plan expense in 2021-22 was **$3.7 billion** including: $2.8 billion in operating expense; $400 million in capital grants; and $500 million for inventory consumption. In addition **$500 million** was allocated for capital investment spending.

The PSC, a constituent part of the ministry of TBF, continued to support departments and staff with a phased workplace re-entry in summer 2021 as public health restrictions lessened, and back to remote working in fall 2021 as the Delta variant required a return of public health restrictions. The PSC also implemented a Proof of COVID-19 Vaccination Policy for APS employees during the third and fourth waves of COVID-19 (late 2021 - early 2022).

- As of March 1, 2022, when the COVID-19 vaccination policy was repealed, over 95 per cent of APS staff were fully vaccinated.
- With the easing of provincial health measures, the PSC implemented a phased workplace re-entry strategy, starting March 2022, with all staff returning by April 4, 2022.
- As part of the workplace re-entry, the PSC also developed an APS-wide interim hybrid work policy that allows APS staff to work from home where operationally feasible up to two days a week.

The pandemic and associated economic consequences have led to a tight labour market with many industries struggling to attract and retain the skilled workers they need. The PSC continues to work on the attraction and retention of highly-skilled public service workers capable of meeting Albertans needs. Advancing D&I is a key part of this effort.

Communications

Effective government communications continued to be critical in 2021-22, addressing Albertans' information needs during the second year of the COVID-19 pandemic providing timely information about public health measures and showcasing the important work of economic recovery.

CPE conducted research to understand Albertans' awareness of health measures and risks, their information needs, and trusted information sources. This work informed an extensive communications effort to ensure that all Albertans had the information they needed to keep themselves and their families safe, including:

- Extensive media outreach to provide real-time information to Albertans, including regular media availabilities with experts and elected officials, and hundreds of news releases and news conferences with more than 8 million impressions.
- Traditional and digital advertising to encourage vaccination and inform Albertans of the latest public health measures. In total, government's COVID-related advertisements received more than 2.8 billion views.
- Updates to alberta.ca with the latest information on government programs and services. The website continued to see heavy traffic with more than 122 million sessions. Overall, traffic to the site has increased by 554 per cent since 2019-20.
- Continued growth in direct communications channels, including a 17 per cent increase in government social media communities, as increasing numbers of Albertans took to social media for updates and public health information.
- Translation of almost 200 COVID-related materials into 13 languages, with focused attention on newcomers and other non-English speakers to ensure all Albertans had accessible information about the public health measures in place to keep them safe. This represented government's largest translation project to date.
- Engagement with targeted audiences, such as faith leaders, business owners, daycare providers and community-based organizations, including telephone town halls that reached more than 12,300 Albertans and provided key opportunities for questions and dialogue.

Red Tape Reduction

TBF continues to remove regulatory barriers and reduce costs for Alberta's job creators, modernize our regulatory systems, and improve the delivery of government services while ensuring effective regulatory oversight over vital consumer, environmental, health and safety protections, and fiscal accountability. The Government of Alberta's ongoing commitment to reduce red tape by one third by 2023 is helping to make the province the most attractive destination for investment and job creation in North America, while strengthening Alberta's competitive advantage. Details on red tape reduction achievements can be found under Outcome One, Key Objective 1.1 (Page 22).

Outcome One: A strong and resilient government financial foundation that supports sustainable government services and demonstrates excellence in accountability and transparency

Key Objective 1.1

Lead government's red tape reduction efforts to remove unnecessary regulatory and administrative burdens on Albertans and businesses, while maintaining consumer, environmental, health and safety protections and fiscal accountability, and support economic recovery by reducing costs for business, eliminating regulatory barriers for job creators, attracting investment, and improving service delivery to Albertans

TBF continued to lead the whole of government effort to reduce red tape by one-third by 2023, prioritizing meaningful, common-sense changes with the highest impact to stakeholders and Albertans. This included removing regulatory barriers and reducing costs for Alberta's job creators, modernizing government's regulatory systems, and improving the delivery of government services. These changes were implemented while continuing to ensure vital consumer, environmental, and health and safety protections, and fiscal accountability. As a key pillar of Alberta's Recovery Plan, the ongoing work to reduce red tape is enabling Alberta to become the most attractive destination for investment and job creation in North America, while strengthening the province's competitive advantage.

In 2021-22, government completed more than 100 red tape reduction initiatives, contributing to a cumulative 25.3 per cent reduction in regulatory requirements, and savings of $1.2 billion, as estimated by industry and government ministries.

Alberta's success has been recognized by the Canadian Federation of Independent Business (CFIB), which has consistently ranked Alberta as one of the country's top performers on red tape reduction over the last three years. Alberta's Government continues to work with the CFIB to identify further opportunities to improve its red tape performance.

TBF continued to lead an industry-driven approach informed by nine Red Tape Reduction Industry Panels that include representation from across Alberta's key economic sectors: oil and gas; chemical manufacturing;

Actions that Support the Priorities of the Government of Alberta Strategic Plan

Key Priority Two: Protecting livelihoods

Objective Two: Reducing red tape

Government achieved a cumulative 25.3 per cent reduction in regulatory requirements in 2021-22, exceeding the 20 per cent target set for the fiscal year, while continuing to receive high grades from the Canadian Federation of Independent Business as one of Canada's top performers on red tape reduction.

TBF has eliminated 32 per cent of its regulatory requirements, which included a reduction of 11.4 per cent in 2021-22 alone.

By the end of fiscal 2021-22, AGLC had eliminated 37 per cent of the requirements that apply to the gaming, liquor and cannabis industries.

The elimination of unnecessary or redundant regulation and burdensome government administration has saved Albertans a total of $1.2 billion, as estimated by industry and government ministries.

forestry; tourism and hospitality; agriculture, food and bio-industrial; non-profit; construction; small business; and industrial manufacturing. Collectively, panels have submitted over 450 recommendations, over 200 of which have been addressed, including 50 in 2021-22.

TBF enhanced its Red Tape Reduction website to ensure ongoing transparency and accountability in reporting red tape reduction progress. This included more prominence to the dedicated portal that allows public submissions to reduce red tape directly to government at alberta.ca/cutredtape. Over 150 submissions were reviewed in 2021-22 for potential action.

The department also led the development and implementation of a regulatory compliance cost analysis tool to be used in the process of policy and regulatory development. This will support a more consistent cross-ministry approach to measuring time and money saved by Albertans and stakeholders as a result of government's red tape reduction initiatives and other regulatory change.

In 2021-22, TBF coordinated the development of two Red Tape Reduction Implementation Acts to provide ministries with a mechanism to bring forward important legislative changes that support job creators, enable economic growth and improve government services.

- Bill 62, the *Red Tape Reduction Implementation Act, 2021* established a clear adjudication process for prompt payment rules in Alberta's construction industry, enabled an expanded mandate for Travel Alberta to support enhanced tourism development, and harmonized Alberta's securities legislation with other Canadian jurisdictions.
- Bill 80: the *Red Tape Reduction Implementation Act, 2021* (No.2) enabled municipalities to establish entertainment districts to support additional revenue, growth and tourism opportunities for local communities, reduced excessive oversight of Alberta's insurance industry, and modernized Alberta Human Rights Commission processes to improve accessibility for Albertans and allow complaints to be resolved more quickly.

In support of government's red tape reduction effort, TBF has also undertaken a comprehensive review to reduce regulatory and administrative burden within the ministry. Between May 1, 2019, and the end of fiscal 2021-22, TBF eliminated 32 per cent of its regulatory requirements.

Much of this success is a supported by reductions from AGLC, which itself has achieved a cumulative reduction of over 37 per cent of its regulatory requirements since 2019. Through Bill 80, *Red Tape Reduction Implementation Act, 2021*, TBF amended the *Gaming, Liquor, and Cannabis Act* to provide small liquor manufacturers, retailers, bars and restaurants more flexibility and opportunities to grow their businesses and create jobs, while allowing greater choice and convenience for consumers. These changes included:

- Enabling municipalities to create entertainment districts - designated public areas where adults may responsibly consume alcohol - helping to promote economic growth for local brewers and distillers, and expand opportunities for tourism and community revitalization.
- Allowing beer, wine and cider made at home or at licensed Ferment-on-Premises establishments to be served at private, non-sale special events, allowing Albertans to enjoy homemade drinks at weddings or family reunions;
- Eliminating the unnecessary requirement for the AGLC to approve sacramental wine used strictly for cultural and religious purposes; and

- Enabling the transition of online cannabis sales from AGLC to Alberta's private sector, providing new business opportunities for cannabis retailers.

Other key changes were made by TBF in 2021-22 to support the reduction of red tape in the areas of financial innovation, insurance and taxation.

Innovation

Through the introduction of Bill 13, the F*inancial Innovation Act*, TBF is establishing a "regulatory sandbox" mechanism in Alberta, providing financial services and financial technology companies with the ability to test new services and business models, without necessarily immediately meeting all regulatory requirements. This outcome-based approach will allow Albertans to benefit from a wider variety of financial products and services, increased industry competition, and eventually lower costs for consumers. Ultimately, promoting innovation and support for emerging financial services technology allows the province to continue to grow as a destination for the finance and fintech sectors, giving them new ways to align their products with consumer needs, build their business and create jobs.

Taxation

Following engagement with First Nations leaders and in collaboration with the Ministry of Indigenous Relations, government discontinued the Alberta Indian Tax Exemption card effective October 4, 2021. Alberta joins other provinces in requiring only the federal Certificate of Indian Status card as identification to receive applicable tax exemptions on purchases of tobacco, fuel and accommodation on-reserve.

- This responds to concerns from First Nations communities around the duplication and red tape for Indigenous peoples associated with having to apply for, and maintain, both a federal and provincial card, and removes an extra layer of bureaucracy for over 100,000 Indigenous people in Alberta with Indian status.

TBF also implemented a number of improvements to the Tax and Revenue Administration Client Self-Service (TRACS) online portal that saved time and resources for taxpayers, third party representatives, and government. Changes included:

- Allowing properly authorized client representatives, such as accounting firms, immediate access to their clients' corporate income tax accounts, as well as the ability to submit documents and transfer payments for corporate income tax accounts online. Transactions that were previously completed over the phone and via email are now submitted immediately online;
- Streamlining the registration process for most tax and benefit programs administered by Tax and Revenue Administration (such as the fuel tax and tourism levy) by integrating the enrolment for TRACS into the registration process, eliminating the need for paper registration forms to be sent to TRA by mail or fax; and
- Mandating electronic filing for Insurance Premiums Tax and Health Cost Recovery returns, which encourages taxpayers to use TRACS to self-manage their accounts, improving efficiency while reducing the ministry's administrative burden.

As of March 31, 2022, tax returns submitted electronically included:

- 94 per cent of all corporate income tax returns;
- 89 per cent of tourism levy returns;
- 93 per cent of International Fuel Tax Agreement returns;
- 92 per cent of health cost recovery reports;
- 93 per cent of insurance tax returns;
- 98 per cent of fuel tax returns and claims;
- 100 per cent of propane retailer claims;
- 97 per cent of tobacco tax returns; and
- 100 per cent of emergency 911 levy returns.

Performance Measure: One-third red tape reduction by 2022-23

Performance Measure	Target 2021-22	Actual 2021-22
One-third red tape reduction by 2022-23	20.0% Government of Alberta	25.3% Government of Alberta
	20.0% TBF	32.0% TBF

Explanation of Variance

The Government of Alberta exceeded the target by 5.3 per cent. TBF has eliminated 32 per cent of its overall regulatory requirements, exceeding the target by 12 per cent.

Prior Year's Results

Government of Alberta		TBF	
5.0% 2019-20	15.7% 2020-21	3.0% 2019-20	19.5% 2020-21

Trend

Led by TBF, the government has now nearly met the one-third red tape reduction target, and is on track to achieving its objective of reducing regulatory requirements by 33 per cent by 2023.

Key Objective 1.2

In response to the fiscal impacts of COVID-19, the decline in oil prices and global economic recession, make it as easy as possible for businesses to operate, grow, create jobs and drive Alberta's economy forward through the development and implementation of Alberta's Economic Relaunch Strategy (which includes sector strategies to support small and medium businesses) and the Alberta Recovery Plan, to ensure Alberta's economic diversification, growth and long-term economic success

TBF's unique role as the lead economic, financial and budget adviser for the province ensures the allocation of government resources toward government priorities and areas that Albertans need most, such as the Alberta Recovery Plan, health, education and social services as well as economic diversification strategies. The ministry provided timely, relevant and accurate strategic advice, analysis and guidance to Premier, Minister, Deputy Minister, Treasury Board, and other government ministries to support fiscal and economic decision-making.

TBF continued to provide information, analysis and advice on the province's economic and fiscal policies in support of Alberta's Recovery Plan. Initiatives originally conceptualized as part of a Relaunch Strategy were ultimately all bundled into an overarching Recovery Plan with a dual focus on short term supports as well as strengthening Alberta's fundamentals to support long term economic growth.

TBF produced timely and accurate economic and revenue analysis on numerous government programs and initiatives such as the Alberta Jobs Now program, Hydrogen Roadmap, Site Rehabilitation Program, investments in irrigation, rural broadband, and the provincial capital plan. The analysis helped to inform government leadership and the Treasury Board on the impact of the programs on the economy, employment and government revenue, and allowed government to obtain an understanding of the broader economic and fiscal implications and assess potential consequences from government decisions.

TBF coordinated with multiple ministries to provide analysis on labour markets, jurisdictional scans, and insights into the policy development to support Alberta at Work. This program, introduced through *Budget 2022,* is government's major initiative to further support Alberta's labour market recovery through five pathways: building foundations, developing skills, seeking employment, advancing your career, and workforce and investment attraction. An additional $600 million over three years (2022-23 to 2024-25) was included in *Budget 2022*.

In response to a recommendation from the MacKinnon Panel, TBF established a voted, transferrable contingency expense. While government had previously held an expense for unexpected disaster and emergency assistance through the budget, the contingency expense is now voted through the appropriations process in the estimates of Treasury Board, and is legislated to be transferrable to other ministries via Order-in-Council. This increases government accountability and transparency to Albertans as Contingency allocations are disclosed through the budget as well as quarterly and mid-year fiscal updates and year-end reports.

- TBF managed the budgeted, unallocated $2.5 billion Contingency expense, established in *Budget 2021* to support disaster and emergency assistance and unanticipated COVID-19 and Recovery Plan initiatives. Treasury Board Committee fully allocated the expense, and TBF guided the expense and vote allocations through the Order-in-Council process. Details on the allocation of this contingency are provided in the COVID-19 section on page 19.

Tax and revenue policy and administration

TBF oversees and provides policy advice on tax policy as well as a fair and efficient administration system for provincially collected taxes. Unlike many other provinces, Alberta retains control of the system for the collection and administration of provincial Corporate Income Tax.

In 2021, the Innovation Employment Grant was implemented to promote investment and diversification by rewarding all research and development spending in Alberta, regardless of the industry, and by focusing on firms in the earlier stages of operation, when they might not yet be profitable. The Innovation Employment Grant is a shared responsibility between the Ministry of Jobs, Economy and Innovations and TBF, and is delivered through the corporate tax system. Eligible corporations can easily claim the grant when they file their annual corporate tax return. In 2021-22, Alberta provided $12.5 million in refundable tax credits related to the Innovation Employment Grant.

TBF monitored tax developments across Canadian jurisdictions, provided information and advice to government on issues with respect to Alberta's tax system and the impact on Albertans and Alberta businesses. Monitoring tax developments, including federal, provincial and international tax changes, is necessary as changes can affect Alberta's competitiveness and federal changes have direct impacts on Albertans and Alberta businesses.

Beginning in 2021-22, online marketplaces for lodging (for example, Airbnb or Vrbo) were required to remit the provincial tourism levy on behalf of Alberta's short-term rental hosts to ensure the levy is applied fairly and consistently across all temporary accommodations and to minimize red tape for small operators. Under the previous scheme several hundred Alberta short-term rental hosts were required to register, collect and remit the tourism levy directly to government on a quarterly basis which was considered overly burdensome.

TBF implemented a new category for smokeless tobacco and a tax rate of 27.5 cents per gram, which aligns with Alberta's per cigarette tax rate. Smokeless tobacco includes chewing tobacco and other tobacco products that are not smoked or heated, but instead consumed orally. Smokeless tobacco was previously taxed as loose tobacco, a catch-all category that applies to several tobacco products. This approach parallels that of other provinces, such as Ontario, where the tax rates per cigarette and per gram of smokeless tobacco are equal. This approach also reduces the incentive for Albertans to purchase smokeless tobacco outside the province.

TBF met with tobacco companies eight times for the purpose of discussing tax administration.

In 2021-22, TBF:

- Recorded $7.5 billion from tax and revenue programs administered by TBF, including corporate income tax, fuel tax, tobacco tax, insurance tax, and the tourism levy. The government lowered the corporate income tax rate from 12 per cent to 8 per cent in July 2020 in an effort to attract investment and stimulate business growth. In 2021-22, corporate income tax revenues were $2.8 billion higher than *Budget 2021* forecast and $1.4 billion higher than *Budget 2022* forecast. These positive variances are driven by the stronger than anticipated recovery in corporate profits in oil and gas, finance and manufacturing sectors, as well as higher cash installments and lower refunds in the fiscal year.
- Continued to promote compliance with Alberta's mineral resource revenue programs and corporate and commodity tax programs to ensure taxpayers meet their obligations and report/remit taxes fairly and accurately. TBF recovered more than $433 million through audit and compliance activities.

The Alberta government maintains a central registry of property that has been presumed abandoned by its owner, and TBF administers this program. In 2021-22 TBF issued over 392 cheques with a total value of $1.3 million, through the unclaimed property registry. As of March 31, 2022, there were approximately 326,770 items in the unclaimed property repository with an estimated value of $135 million.

Of note, in 2021-22, the Claims and Recoveries team previously with the Ministry of Justice and Solicitor General joined TRA. This supported the government's continued efforts to consolidate collection activities into a single centre of excellence in pursuit of better client outcomes and efficiency.

Outcomes related to reducing the regulatory burden of the province's tax and revenue administration system, including the access to online services, were reported under Key Objective 1.1 on red tape reduction page 24.

Performance Measure: Ratio of amounts added to net tax revenue to costs of administration (as a measure of efficiency)

Performance Measure	Target 2021-22	Actual 2021-22
Ratio of amounts added to net tax revenue to costs of administration (as a measure of efficiency)	9.0:1	10.1:1

Explanation of Variance

The ratios for 2021-22, 2019-20 and 2018-19 exceeded the target of 9.0:1. This was due to interest and penalty recoveries made by applying reassessments in Alberta.

Prior Year's Results

2017-18	2018-19	2019-20	2020-21
10.0:1	15.1:1	11.7:1	8.0:1

Trend

The ratio can fluctuate from year-to-year, but over the long run it is expected to be +/- 1 from the established target (9.0:1). The average over the last 4 years is currently 11.0:1.

Performance Measure: Value of pursuable Corporate Income Tax debt (tax debt not under dispute) as a percentage of total Corporate Income Tax revenue

Performance Measure	Target 2021-22	Actual 2021-22
Value of pursuable Corporate Income Tax debt (tax debt not under dispute) as a percentage of total Corporate Income Tax revenue	≤7.0%	8.8%

Explanation of Variance

Due to the COVID-19 pandemic, collection processes were adjusted for much of the year to account for the financial challenges many Alberta businesses faced resulting in an increase of pursuable tax debt.

Prior Year's Results

N/A	6.0%	6.8%	10.2%
2017-18	2018-19	2019-20	2020-21

Trend

The economic impacts of the COVID-19 pandemic had a direct impact on the 2020-21 and 2021-22 results. The percentage can fluctuate from year-to-year, but over the long run it is expected to be on target.

Economic analysis and advice

TBF provided regular economic and revenue forecasts, analysis and advice to support critical decision-making across government and by Treasury Board Committee. TBF leverages its economic and financial expertise to help the government develop and implement policies that support economic recovery and improve the fiscal environment to enhance investor confidence, attract businesses and create jobs.

The uncertainty surrounding oil prices and the challenges the Alberta economy faced as a result of the COVID-19 pandemic necessitated additional analysis to inform policy decision making and strengthen fiscal transparency. TBF developed detailed economic and revenue scenarios in the 2021-22 mid-year fiscal update and *Budget 2022*. The scenarios analyzed potential impacts on Alberta's real GDP, nominal GDP, employment, and tax and resource revenues of high and low oil price and COVID-19. They also demonstrated the potential volatility of Alberta's economy and revenue.

Quick Facts

TBF publishes a variety of online economic publications throughout the year, including:

- Economic Review (Weekly)
- Alberta Economy – Indicators at a Glance (Weekly)
- Labour Market Notes (Monthly)
- Economic Trends (Occasionally)
- Economic Spotlights (Occasionally)
- Demographic Statistics (Quarterly)
- Demographic Projections (Annually)
- Alberta Activity Index (Monthly)

TBF held consultations with Chief Economists from the private sector in the fall of 2021 to test economic assumptions and discuss policy levers for supporting economic growth and diversification in the province. Feedback was taken into consideration as the economic and revenue forecasts were developed to support budget and fiscal planning.

Cash, borrowing and investment management

TBF is responsible for ensuring that the government has sufficient cash to fund its fiscal and capital programs, refinancing maturing debt and meeting the borrowing needs of provincial corporations. Prudent management of government finances and investments allowed the government to meet the province's financial requirements and ensure continued delivery of government programs.

In 2021-22, government maintained prudent cash levels to reduce market risks, including maintaining a cash reserve of $4 billion and the issuance of $4.9 billion in term debt to fund the province's fiscal and capital requirements.

Government continued to maintain a diverse investor base, both domestically and internationally, to preserve and strengthen the global demand for Alberta bonds, and capitalized on the reduced borrowing requirements of the province by focusing on less expensive domestic markets for term debt issued by the province.

Investments

Alberta investment funds are held in a number of savings vehicles, including the Heritage Fund, and various other endowments and specialty funds. AIMCo provides investment management services to the province for these fund investments. The returns on these investments provide a significant source of revenue to the government.

The Heritage Fund is Alberta's main long-term savings fund. The Fund was established in 1976 to collect a portion of Alberta's non-renewable resource revenue for future generations. The income produced by the Fund supports government programs essential to Albertans like health care, education, and infrastructure.

The Heritage Fund is invested in a globally diversified portfolio consisting of public and private stocks and bonds, real estate and infrastructure investments such as airports, public utilities and toll roads. All realized income is transferred to the General Revenue Fund on an annual basis except for the portion of income that is retained in the Heritage Fund to protect against inflation and maintain the real value of the Fund. The Heritage Fund posted exceptionally strong results for 2021-22. Equities, both public and private, were the main performance drivers during the year in line with the strength of global markets.

Investment Highlights

Heritage Fund

- Earned an **11.8 per cent** rate of return and **$2 billion** in net income from operations;
- Total net assets market value of $**18.7 billion**;
- Income generated by the Fund was **$2 billion** during the year.

AIMCo

- On behalf of its Alberta-based pension, endowment and government fund clients, AIMCo earned a total fund return of **14.7 per cent** net of all fees for the year ended December 31, 2021, producing a record annual value-add of **$7.7 billion**.

However, gains were seen across all asset classes except for fixed income.

- During the 2021-22 fiscal year, the Heritage Fund earned an 11.8 per cent rate of return and $2 billion in net income from operations.
- At year end, the Heritage Fund had total net assets with a market value of $18.7 billion – the highest level since the creation of the Fund in 1976.
- Over the past 5 years, the Heritage Fund earned an average 7.6 per cent annual rate of return. Over the past 10 years, the average annual return was 9.3 per cent.
- Income generated by the Fund was $2 billion during the year.

Performance Measure: The Alberta Heritage Savings Trust Fund will earn a five-year annualized rate of return of CPI plus 4.5 per cent

Performance Measure		Target 2021-22	Actual 2021-22
The Alberta Heritage Savings Trust Fund will earn a five-year annualized rate of return of CPI plus 4.5 per cent		6.4%	7.6%
Explanation of Variance			
Capital markets have provided strong returns over the last five years, led by returns in the equity markets. The Heritage Fund currently has a target allocation of 50 per cent to equities that has allowed it to post above target real returns.			
Prior Year's Results			
6.0% 2017-18	6.2% 2018-19	6.2% 2019-20	7.2% 2020-21
Trend			
Over the past number of years, the Heritage Fund surpassed the performance target on the Fund.			

AIMCo on behalf of the province managed various endowment and other funds, including the Alberta Heritage Foundation for Medical Research Endowment Fund (AHFMR), the Alberta Heritage Scholarship Fund (AHSF), and the Alberta Heritage Science and Engineering Research Endowment Fund (AHSER). The endowment and other funds provide funding for specific programs. For example, the AHSER provides income to the Ministry of Advanced Education, which in turn funds priority research efforts; the AHSF provides scholarships to thousands of secondary and post-secondary students in Alberta, assisting students to pursue further academic and trades education.

The accumulated surplus in the Heritage Fund was significantly higher in 2021-22 while various endowments also earned healthy returns. On behalf of its Alberta-based pension, endowment and government fund clients, AIMCo earned a total fund return of 14.7 per cent net of all fees for the year ended December 31, 2021. This represents the strongest year in AIMCo's history, surpassing an aggregated client benchmark of eight per cent, and producing a record annual value-add of $7.7 billion.

Federal-provincial relations

Alberta continues to make significant fiscal and economic contributions to Canada. Over the last 25 years, Albertans contributed over $400 billion more in federal taxes than they received back in federal spending and transfers.

Despite Alberta's outsized contributions to the federation, several aspects of the federal-provincial fiscal and economic relationships have not resulted in a fair deal for Alberta. To resolve this, Alberta is advocating for a fair deal within the federation and is proposing changes to major federal transfers.

In 2021-22, Alberta continued to advance its proposals for reforming the Fiscal Stabilization Program (FSP), the Equalization Program and the Canada Health Transfer (CHT). Alberta recently held a referendum on equalization, in which 62 per cent of voters were in favour of having the principle of making equalization payments removed from the Constitution. The referendum highlighted the insufficient federal progress with reforms to federal policies that harm Alberta's economy.

In November 2020, the federal government announced only modest changes to FSP, including an adjustment to the program's cap (which had been unchanged at $60 per provincial resident for over thirty years). The revised cap of nearly $170 per provincial resident, along with other minor program changes, did not address the fundamental lack of an adequate revenue stabilization mechanism for provinces. Alberta continues to advocate for the elimination of the fiscal stabilization payment cap, retroactive to 2015-16.

Actions that Support the Priorities of the Government of Alberta Strategic Plan

Key Priority Two: Protecting livelihoods

Objective Seven: A Fair Deal for Alberta

In response to the Fair Deal Panel recommendations, Alberta conducted a referendum on equalization. **Sixty-two per cent** of voters were in favour of the principle of equalization being removed from the Constitution. This strengthens the province's position as it engages with the federal government.

Advocacy from Alberta and others resulted in modest enhancements to the Fiscal Stabilization Program in November 2020. However, TBF continued to provide analysis and advice to the President of Treasury Board, Minister of Finance and to the Premier to support advocacy on federal-provincial fiscal relations, as Alberta continued to pursue more comprehensive reform of the FSP along with enhancements to the Equalization Program and the CHT.

TBF officials also represented Alberta on federal-provincial-territorial and PT committees reviewing the major fiscal transfers, ensuring fair and effective federal support and are in the interests of Albertans.

The province also maintains its support of Premiers' request for the federal government to support a sustainable funding partnership for health care through an immediate, substantial and long-term increase to federal health funding. Specifically, Premiers have requested the federal government increase its funding share to 35 per cent of provincial health expenditures.

Actions that Support the Priorities of the Government of Alberta Strategic Plan

Key Priority Three: Fiscal Accountability

Objective One: Enhanced reporting

TBF is responsible for fulfilling accountability requirements under the *Fiscal Planning and Transparency Act*, providing advice and interpretation on Public Sector Accounting Standards, and ensuring effectiveness, efficiency, and continual improvement of government's financial operations, control policies and risk management. During the year, TBF continued its work to enhance government accountability and transparency and support the financial community in government.

TBF released timely, relevant, and accurate fiscal updates, budget documents, and supplementary and main estimates in the face of changing economic and revenue outlooks, COVID-19 waves and unanticipated and emerging priorities, including the Summer 2021 drought. A variety of online economic publications are made available to the public including weekly publications of Economic Review and Economic Indicators at a Glance.

Ministry annual reports include more detail on the ministry's performance, financial information and future direction, and have aimed to more effectively integrate financial and non-financial information to ensure Albertans understand the dollars spent on government programs and the value they receive. Additional guidance and tools have been provided to ministries in support of this endeavour.

TBF maintained regular communication with Financial Controllers in other jurisdictions to exchange ideas and information, allowing government to adopt best practices and evaluate and improve financial operations, reporting and business processes.

Outcome Two: Policy and regulatory oversight for the liquor, gaming, cannabis, financial, securities, insurance and pensions sectors that is effective, fair and in the interests of Albertans

Key Objective 2.1

Lead and implement changes to keep legislation, regulations and policies current and aligned with the red tape reduction initiative, including principles of regulatory efficiency, through:

a. **Review of the *Gaming, Liquor and Cannabis Act*, supporting Regulation, and AGLC Handbooks;**
b. **Review of private sector pension legislation; and**
c. **Further red tape reduction associated with auto insurance reforms.**

Gaming, liquor, and cannabis

Policy changes in the gaming, liquor, and cannabis sectors enacted both through government legislation and regulation but also updates to AGLC policies supported innovation, modernization and growth by removing unnecessary restrictions, or creating new opportunities for industry to expand responsibly.

AGLC is expanding opportunities for charitable gaming through casinos, raffles, bingo and pull ticket events. In 2020-21, $137 million was earned by charitable organizations. Revenue for 2021-22 will be available in the Alberta Gaming, Liquor and Cannabis' Annual Report.

Alberta has made it easier for charities to host community bingos, increasing fundraising potential including:

- Eliminating the bingo event limit to hold only one special event a month;
- Accommodating the sale and consumption of liquor during community bingo events; and
- Reducing financial reporting requirements for community bingos that generate $20,000 and less in annual gross bingo revenue.

Alberta has created additional raffle opportunities and flexibility for charitable organizations including increasing the duration of bearer ticket raffles from same-day events to allow for multi-day events, enabling charities to offer ticket subscriptions for raffle licences with reoccurring draws, and enabling charities to offer secondary prizing within a progressive raffle increasing their fundraising potential.

Alberta has extended the hours of Video Lottery Terminal (VLT) operations at casinos, racing entertainment centres and VLT retailers, which will allow for additional revenue opportunities for the respective licensees.

AGLC's cannabis policy was amended to allow retail stores to transfer products between stores, allowing for better inventory management by business owners.

Other key achievements in this policy space are reported under Key Objective 1.1 on red tape reduction page 23-24.

Financial Sector

TBF provided policy support and regulatory advice for Alberta's financial sector, helping ensure that financial institutions and markets are efficient, innovative and fair, while protecting consumers and investors. In 2021-22, TBF:

- Amended the ATB Financial Regulation to allow ATB Financial (ATB) to secure loans using real estate outside of Alberta. This change was requested by ATB to allow them to better support Albertan's requests to use extra-provincial real estate as security for loans. This enables ATB to better meet their customers' needs, in particular individuals living in border communities.
- Allowed ATB to operate a discount investment brokerage to provide ATB and its clients with more flexible options for ATB Financial products and services. This allows ATB to become competitive with other online discount brokerages that exist today (e.g., Wealthsimple, Questrade). At this time, ATB has not opened a discount investment brokerage.
- The *Credit Union Act* was amended to enable the transfer of responsibility for the regulatory oversight of Credit Union Central of Alberta to the Credit Union Deposit Guarantee Corporation (CUDGC). This enables government to take advantage of available expertise at the CUDGC, which results in a more efficient use of existing resources. This change also minimizes regulatory gaps by allowing CUDGC to oversee the entire credit union system, allowing government to be more aware and responsive in the future to events impacting the credit union system. The transfer of responsibility is expected to be finalized in Fall 2022.

- The *Loan and Trust Corporations Act* was amended to enhance oversight and support the growing finance and fintech sector in Alberta by broadening the Minister's ability to establish or amend terms, conditions and restrictions on registered entities. This will ensure that registered entities in Alberta continue to operate in a safe and sound manner. Government will also be better able to respond to the rapid evolution of the financial services sector.

More details on the *Financial Innovation Act*, a key reform for Alberta's financial sector were reported under Key Objective 1.1 on red tape reduction page 24.

Insurance

The Office of the Alberta Superintendent of Insurance is responsible for regulatory oversight of the 235 insurers licensed to operate in Alberta, and the prudential supervision of 11 provincially-incorporated insurance companies. The Superintendent works to ensure that insurance companies treat Albertans fairly and in line with expectations set out in insurance regulation.

Government has taken action to both stabilize automobile insurance costs and improve medical benefits for Albertans injured in collisions. Recent actions have focused on making rates more affordable, improving care, and expanding options (e.g., pay-as-you go and usage-based insurance).

On January 1, 2022, Alberta adopted a Direct Compensation for Property Damage (DCPD) system where drivers claim from their own insurer instead of claiming for vehicle damage from the other at-fault driver's insurance. DCPD is a more streamlined process for consumers, who will have the advantage of dealing with their own insurance company, making the claims process faster and more efficient.

- To support the regulatory activities associated with the implementation of DCPD, in October 2021 and in collaboration with the insurance industry, the Office of the Superintendent of Insurance amended and approved 29 standard automobile insurance contract forms which were released three months ahead of schedule, giving insurers sufficient time to prepare for change.
- Based on data from rate filings with the Automobile Insurance Rate Board, under DCPD, 42 per cent of drivers will see a reduction in their premiums and roughly 15 per cent will see no change. An estimated 34 per cent of drivers will see an increase in their premiums between zero and five per cent.

Other changes to the *Insurance Act* limit the number of experts involved in traffic injury lawsuits to save money and speed up resolution. Additionally, the Minor Injury Regulation was revised to include more injuries without a permanent negative or life-altering impact for injured individuals, as well as improvements to the injury dispute resolution processes.

A number of changes were made to enhance administration in the insurance industry. Amendments to the *Insurance Act* allowed for the authority to set fees for examinations, licensing, and continuing education to be delegated from the Minister of Finance to the Alberta Insurance Council and Accreditation Committee. This will ensure greater responsiveness in regulating the insurance industry and ensures fees appropriately reflect current industry conditions and needs.

TBF also amended the Insurance Agents and Adjusters Regulation to allow general insurance agents to hold more than one level of license, supporting greater labour mobility and facilitating succession planning, particularly in smaller insurance agencies.

Each month, insurance compliance staff in the Superintendent's office respond to upwards of 300 inquiries from Albertans about a variety of concerns with insurer conduct, some of which result in investigations.

In 2021, the Superintendent of Insurance administered six penalties against insurers for non-compliance with the *Insurance Act*, totalling $142,000.

Information on captive insurance legislation is reported under Objective 2.2 page 37.

Performance Measure: Alberta incorporated insurance companies rated as stable by the Superintendent of Insurance

Performance Measure		Target 2021-22	Actual 2021-22
Alberta incorporated insurance companies rated as stable by the Superintendent of Insurance		100%	100%
Explanation of Variance			
Met expectation.			
Prior Year's Results			
100% 2017-18	100% 2018-19	91% 2019-20	100% 2020-21
Trend			
In the wake of the Fort McMurray wildfires, in 2021-22, due to extensive losses, one Alberta insurer's risk of insolvency increased, and the Superintendent worked with it to return to stability in 2021-22.			

Pensions

The Office of the Superintendent of Pensions is responsible for the regulatory oversight and supervision of registered pension plans. This supports the stability of registered pension plans and member confidence in the plans.

In 2020, meetings with various Superintendent advisory committees were suspended due to local COVID-19 public health and travel restrictions. In 2021, TBF resumed these meetings virtually to discuss options for modernizing funding rules for defined benefit and target benefit pension plans, innovation and red tape reduction. Discussions are ongoing.

TBF continues to analyze and advise government on Alberta's participation in the Canada Pension Plan and, in response to the Fair Deal Panel, provides advice on a possible Alberta Pension Plan.

Over the 2021-22 fiscal year, the Superintendent of Pensions did not receive any complaints or conduct any investigations.

Key Objective 2.2

Support Alberta businesses by encouraging investments and improving access to capital with a flexible and responsive regulatory framework

In November 2021, Alberta joined British Columbia as the only other province to introduce captive insurance legislation. The *Captive Insurance Companies Act* (coming into force in July 2022) will allow a parent company to create a licensed insurance company to provide coverage for itself and its subsidiaries. The formation of captive insurers as an alternative to the traditional insurance market will help relieve cost and insurance availability pressures on Alberta businesses. There has been broad interest across multiple industries considering the option of captive insurance including energy, agriculture, accommodation and tourism.

TBF established a financial services concierge to support Alberta's financial services and financial technology sector to assist in their efforts to navigate the legislative and regulatory requirements in Alberta. This applies to financial services and fintech firms in Alberta. In 2021-22, one digital asset custodial trust became registered and a second became incorporated. As this service is new, results are not yet available and will be included in the 2022-23 Ministry Annual Report.

Securities

TBF oversees the Alberta Securities Commission (ASC), the regulatory agency responsible for administering the province's securities laws and is entrusted with protecting investors and fostering a fair and efficient capital market in Alberta. As a member of the Canadian Securities Administrators (CSA), a provincial and territorial council of the securities regulators across Canada, the ASC works to improve, coordinate, and harmonize the regulation of Canada's capital market.

The ASC and the Financial and Consumer Affairs Authority of Saskatchewan adopted a new prospectus exemption designed to facilitate greater access to capital for Alberta and Saskatchewan businesses. The new small business financing prospectus exemption allows Alberta and Saskatchewan businesses to raise up to $5 million from the public using a simple, streamlined offering document. The exemption has tiered offering limits that depend on whether financial statements are provided to investors. The ASC and the Consumer Affairs Authority of Saskatchewan pursued this exemption as it is expected to support small and early stage businesses in accessing capital, while still addressing investor protection. The ASC is expected to release its annual report over summer 2022.

Outcome Three: An efficient and effective public service working for Albertans

Key Objective 3.1

Deliver client focused and timely HR services to support the APS to achieve government priorities, including future-focused workforce and workplace planning, and enhancements to the integration, efficiency and functionality of government's HR system to meet the needs of departments and reduce administrative burden

Throughout 2021-22, the PSC provided workforce planning advice, organizational design and talent development to address the needs of the APS as an employer in a rapidly changing employment market and to ensure government priorities were achieved.

The PSC continued to support ministries through the ongoing implementation of the new Human Capital Management system in 1GX, including establishing a temporary issues resolution centre for inquiries, ministry support and training.

Key Objective 3.2

Foster and promote a safe, diverse, inclusive and respectful work environment in the APS

Diversity and Inclusion

The Government of Alberta is committed to a diverse public service workforce that reflects the qualities and differences of the broader population it serves. The Government of Alberta is equally committed to an inclusive workplace that welcomes, respects and values the diversity of employees and supports them to actively engage in the workplace and achieve their full potential.

Championed by the Deputy Minister of Executive Council, the APS continued to implement D&I initiatives to support an inclusive and respectful workplace that: develops and retains employees and strengthens engagement; continues to recruit and retain a workforce that reflects Alberta's diversity; addresses barriers and biases faced by underrepresented groups; continues to support the development of all employees to reduce bias and systemic racism and increase inclusion; and enhances the knowledge of workforce composition approaches to advance diversity and inclusion in the APS.

To support D&I within the ministry, the department of TBF has created its own Diversity and Inclusion Grassroots Team which is comprised of TBF staff, including the Deputy Minister, to explore and respond to the D&I needs within the department. In 2022-23 the D&I Grassroots Team will continue developing and implementing initiatives within TBF to support D&I within the ministry.

In 2021-22 the PSC continued to work toward a barrier free workplace and support and foster a diversity of perspectives with the aim of providing programs and services to meet the diverse needs of Albertans.

PSC developed diversity and inclusion mandatory training with initiatives and resources that support diversity and inclusion across the APS to enhance employee understanding and development, including Indigenous training and topics such as gender and sexuality in the workplace, women in leadership, and anti-racism.
In 2021-22, PSC:

- Piloted Disability Awareness training (launched in March 2022).Through this course, leaders and HR staff learn to establish safer and inclusive work environments for employees with disabilities. Participants will develop an understanding of the roles and responsibilities of leaders in addressing accommodations, creating a psychologically safer workplace, and modeling appropriate language, etiquette and behaviours to create inclusive workplaces.
- Launched the Diverse and Inclusive Recruitment Practices course in February 2022 for Alberta Public Service leaders as part of the Supervisors and Management Competency Development program. This course is designed to provide hiring managers with tangible, real world tools and strategies to create barrier free and inclusive hiring practices.
- Created a number of diversity and inclusion directories to assist public service staff in locating smudging locations, worship or prayer rooms, all gender washrooms, and accessible and shared meeting rooms.

Respectful Workplaces

As part of the government's commitment to respectful workplaces, mandatory online anti-harassment training started in September 2020 and continues to be rolled out for all APS employees, ABC board members, Premier and Ministers' office employees and Offices of the Legislature. The mandatory training is embedded within the Government of Alberta Respectful Workplace Policy, which outlines the Government of Alberta's commitment to ensure "a strong, inclusive, healthy and respectful workplace that is free of harassment, violence and discrimination."

As of March 2022, almost 70 per cent of APS employees have completed the Respect in the Workplace training, building greater awareness and contributing to a positive, inclusive workplace.

A leader in employing persons with disabilities

The Government of Alberta is committed to being a leader in employing persons with disabilities. In 2021, government launched the Employment Program for Persons with Disabilities (EPPD) a recruitment strategy designed to facilitate the participation of persons with disabilities in meaningful employment opportunities in the APS. Through the EPPD, persons with disabilities will gain valuable work experience and be prepared for other opportunities within the organization. Mentoring and coaching supports for EPPD participants were developed as an added resource to assist program participants with their career planning.

The EPPD consists of 14 work experience opportunities for persons with disabilities and four employment opportunities for persons with developmental disabilities. The number of opportunities under the EPPD were reduced by one position compared to the original plan, mainly due to department reorganizations. Recruitment for the employment opportunities for persons with disabilities is complete with all 14 positions filled successfully. Recruitment for the employment opportunities for persons with developmental disabilities is now underway, with a completion date of summer 2022.

Work is also under way to build knowledge and awareness by APS employees about disabilities and to develop tools for supervisors to better support persons with disabilities. A Disability Leaders Community of Practice (CoP) was established in April 2021, and provides a forum for leaders and employees with disabilities to come together and learn from subject matter experts and those with lived experience.

Actions that Support the Priorities of the Government of Alberta Strategic Plan

Key Priority Three: Fiscal accountability

Objective Two: Public Sector Compensation

As part of the 2020 Round of Bargaining, contract negotiations have successfully concluded for 21 collective agreements representing more than 71,000 public sector employees. These discussions supported the government and employers achieve settlements with key tables representing core APS, Registered Nurses (RNs), Auxiliary Nursing Care (ANC) employees, university faculty professors and education support employees.

Through attrition, streamlining and centralization, government has achieved its objectives to enhance the composition of the public service including the reduction of management staff by 16 per cent between March 31, 2019, and March 31, 2022.

Occupational Health and Safety

The PSC supports ministries in developing consistently applied, healthy and safe work environments across all departments, including disability supports for employees, psychological safety and employee well-being.

Over the course of 2021-22, the PSC actively supported the APS in responding to COVID-19 public health measures, developed the workplace re-entry strategy and coordinated COVID-19 cleaning protocols.

PSC continues work to revise mental health and psychological safety policies and practices for inclusion in the APS Wellness, Health and Safety Program in alignment with December 2021 updates to Occupational Health and Safety legislation.

Key Objective 3.3

Provide leadership, resources and advice on board governance and evidence-based recruitment of qualified candidates to support accountability, efficiency and effectiveness in public agencies

Alberta's ABCs are public agencies that play an important role in growing Alberta's economy, creating jobs and ensuring high quality services. To be efficient and effective, ABCs must have the right complement of skills and competencies to deliver programs on behalf of government. Alberta's government centralized the recruitment process and developed a competency matrix tool for ABCs, so the right skills and competencies are represented on boards.

Government appointments in 2021-22 contributed to a wide variety of competencies, experiences and backgrounds among ABC members. Of the over 700 members appointed, approximately 48 per cent are women.

The ongoing ABC Review led to a reduction in the number of public agencies in 2021-22, from 244 to 236, through dissolutions and amalgamations. This work included a review of all of Alberta's ABCs to identify opportunities for efficiency and increased service delivery for Albertans. The PSC provided learning sessions to ABCs on board governance and public agency policy for department staff, as well as orientation sessions for ABC chairs. These sessions ensure consistent implementation of the governance policy across all ministries and boards and ensure ABCs are meeting their mandates, providing value and are aligned with government's direction.

Key Objective 3.4

Continue to provide strategic negotiations and arbitration services, mandate development for bargaining compensation research and data analytics

As part of the 2020 Round of Bargaining, contract negotiations have successfully concluded for 21 collective agreements representing more than 71,000, or 29 per cent of the public sector employees. These discussions supported the government and employers achieve settlements with key tables representing the core Alberta Public Service, Registered Nurses (RNs), Auxiliary Nursing Care (ANC) employees, university faculty professors and education support employees.

These settlements are within government's mandated limits and have been ratified by an overwhelming majority of employees, and serve to establish a strong trend that can now be replicated across all the remaining contract negotiations. The settlement pattern will help reduce Alberta's per capita spending on public sector compensation relative to the three largest provinces (Ontario, BC and Quebec), while ensuring that public sector employees are paid a competitive wage.

Bargaining is still in progress across an additional 128 collective agreements representing 176,000, or 71 per cent of the public sector workforce.

The PSC is responsible for representing the employer in collective bargaining and essential services negotiations, in addition to leading the implementation of the collective agreement and any supporting legislation or policies related to the core public service.

A new collective agreement with the Alberta Union of Provincial Employees was ratified in 2021-22. The new collective agreement supports labour stability for the public service, recognizes the province's long-term economic outlook, and offers measured compensation increases further into the term of the agreement. As part of these processes, the PSC represented the government's interests at arbitration and quasi-judicial proceedings.

Non-unionized employees have been under a salary restraint since 2016, while unionized employees continued to receive incremental pay increases annually as well as negotiated general increases. This created inequitable salary treatment between union and non-union employee groups and resulted in internal equity issues, such as salary compression and inversion between managers and their staff, as well as retention issues for non-unionized employees.

In late 2021, salary restraint measures for non-union (opted-out and excluded, and management) employees were lifted, allowing for modest in-range salary adjustments, if employees were not at the maximum of their salary range. Opted-out and excluded employees received a salary increase of up to four per cent, and managers received up to three per cent. This modest increase in salaries will help government maintain competitive compensation and support increased employee retention. The overall expense is expected to be approximately $14 million across government in 2022-23.

The Government of Alberta's commitment to fiscally responsible public sector compensation was also reflected in cost containment measures such as: reducing costs associated with employee benefit plans, reducing the number of management positions, and optimizing the size and composition of the organization. A specific outcome of these efforts has been the reduction in size of the core public service by a total of seven per cent, much of which has been achieved through natural attrition. Between March 31, 2019 and March 31, 2022, the Alberta Public Service also reduced the overall number of managers by 16 per cent.

Prudent and conservative management of Alberta's public sector pension plans, combined with strategic government action, has helped contribute to the remarkable improvement of the plan's financial health. Most of Alberta's public sector pension plans are close to or at least 100 per cent funded, on an on-going basis, as demonstrated the plan's audited financial statements. This has meant that the contribution rates for members and employers have been decreasing in recent years to reflect their improved financial position. Across all of the public sector pension plans for which the government contributes directly, or indirectly supports through an allocation of dollars to participating employers, the contribution rate reductions have resulted in contribution savings to the Government of Alberta, at a time when factors such as low interest rates, increasing longevity, and volatile capital markets would have typically put more financial pressure on the plans.

Performance Indicator: Inter-jurisdictional comparison of provincial public administration employees per 1,000 residents

Performance Indicator	Jurisdiction	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual
Inter-jurisdictional comparison of provincial public administration employees per 1,000 residents	Alberta	7.0	6.8	6.6	6.1	6.0
	Canada	11.7	12.0	12.0	11.9	12.0

Trend
The 2020 inter-jurisdictional comparison of provincial-public administration employees per 1,000 residents shows that Alberta has experienced a downward trend since 2018 and has remained the second smallest, only greater than Ontario.

Note: (Statistics Canada. Table: 17-10-0009-01 Table: 14-10-0202-01) The provincial public administration employees per 1,000 residents in Alberta decreased for the fourth consecutive year to 6.0, while the national average has remained relatively stable.

Performance Measure and Indicator Methodology

Performance Measure: One-third red tape reduction by 2022-23

Source: TBF

Methodology

A regulatory requirement is any action that a citizen, business, or government must take to access government services or programs, carry out business or pursue legislated privileges. These requirements can be seen in instances where stakeholders have the obligation to do something as referenced in various types of regulatory instruments: statutes, regulations, policies and forms. Regulatory requirements are typically identified by words such as “shall,” “must,” or “required.”

A baseline count of regulatory requirements in government’s statutes, regulations, policies and forms as of May 1, 2019, was completed in February 2020 by all ministries in accordance with the methodology and guidelines developed by TBF. As regulatory instruments are revised, added, or repealed, ministries are required to update their counts of regulatory requirements by reporting any resulting changes in the number of regulatory requirements to TBF.

Performance Measure: Ratio of amounts added to net tax revenue to costs of administration (as a measure of efficiency)

Source: TBF

Methodology

The measure is calculated by dividing the additional revenue obtained through administrative effort by Tax and Revenue Administration’s operating budget. Additional revenue and operating budget does not include amounts reflecting the Compliance and Assurance team from Energy, Crown Debt Collections unit from Service Alberta, and Employment Standards Collections group from Labour and Immigration.

Data comprises a summary of revenue obtained through the revision of returns and claims, the collection of overdue accounts and recoveries due to audit activity. Data is generated through existing Enterprise Resource Planning (ERP) system reports and ad hoc reporting created for the purpose required. Administrative costs are obtained through the Government of Alberta ERP accounting system.

Performance Measure: Value of pursuable Corporate Income Tax debt (tax debt not under dispute) as a percentage of total Corporate Income Tax revenue

Source: TBF

Methodology

The measure is calculated by dividing the value of pursuable corporate tax debt for the fiscal year by total corporate tax revenue for the fiscal year.

Data is generated through existing tax and revenue administration fiscal year end processes. The pursuable corporate tax debt (including interest and penalties) and the total corporate tax revenue are from the Ministry of Treasury Board and Finance working papers for the fiscal year annual report.

Performance Measure: The Alberta Heritage Savings Trust Fund will earn a five-year annualized rate of return of CPI plus 4.5 per cent

Source: AIMCo

Methodology

The performance measurement system employed by AIMCo calculates a total return of the Heritage Fund.

The policy benchmark is calculated through a weighted composition of independently calculated market benchmarks which represent the strategic asset mix of the fund as set by the Ministry of Treasury Board and Finance.

A comparison is made between annualized five-year market value rate of return of the Heritage Fund and the annualized five-year return of the policy benchmark.

The Heritage Fund return is calculated by the investment performance and analytics group within AIMCo's investment operations team using SS&C Sylvan as the official performance system.

Performance Measure: Alberta incorporated insurance companies rated as stable by the Superintendent of Insurance

Source: Superintendent of Insurance, TBF

Methodology

Insurers' Minimum Capital Test (MCT) scores are reported quarterly by insurers in their quarterly filings with the Superintendent of Insurance, and when the score exceeds our threshold of 210 per cent, insurers are considered stable. Scores are also compared to the average MCT reported by the Office of the Superintendent of Financial Institutions regulated insurers for context with the rest of Canada.

Insurers provide MCTs to the Superintendent of Insurance on a quarterly basis.

Performance Measure: Inter-jurisdictional comparison of provincial public administration employees per 1,000 residents

Source: Statistics Canada

Table: 17-10-0009-01 (formerly CANSIM 051-0005) Population Estimates, Quarterly. Statistics Canada. Table: 14-10-0202-01 Employment by Industry, Annual, based on the Survey of Employment, Payrolls and Hours.

Methodology

The inter-jurisdictional comparison of provincial public administration employees per 1,000 residents is determined by dividing the annual employment of provincial public administration by the average of quarterly population estimates and then multiplying by 1,000.

Provincial public administration comprises establishments of provincial or territorial governments primarily engaged in activities of a governmental nature, such as legislative activities, judicial activities, taxation, public order and safety, and the administration of provincial or territorial government programs.

Provincial public administration employment includes employees that are actively being paid in the reporting periods (employees paid by the hour, salaried employees and other employees).

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Financial Information

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Reporting Entity and Method of Consolidation

The financial information is prepared in accordance with government's stated accounting policies, which are based on Canadian Public Sector Accounting Standards.

The reporting entity is the ministry for which the Minister is accountable. The accounts of the ministry, which includes the department and the entities making up the ministry, are fully consolidated using the line-by-line method, except for government business enterprises (GBEs).

Under this method, accounting policies of the consolidated entities are adjusted to conform to government accounting policies and the results of each line item in their financial statements (revenue, expense, assets, and liabilities) are included in government's results. Revenue and expense, capital, investing and financing transactions and related asset and liability balances between the consolidated entities have been eliminated.

GBEs are accounted for on a modified equity basis, with the equity being computed in accordance with the accounting standards applicable to those entities. Under the modified equity method, the accounting policies of the GBEs are not adjusted to conform to those of the government. Inter-entity revenue and expense transactions and related asset and liability balances are not eliminated.

A list of the individual entities making up the ministry are shown on the "Management's Responsibility for Reporting" statement included in this annual report.

Ministry Financial Highlights

- Statement of Revenues and Expenses (unaudited)
- Revenue and Expense Highlights
- Breakdown of Revenues (unaudited)
- Expense - Directly Incurred Detailed by Object (unaudited)

Statement of Revenue and Expenses (unaudited)

	2022 Budget	2022 Actual	2021 Actual	Change from Budget	Change from 2021
		($ millions)	(Restated)		
Revenues					
Income taxes	$ 13,538	$ 18,053	$ 14,293	$ 4,515	$ 3,760
Other taxes	2,988	2,868	2,743	(120)	125
Transfers from Government of Canada	1,797	1,943	3,223	146	(1,280)
Investment income	1,850	3,098	2,246	1,248	852
Net income from government business enterprises	2,340	2,651	1,889	311	762
Premiums, fees and licences	195	331	212	136	119
AIMCo Investment Management Charges	579	847	540	268	307
Other revenue	96	107	103	11	4
Ministry Total	23,383	29,898	25,249	6,515	4,649
Inter-ministry consolidation adjustments	(177)	(163)	(172)	14	9
Adjusted ministry total	23,206	29,735	25,077	6,529	4,658
Expenses - Directly Incurred					
Ministry Support Services	7	5	7	(2)	(2)
Treasury Board Secretariat	6	5	6	(1)	(1)
Fiscal Planning and Economic Analysis	6	5	5	(1)	-
Investment, Treasury and Risk Management	311	404	399	93	5
AIMCo Investment Management Services	578	847	541	269	306
Office of the Controller	7	6	5	(1)	1
Tax and Revenue Management	46	31	34	(15)	(3)
Carbon Tax - Consumer Rebates	5	12	20	7	(8)
Financial Sector and Pensions	186	176	176	(10)	-
Provincial Bargaining Coordination Office	3	3	3	-	-
Corporate Planning and Red Tape Reduction	2	1	2	(1)	(1)
Public Service Commission	63	56	59	(7)	(3)
Communications and Public Engagement	31	31	37	-	(6)
Gaming	39	30	27	(9)	3
Alberta Family Employment Tax Credit	-	2	45	2	(43)
Scientific Research and Experimental Development Tax Credit	4	22	82	18	(60)
Teachers' pre-1992 pensions - Payments	487	491	491	4	-
Motor Vehicle Accident Claims	31	38	35	7	3
Change in Unfunded Pension Obligations	(242)	(272)	(183)	(30)	(89)
Corporate income tax allowance provision	25	54	109	29	(55)
Debt servicing - general government	2,655	2,522	2,378	(133)	144
Contingency and disaster and Emergency Assistance	2,500		-	(2,500)	-
Ministry Total	6,750	4,469	4,278	(2,281)	191
Inter-ministry consolidation adjustments	(192)	(178)	(181)	14	3
Adjusted ministry total	6,558	4,291	4,097	(2,267)	194
Annual Surplus	$ 16,648	$ 25,444	$ 20,980	$ 8,796	$ 4,464

Revenue and Expense Highlights

Actual to budget comparison

Revenue

($millions)

2021-22	2021-22
Actual	Budget
$29,898	$23,383

Revenue for the ministry was $6,515 million, or 28 per cent higher than budget.

Comparison of actual to budget revenue results

- Personal income tax revenue was $1,688 million higher than budget due to a stronger than forecast recovery in household incomes for 2021 and 2022. A large positive prior years adjustment of $745 million also increases revenues in 2021-22. The pandemic support program impacts on taxable income were greater than forecast at 2020-21 year.
- Corporate Income tax revenue, along with related interest and penalties was $2,827 million higher than budget primarily due to higher tax installments collections and lower refunds than forecast. The rebound in oil prices in 2021 helped to drive the recovery in corporate profits as the economy rebounded.
- Other tax revenue was $120 million lower than budget. The variance was largely due to lower than anticipated consumption in Tobacco tax and Fuel tax which was $135 million and $76 million lower than budget, respectively. Tourism levy was $3 million lower than budget due to lower tourist activities. This was partially offset by larger than anticipated growth in insurance premiums resulting in insurance taxes $31 million higher than budget and higher than expected cannabis tax revenue by $59 million because of higher than expected consumption.
- Transfers from the Government of Canada was $146 million higher than budget predominantly due to $142 million being recognized as revenue for Critical workers benefit agreement and restart agreement from the $175 million funding amount that was deferred in the prior year.
- Investment income was $1,248 million higher than budget as investment returns for all funds performances exceeded budgeted projections, primarily due to higher Heritage and Endowment fund income, as early market returns have been strong. AIMCo significantly outperformed the benchmark return percentage for all endowment funds.
- Net income from government business enterprises was $311 million higher than budget due to net income from ATB Financial $393 million more than anticipated. In addition, AGLC's net income was $78 million lower than anticipated primarily due to decreased gaming sales throughout the year resulting from the closure of casinos in response to COVID-19 and net liquor revenue also being lower than anticipated.
- Premiums, fees and licenses were $136 million higher than budget predominantly due to higher payments in lieu of taxes and deposit guarantee fees from ATB resulting from their increased net income.
- AIMCo and Other revenue combined was $279 million higher than budget largely due to increase in AIMCo revenue being higher by $268 million compared to budget. AIMCo incurred higher external third party investment management and performances fees recovered from clients, as AIMCo's performance was 79% better than benchmark resulting in strong correlation on the Investment Income.

Expenses
(*$millions*)

2021-22	2021-22
Actual	Budget
$4,469	$6,750

Expenses for the ministry were $2,281 million, or about 34 per cent under budget.
Comparison of actual to budget expense results

- Investment, Treasury and Risk Management and AIMCo expenses were $93 million and $269 million higher than budget, respectively. This increase is due to expected strong correlation with investment performance, which was also significantly higher than the benchmark performance.
- Gaming was $9 million lower than budget predominantly due to lower than anticipated funding for Horse Racing and Breeding Renewal Program largely due to COVID-19 and closures of Racing Entertainment Centers.
- Tax and Revenue Management was $15 million lower than budget mainly due to lower than expected interest payments on corporate tax refunds.
- Carbon Tax – Consumer Rebates was $7 million higher than budget. Carbon Tax – Consumer Rebate was a refundable tax credit provided to lower and middle income Alberta households to help them adjust to the cost of carbon. This program is delivered by the federal government. The program ended on June 30, 2019 but households still be able to receive amounts under the program if they file late or are being reassessed for applicable years. Residual expenditures will be recorded in the fiscal year they are received. Current year actuals are higher than anticipated due to more late filers and more rebates claimed from reassessed tax returns than expected.
- The Scientific Research and Experimental Development Tax Credit was $18 million higher than budget. While program eligibility ended, Jan 1, 2020, eligible corporations could still file returns within 15 months of the filing deadline. There continues to be reassessments of tax returns that increase the tax credit upon conclusion of objections, appeals, and audits.
- The change in unfunded pension obligation resulted in a higher recovery than budgeted by $30 million, as the financial position of the public sector pension plans has improved and the pre-1992 liabilities for the teachers and the Public Service Management Pension Plan (pre-1992 closed) have been decreasing steadily over the last few years.
- Corporate income tax allowance actuals are higher than budgeted by $29 million. The allowance was adapted to respond to the higher risk of uncollectible corporate income tax receivable presented from the economic impacts of COVID-19.
- Total debt servicing costs were $133 million lower than budget due to sustained low borrowing requirements throughout the year. A few factors contributing to lower borrowing needs include higher than anticipated revenues (royalty revenue from higher oil prices, income taxes revenue and investment income).
- There were no expenses incurred by the ministry for contingency and disaster and emergency assistance budget of $2,500 million. These expenses are incurred and reported by other Ministries as per O.C.75/2022.

Actual to actual comparison of the year-over-year results

Revenue

(*$millions*)

2021-22	2020-21
Actual	Actual
$29,898	$25,249

Revenue for the ministry was $4,649 million, or 18 per cent higher than in 2020-21.

Comparison of year-over-year results (actual to actual)

- Personal income tax revenue was $2,078 million higher than the previous year due to a strong recovery in household incomes for 2021 and 2022. A large positive prior years adjustment of $745 million also increases revenues in 2021-22. The pandemic support program impacts on taxable income were greater than forecast at 2020-21 year end.
- Corporate income tax revenue along with related interest and penalties was $1,682 million higher, primarily due to higher cash collections and lower refunds than forecast. The rebound in oil prices in 2021 helped to drive the recovery in corporate profits as the economy rebounded. Lower accounts receivable was a slight offset to these increases.
- Other tax revenue was higher than the previous year by $125 million predominantly due to increase in fuel tax of $137 million, cannabis tax revenue of $51 million, tourism levy increased by $26 million and growth in insurance tax by $40 million, this was offset by decrease in tobacco tax by $138 million due to decreased consumption.
- Transfers from the Government of Canada was $1,280 million lower than the prior year. In prior year, GoA received $1,301 million in funding for the safe restart agreement and $347 million for the critical workers benefit agreement. Prior year $175 million was deferred of which $142 million was recognized as revenue in the current fiscal year. In addition, there was an increase in the Canada Social Transfer national entitlement available to provinces as well as an increase in population share leading to a $52 million increase.
- Investment income was $852 million higher than the previous year due to strong realized gains compared to prior year combined with a slow gradual recovery of markets from the COVID-19 pandemic in current year. Despite investment performance being stronger in prior year, many of the gains in prior year remained unrealized until the current year. Investment performance includes the effects of both unrealized and realized gains/losses whereas gross income includes only realized gains/ losses.
- Net income from government business enterprises was $762 million higher than last year. Income from AGLC increased by $395 million due predominantly to an increase in net gaming revenue, primarily due to reopening of casinos after lifting COVID-19 restrictions, slightly offset by decrease in liquor revenue compared to prior year. In addition, income from ATB Financial increased by $376 million, as there was a recovery of provision for loan losses compared to prior year there was provision for loan losses.
- Premiums, fees and licenses increased by $119 million, compared to last year. This is primarily due to the increase in income of $112 million from ATB Financial resulting in increased revenue from the payment in lieu of taxes.
- AIMCo revenue was up by $306 million from last year due primarily to AIMCo incurring higher external third party investment management and performance fees recovered from clients.

Expenses
(*$millions*)

2021-22	2020-21
Actual	Actual
$4,469	$4,278

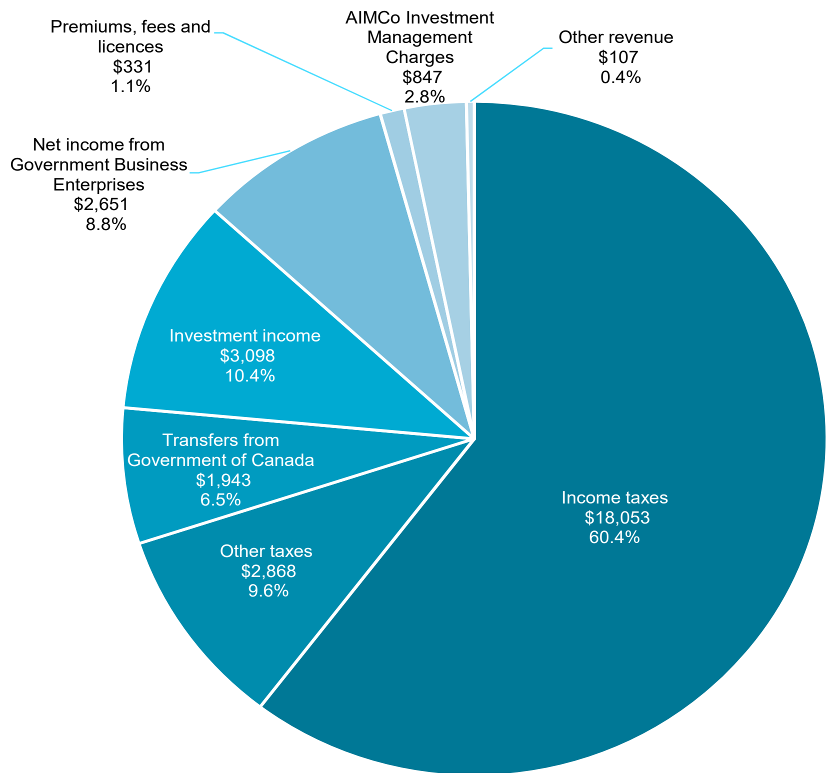
Ministry expenses were $191 million, or 4 per cent higher than in 2020-21.
Comparison of year-over-year results (actual to actual)

- Investment, Treasury and Risk Management and AIMCo expenses were $5 million and $306 million higher than prior year respectively, this increase is mainly driven by the outperformance of the benchmark return. While prior year investment returns were higher, these returns did not outperform the benchmark returns by as high a margin as the current year, which resulted in additional performance-related expenses in the current year.
- The Carbon Tax Consumer Rebate decreased by $8 million compared to prior year. Payments for 2021-22 are entirely composed of retroactive payments for eligible taxpayers who file late or are being reassessed for applicable years. These amounts decline as late filers and reassessments for a particular year decline over time. Residual expenditures are recorded in the fiscal year they are received.
- Alberta Family Employment Tax credit (AFETC) decreased by $43 million to $2 million as starting July 1 2020, AFETC payments were no longer issued, this program was replaced by Alberta Child and Family Benefit (ACFB) which is reported under Children's Services. Households are still eligible for retroactive payments if they file late or are being reassessed for applicable years. Residual expenditures are recorded in the fiscal year they are received.
- Scientific Research and Experimental Development Tax Credit decreased by $60 million compared to prior year as the program ended January 1 2020. Eligible corporations have up to 15 months after the corporations filing deadline to file an eligible claim. The decrease compared to prior year is due to the eligible period ending for the corporations.
- The decrease in the unfunded pension obligation resulted in an increase to the pension recovery of $89 million compared to the prior year. The decrease in the unfunded pension obligation is largely due to the Teachers pre-92 pension plan provision of $154 million decrease from prior year and change in methodology to amortize gains and losses over Expected Average Remaining Service Lifetime for Provincial Judges and Masters In Chambers Pension Plan, Special Forces Pension Plan – Pre 1992 and Supplementary Retirement plan for Public Service Managers compared to immediately recognizing the gains and losses.
- The corporate income tax allowance adjustment decreased by $55 million. While there continues to be a higher risk of collection due to the economic impacts of COVID-19, the estimated extent has decreased from the high of 2020-21.
- Debt servicing costs is $144 million higher than the prior year due to an extraordinary prepayment received by the Loans to Local Authorities portfolio, which in turn triggered a $145 million termination fee for the underlying hedging instruments. The $145 million was recovered from the borrower and is reflected as Investment Income. A sustained reduction in borrowing requirements during the year offset the increase in borrowing rates.

Breakdown of Revenues (unaudited)

($millions)

The following information presents detailed revenue of the Ministry. The total Revenue for 2021-22 for Treasury Board and Finance was $29,898 million, an increase of $6,515 million from the budget.



Income Taxes:
($18 million or 60.4 per cent of the total revenue)

Income taxes remained the largest contribution to Treasury Board and Finance revenue.

- Income tax actuals were $4,515 million, or 33 per cent higher than budget.
- Personal Income tax revenue was $13,335 million. This was $1,688 million or 14 per cent higher than budget.
- Corporate Income tax revenue along with related interest and penalties on corporate income tax was $4,718 million. This was $2,827 million, or 149% per cent higher than budget.

Other taxes:
($2,868 million or 9.6 per cent of the total revenue)

- Other taxes actuals were lower by $120 million or 4 per cent than budget.
- Tobacco tax revenue was $617 million being $135 million lower than budget, fuel tax revenue was $1,275 million being $76 million lower than budget.
- Tourism levy was $59 million being $3 million lower than budget.
- The decrease in other taxes revenue was slightly offset by cannabis tax revenue of $164 million being $59 million higher from budget and Insurance tax of $743 million being $31 million higher from budget.

Transfers from Government of Canada:
($1,943 million or 6.5 per cent of the total revenue)

- Transfers from Government of Canada were higher by $146 million or 8 per cent from budget. $142 million deferred revenue from previous year for critical workers benefit and safe restart agreement was recognized in the current fiscal year.

Investment Income:
($3,098 million or 10.4 per cent of the total revenue)

- Investment income was $1,248 million or 67.5 per cent higher than budget.

Net income from Government Business Enterprises:
($2,651 million or 8.8 per cent of the total revenue)

- Net income from government business enterprises of $2,651 million represents $2,054 million or 78 per cent from AGLC, $586 million or 22 per cent from ATB Financial, and $11 million or less than 1 per cent from CUDGC of the total Net income from Government Business Enterprises. Income from these enterprises was $311 million or 13 per cent higher than budget.

Premiums, fees and licences:
($331 million, or 1.1 per cent of the total revenue)

- Premiums, fees and licenses were $136 million or 70 per cent higher from budget. Payment in lieu of taxes of $175 million and deposit guarantee fee of $59 million from ATB Financial totaling $234 million is the largest source of premium, fee and license revenue, followed by $63 million for fees of the Alberta Securities Commission and $22 million for Motor Vehicle license revenue.

AIMCo Investment Management Charges:
($847 million or 2.8 percent of the total revenue)

- AIMCo Investment Management charges were $268 million or 46.3 percent higher than budget.

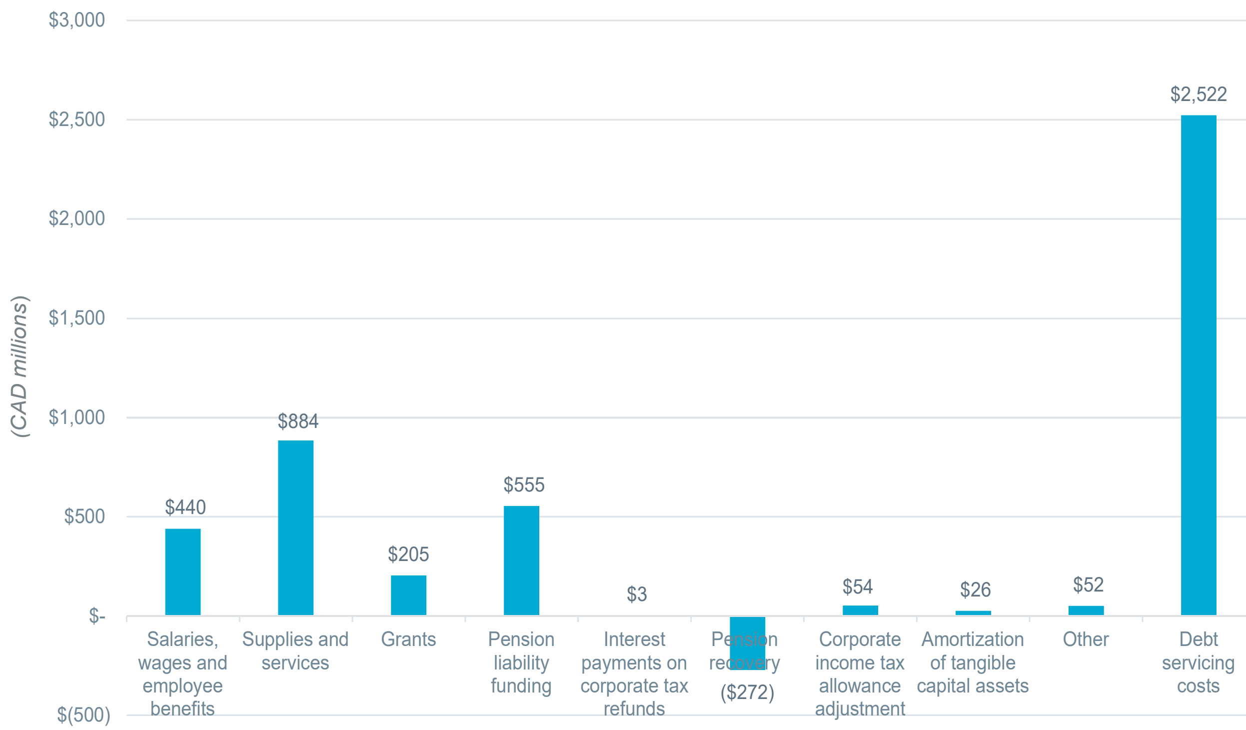
Other revenue:
($107 million or less than 1 per cent of the total revenue)

- Other revenue was $11 million or 11.5 per cent higher than budget.

Expenses - Directly Incurred Detailed by Object (unaudited)

($millions)

The following information presents expenses of the Ministry that were directly incurred by object. The total expense for 2021-22 for Treasury Board and Finance was $4,469 million, an increase of $191 million from previous year 2020-21 and $2,281 million lower than the budget.



Salaries, wages and employee benefits:
($440 million or 10 per cent of the total expenses)

- Salaries, wages and employee benefits were $98 million or 29 per cent higher than budget. The increase was primarily due to AIMCo reporting $109 million higher than budget for salaries because of strong calendar 2021 investment performance which resulted in performance compensation accruals; this is slightly offset by savings in TBF Department due to staffing vacancies.

Supplies and Services:
($884 million or 20 per cent of the total expenses)

- Supplies and Services were $230 million, or 35 per cent higher than budget largely due to AIMCo incurring higher external third party investment fees.

Grants:
($205 million or 5 per cent of the total expenses)

- Grants were $18 million higher than budget, mainly due to higher expenses in scientific research and experimental development tax credit by $18 million compared to budget, gaming grant funding was lower by $8 million due to COVID-19 closures, Carbon tax – Consumer rebate was $7 million higher than budget and Alberta Family Tax credit was $2 million.

Pension liability funding:
($555 million or 13 per cent of the total expenses)

- Pension liability funding actuals were $4 million lower than budget as the rate of retirement from pension plan members and mortality rates remained mainly same throughout the year.

Interest payments on corporate tax refunds:
($3 million or less than 1 per cent of the total expenses)

- Interest payments on corporate tax refunds were $14 million or 82 per cent lower than budget due to less refund interest on corporate income taxes than what was anticipated.

Pension Recovery:
($272 million or (6) per cent of the total expenses)

- Pension recovery was $30 million, or 12 per cent higher than budgeted.

Corporate income tax allowance adjustments:
($54 million or 1.2 per cent of the total expenses)

- Corporate income tax allowance actuals are higher than budgeted by $29 million. The allowance was adapted to respond to the higher risk of uncollectible corporate income tax receivable presented from the economic impacts of COVID-19.

Amortization of tangible capital assets:
($26 million or less than 1 per cent of the total expenses)

- Amortization expenses were in line with the budget.

Other:
($52 million or less than 1.16 per cent of the total expenses)

- Other expenses include interest & bank charges. Other expenses were $25 million higher compared to budget.

Debt servicing costs:
($2,522 million or 56 per cent of the total expenses)

- Debt servicing costs were $$133 million, or 5 per cent lower than the budget due to sustained low borrowing requirements throughout the year.

Supplemental Financial Information

- Portfolio Investments (unaudited)
- Equity in Government Business Enterprises (unaudited)
- Loans and Advances (unaudited)
- Debt (unaudied)
- Pension Liability (unaudited)

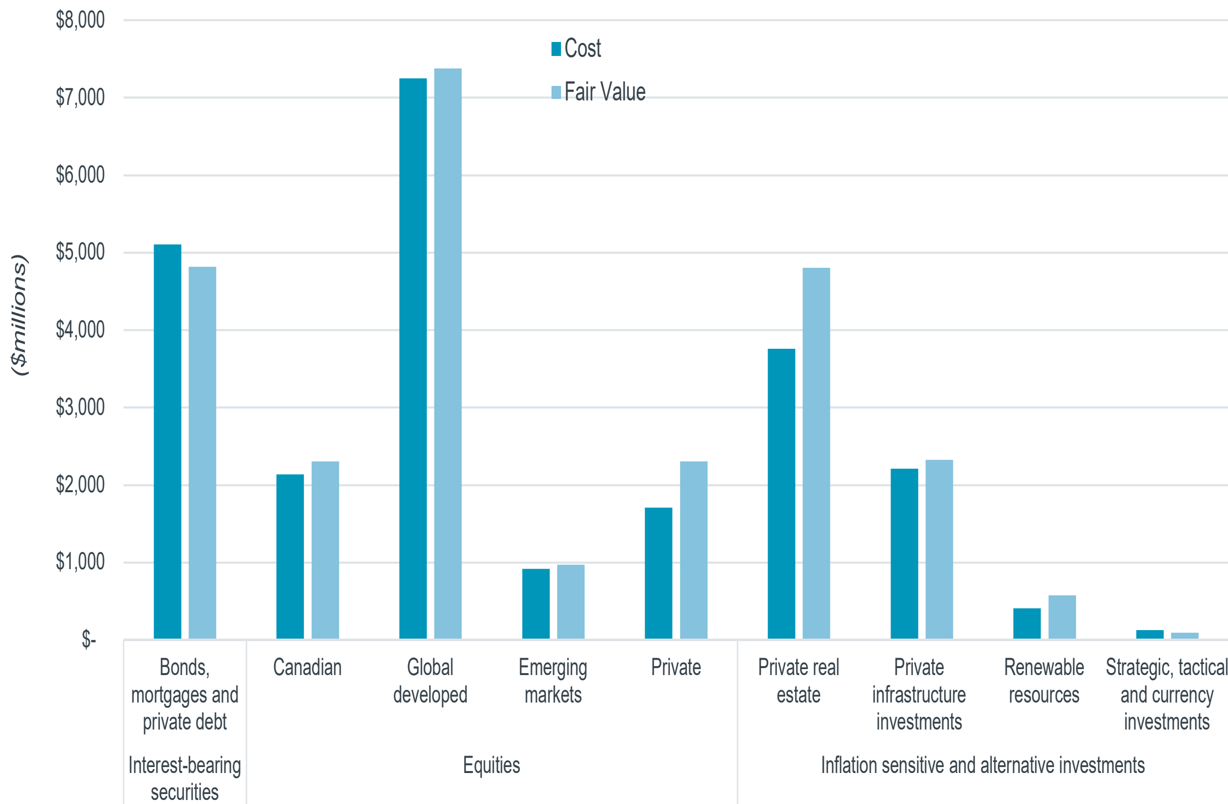
Portfolio Investments (unaudited)

Comparison of Cost to Fair Value

Year ended March 31, 2022

($millions)

The total portfolio investment for 2021-22 was $23,638 million at cost and $25,589 million at fair value.

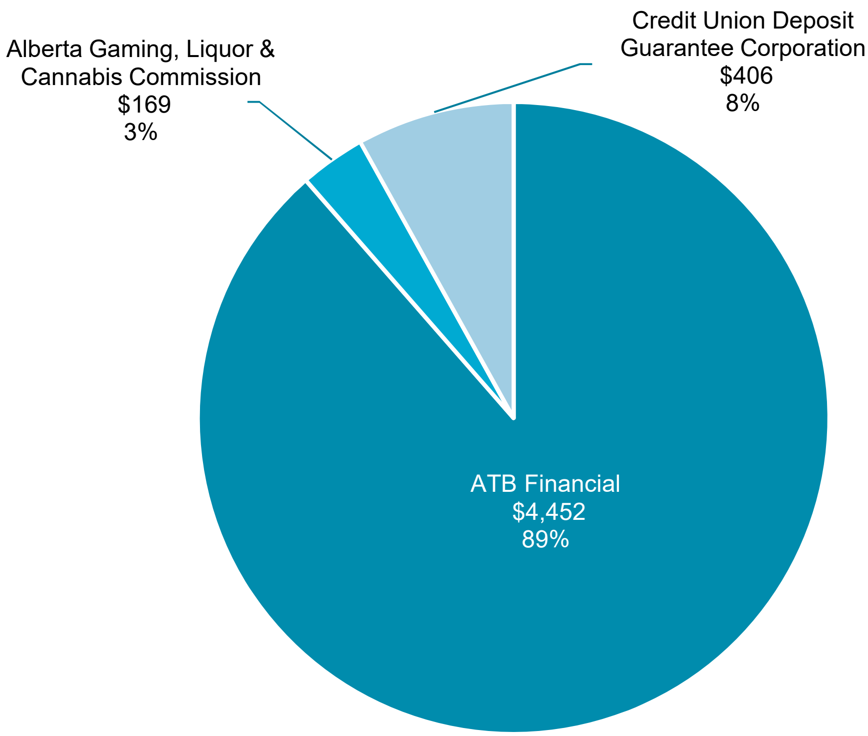


- Mainly comprised of assets designated in legislation for a specific purpose, such as stewardship of savings for current and future generations, medical research, science and engineering research, and post secondary scholarships.
- At March 31, 2022 interest-bearing securities had a fair value lower than cost by $286 million or 6%, total equities had a fair value which exceeded cost by $951 million or 8% and total inflation sensitive and alternative investments had a fair value which exceeded cost by $1,286 million or 20%.

Equity in Government Business Enterprises (unaudited)

Year ended March 31, 2022
($millions)

The total equity in Government Business Enterprises at the end of the year 2021-22 was $5,027 million.

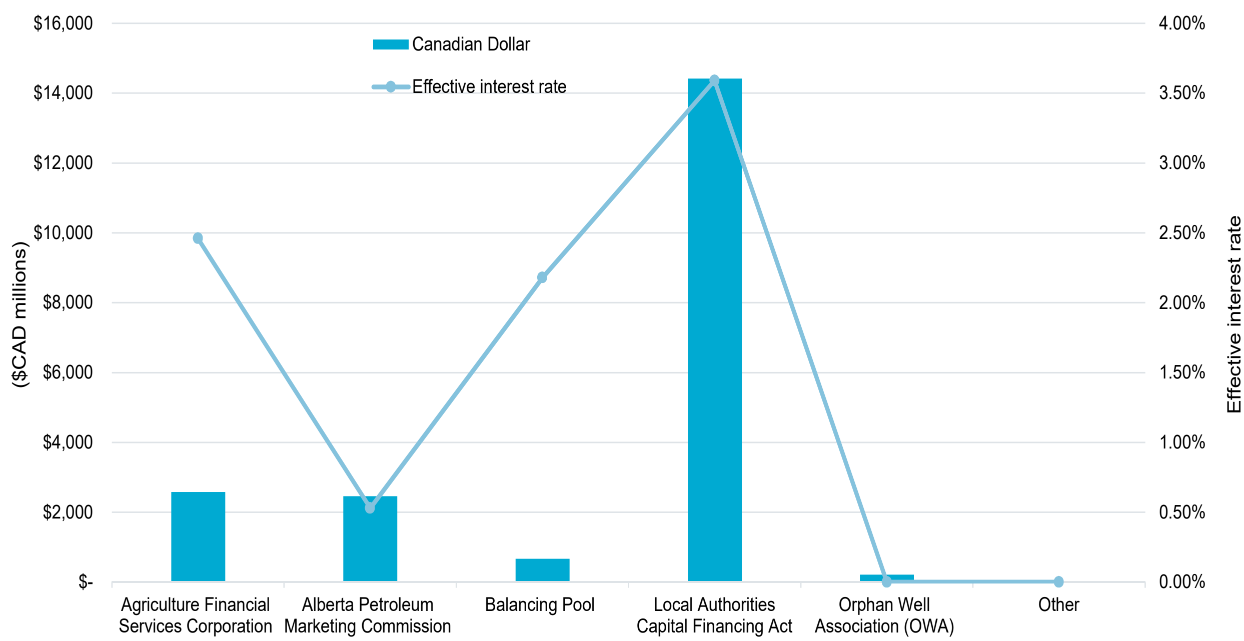


- Alberta Gaming, Liquor and Cannabis Commission (AGLC), ATB Financial (ATB) and Credit Union Deposit Guarantee Corporation (CUDG) are government business enterprises and are consolidated on a modified equity basis.

Loans and Advance (unaudited)

Year ended March 31, 2022
($millions)

Loans and Advances for Ministry of Treasury Board and Finance are $20,368 million (2021: $21,234 million).

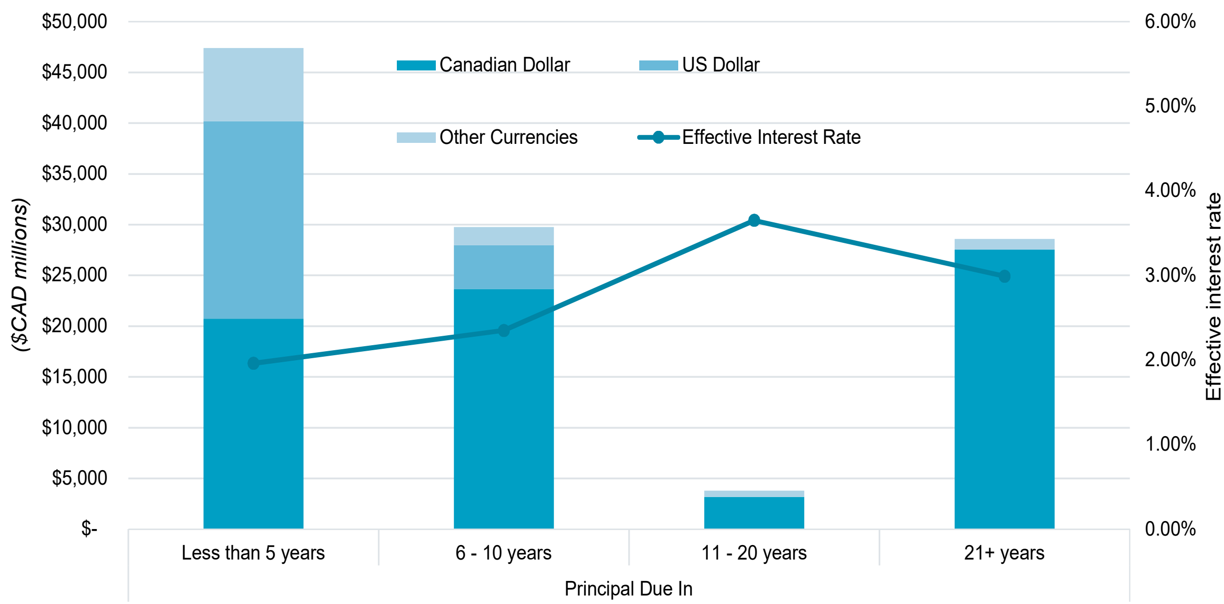


- The effective rate includes the effect of interest rate and currency rate swaps, if any.
- In December 2017, the Department entered into an agreement with Alberta Oil and Gas Orphan Abandonment and Reclamation Association (also known as the Orphan Well Association or OWA). The agreement is for a series of interest free loan advances from the Department to OWA under the authority of Section 76.2 of the Oil and Gas Conservation Act. A discount of $32 million for the present value of foregone interest will be amortized to revenue in subsequent periods over the remaining life of the loan.

Debt (unaudited)

Year ended March 31, 2022
($millions)

Total Debt issued at face value is $109,550, with an unamortized premium of $665 and total Debt at cost of $110,215.

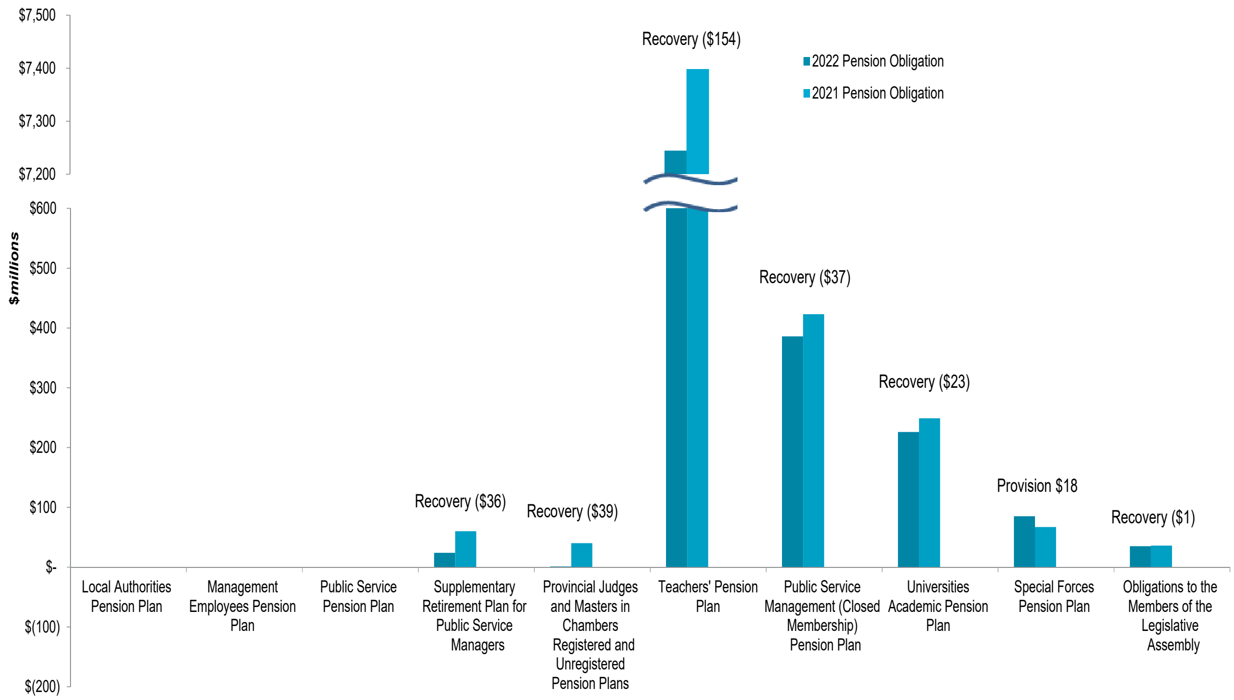


- Other currencies include the Euro, British pound sterling, Australian dollar, Swiss franc, Swedish Krona, Norwegian Krona and South African rand.
- Fully hedged foreign currency debt is translated into Canadian dollars at the rate of exchange established by hedging agreements, including interest rate and foreign currency derivatives.
- Interest rate derivatives allow the Ministry to exchange interest rate cash flows (fixed and floating) based on a notional amount. As Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps.
- Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Pension Liability (unaudited)

Year ended March 31, 2022
($millions)

The total liability for pension obligations for 2021-22 was $8,001 million and for 2020-21 was $8,273 million with a Pension Recovery of $272 million.



- Local Authorities Pension Plan, Management Employees Pension Plan, and Public Service Pension Plans are in Surplus for 2021-22 fiscal year and therefore do not contribute to the pension liability for 2021-22.

Financial Statements of Other Reporting Entities

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Alberta Heritage Foundation for Medical Research Endowment Fund

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Heritage Foundation for Medical Research Endowment Fund (the Fund), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and accumulated surplus, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2022, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The financial statements of the Fund are included in the *Annual Report of the Ministry of Treasury Board and Finance*. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to the Fund, but does not include the financial statements of the Fund and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up

to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 8, 2022
Edmonton, Alberta

Statement of Financial Position

As at March 31, 2022

	($ thousands) 2022	2021
Financial assets		
Investments (Note 3)	$ 2,257,770	$ 2,073,159
Receivable from sale of investments	-	1,692
	2,257,770	2,074,851
Liabilities		
Transfer payable (Note 5b)	4,950	4,950
Payable from purchase of investments	-	1,692
	4,950	6,642
Net financial assets	$ 2,252,820	$ 2,068,209
Net financial assets (Note 5)		
Accumulated operating surplus	$ 2,094,266	$ 1,941,184
Accumulated remeasurement gains	158,554	127,025
	$ 2,252,820	$ 2,068,209

Statement of Change in Net Financial Assets

Year Ended March 31, 2022

	($ thousands) 2022 Budget	2022 Actual	2021 Actual
Net operating surplus	$ 87,833	$ 153,082	$ 92,583
Net remeasurement gains		31,529	163,399
Increase in net financial assets		**184,611**	**255,982**
Net financial assets, beginning of year		2,068,209	1,812,227
Net financial assets, end of year		$ 2,252,820	$ 2,068,209

The accompanying notes are part of these financial statements.

Statement of Operations and Accumulated Surplus

Year Ended March 31, 2022

	2022 Budget ($ thousands)	2022 Actual ($ thousands)	2021 Actual ($ thousands)
Investment income (Note 6)	$ 147,033	$ 221,658	$ 156,342
Investment expenses (Note 7)	(11,170)	(20,546)	(15,729)
Net income from operations	135,863	201,112	140,613
Transfers for health research and innovation (Note 5b)	(48,030)	(48,030)	(48,030)
Net operating surplus	**$ 87,833**	**153,082**	**92,583**
Accumulated operating surplus, beginning of year		1,941,184	1,848,601
Accumulated operating surplus, end of year		$ 2,094,266	$ 1,941,184

Statement of Remeasurement Gains and Losses

Year Ended March 31, 2022

	2022 ($ thousands)	2021 ($ thousands)
Unrealized gains on investments	$ 54,181	$ 138,941
Less: Amounts reclassified to the Statement of Operations - realized (gains) losses on investments	(22,652)	24,458
Net remeasurement gains	**31,529**	**163,399**
Accumulated remeasurement gains (losses), beginning of year	127,025	(36,374)
Accumulated remeasurement gains, end of year	$ 158,554	$ 127,025

The accompanying notes are part of these financial statements.

Statement of Cash Flows

Year Ended March 31, 2022

	2022	2021
	($ thousands)	
Operating transactions		
Net income from operations	$ 201,112	$ 140,613
Non-cash items included in net income	(22,652)	24,458
	178,460	165,071
Decrease (increase) in accounts receivable	1,692	(1,692)
(Decrease) increase in accounts payable	(1,692)	1,692
Cash provided by operating transactions	178,460	165,071
Investing transactions		
Proceeds from disposals, repayments and redemptions of investments	292,278	337,000
Purchase of investments	(422,432)	(407,147)
Cash applied to investing transactions	(130,154)	(70,147)
Transfers		
Transfers for health research and innovation	(48,030)	(48,030)
Increase in transfer payable	-	(43,080)
Cash applied to transfers	(48,030)	(91,110)
Increase in cash	276	3,814
Cash at beginning of year	11,407	7,593
Cash at end of year	$ 11,683	$ 11,407
Consisting of Deposit in the Consolidated Cash Investment Trust Fund (CCITF) *	$ 11,683	$ 11,407

* The CCITF is a highly-liquid, short term money market pooled fund consisting primarily (100%) of securities with maturities of less than one year.

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

March 31, 2022
(All dollar values in thousands, unless otherwise stated)

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Heritage Foundation for Medical Research Endowment Fund (the Fund) operates under the authority of the *Alberta Research and Innovation Act*, Chapter A-31.7, Statutes of Alberta 2009 (the Act).

The purpose of the Fund is to support a balanced long-term program of research and innovation related to health and directed to the discovery of new knowledge and the application of that knowledge to improve health and the quality of health services in Alberta. The Fund is managed with the objectives of providing an annual level of income for transfer to the Ministry of Jobs, Economy and Innovation (JEI). The portfolio is comprised of interest-bearing securities, equities, inflation sensitive and alternative investments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards. The net financial asset model is presented in the financial statements. Net financial assets are measured as the difference between the Fund's financial assets and liabilities as described in the statement of financial position.

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

a) VALUATION OF INVESTMENTS

Investments are recorded at fair value. As disclosed in Note 3, the Fund's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Pooled Fund Establishment and Maintenance Order, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in the pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between the Alberta Investment Management Corporation (AIMCo) and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pools and the selection of securities in the pools. AIMCo, a Crown corporation within the Ministry of Treasury Board and Finance, controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Fund does not report the financial instruments of the pools on its statement of financial position.

The Fund becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and divests its exposure to those financial risks and rewards when it sells its pool units. The Fund reports its share of the financial risks in Note 4.

The fair value of pool units held directly by the Fund is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in pool units are recorded in the Fund's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Fund's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by AIMCo on the fourth business day following the year end. Differences in valuation estimates provided to Treasury Board and Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investments and remeasurement gains or losses in the following period.

Investments in units of the pools are managed and evaluated on a fair value basis. As such, all investments are designated and recorded in the financial statements at fair value.

Investments in pool units are recorded in the Fund's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

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.

Impairment in the value of investments is assessed on a periodic basis. If an impairment deemed other-than-temporary is identified, the cost of the investment is written down to its realizable value. Any impairment losses are included in income on the statement of operations and accumulated surplus.

b) INVESTMENT INCOME

i) Income distributions from the pools are recorded in the Fund's accounts and included in investment income on the statement of operations and accumulated surplus (see Note 6). Income distributions are based on the Fund's pro-rata share of total units issued by the pools.

ii) Realized gains and losses on disposal of pool units are recorded in the Fund's accounts and included in income on the statement of operations and accumulated surplus. Realized gains and losses on disposal of pool units are determined on an average cost basis.

iii) Investment income is recorded on an accrual basis. Investment income is accrued when there is reasonable assurance as to its measurement and collectability.

c) INVESTMENT EXPENSES

i) Investment expenses include all amounts incurred by the Fund to earn investment income (see Note 7). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

ii) Other expenses related to the direct administration of the Fund are charged to the Fund on an accrual basis.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

d) REMEASUREMENT GAINS AND LOSSES

Accumulated remeasurement gains and losses primarily represent the excess or shortfall of the fair value of the pool units at year end over the cost of the pool units. Changes in accumulated remeasurement gains and losses are recognized in the statement of remeasurement gains and losses. Changes in accumulated remeasurement gains and losses during the year include unrealized increases and decreases in fair value of the pooled units and realized gains and losses on sale of the pool units. When the pool units are sold (derecognized), any accumulated unrealized gain or loss associated with the investment becomes realized and is included in net income on the statement of operations and accumulated surplus.

e) MEASUREMENT UNCERTAINTY

Measurement uncertainty exists in the fair values reported for certain investments such as private equities, infrastructure, private debt and loans, real estate, hedge funds, renewable resources, and other investments where no readily available market prices exist. The fair values of these investments are based on estimates. Estimated fair values may not reflect amounts that could be recognized upon immediate sale, or amounts that ultimately may be recognized. Accordingly, the estimated fair values may differ significantly from the value that would have been used had readily available market prices existed for these investments.

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Fund's investments.

NOTE 3 INVESTMENTS (in thousands)

The carrying amounts of the Fund's investments are recorded on a fair value basis. The Fund's investments are managed at the asset class level for purposes of evaluating the Fund's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Fund's assets in accordance with the Statement of Investment Policies and Goals (SIP&G) approved by the President of Treasury Board and Minister of Finance. The fair value of pool units is based on the Fund's share of the net asset value of the pooled fund. Pooled investment funds have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated the authority to independently purchase and sell securities in the pools and Fund, and units of the pools, within the ranges approved for each asset class (see Note 4).

Asset class	Fair Value Hierarchy [a] Level 2	Level 3	2022	2021
Interest-bearing securities				
Deposits in CCITF	$ 11,683	$ -	$ 11,683	$ 11,407
Bonds, mortgages and private debt	258,242	149,948	408,190	386,545
	269,925	149,948	419,873	397,952
Equities				
Canadian	198,635	-	198,635	173,787
Global developed	686,723	22,499	709,222	664,425
Emerging markets	90,158	-	90,158	103,964
Private	5	176,699	176,704	157,107
	975,521	199,198	1,174,719	1,099,283
Inflation sensitive				
Real estate	-	413,597	413,597	364,767
Infrastructure	-	200,532	200,532	163,204
Renewable resources	-	42,324	42,324	39,164
	-	656,453	656,453	567,135
Strategic, tactical and currency investments *	1,454	5,271	6,725	8,789
Total Fair Value of Investments	$ 1,246,900	$ 1,010,870	$ 2,257,770	$ 2,073,159

* This asset class is not listed separately in the SIP&G as it relates to strategic investments and currency overlays made on an opportunistic and discretionary basis (see Note 4).

a) **Fair Value Hierarchy**: The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Fund as Level 2 may contain investments that might otherwise be classified as Level 1.
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totaling $1,246,900 (2021: $1,176,966).
- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and inflation sensitive investments totaling $1,010,870 (2021: $896,193).

Reconciliation of Level 3 Investments

	2022	2021
Balance, beginning of year	$ 896,193	$ 903,940
Unrealized gains (losses)	69,395	(26,996)
Purchases of Level 3 pooled fund units	178,529	119,366
Sale of Level 3 pooled fund units	(133,247)	(100,117)
Balance, end of year	$ 1,010,870	$ 896,193

NOTE 3 INVESTMENTS (in thousands) CONTINUED

b) Valuation of Financial Instruments recorded by AIMCo in the Pools

The methods used to determine the fair value of investments recorded in the pools is explained in the following paragraphs:

- ***Interest-bearing securities:*** Public interest-bearing securities 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 mortgages are valued based on the net present value of future cash flows discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans is valued similar to private mortgages.
- ***Equities:*** Public 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. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.
- ***Inflation sensitive investments:*** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows. The fair value of renewable resources investments is appraised annually by independent third party evaluators. Infrastructure investments are valued similar to private equity investments.
- ***Strategic, tactical and currency investments***: The estimated fair value of infrastructure investments held in emerging market countries is estimated by managers or general partners of private equity funds and joint ventures. For tactical asset allocations, investments in derivative contracts provides overweight or underweight exposure to global equity and bond markets, including emerging markets. Currency investments consist of directly held currency forward and spot contracts.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of the pools (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on difference between contractual foreign exchange rates and foreign exchange forward rate. Futures contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows

using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights 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.

NOTE 4 INVESTMENT RISK MANAGEMENT (in thousands)

The Fund is exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity 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. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Fund will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Fund are clearly outlined in SIP&G approved by the Ministry of Treasury Board and Finance. The purpose of the SIP&G is to ensure the Fund is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The Ministry of Treasury Board and Finance manages the Fund's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

In order to earn the best possible return at an acceptable level of risk, the President of Treasury Board and Minister of Finance approved the following target policy asset mix:

	Target	Actual Asset Mix			
Asset Class	Asset Policy	2022		2021	
Interest-bearing securities	15 - 45%	$ 419,873	18.6%	$ 397,952	19.2%
Equities	35 - 70%	1,174,719	52.0%	1,099,283	53.0%
Inflation sensitive	15 - 40%	656,453	29.1%	567,135	27.4%
Strategic, tactical and currency investments	(a)	6,725	0.3%	8,789	0.4%
		$ 2,257,770	100.0%	$ 2,073,159	100.0%

(a) In accordance with the SIP&G, AIMCo may invest up to 2% of the fair value of the Fund's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at its discretion, use currency overlays to an economic exposure limit of 5% of market value of the Fund.

a) Credit risk

i) Debt securities

The Fund is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is

NOTE 4 INVESTMENT RISK MANAGEMENT (in thousands) CONTINUED

measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt placements.

The table below summarizes the Fund's investment in debt securities by credit rating at March 31, 2022:

Credit rating	2022	2021
Investment Grade (AAA to BBB-)	65.9%	62.7%
Speculative Grade (BB+ or lower)	2.4%	2.7%
Unrated	31.7%	34.6%
	100.0%	100.0%

ii) Counterparty default risk - derivative contracts

The Fund is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). AIMCo is responsible for selecting and monitoring derivative counterparties on behalf of the Fund. AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Fund. Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Fund's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in pooled funds to eligible third parties for short periods. At March 31, 2022, the Fund's share of securities loaned under this program is $36,564 (2021: $39,712) and collateral held totals $39,059 (2021: $42,422). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or bankers' acceptances and bankers' deposit notes. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) Foreign currency risk

The Fund is exposed to foreign currency risk associated with the underlying securities held in pooled investment funds that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 41% (2021:

43%) of the Fund's investments, or $921,841 (2021: $892,224), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 25% (2021: 23%) and the Euro, 5% (2021: 6%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss in fair value to the Fund would be approximately 4.1% of total investments (2021: 4.3%).

The following table summarizes the Fund's exposure to foreign currency investments held in the pools at March 31, 2022:

	($ thousands)			
	2022		**2021**	
Currency [(a)]	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 566,583	$ (56,658)	$ 482,857	$ (48,286)
Euro	110,842	(11,084)	125,078	(12,508)
British pound sterling	78,687	(7,869)	80,172	(8,017)
Japanese yen	45,339	(4,534)	49,683	(4,968)
Other foreign currency	120,390	(12,039)	154,434	(15,443)
Total foreign currency investments	$ 921,841	$ (92,184)	$ 892,224	$ (89,222)

(a) Information on specific currencies is disclosed when the current year fair value is greater than 1% of the Fund's net assets.

c) Interest rate risk

The Fund is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the fair value of investments will change due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest-bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Fund would be approximately 1.0% of total investments (2021: 1.0%).

d) Price risk

Price risk relates to the possibility that pool units will change in fair value due to future fluctuations in market prices of equities held in the pools caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Fund is exposed to price risk associated with the underlying equity investments held in the pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss in fair value to the Fund would be approximately 5.2% of total investments (2021: 6.1%). Changes in fair value of investments are recognized in the statement of remeasurement gains and losses.

e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Fund are met through income generated from investments, and by investing in publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, renewable resources, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. The Fund's future liabilities include annual transfer requirements to the Ministry of JEI and payables related to purchase of pool units.

NOTE 4 INVESTMENT RISK MANAGEMENT (in thousands) CONTINUED

f) Use of derivative financial instruments in pooled investment funds

The Fund has indirect exposure to derivative financial instruments through its investment in units of pooled investment funds. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in pooled funds, manage asset exposure within the pooled funds, enhance pooled fund returns and manage interest rate risk, foreign currency risk and credit risk in the pooled funds.

By counterparty	Number of counterparties	Fund's Indirect Share 2022	Fund's Indirect Share 2021
Contracts in favourable position (current credit exposure)	176	$ 33,923	$ 34,226
Contracts in unfavourable position	9	(13,602)	(13,311)
Net fair value of derivative contracts	185	$ 20,321	$ 20,915

i) Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a favourable position totaling $33,923 (2021: $34,226) were to default at once.

ii) Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

iii) Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

Types of derivatives	Fund's Indirect Share 2022	Fund's Indirect Share 2021
Equity-based derivatives	$ 10,711	$ 7,832
Foreign currency derivatives	6,227	11,839
Interest rate derivatives	2,764	667
Credit risk derivatives	619	577
Net fair value of derivative contracts	$ 20,321	$ 20,915

i) Equity-based derivatives include contracts where one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument. Rights, warrants, futures and options are also included as equity-based derivatives.

ii) Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

iii) Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

iv) Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

v) At March 31, 2022, deposits in futures contracts margin accounts totaled $10,200 (2021: $8,638). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $15,579 (2021: $17,023) and $nil (2021: $nil).

NOTE 5 NET FINANCIAL ASSETS (in thousands)

Net financial assets represent the difference between the carrying value of financial assets held by the Fund and its liabilities. The following table shows the accumulated investment income and transfers to and from the Fund since its inception in 1980:

	Cumulative since 1980	
	2022	2021
Accumulated net income from operations	$ 3,308,823	$ 3,107,711
Transfers from the Alberta Heritage Savings Trust Fund [(a)]	300,000	300,000
Transfers from the General Revenue Fund	500,000	500,000
Accumulated transfers for health research and innovation [(b)]	(2,014,557)	(1,966,527)
Accumulated surplus from operations	2,094,266	1,941,184
Accumulated remeasurement gains	158,554	127,025
Carrying value of net financial assets	$ 2,252,820	$ 2,068,209

(a) The endowment was received from the Alberta Heritage Savings Trust Fund on March 31, 1980.

(b) Section 12 of the Act limits the annual payments from the Fund to the Ministry of JEI. Payments to the Ministry of JEI may not exceed, in a fiscal year, 4.5% of the average of the market values determined on March 31 of the preceding three fiscal years, and any unused portion of the amount permitted to be paid in that fiscal year may be paid in any subsequent fiscal year. Payments in excess of this amount may be made from the Fund if required in the opinion of the Minister of JEI.

NOTE 6 NET INVESTMENT INCOME (in thousands)

The following is a summary of the Fund's investment income (loss) by asset class:

	2022	2021
Interest-bearing securities	$ 4,011	$ 32,135
Equities		
Canadian	37,000	28,219
Global	89,446	101,092
Private	54,858	(7,913)
	181,304	121,398
Inflation sensitive		
Real estate	22,132	889
Infrastructure	9,611	397
Renewable resources	3,852	(1,568)
	35,595	(282)
Strategic, tactical and currency investments	748	3,091
	$ 221,658	$ 156,342

The investment income includes realized gains and losses from disposal of pool units totaling $22,775 (2021: $(24,380)) and from directly held foreign exchange contracts totaling $(123) (2021: $(78)). Income distributions from the pools total $199,006 (2021: $180,800).

NOTE 6 NET INVESTMENT INCOME (in thousands) CONTINUED

Income earned in pooled investment funds is distributed to the Fund daily based on the Fund's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis, income and expense on derivative contracts and writedowns of securities held in pools which are indicative of a loss in value that is other than temporary. Other-than-temporary losses included in investment income in the statement of operations and accumulated surplus were $10,078 (2021: $47,310). Because the investments are accounted for on a fair value basis, the recording of other-than-temporary losses through the statement of operations does not affect the performance of the Fund.

NOTE 7 INVESTMENT EXPENSES (in thousands)

	2022	2021
Amount charged by AIMCo for:		
Investment costs [a]	$ 9,873	$ 9,422
Performance based fees [a]	10,624	6,258
	20,497	15,680
Amounts charged by Treasury Board and Finance for:		
Investment accounting and Fund reporting	49	49
Total investment expenses	$ 20,546	$ 15,729
Increase (decrease) in expenses	30.6%	(12.1%)
Increase in average investments under management	10.1%	1.6%
Increase (decrease) in value of investments attributed to AIMCo	4.6%	(0.1%)
Investment expenses as a percent of dollar invested	0.9%	0.8%

(a) Investment expenses are charged by AIMCo on a cost recovery basis. Please refer to AIMCo's financial statements for a detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance based fees relate to external managers hired by AIMCo.

NOTE 8 INVESTMENT PERFORMANCE (net of investment expenses)

Estimated investment returns are provided as supplementary information. The determination of the estimated return is based on fair values using quoted market prices and estimates of fair value where no quoted market prices are available. The estimated return includes gains and losses that have not been realized. Estimated benchmark returns are based on published market-based indices and estimates where no published index is available.

			Average Annualized Return	
Time-weighted rates of return, at fair value [a]	2022	2021	5 years	10 years
Net return on investments [b]	11.2%	16.5%	7.2%	9.3%
Policy benchmark return [b]	6.6%	16.6%	7.4%	8.8%
Value added (lost) by AIMCo [c]	4.6%	(0.1%)	(0.2%)	0.5%

(a) The time-weighted rate of return involves the calculation of the return realized by the Fund 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 and losses (realized and unrealized).

(b) Investment returns are provided by AIMCo. The net investment return and policy benchmark return is based on a weighted average of returns for each asset class. Investment returns for assets classified as real estate, private equities, infrastructure, hedge funds and private debt are based on estimates of fair value. For these investments, measurement uncertainty exists because trading activity is infrequent and fair values are derived using valuation techniques which incorporate assumptions that are based on non-observable market data. Reasonably possible alternative assumptions could yield an increase or decrease in the fair value amounts and investment returns reported for these types of investments. Any change in estimated returns, resulting from new information received after the cut-off date for preparation of the Fund's financial statements, will be assessed by management and either reflected in the current or next reporting period.

(c) In the SIP&G, the Ministry of Treasury Board and Finance expects that the investments held by the Fund will return 1% per annum above the policy benchmark.

NOTE 9 FINANCIAL STATEMENTS

These statements were prepared by the Department of Treasury Board and Finance in accordance with section 11(6) of the Act and are approved by the Department's Senior Financial Officer and Deputy Minister.

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Alberta Heritage Saving Trust Fund

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Heritage Savings Trust Fund (the Fund), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and accumulated surplus, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2022, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 8, 2022
Edmonton, Alberta

Statement of Financial Position

As at March 31, 2022

(in millions)

	2022	2021
Financial assets		
Investments (Note 3)	$ 19,962	$ 18,546
Receivable from sale of investments	-	13
	19,962	18,559
Liabilities		
Due to the General Revenue Fund	1,247	742
Payable from purchase of investments	-	14
	1,247	756
Net financial assets	$ 18,715	$ 17,803
Net financial assets (Note 5)		
Accumulated operating surplus	$ 17,094	$ 16,389
Accumulated remeasurement gains	1,621	1,414
	$ 18,715	$ 17,803

Statement of Changes in Net Financial Assets

Year Ended March 31, 2022

(in millions)

	2022		2021
	Budget	Actual	Actual
Net surplus retained in the Fund	$ 279	$ 705	$ 146
Net remeasurement gains		207	1,329
Increase in net financial assets		**912**	**1,475**
Net financial assets, beginning of year		17,803	16,328
Net financial assets, end of year		$ 18,715	$ 17,803

The accompanying notes are part of these financial statements.

Statement of Operations and Accumulated Surplus

Year Ended March 31, 2022

(in millions)

	2022 Budget	2022 Actual	2021 Actual
Investment income (Note 6)	$ 1,180	$ 2,128	$ 1,521
Investment expenses (Note 7)	(107)	(176)	(167)
Net income from operations	1,073	1,952	1,354
Transfers to the General Revenue Fund (Note 5b)	(794)	(1,247)	(1,208)
Net surplus retained in the Fund (Note 5b)	**$ 279**	**705**	**146**
Accumulated operating surplus, beginning of year		16,389	16,243
Accumulated operating surplus, end of year		$ 17,094	$ 16,389

Statement of Remeasurement Gains and Losses

Year Ended March 31, 2022

(in millions)

	2022	2021
Unrealized gains on investments	$ 463	$ 1,307
Less: Amounts reclassified to the Statement of Operations - realized (gains) losses on investments	(256)	22
Net remeasurement gains	**207**	**1,329**
Accumulated remeasurement gains, beginning of year	1,414	85
Accumulated remeasurement gains, end of year	$ 1,621	$ 1,414

The accompanying notes are part of these financial statements.

Statement of Cash Flows

Year Ended March 31, 2022

(in millions)

	2022	2021
Operating transactions		
Net income from operations	$ 1,952	$ 1,354
Non-cash items included in net income	(256)	22
	1,696	1,376
Decrease (increase) in accounts receivable	13	(13)
(Decrease) increase in accounts payable	(14)	14
Cash provided by operating transactions	1,695	1,377
Investing transactions		
Proceeds from disposals, repayments and redemptions of investments	2,530	2,809
Purchase of investments	(3,489)	(3,313)
Cash applied to investing transactions	(959)	(504)
Transfers		
Transfers to the General Revenue Fund	(1,247)	(1,208)
Increase in amounts due to the General Revenue Fund	505	368
Cash applied to transfers	(742)	(840)
(Decrease) increase in cash	(6)	33
Cash at beginning of year	101	68
Cash at end of year	$ 95	$ 101
Consisting of Deposits in the Consolidated Cash Investment Trust Fund (CCITF) *	$ 95	$ 101

* The CCITF is a highly-liquid, short term money market pooled fund consisting primarily (100%) of securities with maturities of less than one year.

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

March 31, 2022

NOTE 1 AUTHORITY AND MISSION

The Alberta Heritage Savings Trust Fund (the Fund) operates under the authority of the *Alberta Heritage Savings Trust Fund Act,* Chapter A-23, Revised Statutes of Alberta 2000 (the Act), as amended.

The preamble to the Act describes the mission of the Fund as follows:

"*To provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans.*"

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The financial statements are prepared in accordance with Canadian public sector accounting standards. The net financial asset model is presented in the financial statements. Net financial assets are measured as the difference between the Fund's financial assets and liabilities as described in the statement of financial position.

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

a) VALUATION OF INVESTMENTS

Investments are recorded at fair value. As disclosed in Note 3, the Fund's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 04/2016, being the Establishment and Maintenance of Pooled Funds, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between Alberta Investment Management Corporation (AIMCo), a Crown corporation within the Ministry of Treasury Board and Finance, and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. AIMCo controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Fund does not report the financial instruments of the pools on its statement of financial position.

The Fund becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and divests its exposure to those financial risks and rewards when it sells its pool units. The Fund reports its share of the financial risks in Note 4.

The fair value of pool units held directly by the Fund is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in pool units are recorded in the Fund's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Fund's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by AIMCo on the fourth business day following the year end. Differences in valuation estimates provided to Treasury Board and Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investments and remeasurement gains or losses in the following period.

Investments in units of the pools are managed and evaluated on a fair value basis. As such, all investments are designated and recorded in the financial statements at fair value.

Investments in pool units are recorded in the Fund's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

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.

Impairment in the value of investments is assessed on a periodic basis. If an impairment deemed other-than-temporary is identified, the cost of the investment is written down to its realizable value. Any impairment losses are included in income on the statement of operations and accumulated surplus. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

b) INVESTMENT INCOME

i) Income distributions from the pools are recorded in the Fund's accounts and included in investment income on the statement of operations and accumulated surplus (see Note 6). Income distributions are based on the Fund's pro-rata share of total units issued by the pools.

ii) Realized gains and losses on disposal of pool units are recorded in the Fund's accounts and included in income on the statement of operations and accumulated surplus. Realized gains and losses on disposal of pool units are determined on an average cost basis.

iii) Investment income is recorded on an accrual basis. Investment income is accrued when there is reasonable assurance as to its measurement and collectability.

c) INVESTMENT EXPENSES

i) Investment expenses include all amounts incurred by the Fund to earn investment income (see Note 7). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

ii) Other expenses related to the direct administration of the Fund are charged to the Fund on an accrual basis.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING... CONTINUED

d) REMEASUREMENT GAINS AND LOSSES

Accumulated remeasurement gains and losses primarily represent the excess or shortfall of the fair value of the pool units at period end over the cost of the pool units. Changes in accumulated remeasurement gains and losses are recognized in the statement of remeasurement gains and losses. Changes in accumulated remeasurement gains and losses during the period include unrealized increases and decreases in fair value of the pool units and realized gains and losses on sale of the pool units. When the pool units are sold (derecognized), any accumulated unrealized gain or loss associated with the investment becomes realized and is included in net income on the statement of operations and accumulated surplus.

e) MEASUREMENT UNCERTAINTY

Measurement uncertainty exists in the fair values reported for certain investments such as private equities, infrastructure, private debt and loans, private real estate, hedge funds, renewable resources, and other investments where no readily available market prices exist. The fair values of these investments are based on estimates. Estimated fair values may not reflect amounts that could be recognized upon immediate sale, or amounts that ultimately may be recognized. Accordingly, the estimated fair values may differ significantly from the value that would have been used had readily available market prices existed for these investments.

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Fund's investments.

f) TRANSFERS TO THE GENERAL REVENUE FUND (GRF)

Transfers to the GRF are recorded on an accrual basis. In accordance with Section 8 of the Act, all of the net income of the Fund is transferred to the GRF except for any amount retained in the Fund to maintain its value against inflation (see Note 5 (b)).

NOTE 3 INVESTMENTS (in millions)

The carrying amounts of the Fund's investments are recorded on a fair value basis. The Fund's investments are managed at the asset class level for purposes of evaluating the Fund's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Fund's assets in accordance with the Statement of Investment Policies and Goals (SIP&G) approved by the President of Treasury Board and Minister of Finance. The fair value of the pool units is based on the Fund's share of the net asset value of the pooled fund. AIMCo is delegated authority to independently purchase and sell securities in the pools and Fund, and units of the pools, within the ranges approved for each asset class (see Note 4).

Asset class	Fair Value Hierarchy [a] Level 2	Level 3	2022	2021
Interest-bearing securities				
Deposits in CCITF	$ 95	$ -	$ 95	$ 101
Bonds, mortgages and private debt	2,255	1,336	3,591	3,364
	2,350	1,336	3,686	3,465
Equities				
Canadian	1,784	-	1,784	1,555
Global developed	5,451	244	5,695	5,315
Emerging markets	709	-	709	833
Private	-	1,866	1,866	1,622
	7,944	2,110	10,054	9,325
Inflation sensitive				
Real estate	-	3,823	3,823	3,543
Infrastructure	-	1,832	1,832	1,662
Renewable resources	-	490	490	449
	-	6,145	6,145	5,654
Strategic, tactical and currency investments *	17	60	77	102
Total Fair Value of Investments	$ 10,311	$ 9,651	$ 19,962	$ 18,546

* This asset class is not listed separately in the SIP&G as it relates to strategic investments and currency overlays made on an opportunistic and discretionary basis (see Note 4).

a) **Fair Value Hierarchy**: The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Fund as Level 2 may contain investments that might otherwise be classified as Level 1.
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totalling $10,311 (2021: $9,649).
- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and all inflation sensitive investments totalling $9,651 (2021: $8,897).

NOTE 3 INVESTMENTS (in millions) CONTINUED

Reconciliation of Level 3 Investments

	2022	2021
Balance, beginning of period	$ 8,897	$ 8,880
Unrealized gains (losses)	664	(199)
Purchases of Level 3 pooled fund units	1,522	1,204
Sale of Level 3 pooled fund units	(1,432)	(988)
Balance, end of period	$ 9,651	$ 8,897

b) Valuation of Financial Instruments recorded by AIMCo in the Pools

The methods used by AIMCo to determine the fair value of investments recorded in the pools are explained in the following paragraphs:

- ***Interest-bearing securities***: Public interest-bearing securities 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 mortgages are valued based on the net present value of future cash flows discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans is valued similar to private mortgages.
- ***Equities:*** Public 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. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods for private equities may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.
- ***Inflation sensitive investments:*** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and discounted cash flows. The fair value of renewable resources investments is appraised annually by independent third party evaluators. Infrastructure investments are valued similar to private equity investments.
- ***Strategic, tactical and currency investments:*** The estimated fair value of infrastructure investments held in emerging market countries are valued similar to private equities. For tactical asset allocations, investments in derivative contracts provides overweight or underweight exposure to global equity and bond markets, including emerging markets. Currency investments consist of directly held currency forward and spot contracts.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.

- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of the pools (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on differences between contractual foreign exchange rates and foreign exchange forward rates. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights 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.

NOTE 4 INVESTMENT RISK MANAGEMENT (in millions)

The Fund is exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity 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. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Fund will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Fund are clearly outlined in the SIP&G approved by the Ministry of Treasury Board and Finance. The purpose of the SIP&G is to ensure the Fund is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The Ministry of Treasury Board and Finance manages the Fund's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

In order to earn the best possible return at an acceptable level of risk, the President of Treasury Board and Minister of Finance has approved the following target policy asset mix:

Asset Class	Target Policy Asset Mix	Actual Asset Mix 2022		Actual Asset Mix 2021	
Interest-bearing securities	15 - 45%	$ 3,686	18.4%	$ 3,465	18.7%
Equities	35 - 70%	10,054	50.4%	9,325	50.3%
Inflation sensitive	15 - 40%	6,145	30.8%	5,654	30.5%
Strategic, tactical and currency investments	(a)	77	0.4%	102	0.5%
		$ 19,962	100.0%	$ 18,546	100.0%

(a) In accordance with the SIP&G, AIMCo may invest up to 2% of the fair value of the Fund's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at its discretion, use currency overlays to an economic exposure limit of 5% of the market value of the Fund.

NOTE 4 INVESTMENT RISK MANAGEMENT (in millions) CONTINUED

a) Credit Risk

i) Debt securities

The Fund is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt placements.

The table below summarizes the Fund's investment in debt securities by credit rating at March 31, 2022:

Credit rating	**2022**	**2021**
Investment Grade (AAA to BBB-)	65.6%	61.1%
Speculative Grade (BB+ or lower)	2.3%	2.7%
Unrated	32.1%	36.2%
	100.0%	100.0%

ii) Counterparty default risk - derivative contracts

The Fund is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). AIMCo is responsible for selecting and monitoring derivative counterparties on behalf of the Fund. AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Fund. Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Fund's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At March 31, 2022, the Fund's share of securities loaned under this program is $300 (2021: $322) and collateral held totals $321 (2021: $344). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or bankers' acceptances and bankers' deposit notes. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) Foreign currency risk

The Fund is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 38% (2021: 39%) of the Fund's investments, or $7,531 (2021: $7,273), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 23% (2021: 21%) and the Euro, 5% (2021: 6%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss in fair value to the Fund would be approximately 3.8% of total investments (2021: 3.9%).

The following table summarizes the Fund's exposure to foreign currency investments held in the pools at March 31, 2022:

	2022		2021	
Currency [a]	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 4,600	$ (460)	$ 3,881	$ (388)
Euro	915	(92)	1,048	(105)
British pound sterling	689	(69)	696	(69)
Japanese yen	364	(36)	397	(40)
Other foreign currency	963	(96)	1,251	(125)
Total foreign currency investments	$ 7,531	$ (753)	$ 7,273	$ (727)

[a] Information on specific currencies is disclosed when the current period fair value is greater than 1% of the Fund's net assets.

c) Interest rate risk

The Fund is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the fair value of investments will change due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Fund would be approximately 1.0% of total investments (2021: 1.0%).

NOTE 4 INVESTMENT RISK MANAGEMENT (in millions) CONTINUED

d) Price risk

Price risk relates to the possibility that pool units will change in fair value due to future fluctuations in market prices of equities held in the pools caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Fund is exposed to price risk associated with the underlying equity investments held in the pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss in fair value to the Fund would be approximately 5.1% of total investments (2021: 5.9%). Changes in fair value of investments are recognized in the statement of remeasurement gains and losses.

e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Fund are met through income generated from investments, and by investing in units of pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, renewable resources, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. The Fund's main liabilities include transfers payable to the General Revenue Fund and payables related to purchase of pool units.

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Fund has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost-effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Fund's Indirect Share	
By counterparty	Number of counterparties	**2022**	**2021**
Contracts in net favourable position (current credit exposure)	176	$ 291	$ 286
Contracts in net unfavourable position	9	(111)	(107)
Net fair value of derivative contracts	185	$ 180	$ 179

i) Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a net favourable position totaling $291 (2021: $286) were to default at once.
ii) Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.
iii) Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

	Fund's Indirect Share	
Types of derivatives used in pools	**2022**	**2021**
Equity-based derivatives	$ 93	$ 65
Foreign currency derivatives	59	103
Interest rate derivatives	23	6
Credit risk derivatives	5	5
Net fair value of derivative contracts	$ 180	$ 179

i) Equity-based derivatives include equity swaps. Equity swaps are contracts where one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument. Rights, warrants, futures and options are also included as equity-based derivatives.

ii) Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

iii) Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

iv) Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

v) At March 31, 2022, deposits in futures contracts margin accounts totaled $84 (2021: $71). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $129 (2021: $140) and $nil (2021: $nil).

NOTE 5 NET FINANCIAL ASSETS (in millions)

Net financial assets represent the difference between the carrying value of financial assets held by the Fund and its liabilities. The following table shows accumulated net income and transfers to (from) the Fund since the Fund was created on May 19, 1976:

	Cumulative since 1976	
	2022	**2021**
Accumulated net income	$ 48,126	$ 46,174
Transfers to the Fund		
Resource Revenue (1976-1987)	12,049	12,049
Access to the Future [(a)]	1,000	1,000
Voted Payments	2,918	2,918
	15,967	15,967
Amounts retained in (transferred from) the Fund		
Section 8 transfers [(b)]		
Income	(48,331)	(46,379)
Amount Retained in the Fund	5,073	4,368
	(43,258)	(42,011)
Capital Expenditures (1976-1995) [(c)]	(3,486)	(3,486)
Other Statutory Transfers [(d)]	(255)	(255)
	(46,999)	(45,752)
Accumulated surplus from operations	17,094	16,389
Accumulated remeasurement gains	1,621	1,414
Carrying value of net financial assets	$ 18,715	$ 17,803

(a) The Access to the Future Fund was disestablished in December 2019 and eliminated the related notional account within the Fund. The initial $1,000 funded in 2005-06 and 2006-07 will remain in the Fund, no longer allocated for Advanced Education.

(b) During the period, the Fund earned net income of $1,952, of which $705 was retained in the Fund and $1,247 is payable to the GRF. Section 8 of the Act states that the net income of the Heritage Fund, less any amount retained in the Fund, in accordance with section 11 of the Act, must be transferred to the GRF in a manner determined by the President of Treasury Board and Minister of Finance. The amount to be retained in the Fund for inflation proofing is determined by multiplying the accumulated operating surplus of the Fund from the prior fiscal year end by the percentage increase in the Alberta Consumer Price Index (Alberta CPI) for the year, calculated as the percentage increase in the average monthly Alberta CPI for the two previous fiscal years. In accordance with section 11(2), if the Alberta CPI is a negative number, that negative number shall be treated as if it were zero. The Alberta CPI increase for the year was 4.3% (2021: 0.9%).

(c) Capital expenditures include transfers of $300 to the Alberta Heritage Foundation for Medical Research in 1980 and $100 to the Alberta Heritage Scholarship Fund in 1981.

(d) Transfers of $200 to the Alberta Heritage Scholarship Fund, $3 to the Agriculture and Food Innovation Account, and $52 to the Access to the Future Fund were made from the Fund in 2015.

NOTE 6 INVESTMENT INCOME (in millions)

The following is a summary of the Fund's investment income (loss) by asset class:

	2022	2021
Interest-bearing securities	$ 110	$ 285
Equities		
Canadian	327	260
Global	701	867
Private	557	53
	1,585	1,180
Inflation sensitive		
Real estate	237	6
Infrastructure	136	37
Renewable resources	49	(25)
	422	18
Strategic, tactical and currency investments	11	38
	$ 2,128	$ 1,521

The investment income includes realized gains and losses from disposal of pool units totalling $255 (2021: ($25)) and from directly held foreign exchange contracts totalling $1 (2021: $3). Income distributions from the pools total $1,872 (2021: $1,543).

Income earned in pooled investment funds is distributed to the Fund daily based on the Fund's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis, income and expense on derivative contracts and writedowns of securities held in pools which are indicative of a loss in value that is other than temporary. Other-than-temporary losses included in investment income in the statement of operations and accumulated surplus were $79 (2021: $371). Because the investments are accounted for on a fair value basis, the recording of other-than-temporary losses through the statement of operations does not affect the performance of the fund.

NOTE 7 INVESTMENT EXPENSES (in millions)

	2022	2021
Amount charged by AIMCo for: [(a)]		
Investment costs	$ 86	$ 86
Performance based fees	90	81
Total investment expenses	$ 176	$ 167
Increase in expenses	5.4%	9.2%
Increase in average investments under management	9.2%	1.0%
Increase in value of investments attributed to AIMCo	5.2%	0.6%
Investment expense as a percent of dollar invested	0.9%	0.9%

(a) Investment expenses are charged by AIMCo on a cost recovery basis. Please refer to AIMCo's financial statements for a detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. A majority of amounts recovered by AIMCo for performance based fees relate to external managers hired by AIMCo.

Includes $114 thousand (2021: $114 thousand) charged to the Fund by Alberta Treasury Board and Finance for investment accounting and reporting services.

NOTE 8 INVESTMENT PERFORMANCE (net of investment expenses)

Estimated investment returns are provided as supplementary information. The determination of the estimated return is based on fair values using quoted market prices and estimates of fair value where no quoted market prices are available. The estimated return includes gains and losses that have not been realized. Estimated benchmark returns are based on published market-based indices and estimates where no published index is available.

			Average Annualized Return	
Time-weighted rates of return, at fair value (a)	**2022**	**2021**	**5 years** (d)	**10 years**
Net return on investments (b)	11.8%	16.1%	7.6%	9.3%
Policy benchmark return (b)	6.6%	15.5%	7.2%	8.7%
Value added by AIMCo (c)	5.2%	0.6%	0.4%	0.6%

(a) The time-weighted rate of return involves the calculation of the return realized by the Fund 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 and losses (realized and unrealized).

(b) Investment returns are provided by AIMCo. The net investment return and policy benchmark return is based on a weighted average of returns for each asset class. Investment returns for assets classified as real estate, private equities, infrastructure, hedge funds and private debt are based on estimates of fair value. For these investments, measurement uncertainty exists because trading activity is infrequent and fair values are derived using valuation techniques which incorporate assumptions that are based on non-observable market data. Reasonably possible alternative assumptions could yield an increase or decrease in the fair value amounts and investment returns reported for these types of investments. Any change in estimated returns, resulting from new information received after the cut-off date for preparation of the Fund's financial statements, will be assessed by management and either reflected in the current or next reporting period.

(c) In the SIP&G, the Ministry of Treasury Board and Finance expects that the investments held by the Fund will return 1% above the policy benchmark over a rolling five-year period.

(d) In accordance with the SIP&G, over a five-year period, it is expected that the policy portfolio will earn an average return of 4.5%, adjusted for inflation, based on the Canadian Consumer Price Index. At the reporting date, the CPI + 450 annualized, five-year rolling average, was 6.4%.

NOTE 9 FINANCIAL STATEMENTS

Quarterly and annual financial statements are prepared by the Department of Treasury Board and Finance and are approved by the Department's Senior Financial Officer and Deputy Minister. The statements report the activities and financial performance of the Fund for the period and are provided to the Standing Committee on the Alberta Heritage Savings Trust Fund in accordance with section 15 and 16 of the Act. Unaudited interim financial statements for the first three quarters of each fiscal year are made available to the public by the President of Treasury Board and Minister of Finance within two months following each quarter-end. Annual audited financial statements of the Fund are included in the annual report of the Ministry of Treasury Board and Finance.

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Alberta Heritage Scholarship Fund

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General
OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Heritage Scholarship Fund (the Fund), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and accumulated surplus, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2022, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The financial statements of the Fund are included in the *Annual Report of the Ministry of Treasury Board and Finance.* The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to the Fund, but does not include the financial statements of the Fund and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up

to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 8, 2022
Edmonton, Alberta

Statement of Financial Position

As at March 31, 2022

	($ thousands) 2022	2021
Financial assets		
Investments (Note 3)	$ 1,537,748	$ 1,432,436
Accounts receivable	-	1,196
	1,537,748	1,433,632
Liabilities		
Accounts payable	23	1,173
Net Financial Assets	$ 1,537,725	$ 1,432,459
Net financial assets (Note 5)		
Accumulated operating surplus	$ 1,447,180	$ 1,360,173
Accumulated remeasurement gains (losses)	90,545	72,286
	$ 1,537,725	$ 1,432,459

Statement of Change in Net Financial Assets

Year Ended March 31, 2022

	($ thousands) 2022 Budget	2022 Actual	2021 Actual
Net operating surplus	$ 19,106	$ 87,007	$ 52,059
Net remeasurement gains		18,259	117,842
Increase in net financial assets		**105,266**	**169,901**
Net financial assets, beginning of year		1,432,459	1,262,558
Net financial assets, end of year		$ 1,537,725	$ 1,432,459

The accompanying notes are part of these financial statements.

Statement of Operations and Accumulated Surplus

Year Ended March 31, 2022

	2022 Budget	2022 Actual	2021 Actual
	($ thousands)		
Investment income (Note 6)	$ 82,225	$ 155,465	$ 114,567
Investment expenses (Note 7)	(8,079)	(14,372)	(11,626)
Net income from operations	74,146	141,093	102,941
Other contributions	40	11	12
Transfers for Scholarships to the Ministries of:			
Advanced Education	(55,000)	(54,044)	(50,844)
Culture and Status of Women	(80)	(53)	(50)
	(55,080)	(54,097)	(50,894)
Net operating surplus	**$ 19,106**	**87,007**	**52,059**
Accumulated operating surplus, beginning of year		1,360,173	1,308,114
Accumulated operating surplus, end of year		$ 1,447,180	$ 1,360,173

Statement of Remeasurement Gains and Losses

Year Ended March 31, 2022

	2022	2021
	($ thousands)	
Unrealized gains on investments	$ 32,249	$ 114,817
Less: Amounts reclassified to the Statement of Operations		
- realized (gains) losses on investments	(13,990)	3,025
Net remeasurement gains	**18,259**	**117,842**
Accumulated remeasurement gains (losses), beginning of year	72,286	(45,556)
Accumulated remeasurement gains, end of year	$ 90,545	$ 72,286

The accompanying notes are part of these financial statements.

Statement of Cash Flows

Year Ended March 31, 2022

	($ thousands) 2022	2021
Operating transactions		
Net income from operations	$ 141,093	$ 102,941
Non-cash items included in net income	(13,990)	3,025
	127,103	105,966
Decrease (increase) in accounts receivable	1,196	(1,196)
(Decrease) increase in accounts payable	(1,150)	1,000
Cash provided by operating transactions	127,149	105,770
Investing transactions		
Proceeds from disposals, repayments and redemptions of investments	237,257	218,667
Purchase of investments	(310,072)	(272,388)
Cash applied to investing transactions	(72,815)	(53,721)
Transfers		
Other contributions	11	12
Transfers for Scholarships	(54,097)	(50,894)
Cash applied to transfers	(54,086)	(50,882)
Increase in cash	248	1,167
Cash at beginning of year	8,440	7,273
Cash at end of year	$ 8,688	$ 8,440
Consisting of Deposits in the Consolidated Cash Investment Trust Fund (CCITF) *	$ 8,688	$ 8,440

* The CCITF is a highly-liquid, short-term money market pooled fund consisting primarily (100%) of securities with maturities of less than one year.

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

March 31, 2022
(All dollar values in thousands, unless otherwise stated)

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Heritage Scholarship Fund (“the Fund”) operates under the authority of the *Alberta Heritage Scholarship Act,* Chapter A24, Revised Statutes of Alberta 2000 (the Act).

The purpose of the Fund is to invest the endowment made to the Fund. The Fund is managed with the objectives of providing an annual level of income for scholarships while preserving the capital of the endowment over the long term. The portfolio is comprised of high quality interest-bearing securities, equities, inflation sensitive and alternative investments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The financial statements are prepared in accordance with Canadian public sector accounting standards. The net financial asset model is presented in the financial statements. Net financial assets are measured as the difference between the Fund’s financial assets and liabilities as described in the statement of financial position.

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

a) VALUATION OF INVESTMENTS

Investments are recorded at fair value. As disclosed in Note 3, the Fund’s investments consist primarily of direct ownership in units of pooled investment funds (“the pools”). The pools are established by Ministerial Order 16/2014, being the Pooled Fund Establishment and Maintenance Order, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in the pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between the Alberta Investment Management Corporation (AIMCo) and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pools and the selection of securities in the pools. AIMCo, a Crown corporation within the Ministry of Treasury Board and Finance, controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Fund does not report the financial instruments of the pools on its statement of financial position.

The Fund becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its pool units. The Fund reports its share of the financial risks in Note 4.

The fair value of pool units held directly by the Fund is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in pool units are recorded in the Fund's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Fund's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by AIMCo on the fourth business day following the year end. Differences in valuation estimates provided to Treasury Board and Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investments and remeasurement gains or losses in the following period.

Investments in units of the pools are managed and evaluated on a fair value basis. As such, all investments are designated and recorded in the financial statements at fair value.

Investments in pool units are recorded in the Fund's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

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.

Impairment in the value of investments is assessed on a periodic basis. If an impairment deemed other-than-temporary is identified, the cost of the investment is written down to its realizable value. Any impairment losses are included in income on the statement of operations and accumulated surplus.

b) INVESTMENT INCOME

i) Income distributions from the pools are recorded in the Fund's accounts and included in investment income on the statement of operations and accumulated surplus (see Note 6). Income distributions are based on the Fund's pro-rata share of total units issued by the pools.

ii) Realized gains and losses on disposal of pool units are recorded in the Fund's accounts and included in income on the statement of operations and accumulated surplus. Realized gains and losses on disposal of pool units are determined on an average cost basis.

iii) Investment income is recorded on an accrual basis. Investment income is accrued when there is reasonable assurance as to its measurement and collectability.

c) INVESTMENT EXPENSES

i) Investment expenses include all amounts incurred by the Fund to earn investment income (see Note 7). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

ii) Other expenses related to the direct administration of the Fund are charged to the Fund on an accrual basis.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

d) REMEASUREMENT GAINS AND LOSSES

Accumulated remeasurement gains and losses primarily represent the excess or shortfall of the fair value of the pool units at year end over the cost of the pool units. Changes in accumulated remeasurement gains and losses are recognized in the statement of remeasurement gains and losses. Changes in accumulated remeasurement gains and losses during the year include unrealized increases and decreases in fair value of the pool units and realized gains and losses on sale of the pool units. When the pool units are sold (derecognized), any accumulated unrealized gain or loss associated with the investment becomes realized and is included in net income on the statement of operations and accumulated surplus.

e) MEASUREMENT UNCERTAINTY

Measurement uncertainty exists in the fair values reported for certain investments such as private equities, infrastructure, private debt and loans, real estate, hedge funds, renewable resources, and other investments where no readily available market price exist. The fair values of these investments are based on estimates. Estimated fair values may not reflect amounts that could be recognized upon immediate sale, or amounts that ultimately may be recognized. Accordingly, the estimated fair values may differ significantly from the value that would have been used had readily available market prices existed for these investments.

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Fund’s investments.

NOTE 3 INVESTMENTS (in thousands)

The carrying amounts of the Fund’s investments are recorded on a fair value basis. The Fund’s investments are managed at the asset class level for purposes of evaluating the Fund’s risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Fund’s assets in accordance with the Statement of Investment Policies and Goals (SIP&G) approved by the President of Treasury Board and Minister of Finance. The fair value of the pool units is based on the Fund’s share of the net asset value of the pool. The pools have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of the pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Fund, and units of the pools, within the ranges approved for each asset class (see Note 4).

Asset class	Fair Value Hierarchy (a) Level 2	Level 3	2022	2021
Interest-bearing securities				
Deposits in CCITF	$ 8,688	$	$ 8,688	$ 8,440
Bonds, mortgages and private debt	173,684	104,178	277,862	273,342
	182,372	104,178	286,550	281,782
Equities				
Canadian	134,804		134,804	120,202
Global developed	453,165	15,802	468,967	454,095
Emerging markets	58,122		58,122	72,110
Private	2	145,415	145,417	121,721
	646,093	161,217	807,310	768,128
Inflation sensitive				
Real estate	-	275,574	275,574	242,480
Infrastructure	-	150,085	150,085	121,752
Renewable resources	-	13,920	13,920	12,641
	-	439,579	439,579	376,873
Strategic, tactical and currency investments*	1,027	3,282	4,309	5,653
Total Fair Value of Investments	$ 829,492	$ 708,256	$ 1,537,748	$ 1,432,436

* This asset class is not listed separately in the SIP&G as it relates to strategic investments and currency overlays made on an opportunistic and discretionary basis (see Note 4).

a) **Fair Value Hierarchy**: The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Fund as Level 2 may contain investments that might otherwise be classified as Level 1.

- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totaling $829,492 (2021: $814,682).

- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and inflation sensitive investments totaling $708,256 (2021: $617,754).

Reconciliation of Level 3 Fair Value Measurements

	2022	2021
Balance, beginning of year	$ 617,754	$ 615,000
Unrealized gains (losses)	49,121	(11,350)
Purchases of Level 3 pooled fund units	130,210	84,903
Sale of Level 3 pooled fund units	(88,829)	(70,799)
Balance, end of year	$ 708,256	$ 617,754

NOTE 3 INVESTMENTS (in thousands) CONTINUED

b) Valuation of Financial Instruments recorded by AIMCo in the Pools

The methods used to determine the fair value of investments recorded in the pools is explained in the following paragraphs:

- ***Interest-bearing securities:*** Public interest-bearing securities 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 mortgages are valued based on the net present value of future cash flows discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans is valued similar to private mortgages.
- ***Equities:*** Public 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. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.
- ***Inflation sensitive investments:*** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows. The fair value of renewable resources investments is appraised annually by independent third party evaluators. Infrastructure investments are valued similar to private equity investments.
- ***Strategic, tactical and currency investments***: The estimated fair value of infrastructure investments held in emerging market countries is estimated by managers or general partners of private equity funds and joint ventures. For tactical asset allocations, investments in derivative contracts provides overweight or underweight exposure to global equity and bond markets, including emerging markets. Currency investments consist of directly held currency forward and spot contracts.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of the pools (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on difference between contractual foreign exchange rates and foreign exchange forward rate. Futures contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows

using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights 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.

NOTE 4 INVESTMENT RISK MANAGEMENT (in thousands)

The Fund is exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity 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. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Fund will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Fund are clearly outlined in the SIP&G approved by the Ministry of Treasury Board and Finance. The purpose of the SIP&G is to ensure the Fund is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The Ministry of Treasury Board and Finance manages the Fund's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

In order to earn the best possible return at an acceptable level of risk, the President of Treasury Board and Minister of Finance has approved the following target policy asset mix:

Asset Class	Target Asset Policy	Actual Asset Mix 2022		Actual Asset Mix 2021	
Interest-bearing securities	15 - 45%	$ 286,550	18.6%	$ 281,782	19.7%
Equities	35 - 70%	807,310	52.5%	768,128	53.6%
Inflation sensitive	15 - 40%	439,579	28.6%	376,873	26.3%
Strategic, tactical and currency investments	(a)	4,309	0.3%	5,653	0.4%
		$ 1,537,748	100.0%	$ 1,432,436	100.0%

(a) In accordance with the SIP&G, AIMCo may invest up to 2% of the fair value of the Fund's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at its discretion, use currency overlays to an economic exposure limit of 5% of market value of the Fund.

a) Credit Risk

i) Debt securities

The Fund is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is

NOTE 4 INVESTMENT RISK MANAGEMENT (in thousands) CONTINUED

measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt placements.

The table below summarizes the Fund's investment in debt securities by credit rating at March 31, 2022:

Credit rating	**2022**	**2021**
Investment Grade (AAA to BBB-)	65.3%	63.2%
Speculative Grade (BB+ or lower)	2.3%	2.7%
Unrated	32.4%	34.1%
	100.0%	100.0%

ii) Counterparty default risk - derivative contracts

The Fund is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). AIMCo is responsible for selecting and monitoring derivative counterparties on behalf of the Fund. AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Fund. Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Fund's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At March 31, 2022, the Fund's share of securities loaned under this program is $24,257 (2021: $27,254) and collateral held totals $25,913 (2021: $29,113). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or bankers' acceptances and bankers' deposit notes. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) Foreign currency risk

The Fund is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 39% (2021: 42%) of the Fund's investments, or $592,717 (2021: $596,769), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 24% (2021: 23%) and the Euro, 4% (2021: 6%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss in fair value to the Fund would be approximately 3.9% of total investments (2021: 4.2%).

The following table summarizes the Fund's exposure to foreign currency investments held in the pools at March 31, 2022:

	($ thousands)			
	2022		2021	
Currency [(a)]	Fair Value	Sensitivity	Fair Value	Sensitivity
U.S. dollar	$ 366,317	$ (36,632)	$ 326,013	$ (32,601)
Euro	68,822	(6,882)	80,202	(8,020)
British pound sterling	49,502	(4,950)	50,469	(5,047)
Japanese yen	29,932	(2,993)	33,896	(3,390)
Other foreign currency	78,144	(7,815)	106,189	(10,619)
Total foreign currency investments	$ 592,717	$ (59,272)	$ 596,769	$ (59,677)

(a) Information on specific currencies is disclosed when the current year fair value is greater than 1% of the Fund's net assets.

c) Interest rate risk

The Fund is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the fair value of investments will change due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Fund would be approximately 1.0% of total investments (2021: 1.1%).

d) Price risk

Price risk relates to the possibility that pool units will change in fair value due to future fluctuations in market prices of equities held in the pools caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Fund is exposed to price risk associated with the underlying equity investments held in the pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss in fair value to the Fund would be approximately 5.2% of total investments (2021: 6.0%). Changes in fair value of investments are recognized in the statement of remeasurement gains and losses.

e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Fund are met through income generated from investments, and by investing in units of pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, renewable resources, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. The Fund's main liabilities include annual scholarships and payables related to purchase of pool units.

NOTE 4 INVESTMENT RISK MANAGEMENT (in thousands) CONTINUED

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Fund has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

By counterparty	Number of counterparties	Fund's Indirect Share 2022	Fund's Indirect Share 2021
Contracts in favourable position (current credit exposure)	176	$ 23,214	$ 24,102
Contracts in unfavourable position	9	(9,022)	(9,131)
Net fair value of derivative contracts	185	$ 14,192	$ 14,971

i) Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a favourable position totaling $14,192 (2021: $24,102) were to default at once.

ii) Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

iii) Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

Types of derivatives	Fund's Indirect Share 2022	Fund's Indirect Share 2021
Equity-based derivatives	$ 7,166	$ 5,378
Foreign currency derivatives	4,779	8,719
Interest rate derivatives	1,837	481
Credit risk derivatives	410	393
Net fair value of derivative contracts	$ 14,192	$ 14,971

i) Equity-based derivatives include contracts where one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument. Rights, warrants, futures and options are also included as equity-based derivatives.

ii) Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

iii) Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

iv) Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

v) At March 31, 2022, deposits in futures contracts margin accounts totaled $6,767 (2021: $5,981). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $10,398 (2021: $11,797) and $nil (2021: $nil).

NOTE 5 NET FINANCIAL ASSETS (in thousands)

Net financial assets represents the difference between the carrying value of financial assets held by the Fund and its liabilities. The following table shows the accumulated investment income and transfers to (from) the Fund since its inception in 1981:

	Cumulative since 1981	
	2022	2021
Accumulated net income from operations	$ 1,620,378	$ 1,479,285
Transfers from the Alberta Heritage Savings Trust Fund:		
Endowment [(a)]	100,000	100,000
Savings Management Act [(b)]	200,000	200,000
Transfers from the General Revenue Fund [(c)]	497,000	497,000
Other contributions	21,042	21,031
Accumulated scholarship payments [(a)]	(991,240)	(937,143)
Accumulated surplus from operations	1,447,180	1,360,173
Accumulated net remeasurement gains	90,545	72,286
Carrying value of net financial assets	$ 1,537,725	$ 1,432,459

(a) The endowment was received from the Alberta Heritage Savings Trust Fund on June 18, 1981. *The Alberta Heritage Scholarship Act* (the Act) provides that money required by the Students Finance Board for providing scholarships, or for paying for the costs of administering scholarships, shall be paid from the Fund, but no portion of the original endowment may be paid out of the Fund.

(b) In accordance with section 7 of the *Savings Management Act*, the Fund received $200 million from the Alberta Heritage Savings Trust Fund to be used for trades scholarships. The *Savings Management Act* was repealed on December 17, 2014.

(c) In accordance with section 2.1 of the Act, transfers from the GRF include $270 million on account of the *Access to the Future Act*. Section 7 of the *Access to the Future Act* states that the Alberta Heritage Scholarship Fund shall be increased by $1 billion, in amounts considered appropriate by the President of Treasury Board and Minister of Finance. The *Access to the Future Act* was repealed on December 5, 2019.

NOTE 6 INVESTMENT INCOME (in thousands)

The following is a summary of the Fund's investment income (loss) by asset class:

	2022	2021
Interest-bearing securities	$ 8,128	$ 22,528
Equities		
Canadian	25,417	19,608
Global	60,544	71,001
Private	38,892	(1,717)
	124,853	88,892
Inflation sensitive		
Real estate	14,287	306
Infrastructure	6,943	800
Renewable resources	786	107
	22,016	1,213
Strategic, tactical and currency investments	468	1,934
	$ 155,465	$ 114,567

NOTE 6 INVESTMENT INCOME (in thousands) CONTINUED

The investment income includes realized gains and losses from disposal of pool units totalling $14,099 (2021: $(3,029)) and from directly held foreign exchange contracts totalling $(109) (2021: $4). Income distributions from the pools total $141,475 (2021: $117,592).

Income earned in pooled investment funds is distributed to the Fund daily based on the Fund's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis, income and expense on derivative contracts and writedowns of securities held in pools which are indicative of a loss in value that is other than temporary. Other-than-temporary losses included in investment income in the statement of operations and accumulated surplus were $6,570 (2021: $31,620). Because the investments are accounted for on a fair value basis, the recording of other-than-temporary losses through the statement of operations does not affect the performance of the Fund.

NOTE 7 INVESTMENT EXPENSES (in thousands)

	2022	2021
Amount charged by AIMCo for:		
Investment costs [(a)]	$ 6,938	$ 6,644
Performance based fees [(a)]	7,385	4,933
	14,323	11,577
Amounts charged by Treasury Board and Finance for:		
Investment accounting and Fund reporting	49	49
Total investment expenses	$ 14,372	$ 11,626
Increase (decrease) in expenses	23.6%	(4.7%)
Increase in average investments under management	10.2%	0.5%
Increase in value of investments attributed to AIMCo	4.6%	0.9%
Investment expenses as a percent of dollar invested	1.0%	0.9%

(a) Investment expenses are charged by AIMCo on a cost recovery basis. Please refer to AIMCo's financial statements for a detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance based fees relate to external managers hired by AIMCo.

NOTE 8 INVESTMENT PERFORMANCE (net of investment expenses)

Estimated investment returns are provided as supplementary information. The determination of the estimated return is based on fair values using quoted market prices and estimates of fair value where no quoted market prices are available. The estimated return includes gains and losses that have not been realized. Estimated benchmark returns are based on published market-based indices and estimates where no published index is available.

			Average Annualized Return	
Time-weighted rates of return, at fair value (a)	2022	2021	5 years	10 years
Net return on investments (b)	11.2%	17.4%	7.2%	9.3%
Policy benchmark return (b)	6.6%	16.5%	7.3%	8.8%
Value added (lost) by AIMCo (c)	4.6%	0.9%	(0.1%)	0.5%

(a) The time-weighted rate of return involves the calculation of the return realized by the Fund over a specified year 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 and losses (realized and unrealized).

(b) Investment returns are provided by AIMCo. The net investment return and policy benchmark return is based on a weighted average of returns for each asset class. Investment returns for assets classified as real estate, private equities, infrastructure, hedge funds and private debt are based on estimates of fair value. For these investments, measurement uncertainty exists because trading activity is infrequent and fair values are derived using valuation techniques which incorporate assumptions that are based on non-observable market data. Reasonably possible alternative assumptions could yield an increase or decrease in the fair value amounts and investment returns reported for these types of investments. Any change in estimated returns, resulting from new information received after the cut-off date for preparation of the Fund's financial statements, will be assessed by management and either reflected in the current or next reporting period.

(c) In the SIP&G, the Ministry of Treasury Board and Finance expects that the investments held by the Fund will return 1% per annum above the policy benchmark.

NOTE 9 FINANCIAL STATEMENTS

These statements were prepared by the Department of Treasury Board and Finance in accordance with section 2(5) of the Act and are approved by the Department's Senior Financial Officer and Deputy Minister.

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Alberta Heritage Science and Engineering Research Endowment Fund

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General
OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Heritage Science and Engineering Research Endowment Fund (the Fund), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and accumulated surplus, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2022, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The financial statements of the Fund are included in the *Annual Report of the Ministry of Treasury Board and Finance*. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to the Fund, but does not include the financial statements of the Fund and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up

to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 8, 2022
Edmonton, Alberta

Statement of Financial Position

As at March 31, 2022

(in thousands)

	2022	2021
Financial assets		
Investments (Note 3)	$ 1,339,670	$ 1,237,363
Receivable from sale of investments	-	2,321
	1,339,670	1,239,684
Liabilities		
Payable from purchase of investments	-	2,321
	-	2,321
Net Financial Assets	$ 1,339,670	$ 1,237,363
Net financial assets (Note 5)		
Accumulated surplus from operations	$ 1,249,324	$ 1,160,946
Accumulated remeasurement gains	90,346	76,417
	$ 1,339,670	$ 1,237,363

Statement of Change in Net Financial Assets

Year Ended March 31, 2022

(in thousands)

	2022		2021
	Budget	Actual	Actual
Net operating surplus	$ 31,835	$ 88,378	$ 50,057
Net remeasurement gains		13,929	101,839
Increase in net financial assets		**102,307**	**151,896**
Net financial assets, beginning of year		1,237,363	1,085,467
Net financial assets, end of year		$ 1,339,670	$ 1,237,363

The accompanying notes are part of these financial statements.

Statement of Operations and Accumulated Surplus

Year Ended March 31, 2022

(in thousands)

	2022 Budget	2022 Actual	2021 Actual
Investment income (Note 6)	$ 75,095	$ 137,282	$ 95,941
Investment expenses (Note 7)	(6,760)	(12,404)	(9,384)
Net income from operations	68,335	124,878	86,557
Transfers for research and innovation (Note 5b)	(36,500)	(36,500)	(36,500)
Net operating surplus	**$ 31,835**	**88,378**	**50,057**
Accumulated operating surplus, beginning of year		1,160,946	1,110,889
Accumulated operating surplus, end of year		$ 1,249,324	$ 1,160,946

Statement of Remeasurement Gains and Losses

Year Ended March 31, 2022

(in thousands)

	2022	2021
Unrealized gains on investments	$ 26,910	$ 98,443
Less: Amounts reclassified to the Statement of Operations - realized (gains) losses on investments	(12,981)	3,396
Net remeasurement gains	**13,929**	**101,839**
Accumulated remeasurement gains (losses), beginning of year	76,417	(25,422)
Accumulated remeasurement gains , end of year	$ 90,346	$ 76,417

The accompanying notes are part of these financial statements.

Statement of Cash Flows

Year Ended March 31, 2022

(in thousands)

	2022	2021
Operating transactions		
Net income from operations	$ 124,878	$ 86,557
Non-cash items included in net income	(12,981)	3,396
	111,897	89,953
Decrease (increase) in accounts receivable	2,321	(2,321)
(Decrease) increase in accounts payable	(2,321)	2,321
Cash provided by operating transactions	111,897	89,953
Investing transactions		
Proceeds from disposals, repayments and redemptions of investments	192,819	222,800
Purchase of investments	(268,097)	(237,534)
Cash applied to investing transactions	(75,278)	(14,734)
Transfers		
Transfers for research and innovation	(36,500)	(36,500)
Increase in amounts due to Jobs, Economy and Innovation	-	(36,500)
Cash applied to transfers	(36,500)	(73,000)
Increase in cash	119	2,219
Cash at beginning of year	6,824	4,605
Cash at end of year	$ 6,943	$ 6,824
Consisting of Deposits in the Consolidated Cash Investment Trust Fund (CCITF) *	$ 6,943	$ 6,824

* The CCITF is a highly-liquid, short term money market pooled fund consisting primarily (100%) of securities with maturities of less than one year.

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

March 31, 2022

(All dollar values in thousands, unless otherwise stated)

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Heritage Science and Engineering Research Endowment Fund (the Fund) operates under the authority of the *Alberta Research and Innovation Act*, Chapter A-31.7, Statutes of Alberta 2009 (the Act).

The purpose of the Fund is to support a balanced long-term program of research and innovation directed to the discovery of new knowledge and the application of that knowledge to the commercialization of technology. The Fund has been managed with the objectives of providing an annual level of income for transfer to the Ministry of Jobs, Economy and Innovation (JEI). The portfolio is comprised of interest-bearing securities, equities, inflation sensitive and alternative investments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards. The net financial asset model is presented in the financial statements. Net financial assets are measured as the difference between the Fund's financial assets and liabilities as described in the statement of financial position.

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

a) VALUATION OF INVESTMENTS

Investments are recorded at fair value. As disclosed in Note 3, the Fund's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Establishment and Maintenance of Pooled Funds, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between Alberta Investment Management Corporation (AIMCo), a Crown corporation within the Ministry of Treasury Board and Finance, and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. AIMCo controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Fund does not report the financial instruments of the pools on its statement of financial position.

The Fund becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its pool units. The Fund reports its share of the financial risks in Note 4.

The fair value of pool units held directly by the Fund is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in pool units are recorded in the Fund's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Fund's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by AIMCo on the fourth business day following the period end. Differences in valuation estimates provided to Treasury Board and Finance after the period end cut-off date are reviewed by management. Differences considered immaterial by management are included in investments and remeasurement gains or losses in the following period.

Investments in units of the pools are managed and evaluated on a fair value basis. As such, all investments are designated and recorded in the financial statements at fair value.

Investments in pool units are recorded in the Fund's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

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.

Impairment in the value of investments is assessed on a periodic basis. If an impairment deemed other-than-temporary is identified, the cost of the investment is written down to its realizable value. Any impairment losses are included in income on the statement of operations and accumulated surplus.

b) INVESTMENT INCOME

i) Income distributions from the pools are recorded in the Fund's accounts and included in investment income on the statement of operations and accumulated surplus (see Note 6). Income distributions are based on the Fund's pro-rata share of total units issued by the pools.

ii) Realized gains and losses on disposal of pool units are recorded in the Fund's accounts and included in income on the statement of operations and accumulated surplus. Realized gains and losses on disposal of pool units are determined on an average cost basis.

iii) Investment income is recorded on an accrual basis. Investment income is accrued when there is reasonable assurance as to its measurement and collectability.

c) INVESTMENT EXPENSES

i) Investment expenses include all amounts incurred by the Fund to earn investment income (see Note 7). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

ii) Other expenses related to the direct administration of the Fund are charged to the Fund on an accrual basis.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

d) REMEASUREMENT GAINS AND LOSSES

Accumulated remeasurement gains and losses primarily represent the excess or shortfall of the fair value of the pool units at year-end over the cost of the pool units. Changes in accumulated remeasurement gains and losses are recognized in the statement of remeasurement gains and losses. Changes in accumulated remeasurement gains and losses during the year include unrealized increases and decreases in fair value of the pool units and realized gains and losses on sale of the pool units. When the pool units are sold (derecognized), any accumulated unrealized gain or loss associated with the investment becomes realized and is included in net income on the statement of operations and accumulated surplus.

e) MEASUREMENT UNCERTAINTY

Measurement uncertainty exists in the fair values reported for certain investments such as private equities, infrastructure, private debt and loans, private real estate, hedge funds, renewable resources, and other investments where no readily available market prices exist. The fair values of these investments are based on estimates. Estimated fair values may not reflect amounts that could be recognized upon immediate sale, or amounts that ultimately may be recognized. Accordingly, the estimated fair values may differ significantly from the value that would have been used had readily available market prices existed for these investments.

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Fund’s investments.

NOTE 3 INVESTMENTS (in thousands)

The carrying amounts of the Fund’s investments are recorded on a fair value basis. The Fund’s investments are managed at the asset class level for purposes of evaluating the Fund’s risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Fund’s assets in accordance with the Statement of Investment Policies and Goals (SIP&G) approved by the President of Treasury Board, Minister of Finance. The fair value of the pool units is based on the Fund’s share of the net asset value of the pooled fund. The pools have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of the pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Fund, and units of the pools, within the ranges approved for each asset class (see Note 4).

Asset class	Fair Value Hierarchy (a) Level 2	Level 3	2022	2021
Interest-bearing securities				
Deposits in CCITF	$ 6,943	$ -	$ 6,943	$ 6,824
Bonds, mortgages and private debt	152,958	90,142	243,100	233,980
	159,901	90,142	250,043	240,804
Equities				
Canadian	116,603	-	116,603	103,704
Global developed	399,363	13,154	412,517	390,528
Emerging markets	52,623	-	52,623	61,928
Private	3	117,942	117,945	102,659
	568,592	131,096	699,688	658,819
Inflation sensitive				
Real estate	-	241,690	241,690	212,504
Infrastructure	-	118,370	118,370	96,012
Renewable resources	-	25,991	25,991	24,082
	-	386,051	386,051	332,598
Strategic, tactical and currency investments *	823	3,065	3,888	5,142
Total Fair Value of Investments	$ 729,316	$ 610,354	$ 1,339,670	$ 1,237,363

* This asset class is not listed in the SIP&G as it relates to strategic investments and currency overlays made on an opportunistic and discretionary basis (see Note 4).

a) **Fair Value Hierarchy**: The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Fund as Level 2 may contain investments that might otherwise be classified as Level 1.
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totalling $729,316 (2021: $699,073).
- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and all inflation sensitive investments totalling $610,354 (2021: $538,290).

Reconciliation of Level 3 Investments

	2022	2021
Balance, beginning of year	$ 538,290	$ 538,574
Unrealized gains (losses)	42,617	(13,112)
Purchases of Level 3 pooled fund units	109,525	73,281
Sale of Level 3 pooled fund units	(80,078)	(60,453)
Balance, end of year	$ 610,354	$ 538,290

NOTE 3 INVESTMENTS (in thousands) CONTINUED

b) Valuation of Financial Instruments recorded by AIMCo in the Pools

The methods used by AIMCo to determine the fair value of investments recorded in the pools are explained in the following paragraphs:

- ***Interest-bearing securities:*** Public interest-bearing securities 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 mortgages are valued based on the net present value of future cash flows discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans is valued similar to private mortgages.
- ***Equities:*** Public 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. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods for private equities may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.
- ***Inflation sensitive investments:*** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and discounted cash flows. The fair value of renewable resources investments is appraised annually by independent third party evaluators. Infrastructure investments are valued similar to private equity investments.
- ***Strategic, tactical and currency investments:*** The estimated fair value of infrastructure investments held in emerging market countries are valued similar to private equities. For tactical asset allocations, investments in derivative contracts provides overweight or underweight exposure to global equity and bond markets, including emerging markets. Currency investments consist of directly held currency forward and spot contracts.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.

- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of the pools (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on differences between contractual foreign exchange rates and foreign exchange forward rates. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights 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.

NOTE 4 INVESTMENT RISK MANAGEMENT (in thousands)

The Fund is exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity 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. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Fund will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Fund are clearly outlined in the SIP&G approved by the Ministry of Treasury Board and Finance. The purpose of the SIP&G is to ensure the Fund is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The Ministry of Treasury Board and Finance manages the Fund's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

In order to earn the best possible return at an acceptable level of risk, the President of Treasury Board, Minister of Finance has approved the following target policy asset mix.

Asset Class	Target Policy Asset Mix	Actual Asset Mix 2022		Actual Asset Mix 2021	
Interest-bearing securities	15 - 45%	$ 250,043	18.7%	$ 240,804	19.5%
Equities	35 - 70%	699,688	52.2%	658,819	53.2%
Inflation sensitive	15 - 40%	386,051	28.8%	332,598	26.9%
Strategic, tactical and currency investments	(a)	3,888	0.3%	5,142	0.4%
		$1,339,670	100.0%	$1,237,363	100.0%

(a) In accordance with the SIP&G, AIMCo may invest up to 2% of the fair value of the Fund's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at its discretion, use currency overlays to an economic exposure limit of 5% of the market value of the Fund.

NOTE 4 INVESTMENT RISK MANAGEMENT (in thousands) CONTINUED

a) Credit Risk

i) Debt securities

The Fund is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt placements.

The table below summarizes the Fund's investment in debt securities by credit rating at March 31, 2022:

Credit rating	2022	2021
Investment Grade (AAA to BBB-)	65.7%	62.9%
Speculative Grade (BB+ or lower)	2.3%	2.7%
Unrated	32.0%	34.4%
	100.0%	100.0%

ii) Counterparty default risk - derivative contracts

The Fund is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Fund. Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Fund's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At March 31, 2022, the Fund's share of securities loaned under this program is $21,377 (2021: $23,452) and collateral held totals $22,836 (2021: $25,053). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or bankers' acceptances and bankers' deposit notes. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) Foreign currency risk

The Fund is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 39% (2021: 42%) of the Fund's investments, or $529,155 (2021: $519,444), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 24% (2021: 23%) and the Euro, 5% (2021: 6%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss in fair value to the Fund would be approximately 3.9% of total investments (2021: 4.2%).

The following table summarizes the Fund's exposure to foreign currency investments held in the pools at March 31, 2022:

Currency [(a)]	2022 Fair Value	2022 Sensitivity	2021 Fair Value	2021 Sensitivity
U.S. dollar	$ 324,655	$ (32,466)	$ 280,383	$ (28,038)
Euro	62,715	(6,272)	72,195	(7,219)
British pound sterling	45,054	(4,505)	46,077	(4,608)
Japanese yen	26,359	(2,636)	29,190	(2,919)
Other foreign currency	70,372	(7,037)	91,599	(9,160)
Total foreign currency investments	$ 529,155	$ (52,916)	$ 519,444	$ (51,944)

[(a)] Information on specific currencies is disclosed when the current year fair value is greater than 1% of the Fund's net assets.

c) Interest rate risk

The Fund is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the fair value of investments will change due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Fund would be approximately 1.0% of total investments (2021: 1.1%).

d) Price risk

Price risk relates to the possibility that pool units will change in fair value due to future fluctuations in market prices of equities held in the pools caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Fund is exposed to price risk associated with the underlying equity investments held in the pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss in fair value to the Fund would be approximately 5.2% of total investments (2021: 6.0%). Changes in fair value of investments are recognized in the statement of remeasurement gains and losses.

NOTE 4 INVESTMENT RISK MANAGEMENT (in thousands) CONTINUED

e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Fund are met through income generated from investments, and by investing in units of pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, renewable resources, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. The Fund's future liabilities include transfers to the Ministry of Jobs, Economy and Innovation and payables related to the purchase of pool units.

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Fund has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost-effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pooled fund returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Fund's Indirect Share	
By counterparty	Number of counterparties	2022	2021
Contracts in net favourable position (current credit exposure)	176	$ 20,023	$ 20,510
Contracts in net unfavourable position	9	(7,920)	(7,811)
Net fair value of derivative contracts	185	$ 12,103	$ 12,699

i) Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a net favourable position totaling $20,023 (2021: $20,510) were to default at once.
ii) Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.
iii) Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

	Fund's Indirect Share	
Types of derivatives	2022	2021
Equity-based derivatives	$ 6,249	$ 4,597
Foreign currency derivatives	3,872	7,356
Interest rate derivatives	1,622	407
Credit risk derivatives	360	339
Net fair value of derivative contracts	$ 12,103	$ 12,699

i) Equity-based derivatives include equity swaps. Equity swaps are contracts where one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument. Rights, warrants, futures and options are also included as equity-based derivatives.
ii) Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.
iii) Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.
iv) Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.
v) At March 31, 2022, deposits in futures contracts margin accounts totaled $5,967 (2021: $5,136). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $9,131 (2021: $10,120) and $nil (2021: $nil).

NOTE 5 NET FINANCIAL ASSETS (in thousands)

Net financial assets represents the difference between the carrying value of financial assets held by the Fund and its liabilities. The following table shows the accumulated investment income and transfers to and from the Fund since its inception in 2000:

	Cumulative since 2000	
	2022	2021
Accumulated net income from operations	$ 1,141,480	$ 1,016,602
Transfers from the General Revenue Fund [(a)]	721,430	721,430
Accumulated transfers for research and innovation [(b)]	(613,586)	(577,086)
Accumulated surplus from operations	1,249,324	1,160,946
Accumulated net remeasurement gains	90,346	76,417
Carrying value of net financial assets	$ 1,339,670	$ 1,237,363

(a) The total accumulated contributions from the GRF include an initial amount of $500 million deposited during the 2000-2001 fiscal year and $21.43 million during the 2003-2004 fiscal year. Additionally, pursuant to Section 8 of the *Access to the Future Act*, $100 million was transferred from the GRF during the 2005-2006 fiscal year and $100 million was transferred from the GRF during the 2006-2007 fiscal year. Under the *Access to the Future Act*, the Fund shall be increased by $500 million in amounts considered appropriate by the President of Treasury Board and Minister of Finance.

(b) In accordance with section 12 of the Act, the President of Treasury Board and Minister of Finance must, at the request of the Minister of JEI, pay from the Endowment Fund to JEI, money that, in the opinion of the Alberta Research and Innovation Authority is required by JEI for the furtherance of its objectives. Section 12 of the Act limits annual payments from the Fund to JEI. Payments to JEI may not exceed, in a fiscal year, 4.5% of the average of the market values determined on March 31 of the preceding three fiscal years, and any unused portion of the amount permitted to be paid in that fiscal year may be paid in any subsequent fiscal year.

	2022
Spending limit for year ended March 31, 2022	$ 127,116
Transfers to JEI during 2021-22	(36,500)
Accumulated unused spending limit at March 31, 2022	90,616
4.5% of average market value on March 31, 2020-22	55,485
Spending limit for year ended March 31, 2023	$ 146,101

NOTE 6 INVESTMENT INCOME (in thousands)

The following is a summary of the Fund's investment income (loss) by asset class:

	2022	2021
Interest-bearing securities	$ 6,670	$ 20,226
Equities		
Canadian	22,362	17,052
Global	52,259	60,370
Private	34,640	(3,682)
	109,261	73,740
Inflation sensitive		
Real estate	12,797	446
Infrastructure	5,709	416
Renewable resources	2,333	(917)
	20,839	(55)
Strategic, tactical and currency investments	512	2,030
	$ 137,282	$ 95,941

The investment income includes realized gains and losses from disposal of pool units totalling $12,971 (2021: ($3,584)) and from directly held currency foreign exchange contracts totalling $10 (2021: $189). Income distributions from the pools total $124,301 (2021: $99,336).

Income earned in pooled investment funds is distributed to the Fund daily based on the Fund's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis, income and expense on derivative contracts and writedowns of securities held in pools which are indicative of a loss in value that is other than temporary. Other-than-temporary losses included in investment income in the statement of operations and accumulated surplus were $5,773 (2021: $27,999). Because the investments are accounted for on a fair value basis, the recording of other-than-temporary losses through the statement of operations does not affect the performance of the fund.

NOTE 7 INVESTMENT EXPENSES (in thousands)

	2022	2021
Amounts charged by AIMCo for:[(a)]		
Investment Costs[(b)]	$ 5,977	$ 5,726
Performance based fees[(b)]	6,378	3,609
	12,355	9,335
Amounts charged by Treasury Board and Finance for:		
Investment accounting and Fund reporting	49	49
Total investment expenses	$ 12,404	$ 9,384
Increase (decrease) in expenses	32.2%	(11.0%)
Increase in average investments under management	9.2%	1.6%
Increase in value of investments attributable to AIMCo	4.7%	0.5%
Investment expenses as a percent of dollar invested	1.0%	0.8%

(a) Investment expenses are charged by AIMCo on a cost recovery basis. Please refer to AIMCo's financial statements for a detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance based fees related to external managers hired by AIMCo.

(b) Internal performance fees previously included in investment costs have now been reclassed to performance based fees.

NOTE 8 INVESTMENT PERFORMANCE (net of investment expenses)

Estimated investment returns are provided as supplementary information. The determination of the estimated return is based on fair values using quoted market prices and estimates of fair value where no quoted market prices are available. The estimated return includes gains and losses that have not been realized. Estimated benchmark returns are based on published market-based indices and estimates where no published index is available.

			Average Annualized Return	
Time-weighted rates of return, at fair value [a]	**2022**	**2021**	**5 years**	**10 years**
Net return on investments [b]	11.2%	17.0%	7.3%	9.4%
Policy benchmark return [b]	6.5%	16.5%	7.3%	8.7%
Value added by investment manager [c]	4.7%	0.5%	0.0%	0.7%

(a) The time-weighted rate of return involves the calculation of the return realized by the Fund 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 and losses (realized and unrealized).

(b) Investment returns are provided by AIMCo. The net investment return and policy benchmark return is based on a weighted average of returns for each asset class. Investment returns for assets classified as real estate, private equities, infrastructure, hedge funds and private debt are based on estimates of fair value. For these investments, measurement uncertainty exists because trading activity is infrequent and fair values are derived using valuation techniques which incorporate assumptions that are based on non-observable market data. Reasonably possible alternative assumptions could yield an increase or decrease in the fair value amounts and investment returns reported for these types of investments. Any change in estimated returns, resulting from new information received after the cut-off date for preparation of the Fund's financial statements, will be assessed by management and either reflected in the current or next reporting period.

(c) In the SIP&G, the Ministry of Treasury Board and Finance expects that the investments held by the Fund will return 1% per annum above the policy benchmark.

NOTE 9 FINANCIAL STATEMENTS

These statements were prepared by the Department of Treasury Board and Finance in accordance with section 11(6) of the Act and are approved by the Department's Senior Financial Officer and Deputy Minister.

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Alberta Risk Management Fund

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Risk Management Fund (the Fund), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and accumulated surplus, remeasurement gains and losses, change in net debt, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2022, and the results of its operations, its remeasurement gains and losses, its change from net financial assets to net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The financial statements of the Fund are included in the *Annual Report of the Ministry of Treasury Board and Finance*. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to the Fund, but does not include the financial statements of the Fund and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up

to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 8, 2022
Edmonton, Alberta

Statement of Financial Position
As at March 31, 2022

	($ thousands) 2022	2021
Financial Assets		
Cash and cash equivalents (Note 4)	$ 8,021	$ 6,696
Investments (Note 4)	72,390	74,850
Receivable from Province of Alberta	2	191
Accrued recoveries (Note 6)	3	13
Other receivable	13	-
	80,429	81,750
Liabilities		
Accounts payable (Note 7)	1,540	1,782
Liability for accrued claims (Note 8)	80,320	73,434
	81,860	75,216
Net (Debt) Financial Assets	(1,431)	6,534
Net (Debt) Assets		
Accumulated surplus from operations	3,350	7,627
Accumulated remeasurement losses	(4,781)	(1,093)
	$ (1,431)	$ 6,534

Contractual obligations (Note 10)

The accompanying notes are part of these financial statements.

Statement of Change in Net Debt
Year ended March 31, 2022

	($ thousands) 2022 Budget	2022 Actual	2021 Actual
Annual deficit	$ (8,276)	$ (4,277)	$ (2,375)
Net remeasurement (losses) gains		(3,688)	367
Decrease in Net Financial Assets		(7,965)	(2,008)
Net Financial Assets, beginning of year		6,534	8,542
Net (Debt) Financial Assets, end of year		$ (1,431)	$ 6,534

The accompanying notes are part of these financial statements.

Statement of Operations and Accumulated Surplus

Year Ended March 31, 2022

	2022 Budget ($ thousands)	2022 Actual ($ thousands)	2021 Actual ($ thousands)
Revenues			
Insurance services			
Province of Alberta departments, funds and agencies	$ 17,443	$ 15,550	$ 16,372
Other entities	1,074	2,600	1,520
Subrogation and salvage	300	1,449	703
Investment income	1,952	1,322	1,974
	20,769	20,921	20,569
Expenses			
Insurance claims (Note 9)	21,657	19,805	15,105
Insurance premiums to insurers	4,733	2,843	4,712
Administration	1,760	1,748	1,778
Investment expenses	-	66	55
Other services	895	736	1,294
	29,045	25,198	22,944
Annual deficit	$ (8,276)	(4,277)	(2,375)
Accumulated Surplus at beginning of year		7,627	10,002
Accumulated surplus at end of year		$ 3,350	$ 7,627

The accompanying notes are part of these financial statements.

Statement of Remeasurement Gains and Losses

Year Ended March 31, 2022

	2022 ($ thousands)	2021 ($ thousands)
Unrealized (losses) gains on investments	$ (3,688)	$ 367
Accumulated remeasurement losses, beginning of year	(1,093)	(1,460)
Accumulated remeasurement losses, end of year	$ (4,781)	$ (1,093)

The accompanying notes are part of these financial statements.

Statement of Cash Flows

Year Ended March 31, 2022

	($ thousands) 2022	2021
Operating Transactions		
Annual deficit	$ (4,277)	$ (2,375)
Decrease in accrued recoveries	10	12
Decrease (increase) in receivable from Province of Alberta	189	(158)
Increase in other receivable	(13)	-
(Decrease) increase in accounts payable	(242)	1,052
Increase in liabilities for accrued claims	6,886	3,142
Cash provided by operating transactions	2,553	1,673
Investing Transactions		
Purchase of investments	(1,228)	(1,843)
Cash applied to investing transactions	(1,228)	(1,843)
Increase (decrease) in Cash and Cash Equivalents	1,325	(170)
Cash and Cash Equivalents, Beginning of Year	6,696	6,866
Cash and Cash Equivalents, End of Year	$ 8,021	$ 6,696
Consisting of Deposits in the Consolidated Cash Investment Trust Fund (Note 4)	$ 8,021	$ 6,696

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

March 31, 2022

(All dollar amounts in thousands, unless otherwise stated)

NOTE 1 AUTHORITY, PURPOSE AND FINANCIAL STRUCTURE

The Alberta Risk Management Fund (the Fund) operates under the authority of the *Financial Administration Act,* Chapter F-12, Revised Statutes of Alberta 2000.

The Fund provides risk management and insurance services to government departments, funds and agencies, members of the Legislative Assembly and others by assuming general and automobile liability and the risk of losses due to automobile physical damage, property damage and crime in exchange for premiums related to the level of risk assumed.

In the ordinary course of business, the Fund insures certain risks for the purpose of limiting its exposure to large or unusual risks. As such, the Fund enters into excess of loss contracts with only the most credit-worthy insurance companies and is required to pay for all losses up to certain predetermined amounts. The insurance companies compensate the Fund for any losses above the agreed predetermined amounts.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

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

a) The net debt model has been adopted for the presentation of financial statements. Net debt or net financial assets is measured as the difference between the Fund's financial assets and liabilities.

   A (net debt) net financial assets balance indicates the extent of the Fund's future operating revenue requirements to settle its financial assets and liabilities.

b) Financial Assets are the Fund's financial claims on external organizations as well as cash and investments.

c) The valuation of the liability for accrued claims is accounted for based on an actuarial assessment of the Fund's claim experience using assumptions on an actuarial present value basis to provide an estimate of the required claims reserve. The valuation is completed on an annual basis using the best data and assumptions at the time.

d) 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 that is material in these financial statements exists in the estimation of the Fund's liability for accrued claims. Uncertainty arises because the Fund's actual loss experience may differ, perhaps significantly, from assumptions used in the estimation of the Fund's liability for accrued claims. (see Note 8b).
Liability for accrued claims, recorded as $80.3 million (2021: $73.4 million) in these financial statements, is subject to measurement uncertainty. This is because the ultimate disposition of claims incurred prior to the financial statement date is subject to the outcome of events that have not yet occurred, and any estimate of future costs has inherent limitations due to management's limited ability to predict precisely the aggregate course of future events. Based on an actuarial sensitivity analysis, an estimate of claim liabilities at the high end of a reasonable range is $105.0 million as at March 31, 2022 or $24.7 million higher than the recognized amount. It is possible that actual claims could be even higher than this other probable amount (see Note 8b).
While best estimates have been used in reporting the Fund's liability for accrued claims, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements. Differences between actual results and expectations are adjusted in the period when the actual loss values are known.

e) The fair values of cash, accounts receivable from Province of Alberta, accrued recoveries, accounts payable and liability for accrued claims are estimated to approximate their book values.

f) Impairment in the value of investments is assessed on a periodic basis. If an impairment deemed other-than-temporary is identified, the cost of the investment is written down to its realizable value. Any impairment losses are included in income on the statement of operations and accumulated surplus.

g) All revenues are reported using the accrual method of accounting.

h) The Fund's investment portfolio is recorded at fair value (see Note 4). Investments are recognized on a trade date basis.

i) Investment expenses include all amounts charged by the AIMCo. Investment expenses are recognized on an accrual basis. Transaction costs are expensed as they are incurred.

j) Accumulated remeasurement gains and losses primarily represent the excess or shortfall of the fair value of the pool units at period end over the cost of the pool units. Changes in accumulated remeasurement gains are recognized in the statement of remeasurement gains and losses. When investments are disposed of (derecognized), any accumulated unrealized loss associated with the investment becomes realized and is included in the net income on the statement of operations and accumulated surplus.

NOTE 3 FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board has issued the following accounting standards:

PS 3280 Asset Retirement Obligations (effective April 1, 2022)
Effective April 1, 2022, this standard provided guidance on how to account for and report liabilities for retirement of tangible capital assets.

NOTE 3 FUTURE ACCOUNTING CHANGES CONTINUED

PS3400 Revenue (effective April 1, 2023)
This standard provides guidance on how to account for and report on revenue, and specifically, it differentiates between revenue arising from exchange and non-exchange transactions.

The Fund has not yet adopted these standards. Management is currently assessing the impact of these standards on the financial statements.

There are no other accounting standards which are issued and effective on or after April 1, 2022, anticipated to have an effect on the financial statements.

NOTE 4 CASH, CASH EQUIVALENTS AND INVESTMENTS

	($ thousands) 2022	2021
Cash and Cash Equivalents		
Deposits in the Consolidated Cash Investment Trust Fund [(a)]	$ 8,021	$ 6,696
Investments		
Deposits in the Consolidated Cash Investment Trust Fund [(a)]	$ 7	$ 7
General Revenue Short-Term Bond Fund [(b)]	72,383	74,843
Total investments [(c) (d)]	$ 72,390	$ 74,850

a) Consolidated Cash Investment Trust Fund (CCITF): The CCITF is managed by AIMCo with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositor's capital. The CCITF is a pool that is primarily comprised of short-term and mid-term fixed income securities with a maximum term-to-maturity of three years. As at March 31, 2022, securities held by the CCITF have a time-weighted return of 0.2% (2021: 0.4%).

b) Valuation of Financial Instruments: Public interest-bearing securities 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.

c) Statement of Investment Policies and Goals (SIP&G): The SIP&G establishes the framework set by the President of Treasury Board and Minister of Finance for the investments of the Fund, including the responsibilities of the Fund's investment manager, AIMCo. According to the SIP&G, amounts invested in the Fund that are not expected to be shortly reallocated from the Fund are to be invested in the actively managed short-term bonds. The fair value of pool units held in the General Revenue Short-Term Bond Pool (the GRST pool) is based on the Fund's interest in the asset value of the pool. The GRST pool has a market-based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the GRST pool.

d) Fair Value Hierarchy: Investments are classified as Level 2 for purposes of the fair value hierarchy. The fair value hierarchy classifies the quality and reliability of information used to estimate the fair value of investments into three levels with level 1 being the highest quality and reliability. For the level 2 classification, the fair value is estimated using valuation techniques that use market-observable inputs other than quoted market prices.

NOTE 5 INVESTMENT RISK MANAGEMENT

The Fund is exposed to financial risks associated with the underlying investments held in the GRST pool. These financial risks include credit risk, interest rate risk and liquidity 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. Interest rate risk is the risk that the value of investments will decrease as market interest rates rise. Liquidity risk is the risk that the Fund will encounter difficulty in meeting its insurance claim obligations as they fall due. The Fund minimizes its liquidity risk by monitoring the level of cash available to meets its obligations and by maintaining a portfolio of investments that is highly liquid.

The investment policies and procedures of the Fund are clearly outlined in the SIP&G. The purpose of the SIP&G is to ensure the Fund is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk.

a) Credit Risk

The Fund is indirectly exposed to credit risk associated with the underlying debt securities held in the GRST pool. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Fund. The credit quality of financial assets is generally assessed by reference to external credit ratings. The fair value of all investments reported in Note 4 is directly or indirectly impacted by credit risk to some degree. 100% (2021: 100%) of the investments are with counterparties with credit ratings considered to be investment grade.

b) Security Lending Risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At March 31, 2022, the Fund's share of securities loaned under this program is $27,633 (2021: $29,438) and collateral held totals $30,000 (2021: $31,701). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or a bank issued letter of credit. All collateralization, by the borrower, must be in excess of 100% of the investments loaned.

c) Interest Rate Risk

The Fund is exposed to interest rate risk associated with the underlying interest-bearing securities held in the GRST pool. Interest rate risk relates to the possibility that the fair value of bonds will change in fair value due to future fluctuations in market interest rates. In general, investment returns from bonds are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and if, all other variables were held constant, the potential loss in fair value to the Fund would be approximately 2.6% of total investments (2021: 2.7%).

d) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Fund are met through income generated from investments, and by investing in units of pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. The Fund's main liabilities include liabilities for accrued claims and payables related to purchase of pool units.

NOTE 6 ACCRUED RECOVERIES

Accrued recoveries represent management's best estimates of amounts that will be recovered for subrogation or salvage. All amounts are considered to be good and recoverable when due.

NOTE 7 ACCOUNTS PAYABLE

	($ thousands)	
	2022	2021
Payable to Department of Treasury Board and Finance	$ 385	$ 104
Other	1,155	1,678
	$ 1,540	$ 1,782

NOTE 8 LIABILITY FOR ACCRUED CLAIMS

The total liability for accrued claims of $80,320 (2021: $73,434) is comprised of outstanding claims case reserves and incurred but not reported (IBNR) losses.

a) Outstanding Claims Case Reserves

Liability for outstanding claims case reserves represents management's best estimates of outstanding losses and related claims expenses which have been reported but not yet closed, net of participant deductibles and recoveries, if any. The amount reflects management's best estimate of the ultimate cost of settlement after consultation with legal counsel if required.

b) Incurred But Not Reported (IBNR) Losses

Liability for IBNR losses is an estimate of liabilities for claims that have been incurred but not yet reported. In addition to a provision for claims that have occurred but are not yet reported, the amount includes a provision for development of outstanding case reserves, a provision for reopened claims, and a provision for claims that have been reported but amounts not assessed.

The actuarial estimate of total liability for accrued claims includes case reserves for reported claims as well as an estimate to provide for both development on case reserves and incurred but not reported losses. The actuarial estimate adjusts for the portion of individual large claims that are ceded to third party insurers.

An actuarial review of the Fund's total liability for accrued claims at March 31, 2022 was carried out by J. S. Cheng & Partners Inc. taking into account the historical claims through March 31, 2022.

The actuarial review was determined using an actuarial present value basis and generally accepted actuarial practices in Canada, including the selection of appropriate assumptions and methods. The assumptions used were developed based on the actuary's best estimates of the Fund's expected loss experience. After consultation with the Fund's actuary, management approved these best estimates.

The major assumptions used were:

Discount rate

The discount rate used was 2.288% (2021: 0.881%).

	2022	2021
Trend rate		
General liability	2.0%	2.0%
Automobile liability	2.0%	2.0%
Property	2.0%	2.0%
Auto physical damage	2.1%	2.1%

Loss development factor

Based on the Fund's historical experience supplemented by insurance industry experience compiled by Insurance Bureau of Canada

	2022	2021
Selected loss rate		
General liability: *Loss per person (Alberta population)*	$ 1.10	$ 1.05
Automobile liability: *Loss per vehicle*	$ 135	$ 135
Property: *Loss per $million property values*	$ 550	$ 550
Auto physical damage: *Loss per vehicle*	$ 250	$ 250

The following is a summary of the impact of various sensitivity tests on the Fund's net liability at March 31, 2022:

Sensitivity Tests	Increase (Decrease) in Net Liabilities *($ millions)*
Increase the confidence level of the liability for accrued claims estimate to 90% from 50%.	$ 9.8
Increase the loss development factor assumption by changing the tail factor (time period to final claim settlement) to between 1.01 and 1.10 depending on coverage type, and increasing the trend factor assumption to between 6% and 9%, depending on coverage type.	$ 24.7
Statistical analysis of general liability loss development factors instead of judgmentally selecting loss development factors.	$ (4.0)

NOTE 9 INSURANCE CLAIMS

	($ thousands) 2022	2021
Total claims payments during the year	$ 12,919	$ 11,963
Change in claims reserves	6,886	3,142
	$ 19,805	$ 15,105

NOTE 10 CONTRACTUAL OBLIGATIONS

The aggregate amounts payable for the unexpired terms of contractual obligations in respect of contracts entered into before March 31, 2022 are $724 (2021: $1,279).

Estimated payment requirements for each of the next two years and thereafter as follows:

	($ thousands)
2022-23	529
2023-24	195
Thereafter	-
	$ 724

NOTE 11 RELATED PARTY TRANSACTIONS

As disclosed in the financial statements, the Fund has revenues from the Province of Alberta departments, funds, and agencies of $15,550 (2021: $16,372) and an accounts payable to the Department of Treasury Board and Finance of $385 (2021: $104).

NOTE 12 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister of Treasury Board and Finance.

Provincial Judges and Masters in Chambers Reserve Fund

Financial Statements
March 31, 2022

Table of Contents

Independent Auditor's Report

Auditor General OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of the Provincial Judges and Masters in Chambers Reserve Fund, which comprise the statement of financial position as at March 31, 2022, and the statement of changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Provincial Judges and Masters in Chambers Reserve Fund as at March 31, 2022, and the changes in net assets for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Provincial Judges and Masters in Chambers Reserve Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The financial statements of the Provincial Judges and Masters in Chambers Reserve Fund are included in the *Annual Report of the Ministry of Treasury Board and Finance*. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to the Provincial Judges and Masters in Chambers Reserve Fund, but does not include the financial statements of the Provincial Judges and Masters in Chambers Reserve Fund and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Provincial Judges and Masters in Chambers Reserve Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Provincial Judges and Masters in Chambers Reserve Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Provincial Judges and Masters in Chambers Reserve Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Provincial Judges and Masters in Chambers Reserve Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my

opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Provincial Judges and Masters in Chambers Reserve Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 8, 2022
Edmonton, Alberta

Statement of Financial Position

As at March 31, 2022

	($ thousands) 2022	2021
Assets		
Investments (Note 3)	$ 254,772	$ 233,376
Receivable from sale of investments	-	554
Receivable from the Province of Alberta	684	703
Interest receivable from the Province of Alberta	28	-
Other Receivables	498	-
	255,982	234,633
Liabilities		
Payable from purchase of investments	-	554
	255,982	234,079
Amounts owing to the Provincial Judges and Masters in Chambers (Unregistered) Pension Plan (Note 8)	255,982	234,079
Net Assets	$ -	$ -

The accompanying notes are part of these financial statements.

Statement of Changes in Net Assets

Year Ended March 31, 2022

	($ thousands) 2022	2021
Increase in assets		
Employer contributions	$ 7,896	$ 8,386
Investment income (Note 5)		
Income	19,734	21,970
Increase in fair value	-	15,235
	27,630	45,591
Decrease in assets		
Investment loss (Note 5)		
Decrease in fair value	3,321	-
Investment expenses (Note 7)	1,445	1,052
Transfers to Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	961	11,980
	5,727	13,032
Increase in amounts owing to the Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	(21,903)	(32,559)
Change in net assets for the year	-	-
Net assets, beginning of year	-	-
Net assets, end of year	**$ -**	**$ -**

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

March 31, 2022

(All dollar values in thousands, unless otherwise stated)

NOTE 1 AUTHORITY AND PURPOSE

The Provincial Judges and Masters in Chambers Reserve Fund (Reserve Fund) operates under the authority of the *Financial Administration Act*, Chapter F-12, Revised Statutes of Alberta 2000 and the Provincial Judges and Masters in Chambers Reserve Fund Directive *(Treasury Board Directive 03-01).*

The Reserve Fund is established to collect contributions from the Province of Alberta and to invest the funds, which are reserved to meet future benefit payments of the Provincial Judges and Masters in Chambers (Unregistered) Pension Plan (Unregistered Plan). The Unregistered Plan is established to provide additional pension benefits to Provincial Judges and Masters in Chambers whose pensionable earnings are in excess of the maximum benefit accrual limit as set out in the federal *Income Tax Act*.

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 accounting standards for pension plans. The Reserve Fund has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or pension obligation. The statements provide information about the net assets available in the Reserve Fund to meet future benefit payments and are prepared to assist the Unregistered Plan members and others in reviewing the activities of the Reserve Fund for the year.

b) Valuation of Assets and Liabilities

Investments are recorded at fair value. As disclosed in Note 3, the Reserve Fund's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Pooled Fund Establishment and Maintenance Order, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in the pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between the Alberta Investment Management Corporation (AIMCo) and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pools and the selection of securities in the pools. AIMCo, a Crown corporation within the Ministry of Treasury Board and Finance, controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Reserve Fund does not report the financial instruments of the pools on its statement of financial position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

The Reserve Fund becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its pool units. The Reserve Fund reports its share of the financial risks in Note 4.

The fair value of pool units held directly by the Reserve Fund is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in pool units are recorded in the Reserve Fund's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Reserve Fund's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by AIMCo on the fourth business day following the year end. Differences in valuation estimates provided to Alberta Treasury Board and Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investment income in the following period.

Investments in pool units are recorded in the Reserve Fund's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

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.

c) Investment Income

(a) Investment income is recorded on an accrual basis.

(b) Investment income is reported in the statement of changes in net assets and in Note 5 and includes the following items recorded in the Reserve Fund's accounts:

i. Income distributions from the pools.

ii. Changes in fair value of pool units including realized gains and losses on disposal of pool units and unrealized gains and losses on pool units determined on an average cost basis.

d) Investment Expenses

Investment expenses include all amounts incurred by the Reserve Fund to earn investment income (see Note 7). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

e) Liabilities

Accrued liabilities of the Reserve Fund are funded by investment income and contributions from the Province of Alberta.

As at March 31, 2022, current service contributions rates are 56.76% (2021: 43.25%) of the pensionable earnings of Provincial Judges and Masters in Chambers that were in excess of the maximum pensionable salary limit. The rate was determined by the Unregistered Plan's actuary and approved by the President of Treasury Board and Minister of Finance.

The current service costs funded by the Province to the Reserve Fund are contributed at a rate of 56.76% of excess pensionable salary. In addition, annual payments by the Province to the Reserve Fund of $684 (2021: $703) were made towards the unfunded liability of the Unregistered Plan.

These amounts represent assets held by the Reserve Fund, which are available to meet future benefit payments of the Unregistered Plan over the long term.

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 fair values reported for certain investments such as infrastructure, private debt and loans, real estate, hedge funds, renewable resources, and other investments where no readily available market prices exist. The fair values of these investments are based on estimates. Estimated fair values may not reflect amounts that could be recognized upon immediate sale, or amounts that ultimately may be recognized. Accordingly, the estimated fair values may differ significantly from the value that would have been used had readily available market prices existed for these investments.

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Reserve Fund's investments.

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

NOTE 3 Investments

The Reserve Fund's investments are managed at the asset class level for purposes of evaluating the Reserve Fund's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Reserve Fund's assets in accordance with the Statement of Investment Policies and Guidelines (SIP&G) for the Reserve Fund and the Unregistered Plan approved by the Judges' Pension Plans Investment Committee. The fair value of the pool units is based on the Reserve Fund's share of the net asset value of the pooled fund. The pools have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Fund, and units of the pools, within the ranges approved for each asset class (see Note 4).

NOTE 3 INVESTMENTS CONTINUED

($ thousands)

Asset class	Fair Value Hierarchy (a) Level 2	Level 3	2022	Fair Value Hierarchy (a) Level 2	Level 3	2021
Interest-bearing securities						
Deposits and short-term securities	$ 5,252	$ -	$ 5,252	$ 4,822	$ -	$ 4,822
Bonds and mortgages	84,017	14,113	98,130	80,613	12,460	93,073
	89,269	14,113	103,382	85,435	12,460	97,895
Public equity						
Canadian	38,131	-	38,131	33,853	-	33,853
Global developed	63,821	1,697	65,518	60,185	1,948	62,133
	101,952	1,697	103,649	94,038	1,948	95,986
Alternatives						
Real estate	-	30,991	30,991	-	25,387	25,387
Infrastructure	-	13,361	13,361	-	11,620	11,620
Renewable resources	-	2,777	2,777	-	1,693	1,693
	-	47,129	47,129	-	38,700	38,700
Strategic and currency investments*	1	611	612	(15)	810	795
Total investments	$ 191,222	$ 63,550	$ 254,772	$ 179,458	$ 53,918	$ 233,376

* This asset class is not listed in the SIP&G as it relates to strategic investments and currency overlays made on an opportunistic and discretionary basis (see Note 4).

a) **Fair Value Hierarchy:** The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Reserve Fund as Level 2 may contain investments that might otherwise be classified as Level 1.

- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totaling $191,222 (2021: $179,458).

- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and inflation sensitive investments totaling $63,550 (2021: $53,918).

Reconciliation of Level 3 Fair Value Measurement

($ thousands)

	2022	2021
Balance, beginning of year	$ 53,918	$ 54,007
Investment income (loss) *	6,635	(249)
Purchases of Level 3 pooled fund units	7,718	4,979
Sale of Level 3 pooled fund units	(4,721)	(4,819)
Balance, end of year	$ 63,550	$ 53,918

* Investment income includes unrealized gains of $3,397 (2021: losses of $2,757).

b) Valuation of Financial Instruments recorded by AIMCo in the Pools

The methods used to determine the fair value of investments recorded in the pools is explained in the following paragraphs:

- ***Interest-bearing securities:*** Public interest-bearing securities 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 mortgages are valued based on the net present value of future cash flows discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans is valued similar to private mortgages.
- ***Public equities:*** Public 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. The fair value of hedge fund investments is estimated by external managers.
- ***Alternatives:*** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows. Infrastructure investments are valued similar to private equity investments. The fair value of renewable resources investments is appraised annually by independent third party evaluators.
- ***Strategic and currency investments:*** The estimated fair value of infrastructure investments held in emerging market countries is estimated by managers or general partners of private equity funds and joint ventures. Currency investments consist of directly held currency forward and spot contracts.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of pooled investment funds (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on the difference between contractual foreign exchange rates and foreign exchange forward rates. Futures contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights 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.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Reserve Fund is exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity 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. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Reserve Fund will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Reserve Fund are clearly outlined in the SIP&G approved by the Judges' Pension Plans Investment Committee. The purpose of the SIP&G is to ensure the Reserve Fund is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The Investment Committee manages the Reserve Fund's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

Actuarial liabilities of the Reserve Fund are primarily affected by the long-term real rate of return expected to be earned on investments. In order to earn the best possible return at an acceptable level of risk, the Ministry has established the following asset mix policy ranges:

Asset Class	Target Asset Policy Mix	Actual Asset Mix 2022		Actual Asset Mix 2021	
		($ thousands)	%	($ thousands)	%
Interest-bearing securities	30 - 50%	$ 103,382	40.6	$ 97,895	42.0
Public equities	30 - 50%	103,649	40.7	95,986	41.1
Alternatives	15 - 30%	47,129	18.5	38,700	16.6
Strategic and currency investments	(a)	612	0.2	795	0.3
		$ 254,772	100.0	$ 233,376	100.0

(a) In accordance with the SIP&G, AIMCo may invest up to 5% of the fair value of the Reserve Fund's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at its discretion, use currency overlays to an economic exposure limit of 5% of market value of the Reserve Fund.

a) Credit Risk

i) Debt securities

The Reserve Fund is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt placements.

The following table summarizes the Reserve Fund's investment in debt securities by credit rating at March 31, 2022:

Credit rating	2022	2021
Investment Grade (AAA to BBB-)	85.9%	83.8%
Speculative Grade (BB+ or lower)	1.9%	2.7%
Unrated	12.2%	13.5%
	100.0%	100.0%

ii) Counterparty default risk - derivative contracts

The Reserve Fund is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). AIMCo is responsible for selecting and monitoring derivative counterparties on behalf of the Reserve Fund. AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Reserve Fund. Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Reserve Fund's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At March 31, 2022, The Reserve Fund's share of securities loaned under this program is $4,653 (2021: $4,251) and collateral held totals $4,980 (2021: $4,539). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or a bank-issued letter of credit. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) Foreign Currency Risk

The Reserve Fund is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 25% (2021: 25%) of the Reserve Fund's investments, or $63,920 (2021: $58,936), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 17% (2021: 14%) and the Euro, 3% (2021: 3%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Reserve Fund would be approximately 2.5% (2021: 2.5%).

NOTE 4 INVESTMENT RISK MANAGEMENT CONTINUED

The following table summarizes the Reserve Fund's exposure to foreign currency investments held in the pools at March 31, 2022:

	($ thousands)			
	2022		2021	
Currency [(a)]	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 43,073	$ (4,307)	$ 33,083	$ (3,308)
Euro	6,508	(651)	6,448	(645)
Japanese yen	3,795	(380)	3,979	(398)
Other foreign currencies	10,544	(1,054)	15,426	(1,543)
Total foreign currency investments	$ 63,920	$ (6,392)	$ 58,936	$ (5,894)

(a) Information on specific currencies is disclosed when the current year fair value is greater than 1% of the Fund's total investments.

c) Interest Rate Risk

The Reserve Fund is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest-bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss to the Reserve Fund would be approximately 2.5% (2021: 2.6%) of total investments.

d) Price Risk

Price risk relates to the possibility that pool units will change in value due to future fluctuations in market prices of equities held in the pools caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Reserve Fund is exposed to price risk associated with the underlying equity investments held in pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss to the Reserve Fund would be approximately 3.9% (2021: 4.7%). Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

e) Liquidity Risk

Liquidity risk is the risk that the Reserve Fund will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Reserve Fund are met through income generated from investments, employee and employer contributions, and by investing in units of pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, renewable resources, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. The Reserve Fund's main liabilities include transfers payable to the Provincial Judges and Masters in Chambers (Unregistered) Pension Plan and payables related to the purchase of pool units.

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Reserve Fund has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Plan's Indirect Share ($ thousands)	
By counterparty	Number of counterparties	2022	2021
Contracts in favourable position (current credit exposure)	177	$ 3,469	$ 2,748
Contracts in unfavourable position	7	(1,339)	(1,342)
Net fair value of derivative contracts	184	$ 2,130	$ 1,406

(i) Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a favourable position totaling $3,469 (2021: $2,748) were to default at once.

(ii) Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

(iii) Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 4. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

	Plan's Indirect Share ($ thousands)	
Types of derivatives used in pools	2022	2021
Equity-based derivatives	$ 1,140	$ 526
Interest rate derivatives	467	253
Foreign currency derivatives	444	588
Credit risk derivatives	79	39
Net fair value of derivative contracts	$ 2,130	$ 1,406

(i) Equity-based derivatives include contracts where one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument. Rights, warrants, futures and options are also included as equity-based derivatives.

(ii) Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(iii) Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

(iv) Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

(v) At March 31, 2022, deposits in futures contracts margin accounts totaled $1,504 (2021: $1,371). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $2,517 (2021: $2,665) and $nil (2021: $nil).

NOTE 5 INVESTMENT INCOME

The following is a summary of the Reserve Fund's investment income (loss) by asset class:

($ thousands)

	Income	Changes in Fair Value	2022 Total	Income	Changes in Fair Value	2021 Total
Interest-bearing securities	$ 2,972	$ (6,430)	$ (3,458)	$ 7,201	$ (2,516)	$ 4,685
Public equities						
Canadian	7,021	404	7,425	5,253	8,481	13,734
Foreign	7,193	(791)	6,402	8,698	11,689	20,387
	14,214	(387)	13,827	13,951	20,170	34,121
Alternatives						
Real estate	1,444	2,715	4,159	(152)	(1,311)	(1,463)
Infrastructure	910	918	1,828	419	(591)	(172)
Renewable resources	52	32	84	65	(112)	(47)
	2,406	3,665	6,071	332	(2,014)	(1,682)
Strategic and currency investments	142	(169)	(27)	486	(405)	81
	$ 19,734	$ (3,321)	$ 16,413	$ 21,970	$ 15,235	$ 37,205

The change in fair value of pool units includes realized and unrealized gains and losses on pool units and currency hedges. Realized and unrealized gains and losses on pool units total $974 and $(4,298) respectively (2021: $899 and $14,392 respectively). Realized and unrealized gains and losses on currency hedges total $(13) and $16 respectively (2021: $(6) and $(50) respectively).

Income earned in pooled investment funds is distributed to the Reserve Fund daily based on the Reserve Fund's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis and income and expense on derivative contracts. Interest income earned on Consolidated Cash Investment Trust Fund (CCITF) balance is included in income.

NOTE 6 INVESTMENT RETURNS

The following is a summary of investment returns:

	2022	2021	2020	2019	2018
			in per cent		
Increase in net assets attributed to:					
Investment income (loss)					
Policy benchmark return on investments	4.2	15.2	(0.1)	6.1	4.7
Value added (lost) by AIMCo	2.2	2.5	(5.7)	0.6	1.0
Total return on investments [(a)]	**6.4**	**17.7**	**(5.8)**	**6.7**	**5.7**

(a) All investment returns are provided by AIMCo and are net of investment expenses The annualized total return and policy benchmark return (PBR) on investments over five years is 5.9% (PBR: 5.9%) and ten years is 7.7% (PBR: 7.2%).

NOTE 7 INVESTMENT EXPENSES

	($ thousands) 2022	2021
Amounts charged by AIMCo for:		
Investment costs [a]	$ 816	$ 701
Performance based fees [a]	629	351
Total investment expenses	$ 1,445	$ 1,052
Increase in expenses	37.4%	23.9%
Increase in average investments under management	12.2%	5.0%
Increase in value of investments attributed to AIMCo	2.2%	2.5%
Investment expenses as a percent of dollar invested	0.6%	0.5%
Investment expenses per member (in dollars)	$ 4,865	$ 3,530

(a) Please refer to AIMCo's financial statements for a more detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance based fees relate to external managers hired by AIMCo.

NOTE 8 PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (UNREGISTERED) PENSION PLAN

An actuarial valuation of the Unregistered Plan was carried out as at March 31, 2021 by George and Bell Consulting and was then extrapolated to March 31, 2022.

As at March 31, 2022 the Unregistered Plan reported an actuarial surplus of $6 million (2021: surplus $6 million), taking into account the amounts owing from the Reserve Fund.

NOTE 9 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to be consistent with the current period presentation.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

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

Supplementary Retirement Plan Reserve Fund

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General
OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of the Supplementary Retirement Plan Reserve Fund, which comprise the statement of financial position as at March 31, 2022, and the statement of changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Supplementary Retirement Plan Reserve Fund as at March 31, 2022, and the changes in net assets for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Supplementary Retirement Plan Reserve Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The financial statements of the Supplementary Retirement Plan Reserve Fund are included in the *Annual Report of the Ministry of Treasury Board and Finance*. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to the Supplementary Retirement Plan Reserve Fund, but does not include the financial statements of the Supplementary Retirement Plan Reserve Fund and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Supplementary Retirement Plan Reserve Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Supplementary Retirement Plan Reserve Fund’s financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Supplementary Retirement Plan Reserve Fund’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Supplementary Retirement Plan Reserve Fund’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report.

However, future events or conditions may cause the Supplementary Retirement Plan Reserve Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 8, 2022
Edmonton, Alberta

Statement of Financial Position
As at March 31, 2022

	2022 ($ thousands)	2021 ($ thousands)
Assets		
Investments (Note 3)	$ 181,068	$ 164,499
Receivable from participating employers	63	-
Receivable from sale of investments	-	491
	181,131	164,990
Liabilities		
Accounts payable	-	511
	181,131	164,479
Amounts owing to the Supplementary Retirement Plan for Public Service Managers	(181,131)	(164,479)
Net Assets	$ -	$ -

The accompanying notes are part of these financial statements.

Statement of Changes in Net Assets
Year Ended March 31, 2022

	2022 ($ thousands)	2021 ($ thousands)
Increase in assets		
Employer contributions	$ 1,242	$ 1,739
Investment income (Note 5)		
Income	17,049	16,270
Increase in fair value	-	14,985
	18,291	32,994
Decrease in assets		
Investment loss (Note 5)		
Decrease in fair value	378	-
Investment expenses (Note 7)	1,261	998
	1,639	998
Increase in amounts owing to the Supplementary Retirement Plan for Public Service Managers	(16,652)	(31,996)
Change in net assets for the year	-	-
Net assets, beginning of year	-	-
Net assets, end of year	**$ -**	**$ -**

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

March 31, 2022
*(***All dollar values in thousands, unless otherwise stated***)*

NOTE 1 SUMMARY DESCRIPTION OF THE RESERVE FUND

The Supplementary Retirement Plan Reserve Fund (Reserve Fund) operates under the authority of the *Financial Administration Act*, Chapter F-12, Revised Statutes of Alberta 2000 and Treasury Board Directive 05/99.

The Reserve Fund is established to collect contributions from participating employers and to invest the funds, which are reserved to meet future benefit payments of the Supplementary Retirement Plan for Public Service Managers (SRP). The SRP is established effective July 1, 1999 to provide additional pension benefits to eligible public service managers whose pensionable earnings are in excess of the maximum pensionable salary limit under the federal *Income Tax Act*.

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 accounting standards for pension plans. The Reserve Fund has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or pension obligation. The statements provide information about the net assets available in the Reserve Fund to meet future benefit payments and are prepared to assist the SRP members and others in reviewing the activities of the Reserve Fund for the year.

b) Valuation of Assets and Liabilities

Investments are recorded at fair value. As disclosed in Note 3, the Reserve Fund's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Pooled Fund Establishment and Maintenance Order, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in the pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between the Alberta Investment Management Corporation (AIMCo) and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pools and the selection of securities in the pools. AIMCo, a Crown corporation within the Ministry of Treasury Board and Finance, controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Reserve Fund does not report the financial instruments of the pools on its statement of financial position.

The Reserve Fund becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its pool units. The Reserve Fund reports its share of the financial risks in Note 4.

The fair value of pool units held directly by the Reserve Fund is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in pool units are recorded in the Reserve Fund's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pools participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Reserve Fund's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by AIMCo on the fourth business day following the year end. Differences in valuation estimates provided to Alberta Treasury Board and Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investment income in the following period.

Investments in pool units are recorded in the Reserve Fund's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

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.

c) Investment Income

(a) Investment income is recorded on an accrual basis.

(b) Investment income is reported in the statement of changes in net assets available for benefits and in Note 5 and includes the following items recorded in the Reserve Fund's accounts:

i. Income distributions from the pools.

ii. Changes in fair value of pool units including realized gains and losses on disposal of pool units and unrealized gains and losses on pool units determined on an average cost basis.

d) Investment Expenses

Investment expenses include all amounts incurred by the Reserve Fund to earn investment income (see Note 7). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

e) Liabilities

Accrued liabilities of the Reserve Fund are funded by investment income and contributions from the participating employers. Contribution rates are set by the Minister of Finance, taking into account recommendations of the SRP's actuary.

The rate in effect at March 31, 2022 was 9.9% (2021: 9.9%) of the pensionable salaries of eligible public service managers that were in excess of the maximum pensionable salary limit under the *Income Tax Act*.

The contribution rates were reviewed by the Minister of Finance in 2020 and are reviewed at least once every three years based on recommendations of the Reserve Fund's actuary. As a result of the review, the contributions rate at July 1, 2022 is 19.70%.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

These amounts represent assets held by the Reserve Fund, which are available to meet future benefit payments of the SRP over the long term.

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 fair values reported for certain investments such as infrastructure, private debt and loans, real estate, hedge funds, renewable resources, and other investments where no readily available market prices exist. The fair values of these investments are based on estimates. Estimated fair values may not reflect amounts that could be recognized upon immediate sale, or amounts that ultimately may be recognized. Accordingly, the estimated fair values may differ significantly from the value that would have been used had readily available market prices existed for these investments.

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Plan’s investments.

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

NOTE 3 INVESTMENTS

The Reserve Fund’s investments are managed at the asset class level for purposes of evaluating the Reserve Fund’s risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Reserve Fund’s assets in accordance with the Statement of Investment Policies and Guidelines (SIP&G) for the Reserve Fund and SRP approved by the Supplementary Retirement Pension Plan Committee. The fair value of the pool units is based on the Reserve Fund’s share of the net asset value of the pooled fund. The pools have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Fund, and units of the pools, within the ranges approved for each asset class (see Note 4).

($ thousands)

Asset class	Fair Value Hierarchy (a) Level 2	Fair Value Hierarchy (a) Level 3	2022	Fair Value Hierarchy (a) Level 2	Fair Value Hierarchy (a) Level 3	2021
Interest bearing securities						
Deposits in CCITF	$ 915	$ -	$ 915	$ 819	$ -	$ 819
Bonds, mortgages and private debt	38,236	10,541	48,777	33,787	9,208	42,995
	39,151	10,541	49,692	34,606	9,208	43,814
Equities						
Canadian	28,540	-	28,540	25,809	-	25,809
Global	63,740	1,715	65,455	61,231	1,969	63,200
Private	-	1,989	1,989	-	1,482	1,482
	92,280	3,704	95,984	87,040	3,451	90,491
Alternatives						
Real estate	-	19,482	19,482	-	15,945	15,945
Infrastructure	-	11,463	11,463	-	10,566	10,566
Renewable resources	-	3,594	3,594	-	2,568	2,568
	-	34,539	34,539	-	29,079	29,079
Strategic, tactical and currency investments *	96	757	853	112	1,003	1,115
Total investments	$ 131,527	$ 49,541	$ 181,068	$ 121,758	$ 42,741	$ 164,499

* This asset class is not listed in the SIP&G as it relates to strategic investments and currency overlays made on an opportunistic and discretionary basis (see Note 4).

At March 31, 2022, investments were allocated to various asset classes, with interest bearing securities comprising 27.4% (2021: 26.6%) of total investments, equities comprising 53% (2021: 55.0%), alternatives comprising 19.1% (2021: 17.7%) and strategic opportunities, tactical and currency investments comprising 0.5% (2021: 0.7%).

a) Fair Value Hierarchy:

The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Reserve Fund as Level 2 may contain investments that might otherwise be classified as Level 1.
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totaling $131,527 (2021: $121,758).
- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and inflation sensitive investments totaling $49,541 (2021: $42,741).

NOTE 3 INVESTMENTS CONTINUED

Reconciliation of Level 3 Fair Value Measurement

	($ thousands)	
	2022	**2021**
Balance, beginning of year	$ 42,741	$ 43,311
Investment income *	5,987	333
Purchases of Level 3 pooled fund units	5,884	3,728
Sale of Level 3 pooled fund units	(5,071)	(4,631)
Balance, end of year	**$ 49,541**	**$ 42,741**

* Investment income includes unrealized gains of $2,722 (2021: losses of $1,626).

b) Valuation of Financial Instruments recorded by AIMCo in the Pools

The methods used to determine the fair value of investments recorded in the pools is explained in the following paragraphs:

- ***Interest bearing securities:*** Public interest-bearing securities 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 mortgages are valued based on the net present value of future cash flows discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans is valued similar to private mortgages.
- ***Equities:*** Public 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. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.
- ***Alternatives:*** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows. Infrastructure investments are valued similar to private equity investments. The fair value of renewable resources investments is appraised annually by independent third party evaluators.
- ***Strategic, tactical and currency investments:*** The estimated fair value of infrastructure investments held in emerging market countries is estimated by managers or general partners of private equity funds and joint ventures. For tactical asset allocations, investments in derivative contracts provides overweight or underweight exposure to global equity and bond markets, including emerging markets. Currency investments consists of directly held currency forward and spot contracts.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.

- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of pooled investment funds (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on the difference between contractual foreign exchange rates and foreign exchange forward rates. Futures contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights 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.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Reserve Fund is exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity 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. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Reserve Fund will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Reserve Fund are clearly outlined in the SIP&G approved by the Supplementary Retirement Pension Plan Committee. The purpose of the SIP&G is to ensure the Reserve Fund is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The Plan Committee manages the Reserve Fund's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

Actuarial liabilities of the Reserve Fund are primarily affected by the long-term real rate of return expected to be earned on investments. Assets are managed for the SRP as a whole, including the Retirement Compensation Arrangement (RCA). In order to earn the best possible return at an acceptable level of risk, the Ministry has established the following asset mix policy ranges:

Asset Class	**Target Asset Policy Mix**
Interest bearing securities	25 - 45%
Equities	35 - 60%
Alternatives	12.5 - 30%
Strategic, tactical and currency investments	(a)

(a) In accordance with the SIP&G, AIMCo may invest up to 5% of the fair value of the Reserve Fund's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at their discretion, invest the funds in currency overlays.

NOTE 4 INVESTMENT RISK MANAGEMENT CONTINUED

a) Credit Risk

i) Debt securities

The Reserve Fund is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt placements.

The following table summarizes the Reserve Fund's investment in debt securities by credit rating at March 31, 2022:

Credit rating	2022	2021
Investment Grade (AAA to BBB-)	78.9%	75.5%
Speculative Grade (BB+ or lower)	2.2%	2.9%
Unrated	18.9%	21.6%
	100.0%	100.0%

ii) Counterparty default risk - derivative contracts

The Reserve Fund is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). AIMCo is responsible for selecting and monitoring derivative counterparties on behalf of the Reserve Fund. AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Reserve Fund. Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Reserve Fund's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At March 31, 2022, the Reserve Fund's share of securities loaned under this program is $3,638 (2021: $3,768) and collateral held totals $3,889 (2021: $4,026). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or a bank-issued letter of credit. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) Foreign Currency Risk

The Reserve Fund is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investmens denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 35% (2021: 37%) of the Reserve Fund's investments, or $63,981 (2021: $60,655), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 24% (2021: 22%) and the Euro, 4% (2021: 4%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Reserve Fund would be approximately 3.5% (2021: 3.7%).

The following table summarizes the Reserve Fund's exposure to foreign currency investments held in the pools at March 31, 2022:

	($ thousands)			
	2022		2021	
Currency [a]	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 43,496	$ (4,350)	$ 36,155	$ (3,616)
Euro	6,466	(646)	6,843	(684)
Japanese yen	3,871	(387)	4,328	(433)
British pound	2,220	(222)	2,893	(289)
Other foreign currencies	7,928	(793)	10,436	(1,044)
Total foreign currency investments	$ 63,981	$ (6,398)	$ 60,655	$ (6,066)

(a) Information on specific currencies is disclosed when the current year fair value is greater than 1% of the Fund's total investments.

c) Interest Rate Risk

The Reserve Fund is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest-bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss to the Reserve Fund would be approximately 1.7% (2021: 1.6%) of total investments.

NOTE 4 INVESTMENT RISK MANAGEMENT CONTINUED

d) Price Risk

Price risk relates to the possibility that pool units will change in value due to future fluctuations in market prices of equities held in the pools caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Reserve Fund is exposed to price risk associated with the underlying equity investments held in pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss to the Reserve Fund would be approximately 5.1% (2021: 6.3%). Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

e) Liquidity Risk

Liquidity risk is the risk that the Reserve Fund will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Reserve Fund are met through income generated from investments, employee and employer contributions, and by investing in pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, renewable resources, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. The Reserve Fund's main liabilities include transfers payable to the Supplementary Retirement Plan for Public Service Managers and payables related to the purchase of pool units.

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Reserve Fund has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Plan's Indirect Share ($ thousands)	
By counterparty	Number of counterparties	**2022**	**2021**
Contracts in favourable position (current credit exposure)	178	$ 2,907	$ 2,517
Contracts in unfavourable position	7	(1,261)	(1,233)
Net fair value of derivative contracts	185	$ 1,646	$ 1,284

(i) Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a favourable position totaling $2,907 (2021: $2,517) were to default at once.

(ii) Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

(iii) Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 4. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

Types of derivatives used in pools	Plan's Indirect Share ($ thousands) 2022	2021
Equity-based derivatives	$ 1,022	$ 615
Interest rate derivatives	301	98
Foreign currency derivatives	261	520
Credit risk derivatives	62	51
Net fair value of derivative contracts	$ 1,646	$ 1,284

(i) Equity-based derivatives include contracts where one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument. Rights, warrants, futures and options are also included as equity-based derivatives.

(ii) Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(iii) Interest rate derivatives: Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

(iv) Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

(v) At March 31, 2022, deposits in futures contracts margin accounts totaled $1,074 (2021: $912). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $1,679 (2021: $1,781) and $nil (2021: $nil).

NOTE 5 INVESTMENT INCOME

The following is a summary of the Reserve Fund's investment income (loss) by asset class:

($ thousands)

	Income	Changes in Fair Value	2022 Total	Income	Changes in Fair Value	2021 Total
Interest bearing securities	$ 1,475	$ (2,851)	$ (1,376)	$ 2,936	$ (1,297)	$ 1,639
Equities						
Canadian	5,240	317	5,557	3,891	6,181	10,072
Global	7,738	(805)	6,933	8,596	11,576	20,172
Private	445	445	890	(66)	178	112
	13,423	(43)	13,380	12,421	17,935	30,356
Alternatives						
Real estate	944	1,707	2,651	5	(823)	(818)
Infrastructure	871	945	1,816	337	(269)	68
Renewable resources	140	115	255	-	(92)	(92)
	1,955	2,767	4,722	342	(1,184)	(842)
Strategic, tactical and currency investments	196	(251)	(55)	571	(469)	102
	$ 17,049	$ (378)	$ 16,671	$ 16,270	$ 14,985	$ 31,255

NOTE 5 INVESTMENT INCOME CONTINUED

The change in fair value of pool units includes realized and unrealized gains and losses on pool units and currency hedges. Realized and unrealized gains and losses on pool units total $1,026 and $(1,416) respectively (2021: $506 and $14,558 respectively). Realized and unrealized gains and losses on currency hedges total $5 and $7 respectively (2021: $(89) and $10 respectively).

Income earned in pooled investment funds is distributed to the Reserve Fund daily based on the Reserve Fund's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis and income and expense on derivative contracts. Interest income earned on Consolidated Cash Investment Trust Fund (CCITF) balance is included in income.

NOTE 6 INVESTMENT RETURNS

The following is a summary of investment returns (losses):

	2022	2021	2020	2019	2018
			in per cent		
Increase in net assets attributed to:					
Investment income (loss)					
Policy benchmark return on investments	5.6	18.3	(1.2)	6.5	5.6
Value added (lost) by AIMCo	3.8	4.1	(6.8)	0.3	0.9
Total return on investments [a]	**9.4**	**22.4**	**(8.0)**	**6.8**	**6.5**

(a) All investment returns are provided by AIMCo and are net of investment expenses. The annualized total return and policy benchmark return (PBR) on investments over five years is 7.2% (PBR: 6.9%) and ten years is 9.3% (PBR: 8.0%).

NOTE 7 INVESTMENT EXPENSES

	($ thousands)	
	2022	**2021**
Amounts charged by AIMCo for:		
Investment costs [a]	$ 649	$ 569
Performance based fees [a]	611	429
Total investment expenses	$ 1,260	$ 998
Increase in expenses	26.3%	29.9%
Increase in average investments under management	16.4%	8.1%
Increase in value of investments attributed to AIMCo	3.8%	4.1%
Investment expenses as a percent of dollar invested	0.7%	0.7%
Investment expenses per member (in dollars)	$ 518	$ 414

(a) Please refer to AIMCo's financial statements for a more detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance based fees relate to external managers hired by AIMCo.

NOTE 8 SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS (SRP)

An actuarial valuation of the SRP was carried out as at December 31, 2020 by Aon and was then extrapolated to December 31, 2021.

As at December 31, 2021 the SRP reported an actuarial deficit of $21 million (2020: deficit of $60 million), taking into account the amounts receivable from Reserve Fund.

NOTE 9 APPROVAL OF FINANCIAL STATEMENTS

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

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Provincial Agencies and Other Government Organizations

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Alberta Insurance Council

Financial Statements
December 31, 2021

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Independent Auditor's Report

To the Members of Alberta Insurance Council

Opinion

We have audited the financial statements of Alberta Insurance Council (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

KPMG

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

April 13, 2022

ALBERTA INSURANCE COUNCIL

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 8,061,223	$ 3,774,975
Accounts receivable	271,058	810,215
Investments (note 2)	5,250,000	7,135,199
Prepaid expenses	121,219	267,779
	13,703,500	11,988,168
Capital assets (note 3)	1,616,523	1,785,902
Other assets (note 4)	91,785	381,740
	$ 15,411,808	$ 14,155,810
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 641,744	$ 681,016
Deferred revenue (note 5)	3,391,304	3,235,206
Current portion deferred rent and tenant inducements (note 7)	93,513	184,112
	4,126,561	4,100,334
Asset retirement obligation (note 6)	77,438	170,803
Deferred rent and tenant inducements (note 7)	1,476,704	1,102,036
	5,680,703	5,373,173
Net assets:		
Invested in capital assets (note 8)	623,927	595,868
Internally restricted	-	-
Unrestricted	9,107,178	8,186,769
	9,731,105	8,782,637
	$ 15,411,808	$ 14,155,810

See accompanying notes to financial statements.

Original signed by

Wilma J. Slenders, PhD
Chair, Audit Committee

Original signed by

Larry Bohn
Chair, Alberta Insurance Council

ALBERTA INSURANCE COUNCIL

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget	2021	2020
Revenue:			
License, assessment, examination and continuing education fees (note 10)	$ 8,124,000	$ 8,099,223	$ 7,686,077
Interest and other	34,000	115,816	157,262
	8,158,000	8,215,039	7,843,339
Expenses:			
Manpower	4,208,000	3,656,391	3,824,906
Occupancy and premises	1,297,000	1,252,120	1,070,747
Other operating costs (note 11)	431,700	390,246	351,560
Councils, boards and committees (note 12)	415,000	444,330	352,868
Software and computer	408,000	366,320	387,405
Amortization of capital assets	406,000	373,730	331,687
Professional fees	275,200	331,140	204,282
Office and administration	272,100	160,423	212,972
Communications	181,000	195,621	168,329
Travel	75,000	51,737	40,307
Loss on disposal of capital assets	-	44,513	6,102
	7,969,000	7,266,571	6,951,165
Excess of revenue over expenses	$ 189,000	$ 948,468	$ 892,174

See accompanying notes to financial statements.

ALBERTA INSURANCE COUNCIL
Statement of Changes in Net Assets

Year ended December 31, 2021, with comparative information for 2020

	Invested in capital assets	Internally restricted	Unrestricted	2021
Net assets,beginning of year	$ 595,868	$ -	$ 8,186,769	$ 8,782,637
Excess of revenue over expenses	-	-	948,468	948,468
Net change in invested in capital assets (note 8)	28,059	-	(28,059)	-
Transfers to unrestricted	-	-	-	-
Net assets, end of year	$ 623,927	$ -	$ 9,107,178	$ 9,731,105

	Invested in capital assets	Internally restricted	Unrestricted	2020
Net assets beginning of year	$ 396,841	$ 1,300,000	$ 6,193,622	$ 7,890,463
Excess of revenue over expenses	-	-	892,174	892,174
Net change in invested in capital assets (note 8)	199,027	-	(199,027)	-
Transfers to unrestricted	-	(1,300,000)	1,300,000	-
Net assets, end of year	$ 595,868	$ -	$ 8,186,769	$ 8,782,637

See accompanying notes to financial statements.

ALBERTA INSURANCE COUNCIL

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 948,468	$ 892,174
Items not involving cash:		
Accretion of asset retirement obligation	1,635	1,645
Amortization of deferred tenant inducements	(105,192)	(71,832)
Recognition of deferred rent	388,140	192,895
Remeasurement of asset retirement obligation	(49,981)	(17,897)
Amortization of capital assets	373,730	331,687
Loss on disposal of capital assets	44,513	6,102
Decrease (increase) in accounts receivable	539,157	(759,005)
Increase in prepaid expenses	146,561	(88,956)
(Decrease) increase in accounts payable and accrued liabilities	(39,272)	192,657
(Increase) decrease in other assets	289,955	(371,724)
Increase in deferred revenue	156,099	58,506
	2,693,813	366,252
Capital activities:		
Purchase of investments	(13,000,000)	(5,086,199)
Redemptions of investments	14,885,199	3,999,996
Purchase of capital assets	(249,165)	(1,546,524)
Increase in asset retirement obligation	-	76,600
Tenant inducements receivable	1,120	1,025,469
Proceeds on sale of capital assets	300	725
Asset retirement costs incurred in year	(45,019)	(5,002)
	1,592,435	(1,534,935)
Decrease in cash and cash equivalents	4,286,248	(1,168,683)
Cash and cash equivalents, beginning of year	3,774,975	4,943,658
Cash and cash equivalents, end of year	$ 8,061,223	$ 3,774,975

See accompanying notes to financial statements.

ALBERTA INSURANCE COUNCIL

Notes to the Financial Statements

Year ended December 31, 2021

Authority and purpose:

The Alberta Insurance Council (the "Council") operates under the authority of the Insurance Act, Chapter 1-3, Revised Statutes of Alberta 2000, as amended. As a not-for-profit organization under the Income Tax Act, the Council is not subject to either federal or provincial income taxes.

The Council provides administration services to the Life Insurance, General Insurance and Insurance Adjusters Councils. These Councils are responsible for enforcing the provisions of the Insurance Act and Regulations for their segments of the insurance industry.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), including the 4200 standards which apply to government not-for-profit organizations. The Council's significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits, which are highly liquid with original maturities of less than three months from the date of acquisition. These financial assets are convertible to cash at the request of the Council.

(b) Revenue recognition:

License and assessment fees are recognized as revenue on a straight-line basis over the term of the license and assessment. Examination fees are recognized at the time the related exam is held. Continuing Education (CE) course approval fees are recognized upon submission to the Accreditation Committee. CE provider fees are recognized on a calendar year basis. License, assessment, examination and continuing education fees received but not yet recognized as revenue are recorded as deferred revenue.

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(c) Capital assets and amortization:

Capital assets are recorded at cost. Amortization is provided using the straight-line method over their estimated useful lives as follows:

Asset	Rate
Leasehold improvements	Term of lease
Furniture and office equipment	3 - 10 years
Computer equipment	3 - 7 years
Computer software	3 - 7 years
Telephone equipment	3 - 5 years

(d) Examination development costs:

Costs of development of examination questions are expensed as incurred.

(e) Tenant inducements, deferred rent and asset retirement obligation:

Tenant inducements associated with leased premises are amortized on a straight-line basis over the term of the related lease and recognized as a reduction of rent recorded in occupancy and premises expenses.

Rent expense is recognized on a straight-line basis over the lease term. Deferred rent comprises the aggregate difference in the rental expense incurred on a straight-line basis over the lease term and the actual rent charged.

The asset retirement obligation associated with leased premises is recorded at its discounted value, and is amortized over the term of the related lease. The associated accretion expense is included with occupancy and premises expenses.

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(f) Internally restricted net assets:

Internally restricted net assets were established to fund capital asset additions and maintenance costs over the medium term. In 2019, the provision was increased to provide for the anticipated costs of acquiring new space.

New premises were acquired in 2020 for the Council's Edmonton and Calgary locations. As a result, the Council approved a transfer of the internally restricted net assets to unrestricted net assets during the year ended December 31, 2020. Capital expenditures related to the new premises were funded out of unrestricted net assets.

(g) Contributed services:

The work of the Council is dependent on the voluntary services of members. The value of donated services is not recognized in these financial statements.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at cost.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. As the Council does not have any unrealized changes in fair value, a statement of remeasurement gains and losses has not been presented.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(h) Financial instruments (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

(i) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets and asset retirement obligations. Actual results could differ from those estimates.

(j) Future accounting standard pronouncements:

The following summarizes upcoming changes to public sector accounting standards. In 2021, the Council will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, the requirements of PS1201 *Financial Statement Presentation*, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation* and PS3041 *Portfolio Investments* must be implemented at the same time.

Standard	Effective date (fiscal years beginning on or after)
PS1201 - Financial Statement Presentation	April 1, 2022
PS3450 - Financial Instruments	April 1, 2022
PS2601 - Foreign Currency Translation	April 1, 2022
PS3041 - Portfolio Investments	April 1, 2022
PS3280 - Asset Retirement Obligations	April 1, 2022
PS3400 - Revenue	April 1, 2023
PS3160 - Public Private Partnerships	April 1, 2023
PSG-8 - Purchases Intangibles	April 1, 2023

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Investments:

Investments consist of Guaranteed Investment Certificates with fixed annual interest rates ranging from 0.45% to 0.50% (2020 - 0.45% to 2.2%) and maturity dates ranging from January 31, 2022 to July 31, 2022 (2020 - March 2021 to June 2021).

3. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	$ 1,126,049	$ 122,703	$ 1,003,346	$ 1,163,409
Furniture and office equipment	645,627	312,229	333,398	290,826
Computer equipment	649,972	456,804	193,168	215,341
Computer software	930,923	856,034	74,889	107,517
Telephone equipment	31,392	19,670	11,722	8,809
	$ 3,383,963	$ 1,767,440	$ 1,616,523	$ 1,785,902

4. Other assets:

	2021	2020
Other assets, beginning of year	$ 381,740	$ 10,016
Security deposits for leased premises	-	91,295
(Decrease) increase in non-current portion tenant inducement receivable	(252,218)	252,218
(Decrease) increase in non-current portion of free rent due	(34,253)	34,253
(Decrease) in long-term portion of prepaids	(3,484)	(6,042)
Other assets, end of year	$ 91,785	$ 381,740

The $91,295 (2020 - $91,295) in other assets relates to security deposits on leased premises.

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Deferred revenue:

	2021	2020
License[a]	$ 3,304,704	$ 3,102,831
Assessment	78,750	78,375
Examination	1,000	47,000
Continuing education	6,850	7,000
	$ 3,391,304	$ 3,235,206

(a) License terms commence July 1 and remain in effect until June 30 of the following year.

6. Asset retirement obligation:

	Edmonton		Calgary		Total 2021	Total 2020
	Bell Tower	Manulife Place	Touchstone Place	Jamieson Place		
Beginning of year	$ 45,000	$ 41,148	$ 49,084	$ 35,571	$ 170,803	$ 115,457
Incurred	-	-	-	-	-	76,600
Settled	(26,925)	-	(18,094)	-	(45,019)	(5,002)
Remeasured	(18,075)	-	(31,906)	-	(49,981)	(17,897)
Accretion	-	378	916	341	1,635	1,645
End of year	$ -	$ 41,526	$ -	$ 35,912	$ 77,438	$ 170,803

Under the terms of its various premises leases, the Council is required to remove certain leasehold improvements, upon termination of the leases. The premises leases in Bell Tower and Touchstone Place were terminated during the year. The premises leases in Manulife and Jamieson Place will terminate in 2031 and 2033, respectively.

As at December 31, 2021, the Council estimated its total undiscounted expenditures to be $85,000 (2020 - $180,000). The present value of the asset retirement obligations has been calculated using a discount rate of 0.9% (2020 - 0.9%).

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Deferred rent and tenant inducements:

	2021	2020
Deferred rent and tenant inducements, beginning of year	$ 1,286,148	$ 139,616
Leasehold improvement allowance received in the year	1,120	1,025,468
Rent free period	438,565	233,812
Amortization of deferred rent and tenant inducements	(155,616)	(112,748)
Deferred rent and tenant inducements	1,570,217	1,286,148
Less: current portion deferred rent and tenant inducements	(93,513)	(184,112)
	$ 1,476,704	$ 1,102,036

8. Invested in capital assets:

(a) Invested in capital assets consists of the following:

	2021	2020
Capital assets	$ 1,616,523	$ 1,785,902
Asset retirement obligation	(77,438)	(170,803)
Deferred tenant inducements	(915,158)	(1,019,231)
	$ 623,927	$ 595,868

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. **Invested in capital assets (continued):**

(b) Change in net assets invested in capital assets is calculated as follows:

	2021	2020
Net change in investment in capital assets:		
Amortization of capital assets	$ (373,730)	$ (331,687)
Purchase of capital assets	249,165	1,546,524
Increase in tenant inducements	(1,120)	(1,025,469)
Amortization of deferred tenant inducements	105,192	71,832
Increase in asset retirement obligation, net (note 7)	93,365	(55,346)
Proceeds on sale of capital assets	(300)	(725)
Loss from disposal of capital assets	(44,513)	(6,102)
	$ 28,059	$ 199,027

9. **Commitments and contingencies:**

The Council is committed under existing lease agreements and contracted services for operating lease payments. The annual lease payments over the next five years and thereafter are as follows:

2022	$ 409,515
2023	409,515
2024	438,168
2025	438,168
2026	471,313
Thereafter	2,742,768

The Council is also responsible for its share of operating costs related to the office premises leases. These costs are not fixed within the lease and are subject to change on a year to year basis.

The Council is committed to the purchase of computer hardware in the amount of $119,286 which was ordered in 2021. Estimated time of delivery is sometime in March 2022. No deposits have been made for this purchase.

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2021

9. Commitments and contingencies (continued):

The Council has been named as a defendant in four legal actions. The first action relates to a claim for damages in the amount of $10 million, which in management's opinion, the legal action brought forward lacks merit. The other actions relate to three former employees seeking damages in the amount of $390,000 plus costs. The Council has adequate insurance to cover these legal proceedings and a provision of $76,500 (2020 - $51,500) has been included in these financial statements to cover costs including the insurance deductibles related to these actions. Consequently, any settlements reached are not expected to have a material adverse effect on the financial position of the Council.

10. License, assessment, examination and continuing education fees:

Revenue from license, assessment, examination and continuing education fees consists of the following:

	2021	2020
License fees	$ 6,918,823	$ 6,525,452
Assessment fees	159,000	162,375
Examination fees	726,250	779,650
Continuing education fees	295,150	218,600
	$ 8,099,223	$ 7,686,077

11. Other operating costs:

	2021	2020
Merchant fees	$ 198,030	$ 195,487
Examination invigilators	192,216	156,073
	$ 390,246	$ 351,560

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2021

12. Councils, boards and committees:

(a) The following amounts are included in Councils, boards and committees expenses:

		2021		2020
Councils and Council Committees	$	243,258	$	226,422
Appeal Boards		117,105		55,162
Accreditation Committee		83,967		71,284
	$	444,330	$	352,868

The Minister of Finance, responsible for the Insurance Act, has appointed the members of the Alberta Accreditation Committee (AAC), provided for in Section 29 of the Insurance Agents and Adjusters Regulation. The Council funds the operations of and provides administrative services to the ACC.

(b) Per diem payments of Council Members:

The following amounts are included in Councils, Boards and Committee expenses:

	Number of members	2021(ii) $	Number of members	2020(ii) $
Councils(i)				
Chairs	25	124,757	9	101,141
Members	64	194,778	42	188,007
Total	89	319,535	51	289,148

(i) These amounts include the following: the Alberta Insurance Council, the Life Insurance Council, the General Insurance Council, the Insurance Adjusters Council, the Audit Committee, the Human Resources Committee, the AIC Chair annual stipend, the Appeal Boards, and the Alberta Accreditation Committee.

(ii) All per diem payments made to members of Councils, Committees and Boards are paid by the Council out of fees received from insurance licenses, examinations, and continuing education course accreditation fees. This includes public members appointed by the Lieutenant Governor in Council, as well as Alberta Accreditation Committee members appointed by the Minister of Finance pursuant to the Government Organization Act.

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2021

13. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Council is exposed to credit risk with respect to its accounts receivable.

The Council assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Council at December 31, 2021 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2020.

(b) Liquidity risk:

Liquidity risk is the risk that the Council will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Council manages its liquidity risk by monitoring its operating requirements. The Council prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no significant changes to the liquidity risk exposure from 2020.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Council to cash flow interest rate risk. The Council is exposed to this risk through certain short-term fixed rate investments. Details of these investments are included in notes 2 of the financial statements.

There have been no significant changes to the interest rate risk exposure from 2020.

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2021

14. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The current challenging economic climate has not caused a significant adverse change in operating results, cash flows, and financial position of the Council. In response to the ongoing pandemic, the Council has undertaken the following:

- Where feasible, staff were encouraged to work from home. Provincial rules around social distancing are being enforced for all staff;
- Personal protective equipment has been provided to all staff and to individuals in exam rooms; and
- Additional cleaning protocols have been implemented in the public areas of both AIC offices.

15. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

Alberta Investment Management Corporation

Financial Statements
March 31, 2022

Table of Contents

Independent Auditor's Report

Auditor General OF ALBERTA

To the Shareholder of Alberta Investment Management Corporation

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Investment Management Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, change in net debt, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2022, and the results of its operations, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

May 30, 2022
Edmonton, Alberta

Statement of Financial Position

As at March 31, (*Thousands of Canadian dollars*)	**2022**	**2021**
Financial assets		
Cash and cash equivalents (Note 5)	$ 148,899	$ 53,964
Accounts receivable	31,956	24,653
Other assets	2,416	2,416
	183,271	81,033
Liabilities		
Accounts payable and accrued liabilities	16,071	9,677
Accrued employment liabilities (Note 6)	161,340	74,671
Advance from the Province of Alberta (Note 7)	58,349	58,349
Pension liabilities (Note 9)	5,307	4,813
Deferred lease inducement (Note 16)	1,594	1,752
	242,661	149,262
Net debt	(59,390)	(68,229)
Non-financial assets		
Tangible capital assets (Note 10)	51,922	60,697
Prepaid expenses	11,115	11,179
	63,037	71,876
Net assets (Note 11)	$ 3,647	$ 3,647

Contractual obligations (Note 16)
Contingent liabilities (Note 17)

The accompanying notes are part of these financial statements.

Approved by the Board:

Original signed by	Original signed by
Mark Wiseman Board Chair	Tom Woods Audit Committee Chair

Statement of Operations

For the year ended March 31, (*Thousands of Canadian dollars*)	2022 Budget (Note 18)	2022	2021
Revenue			
Cost recoveries	$ 713,614	$ 1,073,631	$ 748,375
Interest income	-	210	147
Total revenue	713,614	1,073,841	748,522
Expenses			
Third-party performance fees (Note 12)	108,888	406,671	313,059
Third-party investment management fees (Note 12)	370,231	336,789	229,935
Third-party other fees (Note 12)	29,102	13,739	16,926
Salaries, wages and benefits	118,616	227,949	115,449
Business technology and data services	39,188	36,552	32,732
Amortization of tangible capital assets (Note 10)	18,526	19,357	17,151
Contract and professional services	9,843	17,211	9,373
Rent	9,858	9,487	8,858
Administrative expenses	8,652	5,641	4,750
Interest	710	445	289
Total expenses	713,614	1,073,841	748,522
Annual surplus	$ -	$ -	$ -

The accompanying notes are part of these financial statements.

Statement of Change in Net Debt

For the year ended March 31, (*Thousands of Canadian dollars*)	2022 Budget (Note 18)	2022	2021
Annual surplus	$ -	$ -	$ -
Acquisition of tangible capital assets (Note 10)	(13,990)	(10,582)	(10,963)
Write-downs of tangible capital assets (Note 10)	-	-	93
Amortization of tangible capital assets (Note 10)	18,526	19,357	17,151
Change in prepaid expenses	-	64	(2,052)
Decrease in net debt in the year	4,536	8,839	4,229
Net debt at beginning of year	(68,229)	(68,229)	(72,458)
Net debt at end of year	$ (63,693)	$ (59,390)	$ (68,229)

The accompanying notes are part of these financial statements.

Statement of Cash Flows

For the year ended March 31, (*Thousands of Canadian dollars*)	**2022**	**2021**
Operating transactions		
Annual surplus	$ -	$ -
Non-cash items:		
Amortization of tangible capital assets (Note 10)	19,357	17,151
Write-downs of tangible capital assets (Note 10)	-	93
Amortization of deferred lease inducement (Note 16)	(158)	(159)
Change in pension liabilities (Note 9)	494	526
	19,693	17,611
Increase in accounts receivable	(7,303)	(16,289)
Decrease (Increase) in prepaid expenses	64	(2,052)
Increase (Decrease) in accounts payable and accrued liabilities	6,394	(1,455)
Increase (Decrease) in accrued employment liabilities	86,669	(10,549)
Cash provided by (applied to) operating transactions	105,517	(12,734)
Capital transactions		
Acquisition of tangible capital assets (Note 10)	(10,582)	(10,963)
Cash applied to capital transactions	(10,582)	(10,963)
Financing transactions		
Debt retirements (Note 8)	(955,000)	-
Debt issues (Note 8)	955,000	-
Cash applied to financing transactions	-	-
Increase (Decrease) in cash and cash equivalents	94,935	(23,697)
Cash and cash equivalents at beginning of year	53,964	77,661
Cash and cash equivalents at end of year	$ 148,899	$ 53,964
Supplementary information		
Cash used for interest	$ 242	$ 125

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

For the year ended March 31, 2022 (Thousands of Canadian dollars, except where otherwise noted)

NOTE 1 AUTHORITY

Alberta Investment Management Corporation (the Corporation) is an agent of the Crown in right of Alberta and operates under the authority of the *Alberta Investment Management Corporation Act*, Chapter A-26.5. Under the Act, the Corporation is established as a Crown Corporation governed by a Board of Directors appointed by the Lieutenant Governor in Council. The issued share of the Corporation is owned by the Crown, and accordingly the Corporation is exempt from federal and provincial income taxes under the *Income Tax Act*.

NOTE 2 NATURE OF OPERATIONS

The purpose of the Corporation is to provide investment management services in accordance with the *Alberta Investment Management Corporations Act,* primarily to the Province of Alberta and certain public-sector pension plans. The Corporation forms part of Alberta's Ministry of Treasury Board and Finance for which the President of Treasury Board and Minister of Finance is responsible. The Corporation was formed January 1, 2008.

The Corporation has assets under administration of $162.2 billion (2021: $129.9 billion) at March 31, 2022, see Note 13. These assets are invested in segregated investments owned by clients or aggregated in one or more pooled investment portfolios managed by the Corporation. Some of these assets are managed by third-party investment managers selected and monitored by the Corporation in order to achieve greater diversification, as well as to access external expertise and specialized knowledge. The segregated assets and the assets within the pooled investment portfolios are not consolidated in the financial statements of the Corporation. The Corporation makes investments on behalf of its clients and may also establish entities in which the Corporation is the registered owner of the shares for the purpose of managing specific investments. As the Corporation has no share in the expected benefits or the risk of loss in the entities, they are not consolidated in the Corporation's financial statements.

The Corporation recovers all expenses on a cost-recovery basis. The Corporation's Board of Directors may approve recoveries greater than costs to maintain or increase the Corporation's general reserve, although they have not done so in the past.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) and include the following significant accounting policies:

a) Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Third-party investment management fees, which are recorded as $336,789 (2021: $229,935), third-party performance fees, which are recorded as $406,671 (2021: $313,059), accrued employment liabilities, which are recorded as $161,340 (2021: $74,671) and pension liabilities, which are recorded as $5,307 (2021: $4,813) in these financial statements, are subject to measurement uncertainty. Third-party investment costs include estimates of management and performance fees that are based upon specified rates and commitment levels in the investment management agreements. Accrued employment liabilities include estimates of performance compensation that are tied to asset class and total fund value-add performance and absolute balanced fund performance. Value-add performance is the net incremental return over defined benchmarks from active management. Absolute balanced fund performance reflects the overall rate of return on clients' balanced portfolio of assets. The pension liabilities are based on key assumptions that could impact the reported liability. Refer to Note 9 for a description of the key assumptions and how a change in the assumptions can impact the reported pension liabilities.

Estimates and assumptions are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results may differ from these estimates.

b) Revenue Recognition

All revenues are reported on the accrual basis of accounting. Cost recovery revenue is recognized on the recovery of direct costs related to management of government funds, pension plans, and other investments, and on the recovery of indirect costs representing each government fund, pension plan, and pooled fund's respective share

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

b) Revenue Recognition (continued)

of the Corporation's operating costs. The indirect costs are charged based on direct cost drivers, assets under management and headcount.

Cost recovery revenue is accrued and billed on a monthly basis as the related costs are incurred and investment management services are provided.

Under the *Alberta Investment Management Corporations Act*, the Corporation may establish and maintain one or more Reserve Funds with the ability to recover charges in excess of direct and indirect costs. No Reserve Funds have been established to date.

c) Expenses

Expenses are reported on an accrual basis and the cost of all goods consumed and services received during the year is expensed.

Third-party investment costs include third-party investment management and performance-based fees, as well as other expenses incurred on behalf of the Corporation's clients, also disclosed in Note 12.

Interest expense is comprised primarily of debt servicing costs on the advance from the Province of Alberta and credit facility debt.

d) Financial Assets

Financial assets are the Corporation's financial claims on external organizations and individuals.

<u>Cash and Cash Equivalents</u>
Cash and cash equivalents are recognized at cost, which is equivalent to their fair value, and include short-term and mid-term liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. The Corporation has access to these investments with no restrictions.

<u>Accounts Receivable</u>
Accounts receivable are unsecured, non-interest bearing and are recognized at the lower of cost or net recoverable value. Provision for doubtful accounts are made to reflect accounts receivable at the lower of cost and net recoverable value, when collectability and risk of loss exists. Changes in doubtful accounts are recognized in administrative expenses in the Statement of Operations (2022 and 2021: $nil).

<u>Other Assets</u>
Other assets are valued at the lower of cost and net recoverable value.

e) Liabilities

Liabilities are recorded at cost to the extent that they represent present obligations as a result of past events and transactions occurring prior to the end of the fiscal year, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:
- all financial claims payable by the Corporation at year-end;
- accrued employee vacation entitlements and other benefits;
- deferred lease inducement; and
- contingent liabilities where future liabilities are likely.

Advance from the Province of Alberta and pension liabilities are recognized at amortized cost.

f) Non-Financial Assets

Non-financial assets are acquired, constructed or developed and do not normally provide resources to discharge existing liabilities, but instead:

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

f) Non-Financial Assets (continued)

(a) are normally employed to deliver services;
(b) may be consumed in the normal course of operations; and
(c) are not for sale in the normal course of operations.

Non-financial assets are limited to tangible capital assets and prepaid expenses.

Tangible Capital Assets
Tangible capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Computer systems hardware and software development costs, including labour and materials, and costs for design, development, testing and implementation, are capitalized when the related business systems are expected to be of continuing benefit to the Corporation.

Work in progress, which includes development of operating systems, is not amortized until after a project is complete (or substantially complete) and the asset is put into service.

The cost, less residual value, of tangible capital assets, is amortized on a straight-line basis over their estimated useful lives as follows:

Computer systems hardware and software	5 to 10 years
Furniture and equipment	10 years
Leasehold improvements	Lesser of the useful life of the asset and the term of the lease

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide services or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs of $nil (2021: $93) are accounted for as expenses in the Statement of Operations.

Prepaid Expenses
Prepaid expenses are recorded at cost and recognized over the terms of the agreements.

g) Valuation of Financial Assets and Liabilities

All financial assets and liabilities are measured at cost or amortized cost. The Corporation does not own any financial instruments designated in the fair value category and as such a Statement of Remeasurement Gains and Losses has not been included in the financial statements.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are reported in the Statement of Operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

The Corporation does not own any derivative financial instruments.

h) Employment Benefits

The Corporation participates in multi-employer defined benefit plans that meet the accounting requirements for treatment as defined contribution plans. The Corporation also participates in defined contribution pension plans. Employer contributions are expensed as incurred.

On January 1, 2010, the Corporation established a new Supplementary Retirement Plan (SRP) for those individuals required to withdraw from the existing SRP for Public Service Managers. This pension plan is accounted for using the projected-benefits method pro-rated on service to account for the cost of the defined benefit pension plan. Pension costs are based on management's best estimate of expected plan investment performance, discount rate, salary escalation, inflation and retirement age of employees. The discount rate used to determine the accrued benefit obligation is based on rates of return of assets currently held by the Plan. Plan

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

h) Employment Benefits (continued)

assets are valued at fair value for the purpose of calculating the expected return on plan assets. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service life of employees active at the date of amendments. Net actuarial gains or losses and transitional obligations are amortized on a straight-line basis over the average remaining service life of active employees. Valuation allowances are calculated such that accrued benefit assets are limited to amounts that can be realized in the future by applying any plan surplus against future contributions.

The Corporation provides retention incentives to certain employees through a Corporate Incentive Plan (CIP), a Long-Term Incentive Plan (LTIP), and a Restricted Fund Unit Plan (RFU). The potential end value of these awards, if and when vested, fluctuate over the vesting period based on investment returns, corporate, team and individual measures, as applicable, and are expensed as salaries, wages, and benefits over the vesting period. The liability for the awards are remeasured at each reporting period based on changes in the values of the awards, such that the cumulative amount of the liability will equal the potential payout at that date. Any gains or losses on remeasurement are reported in the Statement of Operations. For any forfeiture of awards, the accrued compensation cost will be adjusted by decreasing salaries, wages and benefits expense in the period of forfeiture.

i) Foreign Currency

Assets and liabilities denominated in foreign currency are translated at the year-end rate of exchange. Exchange differences on transactions are included in the determination of net operating results. Foreign currency transactions are translated into their Canadian dollar equivalents using the Bank of Canada exchange rate prevailing at the transaction dates.

NOTE 4 FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board issued the following accounting standards:

<u>PS 3280 Asset Retirement Obligations (effective April 1, 2022)</u>
This standard provides guidance on how to account for and report a liability for retirement of a tangible capital asset. Management is currently assessing the impact of this standard on the financial statements.

<u>PS 3400 Revenue (effective April 1, 2023)</u>
This standard provides guidance on how to account and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. Management is currently assessing the impact of this standard on the financial statements.

<u>PSG-8 Purchased intangibles (effective April 1, 2023)</u>
This new guideline explains the scope of the intangibles allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in Section PS 1000. Management is currently assessing the impact of this guideline on the financial statements.

<u>PS 3160 Public Private Partnerships (effective April 1, 2023)</u>
This standard provides guidance on how to account for public private partnerships between public and private sector entities, where the public sector entity procures infrastructure using a private sector partner. Management is currently assessing the impact of this guideline on the financial statements.

NOTE 5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

As at March 31, *(Thousands of Canadian dollars)*	**2022**	**2021**
Deposit in Consolidated Cash Investment Trust Fund	$ 147,897	$ 53,819
US bank account	59	63
British Pound Sterling bank account	943	82
	$ 148,899	$ 53,964

NOTE 5 CASH AND CASH EQUIVALENTS (continued)

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate 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. As at March 31, 2022, securities held by the Fund have a time-weighted return of 0.21% per annum (2021: 0.42% per annum).

NOTE 6 ACCRUED EMPLOYMENT LIABILITIES

As at March 31, *(Thousands of Canadian dollars)*	**2022**	**2021**
Corporate incentive plan (a)	$ 17,266	$ -
Annual incentive plan (b)	40,963	32,725
Long-term incentive plan (c)	87,954	34,844
Restricted fund unit incentive plan (d)	3,777	334
Accrued vacation, salaries and benefits (e)	11,380	6,768
	$ 161,340	$ 74,671

a) Corporate Incentive Plan

Effective January 1, 2022, the Corporation introduced a new CIP. The CIP measures performance at the total fund, asset class, corporate, team and individual levels, incorporating a combination of quantitative and qualitative objectives. The annual incentive is paid in the year following the end of the performance period and, for senior positions, a portion is required to be deferred. The deferred portion is notionally reinvested in the balanced fund and paid in three equal payments that vest over 24-month, 36-month and 45-month periods following the start of the performance period for which the incentive award was calculated. Each payment is calculated as the initial value of the deferred amount for the specified period plus the compound rate of return of the balanced fund over the vesting period.

The CIP includes accruals for the annual incentive and mandatory deferred portions over the vesting periods. Total expense related to the CIP for the year ended March 31, 2022 was $17,266 (2021: $nil) which was recorded in salaries, wages and benefits.

b) Annual Incentive Plan

With the introduction of the CIP effective January 1, 2022, the Corporation's Annual Incentive Plan (AIP) was discontinued at the end of the 2021 calendar year. The AIP is accrued based on goal attainment for the calendar year and paid in the subsequent year. Payments are tied to asset class and total fund value-add and include a component for achievement of annual individual objectives. The Chief Executive Officer may also make limited discretionary awards. Total expense related to the AIP for the year ended March 31, 2022 was $41,352 (2021: $26,785) which was recorded in salaries, wages and benefits.

c) Long-Term Incentive Plan

The LTIP program provides the opportunity for a performance payment for generating superior average value add over a four year period. With the introduction of the CIP effective January 1, 2022, no new grants will be awarded under the LTIP. Prior to calendar 2022, certain officers and other key professionals of the Corporation received LTIP grants effective January 1 of each year that varied in size with their level of responsibility and quality of past performance and vest at the end of the fourth calendar period subsequent to the grant date. In the majority of situations, employees must be actively working for the Corporation on the date of payment. LTIP awards have an initial cash value of zero. When they vest after four years and providing all vesting and plan conditions have been met by the employee, they will pay between zero and three times the size of the award based on performance over the four-year vesting period. The maximum amount could be paid if the average four-year value-add exceeds the average "stretch target" annually set by the Board.

Information about the target, stretch target, and actual results achieved for the last four calendar years is as follows:

NOTE 6 ACCRUED EMPLOYMENT LIABILITIES (continued)

c) Long-Term Incentive Plan (continued)

(Thousands of Canadian dollars)

	Target	Stretch Target	Value Add (Loss) for Compensation Purposes
2018	267,667	803,000	939,500
2019	296,000	888,000	(522,100)
2020	334,500	1,003,000	(5,488,750)
2021	325,000	974,000	7,749,082

If the average four-year value-add exceeds the average stretch target annually set by the Board, employees have the potential to receive a Special LTIP grant at the vesting date. This Special LTIP grant, which cannot exceed the original grant, has a new four-year vesting period and is subject to the same parameters and plan conditions as regular LTIP grants.

With the transition to CIP effective January 1, 2022, the value of all outstanding LTIP grants as at March 31, 2022 were determined using actual results for calendar years 2018 through 2021, and using calculation methods approved by the Board for future calendar years 2022 through 2024. The accrued LTIP liability as at March 31, 2022 of $87,954 (2021: $34,844) reflects the LTIP values as determined above, and the value will continue to accrue over the vesting period of the awards. Based on using calculation methods approved by the Board, the maximum potential obligation related to the LTIP as at March 31, 2022 was $133,714 (2021: $190,206). Total expenses related to the LTIP for the year ended March 31, 2022 was $72,626 (2021: $13,000) which was recorded in salaries, wages and benefits.

Information about total LTIPs awarded and outstanding is as follows:

For the year ended March 31, *(Thousands of Canadian dollars)*	**2022** Original (Notional) Value		**2021** Original (Notional) Value	
LTIP grants outstanding, beginning of year	$ 63,402	$ 34,844	$ 64,176	$ 46,832
Awarded	-	-	13,712	874
Accrual	-	83,706	-	12,577
Forfeited	(5,042)	(8,923)	(4,118)	(451)
Reclassified to termination benefits (Note 6e)	(742)	(2,157)	-	-
Paid	(9,964)	(19,516)	(10,368)	(24,988)
LTIP grants outstanding, end of year	$ 47,654	$ 87,954	$ 63,402	$ 34,844

d) Restricted Fund Unit Incentive Plan

The RFU incentive plan program is a supplementary compensation plan based on a notional investment in the total fund, where the value fluctuates based on the rate of return of the total fund over the vesting period. RFUs have time horizons of one to three years for vesting provisions. Employees must be on staff as of the payment date in order to be eligible to receive any vested payments.

With the transition to CIP effective January 1, 2022, RFUs with an aggregate notional value of $16,592 were awarded to holders of LTIP grants that met the performance threshold for a Special LTIP award using actual results for calendar years 2018 through 2021, and using calculation methods approved by the Board for future calendar years 2022 through 2024. The RFUs were issued on January 1, 2022 and portions vest in one, two and three years.

The accrued RFU liability as at March 31, 2022 of $3,777 (2021: $334) reflects the current value of all outstanding RFU awards, based on actual results to that date from the date they were awarded.

Information about total RFUs awarded and outstanding is as follows:

NOTE 6 ACCRUED EMPLOYMENT LIABILITIES (continued)

d) Restricted Fund Unit Incentive Plan (continued)

For the year ended March 31, *(Thousands of Canadian dollars)*	2022 Notional Value	2022	2021 Notional Value	2021
RFU grants outstanding, beginning of year	$ 737	$ 334	$ 315	$ 300
Awarded	17,399	3,478	565	135
Accrual	-	214	-	59
Paid	(192)	(249)	(143)	(160)
RFU grants outstanding, end of year	$ 17,944	$ 3,777	$ 737	$ 334

Total expense related to the RFU plan for the year ended March 31, 2022 was $3,692 (2021: $194) which was recorded in salaries, wages and benefits.

e) Accrued Vacation, Salaries and Benefits

Accrued vacation, salaries and benefits includes termination benefits of $6,883 related to the Corporation's organization restructure in December 2021. Total termination benefit expenses related to this organization restructure for the year ended March 31, 2022 was $7,908.

NOTE 7 ADVANCE FROM THE PROVINCE OF ALBERTA

Pursuant to Order in Council 219/2012 and in accordance with the loan advance agreement, the Corporation has not received advances from the Province of Alberta for the year ended March 31, 2022 (2021: $nil). As at March 31, 2022, the outstanding advance from the Province totaled $58,349 (2021: $58,349).

The advance is a revolving demand credit facility up to a maximum of $70,000. The advance is repayable within six months of demand by the Province and is interest bearing at a rate equal to the Province's one-month borrowing rate of 0.18% (2021: 0.21%). Interest expense on the advance is $103 (2021: $125) and is included in the Statement of Operations. At March 31, 2022, the Corporation was in compliance with the terms of its revolving demand facility.

NOTE 8 DEBT

In connection with the transition of certain assets from a client to AIMCo management, the Corporation established an unsecured credit facility up to a maximum of $1,012,000 on September 29, 2021 with a maturity date of October 8, 2021 and is interest bearing at the Canadian dollar offered rate for the interest period plus 40 basis points. Total debt of $955,000 was issued between September 29, 2021 and October 1, 2021 with retirement of the debt on October 7, 2021. Interest expense on the debt is $139 (2021: $nil) and is included in the Statement of Operations.

NOTE 9 PENSION LIABILITIES

Information about the Corporation's SRP is as follows:

As at and for the year ended March 31, *(Thousands of Canadian dollars)*	**2022**	**2021**
Accrued retirement obligation		
Beginning of year	$ 10,963	$ 9,831
Current service cost	332	430
Interest cost	242	250
Benefits paid	(115)	(76)
Actuarial (gain) loss	(512)	528
End of year	10,910	10,963
Plan assets		
Fair value, beginning of year	4,077	3,445
Actual return on plan assets	101	450
Employer contributions	90	129
Employee contributions	90	129
Benefits paid	(115)	(76)
End of year	4,243	4,077
Funded status - plan deficit	(6,667)	(6,886)
Unamortized net actuarial loss	1,360	2,073
Reported liability	$ (5,307)	$ (4,813)
Current service cost	332	430
Interest cost	242	250
Expected return on plan assets	(88)	(87)
Amortization of net actuarial loss	188	191
Less: employee contributions	(90)	(129)
Total SRP expense	$ 584	$ 655

NOTE 9 PENSION LIABILITIES (continued)

The measurement date for the plan assets and the accrued retirement obligation for the Corporation's defined benefit pension plan is March 31. Actuarial valuations are performed at least every three years to determine the actuarial present value of the accrued retirement obligation. An actuarial valuation for funding purposes was prepared as of December 31, 2021. An extrapolation of the actuarial valuation dated December 31, 2021 was performed to March 31, 2022.

Approximate asset allocations, by asset category, of the Corporation's defined benefit pension plan assets were as follows:

As at March 31,	2022	2021
Equity securities	55%	55%
Debt securities	44%	44%
Other	1%	1%

The following table presents key assumptions applicable to the SRP:

As at March 31,	2022	2021
Annual discount rate	2.1%	2.2%
Annual salary increase - base	2.0%	2.0%
Expected long-term return on plan assets	4.3%	4.3%
Inflation rate	2.0%	2.0%

The reported liability of the SRP is significantly impacted by these assumptions. A 1% decrease in the discount rate assumption would result in an increase in the reported liability by $2,690 as at March 31, 2022 (2021: $2,729). A 1% increase in the salary scale assumption would result in an increase in the reported liability by $861 as at March 31, 2022 (2021: $2,165). A 1% increase in the inflation rate assumption would result in an increase in the reported liability by $1,244 as at March 31, 2022 (2021: $1,044).

Pension and Disability Plans

The Corporation participates in two multi-employer public sector pension plans, the Management Employees Pension Plan (MEPP) and the Public Service Pension Plan (PSPP). The Corporation also participates in a defined contribution pension plan and a defined contribution supplementary retirement plan, established for employees hired after the formation of the Corporation on January 1, 2008.

The Corporation's expense for the pension and disability plans was equivalent to the annual contributions of $6,869 (2021: $5,620) for the year ended March 31, 2022 which was recorded in salaries, wages and benefits.

The Corporation accounts for multi-employer pension plans on a defined contribution basis. The Corporation is not responsible for future funding of the plan deficit other than through contribution increases.

The Corporation does not have sufficient plan information on the MEPP/PSPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recognized for the MEPP/PSPP is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

At December 31, 2021, MEPP reported a surplus of $1,348,160 (2020: surplus of $809,850) and PSPP a surplus of $4,588,479 (2020: surplus of $2,223,582).

NOTE 10 TANGIBLE CAPITAL ASSETS

For the year ended March 31, *(Thousands of Canadian dollars)*

	Computer systems hardware and software	Leasehold improvements	Furniture and equipment	**2022**	**2021**
Cost					
Opening balance	$ 144,040	$ 7,556	$ 5,503	157,099	$ 148,338
Additions	10,571	11	-	10,582	10,963
Disposals	(251)	(36)	-	(287)	(2,109)
Write downs	-	-	-	-	(93)
Closing balance	154,360	7,531	5,503	167,394	157,099
Accumulated amortization					
Opening balance	90,660	871	4,871	96,402	81,360
Amortization expense	18,622	552	183	19,357	17,151
Effect of disposals	(251)	(36)	-	(287)	(2,109)
Closing balance	109,031	1,387	5,054	115,472	96,402
Net book value at March 31	$ 45,329	$ 6,144	$ 449	$ 51,922	$ 60,697

Cost includes work-in-progress at March 31, 2022 totaling $1,975 (2021: $4,255) comprised of computer systems hardware and software.

NOTE 11 NET ASSETS

Net assets is made up as follows:

As at March 31, *(Thousands of Canadian dollars)*	**2022**	**2021**
Contributed surplus (a)	$ 3,647	$ 3,647
Share capital (b)	-	-
	$ 3,647	$ 3,647

a) Contributed Surplus

Contributed surplus of $3,647 (2021: $3,647) represents equity received by the Ministry of Treasury Board and Finance in exchange for the transfer of the net book value of capital assets to the Corporation on January 1, 2008.

b) Share Capital

The share capital of the Corporation consists of one share owned by the Crown in the right of Alberta recorded at $nil (2021: $nil).

NOTE 12 THIRD-PARTY INVESTMENT COSTS

Fees charged by third-party managers include regular management fees as well as performance/incentive-based fees. Third-party investment management fees are based on a percentage of net assets under management at fair value and committed amounts in the case of private investment pools. Third-party investment management fees may also vary by investment asset class. As of March 31, 2022, approximately 69% of assets under management are managed internally by the Corporation, and the remaining 31% through third-party investment managers. Third-party performance fees vary from year to year, and when compared to budgeted amounts, as these fees are directly correlated with investment performance. Higher investment returns generally result in higher third-party performance fees. These fees include significant estimates and are subject to measurement uncertainty. Actual results could differ from these estimates. These costs are incurred directly by the Corporation's investment portfolios.

Third-party other fees are incurred directly by the Corporation's investment portfolios and include fees for asset custody and investment acquisition. Not included in the third-party investment costs are asset administration, audit, compliance,

NOTE 12 THIRD-PARTY INVESTMENT COSTS (continued)

valuation, and investment disposition and structuring costs incurred directly by the investment portfolios totaling $64,491 for the year ended March 31, 2022 (2021: $56,129).

NOTE 13 ASSETS UNDER ADMINISTRATION

The Corporation provides investment management services on behalf of certain Province of Alberta endowment funds, other government funds and certain public sector pension plans.

Measurement uncertainty exists in the valuation of private investments, hedge funds, real estate and renewable resource investments. Uncertainty arises because the estimated fair values of private investments, hedge funds, real estate and renewable resource investments may differ significantly from the values that would have been used had a ready market existed for these investments.

At March 31, 2022, assets under administration totaled $162.2 billion (2021: $129.9 billion), at market value. These assets were administered on behalf of the following clients of the Corporation:

As at March 31, *(Thousands of Canadian dollars)*	**2022**	**2021**
Pension plans	$ 112,062,863	$ 89,683,454
Ministry of Treasury Board and Finance		
General revenue and entity investment funds [(1)]	9,384,801	7,587,597
Endowment funds (including the Alberta Heritage Savings Trust Fund)	25,407,728	23,362,505
Insurance-related funds	13,360,292	6,747,120
Other Government Ministry investment funds	1,955,497	2,481,034
	$ 162,171,181	$ 129,861,710

[(1)] General Revenue Fund Policy loans have been excluded as they are managed by the Ministry of Treasury Board and Finance.

The Corporation manages the majority of these investments through pooled investment funds. However, some investments are managed by third party investment managers selected and monitored by the Corporation in order to achieve greater diversification, access to external expertise, and specialized knowledge. Investments are made in accordance with the investment policies established and approved by the clients.

Investments administered by the Corporation were held in the following asset classes:

As at March 31, *(Thousands of Canadian dollars)*	**2022**	**2021**
Fixed income		
Fixed income [(1)]	$ 37,495,713	$ 35,552,542
Private mortgages	4,161,694	4,152,526
Private debt and loan	4,884,074	2,726,084
Inflation sensitive		
Real estate	21,539,165	17,661,351
Infrastructure and renewable resources	17,225,651	13,069,821
Real return bonds and commodities	1,616,894	1,623,897
Equities		
Public equities and absolute return strategies	63,458,179	46,793,321
Private equity and venture capital	11,503,925	8,047,985
Overlays	285,886	234,183
	$ 162,171,181	$ 129,861,710

[(1)] General Revenue Fund Policy loans have been excluded as they are managed by the Ministry of Treasury Board and Finance.

NOTE 14 RELATED PARTY TRANSACTIONS

Related parties are the government funds, pension plans, and entities under common control of the Province of Alberta for which the Corporation provides investment management services. Related parties also include key management personnel, close family members of those individuals, and entities that those individuals or their close family members may have significant control over (Key Management Personnel and their Close Family Members).

During the year ended March 31, 2022 and the prior year, there were no transactions between the Corporation and Key Management Personnel and their Close Family Members, that did not take place at fair market value.

The Corporation's direct and indirect cost recoveries revenue for the investment management services the Corporation provides do not include a profit margin. As a result, these revenues are not at fair market value.

The Corporation had the following transactions with related parties recorded at the exchange amount which is the amount of consideration agreed upon between the related parties:

For the year ended March 31, *(Thousands of Canadian dollars)*	**2022**	**2021**
Revenues		
Direct cost recoveries [1]	$ 225,194	$ 181,166
Indirect cost recoveries [1]	97,172	63,599
Interest income	210	147
	322,576	244,912
Expenses		
Interest on advance from the Province of Alberta	33	43
Contracted services [2]	327	473
	360	516
Assets		
Accounts receivable [1]	10,162	6,244
Liabilities		
Accounts payable	301	437
Advance from the Province of Alberta	58,349	58,349
	$ 58,650	$ 58,786

(1) Recovered from government funds, pension plans and other entities under common control.

(2) Transacted with the Ministry of Treasury Board and Finance and other entities.

NOTE 15 SALARIES AND BENEFITS DISCLOSURE

The Corporation has included certain required disclosures in the Compensation Discussion & Analysis section of the 2021 Annual Report relating to the Board of Directors' compensation and an audited compensation section relating to key management personnel compensation.

NOTE 16 CONTRACTUAL OBLIGATIONS

Contractual obligations of $203,076 (2021: $181,672) are obligations to others that will become liabilities in the future when the terms of those contracts or agreements are met. The Corporation has entered into various agreements with minimum annual commitments for office space and other contracted services. The obligations exclude third-party investment costs incurred directly by the Corporation's investment portfolios. Estimated payment requirements for each of the next five years and thereafter are as follows:

NOTE 16 CONTRACTUAL OBLIGATIONS (continued)

As at March 31, *(Thousands of Canadian dollars)*	**2022**
2023	$ 36,747
2024	26,197
2025	25,141
2026	24,174
2027	21,447
Thereafter	69,370
Total	$ 203,076

The Corporation entered into a lease agreement commencing April 30, 2013, for nine years, with an option to renew for a further six years. Included in this agreement is a lease inducement of $300 to be recognized as a reduction in lease expense over the nine-year term of the lease.

The Corporation also entered into a lease agreement commencing February 26, 2018 for 10 years.

The Corporation entered into a lease agreement commencing January 1, 2020, for 15 years, with two optional renewal periods of five years each. As part of the lease agreement, the Corporation received a lease inducement of $1,875 which will be recognized as a reduction in lease expense over the 15-year term of the lease.

The total deferred lease inducement as at March 31, 2022 is $1,594 (2021: $1,752).

Pursuant to Order in Council 23/2008, the Corporation has made available a facility to access up to a maximum of $300,000 for letters of credit. This facility is utilized by the investment pools and at March 31, 2022 the balance outstanding against the facility is $64,790 (2021: $87,612).

NOTE 17 CONTINGENT LIABILITIES

Certain clients have commenced arbitration proceedings against AIMCo and the Province of Alberta, alleging that AIMCo breached Investment Management Agreements in connection with portfolio investment losses incurred from a volatility trading strategy in calendar 2020. The aggregate of damages sought is $1,333,500, plus interest and costs. The outcome of the arbitration and any potential liability is not determinable. AIMCo intends to defend these claims vigorously.

NOTE 18 2022 BUDGET

The Corporation’s budget for the year ended March 31, 2022 was approved by the Board of Directors in the amount of $713,614 on December 2, 2020.

NOTE 19 FINANCIAL RISK MANAGEMENT

The Corporation has minimal exposure to credit risk, liquidity risk and foreign exchange risk due to the nature of its operations.

a) Credit Risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Corporation. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty’s obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments is directly or indirectly impacted by credit risk to some degree. The Corporation is exposed to minimal credit risk as all of its clients are established organizations that have a proven history of payment.

As at March 31, 2022, the total carrying amount in accounts receivable balance is current.

NOTE 19 FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation has limited exposure to liquidity risk as it recovers all operating expenses and capital expenditures from its clients on a cost-recovery basis.

Liquidity risk exposure is managed through regular recovery of all operating costs on a monthly basis. Further, the Corporation's Board of Directors may approve recoveries greater than costs to maintain or increase the Corporation's general reserve, in the event additional funding is needed.

c) Foreign Exchange Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate. The Corporation has limited exposure to foreign exchange risk as amounts are payable and paid in a timely manner.

The carrying amount of the Corporation's US and British Pound Sterling denominated foreign currency in accounts payable and accrued liabilities as at March 31, 2022 is $5,556 (2021: $1,765) and $356 (2021: $576), respectively.

d) Interest Rate Risk

The Corporation is exposed to interest rate risk from the advance from the Province of Alberta. The sensitivity of the Corporation's expenses due to a 1% change in the interest rate is $583 (2021: $583).

NOTE 20 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on May 30, 2022.

Alberta Pension Services Corporation

Financial Statements
December 31, 2021

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Independent Auditor's Report

Auditor General OF ALBERTA

To the Shareholder of Alberta Pensions Services Corporation

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Pensions Services Corporation, which comprise the statement of financial position as at December 31, 2021, and the statements of operations, change in net debt, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alberta Pensions Services Corporation as at December 31, 2021, and the results of its operations, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Alberta Pensions Services Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Alberta Pensions Services Corporation 2021 Annual Report*, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Alberta Pensions Services Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Alberta Pensions Services Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alberta Pensions Services Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Alberta Pensions Services Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Alberta Pensions Services Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

April 21, 2022
Edmonton, Alberta

ALBERTA PENSIONS SERVICES CORPORATION

Statement of Operations

Year ended December 31, 2021

(in thousands)

	2021		2020
Expenses	**Budget**	**Actual**	Actual
Salaries and benefits	**$ 33,174**	**$ 32,689**	$ 31,158
Contract services	**3,006**	**3,229**	2,505
Software licensing and support	**5,651**	**4,882**	5,248
Office related expenses	**4,531**	**4,397**	3,845
Amortization (Note 8)	**5,863**	**5,689**	5,544
Total before other services	**52,225**	**50,886**	48,300
Plan specific and corporate services (Note 5)	**4,672**	**3,141**	3,758
Employer specific services (Note 6)	**40**	**42**	40
Total operating expenses	**56,937**	**54,069**	52,098
Recovery of costs (Note 7)	**56,937**	**54,069**	52,098
Annual surplus (deficit)	**–**	**–**	–
Net assets at beginning of year	**–**	**–**	–
Net assets at end of year	**$ –**	**$ –**	$ –

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

Approved by the Board:

Original signed by

Colin P. MacDonald, Q.C., ICD.D
Chair, Board of Directors

Original signed by

Roger Rosychuk
Chair, Audit Committee

ALBERTA PENSIONS SERVICES CORPORATION

Statement of Financial Position

As at December 31, 2021

(in thousands)

		2021		2020
Financial assets				
Cash	$	3,205	$	2,675
Accounts receivable		26		66
Due from pension plans and plan corporations (Note 7)		951		1,440
		4,182		4,181
Liabilities				
Accounts payable and other accrued liabilities		3,755		2,929
Accrued salaries and benefits		125		665
Accrued vacation pay		971		829
Deferred lease inducement (Note 12)		664		913
		5,515		5,336
Net debt		(1,333)		(1,155)
Non-financial assets				
Tangible capital assets (Note 8)		31,910		35,019
Prepaid expenses		1,333		1,155
		33,243		36,174
Net assets before spent deferred capital contributions		31,910		35,019
Spent deferred capital contributions (Note 8)		31,910		35,019
Net assets (Note 9)	$	–	$	–

Contractual obligations (Note 12)

Contingent liabilities (Note 13)

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

ALBERTA PENSIONS SERVICES CORPORATION

Statement of Change in Net Debt

Year ended December 31, 2021

(in thousands)

	2021		2020
	Budget	**Actual**	Actual
Annual surplus (deficit)	**$ –**	**$ –**	$ –
Acquisition of tangible capital assets (Note 8)	**(2,410)**	**(2,580)**	(2,293)
Amortization of tangible capital assets (Note 8)	**5,863**	**5,689**	5,544
Change in spent deferred capital contributions	**(3,453)**	**(3,109)**	(3,251)
Change in prepaid expenses	**–**	**(178)**	575
(Increase) decrease in net debt	**–**	**(178)**	575
Net debt at beginning of year	**(1,730)**	**(1,155)**	(1,730)
Net debt at end of year	**$ (1,730)**	**$ (1,333)**	$ (1,155)

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

ALBERTA PENSIONS SERVICES CORPORATION

Statement of Cash Flows

Year ended December 31, 2021

(in thousands)

	2021	2020
Operating transactions		
Annual surplus (deficit)	$ –	$ –
Non-cash items included in annual surplus (deficit):		
Amortization of tangible capital assets (Note 8)	5,689	5,544
Decrease in deferred lease inducement (Note 12)	(249)	(249)
Amortization of spent deferred capital contributions	(5,689)	(5,544)
	(249)	(249)
Decrease (increase) in accounts receivable	40	(35)
(Increase) decrease in prepaid expenses	(178)	575
Decrease in due from pension plans and plan corporations	489	4,309
Increase (decrease) in accounts payable and other accrued liabilities	826	(3,420)
Decrease in accrued salaries and benefits	(540)	(945)
Increase in accrued vacation pay	142	104
Cash provided by operating transactions	530	339
Capital transactions		
Acquisition of tangible capital assets (Note 8)	(2,580)	(2,293)
Cash applied to capital transactions	(2,580)	(2,293)
Financing transactions		
Increase in spent deferred capital contributions (Note 8)	2,580	2,293
Repayment of capital lease obligation	–	(40)
Cash provided by financing transactions	2,580	2,253
Increase in cash	530	299
Cash at beginning of year	2,675	2,376
Cash at end of year	$ 3,205	$ 2,675

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

ALBERTA PENSIONS SERVICES CORPORATION

Notes to the Financial Statements

Year ended December 31, 2021

1. Authority

Alberta Pensions Services Corporation (APS) is incorporated under the *Business Corporations Act* (Alberta). APS is a "Provincial corporation" under the *Financial Administration Act* (Alberta) and a "public agency" under the *Alberta Public Agencies Governance Act*. The issued share of the Corporation is owned by the Government of Alberta and accordingly, the Corporation is exempt from income taxes under the *Income Tax Act*. APS is referred to as "the Corporation" throughout the Notes to the Financial Statements.

2. Nature of Operations

The Corporation provides a comprehensive suite of pension administration services in respect of nine registered and unregistered pension plans. These services are provided pursuant to a "Pension Services Agreement" with each of LAPP Corporation, PSPP Corporation, and SFPP Corporation and a "Pension Administration Services Agreement" with the Government of Alberta.

The services provided to LAPP Corporation, PSPP Corporation, and SFPP Corporation are respectively in relation to the Local Authorities Pension Plan (LAPP), the Public Service Pension Plan (PSPP), and the Special Forces Pension Plan (SFPP). These services are provided pursuant to the *Joint Governance of Public Sector Pension Plans Act* (Alberta) and in accordance with the *Employment Pension Plans Act* (Alberta).

The services provided to the Government of Alberta pertain to the following registered and unregistered pension plans:

- Management Employees Pension Plan (MEPP) and Public Service Management (Closed Membership) Pension Plan (PSM(CM)PP), each established and governed by the *Public Sector Pension Plans Act* (Alberta);
- Supplementary Retirement Plan (SRP) for Public Service Managers (established by Treasury Board Directive);
- Provincial Judges and Masters in Chambers (Registered) Pension Plan (PJMC(R)PP) and Provincial Judges and Masters in Chambers (Unregistered) Pension Plan (PJMC(U)PP), each established and governed by Alberta Regulation 196/2001;
- Members of the Legislative Assembly (Registered) Pension Plan (MLAPP), established and governed by the *Members of the Legislative Assembly Pension Plan Act* (Alberta).

3. Summary of Significant Accounting Policies

Basis of Presentation

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS).

Recovery of Costs

All recoveries of costs are reported on the accrual basis of accounting. Accruals for the recovery of costs are recognized as the related expenses are incurred.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

FINANCIAL STATEMENT COMPONENT	MEASUREMENT
Cash and cash equivalents	Cost
Accounts receivable and due from pension plans and plan corporations	Lower of cost or net recoverable value
Accounts payable and other accrued liabilities, accrued salaries and benefits, and accrued vacation pay	Cost

Financial Assets

Financial assets are the Corporation's financial claims on external organizations and individuals.

CASH AND CASH EQUIVALENTS

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes.

ACCOUNTS RECEIVABLE

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Liabilities

Liabilities are present obligations of the Corporation to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

Non-financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

3. Summary of Significant Accounting Policies (Continued)

TANGIBLE CAPITAL ASSETS

Tangible capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets and overhead directly attributable to construction and development.

Assets under construction are not amortized until after a project is substantially complete and the asset is put into service.

Leases of tangible capital assets which transfer substantially all the benefits and risks of ownership are accounted for as leased tangible capital assets. Capital lease liabilities are recognized at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs). The discount rate used to determine the present value of the lease payments is the lower of the Corporation's rate for incremental borrowing or the interest rate implicit in the lease.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Pension Benefits Administration System (Compass)	12 years
Furniture and equipment	5 years
Computer hardware and software	3 years
Leasehold improvements	Term of lease

The threshold for capitalizing software is $100,000 and $5,000 for all other items, where these items have a useful life in excess of one year.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value

PREPAID EXPENSES

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

Financial Instruments

Financial instruments of the Corporation consist of cash, accounts receivable, due from pension plans and plan corporations, accounts payable and other accrued liabilities, accrued salaries and benefits, and accrued vacation pay. Due to their short- term nature, the carrying value of these instruments approximates their fair value.

As the Corporation does not have any transactions involving financial instruments that are classified in the fair value category, there are no remeasurement gains and losses and therefore, a statement of remeasurement gains and losses has not been presented.

Use of Estimates

The preparation of financial statements in conformity with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as, the disclosure of contingent assets and liabilities in the financial statements. Actual results could differ from these estimates, and the impact of any such differences will be recognized in future periods. The significant area requiring the use of management estimates relates to the estimated useful lives of tangible capital assets.

4. Future Accounting Changes

The Public Sector Accounting Board has issued the following accounting updates:

- **PS 3280 Asset Retirement Obligations (effective April 1, 2022)**

This standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets. Management has completed its assessment and did not identify any significant asset retirement obligations.

- **PS 3400 Revenue (effective April 1, 2023)**

This standard provides guidance on how to account for and report on revenue, and specifically, it differentiates between revenue arising from exchange transactions and non-exchange transactions. The Corporation has not adopted this standard. Management is currently assessing the impact of this standard on the financial statements.

- **PSG 8 Purchased Intangibles (effective April 1, 2023)**

This guideline allows recognition in financial statements of intangibles purchased through an arm's length exchange transaction and meeting the definition of an asset. Management is currently assessing the impact of this guideline on the financial statements.

5. Plan Specific and Corporate Services

(in thousands)

The Corporation provides certain tailored services to plan corporations and public sector pension plans and their respective boards and committees. These services may include amending system specifications for plan text changes, client requests, optional services and other costs not attributed to all of the plans served by the Corporation.

Entity	**2021**	2020
LAPP	**$ 889**	$ 951
MEPP	**852**	718
PSPP	**414**	813
SFPP	**233**	628
SRP	**153**	112
PSPP Corp	**128**	160
PJMC(R)PP	**125**	88
PJMC(U)PP	**111**	67
SFPP Corp	**104**	106
LAPP Corp	**75**	69
PSM(CM)PP	**49**	29
MLAPP	**8**	17
	$ 3,141	$ 3,758

6. Employer Specific Services

(in thousands)

In 2008, the Minister approved the Corporation administering post-retirement benefits for certain employers who participate in the public sector pension plans. The Corporation also entered into an agreement to provide certain administration services on a cost-recovery basis to Alberta Investment Management Corporation (AIMCo), a related Crown Corporation, in respect of an AIMCo supplementary retirement plan. All costs associated with administering these benefits are recovered directly from the specific employers as follows:

Employer	**2020**	2019
Alberta Health Services	**$ 1**	$ 1
City of Edmonton	**1**	1
EPCOR	**1**	1
Government of Alberta	**1**	1
Legislative Assembly [1]	**-**	1
	4	5
Alberta Investment Management Corporation	**38**	35
	$ 42	$ 40

[1] Effective January 1, 2021, Legislative Assembly no longer participates in the post-retirement benefits services.

7. Recovery of Costs

(in thousands)

The Corporation charges each public sector pension plan and plan corporation with its proportionate share of the Corporation's operating costs based on the cost recovery methodology approved by the Board of Directors. Prior year's cost recovery methodology was described in each of their formal agreements. At December 31, 2021, $951 (2020 – $1,440) is receivable from the plans and plan corporations. The receivable at year end is directly related to the timing of the receipt and disbursement of funds.

Entity	**2021**	2020
LAPP	**$ 37,966**	$ 34,719
PSPP	**10,507**	11,539
MEPP	**2,462**	2,330
SFPP	**1,323**	1,634
SRP	**592**	712
PSM(CM)PP	**359**	231
PJMC(R)PP	**224**	227
PJMC(U)PP	**207**	191
PSPP Corporation	**128**	160
SFPP Corporation	**104**	106
LAPP Corporation	**75**	69
MLAPP	**70**	97
	54,017	52,015
Interest and other cost recoveries	**10**	43
Employer specific services (Note 6)	**42**	40
	$ 54,069	$ 52,098

8. Tangible Capital Assets

(in thousands)

	2021					2020
	Compass system	**Computer hardware & software**	**Leasehold improvements**	**Furniture & equipment**	**Total**	Total
Estimated useful life	**12 years**	**3 years**	**Lease term**	**5 years**		
Historical cost[1]						
Beginning of year	**$ 53,319**	**$ 9,705**	**$ 6,335**	**$ 1,527**	**$ 70,886**	$ 68,860
Additions	**1,808**	**742**	**-**	**30**	**2,580**	2,293
Disposals, including write-downs	**-**	**(666)**	**-**	**-**	**(666)**	(267)
	55,127	**9,781**	**6,335**	**1,557**	**72,800**	70,886
Accumulated amortization						
Beginning of year	**20,235**	**7,789**	**6,333**	**1,510**	**35,867**	30,590
Amortization expense	**4,637**	**1,041**	**2**	**9**	**5,689**	5,544
Effect of disposals, including write-downs	**-**	**(666)**	**-**	**-**	**(666)**	(267)
	24,872	**8,164**	**6,335**	**1,519**	**40,890**	35,867
Net book value at December 31, 2021	**$ 30,255**	**$ 1,617**	**$ -**	**$ 38**	**$ 31,910**	
Net book value at December 31, 2020	**$ 33,084**	**$ 1,916**	**$ 2**	**$ 17**		$ 35,019

Financing obtained from the public sector pension plans to acquire tangible capital assets is recognized as spent deferred capital contributions. The recovery of costs is recognized on the same basis as the tangible capital assets are amortized.

[1] Historical cost includes asset under construction at December 31, 2021 totaling $1,941 (2020 – $39) comprised of the Compass system $1,607 (2020 – $13), Computer hardware and software $304 (2020 – $26) and Furniture and equipment $30 (2020 – $nil).

9. Share Capital

	2021	2020
Issued:		
1 common share	**$ 1**	$ 1

An unlimited number of common and preferred shares are authorized with a single common share issued (Note 1).

10. Employee Future Benefits

(in thousands)

The Corporation participates in three multi-employer defined benefit public sector pension plans: PSPP, MEPP and SRP. Multi-employer plans are accounted for as defined contribution plans. Accordingly, the Corporation does not recognize its share of any plan surplus or deficit. The expense for these pension plans is equivalent to the annual contributions of $3,033 for the year ended December 31, 2021 (2020 – $3,130). This amount is included in salaries and benefits.

An actuarial valuation is performed to assess the financial position of the plan and adequacy of the plan funding. At December 31, 2020, PSPP reported a surplus of $2,223,582 (2019 – surplus of $2,759,320), MEPP reported a surplus of $809,850 (2019 – surplus of $1,008,135) and SRP had a deficiency of $59,972 (2019 – deficiency of $44,698).

11. Related Party Transactions

(in thousands)

Related parties are those entities consolidated using either line by line or modified equity basis in the Government of Alberta's Consolidated Financial Statements. Related parties also include key management personnel and close family members of those individuals in the Corporation. The Corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Corporation had the following transactions with related parties reported in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2021	2020
Expenses		
Data processing, software licences, printing and postage	**$ 1,246**	$ 1,653
Risk management and insurance	**211**	203
Plan financial reporting	**–**	76
Management training	**–**	2
	$ 1,457	$ 1,934
Payable to Government of Alberta	**$ 593**	$ 663

The Corporation also provided services to the plan corporations and public sector pension plans and their respective boards and committees as disclosed in Notes 5 and 7. These transactions are in the normal course of operations.

12. Contractual Obligations

(in thousands)

The Corporation has entered into some multi-year agreements whereby the Corporation will be obligated to make future payments when the goods or services are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

YEAR	Operating[1]	Capital[2]	Total
2022	$ 4,819	$ 764	$ 5,583
2023	2,416	-	2,416
2024	1,800	-	1,800
2025	125	-	125
Thereafter	-	-	-
	$ 9,160	$ 764	$ 9,924

[1]The Corporation entered into a 5 year lease renewal agreement for the facility commencing on September 1, 2019. As part of the lease agreement, the Corporation received a lease inducement of $1,245. The inducement is recognized as a reduction in lease expense over the five year term of the lease. There is $664 remaining in the deferred lease inducement at December 31, 2021.

Operating obligations include non-cancellable purchase and contract commitments from service and software license agreements.

[2]The Corporation has a multi-year commitment with an external vendor to upgrade the Corporation's Pension Benefits Administration (Compass) system. Assets under construction includes $1,607 related to this upgrade at December 31, 2021. $734 of the capital commitment is expected to be incurred in 2022 to complete the upgrade.

13. Contingent Liabilities

(in thousands, except number of claims)

APS is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at December 31, 2021, accruals totalling $nil (2020 – $150) have been recognized as a liability.

APS has been named in 9 (2020: 13) claims, the outcomes of which 3 claims are likely and 6 cases are not determinable. In most cases these claims have been filed jointly and severally against APS, one of the pension plans and in some cases involve third parties. Of the likely claims, 1 (2020: 4) has a specified amount totaling $200 (2020: $1,983). Of the indeterminate claims, 1 (2020: 1) has a specified amount totaling $800 (2020: $800). The remaining claims have no specified amounts. Management estimates that any potential liability relating to these claims would be to the pension plan(s) named for any benefit related costs and any potential damages would be covered by the insurance provided by the Alberta Risk Management Fund.

The resolution of claims may result in a liability, if any, that may be significantly lower than the claimed amount.

14. Salaries and Benefits Disclosure

Details of Executive and Board member remuneration are presented in the Compensation Discussion and Analysis section of the Corporation's 2021 Annual Report.

15. Financial Instruments

Liquidity risk is the risk of not being able to meet the Corporation's cash requirements in a timely and cost-effective manner. The Corporation's only source of liquidity is amounts charged to pension plans and plan corporations (Note 7).

It is management's opinion that the Corporation is not exposed to any risk arising from this financial instrument.

16. 2021 Budget

(in thousands)

The Corporation's 2021 budget was approved by the Board of Directors on November 25, 2020. The budget for salaries and benefits was reduced by $421 in February 2021 based on targets received from the Corporation's shareholder, the Government of Alberta. The budget disclosed in the financial statements reflects the revised budget which is consistent with the financial statements of the Government of Alberta.

17. Approval of Financial Statements

The Board approved the financial statements of the Corporation.

Alberta Securities Commission

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General OF ALBERTA

To the Members of the Alberta Securities Commission

Report on the Financial Statements

Opinion

I have audited the financial statements of the Alberta Securities Commission, which comprise the statement of financial position as at March 31, 2022, and the statements of operations, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alberta Securities Commission as at March 31, 2022, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Alberta Securities Commission in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Alberta Securities Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Alberta Securities Commission's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alberta Securities Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Alberta Securities Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Alberta Securities Commission to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 15, 2022
Edmonton, Alberta

Statement of Financial Position

thousands of dollars	At March 31, 2022	At March 31, 2021
Financial Assets		
Cash (Note 3)	**31,983**	27,657
Accounts receivable	**112**	101
Investments (Note 4)	**101,713**	85,863
	133,808	113,621
Liabilities		
Accounts payable and accrued liabilities	**3,878**	3,876
Lease inducements	**911**	1,158
Accrued pension liability (Note 6)	**10,398**	10,287
	15,187	15,321
Net Financial Assets	**118,621**	98,300
Non-Financial Assets		
Capital assets (Note 5)	**3,330**	3,960
Prepaid expenses	**575**	371
	3,905	4,331
Accumulated Surplus	**122,526**	102,631
Accumulated surplus is comprised of:		
Accumulated operating surplus	**127,440**	102,153
Accumulated remeasurement (losses) gains	**(4,914)**	478
	122,526	102,631

Commitments and contingent liabilities (Note 9)

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

Approved by the Members

Original signed by

STAN MAGIDSON
Chair and Chief Executive Officer

Original signed by

KAREN KIM
Chair of the Audit Committee

June 15, 2022

Statement of Change in Net Financial Assets

thousands of dollars For year ended March 31

	2022	2022	2021
	Budget (Note 10)	**Actual**	Actual
Operating Surplus	7,026	25,287	22,865
Acquisition of capital assets	(576)	(494)	(562)
Amortization of capital assets	1,200	1,124	1,393
Prepayment of expenses		(1,221)	(866)
Reduction of prepaid expenses		1,017	764
Net remeasurement (losses) gains		(5,392)	2,841
Increase in net financial assets	7,650	20,321	26,435
Net financial assets, beginning of year	98,300	98,300	71,865
Net financial assets, end of year	105,950	118,621	98,300

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

Statement of Operations

thousands of dollars			For year ended March 31
	2022	2022	2021
	Budget (Note 10)	Actual	Actual
Revenues			
Fees (Note 7)	50,056	62,289	55,424
Investment income (Note 4(C))	2,200	6,921	8,349
Other enforcement receipts (Note 7)	600	22	1,374
Administrative penalties (Note 3)	100	134	111
Conference and other	38	1	1
	52,994	69,367	65,259
Regulatory Expenses			
Salaries and benefits	32,809	32,099	31,062
Premises	4,710	4,559	4,444
Administration	4,374	2,938	2,564
Professional services	1,837	2,039	1,610
Amortization of capital assets (Note 5)	1,200	1,124	1,393
Investor education	813	679	947
Investment expense (Note 11)	225	447	263
Investment impairment (Note 4(D))	–	195	111
	45,968	44,080	42,394
Operating Surplus	7,026	25,287	22,865
Accumulated Operating Surplus, beginning of year	102,153	102,153	79,288
Accumulated Operating Surplus, end of year	109,179	127,440	102,153

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

Statement of Remeasurement Gains and Losses (Note 4)

thousands of dollars		For year ended March 31
	2022	2021
Accumulated remeasurement gains (losses), beginning of year	478	(2,363)
Unrealized (losses) gains on investments during the year	(5,290)	3,038
Amounts reclassified during the year to the Statement of Operations	(102)	(197)
Net remeasurement (losses) gains for the year	(5,392)	2,841
Accumulated remeasurement (losses) gains, end of year	(4,914)	478

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

Statement of Cash Flows

thousands of dollars	For year ended March 31	
	2022	2021
Operating Transactions		
Fees and other	**61,986**	55,556
Payments to and on behalf of employees	**(31,772)**	(30,849)
Payments to suppliers for goods and services	**(10,608)**	(9,645)
Administrative penalties (Note 3)	**134**	111
Investment income	**37**	90
Other enforcement receipts (Note 7)	**22**	1,374
Cash received from operating transactions	**19,799**	16,637
Capital Transactions		
Cash used to acquire capital assets	**(473)**	(813)
Cash used in capital transactions	**(473)**	(813)
Investing Transactions		
Purchases of investments	**(15,000)**	(15,000)
Cash used in investing transactions	**(15,000)**	(15,000)
Increase in cash	**4,326**	824
Cash, beginning of year	**27,657**	26,833
Cash, end of year	**31,983**	27,657

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

Notes to the Financial Statements

March 31, 2022

Note 1: Nature of Operations

The Alberta Securities Commission (ASC) is the regulatory agency responsible for administering the province's securities laws and is exempt from income tax under the *Income Tax Act* (Canada).

Note 2: Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

A) INVESTMENTS

The Alberta Investment Management Corporation (AIMCo) invests in pooled investment funds in accordance with the investment policy approved by the ASC. AIMCo controls the creation of the pools and the management and administration of the pools, including security selection. Accordingly, the ASC does not participate in capital market investment decisions or transactions.

AIMCo manages and reports all ASC investments and cash balances using the accounting policies outlined in (I), (II) and (III) below. Fixed-income securities and equities consist of units in pooled investment funds. The units are recognized at fair value based on the fair value of the financial instruments held in the pools.

I. VALUATION OF INVESTMENTS

Fair values of investments managed and held by AIMCo in pooled investment funds are determined as follows:

- public fixed-income securities and equities are valued at the year-end closing sale price, or, if not actively traded, any price point between the bid/ask spread that is deemed to be most representative of fair value; and
- 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.

The pools include derivative contracts including 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.

Impairment in the value of investments is assessed on an annual basis. If an impairment deemed other-than-temporary is identified, the cost of the investment is written down to its realizable value. A write-down of investment to reflect a loss in value is not reversed for a subsequent increase in value.

II. INVESTMENT INCOME AND EXPENSES

Income from investment in units of the pools, and expenses and transaction costs incurred by the pools, are allocated to the ASC based on the ASC's pro-rata share of units in each pool. Investment services provided by AIMCo are charged directly to the pools on a cost-recovery basis. Fees for investment services provided to AIMCo by external managers are charged to the pools based on the percentage of net assets under management. Investment income, including that from derivative contracts and expenses, is recognized on an accrual basis.

Gains and losses arising as a result of the disposal of investments and related pool units are included in the determination of investment income and reported on the Statement of Operations. The cost of disposal is determined on an average-cost basis.

Interest income attributable to fixed-income financial assets held in the pools is recognized using the effective interest method. Dividend income attributable to equities held by the pools is recognized on the ex-dividend date.

III. REMEASUREMENT GAINS AND LOSSES

Accumulated remeasurement gains (losses) represent the excess (deficit) of the fair value of the pool units at year-end over (below) the cost of the pool units. Changes in accumulated remeasurement gains (losses) are recognized in the Statement of Remeasurement Gains and Losses. Changes in accumulated remeasurement gains (losses) during the year include unrealized increases and decreases in fair value of the pooled units, and realized gains and losses on sale of the pool units. When the pool units are sold (derecognized), any accumulated unrealized gain or loss associated with the investment becomes realized and is included in the Statement of Operations.

B) VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Cash, accounts payable and accrued liabilities are recognized at cost. Accounts receivable are recognized at the lower of cost and net recoverable value. The fair values of each of these line items approximate their carrying values due to their short-term nature. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations. See Notes 2(A) and (G) for the valuation of investments and the accrued pension liability, respectively.

C) CAPITAL ASSETS

Capital assets are recognized at cost less accumulated amortization, which includes amounts directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Work in progress, which includes leasehold improvements, furniture and equipment, and computer equipment and software, is not amortized until after a project is complete (or substantially complete) and the asset is put into service.

Capital assets are written down when conditions indicate that they no longer contribute to the ASC's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations. 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
Leaseholds	one 6.5-year, one 8.3-year and one 15-year lease, all three ending November 2025

D) PREPAID EXPENSES

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

E) FEES, ADMINISTRATIVE PENALTIES AND OTHER ENFORCEMENT RECEIPTS RECOGNITION

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

Administrative penalties and other enforcement receipts, including disgorgements, settlement payments and cost recoveries, are recognized when the decision is issued by the ASC or an agreement is reached and collectibility is assured, which is generally upon cash receipt.

F) EXPENSES

Expenses are reported on an accrual basis. The costs of all goods consumed and services received during the year are expensed.

G) EMPLOYEE FUTURE BENEFITS

The ASC participates in the Public Service Pension Plan, a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan as the ASC has insufficient information to apply defined benefit plan accounting. Pension expenses comprise employer contributions related to the current service of employees during the year and additional employer contributions for service relating to prior years. These contributions are calculated based on actuarially pre-determined amounts that are expected, along with investment income, to provide the plan's future benefits.

The ASC maintains a supplemental retirement plan for certain designated executives of the ASC. This plan is limited to existing participants; no new participants have been added since 2014. The cost of the pension is actuarially determined using the projected unit credit cost method pro-rated on service as well as management's best estimate of economic assumptions. Past service costs and actuarial gains and losses arising from assumption changes are amortized on a straight-line basis over the average remaining service period of the related employee group in the Supplemental Pension Plan. The average remaining service period of active employees in the Supplemental Pension Plan is two years.

The ASC also maintains a plan whereby it makes Registered Retirement Savings Plan contributions on behalf of certain employees of the ASC. 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* (Canada). The expense included in these financial statements represents the current contributions made on behalf of these employees.

H) LEASE INDUCEMENTS

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

I) MEASUREMENT UNCERTAINTY

Financial statements prepared in conformity with PSAS require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates include the value of investments, the value of accrued employee benefit liabilities and the useful lives of capital assets. Actual results could differ from these estimates.

The estimated provision for uncollectible administrative penalties and cost recoveries is based on an assessment of an ability to pay at the time of penalty assessment. Subsequent collection actions and changes in the ability to pay may result in recovery of amounts previously considered uncollectible. It is not possible to estimate the amount, if any, of subsequent recoveries.

J) RESTRICTED CASH

The *Securities Act* (Alberta) requires the revenue from administrative penalties to be used for certain operating expenditures that educate investors and enhance participants' knowledge of how securities markets operate.

K) FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board has approved the following accounting standards:

PS3280 Asset Retirement Obligations (effective April 1, 2022)

This standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

The new standard is not expected to have any material impact on the financial statements when adopted. The ASC does not have any asset retirement obligations.

PS3400 Revenue (effective April 1, 2023)

This standard provides guidance on how to account for and report revenue. More specifically, it differentiates between revenue arising from transactions with performance obligations (exchange transactions) and transactions without performance obligations (non-exchange transactions).

The ASC has not yet adopted this standard. Management is currently assessing the impact of this standard on the ASC's financial statements.

PS3160 Public-Private Partnerships (effective April 1, 2023)

This standard provides guidance on how to account for public-private partnerships between public and private sector entities, where the public sector entity procures infrastructure using a private sector partner.

The new standard is not expected to have any material impact on the financial statements when adopted. The ASC does not have any public-private partnership arrangements.

Note 3: Cash and Restricted Cash

thousands of dollars	2022	2021
Cash	31,983	27,657

Net financial assets include accumulated net administrative penalty revenue represented as restricted cash. The change in restricted cash comprises:

thousands of dollars	2022	2021
Administrative Penalties		
Assessed penalties	725	1,270
Less provision for uncollectible amounts	(709)	(1,269)
Plus recoveries of prior-year assessments	118	110
	134	111
Administrative Penalties	134	111
Less eligible restricted cash expenses (investor education)	(134)	(111)
Change in restricted cash	–	–
Restricted Cash, beginning of year	–	–
Restricted Cash, end of year	–	–

Cash includes demand deposits in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed by AIMCo with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality fixed-income securities, with a maximum term to maturity of three years. For the year ended March 31, 2022, the ASC received an annualized return of 0.23 per cent (0.54 per cent in F2021).

Note 4: Investments

A) SUMMARY

thousands of dollars	2022				2021		
Investments	**Cost**	**Remeasurement Gains (Losses)**	**Fair Value**	**%**	**Cost**	**Fair Value**	**%**
Fixed-income securities	74,095	(5,604)	68,491	67.3	59,187	58,650	68.3
Global equities	23,760	506	24,266	23.9	19,530	20,469	23.8
Canadian equities	8,259	184	8,443	8.3	6,264	6,340	7.4
CCITF deposit	513	–	513	0.5	404	404	0.5
	106,627	(4,914)	101,713	100.0	85,385	85,863	100.0

The carrying amounts of the ASC's investments are recognized on a fair-value basis. The ASC's investments are held in pooled investment funds established and managed by AIMCo. Pooled 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.

The fixed-income pool includes a mix of high-quality government and corporate (public and private) fixed-income securities and debt-related derivatives. The fund is actively managed to minimize credit and market risk through the use of derivatives, portfolio duration and sector rotation.

Equity investments include publicly traded equities from Canadian and global market index participants. The equity pools use derivatives as part of AIMCo's global strategy.

Derivatives are primarily used as hedging instruments within global equities. Foreign exchange forwards and swaps are used to manage the foreign exchange and interest rate risk of specific securities. As well, swaps on credit indices are used to hedge credit risk in the portfolio.

AIMCo utilizes derivatives to quickly and cost-effectively implement asset and currency allocation strategies and to add value to market returns. As appropriate, AIMCo has utilized derivatives across all asset classes to hedge. These positions are typically highly liquid, transparent and relatively easy to price and implement and allow AIMCo to economically take exposures.

Derivatives are valued on a daily basis. Over-the-counter derivatives are valued primarily using either a “mark-to-model” approach using valuation models created internally or sourced from specialized third-party valuators/vendors that are independent from the counterparty. The valuation models use observable market data inputs such as yield curves, spreads, volatility and currency rates obtained from approved data providers. Review and approval of prices generated by internal models is similar to listed securities except that the prices are generally sole-sourced. Exchange-traded derivatives are priced based on quoted prices in active markets. The fair value of derivatives as at March 31, 2022 resulted in a net asset position of $659,682 compared to a net asset position of $443,553 as at March 31, 2021.

FAIR VALUE HIERARCHY

The measure of reliability is determined based on the following:

I. LEVEL ONE

Fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level One for fair value hierarchy purposes. Pool units classified as Level Two may contain investments that may otherwise be classified as Level One.

II. LEVEL TWO

Fair value is estimated using valuation techniques that make use of market observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts. All of the ASC’s investments are in Level Two.

III. LEVEL THREE

Fair value is estimated using inputs based on non-observable market data.

B) INVESTMENT RISK MANAGEMENT

The ASC is exposed to financial risks associated with the underlying securities held in the investment funds. These financial risks include credit risk, foreign currency risk, interest rate risk, price risk and liquidity risk.

I. CREDIT RISK

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the ASC. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments is directly or indirectly impacted by credit risk to some degree. Most of the ASC's investments in debt securities are with counterparties considered to be investment grade.

The ASC is exposed to credit risk associated with the underlying debt securities held in investment funds managed by AIMCo. The following table summarizes the ASC's investment in debt securities by counterparty credit rating as at March 31:

Credit Rating	2022	2021
Investment Grade		
AAA	22.9%	22.9%
AA+ to AA-	30.1%	27.8%
A+ to A-	23.0%	21.7%
BBB+ to BBB-	20.5%	23.4%
Speculative Grade and unrated	3.5%	4.2%
	100.0%	100.0%

To generate additional income, the pools participate in a securities lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. As at March 31, 2022, the fair value of the ASC's share of securities loaned was $2,043,825 ($1,174,492 in F2021) and the fair value of collateral held totalled $2,194,143 ($1,254,501 in F2021). The net impact was $150,318 (excess credit protection). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash or other investments. All collateralization, by the borrower, must be in excess of 100 per cent of investments loaned.

As at March 31, 2022, deposits in futures contracts margin accounts totalled $789,274 ($703,307 in F2021). Cash and non-cash collateral for derivative contracts pledged as at March 31, 2022 totalled $1,446,433 ($1,337,454 in F2021) and collateral received was $nil as at March 31, 2022 ($nil in F2021).

II. FOREIGN CURRENCY RISK

The ASC is exposed to foreign currency risk associated with the underlying securities held in investment funds that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate.

The following table summarizes the ASC's exposure to foreign currency investments held in investment funds as at March 31:

thousands of dollars	March 31, 2022		March 31, 2021	
Currency	**Fair Value**	**Sensitivity***	**Fair Value**	**Sensitivity***
U.S. Dollar	17,554	(1,755)	12,905	(1,291)
Euro	2,592	(259)	2,370	(237)
Japanese Yen	1,581	(158)	1,561	(156)
British Pound Sterling	863	(86)	906	(91)
Other Foreign Currency	978	(98)	1,531	(153)
	23,568	(2,356)	19,273	(1,928)

**Sensitivity refers to the fair value impact when the value of the Canadian dollar increases by 10 per cent against all other currencies, with all other variables held constant.*

III. INTEREST RATE RISK

The ASC is exposed to interest rate risk with the CCITF and fixed-income securities held in the investment funds. Interest rate risk relates to the possibility that the fair value of investments will change due to future fluctuations in market interest rates. In general, investment returns from bonds are sensitive to changes in the level of interest rates, with longer-term fixed-income securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1.0 per cent, and all other variables were held constant, the potential loss in fair value to the ASC would be approximately 4.9 per cent of total investments (4.9 per cent in F2021).

The following table summarizes the terms to maturity of fixed-income securities held in the fixed income pool at March 31, 2022:

	<1 year	1–5 years	Over 5 years	Repurchase Agreements**
Fixed-income securities	24.58%	53.93%	54.79%	(33.30%)

***All repurchase agreements are less than 24 months.*

IV. PRICE RISK

The ASC is exposed to price risk associated with the underlying equity investments held in investment funds. Price risk relates to the possibility that equity investments will change in fair value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. If equity market indices (S&P/TSX and MSCI ACWI and their sectors) declined by 10.0 per cent, and all other variables were held constant, the potential loss in fair value to ASC would be approximately 2.9 per cent of total investments (3.4 per cent in F2021).

V. LIQUIDITY RISK

Liquidity risk is the risk that the ASC will encounter difficulty in meeting obligations associated with its financial liabilities. Income generated from investments and by investing in publicly traded liquid assets traded in active markets that are easily sold and converted to cash contributes to the ASC's liquidity.

C) INVESTMENT INCOME

The ASC's investment income includes $1.8 million from the CCITF and fixed-income securities ($4.3 million in F2021) and $5.1 million from equities ($4.0 million in F2021). The ASC's investments had a net return of 1.06 per cent for the year ended March 31, 2022, which was generated by the realized and unrealized gains and losses (net return of 16.08 per cent in F2021). This performance compares to a benchmark (composite of FTSE TMX 91 Day T-Bill, FTSE TMX Canada Universe Bond, MSCI World index and S&P/TSX indexes) return of 0.42 per cent for the year ended March 31, 2022 (11.87 per cent in F2021).

D) INVESTMENT IMPAIRMENT

As at March 31, 2022, the investment portfolio has recorded a loss in value, other than a temporary decline that resulted in an impairment of $195,195 ($110,581 in F2021). The total impairment includes $188,159 ($110,581 in F2021) from public equity securities, $6,637 ($nil in F2021) from private hedge fund securities and $399 ($nil in F2021) from fixed-income securities. The impairment expense was recorded in the Statement of Operations.

Note 5: Capital Assets

thousands of dollars	Computer Equipment & Software	Furniture & Equipment	Leaseholds	2022 Total	2021 Total
Estimated useful life	3 years	10 years	Lease duration		
Cost					
Beginning of year	**3,777**	**3,482**	**7,233**	**14,492**	14,380
Additions	**320**	**97**	**77**	**494**	562
Disposals	**(108)**	**(2)**	**–**	**(110)**	(450)
	3,989	**3,577**	**7,310**	**14,876**	14,492
Accumulated amortization					
Beginning of year	**2,966**	**2,711**	**4,855**	**10,532**	9,589
Amortization expense	**479**	**127**	**518**	**1,124**	1,393
Disposals	**(108)**	**(2)**	**–**	**(110)**	(450)
	3,337	**2,836**	**5,373**	**11,546**	10,532
Net book value	**652**	**741**	**1,937**	**3,330**	3,960

Cost includes computer equipment and software work in progress as at March 31, 2022 totalling $7,898. The F2021 included computer equipment and software work in progress of $44,852.

Note 6: Accrued Pension Liability and Pension Expense

The following pension expense for the plans is included in the Statement of Operations under salaries and benefits:

thousands of dollars	2022	2021
Public Service Pension Plan	**1,469**	1,465
Registered Retirement Savings Plan	**1,238**	1,234
Supplemental Pension Plan	**451**	338
	3,158	3,037

A) PUBLIC SERVICE PENSION PLAN

The ASC participates in the Public Service Pension Plan. At December 31, 2021, the Public Service Pension Plan reported a surplus of $4,588 million (December 31, 2020 – $2,224 million). The ASC is not responsible for future funding of any plan deficit other than through contribution increases.

B) REGISTERED RETIREMENT SAVINGS PLAN

The ASC makes Registered Retirement Savings Plan (RRSP) contributions on behalf of employees who do not participate in the Public Service Pension Plan.

C) SUPPLEMENTAL PENSION PLAN

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

The SPP provides pension benefits to the designated executives based on pensionable earnings that are defined by reference to base salary in excess of the limit imposed by the *Income Tax Act* (Canada) on registered pension arrangements.

Pension benefits from the SPP are payable on or after attainment of age 55 and are equal to 1.75 per cent of the highest average pensionable earnings (average over five years) for each year of service as a designated executive. Members of the SPP become vested in the plan after two years of service.

The SPP is unfunded and the benefits will be paid as they come due from the assets of the ASC.

An actuarial valuation of the SPP is generally undertaken every three years. The previous SPP valuation was performed in March 2021. In F2022, the ASC reviewed the underlying assumptions and concluded that a new valuation was necessary. An independent actuary performed an SPP valuation in March 2022. The next valuation is scheduled for March 2025. The results of the actuarial valuation and management's cost estimates as they apply to the SPP are summarized below:

thousands of dollars	2022	2021
Supplemental Pension Plan		
Accrued benefit and unfunded obligation	**9,331**	10,451
Unamortized actuarial gains (losses)	**1,067**	(164)
Accrued benefit liability	**10,398**	10,287

thousands of dollars	2022	2021
Accrued Benefit Obligation		
Accrued benefit obligation at beginning of year	**10,451**	9,687
Service cost	**200**	219
Interest cost	**263**	319
Benefits paid	**(341)**	(336)
Actuarial (gains) losses – experience and assumptions	**(1,242)**	562
Accrued benefit obligation at end of year	**9,331**	10,451

thousands of dollars	2022	2021
Pension Expense for the Supplemental Pension Plan		
Service cost	**200**	219
Interest cost	**263**	319
Amortization of actuarial (gains) during the year	**(12)**	(200)
	451	338

The assumptions used in the actuarial valuation of the SPP and the projections are summarized below. The discount and other economic assumptions were established as management's best estimate in collaboration with the actuary. Demographic assumptions were selected by the actuary based on a best estimate of the future experience of the plans.

Assumptions	2022	2021
Discount rate, year-end obligation	**4.00%**	2.50%
Discount rate, annual pension expense	**2.50%**	3.25%
Rate of inflation, year-end obligation*	**2.00%**	2.00%
Salary increases, year-end obligation	**3.00%**	0.00%
Remaining service life, year-end obligation	**2 years**	3 years

**3.00 per cent per year for the first three fiscal years beginning April 1, 2022 and 2.00 per cent thereafter.*

Note 7: Fees and Other Enforcement Receipts

thousands of dollars	**2022**	2021
Fees		
Annual financial statements	**22,539**	19,648
Distribution of securities	**20,640**	18,094
Registration	**18,417**	17,018
SEDI, exempt distributions and registration late filing fees	**538**	498
Orders (applications)	**155**	166
	62,289	55,424

thousands of dollars	**2022**	2021
Other Enforcement Receipts		
Settlement payments, disgorgements and cost recoveries assessed	**568**	3,158
Less provision for uncollectible amounts	**(553)**	(1,790)
Plus recoveries of prior-year assessments	**7**	6
	22	1,374

Note 8: CSA National Systems

The CSA National Systems include the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI). These systems are administered under a CSA National Systems operations management and governance agreement (the Agreement). The Agreement empowers the ASC, jointly with three other CSA members, to manage the systems and to engage an external service provider to operate the systems. Though not expected to occur, as one of the agreement signatories, the ASC commits to pay 25.0 per cent of any shortfall from approved system operating costs that exceeds revenue. Any revenue in excess of system operating costs (surplus) is accumulated for future systems operations, including possible revenue shortfalls, fee adjustments and system enhancements. The surplus is not divisible; the CSA owns it as a group. As at March 31, 2022, the accumulated operating surplus totalled $199.5 million (March 31, 2021 – $192.7 million). This was primarily made up of $130.5 million of investments comprised of a notice account earning Bank of Canada overnight rate plus 0.5 per cent; guaranteed investment certificates ranging from two to three years earning from 1.65 to 2.7 per cent; $61.7 million in intangible assets; and $11.5 million in cash held by the Ontario Securities Commission (the Designated Principal Administrator) earning Prime rate less 1.90 per cent. In management's judgment, this arrangement is not an interest in a partnership and the ASC does not control or have significant influence over how the net assets are managed.

Note 9: Commitments and Contingent Liabilities

Details of commitments to organizations outside the ASC are set out below.

A) COMMITMENTS

Premises Leases and Equipment Rental

Commitments arising from contractual obligations relate to the lease of premises (including parking) to November 30, 2025, rental of office equipment to 2024 and software subscriptions to 2025 totalling $19.0 million ($22.0 million in F2021). These commitments become expenses of the ASC when the terms of the contracts are met.

thousands of dollars	
2022–23	5,180
2023–24	5,242
2024–25	5,215
2025–26	3,400
	19,037

Canadian Securities Administrators

The CSA Secretariat assists in the development and harmonization of rules, regulations and policies across Canada. The ASC shares, based on an agreed-upon cost-sharing formula, costs incurred for the maintenance of the CSA Secretariat and any third-party costs incurred in the development of harmonized rules, regulations and policies.

B) CONTINGENT LIABILITIES

ASC panel or court decisions may be appealed. The outcomes of these matters are not determinable at this time; therefore, the impact on the operating surplus cannot be determined. However, management does not expect the impact to be material.

Note 10: Budget

The ASC's F2022 budget was approved by the Commission on December 9, 2020.

Note 11: Related Party Transactions

The ASC is related through common ownership to all Alberta provincial government ministries, agencies, boards, commissions and Crown corporations. Related parties also include key management personnel of the ASC and close family members of those individuals. The ASC conducted all transactions with these entities as though they were unrelated parties and recorded these transactions at exchange amounts. Total transaction costs of $327,856 ($441,387 in F2021) were recognized in investor education, salaries and benefits and administration expenses, primarily for investor education, employment contracts, insurance and transcript and postage services. Investment fees of $447,369 ($263,350 in F2021) were charged by AIMCo. As at March 31, 2022, included in accounts payable and accrued liabilities is $81,940 ($230 in F2021) related to these transactions.

Note 12: Comparative Figures

Certain March 31, 2021 figures have been reclassified, where necessary, to conform to the March 31, 2022 presentation. The comparative figures related to investment impairment reclassified to conform to the presentation adopted in F2022. The previous presentation netted investment impairment against investment income.

Schedule 1 - Salary and Benefits Disclosure

thousands of dollars				2022	2021
	Base salary[1]	**Other cash benefits[2]**	**Other non-cash benefits[3]**	**Total**	Total
Chair and Chief Executive Officer (CEO), Alberta Securities Commission[4]	**495**	**106**	**55**	**656**	654
Executive Director, Alberta Securities Commission	**382**	**22**	**112**	**516**	517
Vice-Chair, Alberta Securities Commission[4,5]	**302**	**63**	**50**	**415**	424
Vice-Chair, Alberta Securities Commission[4]	**302**	**56**	**90**	**448**	422
Independent Members of the Alberta Securities Commission (aggregate)[6]	**367**	**–**	**–**	**367**	516

[1] *Base salary includes regular salary or Independent Members' compensation.*

[2] *Other cash benefits may include vacation payouts, retirement payments, transit allowance, flex earnings, study leave and automobile allowance.*

[3] *Other non-cash benefits may include the employer's share of all employee benefits and contributions or payments made on behalf of employees, including RRSP, SPP,* flex benefit, health care, dental coverage, group life insurance, long-term disability plan, fair market value of parking, professional memberships and tuition fees.*

[4] *The Chair and Vice-Chairs are full-time Commission Members.*

[5] *This Vice-Chair does not participate in the SPP, but participates in the RRSP program. This RRSP benefit is reported under other non-cash benefits.*

[6] *The Independent Members' compensation includes total fees paid for governance responsibilities of $282,550 ($298,000 in F2021) and hearing and application panel participation of $84,671 ($218,200 in F2021).*

Independent Member fees include:

	2022
Annual retainer	$ 10,000
Committee memberships (other than Audit Committee)	$ 2,500
Committee memberships (Audit Committee)	$ 4,000
Committee chairing (Audit Committee)	$ 8,000
Committee chairing (other than Audit Committee)	$ 5,000
Lead Independent Member	$ 5,000
Meeting attendance fee	$1,000 per day for an ASC meeting; $750 for a Committee meeting
Hearing fees	$1,500 per hearing day; and $200 per hour of related preparation, review and decision writing
Hearing fees (Panel Chair)	$2,000 per hearing day; and $250 per hour of related preparation, review and decision writing

* *Under the terms of the SPP, executive officers may receive supplemental retirement payments. Retirement arrangement costs are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. SPP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.*

Supplemental Retirement Benefits

ANNUAL EXPENSE

thousands of dollars			2022	2021
	Current service costs	**Prior services and other costs**	**Total**	Total
Chair and CEO, Alberta Securities Commission[1]	**–**	**–**	**–**	–
Executive Director, Alberta Securities Commission	**68**	**(99)**	**(31)**	76
Vice-Chair, Alberta Securities Commission[2]	**–**	**–**	**–**	–
Vice-Chair, Alberta Securities Commission[3]	**64**	**57**	**121**	40

ACCRUED OBLIGATIONS

thousands of dollars	Accrued obligation March 31, 2021	Changes in accrued obligation	**Accrued obligation March 31, 2022**
Chair and CEO, Alberta Securities Commission[1]	–	–	**–**
Executive Director, Alberta Securities Commission	1,679	(134)	**1,545**
Vice-Chair, Alberta Securities Commission[2]	–	–	**–**
Vice-Chair, Alberta Securities Commission[3]	989	(109)	**880**

[1] *The Chair and CEO does not participate in the SPP, but participates in the RRSP program. This benefit is reported under other non-cash benefits.*

[2] *This Vice-Chair does not participate in the SPP, but participates in the RRSP program. This benefit is reported under other non-cash benefits.*

[3] *This Vice-Chair's term commenced on May 8, 2018. In both this role and prior role at the ASC, this Vice-Chair was a member of the SPP.*

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N.A. Properties (1994) Ltd.

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General OF ALBERTA

To the Shareholder of N.A. Properties (1994) Ltd.

Report on the Financial Statements

Opinion

I have audited the financial statements of N.A. Properties (1994) Ltd., which comprise the statement of financial position as at March 31, 2022, and the statements of operations and surplus, and change in net financial assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of N.A. Properties (1994) Ltd. as at March 31, 2022, and the results of its operations, and its changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of N.A. Properties (1994) Ltd. in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

I draw attention to Note 2 of the financial statements, which describes the planned dissolution of N.A. Properties (1994) Ltd. My opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The financial statements of N.A. Properties (1994) Ltd. are included in the *Annual Report of the Ministry of Treasury Board and Finance*. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to N.A. Properties (1994) Ltd., but does not include the financial statements of N.A. Properties (1994) Ltd. and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing N.A. Properties (1994) Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting as applicable in accordance with Canadian public sector accounting standards.

Those charged with governance are responsible for overseeing N.A. Properties (1994) Ltd.'s financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of N.A. Properties (1994) Ltd.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on N.A. Properties (1994) Ltd.'s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. Because of the decision to cease operations, as disclosed in the financial statements, it ceased to be a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 8, 2022
Edmonton, Alberta

Statement of Financial Position

As at March 31, 2022

	($ thousands) 2022	2021
Financial Assets		
Cash and cash equivalents (Note 4)	$ -	$ -
Note receivable (Note 5)	-	276
	-	276
Net Financial Assets		
Net assets (Note 6)	$ -	$ 276

The accompanying notes are part of these financial statements.

On Behalf of the Board:

[Original signed by]

Lowell Epp
Sole Director

Statement of Change in Net Financial Asset

Year Ended March 31, 2022

	($ thousands) 2022	2021
Net operating surplus	$ 41	$ 47
	41	47
Transfer to TBF Department (Note 5, 6)	(317)	-
Transfer to GRF (Note 6, 7)	-	(3,257)
Net Financial Assets, Beginning of year	276	3,486
Net Financial Assets, End of Year	$ -	$ 276

The accompanying notes are part of these financial statements.

Statement of Operations and Surplus

Year Ended March 31, 2022

	($ thousands)	
	2022	**2021**
Revenues		
Interest and other	$ 41	$ 47
Net operating surplus	41	47
Net assets, beginning of year	276	3,486
Transfer to TBF Department (Note 5, 6)	(317)	(3,257)
Net assets, end of year	$ -	$ 276

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

March 31, 2022
(thousands of dollars)

NOTE 1 AUTHORITY

N.A. Properties (1994) Ltd. (the "Company") was continued on March 31, 1994 as an amalgamated corporation under the *Business Corporation Act, Statutes of Alberta 2000,* Chapter B-9, as amended. The Province of Alberta owns all issued shares of the Company and accordingly the Company is exempt from income taxes under the Income Tax Act.

NOTE 2 NATURE OF OPERATIONS

The Company's mandate is to dispose of its remaining assets. The Company operated on a going concern basis through February 28, 2022, which contemplated the realization of assets and discharge of liabilities in the normal course of business. The Company disposed of its last remaining asset on February 28, 2022 (Note 5). The Company is expected to wind up its affairs and be dissolved by the end of the 2023-24 fiscal year.

The Province of Alberta has indemnified the Company for all net losses, expenses or liabilities existing or subsequently incurred by the Company. There were no recoveries from the Province of Alberta in satisfaction of this indemnity in the past three years.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. Effective April 1, 2012, the Company adopted PS 3450 Financial Instruments. This section deals with how to account for and report financial instruments. The accounting policies of significance to the Company are as follows:

a) FINANCIAL STATEMENT PRESENTATION

The net debt model (with reclassification of comparatives) has been adopted for the presentation of financial statements. Net debt or net financial assets is measured as the difference between the Company's financial assets and liabilities.

A net financial assets balance indicates the extent of the Company's government transfers and operating revenues to net assets resulting from settlement of its financial assets and liabilities.

The effect of this change results in changing the presentation of the Statement of Financial Position and adding the Statement of Change in Net Financial Assets.

Financial Assets are the Company's financial claims on external organizations as well as cash and cash equivalents.

A cash flow statement is not provided due to the limited nature of the Company's operations. All information about the Company's cash flows are contained within the financial statements.

b) 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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES ... CONTINUED

of cash is estimated to approximate its carrying value because of the short-term nature of this instrument.

c) FINANCIAL INSTRUMENTS

As the Company does not have any transactions involving financial instruments that are classified in the fair value category and has no foreign currency transactions, there are no remeasurement gains and losses and therefore a statement of remeasurement gains and losses has not been presented.

d) FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board has approved the following accounting standard:

• PS 3280 Asset Retirement Obligations (effective April 1, 2022)

This standard provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

• PS 3400 Revenue (effective April 1, 2023)

This standard provides guidance on how to account for and report on revenue, and specifically, it differentiates between revenue arising from exchange transactions and non-exchange transactions.

Management is currently assessing the impact of these standards on the financial statements.

NOTE 4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of deposits in the bank. At March 31, 2022 the deposits in the bank had a time weighted return of 0.21% per annum (2021: 0.42%).

NOTE 5 NOTE RECEIVABLE

The non-interest bearing note receivable in the amount of $933 was issued in November 1987 and matures in the year 2027. The note receivable had a carrying value of $317 as at December 31, 2021 (March 31, 2021: $276). The note receivable is discounted by 20% based on the yield in effect at the time of issuance and adjusting the rate for a risk premium. By way of written resolution dated December 31, 2021, the company authorized the assignment of the note receivable of $317 as in-kind payment for:

- Capital distribution of $228 on the Class A share and $1 on the Class B shares.
- Declared dividend of $88 on the Class A share.

The transfer to Treasury Board and Finance was executed on February 28, 2022.

NOTE 6 NET ASSETS

Net assets consists of the following:

	($ thousands) 2022	2021
Share capital	$ -	$ 229
Accumulated Surplus	-	-
Net assets	$ -	$ 229

During the year a shareholder's resolution authorized a distribution of share capital of $229 and reduced the share capital of the Class A share by $228 and Class B shares by $1.

By way of written resolution dated December 31, 2021, a dividend of $88 per share was declared on the Class A share.

Share capital consists of the following:

		($ thousands) 2022	2021
Issued			
1	Class "A" share	$ -	$ 228
1,000	Class "B" shares	-	1
		$ -	$ 229

Authorized

Unlimited number of Class “A” voting shares
Unlimited number of Class “B” voting shares
Unlimited number of Class “C” non-voting shares
Unlimited number of Class “D” non-voting shares
Unlimited number of Class “E” voting shares
Unlimited number of Class “F” non-voting shares

NOTE 7 RELATED PARTY TRANSACTIONS

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta Consolidated Financial Statements. Related parties also include key management personnel in the department and their close family members.

A note receivable with a carrying value of $317 was transfered to Treasury Board and Finance Department in the year ended March 31, 2022. Payment to the General Revenue Fund of $3,257 was made in 2021.

NOTE 8 FEES AND SALARIES

There were no director's fees or salaries paid during the year. The Company had no employees in 2022 nor in the prior year 2021.

NOTE 9 BUDGET

The Company's annual budget appears in the 2021-22 Entity Financial Information. The budget projected a net excess of revenue over expenses for the year of $120. Since the Company has liquidated almost all of its assets, a detailed budget was not prepared.

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Gainers Inc.

Consolidated Financial Statements
September 30, 2021

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Independent Auditor’s Report

Auditor General OF ALBERTA

To the Shareholder of Gainers Inc.

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of Gainers Inc. (the Group), which comprise the consolidated statement of financial position as at September 30, 2021, and the consolidated statements of operations, change in net debt, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021, and the results of its operations, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – going concern

I draw attention to Note 1 of the consolidated financial statements; as stated in Note 1, Gainers Inc. operated on a going concern basis until September 25, 1993. Events since that date have resulted in the discontinuance of all ongoing business. My opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The financial statements of the Group are included in the *Annual Report of the Ministry of Treasury Board and Finance*. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to the Group, but does not include the consolidated financial statements of the Group and my auditor’s report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor’s report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting as applicable in accordance with Canadian public sector accounting standards.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. Because of the decision to cease operations of the Group, as disclosed in the financial statements, it ceased to be a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

January 27, 2022
Edmonton, Alberta

Consolidated Statement of Financial Positions

As at September 30, 2021

	($ thousands) 2021	2020
Financial Assets		
Cash	$ -	$ -
Investment in and amounts due from former affiliate (Note 4)	-	-
	$ -	$ -
Liabilities		
Accounts payable and accrued liabilities	$ 25	$ 25
Principal and interest on prior years income taxes (Note 5)	11,334	11,334
Long-term debt (Note 6)	192,731	192,866
	204,090	204,225
Net Debt and Net Liabilities		
Accumulated Liability (Note 8)	(204,090)	(204,225)

The accompanying notes are part of these consolidated financial statements.

Consolidated Statement of Change in Net Debt

Year ended September 30, 2021

	($ thousands) 2021 Budget	2021 Actual	2020 Actual
Net operating Surplus (Deficit)	$ (5)	$ 135	$ (12)
Decrease (Increase) in Net Debt		135	(12)
Net Debt, Beginning of year		(204,225)	(204,213)
Net Debt, End of Year		$ (204,090)	$ (204,225)

The accompanying notes are part of these consolidated financial statements.

Approved by the Board of Directors

[Original signed by]

Dan Harrington, Director

Consolidated Statement of Operations

Year ended September 30, 2021

	2021 Budget	2021 Actual	2020 Actual
	($ thousands)		
Revenue			
Settlement	$ -	$ 112	$ -
Miscellaneous Revenue	-	29	-
	-	141	-
Expenses			
Legal expenses	$ 5	$ 6	$ 8
General and administrative	-	-	4
	5	6	$ 12
Annual Surplus (Deficit)	(5)	135	(12)
Accumulated deficit, beginning of year		(204,225)	(204,213)
Accumulated deficit, end of year		$ (204,090)	$ (204,225)

The accompanying notes are part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended September 30, 2021

	2021	2020
	($ thousands)	
Cash provided by (used in)		
Operating activities		
Annual Surplus (Deficit)	$ 135	$ (12)
Increase in payables	-	4
	135	(8)
Financing activities		
(Repayments) Proceeds from long-term debt	(135)	8
Change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

The accompanying notes are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

September 30, 2021
(in thousands of dollars, except per share amounts)

NOTE 1 AUTHORITY

Gainers Inc. is a commercial Crown-controlled corporation and operates under the Business Corporations Act, Chapter B-9, Revised Statutes of Alberta 2000. The Corporation is controlled by the Government of Alberta and is exempt from income and other taxes.

Through September 25, 1993, the company operated on a going-concern basis, which contemplated the realization of assets and discharge of liabilities in the normal course of business. Events since that date have resulted in the discontinuance of all ongoing business. The company has disposed of its non-monetary assets, with the exception of its investment in Pocklington Corp. Inc. described below. Management does not expect any recovery of that investment.

Any repayment of the long-term debt by the company is expected by management to be immaterial.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards.

a) REPORTING ENTITY AND METHOD OF CONSOLIDATION

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is composed of all organizations, which are controlled by Gainers. These organizations are Gainers Properties Inc. (GPI) and MPF Note Inc., collectively the “company”.

b) FINANCIAL STATEMENT PRESENTATION

The net debt model has been adopted for the presentation of financial statements. Net debt or net financial assets is measured as the difference between the Company’s financial assets and liabilities.

A net financial assets balance indicates the extent of the Company’s transfers and operating revenues to net assets resulting from settlement of its financial assets and liabilities.

The effect of this change results in changing the presentation of the Consolidated Statement of Financial Position and adding the Consolidated Statement of Change in Net Debt.

Financial Assets are the Company’s Financial claims on external organizations as well as cash and cash equivalents.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

c) BASIS OF FINANCIAL REPORTING

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed. Interest expense includes debt servicing costs such as amortization of discounts and premiums, foreign exchange gains and losses, and issuance costs.

Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of Gainers are limited to financial claims, such as advances to and receivables from other organizations.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Liabilities include the unrecognized portions of government transfers received and restricted donations and other contributions.

Financial Instruments

As the Company does not have any transactions involving financial instruments that are classified in the fair value category and has no foreign currency transactions, there are no remeasurement gains and losses and therefore a statement of remeasurement gains and losses has not been presented.

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, accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments. Fair values of long term debt are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

NOTE 3 FUTURE CHANGES IN ACCOUNTING STANDARD

The Public Sector Accounting Board has approved the following accounting standard:

PS 3400 Revenue (effective April 1, 2023)
This standard provides guidance on how to account for and report on revenue, and specifically, it differentiates between revenue arising from exchange and non-exchange transactions.

Gainers Inc. has not yet adopted these standards. Management is currently assessing the impact of these standards on the consolidated financial statements.

NOTE 4 INVESTMENT IN AND AMOUNTS DUE FROM FORMER AFFILIATE

The investment, which has been written down to $nil value, comprises 77,500 Class A preferred shares of Pocklington Corp. Inc. with a par value of, and which are redeemable at, US $100 per share and which carry annual non-cumulative dividends of US $11 per share. In November 1989, a demand for redemption of the shares was made by Gainers Inc. and an action was commenced against Mr. Pocklington arising from this investment, seeking by way of damages the monies invested together with interest thereon. Mr. Pocklington has counterclaimed seeking statutory indemnification as a director for his actions. Management believes that this counterclaim is without merit. Management does not expect any recovery from this claim.

Advances to the former affiliate, Pocklington Financial Corporation (formerly Pocklington Holdings Inc.), which are recorded at $nil value, are non-interest bearing and have no specific terms of repayment. In January 1990, Gainers Inc. made demand on and brought an action against Pocklington Financial Corporation to recover the advances. In December 1995, a judgment was rendered and collected in favour of Gainers Inc. in the amount of $770. This amount has been recovered by the company from Pocklington Financial Corporation. This amount was subject to the secured claim of the Province as described in Note 5 and was subsequently remitted to the Province of Alberta (“Alberta”). Gainers Inc. appealed this decision to the Alberta Court of Appeal and was successful on all issues. The Court of Appeal ordered that a new calculation of the amount to be repaid be made by the Court of Queen’s Bench. Gainers Inc. has not taken further steps as Pocklington Financial Corporation is bankrupt.

On August 8, 1989, Gainers Inc. acquired the shares of 350151 Alberta Ltd. (350151) for $100 cash. On October 4, 1989, Gainers Inc., at the direction of the former owner, sold the shares of 350151 to Pocklington Holdings Inc. for one hundred dollars cash. Alberta filed a claim to have the sale reversed. The accounts of 350151 are not included in these financial statements. In December 1995, a judgment as to the ownership of the shares was rendered in favour of Pocklington Financial Corporation. Alberta appealed this decision, and on November 21, 2000 the Alberta Court of Appeal reversed the 1995 judgment. The Court of Appeal has held that the purported sale of the shares of 350151 to Pocklington Holdings Inc. on October 4, 1989 was a breach of the Master Agreement (Note 5) and awarded $4,700 in damages plus trial and appeal costs of Alberta against Mr. Pocklington. This judgment was subsequently paid from realizing on collateral security held for the debt.

NOTE 5 INCOME TAXES

The prior years' liability for income taxes plus accrued interest is an unsecured debt. The long-term debt owed to Alberta is a secured debt and thus ranks in priority. The company will not be able to settle this liability for income taxes and interest as the amount owing to Alberta exceeds the amount which is reasonably expected to be recovered from the remaining assets of the company.

The company has capital tax losses available for carry forward to reduce taxable income of future years. The amount of capital losses available for carry forward is $54,491.

NOTE 6 LONG-TERM DEBT

	($ thousands) 2021	2020
Province of Alberta		
Term loan	$ 6,000	$ 6,000
Assignment of prior operating loans from previous banker		
Term bank loan (US $8,749)	11,567	11,567
Operating loan	20,979	20,979
Advances under guarantee for principal interest payments	31,947	31,947
Promissory note	42,846	42,846
Advance to facilitate sale	13,000	13,000
Advances under guarantee and indemnity for operating line	18,469	18,469
Default costs and guarantee fees	13,432	13,567
Accrued interest	34,491	34,491
	$192,731	$192,866

The fair value of the long-term debt is dependent on outcomes from claims filed by or against Gainers Inc. The fair value as at September 30, 2021 is estimated to be $nil.

PROVINCE OF ALBERTA

On September 25, 1987, Gainers Inc. and GPI entered into the Master Agreement with Alberta, which provided for a term loan facility and a loan guarantee. Pursuant to the Master Agreement, Gainers Inc. and GPI granted securities to 369413 Alberta Ltd. (Nominee) which holds the securities and loans, as later described in this Note, in trust for Alberta. A number of events of default, which still continue, occurred during 1989, resulting in the long-term debt and liability to Alberta becoming due and payable. Alberta acted on its security and, on October 6, 1989, took control of Gainers Inc.'s issued and outstanding shares, which previously were controlled by Mr. Pocklington.

On October 6, 1989, operating loans of $20,979, and a term loan of US $8,749 were purchased, transferred and assigned to the Nominee. In addition, Alberta made payments from October 6, 1989 under the guarantee to cover principal and interest payments due, until the purchase in December 1993 of the balance due under the promissory note made by GPI to Yasuda Mutual Life Assurance Company.

INTEREST

The interest on the loans and other indebtedness owing to Alberta has not been paid in accordance with the terms of the indebtedness. Effective February 5, 1994, Alberta declared all indebtedness owing by the company to Alberta to be non-interest bearing from the later of February 5, 1994 and the date the indebtedness to the Province of Alberta was incurred.

SECURITY

Collateral security for the indebtedness to Alberta includes a general assignment of book debts, general security agreements over all real and personal property of the company, a pledge of inventory, and fixed and floating charge debentures amounting to $70,000 covering all of the assets of the company. The company continues to be in default and in breach of certain covenants of this indebtedness.

MASTER AGREEMENT

The Master Agreement provided for Alberta to advance a term loan to GPI in the aggregate amount of $12,000. As at September 30, 1989, $6,000 of the term loan had been advanced. An interest payment due on October 1, 1989 was not made and Alberta, acting on its security, seized control of the company. Since default has occurred under the Master Agreement, the entire amount of the monies advanced for the term loan is due and owing by GPI to Alberta. The term loan which has been advanced, and interest thereon, and the performance and observance of the other covenants of GPI under the Master Agreement, including the obligations of GPI to the Nominee in the principal sum of $67,000 dated September 25, 1987 and constituting a fixed mortgage and charge over all of the real property, equipment and chattels of GPI and a floating charge over all of the undertaking and other property and assets of GPI, and by a pledge by GPI of preferred shares held by GPI in Gainers Inc.

NOTE 7 CONTINGENT LIABILITIES

a) The company and Alberta have filed claims against Mr. Pocklington and companies controlled by him for recovery of certain loans, payments and other transactions prior to October 6, 1989. The claim aggregates approximately $38,000 plus interest. Management does not expect any recovery of this claim.

b) Under the terms of the Master Agreement, the company and Mr. Pocklington are liable for all losses, expenses, costs and claims incurred by Alberta as a consequence of a default by the company, as defined in Note 1, or by Mr. Pocklington. As a result, since the date of default the company has incurred approximately $14,241 (net of repayments) in the consolidated financial statements for these costs and expenses. It is expected that further costs and expenses will be incurred in the future as a result of continuing default. Management does not expect any recovery of this claim.

c) Alberta has brought a claim against Mr. Pocklington for damages arising out of breaches by him of the Master Agreement or alternatively, negligent misrepresentations made by him in certificates sworn by him in 1988 and 1989, which caused the Crown to make advances under the Term Loan.

Alberta obtained summary judgment which has been upheld by the Alberta Court of Appeal in the amount of $2,000 in respect of one of the certificates made by Mr. Pocklington in 1988. The Court of Appeal sent the issue of the amount of interest on the judgment to the Trial Court to calculate. The Trial Court granted summary judgment to Alberta for $10,147 for such interest. The judgment was renewed by Order granted November 25, 2009, in the amount of $12,747. The Judgment was further renewed a further 10 years by Order granted on November 21, 2019. The associated Writ of Enforcement was renewed on November 26, 2021 and expires on November 26, 2023.

Mr. Pocklington filed for bankruptcy in California and the Crown registered its claim in California. Mr. Pocklington's bankruptcy was denied and the Crown has pursued collection proceedings against him in California. Ultimately, the Crown and Mr. Pocklington entered into a Settlement Agreement on July 30, 2019 requiring payment to the Crown of $1,200 in instalments over five years. Mr. Pocklington later defaulted under the Settlement Agreement and, after the Crown took certain enforcement steps, the parties entered into an amended Settlement Agreement in late 2020 requiring Mr. Pocklington to pay the settlement amount plus additional costs under a revised payment schedule. Further settlement proposals were ongoing into late 2021.

NOTE 8 NET LIABILITIES

Net liabilities consists of the following:

	($ thousands)	
	2021	2020
Share capital	$ 1	$ 1
Accumulated deficit	(204,090)	(204,225)
Net liabilities	$ (204,089)	$ (204,224)

Share capital consists of the following:

AUTHORIZED

Unlimited number of Class A common shares.

Unlimited number of Class B preferred shares, redeemable/retractable at $1 per share with non-cumulative annual dividends at a rate not exceeding 16% of the redemption value.

12,000,000 Class C preferred shares redeemable at $1 per share with cumulative annual dividend compounded semi-annually at 9.6% of the redemption price.

ISSUED

	($ thousands)	
	2021	2020
101 Class A common shares	$ 1	$ 1
6,000,000 Class C preferred shares	6,000	6,000
	6,001	6,001
Less: 6,000,000 Class C preferred shares held by GPI	(6,000)	(6,000)
	$ 1	$ 1

NOTE 9 RELATED PARTY TRANSACTIONS

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta Consolidated Financial Statements. Related parties also include key management personnel in the department of Treasury Board and Finance and their close family members.

There were $135 in related party transactions in the year ended September 30, 2021 and $12 for the prior year ended September 30, 2020. Gainers Inc. has a long term debt balance payable to the Province of Alberta of $192,731.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Gainers Inc.

Government Business Enterprises

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Alberta Gaming, Liquor and Cannabis Commission

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General
OF ALBERTA

To the Members of Alberta Gaming, Liquor and Cannabis Commission

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Gaming, Liquor and Cannabis Commission (the Commission), which comprise the statement of financial position as at March 31, 2022, and the statements of net income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2022, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Commission in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

May 25, 2022
Edmonton, Alberta

Statement of Financial Position

As at March 31
(in thousands of dollars)

	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	5	$ 194,469	$ 202,962
Trade and other receivables		26,710	12,433
Lease receivables	10	3,798	3,694
Inventories and prepaid expenses	6	86,866	80,919
		311,843	300,008
Non-Current Assets			
Property and equipment	7	241,639	229,921
Intangible assets	8	60,706	60,802
Investment properties	9	137,472	141,625
Lease receivables	10	7,464	11,262
Right-of-use assets	10	5,063	8,077
Investment in Western Canada Lottery Corporation	16	35,024	30,219
		487,368	481,906
TOTAL ASSETS		$ 799,211	$ 781,914
LIABILITIES			
Current Liabilities			
Trade and other payables		$ 262,700	$ 195,372
Lease liabilities	10	6,681	6,714
		269,381	202,086
Non-Current Liabilities			
Due to General Revenue Fund	11	344,219	415,244
Lease liabilities	10	9,767	16,425
Net defined benefit pension liability	12	7,164	40,856
		361,150	472,525
EQUITY			
Retained surplus		131,600	106,600
Accumulated other comprehensive income	12	37,080	703
		168,680	107,303
TOTAL LIABILITIES AND EQUITY		$ 799,211	$ 781,914

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

Approved by

BOARD
Original signed by

Elan Harper
Audit and Finance Committee Chair

MANAGEMENT
Original signed by

Kandice Machado
Chief Executive Officer

Statement of Net Income

For the year ended March 31
(in thousands of dollars)

	Note	2022	2021
Cannabis revenue		$ 548,306	$ 469,580
Cannabis cost of sales		(511,303)	(435,277)
Cannabis net revenue	13	37,003	34,303
Gaming net sales		1,407,335	798,542
Commissions and federal payments		(352,003)	(171,901)
Gaming net revenue	13	1,055,332	626,641
Liquor net revenue	13	876,677	921,524
Net Revenue		1,969,012	1,582,468
Operating expenses	14	(277,929)	(275,250)
Profit from Operations		1,691,083	1,307,218
Other revenue	15	18,681	14,831
Share of income from Western Canada Lottery Corporation	16	344,718	336,631
Net Income	13	2,054,482	1,658,680
Net income allocation to General Revenue Fund	11	(2,029,482)	(1,635,380)
Net Income after Allocation		$ 25,000	$ 23,300

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

Statement of Comprehensive Income

For the year ended March 31
(in thousands of dollars)

	Note	2022	2021
Net income	13	$ 2,054,482	$ 1,658,680
Other Comprehensive Income			
Net actuarial gain	12	36,377	15,174
Comprehensive Income		$ 2,090,859	$ 1,673,854

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

Statement of Changes in Equity

For the year ended March 31
(in thousands of dollars)

	Note	2022	2021
Retained Surplus			
Retained surplus, beginning of year		$ 106,600	$ 83,300
Net income after allocation		25,000	23,300
Retained surplus, end of year		131,600	106,600
Accumulated Other Comprehensive Income			
Accumulated other comprehensive income (loss), beginning of year		703	(14,471)
Other comprehensive income	12	36,377	15,174
Accumulated other comprehensive income, end of year		37,080	703
Total Equity		$ 168,680	$ 107,303

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

Statement of Cash Flows

For the year ended March 31
(in thousands of dollars)

	2022	2021
Cash Flows from Operating Activities		
Comprehensive income	$ 2,090,859	$ 1,673,854
Share of income from Western Canada Lottery Corporation	(344,718)	(336,631)
Amortization	72,380	81,152
Lease interest expense	236	311
Lease interest income	(172)	(218)
Loss on disposal of non-current assets	509	538
Decrease in net defined benefit pension liability	(33,692)	(13,084)
Net change in non-cash working capital items:		
Increase in trade and other receivables	(14,277)	(8,763)
(Increase) decrease in inventories and prepaid expenses	(5,947)	18,421
Increase in trade and other payables	67,328	656
	1,832,506	1,416,236
Transfers to General Revenue Fund	(2,100,507)	(1,695,835)
Net Cash Used in Operating Activities	(268,001)	(279,599)
Cash Flows from Investing Activities		
Purchase of property and equipment	(66,766)	(11,247)
Purchase of intangible assets	(9,903)	(3,806)
Additions to investment properties	(777)	(843)
Net proceeds on disposal of non-current assets	149	293
Rental payments received	3,866	3,812
Advances received from Western Canada Lottery Corporation	339,913	326,189
Net Cash Provided by Investing Activities	266,482	314,398
Cash Flows from Financing Activities		
Lease payments	(6,974)	(6,590)
Net Cash Used in Financing Activities	(6,974)	(6,590)
Net (Decrease) Increase in Cash and Cash Equivalents during the year	(8,493)	28,209
Cash and Cash Equivalents, Beginning of year	202,962	174,753
Cash and Cash Equivalents, End of year	$ 194,469	$ 202,962
Supplemental Cash Flow Information		
Interest received	$ 822	$ 1,102

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

Notes to the Financial Statements

For the year ended March 31
(in thousands of dollars)

1. Nature of Operations

The Alberta Gaming, Liquor and Cannabis Commission (AGLC) operates under the authority of the *Gaming, Liquor and Cannabis Act* (Act), Revised Statutes of Alberta 2000, Chapter G-1. Under the Act, AGLC was established as a provincial Crown corporation governed by the Board appointed by the Lieutenant General in Council.

The objectives of AGLC are:
a) to administer the Act;
b) to conduct and manage provincial lotteries (gaming activities) for the Government of Alberta;
c) to carry out functions respecting gaming delegated to it by the Lieutenant Governor in Council under the Criminal Code;
d) to control, in accordance with the Act, the manufacture, import, sale, purchase, possession, storage, transportation, use and consumption of liquor;
e) to control, in accordance with the Act, the import, purchase, giving, possession, storage, transportation and use of cannabis;
f) to generate revenue for the Government of Alberta.

The registered office is located at 50 Corriveau Avenue, St. Albert, Alberta.

2. Implications of COVID-19

In March 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. As the situation continued to evolve, the Government of Alberta responded by implementing emergency measures, including temporary closures of gaming venues, which have since been removed.

As of March 31, 2022, there have been no significant changes to AGLC's credit and liquidity risks resulting from the pandemic. AGLC will continue to monitor the situation and evaluate the potential risks as necessary.

Management has considered the impacts of COVID-19 and concluded that the pandemic did not create material uncertainty upon AGLC's ability to continue as a going concern.

3. Significant Accounting Policies

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board.

b) Basis of Presentation

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, the functional currency of AGLC. All values are rounded to the nearest thousand dollars.

The financial statements for the year ended March 31, 2022 were authorized for issue by the Board on May 25, 2022.

c) Financial Instruments

Recognition and Measurement

Financial instruments are classified based on the business model for managing financial instruments and contractual cash flow characteristic of the financial instruments. They are recognized in the Statement of Financial Position when AGLC becomes a party to the contractual terms of the instrument, which represents its trade date.

All financial instruments are initially measured at fair value and are subsequently accounted for based on their classification. Transaction costs directly attributable to acquisition or issue of financial instruments (other than those at fair value through profit or loss) are added or subtracted from the fair value of financial instruments. Transaction costs directly attributable to acquisition or issue of financial instruments at fair value through profit or loss are recognized immediately in profit or loss.

AGLC's financial instruments are classified as following:

Cash and cash equivalents	Debt instrument at amortized cost
Trade and other receivables	Debt instrument at amortized cost
Trade and other payables	Other financial liabilities at amortized cost
Due to General Revenue Fund	Other financial liabilities at amortized cost

Derecognition

Financial assets are derecognized when the contractual cash flows from the assets expire or when AGLC transfers the right to receive the contractual cash flows of the assets. Financial liabilities are derecognized when the contractual obligation under the liability is discharged, cancelled, or it expires. Any differences in the carrying amounts of the financial instruments are recognized in the Statement of Net Income.

Impairment

Financial assets measured at amortized cost are assessed at each reporting date to determine where there is objective evidence of impairment. An expected credit loss impairment model is applied, where expected credit losses are the present value of all cash flows that AGLC expects to receive over the expected life of the financial asset. AGLC recognizes lifetime expected credit losses for trade and other receivables.

d) Inventories

Gaming parts and supplies and cannabis products held for sale are both measured at the lower of cost and net realizable value (NRV). The cost of inventories is determined on a weighted average basis and includes the purchase price, net of trade discounts received, plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their NRV when the cost of inventories is estimated not to be recoverable through sale or usage. Any write-down to NRV is recognized as expense in the period in which the write-down occurs.

Liquor inventories are held on behalf of liquor suppliers and/or agencies. As such, their value, as well as related duties and taxes, are not recorded in these financial statements.

e) Property and Equipment and Intangible Assets

Property and equipment and intangible assets are reported at cost less accumulated amortization. Where an asset is comprised of major components with different useful lives, the components are accounted for and amortized separately. Amortization begins when the asset is put into use, with no amortization calculated on assets under construction or development. Land is not amortized.

Costs related to software developed or obtained for internal use are capitalized if it is probable that future economic benefit will flow to AGLC and the cost can be reliability measured.

The estimated useful life of assets is reviewed on an annual basis for any changes in circumstances. The effects of any changes to the estimated useful life are accounted for on a prospective basis.

Gains and losses on the disposal of assets are recorded in the year of disposal.

Amortization is calculated on a straight-line basis over the estimated useful life of assets as follows:

Buildings	Up to 40 years
Leasehold improvements	Lease term
Equipment	Up to 15 years
Computer hardware	Up to 10 years
Gaming equipment and terminals	Up to 8 years
Computer software	Up to 15 years
Gaming software	5 years

f) Investment Properties

Investment properties are comprised of land, buildings or a combination of both that are held by AGLC to earn rental income. They include the liquor distribution and storage facility located at 2 Boudreau Road, leased to Connect Logistics Services Inc., and a warehouse located at 50 Corriveau Avenue. Both facilities are located in St. Albert.

Investment properties are initially recognized at cost and are subsequently carried at cost less accumulated amortization. Where an asset is comprised of major components with different useful lives, the components are accounted for and amortized separately. Amortization begins when the asset is put into use, with no amortization calculated on assets under construction or development. Land is not amortized.

The estimated useful life is reviewed on an annual basis for any changes in circumstances. The effects of any changes to the estimated useful life are accounted for on a prospective basis.

Gains and losses on the disposal of assets are recorded in the year of disposal.

Amortization is calculated on a straight-line basis over the estimated useful life of assets as follows:

Buildings	Up to 40 years

g) Defined Benefit Pension Plan

AGLC participates in multi-employer defined benefit pension plans sponsored by the Province of Alberta: the Public Services Pension Plan (PSPP), the Management Employees Pension Plan (MEPP) and the Supplementary Retirement Plan (SRP) for Public Service Managers. The cost of providing benefits under the defined benefit plans is determined separately for each plan by independent actuaries based on applicable assumptions. An expense and associated liability for benefits earned are recognized in the period that employee services have been rendered. Under defined benefit pension plan accounting, AGLC must recognize its proportionate share, determined on an actuarial basis, of plan assets, obligations, remeasurement amounts and service costs.

For defined benefit pension plans, current benefit cost represents the actuarial present value of the benefits earned in the current period. Such cost is actuarially determined using the accrued benefit method prorated on service, a market interest rate, management's best estimate of projected costs, and the expected years of service until retirement. The liability is the present value of the defined benefit obligation, which is determined by discounting the estimated future cash flows using a discount rate based on market yields of high-quality corporate bonds having terms to maturity that approximate the duration of the related benefit liability. Interest expense represents the amount required in each year to form the liability over the projected period to its future value. Remeasurement changes in benefit liabilities, composed of actuarial changes in assumptions and experience gains and losses, are recognized in other comprehensive income.

The net defined benefit pension liability, including the underlying assumptions for future salary increases, inflation rates and discount rates, is reviewed annually.

h) Investment in an Associate: Western Canada Lottery Corporation

Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the *Canada Corporations Act* on April 16, 1974 and was continued under the *Canada Not-for-profit Corporations Act* on June 30, 2014. It is a non-profit organization authorized to manage, conduct and operate lottery and gaming-related activities for its members – the Governments of Alberta, Saskatchewan and Manitoba. Yukon, the Northwest Territories and Nunavut participate as associate members.

AGLC has significant influence, but no control or joint control, over the financial and operating policy decisions of WCLC. As a result, AGLC's investment in WCLC (considered an associate) is accounted for using the equity method of consolidation.

Under the equity method, the investment in WCLC is reported in the Statement of Financial Position at cost, including post-acquisition changes in AGLC's share of net assets of WCLC.

The Statement of Net Income reflects AGLC's share of the results of WCLC's operations. Where there has been a change recognized directly in the equity of WCLC, AGLC recognizes its share of any changes and discloses this, when applicable, in due to General Revenue Fund. Unrealized gains and losses resulting from transactions between AGLC and WCLC are eliminated to the extent of the interest in WCLC.

The financial statements for WCLC are prepared in accordance with IFRS, for the same reporting period as AGLC. Where necessary, adjustments are made to bring the accounting policies into conformity with those of AGLC.

If there were indicators that the investment in WCLC is impaired, AGLC would calculate the amount of impairment as the difference between the recoverable amount of WCLC and its carrying value. This difference would be recognized in net income from WCLC in the Statement of Net Income.

Upon any loss of significant influence over WCLC, AGLC would measure and recognize any remaining investment at its fair value. Any difference between the carrying amount of WCLC and the fair value of the investment and proceeds from disposal would be recognized in the Statement of Net Income.

i) Impairment of Non-Financial Assets

At each reporting date, if there are indicators that non-financial assets carried at amortized cost may be impaired, AGLC would complete a formal impairment assessment. For this purpose, non-financial assets would be grouped at the lowest level for which there are separately identifiable cash inflows, referred to as cash-generating units. An impairment loss is the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash generating unit's fair value less costs to sell and its value in use. Impairment losses would be recognized in the Statement of Net Income.

For previously impaired non-financial assets, an assessment is made annually to determine if there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, AGLC would estimate the recoverable amount. A previously recognized impairment loss would only be reversed if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognized. An impairment loss would only be reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized in prior years. Such impairment loss reversal would be recognized in the Statement of Net Income, in a manner consistent with the originally recognized impairment loss.

j) Leases

As a Lessor

Leases in which AGLC assumes substantially all the risks and rewards of ownership are classified as financial leases, while all other leases are classified as operating leases. All leases with AGLC as a lessor (properties classified as investment properties) have been classified as operating leases, with lease income recognized in net income on a straight-line basis over the term of the lease. Expenses incurred in earning lease income are expensed as incurred.

As a Lessee

At inception of an arrangement, AGLC determines whether the arrangement is, or contains, a lease.

AGLC leases properties (offices, warehouses and storage facilities) and vehicles. Contracts are typically made for fixed terms, but some may include extension options.

As a lessee, AGLC applies a single recognition and measurement approach for all leases, except for short-term leases, and recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to account for the present value of the future lease payments. Extension options are included in the assessment if AGLC is reasonably certain to exercise the options.

Right-of-use Assets

AGLC recognizes right-of-use assets at the commencement date of the lease when the underlying asset is available for use. Right-of-use assets are measured at cost, including the lease and non-lease components of the lease arrangement, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets, as follows:

Properties	Up to 5 years
Vehicles	Up to 3 years

The right-of-use assets are also subject to impairment as described in Note 3i.

Lease Liabilities

At the commencement date of the lease, AGLC recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and incorporate the lease and non-lease components of the lease arrangement (including in-substance fixed payments).

In calculating the present value of lease payments, AGLC uses the interest rate implicit in the lease or its incremental borrowing rate (IBR) if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is reduced by the principal portion of the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the lease payments.

Short-term Leases and Leases of Low value Assets

AGLC applies the short-term lease recognition exemption to its short-term leases (leases with a term of up to 12 months) of gaming equipment. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense over the lease term.

Subleases

AGLC has several property contracts which have been subleased to third parties. In these cases, AGLC as the original lessee, accounts for the original lease (the head lease) as a lessee and for the sublease as the lessor (intermediate lessor).

AGLC, as the intermediate lessor, recognizes lease receivables in the Statement of Financial Position and accounts for the head lease liability in accordance with the lessee accounting model.

k) Revenue from Contracts with Customers

AGLC's revenue is generated primarily from gaming activities (including revenue from slot terminals, video lottery terminals and online gambling), as well as the selling of liquor and cannabis. Revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which AGLC expects to be entitled in exchange for those goods or services. AGLC has concluded that it is the principal in its revenue arrangements for gaming activities and cannabis and an agent for liquor transactions based on the control of goods or services before they are transferred to the customer.

The disclosures of significant accounting estimates, assumptions and critical judgments related to revenue from customers are provided in Note 4.

Gaming Revenue

Gaming revenue is comprised of one performance obligation which is honouring the outcome of the game played and making the appropriate payout. AGLC recognizes revenue from the gaming activities based on the net win or loss as it is determined since no further performance obligations exist. Payment from the customer is required to initiate the game play.

Player Engagement Program

AGLC administers and manages Winner's Edge, a Player Engagement Program (PEP), which allows players to accumulate loyalty points for slot terminal play that can be redeemed for free plays or additional ballots for designated promotional draws. PEP loyalty points give rise to a separate performance obligation, as they provide a material right to the player. A portion of the slot terminal transaction price is allocated to the PEP loyalty points awarded to customers, based on relative stand-alone selling price, and recognized as a contract liability until the PEP loyalty points are redeemed. Revenue is recognized upon redemption of PEP loyalty points by the customer.

When estimating the stand-alone selling price of the PEP loyalty points, AGLC considers the likelihood that the customer will redeem the loyalty points within the expiration period. AGLC updates its estimates of the points that will be redeemed monthly and any adjustments to the liability balance are recognized against revenue.

Sale of Liquor

AGLC purchases liquor products from liquor suppliers and registered agencies to warehouse and distribute based on a consignment model. As liquor warehousing and distribution is managed by third party providers, AGLC is acting as an agent in these arrangements, resulting in revenue being recorded on a net basis, recognized at the point in time when control for the goods is provided to the third-party provider. Payment is required before the goods are transferred.

Sale of Cannabis

AGLC purchases cannabis products from licensed producers and is responsible for warehousing and distributing recreational cannabis products to licensed retailers. Subsequent to March 7, 2022, AGLC ceased sales directly to Albertans through an online platform. AGLC maintains direct control of cannabis products and thus is a principal in the arrangement and records revenue on a gross basis. Revenue from the sale of cannabis is recognized at the point in time when control of the goods is transferred to the customer on delivery. Payment is required before the goods are transferred.

l) Federal and Provincial Taxes

As a Government of Alberta entity, AGLC is exempt from paying Goods and Services Tax (GST) on purchases of taxable supplies and services related to liquor and cannabis operations.

As a provincial gaming authority, AGLC is a prescribed registrant under the Games of Chance (GST/HST) Regulations of the Excise Tax Act (the Regulations). AGLC is obligated to calculate and remit GST for gaming related operations pursuant to these Regulations.

m) Operating Expenses

Operating expenses are allocated against gaming, liquor and cannabis revenue sectors based on the nature of the expenses.

n) Allocation of Net Income

The Act requires AGLC to transfer the net income to the General Revenue Fund. Note 11 provides additional information regarding the amount due to the General Revenue Fund.

o) Contingent Liabilities and Provisions

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed by occurrence or non-occurrence of uncertain future events, or are present obligations that are not recognized because it is not probable that settlement will require outflow of economic benefits or because the amount of the obligation cannot be reliably measured.

Provisions are recognized if, as a result of a past event, AGLC has a present legal or constructive obligation, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Net Income, net of any reimbursement.

p) Future Accounting Policy Changes

Future accounting policy changes are based on standards issued, but not yet effective, up to the date of the issuance of the financial statements. The following information is of standards and interpretations issued, which may be relevant and applicable at a future date.

> IAS 16 *Property, Plant and Equipment* – amendments effective for annual reporting periods starting on or after January 1, 2022. These amendments introduce new guidance stipulating that proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost of property, plant and equipment. Moving forward such proceeds should be recognized in profit or loss, together with the costs of producing those items. Management is currently assessing the impact of the amendments.

IAS 1 *Presentation of Financial Statements* – amendments effective for annual reporting periods starting on or after January 1, 2023. The first set of amendments clarify the presentation of liabilities in the statement of financial position and classification of liabilities based on contractual rights in place at the end of the reporting period. These amendments also introduce a definition of settlement to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The second set of amendments require entities to disclose their material accounting policy information rather than significant accounting policy information. The amendments provide guidance on how an entity can identify material accounting policy information and clarify that information may be material because of its nature, even if the related amounts are immaterial. Management is currently assessing the impact of the amendments.

IAS 8 – *Accounting Policies, Changes to Accounting Estimates and Errors* – amendments effective for annual reporting periods starting on or after January 1, 2023. The amendments update the definition of accounting estimates and provide guidance to help entities distinguish between changes in accounting policies and changes in accounting estimates. Management is currently assessing the impact of the amendments.

4. Significant Accounting Estimates, Assumptions and Critical Judgments

In conformity with IFRS, the preparation of AGLC's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of affected assets or liabilities in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis and applied prospectively.

For property and equipment, intangible assets and investment properties, judgment is used to estimate the useful life of the assets, based on an analysis of all pertinent factors including the expected use of the asset/asset category. If the estimated useful lives are incorrect, this could result in an increase or decrease in the annual amortization expenses and future impairment charges.

For the provision for pension liability, judgment is used to estimate the underlying assumptions for future salary increases, inflation rates and discount rates. If these assumptions are incorrect, this could result in an adjustment to the liability and the gain/loss recorded in Other Comprehensive Income in the Statement of Comprehensive Income.

When accounting for leases where the interest rate implicit in the lease cannot be readily determined, AGLC uses its IBR to measure lease liabilities. The IBR is the rate of interest that AGLC would have to pay to borrow funds over a similar term, and with a similar security, necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects an estimated rate that AGLC 'would have to pay'.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described throughout these notes to the financial statements. AGLC based its assumptions and estimates on the best information available to management. Existing circumstances and assumptions about future development(s) may change due to market changes or circumstances, arising beyond the control of management. Such changes are reflected in the assumptions as they occur.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, current balances in banks and deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Government of Alberta, as well as funds under administration.

The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate 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. For the year ended March 31, 2022, securities held by the CCITF had a time-weighted yield of 0.2% per annum (2021 – 0.5% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

A total of $14,472 (2021 - $69) in funds under administration is comprised of proceeds from table games that AGLC holds on behalf of charities. AGLC manages the collection of these funds, as well as investment and distribution of the charities' share of proceeds/losses from table games at licensed charitable casino events.

The share of proceeds/losses from these table games allocated to charities is established in policy and by agreement between the participating charity and the relevant casino operator. These allocations are collected by AGLC and pooled by casino or region; these funds earn interest and are subject to administrative fees. At the end of the pooling period (quarterly), the net proceeds in each pool are distributed equally to each charity that held a licensed charitable casino event in the casino/region during the pooling period.

6. Inventories and Prepaid Expenses

	2022	2021
Gaming parts and supplies	$ 12,277	$ 12,793
Cannabis inventories	68,672	63,283
Total inventories	80,949	76,076
Prepaid expenses	5,917	4,843
	$ 86,866	$ 80,919

7. Property and Equipment

	2022						2021
	Land	Buildings and Leasehold Improvements	Equipment	Computer Hardware	Gaming Equipment and Terminals	Total	Total
Cost, beginning of year	$ 2,057	$ 43,506	$ 15,530	$ 32,416	$ 513,794	$ 607,303	$ 634,496
Additions	-	198	143	1,227	65,198	66,766	11,247
Disposals	-	(159)	(131)	(2,733)	(25,313)	(28,336)	(38,440)
Cost, end of year	2,057	43,545	15,542	30,910	553,679	645,733	607,303
Accumulated amortization, beginning of year	-	(25,575)	(9,734)	(24,682)	(317,391)	(377,382)	(350,659)
Additions	-	(2,347)	(1,549)	(3,707)	(47,089)	(54,692)	(64,345)
Disposals	-	136	131	2,732	24,981	27,980	37,622
Accumulated amortization, end of year	-	(27,786)	(11,152)	(25,657)	(339,499)	(404,094)	(377,382)
Net book value, end of year	$ 2,057	$ 15,759	$ 4,390	$ 5,253	$ 214,180	$ 241,639	$ 229,921

Total cost includes $24,865 (2021 - $3,688) of assets classified as work in progress (under construction or development).

8. Intangible Assets

	2022			2021
	Computer Software	Gaming Software	Total	Total
Cost, beginning of year	$ 89,741	$ 39,408	$ 129,149	$ 126,305
Additions	1,747	8,156	9,903	3,806
Disposals	(7,623)	(13,946)	(21,569)	(962)
Cost, end of year	83,865	33,618	117,483	129,149
Accumulated amortization, beginning of year	(35,695)	(32,652)	(68,347)	(60,176)
Additions	(6,370)	(3,327)	(9,697)	(9,133)
Disposals	7,622	13,645	21,267	962
Accumulated amortization, end of year	(34,443)	(22,334)	(56,777)	(68,347)
Net book value, end of year	$ 49,422	$ 11,284	$ 60,706	$ 60,802

Total cost includes $2,271 (2021 - $582) of assets classified as work in progress (under development).

9. Investment Properties

	2022			2021
	Land	Buildings	Total	Total
Cost, beginning of year	$ 22,746	$ 151,831	$ 174,577	$ 177,753
Additions	-	777	777	843
Disposals	-	(118)	(118)	(4,019)
Cost, end of year	22,746	152,490	175,236	174,577
Accumulated amortization, beginning of year	-	(32,952)	(32,952)	(32,036)
Additions	-	(4,930)	(4,930)	(4,922)
Disposals	-	118	118	4,006
Accumulated amortization, end of year	-	(37,764)	(37,764)	(32,952)
Net book value, end of year	$ 22,746	$ 114,726	$ 137,472	$ 141,625

Total cost includes $756 (2021 - $35) of assets classified as work in progress (under construction).

Net loss from investment properties:

		2022		2021
Rental income derived from investment properties	$	3,805	$	3,900
Direct operating expenses (including repair and maintenance)		(4,184)		(3,905)
Net loss arising from investment properties	$	(379)	$	(5)

Currently monthly rental income for investment properties is $318 (2021 - $315).

Investment properties are recorded and reported at cost. On March 31, 2022, the estimated fair value of investment properties is $200,075 (2021 - $182,775). The fair value is based on a valuation performed by Bourgeois Brooke Chin Associates, an accredited independent valuator. Bourgeois Brooke Chin Associates has appropriate qualifications and recent experience in the valuation of similar properties. The fair value valuation was performed on the liquor distribution and storage facilities at 2 Boudreau Road and warehouse at 50 Corriveau Avenue using income, cost and direct comparison approaches. Both properties are located in St. Albert, Alberta.

10. Leases

The carrying amounts of right-of-use assets during the period:

		2022		2021
Right-of-use assets, beginning of year	$	8,077	$	5,917
Additions		47		4,911
Amortization		(3,061)		(2,751)
Right-of-use assets, end of year	$	5,063	$	8,077

The carrying amounts of lease liabilities during the period:

	2022			2021		
Lease liabilities, beginning of year		$	23,139		$	24,534
Additions			47			4,884
Lease payments	(6,974)			(6,590)		
Interest expense	236			311		
Principal component of lease payments			(6,738)			(6,279)
Lease liabilities, end of year		$	16,448		$	23,139
Current liabilities		$	6,681		$	6,714
Non-current liabilities		$	9,767		$	16,425

Undiscounted lease payments related to lease liabilities that are expected to be made over the next five fiscal years and thereafter are as follows:

2023	$	6,681
2024		5,865
2025		3,671
2026		32
2027		33
Thereafter		166
	$	16,448

The carrying amounts of lease receivables during the period:

	2022			2021		
Lease receivables, beginning of year		$	14,956		$	18,578
Adjustments			-			(28)
Rental payments received	(3,866)			(3,812)		
Interest income	172			218		
Principal component of lease receivables			(3,694)			(3,594)
Lease receivables, end of year		$	11,262		$	14,956
Current assets		$	3,798		$	3,694
Non-current assets		$	7,464		$	11,262

Undiscounted lease payments related to lease receivables that are expected to be received over the next five fiscal years and thereafter are as follows:

2023	$	3,798
2024		3,901
2025		3,332
2026		32
2027		33
Thereafter		166
	$	11,262

The following amounts were recognized in the Statement of Net Income:

	2022	2021
Right-of-use assets: amortization	$ (3,061)	$ (2,751)
Interest expense	(236)	(311)
Interest income	172	218
Operating expenses: short-term leases	(22,202)	(9,763)
Component of net income	$ (25,327)	$ (12,607)

In 2022, AGLC had total cash outflows for all leases of $29,176 (2021 - $16,353), non-cash additions to right-of-use assets of $47 (2021 - $4,911) and non-cash additions to lease liabilities of $47 (2021 - $4,884).

11. Due to General Revenue Fund

The Act requires AGLC to transfer the net income, less allowance withheld for capital expenditures, to the General Revenue Fund. The amount below represents the portion of net income which has not been transferred to the General Revenue Fund.

	2022	2021
Due to General Revenue Fund, beginning of year	$ 415,244	$ 475,699
Net income allocation to General Revenue Fund	2,029,482	1,635,380
Transfers to General Revenue Fund	(2,100,507)	(1,695,835)
Due to General Revenue Fund, end of year	$ 344,219	$ 415,244

Amounts due to General Revenue Fund are unsecured, non-interest bearing and have no specific terms of repayment. AGLC does not expect to pay the total amount owing to General Revenue Fund during the next fiscal year.

12. Employee Benefit Plans

Change in net defined benefit pension liability

	2022				2021
	PSPP	MEPP	SRP	Total	Total
Change in Fair Value of Plan Assets					
Fair value of plan assets, beginning of year	$ 200,260	$ 61,930	$ 1,246	$ 263,436	$ 226,682
Employer contributions	7,760	1,900	24	9,684	10,098
Benefits paid	(8,587)	(3,368)	(58)	(12,013)	(11,737)
Interest income	6,595	2,019	42	8,656	8,583
Actuarial gain on plan assets	17,044	14,171	33	31,248	29,810
Fair value of plan assets, end of year	$ 223,072	$ 76,652	$ 1,287	$ 301,011	$ 263,436
Change in Defined Benefit Obligation					
Defined benefit obligation, beginning of year	$ 228,513	$ 74,067	$ 1,712	$ 304,292	$ 280,622
Current service cost	8,062	2,897	40	10,999	10,138
Benefits paid	(8,587)	(3,368)	(58)	(12,013)	(11,737)
Interest expense	7,532	2,436	58	10,026	10,633
Actuarial (gain) loss on plan liabilities	(9,783)	4,855	(201)	(5,129)	14,636
Defined benefit obligation, end of year	225,737	80,887	1,551	308,175	304,292
Net defined benefit pension liability	$ (2,665)	$ (4,235)	$ (264)	$ (7,164)	$ (40,856)

Employer's portion of the net defined benefit pension liability is recorded as a provision and included as a liability in the Statement of Financial Position. The portions attributable to AGLC are 50% for PSPP, 51% for MEPP and 64% for SRP.

Accumulated Other Comprehensive Income

	2022				2021
	PSPP	MEPP	SRP	Total	Total
Actuarial gain on plan assets	$ (17,044)	$ (14,171)	$ (33)	$ (31,248)	$ (29,810)
Actuarial (gain) loss on plan liabilities	(9,783)	4,855	(201)	(5,129)	14,636
Net actuarial gain	(26,827)	(9,316)	(234)	(36,377)	(15,174)
Accumulated other comprehensive (income) loss, beginning of year	(367)	(416)	80	(703)	14,471
Accumulated other comprehensive income, end of year	$ (27,194)	$ (9,732)	$ (154)	$ (37,080)	$ (703)

Pension Expense

	2022				2021
	PSPP	MEPP	SRP	Total	Total
Current service cost	$ 8,062	$ 2,897	$ 40	$ 10,999	$ 10,138
Interest expense	7,532	2,436	58	10,026	10,633
Interest income	(6,595)	(2,019)	(42)	(8,656)	(8,583)
Pension expense	$ 8,999	$ 3,314	$ 56	$ 12,369	$ 12,188

Key Assumptions, Sensitivities and Risks

The principal assumptions used in the actuarial determinations of projected benefit obligations and the related net benefit expense are as follows:

	2022			2021		
	PSPP	**MEPP**	**SRP**	**PSPP**	**MEPP**	**SRP**
Discount rate	4.0%	4.0%	4.0%	3.3%	3.3%	3.4%
Inflation rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Average wage increases	3.0%	3.0%	3.0%	3.0%	0.0 % until Mar. 31, 2022; 3.0% thereafter	0.0 % until Mar. 31, 2022; 3.0% thereafter
AGLC's share of plan payroll	2.7%	2.5%	0.9%	2.5%	2.2%	0.9%
Date of the most recent actuarial valuation	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2018
AGLC's expected contributions for the next period-all plans		$ 10,066			$ 11,002	

Additional assumptions are described in the valuation reports for each of the respective plans.

	2022			2021		
	PSPP	**MEPP**	**SRP**	**PSPP**	**MEPP**	**SRP**
Estimated sensitivity of liabilities to a 1% change in the discount rate	14.0%	14.2%	16.2%	14.7%	13.9%	18.0%
Estimated sensitivity of liabilities to a 1% change in the inflation rate	6.7%	7.5%	8.2%	6.8%	7.4%	8.1%

Economic Risk

Defined benefit plans are directly exposed to economic risks from plan assets invested in capital markets and indirectly with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets.

Demographic Risk

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to factors such as workforce average age and earnings levels, attrition and retirement rates, mortality and morbidity rates.

Multi-Employer Plan Funding Risk

In addition to economic and demographic risk factors, AGLC is exposed to funding risk in the multi-employer plans arising from:

- Legislative changes affecting eligibility for, and amount of, pension and related benefits; and
- Performance of plan assets affected by investment policies set by the responsible parties.

Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind-up or amendments, and mandatory funding requirements.

13. Detailed Operating Results

Management monitors the operating results of the lines of business to make decisions about resource allocation and performance assessment.

	2022				2021
	Gaming (a)	Liquor	Cannabis (b)	Total	Total
Net revenue	$ 1,055,332	$ 876,677	$ 37,003	$ 1,969,012	$ 1,582,468
Operating expenses	(198,063)	(32,740)	(47,126)	(277,929)	(275,250)
Profit (loss) from operations	857,269	843,937	(10,123)	1,691,083	1,307,218
Other revenue	3,167	9,743	5,771	18,681	14,831
Share of income from WCLC	344,718	-	-	344,718	336,631
Net income (loss)	$ 1,205,154	$ 853,680	$ (4,352)	$ 2,054,482	$ 1,658,680

(a) includes slot terminals, video lottery terminals and online gambling.
(b) includes sales to licensed retailers and sales through an online platform.

Gaming net revenue is comprised of the following:

	2022	2021
	Total	Total
Net sales	$ 1,407,335	$ 798,542
Commissions		
Operators/retailers	(219,939)	(121,657)
Charities	(121,067)	(44,161)
Federal tax expense (c)	(10,997)	(6,083)
Net revenue	$ 1,055,332	$ 626,641

(c) as prescribed by the Games of Chance (GST/HST) Regulations of the Excise Tax Act (the Regulations) taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) based on a formula set out in the Regulations. This tax is in addition to the GST paid on the purchase of goods and services for which a credit is not allowed under the aforementioned formula.

14. Operating Expenses

		2022		2021
Salaries and benefits	$	105,112	$	107,855
Supplies and services				
Fees and services		20,020		20,572
Data processing		17,351		15,702
Marketing and retailer relations		13,284		9,843
Goods and Services Tax		6,907		5,006
Equipment and vehicles		5,201		7,748
Property		4,804		6,033
Insurance and bank charges		3,849		3,652
Data communications		3,664		3,368
Travel and training		833		663
Miscellaneous		830		967
Stationery and supplies		803		493
Liquor product expense		147		228
Freight and product delivery (recovery)		(828)		155
		76,865		74,430
Leased gaming equipment		22,202		9,763
Net interest in net defined benefit pension plan		1,370		2,050
Amortization		72,380		81,152
	$	277,929	$	275,250

15. Other Revenue

		2022		2021
Licences, fees and fines	$	12,234	$	8,129
Premises rentals		3,805		3,900
Miscellaneous		843		1,069
Interest		822		1,102
Liquor levies		808		485
Chargebacks and recoveries		678		684
Loss on disposal of non-current assets		(509)		(538)
	$	18,681	$	14,831

16. Investment in Western Canada Lottery Corporation

AGLC's interest in WCLC is based on Alberta's proportionate share of WCLC's revenues and expenses derived from the sale and operation of interprovincial lottery games. WCLC is a non-profit entity that is not listed on any public exchange.

The following tables present summarized financial information of AGLC's investment in WCLC.

	2022	2021
WCLC Statement of Financial Position		
Current assets	$ 102,874	$ 89,356
Property and equipment	33,353	29,993
Intangible assets	10,288	10,598
Employee benefits	4,602	501
	$ 151,117	$ 130,448
Current liabilities	$ 138,354	$ 126,378
Lease liability	3,364	1,514
Equity	9,399	2,556
	$ 151,117	$ 130,448
Alberta's Proportionate Share of Revenues and Expenses		
Lottery sales (a)	$ 992,251	$ 963,772
Direct expenses (a)	(597,901)	(582,104)
Gross income	394,350	381,668
Operating expenses	(36,444)	(32,123)
Interest and other income	1,955	1,951
Net income from operations	359,861	351,496
Federal tax expense (a)	(5,182)	(5,110)
Payment to federal government (b)	(9,961)	(9,755)
Share of income from WCLC	$ 344,718	$ 336,631

(a) Online ticket lottery revenues are recognized at the date of the draw, with instant ticket revenues being recognized at the date activated for sale by the retailer. Prizes, commissions and federal tax expenses related to ticket revenues are recognized on the same basis as related revenues.

(b) Payment made to the federal government resulting from an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by WCLC on behalf of Alberta and is based on current population statistics and the province's share of ticket lottery sales.

Statement of Change in Investment in WCLC

		2022		2021
Investment in WCLC, beginning of year	$	30,219	$	19,777
Share of income from WCLC		344,718		336,631
Advances received from WCLC		(339,913)		(326,189)
Investment in WCLC, end of year	$	35,024	$	30,219

17. Contractual Obligations

AGLC has various obligations under long-term contracts, including service contracts and operating leases. Undiscounted payments related to finance leases are disclosed in Note 10. The total expected payments for contractual obligations for each of the next five fiscal years and thereafter are as follows:

2023	$	28,419
2024		9,469
2025		8,282
2026		6,151
2027		5,675
Thereafter		4,650
	$	62,646

18. Contingent Liabilities

AGLC has been named as a defendant in several legal actions and claims. While the outcome of these claims cannot be determined, management is of the opinion that the ultimate outcome is not expected to have material adverse effect in the financial position or operations of AGLC.

19. Salaries and Benefits

The following table discloses the amounts earned by the Board and Executive Members in the years ended March 31:

		2022				2021
	Note	Base Salary (a)	Other Cash Benefits (b)	Other Non-Cash Benefits (c)	Total	Total
Chair of the Board		$ 149	$ -	$ 20	$ 169	$ 140
Members of the Board	d	302	-	10	312	389
Chief Executive Officer	e	262	6	62	330	719
Executive Members						
VP, Human Resources	f	220	391	42	653	248
VP, Regulatory Services		202	1	43	246	246
VP, Liquor Services		184	-	41	225	225
VP, Corporate Services and Chief Financial Officer	g	177	7	39	223	256
VP, Policy and Public Affairs		177	2	37	216	215
VP, Information Technology and Chief Information Officer	h	175	2	36	213	-
VP, Gaming and Cannabis	h	171	-	37	208	-
Chief Operating Officer	i	9	11	1	21	282
VP, Corporate Strategic Services and Chief Risk Officer	j	-	-	-	-	80

a) Consists of regular base pay, including acting pay. For Chair and members of the Board, it consists of remuneration paid, based on rates prescribed in the *Committee Remuneration Order*, for time spent on the business of the Board.
b) Consists of vacation payouts, severance payments, honoraria and health and personal spending account payments. There were no bonuses paid during the year.
c) Include AGLC's share of employee benefits and contributions/payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long-term disability plans, professional memberships and tuition fees.
d) At any given time, the Board consisted of no more than 8 members plus the Chair, whose remuneration is disclosed separately.
e) Other cash benefits include automobile benefits of $6 (2021 - $6). In Fiscal 2021, total included $303 of severance benefits paid as a result of a termination agreement.
f) Other cash benefits include $352 of severance benefits paid as a result of a termination agreement. Occupancy of the position changed on November 5, 2021.
g) Occupancy of the position changed on February 14, 2022.
h) Positions created on April 15, 2021.
i) Occupancy of the position ended on April 15, 2021.
j) Position eliminated on August 8, 2020.

20. Financial Instruments and Risk Management

AGLC's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and payables to the General Revenue Fund. The carrying values of AGLC's financial instruments approximate their fair values, unless otherwise noted.

AGLC is exposed to credit and liquidity risks from financial assets and liabilities. AGLC actively manages the exposure to these risks.

Credit risk represents the loss that would be recognized if parties holding financial assets of AGLC fail to honour their obligations or pay amounts due causing a financial loss. Credit risk is minimized as AGLC does not have significant exposure to any individual retail entity.

Liquidity risk is the risk that AGLC would encounter difficulties in meeting its financial obligations as they become due. The risk is reduced as the majority of AGLC's operational activities involve cash sales and short-term accounts receivables. AGLC relies on the funds generated from its operations to meet operating requirements and to finance capital investments. The risk is further mitigated by forecasting and assessing actual cash flow requirements on an ongoing basis.

21. Related Party Transactions

AGLC is a wholly owned Crown corporation of the Government of Alberta. All transactions with the Government of Alberta ministries, agencies and Crown corporations are in the normal course of operations and are measured at terms equivalent to those that prevail in arm's length transactions.

AGLC reports to the President of Treasury Board and Minister of Finance. Any ministry, department, fund or entity the Minister is responsible for is a related party to AGLC. These include:

- Department of Treasury Board and Finance
- Alberta Risk Management Fund
- General Revenue Fund

During the year AGLC made payments totaling $468 (2021 - $468) to the Alberta Risk Management Fund. Transactions with the General Revenue Fund are disclosed in Note 11.

WCLC, an associated entity as disclosed in Note 3h, is also a related party to AGLC. Details of transactions with WCLC are disclosed in Note 16. In addition to these transactions, AGLC received $743 (2021 - $705) in retailer service fees from WCLC.

The Board members of AGLC, Executive Members and their close family members are related parties to AGLC. Compensation for the Board and Executive Members are disclosed in Note 19, while transactions with close family members are immaterial.

22. Approved Budget

AGLC includes its annual budget in its business plan. On recommendation from the Board, the budget receives approval by the President of Treasury Board and Minister of Finance and becomes part of the fiscal plan of the Government of Alberta.

	2022
Cannabis revenue	$ 502,612
Cannabis cost of sales	(471,433)
Cannabis net revenue	31,179
Gaming net sales	1,556,048
Commissions and federal payments	(389,861)
Gaming net revenue	1,166,187
Liquor net revenue	920,678
Net revenue	2,118,044
Operating expenses	(307,428)
Profit from operations	1,810,616
Other revenue	15,824
Share of income from Western Canada Lottery Corporation	305,427
Net income	$ 2,131,867

23. Comparative Figures

Certain comparative figures have been reclassified to conform to the current presentation.

ATB Financial

Financial Statements
March 31, 2022

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These ATB Financial Consolidated Financial Statements are a copy from the ATB Financial 2022 Annual and Corporate Social Responsibility Report. A complete copy of the ATB Financial Annual and Corporate Social Responsibility Report which includes Management's Discussion and Analysis (MD&A) can be obtained directly from the ATB Financial website at www.atb.com.

Independent Auditor’s Report

Auditor General
OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of ATB Financial (the Group), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *2022 Annual Report*, but does not include the consolidated financial statements and my auditor’s report thereon.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on this other information, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

May 25, 2022
Edmonton, Alberta

Consolidated Statement of Financial Position

As at *($ in thousands)*	Note	March 31 2022	March 31 2021
Cash	6	$ 2,606,379	$ 4,643,603
Interest-bearing deposits with financial institutions		1,210,901	389,471
Total cash resources		**3,817,280**	**5,033,074**
Securities measured at fair value through profit or loss		128,188	92,093
Securities measured at fair value through other comprehensive income		4,407,398	3,534,514
Total securities	7	**4,535,586**	**3,626,607**
Business		24,092,016	23,197,080
Residential mortgages		16,596,726	15,833,810
Personal		4,971,346	5,631,547
Credit card		686,871	660,652
Total gross loans		**46,346,959**	**45,323,089**
Allowance for loan losses	9	(418,255)	(725,867)
Total net loans	8	**45,928,704**	**44,597,222**
Derivative financial instruments	10	1,779,577	1,181,796
Property and equipment	11	222,984	238,269
Software and other intangibles	12	227,575	282,708
Other assets	13	540,329	795,359
Total other assets		**2,770,465**	**2,498,132**
Total assets		**$ 57,052,035**	**$ 55,755,035**
Transaction accounts		$ 13,386,975	$ 12,035,331
Saving accounts		12,060,980	12,241,167
Notice accounts		6,095,213	5,639,066
Non-redeemable fixed-date deposits		4,687,929	6,014,076
Redeemable fixed-date deposits		1,088,385	1,828,748
Total deposits	14	**37,319,482**	**37,758,388**
Collateralized borrowings	15	7,614,949	7,931,082
Wholesale borrowings	20	4,442,967	3,508,819
Derivative financial instruments	10	1,882,405	921,411
Securities sold under repurchase agreements		-	14,730
Other liabilities	16	1,340,038	1,545,682
Total other liabilities		**15,280,359**	**13,921,724**
Total liabilities		**52,599,841**	**51,680,112**
Retained earnings		4,548,190	3,961,408
Accumulated other comprehensive (loss) income		(95,996)	113,515
Total equity		**4,452,194**	**4,074,923**
Total liabilities and equity		**$ 57,052,035**	**$ 55,755,035**

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

Approved by the Board:

Original signed by

Joan Hertz
Chair of the Board

Original signed by

Barry James
Chair of the Audit Commitee

Consolidated Statement of Income

For the year ended March 31 *($ in thousands)*	Note	2022	2021
Loans		$ 1,674,395	$ 1,767,527
Securities		13,968	16,364
Interest-bearing deposits with financial institutions		11,614	9,161
Interest income		**1,699,977**	**1,793,052**
Deposits		251,556	397,606
Wholesale borrowings		64,931	65,871
Collateralized borrowings		141,175	151,006
Subordinated debentures		-	2
Interest expense		**457,662**	**614,485**
Net interest income		**1,242,315**	**1,178,567**
Wealth management		279,166	239,970
Service charges		83,840	71,943
Card fees		73,834	61,345
Credit fees		54,426	49,319
Financial markets group		58,556	59,306
Capital markets revenue		53,035	58,018
Foreign exchange		11,462	20,067
Insurance		25,138	23,848
Net (losses) gains on derivative financial instruments		(12,246)	9,682
Net gains on securities		22,542	6,475
Sundry		11,813	(593)
Other income		**661,566**	**599,380**
Total revenue		**1,903,881**	**1,777,947**
(Recovery of) provision for loan losses	9	(203,879)	271,085
Salaries and employee benefits	17, 18	729,705	674,913
Data processing		152,467	132,661
Premises and occupancy, including depreciation		69,800	90,430
Professional and consulting costs		80,225	63,402
Deposit guarantee fee	14	51,483	52,442
Equipment, including depreciation		14,131	20,782
Software and other intangibles amortization	12	79,795	81,740
General and administrative		69,859	57,127
ATB agencies		15,150	14,898
Other		46,451	45,058
Writeoff of a non-strategic technology asset	12	37,162	-
Non-interest expense		**1,346,228**	**1,233,453**
Net income before payment in lieu of tax		761,532	273,409
Payment in lieu of tax	19	175,152	62,884
Net income		**$ 586,380**	**$ 210,525**

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

Consolidated Statement of Comprehensive Income

For the year ended March 31 *($ in thousands)*	2022	2021
Net income	$ 586,380	$ 210,525
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Unrealized net gains (losses) on securities measured at fair value through other comprehensive income (loss)		
Unrealized net gains (losses) arising during the period	4,365	7,379
Net (gains) losses reclassified to net income	1,087	(6,908)
Unrealized net gains (losses) on derivative financial instruments designated as cash flow hedges		
Unrealized net gains (losses) arising during the period	(206,703)	(168,173)
Net (gains) losses reclassified to net income	(101,288)	(32,724)
Items that will not be reclassified to profit or loss		
Remeasurement of defined-benefit plan liabilities	93,028	(14,517)
Other comprehensive income (loss)	**(209,511)**	**(214,943)**
Comprehensive income (loss)	**$ 376,869**	**$ (4,418)**

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

Consolidated Statement of Changes in Equity

For the year ended March 31 *($ in thousands)*	2022	2021
Retained earnings		
Balance at beginning of the period	$ 3,961,408	$ 3,752,651
Net income	586,380	210,525
Other	402	(1,768)
Balance at end of the period	**4,548,190**	**3,961,408**
Accumulated other comprehensive income (loss)		
Securities measured at fair value through other comprehensive income		
Balance at beginning of the year	(1,937)	(2,408)
Other comprehensive income (loss)	5,452	471
Balance at end of the period	**3,515**	**(1,937)**
Derivative financial instruments designated as cash flow hedges		
Balance at beginning of the period	131,745	332,642
Other comprehensive income (loss)	(307,991)	(200,897)
Balance at end of the period	**(176,246)**	**131,745**
Defined-benefit-plan liabilities		
Balance at beginning of the year	(16,293)	(1,776)
Other comprehensive income (loss)	93,028	(14,517)
Balance at end of the period	**76,735**	**(16,293)**
Accumulated other comprehensive income (loss)	**(95,996)**	**113,515**
Equity	**$ 4,452,194**	**$ 4,074,923**

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

Consolidated Statement of Cash Flows

For the year ended March 31 *($ in thousands)*	2022	2021
Cash flows from operating activities		
Net income	$ 586,380	$ 210,525
Adjustments for non-cash items and other items		
Provision for loan losses	(203,879)	271,085
Depreciation and amortization	124,831	130,784
Net (gains) losses on securities	(22,542)	(6,475)
(Gains) losses on foreign-denominated wholesale borrowings	(1,600)	(98,169)
Writeoff of a non-strategic asset	37,162	-
Adjustments for net changes in operating assets and liabilities		
Loans	(1,127,603)	2,195,423
Deposits	(438,833)	2,385,946
Derivative financial instruments	44,467	88,490
Prepayments and other receivables	(77,794)	(55,039)
Accounts receivable – financial market products	73,851	(122,326)
Due to clients, brokers and dealers	32,259	(9,135)
Deposit guarantee fee payable	598	3,497
Accounts payable and accrued liabilities	88,344	(667,663)
Accounts payable – financial market products	31,781	136,050
Liability for payment in lieu of tax	112,268	32,038
Net interest receivable and payable	(68,379)	(42,902)
Change in accrued-pension-benefit liability	4,870	954
Other	921	2,124
Net cash (used in) provided by operating activities	**(802,898)**	**4,455,207**
Cash flows from investing activities		
Purchase of securities	(2,348,336)	(2,432,765)
Proceeds from sales and maturities of securities	1,432,875	3,441,869
Change in interest-bearing deposits with financial institutions	(821,430)	(288,443)
Purchases and disposals of property and equipment, software and other intangibles	(91,575)	(63,940)
Net cash (used in) provided by investing activities	**(1,828,466)**	**656,721**
Cash flows from financing activities		
Issuance of wholesale borrowings	11,021,629	8,818,142
Repayment of wholesale borrowings	(10,080,000)	(9,610,820)
Issuance of collateralized borrowings	852,713	974,513
Repayment of collateralized borrowings	(1,149,546)	(1,588,523)
Change in securities sold under repurchase agreements	(14,730)	(336,098)
Repayment of lease liabilities	(35,926)	(38,083)
Issuance of subordinated debentures	-	30,845
Repayment of subordinated debentures	-	(30,845)
Net cash (used in) provided by financing activities	**594,140**	**(1,780,869)**
Net increase (decrease) in cash	(2,037,224)	3,331,059
Cash at beginning of the year	4,643,603	1,312,544
Cash at end of the year	**$ 2,606,379**	**$ 4,643,603**
Net cash (used in) provided by operating activities includes:		
Interest paid	$ (536,053)	$ (667,898)
Interest received	1,706,637	1,800,472

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022

1 Nature of Operations

ATB is an Alberta-based financial services provider engaged in retail and commercial banking, credit cards, digital banking and wealth management, investment-management and capital-markets services. ATB is an agent of the Crown in right of Alberta and operates under the authority of the *ATB Financial Act* (the *ATB Act*), Revised Statutes of Alberta, 2000, Chapter A-37. Under the *ATB Act*, ATB was established as a provincial Crown corporation governed by its Board of Directors appointed by the Lieutenant-Governor in Council (LGIC). Under APAGA, ATB is recognized as a government commercial enterprise and remains operationally independent from the provincial government. The address of the head office is 2100, 10020-100 Street, Edmonton, Alberta, Canada, T5J 0N3.

ATB is exempt from Canadian federal and Alberta provincial income taxes but pays an amount to the GoA designed to be in lieu of such charges. (See Note 19.)

2 Significant Accounting Policies

a. General Information

Basis of Preparation

These consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB) and the accounting requirements of the ASFI. These consolidated financial statements were approved by the Board of Directors on May 25, 2022.

The consolidated financial statements have been prepared on a historical cost basis, except for securities measured at fair value through profit or loss (FVTPL) or other comprehensive income (FVOCI), derivative financial instruments, financial assets and liabilities designated at FVTPL, equity instruments designated at FVOCI and liabilities for cash-settled, share-based payments, which have been measured at fair value.

The consolidated financial statements are presented in Canadian dollars, and all values are rounded to the nearest thousand dollars, except where otherwise indicated.

Consolidation – Subsidiaries

Subsidiaries are entities controlled by ATB. Control exists when ATB is exposed to or has rights to variable returns from its involvement with the entity and can affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control starts until the date it ends. The financial statements of the subsidiaries have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

These consolidated financial statements include the assets, liabilities and results of operations and cash flows of ATB and its subsidiaries. All intercompany transactions and balances have been eliminated from the consolidated results.

The following wholly owned subsidiaries, created for offering investor services, were established by OC and incorporated under the *Business Corporations Act* (Alberta):

- ATB Investment Management Inc., incorporated August 21, 2002
- ATB Securities Inc., incorporated February 6, 2003
- ATB Insurance Advisors Inc., incorporated July 21, 2006

The following wholly owned subsidiaries, created for offering advisory and institutional financial services, were incorporated under the *Business Corporations Act* (Alberta):

- ATB Capital Markets Inc., incorporated May 17, 2010
- ATB Capital Markets (USA) Inc., incorporated June 21, 2010
- ATB Private Equity GP Inc., incorporated February 24, 2012
- ATB Private Equity, LP, registered March 23, 2020

A series of consolidated structured entities were incorporated on November 19, 2020, under the *Business Corporations Act* (Alberta). There was no significant activity in these entities as of March 31, 2022, resulting in no impact on the consolidated statements of financial position, income or cash flow.

Significant Accounting Judgments, Estimates and Assumptions

While applying ATB's accounting policies, management has exercised judgment and made estimates in determining amounts recognized in the consolidated financial statements. The most significant judgments and estimates include the allowance for loan losses, the fair value of financial instruments and the assumptions underlying the accounting for employee benefit obligations. Actual results could differ significantly from these estimates, and the impact of any such differences will be recorded in future periods.

The consolidated financial statements for the year ended March 31, 2022, provide additional information in the following notes:

2(b): Impairment of financial assets — for establishing the allowance for loan losses
2(b): Financial instruments — for establishing the fair value
7: Securities — for establishing the fair value of investments made by ATB and subsidiaries in a broad range of mainly private Alberta companies
18: Employee benefits — for establishing the assumptions used

COVID-19

Although the market volatility associated with COVID-19 has decreased, there are still lingering impacts of the pandemic and risks of further waves, which may impact our financial results. The most significant impact would be estimates relating to the allowance for loan losses. See Note 9 for more information.

Russia's Invasion of Ukraine

The invasion of Ukraine by Russia has brought about global disruptions and uncertainty in markets and in the economy as a whole. This has led to various sanctions and controls imposed on Russia by Canada and other countries. Although ATB's exposure to Ukraine and Russia is limited, the impact of these measures and potential counter-responses by Russia is uncertain. Adverse changes, including those related to interest rates, credit spreads, market volatility and foreign exchange rates could affect ATB's earnings.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Total revenue and expenses related to foreign currency transactions are translated using the exchange rate in effect at the date of the transaction. Realized and unrealized gains and losses arising from these translations are included in other income in the consolidated statement of income.

b. Financial Instruments

Classification and Measurement of Financial Assets

To determine the classification and measurement category of financial assets, IFRS 9 *Financial Instruments* requires all financial assets except equity instruments and derivatives to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The categories under IFRS 9 are:

- Debt instruments at amortized cost.
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition.
- Equity instruments at FVOCI, with no recycling of gains or losses in profit or loss on derecognition.
- FVTPL.

Business Model Assessment

ATB determines its business model at a level that best reflects how the financial assets are managed. Judgment is used in determining ATB's business model, which is supported by observable relevant factors, such as:

- How the asset and performance are evaluated and reported to key management personnel.
- The risks that affect the asset's performance and how they are managed.
- The expected frequency, value, and timing of sales.

ATB's business models fall into three categories, which are indicative of the key strategies used:

- Hold to collect (HTC): In the HTC model, financial assets are held to collect the contractual principal and interest cash flows. Sales may occur, but they are incidental and expected to be insignificant or infrequent.
- Hold to collect and sell (HTC&S): Both collecting contractual cash flows and sales are integral to achieving this business model's objective.
- Other fair-value business models: Neither HTC nor HTC&S, other fair-value business models represent business objectives where assets are managed on a fair-value basis.

The following table presents the business model for ATB's financial assets:

Financial asset	Business model
Cash	Hold to collect
Interest-bearing deposits with financial institutions	Other fair-value business models
Securities measured at fair value through profit or loss	Other fair-value business models
Securities measured at fair value through other comprehensive income	Hold to collect and sell
Securities purchased under reverse repurchase agreements	Hold to collect
Loans	Hold to collect
Derivatives	Other fair-value business models
Other assets	Hold to collect

Financial Assets Measured at Amortized Cost

Financial assets are measured at amortized cost if they are held within an HTC business model and their contractual cash flows pass the solely payments of principal and interest (SPPI) test. The assets are initially recognized at fair value—which is the cash consideration to originate or purchase the asset, including any transaction costs and up-front fees—and subsequently measured at amortized cost using the effective interest rate (EIR) method. Financial assets measured at amortized cost are reported in the consolidated statement of financial position as loans, securities purchased under reverse repurchase agreements and other assets. Interest is included in the consolidated statement of income as part of NII. For loans, ECLs are reported in the consolidated statement of financial position as an allowance for loan losses that reduces the loan's carrying value and are recognized in the consolidated statement of income as a provision for loan losses (LLP).

The Solely Payments of Principal and Interest Test

ATB assesses the contractual terms of the financial asset to determine if the contractual cash flows represent a basic lending agreement, where the cash flows comprise SPPI. Principal is defined as the fair value of the asset at initial recognition, and it may change over the asset's life due to repayments or amortization of premiums and discounts. Interest payments primarily include compensation for credit risk and the time value of money, as well as liquidity risks and servicing or administrative costs.

The contractual terms of a financial asset may also include contractual cash flows that are not related to a basic lending agreement. Where contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending agreement, the related financial asset is classified and measured at FVTPL.

Fair Value Through Other Comprehensive Income

Financial assets with an HTC&S business model where contractual cash flows meet the SPPI test are measured at FVOCI. Financial assets at FVOCI are subsequently measured at fair value, with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are included in the consolidated statement of income in NII and foreign exchange revenue in OI, respectively.

Fair Value Through Profit or Loss

Financial assets in this category are not held for trading and are either irrevocably designated by management upon initial recognition or mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL only upon initial recognition on an instrument-by-instrument basis when the designation eliminates or significantly reduces the inconsistent treatment that would result from measuring the assets or recognizing gains or losses differently.

Financial assets at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded to the relevant category in OI in the consolidated statement of income. Interest earned from instruments designated at FVTPL is accrued in interest income using the EIR, taking into account any discount/premium and qualifying transaction costs as being integral parts of the instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded to OI in the consolidated statement of income as sundry income when the right to the payment has been established.

Equity Instruments

Upon initial recognition, ATB occasionally elects to irrevocably classify, on an instrument-by-instrument basis, some of its equity investments at FVOCI when they are not held for trading.

Gains and losses on these equity instruments are never transferred to the consolidated statement of income. Dividends are recognized as sundry income when the right of the payment has been established, except when the proceeds are a partial recovery of the instrument's cost. If so, the proceeds are instead recorded in OCI. Equity instruments at FVOCI are not assessed for impairment.

If the instrument is measured at FVTPL, fair-value changes are recorded as part of net gains on securities in OI in the consolidated statement of income.

Classification of Financial Liabilities

Financial liabilities are classified and measured either at FVTPL or amortized cost.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities in this category are those not held for trading and either designated by management upon initial recognition or mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL only upon initial recognition, instrument by instrument, when one of the following criteria is met:

- The designation eliminates or significantly reduces the inconsistent treatment that would result from measuring the liabilities or recognizing gains or losses differently.
- The liabilities are part of a group of financial liabilities managed and their performance evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy.

Financial liabilities at FVTPL are recorded at fair value in the consolidated statement of financial position. Changes in fair value are recorded to the relevant category in OI in the consolidated statement of income, excluding movements in fair value of liabilities designated at FVTPL if there were changes in ATB's own credit risk. Such changes in fair value are recorded in the credit reserve through OCI and do not get transferred to profit or loss. Interest incurred on instruments designated at FVTPL is accrued in interest expense using the EIR, taking into account any discount/premium and qualifying transaction costs being integral parts of the instrument. ATB classifies certain wholesale borrowings at FVTPL.

Financial Liabilities Measured at Amortized Cost

Financial liabilities not classified as FVTPL are measured at amortized cost and reported on the consolidated statement of financial position. They include deposits, wholesale borrowings, collateralized borrowings and other liabilities. Interest expense is recognized using the EIR method and included in the consolidated statement of income as part of NII.

Reclassification of Financial Assets and Liabilities

ATB has not reclassified any of its financial assets and would do so only if a significant change were to occur subsequent to initial recognition. Financial liabilities are never reclassified.

Impairment of Financial Assets

IFRS 9 incorporates a forward-looking ECL approach. ATB records an allowance for loan losses for all loans and financial assets not held at FVTPL, which includes loan commitments and financial guarantee contracts. Equity investments are not subject to impairment under IFRS 9.

For financial assets measured at FVOCI, the calculated ECL is recognized as an allowance in OCI as an accumulated impairment amount with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is transferred to OI as net gains on securities when the asset is derecognized.

For loans carried at amortized cost, impairment losses are recognized at each reporting date as an allowance for loan loss on the consolidated statement of financial position and an LLP on the consolidated statement of income. Allowances associated with undrawn amounts are presented under other liabilities on the consolidated statement of position and disclosed in Note 9. Losses are based on the three-stage impairment model outlined below.

ATB assesses at each reporting date whether an asset has experienced a significant increase in credit risk since initial recognition. Assets are grouped into Stage 1, Stage 2 or Stage 3, described as follows:

- **Stage 1**: When the asset is recognized, an allowance is recorded based on the 12-month ECL, which represents a portion of the lifetime ECL expected within 12 months of the reporting date. An asset will remain in Stage 1 until it has experienced a significant increase in credit risk since origination. Stage 1 also includes assets previously classified as Stage 2 if the credit risk has improved.
- **Stage 2**: When an asset has experienced a significant increase in credit risk since origination, an allowance is recognized for the lifetime ECL. Stage 2 also includes assets previously classified as Stage 3 if the asset is no longer credit impaired.
- **Stage 3**: Assets are considered credit impaired, with an allowance recognized equal to the discounted contractual cash shortfall expected over the remaining lifetime. Interest for assets in this stage is calculated based on the net loan balance.

Assessing for significant increases in credit risk is done at least quarterly based on the following three factors. Should any of these indicate a significant increase in credit risk, the loan is moved from Stage 1 to Stage 2:

- Established thresholds are based on both a percentage and absolute change in lifetime probabilities of default relative to initial recognition.
- Loans 30 days past due are typically considered to have experienced a significant increase in credit risk, except, all else being equal, for payment deferrals granted under ATB's relief programs.
- All non-retail loans with a borrower risk rating (BRR) between 10 and 13 are generally considered high risk, as described in Note 8.

Both the lifetime and 12-month ECLs are calculated either individually or collectively. If the credit quality improves in subsequent periods to the point where a significant increase in credit risk no longer exists, the ECLs are measured at the 12-month ECL as the loan is moved back to Stage 1 from Stage 2.

Measurement of Expected Credit Losses

ECL calculations use a complex model that is reviewed and updated when necessary. The calculation methods for each stage are summarized as follows:

- **Stage 1**: ATB estimates an asset's projected probability of default (PD), exposure at default (EAD) and loss given default (LGD) over a maximum of 12 months following the reporting date and discounts the ECLs by the asset's EIR.
- **Stage 2**: ATB estimates an asset's projected PD, EAD and LGD over the remaining lifetime of the asset and discounts the ECLs by the asset's EIR.
- **Stage 3**: For credit-impaired assets, ATB recognizes the cumulative changes in lifetime ECLs since initial recognition. The calculation is similar to Stage 2 assets, with the PD set at 100%.

Forward-Looking Information

To measure the expected cash shortfalls, the model is based on three probability-weighted scenarios (pessimistic, baseline and optimistic) designed to capture a wide range of possible outcomes associated with different PDs, EADs and LGDs and probability of occurrence. The probability and scenarios are adjusted quarterly, based on forecasted future economic conditions. The scenarios are subject to review and challenged by the established Economic Forecast Committee, which is composed of ATB team members from across the enterprise, including Risk, Capital Markets (Energy, Foreign Exchange), the CFO Portfolio, Business (Agriculture, Real Estate), Everyday Financial Services and Customer Experience.

In the model, ATB relies on a broad range of forward-looking economic information. The inputs vary based on the asset and include:

- GDP.
- Unemployment rate.
- Housing starts.
- 3-month T-Bill yield
- Oil prices.
- Foreign exchange rate.

As the inputs may not capture all factors at the date of the financial statements, qualitative adjustments may be applied when these differences are considered material.

Expected Life

For loans in Stages 2 and 3, allowances are based on the ECLs over the loan's expected remaining lifetime. For most loans, the life is based on the remaining contractual life.

Exceptions can apply if:

- The loan includes both a loan and an undrawn commitment component.
- The loan agreement includes the contractual ability to demand repayment and cancel the undrawn commitment.
- Credit loss exposure exceeds the contractual notice period.

Loans with these characteristics are exposed to credit losses exceeding the remaining contractual life and are not mitigated by ATB's normal credit risk management practices. The estimated period is based on significant judgment using historical information for similar exposures and normal credit risk management actions that vary by product.

Significant Increase in Credit Risk

Stage 1 and Stage 2 movement relies on significant judgment to assess whether a loan's credit risk has significantly increased, relative to the date the loan was initially recognized. For this assessment, an increase in credit risk is based on a loan's lifetime PD, segregated by product or segment and done at the instrument level.

Movement from Stage 2 back to Stage 1 is symmetrical to moving from Stage 1 to Stage 2. As a result, if a loan is no longer considered to have a significant increase in credit risk relative to its initial recognition, the loan moves back to Stage 1.

Financial assets with low credit risk are considered to have a low risk of default, as the borrower can still fulfil its contractual obligations—even in stress scenarios. For these assets, ATB has assumed that the credit risk has not increased significantly since initial recognition. Securities measured at FVOCI, securities purchased under reverse repurchase agreements and certain financial assets have been identified as having low credit risk.

Definition of Default

Loans are assessed at each reporting date to determine if one or more loss events have occurred. ATB's definition of default is consistent with our internal credit risk management practices and varies across products. ATB's loans are considered impaired when they are more than 90 days past due, unless there is a reasonable expectation of timely collection of principal and interest. Impairment may also occur earlier if there is objective evidence of a negative impact on the loan's estimated future cash flows.

Writeoffs

Financial assets are written off either partially or entirely only when there is no reasonable expectation of recovery or ATB has stopped pursuing the recovery. If the amount written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance and then applied against the gross carrying amount. Any subsequent recoveries are credited to the consolidated statement of income.

Modifications and Derecognitions

A modification occurs when a financial asset's original term, payment schedule, interest rate and limit are renegotiated or modified, which results in a change to the loan's contractual cash flows.

A modification gain or loss is calculated by taking the net present value of the new contractual cash flows, discounted at the original EIR less the current carrying value. The asset will continue to be subject to the same assessments for significant increase in credit risk and stage migration prior to being modified.

When an asset is derecognized and re-recognized, the new loan will be recorded in Stage 1 unless the loan was credit impaired when renegotiated. When assessing for significant increases in credit risk, the date of initial recognition is based on the date the loan was modified.

Estimated Fair Value

The fair value of a financial instrument is the price that would be received in the sale of a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. The best evidence of the fair value of a financial instrument at initial recognition is the fair value of the consideration received or paid.

When financial instruments are subsequently remeasured, quoted market prices in an active market provide the best evidence of fair value. When such prices are available, ATB uses them to measure financial instruments. A financial instrument is considered to be quoted in an active market when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group or pricing service and those prices reflect actual and regularly occurring market transactions on an arm's-length basis. The fair value of a financial asset traded in an active market generally reflects the quoted closing bid price, and that of a financial liability traded in an active market generally reflects the quoted closing ask price.

If the market for a financial instrument is not active, ATB establishes fair value using a valuation technique that primarily makes use of observable market inputs. Such valuation techniques include the use of available information concerning recent market transactions, reference to the current fair value of a comparable financial instrument, discounted cash flow analysis, option pricing models and all other valuation techniques commonly used by market participants that provide reliable estimates.

In cases where the fair value is established using valuation models, ATB makes assumptions about the amount, the timing of estimated future cash flows and the discount rates used. These assumptions are based primarily on observable market inputs such as interest rate yield curves, foreign exchange rates, credit curves and price and rate volatility factors. When one or more significant inputs are not observable in the markets, fair value is established primarily on the basis of internal estimates and data, considering the valuation policies in effect at ATB, the economic environment, the specific characteristics of the financial asset or liability and other relevant factors. For investments made by ATB and its subsidiaries in private Alberta companies where there is no observable market price, fair value is estimated using a combination of discounted cash flows and market multiples derived from quoted prices of comparative companies while applying liquidity discounts as appropriate, and other valuation techniques. (See Notes 4 and 7.)

The fair values are estimated at the balance sheet date using the following valuation methods and assumptions.

Financial Instruments Whose Carrying Value Equals Fair Value

The estimated fair value of items that are short term in nature is considered to be equal to their carrying value. These items include cash, securities purchased under reverse repurchase agreements, other assets and other liabilities.

Securities and Interest-Bearing Deposits With Financial Institutions

The fair values of securities and interest-bearing deposits with financial institutions are based on quoted market prices, if available. Where an active market for identical assets does not exist, the fair value is estimated using observable market data. Where there is no quoted and observable market data, management judgment and valuation techniques based on certain assumptions are used.

Derivative Instruments

Fair value of over-the-counter and embedded derivative financial instruments is estimated using pricing models that take into account credit valuation adjustments, current market and contractual prices for the underlying instruments, and time value and yield curve or volatility factors underlying the positions. The fair value of exchange-traded contracts is based on quoted market prices in an active market.

Hybrid instruments are contracts that contain an embedded derivative. If the contract is a financial asset in scope of the standard, IFRS 9's classification and measurement criteria are applied to the entire hybrid instrument. If the contract is either a financial liability or an asset not in scope of IFRS 9, the embedded derivative is separately recognized if it is not closely related to the contract, unless the fair-value option has been elected. The contract is then accounted for in accordance with its relevant accounting standard.

Loans and Deposits

For floating-rate financial instruments, fair value is equal to carrying value as the interest rates reprice when market rates change. For fixed-rate loans, fair value is estimated by discounting the expected future cash flows at market rates. For fixed-rate deposits, fair value is estimated by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms.

Due to the use of subjective assumptions and measurement uncertainty, the fair-value amounts should not be interpreted as being realizable in an immediate settlement of these instruments.

Wholesale Borrowings and Collateralized Borrowings

The fair values of wholesale borrowings and collateralized borrowings are estimated by discounting contractual cash flows using market reference rates currently offered for debt instruments with similar terms and credit risk ratings.

Derecognition of Financial Assets and Liabilities

ATB derecognizes a financial asset when the contractual right to receive cash flows from the asset has expired or when all risks and rewards of ownership are substantially transferred. For funding transactions, all financial assets that cannot be derecognized continue to be held on ATB's consolidated statement of financial position, and a secured liability is recognized for the proceeds received. ATB derecognizes a financial liability when its contractual obligations are discharged or canceled or they expire. The difference between the carrying amount of a financial liability extinguished or transferred to another party and consideration paid is recognized as sundry income in the consolidated statement of income.

Securities Purchased Under Reverse Repurchase Agreements and Securities Sold Under Repurchase Agreements

Securities purchased under reverse repurchase agreements represent a purchase of Government of Canada securities by ATB with a simultaneous agreement to sell them back at a specified price on a future date. The difference between the cost of the purchase and the predetermined proceeds to be received based on the repurchase agreement is recorded as securities interest income in the consolidated statement of income. Securities purchased under reverse repurchase agreements are fully collateralized—minimizing credit risk—and have been classified and measured at amortized cost.

Securities sold under repurchase agreements represent a sale of Government of Canada securities by ATB with a simultaneous agreement to buy them back at a specified price on a future date. The difference between the proceeds of the sale and the predetermined cost to be paid based on the repurchase agreement is recorded as interest expense in the consolidated statement of income.

Derivative Financial Instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying reference rate such as an interest rate, a currency exchange rate, the price of an equity or debt security, or an equity or commodity index.

ATB enters into various over-the-counter and exchange-traded derivatives in the normal course of business, including interest rate swaps, futures and foreign exchange and commodity contracts. ATB uses such instruments for two purposes: for its risk management program and to meet the needs of ATB clients.

ATB's corporate derivative portfolio is not intended for speculative income generation but for asset/liability management purposes—that is, to manage ATB's interest rate, foreign exchange and equity-related exposures arising from its portfolio of investments, loan assets, deposits, CMBs and wholesale borrowings.

ATB's client derivative portfolio is not used to generate trading income through active assumption of market risk, but rather to meet the risk management requirements of ATB clients. ATB accepts no net exposure to such derivative contracts (except for credit risk), as it either enters into offsetting contracts with other financial institution counterparties or incorporates them into its own risk management programs.

Some derivative financial instruments, including embedded derivatives, are classified at FVTPL and measured at fair value in the consolidated statement of financial position. Derivatives with positive fair value are presented as derivative assets, and those with negative fair value are presented as derivative liabilities. Changes in the fair value of derivative financial instruments are recorded to the relevant category in OI in the consolidated statement of income, unless the derivative is designated for hedge accounting as a cash flow hedge, in which case the changes in fair value are reflected in OCI.

Hedge Accounting

For a derivative instrument to qualify for hedge accounting, the hedging relationship between the derivative (hedging) instrument and the hedged item(s) must be designated and formally documented at inception. ATB must also document, both at the inception of the hedging relationship and on an ongoing basis, an assessment of the effectiveness of the derivative instrument in offsetting changes in cash flows or fair value of the hedged item. When ATB designates a derivative as a hedge, it is classified as either a cash flow or fair-value hedge. ATB has elected to continue applying the hedge accounting principles under International Accounting Standard (IAS) 39 instead of those under IFRS 9.

ATB discontinues hedge accounting when one of the following conditions occurs:

- It is determined that a derivative is not or has ceased to be highly effective as a hedge;
- The derivative expires or is sold, terminated or exercised;
- The hedged item matures or is sold or repaid; or
- A forecast transaction is no longer deemed highly probable.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged item is ultimately recognized in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in equity is immediately transferred to OI as net gains on derivatives in the consolidated statement of income.

Cash Flow Hedge

ATB's derivative instruments in cash flow hedges are intended to generate cash flows that offset the variability in expected and/or anticipated cash flows from the hedged item. ATB uses various interest rate and cross-currency derivatives to manage risk relating to the variability of cash flows from certain loans and deposits. In a qualifying cash flow hedge relationship, the effective portion of the change in fair value of the hedging derivative instrument is recognized in OCI and the ineffective portion to net gains on derivatives in the consolidated statement of income. Amounts are reclassified from OCI into NII in the consolidated statement of income in the same period that the underlying hedged item affects NII.

Fair-Value Hedge

Changes in fair value of derivatives that qualify and are designated as fair-value hedges are recorded to net gains on derivatives in OI in the consolidated statement of income, together with changes in the fair value of the hedged asset or liability attributable to the hedged risk recorded to sundry income in OI in the consolidated statement of income. ATB uses interest rate swaps to manage our exposure to fair-value changes of certain fixed-interest-rate loans and alternative funding sources caused by interest rate changes. If the hedge relationship no longer meets the criteria for hedge accounting, it is discontinued. For fair-value hedges of interest rate risk, the fair-value adjustment to the hedged item is amortized to the consolidated statement of income over the period to maturity of the previously designated hedge relationship, using the EIR method. If the hedged item is sold or repaid, the unamortized fair-value adjustment is recognized immediately in the consolidated statement of income.

Financial Guarantees

Liabilities under financial guarantee contracts are initially recorded at their fair value, which is generally the fee received or receivable. Subsequently, the financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortization, and the best estimate of the expenditure required to settle the obligation.

Interest Income and Expenses

Interest income and expenses for all interest-bearing financial instruments are recognized in the consolidated statement of income using the EIR method. When calculating the EIR, ATB estimates cash flows by considering all contractual terms of the financial instrument (e.g., prepayment options). The calculation includes all fees integral to the EIR that are paid or received between parties to the contract, transaction costs and all other premiums or discounts.

Financial Markets Group

Income generated by this group comprises various over-the-counter and exchange-traded derivatives, including interest rate swaps, foreign exchange and commodity contracts. These are used to meet the risk management requirements of ATB clients, and ATB either enters into offsetting contracts with other financial institution counterparties or incorporates them into its own risk management programs, thereby resulting in no net exposure. Changes in the fair value of derivative financial instruments are recorded as part of Financial Markets Group (FMG) in OI in the consolidated statement of income.

c. Property and Equipment

Property and equipment are carried at cost less accumulated depreciation, except for land, which is carried at cost. Buildings, computer equipment, furniture and fixtures and other equipment, and leasehold improvements are depreciated on a straight-line basis over their estimated useful lives, consistent with the expected economic benefits obtained from the asset. Additions and subsequent expenditures are capitalized only to the extent that they enhance the future economic benefits expected to be derived from the assets, considering expected usage and expected physical wear and tear. The depreciable amount is the gross carrying amount less the estimated residual value at the end of the asset's useful economic life. Property and equipment acquired under a finance lease are capitalized, and the depreciation period for a finance lease corresponds to the lesser of the useful life or lease term. No depreciation is recorded on property and equipment under construction or development until the assets are available for use. The estimated useful life for each asset class is as follows:

- Buildings — up to 20 years;
- Right-of-use assets — up to 20 years, with renewals assessed case by case;
- Computer equipment — up to 5 years;
- Furniture and fixtures — up to 10 years;
- Other equipment — up to 5 years; and
- Leasehold improvements — lease term, plus one renewal period if reasonably assured, for branch properties; lease term for corporate properties, if applicable.

Depreciation rates, calculation methods and the residual values underlying the calculation of depreciation of items of property and equipment are reviewed to account for any change in circumstances. Gains and losses on the disposal of property and equipment are recorded to other expenses in the consolidated statement of income in the year of disposal.

d. Software, Goodwill and Other Intangibles

Software and other intangibles are carried at cost less accumulated amortization and amortized on a straight-line basis over their estimated useful lives, consistent with the expected economic benefits obtained from the asset. Goodwill refers to any sum paid above the fair value of the net identifiable assets obtained on the date the business is acquired. No amortization is recorded on software under construction or development until the assets are available for use. The estimated useful life for software and other intangibles is 3 to 5 years, with certain software having a useful life of 15 years.

Costs related to software developed or obtained for internal use are capitalized if it is probable that future economic benefits will flow to ATB and that the cost can be measured reliably. Eligible costs include external direct costs for materials and services, as well as payroll and payroll-related costs for employees directly associated with an internally developed software project.

e. Impairment of Property and Equipment, Software, Goodwill and Other Intangibles

The carrying amount of non-financial assets—which include property and equipment, software, goodwill and other intangibles—is reviewed for impairment whenever events, changes in circumstances or technical or commercial obsolescence indicates that the carrying amount may not be recoverable. Goodwill and software under development are tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest level where there are separately identifiable cash inflows, or cash-generating units (CGUs).

If there is any indication of impairment, the asset's recoverable amount is estimated. The recoverable amount is the greater of an asset's fair value, less cost to sell, or its value in use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Impairment losses are recorded to the appropriate line under NIE in the consolidated statement of income.

Impairment losses may be reversed if the circumstances leading to impairment are no longer present and only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized. Impairment loss reversals are recorded to other expenses in the consolidated statement of income.

Goodwill is tested for impairment annually, or more frequently if there are objective indications of impairment, by comparing the recoverable amount of a CGU with its carrying amount. The recoverable amount of a CGU is the higher of its fair value, less costs of disposal or its value in use. The recoverable amount is determined using a discounted cash flow model that projects future cash flows based on forecasted revenue. The discount rate is based on an implied internal rate of return using a combination of working capital, cash flow growth, annual capital expenditures and ATB's PILOT. Both estimates involve significant judgment when determining the inputs. If the carrying amount of a CGU exceeds its recoverable amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to other identifiable assets proportionately based on the carrying amount of each asset. Subsequent reversals of goodwill impairment are prohibited. No goodwill impairment was recorded for the year ended March 31, 2022, and at March 31, 2021.

f. Leases

IFRS 16 *Leases* provides a single lessee accounting model, requiring all leases to be included in the consolidated statement of financial position.

The interest rate for lease liabilities has been calculated using the weighted-average approach. ATB did not hold any short-term or low-value asset leases as at March 31, 2022, or at March 31, 2021.

Lessee Accounting

Classification

ATB assesses at the start of a contract if the contract is or contains a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, a right-of-use asset and a lease liability are recognized. The right-of-use asset is presented under property and equipment, and the lease liability is presented under other liabilities on the consolidated statement of financial position.

Measurement

Measuring the lease liability includes the following components:

- Fixed lease payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts ATB expects to pay for residual-value guarantees;
- The amount paid for a purchase option if ATB is reasonably certain it will exercise the option; and
- Penalties for terminating the lease, if the term includes the option to terminate and that option is exercised.

The lease liability is measured at amortized cost using the EIR method and remeasured when:

- Future lease payments change due to an index or rate change.
- The amount ATB expects to collect for a residual-value guarantee changes.
- The likelihood of exercising a purchase, extension or termination option changes.

Remeasurements are recorded to the carrying amount of the right-of-use asset or to profit or loss if that carrying amount is zero.

Lease payments are discounted over the non-cancellable term using the interest rate implicit in the lease. However, if the interest rate cannot be readily determined, the incremental borrowing rate is used. For ATB, the incremental borrowing rate is based on our wholesale borrowing costs.

The right-of-use asset is initially measured to be equal to the right-of-use liability and is recorded under property and equipment. The assets are depreciated until the earlier of:

- The end of the useful life of the right-of-use asset or
- The lease term.

The straight-line method is applied, as it best reflects the expected pattern of consumption of the future economic benefits. In addition, right-of-use assets may be reduced by impairment losses, if any, or for certain remeasurements made to the lease liability.

If the contract does not contain a lease, no asset or liability is recorded on the consolidated statement of financial position. Instead, payments are recognized to NIE as equipment, including depreciation, in the consolidated statement of income on a straight-line basis over the term of the contract.

Lessor Accounting

Classification

A lease is classified as a "finance lease" if it transfers substantially all risks and rewards related to the underlying asset. A lease is classified as "operating" if it does not transfer substantially all risks and rewards related to the underlying asset.

The classification is done at inception and is reassessed only if a lease modification occurs. Changes in estimates (e.g., of the economic life or residual value of the underlying asset) or changes in circumstances (e.g., by default by the lessee) do not change a lease's classification.

Measurement

A lessor recognizes a finance lease on its consolidated statement of financial position (presented as a receivable at an amount equal to the net investment in the lease). The lease receivable includes:

- Fixed payments (including in-substance fixed payments) less any lease incentives payable.
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts ATB expects to receive for residual-value guarantees.
- The amount received for a purchase option if the lessee is reasonably certain to exercise it.
- Penalties for terminating the lease if the term includes the option to terminate and the lessee is expected to exercise the option.

Subleases

A sublease is a transaction where a lessee ("intermediate lessor") leases an underlying asset to a third party. The lease ("head lease") between the head lessor and lessee remains unchanged.

If a transaction fits this criteria, the sublease is classified as either a finance or operating lease based on the right-of-use asset arising from the head lease. However, if the recognition exemption is applied to the head lease, then the sublease shall be classified as an operating lease.

g. Salaries and Employee Benefits

ATB provides benefits to current and past employees through a combination of DB and defined-contribution (DC) plans.

Non-management employees currently participate in the Public Service Pension Plan (PSPP) with other Alberta public-sector employees. The PSPP is a DB pension plan that provides benefits based on members' years of service and earnings. ATB provides its management employees with a registered pension plan (the ATB Plan) with either DB or DC provisions. ATB also provides a non-registered DB supplemental retirement plan (SRP) and other post-employment benefits (OPEB) for designated management employees. Where employees have annual contributions over the allowed maximum under the *Income Tax Act,* ATB provides the employees with a notional supplemental plan (NSP) in which excess amounts are allocated. This non-registered plan gives employees notional DC benefits that cannot be provided with the ATB Plan due to contribution limitations.

All expenses related to employee benefits are recorded in the consolidated statement of income as salaries and employee benefits in non-interest expenses.

The cost of the DB plan is determined using an actuarial valuation. The valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Details of the salaries and benefits of ATB's key management personnel included in Note 17 are presented in the audited Compensation Summary table of this report relating to key management personnel compensation.

Accounting for Defined-Benefit Plans – Registered, Supplemental and Other

The PSPP and the DB portion of the ATB Plan, SRP and OPEB obligations provides employee benefits based on members' years of service and highest average salary. The net liability recognized in other liabilities in the consolidated statement of financial position in respect of DB pension plans is the present value of the DB obligation at the date of the consolidated statement of financial position less the fair value of plan assets. The DB obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the DB obligation is determined by discounting the estimated future cash outflows. Actuarial gains and losses are recognized in OCI. Past-service costs are recognized immediately in salaries and employee benefits in the consolidated statement of income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

Accounting for Defined-Contribution Plans

Contributions are expensed as they become due and recorded in salaries and employee benefits in the consolidated statement of income.

Plan Valuations, Asset Allocation and Funding

On March 31 each year, ATB measures its accrued-benefit obligations and the fair values of plan assets for accounting purposes for the PSPP, ATB Plan, SRP and OPEB obligations. ATB makes regular funding contributions to the DB plan according to the most recent valuation for funding purposes. The SRP and OPEB obligations are not pre-funded, and such benefits are paid from ATB's assets as they become due. The most recent actuarial valuation of the DB provisions of the ATB Plan was performed on December 31, 2019. The DB plan's investment policy sets targets for an acceptable range for the allocation of plan assets between equity, debt and other assets. (See Note 18.)

h. Provisions

Provisions are recognized when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made of the amount of the obligation.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are:

- Possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ATB; or
- Present obligations that have arisen from past events but are not recognized because settlements will not require an outflow of economic benefits or because the amount of the obligations cannot be reliably measured.

Contingent liabilities are not recognized in the financial statements but are disclosed (in Note 21) unless the probability of settlement is remote.

i. Securitization

To provide ATB with additional sources of liquidity, we periodically securitize and guarantee certain securities and RMLs through CMHC's CMB program or through third-party investors. Credit card receivables may also be secured by ATB. All of our securitization activities are recorded on our consolidated statement of financial position and carried at amortized cost, as the derecognition criteria is not met due to retaining substantially all risks and rewards of ownership. ATB recognizes a liability for cash proceeds received from securitization. This liability is presented under collateralized borrowings in the consolidated statement of financial position.

j. Segmented Information

An AOE is a distinguishable component of ATB that provides products or services and is subject to risks and returns that are different from those of other AOEs. The SLT regularly reviews operating activity by AOE. All transactions between AOEs are conducted at arm's length, with intra-segment revenue and expenses being eliminated in SSUs. Income and expenses associated with each AOE are included in determining that AOE's performance.

k. Revenue Recognition

Fees and Commission Income

Wealth Management

Wealth management income includes revenue earned from trailer fees and mutual fund commissions, fund management, financial planning servicing and account servicing fees. Except for certain one-time account fees and commissions that are recognized when the services are completed, revenues are deferred and recognized over time for management and advisory services provided evenly throughout the month—assuming that a significant reversal of revenue will likely not occur.

Most commission revenue for insurance services is recognized immediately; a portion is deferred and recorded as a contract liability in other liabilities in the consolidated statement of financial position. The liability is then recognized as revenue in future years as performance obligations are fulfilled by managing policyholder relationships.

Service Charges

Service charges generate revenue from offering services to clients. Transaction-based fees are recognized when the transaction occurs or the service is completed.

Card Fees

Revenue is generated from issuing Mastercard® and Visa[1] Debit cards, from merchant credit card terminals and associated services and from interchange fees. All three types of fees are recognized when the transaction has taken place, except for certain recurring merchant fees that are recognized over time. Credit card reward program expenses are recorded as a reduction to card fee revenue, as the program is managed by a third party, with ATB acting as an agent.

Credit Fees

Fees are earned on various services related to a client's loan, letters of credit and guarantees, syndication and standby fees. When a fee is charged for a one-time service, revenue is recorded immediately. If the fee relates to an ongoing service, revenue is recorded over time. Fees associated with letters of credit and guarantees are deferred and recorded to revenue monthly, over the term of the letter.

Insurance

This refers to revenue generated from insurance plans offered with loans. There are two fees: variable fees based on the plan's surplus, which are deferred and recognized over the loan, and commission earned from each successful referral made to Sun Life Financial Inc. by ATB, which is recognized when the transaction takes place.

Capital Markets Revenue

These fees include underwriting services, mergers and acquisitions (M&A) and Project Finance advisory services. Underwriting services are earned and recognized upon completion by an agent/underwriter distributing the securities of issuers. M&A fees are deferred and recognized over the period of the engagement as the services are provided, and the remaining fees are recognized when the transactions and services provided are completed or certain milestones have been achieved.

Contract Assets and Liabilities

A contract asset is defined as an entity's right to consideration in exchange for goods or services that the entity has transferred to a client when that right is conditional on something other than the passage of time (e.g., the entity's future performance). This is similar to the concept of unbilled receivables.

A contract liability is defined as an entity's obligation to transfer goods or services to a client, for which the entity has received consideration (or the amount is due) from the client. This is similar to the concept of unearned revenue. (See Note 25.)

ATB had no material contract assets or liabilities as at March 31, 2022, and at March 31, 2021.

Remaining Performance Obligations

Remaining performance obligations are defined as unsatisfied or partially satisfied performance obligations that an entity has promised to transfer to a client, as stated in the contract.

ATB had no material remaining performance obligations longer than one year as at March 31, 2022, and at March 31, 2021.

l. Business Combinations

Business combinations are accounted for using the acquisition method, which involves recognizing the identifiable assets, including intangible assets not previously recognized by the acquiree, and liabilities, including contingent liabilities, for the acquired business. The assets and liabilities are measured at their fair value on the date of acquisition, and any transaction costs are recorded directly to other expenses in the consolidated statement of income. Goodwill is recorded as part of software and other intangibles on the consolidated statement of financial position if the acquisition cost exceeds the fair value of the identifiable net assets acquired. If the acquisition cost is less than the fair value of the net assets acquired, the fair value is remeasured and any remaining difference is recognized immediately to other expenses in the consolidated statement of income. Subsequent fair-value changes for contingent liabilities are recorded to other expenses on the consolidated statement of income.

Any non-controlling interest (NCI) is measured either at its fair value or based on its proportionate share of the identifiable net assets at the acquisition date, with the measurement method applied transaction by transaction.

ATB had no business combinations for the years ended March 31, 2022, and March 31, 2021.

[1] Trademark of Visa International Service Association and used under license.

3 Summary of Accounting Policy Changes

Change in Accounting Policies and Disclosures

Interest Rate Benchmark Reform (IBOR) Phase 2

In August 2020, the IASB finalized amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts*, and IFRS 16 *Leases*. The amendments provide guidance to address instances, for issues that may affect financial reporting, where an existing interest rate benchmark is replaced with an alternative interest rate that modifies financial assets and financial liabilities, including lease liabilities, hedge accounting requirements and IBOR-reform-related disclosures. In October 2020, the Accounting Standards Board (AcSB) approved the amendments.

The amendment provides relief when a financial instrument moves to an alternative interest rate that is economically equivalent to IBOR:

- For modifications of financial instruments carried at amortized cost, benchmark interest rate changes are reflected prospectively by updating the effective interest rate with no immediate gain or loss recognized.
- Existing hedging relationships are allowed to continue upon moving to an alternative rate under certain qualifying criteria. If an alternative interest rate is not specifically identified at the date it is designated for hedge accounting, it will be deemed to meet the requirements if the rate can be identified within a 24-month period. If this criteria cannot be met, then hedge accounting will be discontinued prospectively.

ATB has established a comprehensive approach to the IBOR reform project. The implementation plan includes the following objectives:

- Identifying all clients and transactions impacted by the transition;
- Determining new pricing for all products that will be transitioned;
- Updating client contracts to reflect the transition; and
- Supporting changes to impacted systems, processes and policies impacted by the transition.

We are following the recommended target date for cessation of IBOR-based products, which was revised from December 31, 2021, to June 30, 2023.

During the first quarter of FY2022, ATB partially adopted the Phase 2 amendments, which had no impact on our financial statements.

Hedging Relationships Impacted by the Interest Rate Benchmark Reform

As at March 31, 2022, ATB has four hedging relationships that have been impacted by the interest rate benchmark reform.

The following table shows the notional amount of our hedging instruments that will expire after June 30, 2023, and result in the amendment of hedging relationships and related documentation. The notional amounts of our hedging instruments also approximate the extent of the risk exposure we manage through hedging relationships.

As at March 31, 2022 *($ in thousands)*	**Notional amount**
Interest rate swaps	
USD London Interbank Offered Rate (LIBOR)	$ 188,484

Non-Derivative Financial Assets and Undrawn Commitments

The following table reflects ATB's exposure to non-derivative financial assets and undrawn commitments as at March 31, 2022, subject to reform that have yet to transition to alternative benchmark rates. These exposures will remain outstanding until USD LIBOR ceases, which is expected to be June 30, 2023.

As at March 31, 2022 *($ in thousands)*	**Amount**
Non-derivative financial assets (1)	$ 916,061
Authorized and committed undrawn commitments	-

(1) Non-derivative financial assets include carrying amounts of loans.

Future Accounting Policy Changes

The following standards have been issued but are not yet effective on the date of issuance of ATB's consolidated financial statements. ATB is currently assessing the impact of the application of these standards and will adopt them when they become effective.

Annual Improvements to IFRS Standards 2018-2020

In May 2020, the IASB issued *Annual Improvements to IFRS Standards 2018-2020*, amending a number of standards as part of its annual improvements. IFRS 9 *Financial Instruments* clarifies which fees are included when applying the "10% test" to assess whether a financial liability is derecognized. Under IFRS 16 *Leases*, an example for reimbursements made by the lessor for leasehold improvements has been removed. In September 2020, the AcSB endorsed the IASB's annual improvements.

ATB has assessed the impact of these improvements and determined there is no impact on our financial presentation. The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with early application permitted. The amendments for IFRS 9 provide clarification and for IFRS 16 an illustrative example has been updated, therefore have no effective date.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*)

In May 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*, which clarifies that the cost of fulfilling a contract is included in determining whether a contract is onerous or not. The cost includes incremental and allocated costs that relate directly to fulfilling the contract.

ATB has assessed the impact of these amendments and determined there is no impact on our financial presentation. This amendment is effective for annual reporting periods beginning on or after January 1, 2022, and must be applied for all obligations not fulfilled at the beginning of the fiscal year in which the amendment is adopted. Earlier application is permitted. The amendments take effect April 1, 2022, the start of ATB's FY2023.

Proceeds Before Intended Use (Amendments to IAS 16 *Property, Plant and Equipment*)

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)*. The change prohibits deducting from the cost of property, plant and equipment any proceeds from selling items produced while readying the assets for use. Instead, the cost of producing those items and the proceeds from selling them must be recognized immediately in profit or loss.

ATB has assessed the impact of these amendments and determined there is no impact on our financial presentation. This amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amendments take effect April 1, 2022, the start of ATB's FY2023.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1 *Presentation of Financial Statements*)

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*, which amends the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of any asset, liability income or expenses, nor the information that entities disclose about those items.

ATB has assessed the impact of the new definition, which is effective for annual reporting periods beginning on or after January 1, 2023, and determined that there is no impact on our financial presentation. Earlier application is permitted. We will adopt the amendments to IAS 1 on April 1, 2023, the start of ATB's FY2024.

Disclosure of Accounting Policies (Amendments to IAS 1 *Presentation of Financial Statements*)

In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1)*, which is intended to disclose material accounting policies and distinguish these from significant accounting policies. The amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance on how to apply a four-step materiality process to accounting policy disclosures.

ATB is currently assessing the impact of the amendment, which is effective for annual reporting periods beginning on or after January 1, 2023, and is applied prospectively, with earlier application permitted. The amendments to IAS 1 take effect April 1, 2023, the start of ATB's FY2024.

Definition of Accounting Estimates (Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*)

In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)* which updates the definition of accounting estimates and provides guidance to help entities distinguish changes in accounting estimates from changes in accounting policies.

ATB is currently assessing the impact of the amendment, which is effective for annual reporting periods beginning on or after January 1, 2023, and is applied prospectively, with earlier application permitted. The amendments to IAS 1 take effect April 1, 2023, the start of ATB's FY2024.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB published a new standard, IFRS 17 *Insurance Contracts*, establishing the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.

ATB assessed the impact of the new standard and determined there is no impact on our financial presentation. IFRS 17 will replace IFRS 4 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023, and, for ATB, effective starting April 1, 2023, the start of ATB's FY2024. Earlier application is permitted if IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have also been applied. ATB has chosen to not adopt the standard early.

Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction (Amendments to IAS 12 *Income Taxes*)

In May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*, which clarifies that the initial recognition exemption permitted in IAS 12 does not apply to transactions (such as leases and decommissioning obligations) where an asset and liability is recorded that result in equal and offsetting temporary tax differences.

ATB has assessed the impact of the amendment, which is effective for annual reporting periods beginning on or after January 1, 2023, and is applied retrospectively. The amendments to IAS 12 take effect April 1, 2023, the start of ATB's FY2024. Instead of income tax, ATB pays an amount equal to 23% of consolidated net income as reported in its audited annual financial statements. (See Note 19.) Therefore, there is no impact to our financial statements.

Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IAS 17 *Insurance Contracts*)

In December 2021, the IASB issued *Initial Application of IFRS 17 and IFRS 9 (Amendments to IFRS 17).* The amendment applies to entities that apply IFRS 17 and 9 at the same time. The option allows, on an instrument-by-instrument basis, an entity to present comparative information under IFRS 9 for financial assets that would not have been restated for IFRS 9. The relief helps entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities and improves the usefulness of comparative information.

ATB has assessed the impact of the amendment and determined there is no impact on our financial presentation. The amendment is effective from April 1, 2023, the start of ATB's FY2024.

4 Financial Instruments

Classification and Carrying Value

The following tables summarize ATB's financial instrument classifications and provide their carrying value:

As at March 31, 2022 *($ in thousands)*	Carrying value					
	Financial instruments classified as FVTPL	**Financial instruments designated as FVTPL**	**Financial instruments classified as FVOCI**	**Financial instruments designated as FVOCI**	**Financial instruments measured at amortized cost**	**Total carrying value**
Financial assets						
Cash (1)	$ -	$ -	$ -	$ -	$ 2,606,379	$ 2,606,379
Interest-bearing deposits with financial institutions (1)	-	1,210,901	-	-	-	1,210,901
Total cash resources	-	1,210,901	-	-	2,606,379	3,817,280
Total securities (1)	83,185	45,003	4,358,351	49,047	-	4,535,586
Business loans	-	-	-	-	24,092,016	24,092,016
Residential mortgages	-	-	-	-	16,596,726	16,596,726
Personal loans	-	-	-	-	4,971,346	4,971,346
Credit card	-	-	-	-	686,871	686,871
Allowances for loan losses	-	-	-	-	(418,255)	(418,255)
Total loans (2)	-	-	-	-	45,928,704	45,928,704
Derivative financial instruments	1,779,577	-	-	-	-	1,779,577
Other assets (1) (6)	-	-	-	-	402,579	402,579
Total other assets	1,779,577	-	-	-	402,579	2,182,156
Total financial assets	**$ 1,862,762**	**$ 1,255,904**	**$ 4,358,351**	**$ 49,047**	**$ 48,937,662**	**$ 56,463,726**
Financial liabilities						
Transaction accounts	$ -	$ -	$ -	$ -	$ 13,386,975	$ 13,386,975
Savings accounts	-	-	-	-	12,060,980	12,060,980
Notice accounts	-	-	-	-	6,095,213	6,095,213
Non-redeemable fixed-date deposits	-	-	-	-	4,687,929	4,687,929
Redeemable fixed-date deposits	-	-	-	-	1,088,385	1,088,385
Total deposits (3)	-	-	-	-	37,319,482	37,319,482
Collateralized borrowings (5)	-	-	-	-	7,614,949	7,614,949
Wholesale borrowings (4)	-	253,998	-	-	4,188,969	4,442,967
Derivative financial instruments (1)	1,882,405	-	-	-	-	1,882,405
Securities sold under repurchase agreements (1)	-	-	-	-	-	-
Other liabilities (1) (6)	-	-	-	-	1,106,257	1,106,257
Total other liabilities	1,882,405	253,998	-	-	12,910,175	15,046,578
Total financial liabilities	**$ 1,882,405**	**$ 253,998**	**$ -**	**$ -**	**$ 50,229,657**	**$ 52,366,060**

(1) The fair value is estimated to equal carrying value.
(2) The fair value of loans is estimated at $46,277,309.
(3) The fair value of deposits is estimated at $36,283,156.
(4) The fair value of wholesale borrowings is estimated at $4,403,013.
(5) The fair value of collateralized borrowings is estimated at $7,530,073.
(6) Amounts presented here exclude certain other assets and other liabilities not considered financial instruments.

As at March 31, 2021 ($ in thousands)	Carrying value: Financial instruments classified as FVTPL	Financial instruments designated as FVTPL	Financial instruments classified as FVOCI	Financial instruments designated as FVOCI	Financial instruments measured at amortized cost	Total carrying value
Financial assets						
Cash (1)	$ -	$ -	$ -	$ -	$ 4,643,603	$ 4,643,603
Interest-bearing deposits with financial institutions (1)	-	389,471	-	-	-	389,471
Total cash resources	-	389,471	-	-	4,643,603	5,033,074
Total securities (1)	56,070	36,023	3,519,592	14,922	-	3,626,607
Business loans	-	-	-	-	23,197,080	23,197,080
Residential mortgages	-	-	-	-	15,833,810	15,833,810
Personal loans	-	-	-	-	5,631,547	5,631,547
Credit card	-	-	-	-	660,652	660,652
Allowance for loan losses	-	-	-	-	(725,867)	(725,867)
Total loans (2)	-	-	-	-	44,597,222	44,597,222
Derivative financial instruments	1,181,796	-	-	-	-	1,181,796
Other assets (1) (6)	-	-	-	-	323,387	323,387
Total other assets	1,181,796	-	-	-	323,387	1,505,183
Total financial assets	**$ 1,237,866**	**$ 425,494**	**$ 3,519,592**	**$ 14,922**	**$ 49,564,212**	**$ 54,762,086**
Financial liabilities						
Transaction accounts	$ -	$ -	$ -	$ -	$ 12,035,331	$ 12,035,331
Savings accounts	-	-	-	-	12,241,167	12,241,167
Notice accounts	-	-	-	-	5,639,066	5,639,066
Non-redeemable fixed-date deposits	-	-	-	-	6,014,076	6,014,076
Redeemable fixed-date deposits	-	-	-	-	1,828,748	1,828,748
Total deposits (3)	-	-	-	-	37,758,388	37,758,388
Collateralized borrowings (5)	-	-	-	-	7,931,082	7,931,082
Wholesale borrowings (4)	-	274,251	-	-	3,234,568	3,508,819
Derivative financial instruments (1)	921,411	-	-	-	-	921,411
Securities sold under repurchase agreements (1)	-	-	-	-	14,730	14,730
Other liabilities (1) (6)	-	-	-	-	1,415,276	1,415,276
Total other liabilities	921,411	274,251	-	-	12,595,656	13,791,318
Total financial liabilities	**$ 921,411**	**$ 274,251**	**$ -**	**$ -**	**$ 50,354,044**	**$ 51,549,706**

(1) The fair value is estimated to equal carrying value.
(2) The fair value of loans is estimated at $46,187,190.
(3) The fair value of deposits is estimated at $37,644,667.
(4) The fair value of wholesale borrowings is estimated at $3,592,122.
(5) The fair value of collateralized borrowings is estimated at $8,170,998.
(6) Amounts presented here exclude certain other assets and other liabilities not considered financial instruments.

Fair-Value Hierarchy

Financial instruments recorded at fair value in the consolidated statement of financial position are classified using a fair-value hierarchy based on the quality and reliability of the information used to estimate the fair value. The fair-value hierarchy has the following levels:

- Level 1 — Fair value based on quoted prices in active markets;
- Level 2 — Fair value estimated using valuation techniques with market-observable inputs other than quoted market prices; and
- Level 3 — Fair value estimated using inputs not based on observable market data.

The fair-value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For the years ended March 31, 2022, and March 31, 2021, there were no transfers of financial instruments between Levels 1 and 2 or into and out of Level 3.

The categories of financial instruments whose fair values are classified as Level 3 consist of investments made by ATB and its subsidiaries in a broad range of private Alberta companies and funds. Valuation techniques are disclosed in Note 7.

The following tables present the level within the fair-value hierarchy of ATB's financial assets and liabilities measured at fair value:

As at March 31, 2022 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Financial assets				
Interest-bearing deposits with financial institutions	$ -	$ 1,210,901	$ -	$ 1,210,901
Securities				
Securities measured at FVTPL	45,132	-	83,056	128,188
Securities measured at FVOCI	4,358,351	-	49,047	4,407,398
Other assets				
Derivative financial instruments	-	1,779,577	-	1,779,577
Total financial assets	**$ 4,403,483**	**$ 2,990,478**	**$ 132,103**	**$ 7,526,064**
Financial liabilities				
Wholesale borrowings	$ -	$ 253,998	$ -	$ 253,998
Other liabilities				
Derivative financial instruments	-	1,882,405	-	1,882,405
Total financial liabilities	**$ -**	**$ 2,136,403**	**$ -**	**$ 2,136,403**

As at March 31, 2021 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Financial assets				
Interest-bearing deposits with financial institutions	$ -	$ 389,471	$ -	$ 389,471
Securities				
Securities measured at FVTPL	37,927	-	54,166	92,093
Securities measured at FVOCI	3,519,592	-	14,922	3,534,514
Other assets				
Derivative financial instruments	13,055	1,168,741	-	1,181,796
Total financial assets	**$ 3,570,574**	**$ 1,558,212**	**$ 69,088**	**$ 5,197,874**
Financial liabilities				
Wholesale borrowings	$ -	$ 274,251	$ -	$ 274,251
Other liabilities				
Derivative financial instruments	11,176	910,235	-	921,411
Total financial liabilities	**$ 11,176**	**$ 1,184,486**	**$ -**	**$ 1,195,662**

ATB performs a sensitivity analysis for fair-value measurements classified as Level 3, substituting one or more reasonably possible alternative assumptions for the unobservable inputs. These sensitivity analyses are detailed in Note 7 for the other securities designated at FVTPL.

The following tables present the changes in fair value of Level 3 financial instruments:

($ in thousands)	**Securities designated as FVOCI**	**Securities classified as FVTPL**
Fair value as at March 31, 2021	$ 14,922	$ 54,166
Total realized and unrealized losses included in net income	-	23,581
Total realized and unrealized gains included in other comprehensive income	20,256	-
Purchases and issuances	13,869	11,766
Sales and settlements	-	(6,457)
Fair value as at March 31, 2022	**$ 49,047**	**$ 83,056**
Change in unrealized gain included in income regarding financial instruments held as at March 31, 2022	$ -	$ 19,863

($ in thousands)	**Securities designated as at FVOCI**	**Securities classified as at FVTPL**
Fair value as at March 31, 2020	$ 10,081	$ 36,112
Total realized and unrealized losses included in net income	-	(1,514)
Total realized and unrealized gains included in other comprehensive income	(611)	-
Purchases and issuances	5,452	19,568
Sales and settlements	-	-
Fair value as at March 31, 2021	**$ 14,922**	**$ 54,166**
Change in unrealized loss included in income with respect to financial instruments held as at March 31, 2021	$ -	$ (1,514)

The consolidated statement of income line item for net gains on securities includes realized and unrealized fair-value movements on all financial instruments classified and designated at FVTPL and realized gains on securities measured at FVOCI.

Offsetting Financial Assets and Financial Liabilities

A financial asset or liability or securities purchased under reverse repurchase agreements or derivative assets and liabilities must be offset in the consolidated statement of financial position when and only when there is a legally enforceable right to set off the amounts and an intention to settle on a net basis or realize the asset and settle the liability simultaneously. A legally enforceable right exists when the right is enforceable both in the normal course of business and in the event of default, insolvency, or bankruptcy.

A financial asset or liability is not offset in the consolidated statement of financial position if it is subject to master netting arrangements (which include those by the International Swaps and Derivatives Association [ISDA]) or similar arrangements that only permit offsetting outstanding transactions with the same counterparty in the event of default, insolvency or bankruptcy.

ATB receives and pledges collateral in the form of cash and marketable securities relating to its derivative assets and liabilities to manage credit risk in accordance with the terms and conditions of the ISDA credit support annex.

The following tables present information about financial assets and liabilities that are set off and not set off in the consolidated statement of financial position and are subject to a master netting agreement or similar arrangement:

As at March 31, 2022 *($ in thousands)*	Gross recognized amounts	Set-off amounts	Net amounts recognized in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments (1)	Financial collateral received/ pledged	
Financial assets						
Derivative financial instruments	$ 2,004,571	$ 224,994	$ 1,779,577	$ 625,170	$ 108,291	$ 1,046,116
Amounts receivable from clients and financial institutions	2,303	-	2,303	-	-	2,303
Total financial assets	**$ 2,006,874**	**$ 224,994**	**$ 1,781,880**	**$ 625,170**	**$ 108,291**	**$ 1,048,419**
Financial liabilities						
Securities sold under reverse repurchase agreements	$ -	$ -	$ -	$ -	$ -	$ -
Derivative financial instruments	2,107,399	224,994	1,882,405	625,170	1,000,518	256,717
Amounts payable to clients and financial institutions	102,695	-	102,695	-	-	102,695
Total financial liabilities	**$ 2,210,094**	**$ 224,994**	**$ 1,985,100**	**$ 625,170**	**$ 1,000,518**	**$ 359,412**

As at March 31, 2021 *($ in thousands)*	Gross recognized amounts	Set-off amounts	Net amounts recognized in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments (1)	Financial collateral received/ pledged	
Financial assets						
Derivative financial instruments	$ 1,181,796	$ -	$ 1,181,796	$ 557,471	$ 97,515	$ 526,810
Amounts receivable from clients and financial institutions	393,295	-	393,295	270,045	-	123,250
Total financial assets	**$ 1,575,091**	**$ -**	**$ 1,575,091**	**$ 827,516**	**$ 97,515**	**$ 650,060**
Financial liabilities						
Securities sold under reverse repurchase agreements	$ 14,730	$ -	$ 14,730	$ -	$ -	$ 14,730
Derivative financial instruments	921,411	-	921,411	557,471	123,198	240,742
Amounts payable to clients and financial institutions	392,341	-	392,341	270,045	-	122,296
Total financial liabilities	**$ 1,328,482**	**$ -**	**$ 1,328,482**	**$ 827,516**	**$ 123,198**	**$ 377,768**

(1) This is the carrying amount of financial assets and liabilities that are subject to a master netting agreement or similar arrangement but that do not meet the offsetting criteria.

5 Financial Instruments – Risk Management

ATB has included in the Risk Management section of the MD&A certain disclosures required by IFRS 7 relating to credit, market, foreign exchange and liquidity risks. These risks are an integral part of the 2022 consolidated financial statements.

6 Cash Resources

Cash consists of cash on hand, bank notes and coins, non-interest-bearing deposits and cash held at the Bank of Canada through the LVTS. Interest-bearing deposits with financial institutions have been designated at FVTPL and are recorded at fair value. Interest income on interest-bearing deposits with financial institutions is recorded on an accrual basis. Cash has been classified as financial instruments measured at amortized cost, as disclosed in Note 4.

As at March 31, 2022, the carrying value of interest-bearing deposits with financial institutions consists of $1.2 billion (2021: $389.5 million) designated at FVTPL.

ATB has restricted cash that represents deposits held in trust in connection with securitization activities. These deposits include cash accounts that hold principal and interest payments collected from mortgages securitized through the *National Housing Act* mortgage-backed security (MBS) Program. The deposits are awaiting payment to their respective investors and held in interest reinvestment accounts in connection with ATB's participation in the CMB program. As at March 31, 2022, the amount of restricted cash is $220.4 million (2021: $159.2 million).

7 Securities

The carrying value of securities by remaining term to maturity and net of valuation provisions is as follows:

As at March 31, 2022 *($ in thousands)*	Within 1 year	1 to 5 years	Over 5 years	Total carrying value
Securities measured at FVTPL				
Issued or guaranteed by the federal or provincial government	$ 44,976	$ -	$ -	$ 44,976
Other securities	119	44,180	38,913	83,212
Total securities measured at FVTPL	**$ 45,095**	**$ 44,180**	**$ 38,913**	**$ 128,188**
Securities measured at FVOCI				
Issued or guaranteed by the federal or provincial government	$ 2,645,734	$ 1,712,617	$ -	$ 4,358,351
Other securities	-	-	49,047	49,047
Total securities measured at FVOCI	**$ 2,645,734**	**$ 1,712,617**	**$ 49,047**	**$ 4,407,398**

As at March 31, 2021 *($ in thousands)*	Within 1 year	1 to 5 years	Over 5 years	Total carrying value
Securities measured at FVTPL				
Issued or guaranteed by the federal or provincial government	$ 36,023	$ -	$ -	$ 36,023
Other securities	390	42,184	13,496	56,070
Total securities measured at FVTPL	**$ 36,413**	**$ 42,184**	**$ 13,496**	**$ 92,093**
Securities measured at FVOCI				
Issued or guaranteed by the federal or provincial government	$ 1,107,460	$ 2,412,132	$ -	$ 3,519,592
Other securities	-	-	14,922	14,922
Total securities measured at FVOCI	**$ 1,107,460**	**$ 2,412,132**	**$ 14,922**	**$ 3,534,514**

Other Securities

These securities in the current year relate to investments made by ATB and its subsidiaries in a broad range of mainly private Alberta companies and funds. There is no observable market price for the investments made in these private Alberta companies and capital funds as at the balance sheet date. For direct investments in private companies, ATB estimated the fair value using a combination of discounted cash flows and market multiples derived from quoted prices of comparative companies, specifically the expected earnings before interest, income tax, depreciation and amortization (EBITDA). For direct investments in capital funds, the net asset value (NAV) is used in estimating the fair value of ATB's interest. The key assumptions in this model are noted below:

			March, 31 2022		March 31, 2021	
			Range of input values		Range of input values	
Product	Valuation technique	Significant unobservable inputs	Low	High	Low	High
Equity	Valuation multiple	Enterprise value/EBITDA multiple	3.9	11.6	3.8	10.3
		Enterprise value/revenue multiple	6.2	6.2	6.2	6.2
	Adjusted net asset value (1)	Net asset value (2)	n/a	n/a	n/a	n/a

(1) Adjusted net asset value is determined using reported net asset values obtained from the fund manager or general partner of the limited partnership and may be adjusted for current market levels where appropriate.
(2) ATB holds limited partnership interests in certain private capital funds. Net asset values are provided quarterly by each fund's general partner and, due to the wide range and diverse nature of the investments, no inputs are disclosed.

A 10% change to each multiple would result in a $7.1 million increase and $5.8 million decrease in fair value (March 2021: $6.5 million increase and $5.3 million decrease in fair value). The estimate is adjusted depending on the type of investment.

8 Loans

In the retail portfolio, each borrower is assessed based on its Fair Isaac Corporation (FICO) score. The following table outlines the borrower-risk-assessment level assigned to each FICO score range:

Risk assessment	FICO score range
Very low risk	800-900
Low risk	700-799
Medium risk	620-699
High risk	619 or lower

For non-retail loans, each borrower is assigned a BRR. The following table outlines the borrower-risk-assessment level assigned to each range:

Risk assessment	BRR range
Very low risk	1-4
Low risk	5-7
Medium risk	8-9
High risk	10-13

Credit Quality

The following table presents the gross carrying amount of loans and the full contractual amount of undrawn loan commitments subject to the impairment requirements under IFRS 9:

As at *($ in thousands)*				March 31 2022				March 31 2021
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Very low risk	$ 4,396,886	$ 133,175	$ -	$ 4,530,061	$ 3,612,447	$ 271,146	$ -	$ 3,883,593
Low risk	13,896,167	480,903	-	14,377,070	12,288,476	1,026,331	-	13,314,807
Medium risk	3,732,998	235,997	-	3,968,995	3,955,165	404,824	-	4,359,989
High risk	-	615,848	-	615,848	-	779,782	-	779,782
Not rated (1)	56,462	5,375	-	61,837	39,811	550	-	40,361
Impaired	-	-	538,205	538,205	-	-	818,548	818,548
Total business	**22,082,513**	**1,471,298**	**538,205**	**24,092,016**	**19,895,899**	**2,482,633**	**818,548**	**23,197,080**
Very low risk	7,855,319	6,476	-	7,861,795	7,212,459	115,142	-	7,327,601
Low risk	5,723,778	20,086	-	5,743,864	4,593,117	847,397	-	5,440,514
Medium risk	2,286,246	50,388	-	2,336,634	1,299,111	1,050,768	-	2,349,879
High risk	466,168	115,819	-	581,987	204,242	408,148	-	612,390
Not rated (1)	13,983	230	-	14,213	6,985	7,481	-	14,466
Impaired		-	58,233	58,233	-	-	88,960	88,960
Total residential mortgages	**16,345,494**	**192,999**	**58,233**	**16,596,726**	**13,315,914**	**2,428,936**	**88,960**	**15,833,810**
Very low risk	2,240,715	18,002	-	2,258,717	2,522,359	25,348	-	2,547,707
Low risk	1,681,869	35,001	-	1,716,870	1,356,544	551,758	-	1,908,302
Medium risk	686,908	63,512	-	750,420	454,485	412,057	-	866,542
High risk	115,326	84,100	-	199,426	72,639	167,447	-	240,086
Not rated (1)	14,739	367	-	15,106	6,660	16,373	-	23,033
Impaired	-	-	30,807	30,807	-	-	45,877	45,877
Total personal	**4,739,557**	**200,982**	**30,807**	**4,971,346**	**4,412,687**	**1,172,983**	**45,877**	**5,631,547**
Very low risk	101,778	2,918	-	104,696	92,741	3,905	-	96,646
Low risk	284,351	18,532	-	302,883	263,660	19,347	-	283,007
Medium risk	172,505	16,942	-	189,447	171,548	19,569	-	191,117
High risk	25,118	10,209	-	35,327	23,015	12,949	-	35,964
Not rated (1)	43,213	6,155	-	49,368	43,855	4,702	-	48,557
Impaired	-	-	5,150	5,150	-	-	5,361	5,361
Total credit card	**626,965**	**54,756**	**5,150**	**686,871**	**594,819**	**60,472**	**5,361**	**660,652**
Total loans	43,794,529	1,920,035	632,395	46,346,959	38,219,319	6,145,024	958,746	45,323,089
Total allowance for loan losses	(91,872)	(111,150)	(215,233)	(418,255)	(126,821)	(251,401)	(347,645)	(725,867)
Total net loans	**$ 43,702,657**	**$ 1,808,885**	**$ 417,162**	**$ 45,928,704**	**$ 38,092,498**	**$ 5,893,623**	**$ 611,101**	**$ 44,597,222**

(1) Loans where the client account-level risk rating has not been determined have been included in the “not rated” category.

As at *($ in thousands)*				March 31 2022				March 31 2021
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Very low risk	$ 4,656,276	$ 5,990	$ -	$ 4,662,266	$ 4,578,085	$ 11,785	$ -	$ 4,589,870
Low risk	1,147,588	5,282	-	1,152,870	882,632	208,072	-	1,090,704
Medium risk	170,724	2,101	-	172,825	100,269	51,847	-	152,116
High risk	14,181	6,311	-	20,492	9,362	10,386	-	19,748
Not rated (1)	14,344	56	-	14,400	8,532	7,471	-	16,003
Total undrawn loan commitments – retail	**6,003,113**	**19,740**	**-**	**6,022,853**	**5,578,880**	**289,561**	**-**	**5,868,441**
Total allowance for loan losses (2)	(17,169)	(2,547)	-	(19,716)	(11,460)	(3,061)	-	(14,521)
Total net undrawn	**$ 5,985,944**	**$ 17,193**	**$ -**	**$ 6,003,137**	**$ 5,567,420**	**$ 286,500**	**$ -**	**$ 5,853,920**
Very low risk	$ 5,513,705	$ 78,750	$ -	$ 5,592,455	$ 5,223,651	$ 457,148	$ -	$ 5,680,799
Low risk	7,746,963	149,686	-	7,896,649	5,946,434	579,491	-	6,525,925
Medium risk	801,340	30,947	-	832,287	1,043,995	123,480	-	1,167,475
High risk	1,923	76,881	-	78,804	1,360	135,180	-	136,540
Not rated (1)	158,743	7,455	-	166,198	150,598	5,428	-	156,026
Total undrawn loan commitments – non-retail	**14,222,674**	**343,719**	**-**	**14,566,393**	**12,366,038**	**1,300,727**	**-**	**13,666,765**
Total allowance for loan losses (2)	(10,953)	(4,332)	-	(15,285)	(14,795)	(15,574)	-	(30,369)
Total net undrawn	**$ 14,211,721**	**$ 339,387**	**$ -**	**$ 14,551,108**	**$ 12,351,243**	**$ 1,285,153**	**$ -**	**$ 13,636,396**

(1) Loans where the client account-level risk rating has not been determined have been included in the "not rated" category.
(2) The allowance is presented under other liabilities in the consolidated statement of financial position.

The total net carrying value of the above loans includes those denominated in U.S. funds, totalling $1.2 billion as at March 31, 2022 (2021: $1.3 billion). As at March 31, 2022, the amount of foreclosed assets held for resale is $21.4 million (2021: $28.3 million).

Loans Past Due

The following loans are past due but not impaired because they are less than 90 days past due or because it is otherwise reasonable to expect timely collection of principal and interest:

As at March 31, 2022 *($ in thousands)*	Business	Residential mortgages	Personal	Credit card	Total	Percentage of total gross loans
Up to 1 month (1)	$ 11,602	$ 104,823	$ 18,512	$ 27,173	$ 162,110	0.4%
Over 1 month up to 2 months	88,030	81,153	18,324	6,508	194,015	0.4%
Over 2 months up to 3 months	11,542	13,259	5,279	3,405	33,485	0.1%
Over 3 months	1,720	-	170	5,026	6,916	0.0%
Total past due but not impaired	**$ 112,894**	**$ 199,235**	**$ 42,285**	**$ 42,112**	**$ 396,526**	**0.9%**

As at March 31, 2021 *($ in thousands)*	Business	Residential mortgages	Personal	Credit card	Total	Percentage of total gross loans
Up to 1 month (1)	$ 72,348	$ 74,022	$ 21,931	$ 22,716	$ 191,017	0.4%
Over 1 month up to 2 months	90,614	76,028	25,719	5,273	197,634	0.5%
Over 2 months up to 3 months	32,404	11,356	8,124	2,391	54,275	0.1%
Over 3 months	5,860	262	430	5,009	11,561	0.0%
Total past due but not impaired	**$ 201,226**	**$ 161,668**	**$ 56,204**	**$ 35,389**	**$ 454,487**	**1.0%**

(1) Loans past due by one day do not represent the borrowers' ability to meet their payment obligations and therefore are not administratively considered past due nor disclosed.

9 Allowance for Loan Losses

ATB records an allowance for losses for all loans by incorporating a forward-looking ECLs approach, as required under IFRS 9. This process involves complex models with inputs and assumptions requiring a high degree of judgment to assess forecasts of macroeconomic variables and significant increases in credit risk. Our estimates and assumptions consider a range of possible scenarios, including the economic impact of the COVID-19 pandemic, the Russia-Ukraine conflict and rising inflation. We continue to closely monitor external conditions and their impacts on our clients. Uncertainty in judgments and assumptions remains elevated as at March 31, 2022, due to the unique conditions in the current environment.

Key Inputs and Assumptions

Measuring ECLs requires a complex calculation that involves a number of variables and assumptions. The key inputs for determining ECLs are:

- A borrower's credit quality, reflected through changes in risk ratings.
- Forward-looking macroeconomic conditions.
- Changes to the probability-weighted scenarios
- Stage migration as a result of the inputs noted above.

Forward-Looking Information

Relevant forward-looking economic information is incorporated for each loan portfolio when measuring ECLs, based on a five-year outlook considering a combination of past, current and future economic conditions and outlooks. (See Note 2 for more on how forward-looking information is incorporated to measure ECLs.)

The following table presents the primary forward-looking economic information used to measure ECLs over the next 12 months and the remaining two-year forecast period for the three probability-weighted scenarios:

	As at March 31, 2022								
	Baseline scenario			Optimistic scenario			Pessimistic scenario		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
GDP *(%)*	4.7	3.2	2.7	7.0	4.3	3.6	2.0	1.9	1.5
Unemployment rate *(%)*	7.0	6.3	5.9	5.9	5.0	4.5	8.4	8.1	7.9
Housing starts	31,777	31,026	29,631	35,825	37,245	37,690	28,322	25,875	22,817
Oil prices *(WTI, US$/bbl)*	92	76	73	115	95	91	69	57	55
3m T-bill yield *(%)*	1.2	2.1	2.2	1.5	2.6	2.7	0.9	1.5	1.6
Foreign exchange rate *(C$1/US$1)*	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8

	As at March 31, 2021								
	Baseline scenario			Optimistic scenario			Pessimistic scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
GDP *(%)*	4.1	2.6	2.2	5.2	3.8	3.1	1.0	1.1	0.8
Unemployment rate *(%)*	10.1	9.5	8.6	8.9	8.8	8.7	12.3	11.9	11.5
Housing starts	22,700	22,700	22,500	25,000	24,400	23,900	19,300	19,000	18,500
Oil prices *(WTI, US$/bbl)*	51	50	50	60	60	60	40	35	35
3m T-bill yield *(%)*	0.1	0.2	0.7	0.0	0.0	0.0	0.0	0.1	0.8
Foreign exchange rate *(C$1/US$1)*	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.8

Sensitivity of Allowance for Loan Losses

The Stage 1 and 2 allowance for loan losses is sensitive to the inputs used in the model, as described in Note 2. Changes to these inputs and assumptions would have an impact when assessing for a significant increase in credit risk and the measurement of ECL.

The following table presents a comparison between the reported allowance for loan losses for Stage 1 and 2 loans and the allowance under the baseline, optimistic and pessimistic scenarios:

	As at March 31, 2022				As at March 31, 2021			
($ in thousands)	Reported under IFRS 9	Baseline scenario	Optimistic scenario	Pessimistic scenario	Reported under IFRS 9	Baseline scenario	Optimistic scenario	Pessimistic scenario
Allowance for loan losses (Stage 1 and 2)	$ 238,023	$ 235,238	$ 212,269	$ 269,156	$ 423,112	$ 417,612	$ 357,530	$ 504,773

The following table presents the estimated impact of staging on the allowance for loan losses for loans and off balance sheet commitments if they were fully calculated under Stage 1 compared to the actual allowance recorded:

	As at March 31, 2022			As at March 31, 2021		
($ in thousands)	Stage 1 and 2 allowance under IFRS 9	Allowance – 100% in Stage 1	Impact of staging	Stage 1 and 2 allowance under IFRS 9	Allowance – 100% in Stage 1	Impact of staging
Loans	$ 238,023	$ 220,028	$ (17,995)	$ 423,112	$ 327,489	$ (95,623)

The following tables reconcile the opening and closing allowances for loans, by each major category:

	For the year ended March 31, 2022						
						Comprises	
($ in thousands)	Balance at beginning of period	(Recovery of) Provision for loan losses	Net writeoffs	Discounted cash flows on impaired loans and other	Balance at end of period	Loans	Other credit instruments (1)
Business	$ 633,122	$ (203,730)	$ (93,126)	$ 11,534	$ 347,800	$ 331,079	$ 16,721
Residential mortgages	16,042	(4,368)	(2,612)	135	9,197	8,372	825
Personal	88,921	(6,526)	(25,389)	196	57,202	48,729	8,473
Credit card	32,672	10,745	(4,205)	(155)	39,057	30,075	8,982
Total	**$ 770,757**	**$ (203,879)**	**$ (125,332)**	**$ 11,710**	**$ 453,256**	**$ 418,255**	**$ 35,001**

	For the year ended March 31, 2021						
						Comprises	
($ in thousands)	Balance at beginning of period	(Recovery of) Provision for loan losses	Net writeoffs	Discounted cash flows on impaired loans and other	Balance at end of period	Loans	Other credit instruments (1)
Business	$ 552,640	$ 224,026	$ (138,043)	$ (5,501)	$ 633,122	$ 604,143	$ 28,979
Residential mortgages	12,858	9,278	(6,074)	(20)	16,042	15,969	73
Personal	92,624	35,498	(38,986)	(215)	88,921	80,739	8,182
Credit card	41,133	2,283	(10,690)	(54)	32,672	25,016	7,656
Total	**$ 699,255**	**$ 271,085**	**$ (193,793)**	**$ (5,790)**	**$ 770,757**	**$ 725,867**	**$ 44,890**

(1) Other credit instruments, including off-balance sheet items, are recorded to other liabilities on the consolidated statement of financial position.

The following tables reconcile the opening and closing allowances for loans, by stage, for each major category:

	For the year ended March 31, 2022				For the year ended March 31, 2021			
	Performing		Impaired		Performing		Impaired	
($ in thousands)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Allowance for loan losses – business loans								
Balance at beginning of period	$ 92,490	$ 210,688	$ 329,944	$ 633,122	$ 54,309	$ 139,869	$ 358,462	$ 552,640
Provision for loan losses								
Transfers into (out of) Stage 1 (1)	41,220	(39,567)	(1,653)	-	117,695	(104,971)	(12,724)	-
Transfers into (out of) Stage 2 (1)	(7,772)	23,908	(16,136)	-	(22,945)	37,135	(14,190)	-
Transfers into (out of) Stage 3 (1)	(158)	(20,011)	20,169	-	(687)	(44,501)	45,188	-
New originations (2)	34,333	139,758	44,517	218,608	68,818	221,225	130,452	420,495
Repayments (3)	(32,582)	(195,647)	(24,448)	(252,677)	(37,933)	(187,052)	(111,104)	(336,089)
Remeasurements (4)	(65,801)	(33,388)	(70,472)	(169,661)	(86,577)	149,906	76,291	139,620
Total provision for loan losses	**(30,760)**	**(124,947)**	**(48,023)**	**(203,730)**	**38,371**	**71,742**	**113,913**	**224,026**
Writeoffs	-	-	(101,692)	(101,692)	-	-	(167,190)	(167,190)
Recoveries	-	-	8,566	8,566	-	-	29,147	29,147
Discounted cash flows on impaired loans and other	(22)	105	11,451	11,534	(190)	(923)	(4,388)	(5,501)
Balance at end of period	**$ 61,708**	**$ 85,846**	**$ 200,246**	**$ 347,800**	**$ 92,490**	**$ 210,688**	**$ 329,944**	**$ 633,122**

	For the year ended March 31, 2022				For the year ended March 31, 2021			
	Performing		Impaired		Performing		Impaired	
($ in thousands)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Allowance for loan losses – residential mortgages								
Balance at beginning of period	$ 4,571	$ 8,056	$ 3,415	$ 16,042	$ 3,007	$ 5,469	$ 4,382	$ 12,858
Provision for loan losses								
Transfers into (out of) Stage 1 (1)	4,107	(3,620)	(487)	-	3,237	(3,142)	(95)	-
Transfers into (out of) Stage 2 (1)	(200)	591	(391)	-	(1,082)	2,374	(1,292)	-
Transfers into (out of) Stage 3 (1)	(5)	(410)	415	-	(2)	(643)	645	-
New originations (2)	386	(634)	173	(75)	1,219	(177)	151	1,193
Repayments (3)	(211)	(238)	(149)	(598)	(232)	(429)	(116)	(777)
Remeasurements (4)	(4,379)	(1,599)	2,283	(3,695)	(1,576)	4,604	5,834	8,862
Total provision for loan losses	**(302)**	**(5,910)**	**1,844**	**(4,368)**	**1,564**	**2,587**	**5,127**	**9,278**
Writeoffs	-	-	(3,098)	(3,098)	-	-	(6,823)	(6,823)
Recoveries	-	-	486	486	-	-	749	749
Discounted cash flows on impaired loans and other	-	-	135	135	-	-	(20)	(20)
Balance at end of period	**$ 4,269**	**$ 2,146**	**$ 2,782**	**$ 9,197**	**$ 4,571**	**$ 8,056**	**$ 3,415**	**$ 16,042**

($ in thousands)	For the year ended March 31, 2022 Performing Stage 1	Stage 2	Impaired Stage 3	Total	For the year ended March 31, 2021 Performing Stage 1	Stage 2	Impaired Stage 3	Total
Allowance for loan losses – personal loans								
Balance at beginning of period	$ 36,095	$ 41,290	$ 11,536	$ 88,921	$ 42,834	$ 31,697	$ 18,093	$ 92,624
Provision for loan losses								
Transfers into (out of) Stage 1 (1)	27,370	(26,882)	(488)	-	28,710	(27,857)	(853)	-
Transfers into (out of) Stage 2 (1)	(2,657)	4,502	(1,845)	-	(8,082)	12,036	(3,954)	-
Transfers into (out of) Stage 3 (1)	(120)	(3,560)	3,680	-	(206)	(5,079)	5,285	-
New originations (2)	4,306	502	402	5,210	6,671	2,784	435	9,890
Repayments (3)	(3,141)	(3,135)	(722)	(6,998)	(4,042)	(4,706)	(5,928)	(14,676)
Remeasurements (4)	(29,805)	3,440	21,627	(4,738)	(29,790)	32,415	37,659	40,284
Total provision for loan losses	**(4,047)**	**(25,133)**	**22,654**	**(6,526)**	**(6,739)**	**9,593**	**32,644**	**35,498**
Writeoffs	-	-	(26,030)	(26,030)	-	-	(40,208)	(40,208)
Recoveries	-	-	641	641	-	-	1,222	1,222
Discounted cash flows on impaired loans and other	-	-	196	196	-	-	(215)	(215)
Balance at end of period	**$ 32,048**	**$ 16,157**	**$ 8,997**	**$ 57,202**	**$ 36,095**	**$ 41,290**	**$ 11,536**	**$ 88,921**

($ in thousands)	For the year ended March 31, 2022 Performing Stage 1	Stage 2	Impaired Stage 3	Total	For the year ended March 31, 2021 Performing Stage 1	Stage 2	Impaired Stage 3	Total
Allowance for loan losses – credit card								
Balance at beginning of period	$ 19,920	$ 10,002	$ 2,750	$ 32,672	$ 8,677	$ 29,591	$ 2,865	$ 41,133
Provision for loan losses								
Transfers into (out of) Stage 1 (1)	14,576	(14,576)	-	-	26,185	(26,185)	-	-
Transfers into (out of) Stage 2 (1)	(1,734)	1,734	-	-	(1,892)	1,892	-	-
Transfers into (out of) Stage 3 (1)	(115)	(1,951)	2,066	-	(90)	(1,751)	1,841	-
New originations (2)	564	112	-	676	545	293	-	838
Repayments (3)	294	650	39	983	385	1,516	(51)	1,850
Remeasurements (4)	(11,536)	17,911	2,711	9,086	(13,873)	4,648	8,820	(405)
Total provision for loan losses	**2,049**	**3,880**	**4,816**	**10,745**	**11,260**	**(19,587)**	**10,610**	**2,283**
Writeoffs	-	-	(19,008)	(19,008)	-	-	(21,735)	(21,735)
Recoveries	-	-	14,803	14,803	-	-	11,045	11,045
Discounted cash flows on impaired loans and other	-	(2)	(153)	(155)	(17)	(2)	(35)	(54)
Balance at end of period	**$ 21,969**	**$ 13,880**	**$ 3,208**	**$ 39,057**	**$ 19,920**	**$ 10,002**	**$ 2,750**	**$ 32,672**
Total balance as at end of period	**$ 119,994**	**$ 118,029**	**$ 215,233**	**$ 453,256**	**$ 153,076**	**$ 270,036**	**$ 347,645**	**$ 770,757**
Comprises: Loans	$ 91,872	$ 111,150	$ 215,233	$ 418,255	$ 126,821	$ 251,401	$ 347,645	$ 725,867
Other credit instruments (5)	28,122	6,879	-	35,001	26,255	18,635	-	44,890

(1) Stage transfers represent movement between stages and exclude changes due to remeasurements.
(2) New originations relate to new loans recognized during the period.
(3) Repayments relate to loans fully repaid or derecognized and exclude loans written off where a credit loss was incurred.
(4) Remeasurements represent the change in the allowance due to changes in economic factors and risk and model parameters.
(5) Other credit instruments, including off-balance-sheet items, are recorded to other liabilities on the consolidated statement of financial position.

10 Derivative Financial Instruments

Most of ATB's derivative contracts are over-the-counter (OTC) transactions that are privately negotiated between ATB and the counterparty to the contract. The remainder are exchange-traded contracts transacted through organized and regulated exchanges and consist primarily of futures. Fair-value changes in our corporate derivative portfolios are recorded to the relevant category in OI in the consolidated statement of income, and fair-value changes in our client derivative portfolios are recorded as part of FMG in OI in the consolidated statement of income. ATB uses the following derivative financial instruments.

Swaps

Swaps are transactions in which two parties agree to exchange defined cash flows. ATB uses the following types of swap contracts:

- Interest rate swaps are OTC contracts in which ATB exchanges fixed- and floating-rate interest payments with a counterparty based on an agreed notional principal amount denominated in a single currency. These are used in the corporate derivative portfolio to manage exposure to interest rate fluctuations primarily arising from the investment, loan and deposit portfolios. Interest rate swaps are also used in the client derivative portfolio to help our corporate clients in managing risks associated with interest rate fluctuations.
- Cross-currency swaps are foreign exchange transactions in which ATB exchanges interest and principal payments in different currencies. These are used in both the corporate and client portfolios to manage ATB's and its corporate clients' foreign exchange risk.

Forwards and Futures

Foreign exchange and commodity forwards are OTC transactions in which two parties agree to either buy or sell a specified amount of a currency or commodity at a specific price and on a predetermined future date. ATB uses foreign exchange forward contracts in both its corporate and client derivative portfolios to manage currency exposure either arising from its own foreign currency–denominated loans and deposits or for its clients. Commodity forward contracts are used only in the client derivative portfolio.

Futures are contractual obligations to buy or sell an interest-rate-sensitive financial instrument on a predetermined future date at a specified price. Futures contracts are transacted in standardized amounts on regulated exchanges that are subject to daily cash margining, and they are used only in the corporate derivative portfolio.

The fair value of derivative financial instruments segregated between contracts in a favourable position (i.e., having positive fair value) and contracts in an unfavourable position (i.e., having negative fair value) consists of the following:

	2022		2021	
As at March 31 *($ in thousands)*	**Favourable position**	**Unfavourable position**	**Favourable position**	**Unfavourable position**
Contracts not designated for hedge accounting				
Interest rate contracts				
Swaps	$ 161,455	$ (140,883)	$ 144,088	$ (125,798)
Futures	0	(0)	13,055	(11,176)
Total interest rate contracts	**161,455**	**(140,883)**	**157,143**	**(136,974)**
Embedded derivatives				
Market-linked deposits	**-**	**-**	-	(689)
Total embedded derivatives	**-**	**-**	**-**	**(689)**
Foreign-exchange contracts				
Forwards	79,984	(76,351)	91,126	(89,377)
Cross-currency swaps	29,802	(30,143)	32,189	(31,010)
Total foreign-exchange contracts	**109,786**	**(106,494)**	**123,315**	**(120,387)**
Commodity contracts				
Forwards	1,332,433	(1,299,549)	538,642	(471,484)
Total commodity contracts	**1,332,433**	**(1,299,549)**	**538,642**	**(471,484)**
Total fair value of contracts not designated for hedge accounting	**1,603,674**	**(1,546,926)**	**819,100**	**(729,534)**
Contracts designated for hedge accounting				
Foreign-exchange contracts				
Cross-currency swaps	-	(627)	9,190	(9,332)
Total foreign-exchange contracts	**-**	**(627)**	**9,190**	**(9,332)**
Interest rate contracts				
Swaps	175,903	(334,852)	353,506	(182,545)
Total interest rate contracts	**175,903**	**(334,852)**	**353,506**	**(182,545)**
Total fair value of contracts designated for hedge accounting	**175,903**	**(335,479)**	**362,696**	**(191,877)**
Total fair value	**$ 1,779,577**	**$ (1,882,405)**	**$ 1,181,796**	**$ (921,411)**
Less: impact of master netting agreements	(625,170)	625,170	(557,471)	557,471
Less: impact of financial institution counterparty collateral held/posted	(108,291)	1,000,518	(97,515)	123,198
Residual credit exposure on derivatives to ATB	**$ 1,046,116**	**$ (256,717)**	**$ 526,810**	**$ (240,742)**

Fair Value Hedges

The following table presents the effects of fair-value hedges on the consolidated statement of financial position and the consolidated statement of income.

($ in thousands)	Change in value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Hedge ineffectiveness gains (losses)	Carrying amounts for hedged items	Accumulated amount of fair-value hedge adjustments on hedged items
	For the year ended March 31, 2022				
Assets					
Interest rate risk					
Financial assets at FVOCI	$ (9,992)	$ 9,768	$ (224)	$ 1,648,745	$ (9,992)
Loans	(4,932)	4,237	(695)	73,823	(4,932)
Total assets	**$ (14,924)**	**$ 14,005**	**$ (919)**	**$ 1,722,568**	**$ (14,924)**
Liabilities					
Interest rate risk					
Securitization liabilities at amortized cost	$ 9,600	$ (9,952)	$ (352)	$ 390,400	$ 9,600
Total liabilities	**$ 9,600**	**$ (9,952)**	**$ (352)**	**$ 390,400**	**$ 9,600**
Total	**$ (5,324)**	**$ 4,053**	**$ (1,271)**		

($ in thousands)	Change in value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Hedge ineffectiveness gains (losses)	Carrying amounts for hedged items	Accumulated amount of fair-value hedge adjustments on hedged items
	For the year ended March 31, 2021				
Assets					
Interest rate risk					
Financial assets at FVOCI	$ -	$ -	$ -	$ -	$ -
Loans	-	-	-	-	-
Total assets	**-**	**-**	**-**	**-**	**-**
Liabilities					
Interest rate risk					
Securitization liabilities at amortized cost	$ (9,190)	$ 9,190	-	$ 290,189	$ 35,699
Total liabilities	**$ (9,190)**	**$ 9,190**	**-**	**$ 290,189**	**$ 35,699**
Total	**$ (9,190)**	**$ 9,190**	**-**		

Cash Flow Hedges

The following table presents the effects of cash flow hedges on the consolidated statement of income and consolidated statement of comprehensive income.

	For the year ended March 31, 2022					
($ in thousands)	Change in value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Hedge ineffectiveness gains (losses)	Hedging gains (losses) recognized in other comprehensive income	Amount reclassified from accumulated other comprehensive income (loss) to earnings	Net change in other comprehensive income (loss)
Cash flow hedges						
Interest rate risk	$ 302,554	$ (320,802)	$ (18,248)	$ (207,728)	$ 99,448	$ (307,176)
Foreign exchange risk	(2,860)	2,860	-	1,025	1,840	(815)
Total cash flow hedges	**$ 299,694**	**$ (317,942)**	**$ (18,248)**	**$ (206,703)**	**$ 101,288**	**$ (307,991)**

	For the year ended March 31, 2021					
($ in thousands)	Change in value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Hedge ineffectiveness gains (losses)	Hedging gains (losses) recognized in other comprehensive income	Amount reclassified from accumulated other comprehensive income (loss) to earnings	Net change in other comprehensive income (loss)
Cash flow hedges						
Interest rate risk	$ 202,670	$ (200,622)	$ 2,048	$ (99,099)	$ 98,138	$ (197,238)
Foreign exchange risk	132,548	(132,548)	-	(69,073)	(65,414)	(3,659)
Total cash flow hedges	**$ 335,218**	**$ (333,170)**	**$ 2,048**	**$ (168,172)**	**$ 32,724**	**$ (200,897)**

Reconciliation of Accumulated Other Comprehensive Income (Loss)

The following table presents the effects of cash flow hedges on the consolidated statement of comprehensive income.

	For the year ended March 31, 2022				
($ in thousands)	Accumulated other comprehensive income (loss) at beginning of year	Net changes in other comprehensive income (loss)	Accumulated other comprehensive income (loss) at end of year	Accumulated other comprehensive income (loss) on designated hedges	Accumulated comprehensive income (loss) on de-designated hedges
Cash flow hedges					
Interest rate risk	$ 128,189	$ (307,176)	$ (178,987)	$ (237,716)	$ 58,729
Foreign exchange risk	3,556	(815)	2,741	2,741	-
Total cash flow hedges	**$ 131,745**	**$ (307,991)**	**$ (176,246)**	**$ (234,975)**	**$ 58,729**

($ in thousands)	For the year ended March 31, 2021 Accumulated other comprehensive income (loss) at beginning of year	Net changes in other comprehensive income (loss)	Accumulated other comprehensive income (loss) at end of year	Accumulated other comprehensive income (loss) on designated hedges	Accumulated comprehensive income (loss) on de-designated hedges
Cash flow hedges					
Interest rate risk	$ 325,427	$ (197,238)	$ 128,189	$ 77,769	$ 50,420
Foreign exchange risk	7,215	(3,659)	3,556	3,556	-
Total cash flow hedges	**$ 332,642**	**$ (200,897)**	**$ 131,745**	**$ 81,325**	**$ 50,420**

Term to Maturity

The notional amounts of derivative instruments represent the underlying principal amount, to which the specified rate or price is applied in order to calculate the amount of cash flows to be exchanged, and have varying maturity dates. Notional amounts do not represent assets or liabilities and are not recorded in the consolidated statement of financial position. The remaining contractual terms to maturity for the notional amounts of all derivative instruments are as follows:

As at March 31, 2022			Residual term of contract			
($ in thousands)	Not designated for hedge accounting	Designated for hedge accounting	Within 1 year	1 to 5 years	Over 5 years	Total
Over-the-counter contracts						
Interest rate contracts						
Swaps	$ 10,458,234	$ 16,419,499	$ 6,116,239	$ 13,454,688	$ 7,306,806	$ 26,877,733
Total interest rate contracts	**10,458,234**	**16,419,499**	**6,116,239**	**13,454,688**	**7,306,806**	**26,877,733**
Embedded derivatives						
Market-linked deposits	-	-	-	-	-	-
Total embedded derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange contracts						
Forwards	11,504,231	-	10,506,484	997,747	-	11,504,231
Cross-currency swaps	1,136,304	18,786	19,111	1,023,533	112,446	1,155,090
Total foreign exchange contracts	**12,640,535**	**18,786**	**10,525,595**	**2,021,280**	**112,446**	**12,659,321**
Commodity contracts						
Forwards	10,784,100	-	7,993,912	2,790,188	-	10,784,100
Total commodity contracts	**10,784,100**	**-**	**7,993,912**	**2,790,188**	**-**	**10,784,100**
Total over-the-counter contracts	**33,882,869**	**16,438,285**	**24,635,746**	**18,266,156**	**7,419,252**	**50,321,154**
Exchange-traded contracts						
Interest rate contracts						
Futures	-	-	-	-	-	-
Total interest rate contracts	**-**	**-**	**-**	**-**	**-**	**-**
Total exchange-traded contracts	**-**	**-**	**-**	**-**	**-**	**-**
Total	**$ 33,882,869**	**$ 16,438,285**	**$ 24,635,746**	**$ 18,266,156**	**$ 7,419,252**	**$ 50,321,154**

As at March 31, 2021 ($ in thousands)	Not designated for hedge accounting	Designated for hedge accounting	Residual term of contract: Within 1 year	1 to 5 years	Over 5 years	Total
Over-the-counter contracts						
Interest rate contracts						
Swaps	$ 10,304,444	$ 21,685,125	$ 8,937,445	$ 15,498,587	$ 7,553,537	$ 31,989,569
Total interest rate contracts	**10,304,444**	**21,685,125**	**8,937,445**	**15,498,587**	**7,553,537**	**31,989,569**
Embedded derivatives						
Market-linked deposits	313,383	-	313,078	305	-	313,383
Total embedded derivatives	**313,383**	**-**	**313,078**	**305**	**-**	**313,383**
Foreign exchange contracts						
Forwards	6,003,136	-	5,168,936	834,200	-	6,003,136
Cross-currency swaps	980,024	594,128	452,636	1,121,516	-	1,574,152
Total foreign exchange contracts	**6,983,160**	**594,128**	**5,621,572**	**1,955,716**	**-**	**7,577,288**
Commodity contracts						
Forwards	6,808,076	-	4,591,003	2,217,073	-	6,808,076
Total commodity contracts	**6,808,076**	**-**	**4,591,003**	**2,217,073**	**-**	**6,808,076**
Total over-the-counter contracts	**24,409,063**	**22,279,253**	**19,463,098**	**19,671,681**	**7,553,537**	**46,688,316**
Exchange-traded contracts						
Interest rate contracts						
Futures	13,332,000	-	13,332,000	-	-	13,332,000
Total interest rate contracts	**13,332,000**	**-**	**13,332,000**	**-**	**-**	**13,332,000**
Total exchange-traded contracts	**13,332,000**	**-**	**13,332,000**	**-**	**-**	**13,332,000**
Total	**$ 37,741,063**	**$ 22,279,253**	**$ 32,795,098**	**$ 19,671,681**	**$ 7,553,537**	**$ 60,020,316**

Hedging Instruments by Remaining Term-to-Maturity

The following table discloses the notional amount and average price of derivative instruments designated in qualifying hedge accounting relationships.

($ in thousands)	For the year ended March 31, 2022: Within 1 year	1 to 5 years	Over 5 years	Total
Interest rate risk				
Interest rate swaps				
Notional - pay fixed	$ 1,939,975	$ 1,893,000	$ 1,569,524	$ 5,402,499
Average fixed interest rate *(%)*	1.4	1.6	1.9	
Notional - receive fixed	$ 1,870,000	$ 6,820,400	$ 2,326,600	$ 11,017,000
Average fixed interest rate *(%)*	1.1	1.8	2.2	
Total notional - interest rate risk	**$ 3,809,975**	**$ 8,713,400**	**$ 3,896,124**	**$ 16,419,499**
Foreign exchange risk				
Cross-currency swaps				
Notional - USD/CAD	$ 18,786	$ -	$ -	$ 18,786
Average FX rate *(C$1/US$1)*	1.3	-	-	
Total notional - Foreign exchange risk	**$ 18,786**	**$ -**	**$ -**	**$ 18,786**

($ in thousands)	For the year ended March 31, 2021 Within 1 year	1 to 5 years	Over 5 years	Total
Interest rate risk				
Interest rate swaps				
Notional - pay fixed	$ 2,765,000	$ 2,678,775	$ 1,373,000	$ 6,816,775
Average fixed interest rate *(%)*	1.6	1.4	1.9	
Notional - receive fixed	$ 3,060,000	$ 8,601,750	$ 3,206,600	$ 14,868,350
Average fixed interest rate *(%)*	1.5	1.6	2.0	
Total notional - interest rate risk	**$ 5,825,000**	**$ 11,280,525**	**$ 4,579,600**	**$ 21,685,125**
Foreign exchange risk				
Cross-currency swaps				
Notional - USD/CAD	$ -	$ 594,128	$ -	$ 594,128
Average FX rate *(C$1/US$1)*	-	1.3	-	
Total notional - Foreign exchange risk	**$ -**	**$ 594,128**	**$ -**	**$ 594,128**

Derivative-Related Credit Risk

Derivative financial instruments traded in the OTC market could incur financial loss if a counterparty defaults on its contractual obligation. ATB's maximum credit risk in respect of such derivatives is the fair value of all derivatives where ATB is in a favourable position.

ATB endeavours to limit its credit risk by dealing only with counterparties assessed to be creditworthy, and we manage the credit risk for derivatives using the same credit-risk process applied to loans and other credit assets. Financial institution counterparties must have a minimum long-term public credit rating of A-low / A3 / A- or better. The exposure to credit risk on derivatives is also reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that unfavourable contracts with the counterparty are not settled, they reduce ATB's net exposure in respect of favourable contracts with the same counterparty.

The current replacement cost represents the cost of replacing, at current market rates, all contracts with a positive fair value to ATB. The credit equivalent amount is the sum of the current replacement cost and the PFE, which is defined in a Minister-authorized guideline that was modelled after guidelines governing other Canadian deposit-taking institutions. The risk-weighted amount is determined by applying standard measures of counterparty credit risk to the credit equivalent amount. The derivative-related credit risks for derivative instruments are as follows:

	2022			2021		
As at March 31 *($ in thousands)*	**Replacement cost**	**Credit equivalent amount**	**Risk-adjusted balance**	**Replacement cost**	**Credit equivalent amount**	**Risk-adjusted balance**
Contracts not designated for hedge accounting						
Interest rate contracts						
Swaps	$ 161,455	$ 199,653	$ 42,883	$ 144,088	$ 178,149	$ 68,195
Futures	-	-	-	13,055	13,055	2,609
Total interest rate contracts	**161,455**	**199,653**	**42,883**	**157,143**	**191,204**	**70,804**
Foreign exchange contracts						
Forwards	79,984	161,190	53,574	91,126	132,319	42,347
Cross-currency swaps	29,802	53,065	17,342	32,189	47,253	15,276
Total foreign exchange contracts	**109,786**	**214,255**	**70,916**	**123,315**	**179,572**	**57,623**
Commodity contracts						
Forwards	1,332,433	1,885,377	794,937	538,642	888,790	363,032
Total commodity contracts	**1,332,433**	**1,885,377**	**794,937**	**538,642**	**888,790**	**363,032**
Total contracts not designated for hedge accounting	**1,603,674**	**2,299,285**	**908,736**	**819,100**	**1,259,566**	**491,459**
Contracts designated for hedge accounting						
Interest rate contracts						
Cross-currency swaps	-	-	-	9,190	21,756	4,351
Swaps	175,903	224,616	44,923	353,506	420,383	84,077
Total interest rate contracts	**175,903**	**224,616**	**44,923**	**362,696**	**442,139**	**88,428**
Total contracts designated for hedge accounting	**175,903**	**224,616**	**44,923**	**362,696**	**442,139**	**88,428**
Total	**$ 1,779,577**	**$ 2,523,901**	**$ 953,659**	**$ 1,181,796**	**$ 1,701,705**	**$ 579,887**

11 Property and Equipment

($ in thousands)	Owned by ATB: Leasehold improvements	Owned by ATB: Computer equipment	Owned by ATB: Buildings	Owned by ATB: Furniture and fixtures and other equipment	Owned by ATB: Land	Owned by ATB: Work in progress	Right-of-use lease assets: Buildings under finance lease	Right-of-use lease assets: Equipment under finance lease	Total
For the year ended March 31, 2022									
Cost									
Balance at beginning of period	$ 209,568	$ 45,070	$ 107,814	$ 87,521	$ 7,328	$ 6,888	$ 254,054	$ 14,149	$ 732,392
Additions	2,028	3,490	6,052	2,289	-	11,487	14,513	119	39,978
Disposals	(4,747)	(4,117)	-	(4,474)	-	(8,204)	(10,501)	-	(32,043)
Balance at end of period	**$ 206,849**	**$ 44,443**	**$ 113,866**	**$ 85,336**	**$ 7,328**	**$ 10,171**	**$ 258,066**	**$ 14,268**	**$ 740,327**
Depreciation									
Balance at beginning of period	$ 148,600	$ 35,618	$ 78,919	$ 77,403	$ -	$ -	$ 147,373	$ 6,210	$ 494,123
Depreciation	7,974	5,475	2,284	3,817	-	-	20,030	5,456	45,036
Disposals	(4,352)	(3,521)	-	(4,275)	-	-	(9,668)	-	(21,816)
Balance at end of period	**$ 152,222**	**$ 37,572**	**$ 81,203**	**$ 76,945**	**$ -**	**$ -**	**$ 157,735**	**$ 11,666**	**$ 517,343**
Carrying amounts									
Balance at end of period	**$ 54,627**	**$ 6,871**	**$ 32,663**	**$ 8,391**	**$ 7,328**	**$ 10,171**	**$ 100,331**	**$ 2,602**	**$ 222,984**

($ in thousands)	Owned by ATB: Leasehold improvements	Owned by ATB: Computer equipment	Owned by ATB: Buildings	Owned by ATB: Furniture and fixtures and other equipment	Owned by ATB: Land	Owned by ATB: Work in progress	Right-of-use lease assets: Buildings under finance lease	Right-of-use lease assets: Equipment under finance lease	Total
For the year ended March 31, 2021									
Cost									
Balance at beginning of period	$ 238,424	$ 72,089	$ 106,823	$ 87,204	$ 7,328	$ 8,036	$ 252,528	$ 12,109	$ 784,541
Additions	2,770	5,909	991	2,733	-	11,259	2,610	2,040	28,312
Disposals	(31,626)	(32,928)	-	(2,416)	-	(12,407)	(1,084)	-	(80,461)
Balance at end of period	**$ 209,568**	**$ 45,070**	**$ 107,814**	**$ 87,521**	**$ 7,328**	**$ 6,888**	**$ 254,054**	**$ 14,149**	**$ 732,392**
Depreciation									
Balance at beginning of period	$ 166,814	$ 57,759	$ 76,704	$ 74,986	$ -	$ -	$ 128,050	$ 1,228	$ 505,541
Depreciation	9,105	7,805	2,215	4,605	-	-	20,407	4,982	49,119
Disposals	(27,319)	(29,946)	-	(2,188)	-	-	(1,084)	-	(60,537)
Balance at end of period	**$ 148,600**	**$ 35,618**	**$ 78,919**	**$ 77,403**	**$ -**	**$ -**	**$ 147,373**	**$ 6,210**	**$ 494,123**
Carrying amounts									
Balance at end of period	**$ 60,968**	**$ 9,452**	**$ 28,895**	**$ 10,118**	**$ 7,328**	**$ 6,888**	**$ 106,681**	**$ 7,939**	**$ 238,269**

A loss of $1.2 million (2021: $7.5 million loss) was recognized in the consolidated statement of income for the disposal and writeoffs of property and equipment. Income of $2.5 million (2021: $2.8 million) was recorded in the consolidated statement of income from our sublease arrangements.

12 Software and Other Intangibles

($ in thousands)	Computer software	Software under development	Other intangibles	Goodwill	Total
	For the year ended March 31, 2022				
Cost					
Balance at beginning of period	$ 688,355	$ 58,672	$ 274	$ 6,845	$ 754,146
Transfers and additions	71,260	63,245	5	-	134,510
Transfers and disposals	(27,759)	(71,774)	-	-	(99,533)
Impairment losses (1)	(51,279)	-	-	-	(51,279)
Balance at end of period	**$ 680,577**	**$ 50,143**	**$ 279**	**$ 6,845**	**$ 737,844**
Depreciation					
Balance at beginning of period	$ 471,329	$ -	$ 109	$ -	$ 471,438
Depreciation	79,760	-	35	-	79,795
Disposals	(26,847)	-	-	-	(26,847)
Impairment losses (1)	(14,117)	-	-	-	(14,117)
Balance at end of period	**$ 510,125**	**$ -**	**$ 144**	**$ -**	**$ 510,269**
Carrying amounts					
Balance at end of period	**$ 170,452**	**$ 50,143**	**$ 135**	**$ 6,845**	**$ 227,575**

($ in thousands)	Computer software	Software under development	Other intangibles	Goodwill	Total
	For the year ended March 31, 2021				
Cost					
Balance at beginning of period	$ 623,324	$ 89,461	$ 233	$ 6,845	$ 719,863
Transfers and additions	91,051	60,253	41	-	151,345
Transfers and disposals	(26,020)	(91,042)	-	-	(117,062)
Impairment losses	-	-	-	-	-
Balance at end of period	**$ 688,355**	**$ 58,672**	**$ 274**	**$ 6,845**	**$ 754,146**
Depreciation					
Balance at beginning of period	$ 410,962	$ -	$ 82	$ -	$ 411,044
Depreciation	81,638	-	27	-	81,665
Disposals	(21,271)	-	-	-	(21,271)
Impairment losses	-	-	-	-	-
Balance at end of period	**$ 471,329**	**$ -**	**$ 109**	**$ -**	**$ 471,438**
Carrying amounts					
Balance at end of period	**$ 217,026**	**$ 58,672**	**$ 165**	**$ 6,845**	**$ 282,708**

(1) During the year, ATB determined that a non-strategic technology asset would no longer be maintained. As a result of this decision, a $37.2 million writeoff was recognized in NIEs of the consolidated statement of income and reported as part of NIEs in SSUs segment results (2021: nil).

A loss of $0.9 million (2021: $4.8 million loss) was recognized during the year for the disposal and writeoffs of software and other intangibles.

The goodwill associated with our purchase of Grow Technologies Inc. (Grow) is $6.8 million. ATB performs an impairment test annually on March 31 by assessing for any indications of impairment and comparing Grow's carrying value to its recoverable amount. As at March 31, 2022, and at March 31, 2021, there were no indicators of impairment or amounts recorded.

13 Other Assets

As at March 31 *($ in thousands)*	Note	2022	2021
Accounts receivable – financial market products		$ 2,303	$ 397,993
Prepaid expenses and other receivables		368,574	291,166
Accrued interest receivable		64,059	75,001
Net pension asset	18	54,350	-
Other		51,043	31,199
Total		**$ 540,329**	**$ 795,359**

14 Deposits

As at March 31, 2022 *($ in thousands)*	Payable on demand	Payable on a fixed date						Total
		Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	
Transaction accounts	$ 13,386,975	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,386,975
Saving accounts	12,060,980	-	-	-	-	-	-	12,060,980
Notice accounts	6,095,213	-	-	-	-	-	-	6,095,213
Non-redeemable fixed-date deposits	-	2,799,613	1,479,797	266,267	65,029	76,873	350	4,687,929
Redeemable fixed-date deposits	-	1,018,080	49,156	10,277	4,514	5,662	696	1,088,385
Total	**$ 31,543,168**	**$ 3,817,693**	**$ 1,528,953**	**$ 276,544**	**$ 69,543**	**$ 82,535**	**$ 1,046**	**$ 37,319,482**

As at March 31, 2021 *($ in thousands)*	Payable on demand	Payable on a fixed date						Total
		Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	
Transaction accounts	$ 12,035,331	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,035,331
Saving accounts	12,241,167	-	-	-	-	-	-	12,241,167
Notice accounts	5,639,066	-	-	-	-	-	-	5,639,066
Non-redeemable fixed-date deposits	-	4,179,616	1,089,015	566,017	99,514	79,570	344	6,014,076
Redeemable fixed-date deposits	-	1,744,892	55,543	16,268	6,668	4,794	583	1,828,748
Total	**$ 29,915,564**	**$ 5,924,508**	**$ 1,144,558**	**$ 582,285**	**$ 106,182**	**$ 84,364**	**$ 927**	**$ 37,758,388**

The total deposits presented above include $1.4 billion (2021: $1.4 billion) denominated in U.S. funds.

As at March 31, 2022, deposits by various departments and agencies of the GoA included in the preceding schedule total $326.2 million (2021: $314.1 million).

The repayment of all deposits and wholesale borrowings, without limit, including accrued interest, is guaranteed by the Crown in right of Alberta in respect of which the Crown assesses an annual deposit-guarantee fee payable by ATB. For the year ended March 31, 2022, the fee is $59.1 million (2021: $58.5 million), with $51.5 million (2021: $52.4 million) recorded to NIE for deposits and the remainder to NII for wholesale borrowings and collateralized borrowings for credit cards.

15 Collateralized Borrowings

Canada Mortgage Bonds Program

ATB periodically securitizes insured RMLs and certain securities by participating in the *National Housing Act* MBS Program. The MBSs issued as a result of this program are pledged to the CMB program or to third-party investors. The CHT uses the proceeds of its bond issuance to finance the purchase of MBSs issued by ATB. As an issuer of the MBSs, ATB is responsible for advancing all scheduled principal and interest payments to CMHC, whether or not the amounts have been collected on the underlying transferred mortgages. Amounts advanced but not recovered are ultimately recovered from the insurer.

The sale of mortgage pools and certain securities that comprise the MBSs does not qualify for derecognition as outlined in IFRS 9 *Financial Instruments*, as ATB retains the prepayment, credit and interest rate risks, which represent substantially all of the risks and rewards. Therefore, it is accounted for as a collateralized borrowing. Also included in the collateralized borrowing liabilities are deferred transaction costs and premiums and discounts, representing the difference between cash proceeds and the notional amount of the liability issued. Accrued interest on the collateralized borrowing liability is based on the CMB coupon for each respective series. At the time of the CMB coupon settlement, any excess or shortfall between the CMB coupon payment and interest accumulated with swap counterparties is received or paid by ATB.

There are no ECLs on the securitized mortgage assets, as the mortgages are insured against default. Further, the investors and CMHC have no recourse to other assets of ATB in the event of failure of debtors to pay when due.

As part of a CMB transaction, ATB must enter into a total return swap with highly rated counterparties, exchanging cash flows of the CMB for those of the MBSs transferred to CHT. Any excess or shortfall in these cash flows is absorbed by ATB. These swaps are not recognized on ATB's consolidated statement of financial position, as the underlying cash flows of these derivatives are captured through the continued recognition of the mortgages, certain securities and associated CMB collateralized borrowing liabilities. Accordingly, these swaps are recognized on an accrual basis and not fair-valued through ATB's consolidated statement of income. The notional amount of these swaps as at March 31, 2022, is $7.5 billion (2021: $7.8 billion).

Collateralized borrowing liabilities are non-amortizing liabilities with fixed maturity dates. Principal payments collected from the mortgages underlying the MBSs sold to the CHT are transferred to the CHT monthly, where they are either reinvested in new MBSs or invested in eligible investments.

Credit Card Securitization

ATB entered into a program with another financial institution to securitize credit card receivables to obtain additional funding. This program allows ATB to borrow up to 85% of the amount of credit card receivables pledged. The secured credit card receivables remain on ATB's consolidated statement of financial position and have not been transferred, as they do not qualify for derecognition. Should the amount securitized not adequately support the program, ATB will be responsible for funding this shortfall.

The following table presents the carrying amount of ATB's RMLs, credit card receivables and assets pledged as collateral for the associated liability recognized in the consolidated statement of financial position:

As at March 31 *($ in thousands)*	**2022**	**2021**
Principal value of mortgages pledged as collateral	$ 5,763,282	$ 6,279,964
ATB mortgage-backed securities (MBS) pledged as collateral through repurchase agreements	1,772,250	1,548,104
Externally purchased MBSs (1)	145,010	-
Principal value of credit card receivables pledged as collateral	635,048	625,496
Total	**$ 8,315,590**	**$ 8,453,564**
Associated liabilities	$ 7,614,949	$ 7,931,082

(1) In FY2022, ATB began purchasing external MBSs to support the collateral pool.

16 Other Liabilities

As at March 31 *($ in thousands)*	Note	2022	2021
Accounts payable and accrued liabilities (1)		$ 728,092	$ 681,766
Accounts payable – financial market products		102,295	392,353
Accrued interest payable		79,081	158,402
Payment in lieu of tax	19	175,152	62,884
Due to clients, brokers and dealers		131,788	99,529
Accrued-pension-benefit liability	18	-	33,807
Achievement notes	23	64,545	58,454
Deposit guarantee fee payable		59,085	58,487
Total		**$ 1,340,038**	**$ 1,545,682**

(1) Includes lease liabilities of $160,561 (2021: $171,334). (See Note 21.)

17 Salaries and Benefits

ATB has included certain disclosures required in the Director Compensation section of the MD&A relating to the Board of Directors' compensation and an audited Compensation Summary section of the MD&A relating to key management personnel compensation.

18 Employee Benefits

Public Service Pension Plan

The PSPP is a multi-employer pension plan for eligible employees of the Province of Alberta, approved provincial agencies and public bodies.

The plan provides a pension of 1.4% for each year of pensionable service, based on average salary of the highest five consecutive years, up to the year's maximum pensionable earnings and 2.0% on the excess, subject to the maximum pension benefit limit allowed under the *Income Tax Act*.

As a participant in this plan, ATB and its participating employees are responsible for making current-service contributions sufficient to provide for the accruing service of members and the amortization of any unfunded liability. ATB's share of the current-service contributions (employer and employee) is based on the current pensionable earnings of active ATB participants (prorated against the total current pensionable earnings of all active PSPP members). The employer and employee share the required contributions 50/50.

Although the PSPP pools all assets and liabilities of participating employers and there is no allocation of assets and liabilities to participating employers, in order to recognize an estimate of its current liability under this plan, ATB has applied DB accounting. ATB has estimated its share of the fair value of assets, the DB obligation and the net pension liability as at March 31, 2022, based on its prorated share of plan contributions adjusted for its prorated contribution rate (split 50/50 between employer and employee). ATB reassesses and discloses the estimated value of this liability annually.

Registered Pension Plan

ATB provides its management employees with a registered pension plan (the ATB Plan) with either DB or DC provisions. The DB component provides benefits based on members' years of service and earnings. The DC component provides annual contributions based on members' earnings.

ATB amended the ATB Plan to change the annual contributions in the DC component effective January 1, 2015, and to close the DB component to service accruals effective July 7, 2016. Current members in the DB component will continue to accrue earnings for their highest average earnings calculations and service for early retirement subsidies but, effective July 8, 2016, will accrue future benefits under the DC component. Since July 8, 2016, all new entrants into the ATB Plan automatically go into the DC component.

Effective July 15, 2006, ATB finalized arrangements with the GoA to assume pension obligations relating to current ATB employees who participated in the PSPP prior to joining the ATB Plan (the PSPP take-on). The arrangements formalized ATB's commitment to providing combined pensionable service (CPS) benefits for qualifying members whose CPS benefits were affected by the withdrawal of ATB from the Management Employees Pension Plan.

Since June 27, 2014, any employee promoted to a management position joins the plan under the DC provision, and any pension benefit earned in the PSPP is deferred at Alberta Pension Services, or, if eligible, the employee may choose to withdraw their pension benefit.

Non-Registered Plans

ATB also provides a non-registered DB SRP and OPEB for designated management employees. The SRP provides benefits based on members' years of service and earnings over the Canada Revenue Agency maximum pension limits.

Notional Supplemental Plan

For any team member whose annual pension contributions exceed the allowable maximum under the Income Tax Act, excess amounts are allocated to the notional supplemental plan (NSP)—a non-registered plan that provides notional DC benefits that cannot be provided within the FPP due to income tax restrictions.

Plan Risks

The DB plans expose ATB to actuarial risks such as longevity, currency, interest rate and market risks. ATB, in conjunction with the HR and Retirement Committees, manages risk through the plan's statement of investment policies and procedures and pension investment risk management policy, which:

- Establishes allowable and prohibited investment types.
- Sets diversification requirements.
- Limits portfolio mismatch risk through an asset allocation policy.
- Limits market risks associated with the underlying fund assets.

Breakdown of Defined-Benefit Obligation

The following table presents a breakdown of ATB's obligation for the ATB Plan and PSPP plan:

As at March 31, 2022 *($ in thousands)*	Registered plan	Supplemental and other	ATB's share of PSPP
Active	$ 105,722	$ 495	$ 104,358
Deferred	21,328	356	29,172
Pensioners and beneficiaries	251,116	6,422	131,156
Total defined-benefit obligation	**$ 378,166**	**$ 7,273**	**$ 264,686**

As at March 31, 2021 *($ in thousands)*	Registered plan	Supplemental and other	ATB's share of PSPP
Active	$ 127,970	$ 570	$ 119,471
Deferred	24,957	136	33,585
Pensioners and beneficiaries	277,095	7,262	146,462
Total defined-benefit obligation	**$ 430,022**	**$ 7,968**	**$ 299,518**

Breakdown of ATB Plan Assets

The following table presents a breakdown of the assets held under the ATB Plan:

	2022	2021
As at March 31 *($ in thousands)*	Quoted on an active market	Quoted on an active market
Bonds		
Provinces, municipal corporations and other public administrations	$ -	$ -
Other issuers	328,533	340,195
Shares	92,833	108,197
Cash and money-market securities	2,985	2,069
Total fair value of plan assets	**$ 424,351**	**$ 450,461**

Asset/Liability Matching Strategy

ATB's pension plan investment policy is reviewed each year. The current policy is to match those assets in respect of inactive members with a matching fixed-income portfolio. For active members who have liabilities with other variables, such as salary growth, assets are not matched but an equity-centric portfolio is held (70% benchmark in equities). A more in-depth asset/liability study, which involves a detailed risk assessment, is conducted every three to five years.

Cash Payments

For the year ended March 31, 2022, total cash paid or payable for employee benefits—cash contributed by ATB for the DB and DC provisions of the ATB Plan—made directly to beneficiaries for the unfunded SRP and cash contributed to the PSPP is $50.9 million (2021: $49.3 million).

Contributions expected during the upcoming year are $0.8 million (2021: $0.8 million) for the DB portion of the ATB Plan, $0.4 million (2021: $0.4 million) for the unfunded SRP and CPS and $8.3 million (2021: $10.8 million) for the PSPP.

Pension Plan Obligation Maturity Profile

For 2022, the weighted-average financial duration of the main group plans was approximately 15 years (2021: 17 years).

Net Accrued-Benefit Liability

The funded status and net accrued-pension-benefit liability for the DB provisions of the ATB Plan and the other pension obligations—which include the PSPP, SRP, obligations recognized in respect of the CPS benefit obligation to inactive plan members, OPEB and the NSP—consist of the following:

As at March 31 *($ in thousands)*	2022	2021
Registered plan		
Fair value of plan assets	$ 424,351	$ 450,461
Projected benefit obligation	(367,334)	(421,621)
Net pension-benefit liability (1)	**$ 57,017**	**$ 28,840**
Supplemental and other		
Unfunded projected benefit obligation, representing the plan funding deficit	$ (7,273)	$ (7,968)
Net pension-benefit liability (1)	**$ (7,273)**	**$ (7,968)**
ATB's share of PSPP		
Fair value of plan assets	$ 280,851	$ 253,744
Projected benefit obligation	(264,686)	(299,518)
Net pension-benefit asset (liability) (1)	**$ 16,165**	**$ (45,774)**
Notional supplemental plan liability	$ (11,559)	$ (8,905)
Total net pension-benefit asset (liability) (1) (2)	**$ 54,350**	**$ (33,807)**

(1) The effect of asset limitation and IAS minimum funding requirements is nil.
(2) There are no unrecognized actuarial gains/losses and past-service costs.

The net accrued-benefit asset or liability is included in other assets or liabilities in the consolidated statement of financial position as appropriate. (See Notes 13 and 16.)

Other Comprehensive Income

As at March 31	Registered plan		Supplemental and other		ATB's share of PSPP	
($ in thousands)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Actuarial (gain) loss on plan assets	$ 20,401	$ (23,736)	$ -	$ -	$ (18,932)	$ (28,032)
Effect of changes in financial assumptions	(47,522)	44,901	(860)	688	(41,543)	32,153
Experience (gain) loss on plan liabilities	(76)	5,738	345	10	(4,841)	(17,205)
Amount recognized in other comprehensive (income) loss	**$ (27,197)**	**$ 26,903**	**$ (515)**	**$ 698**	**$ (65,316)**	**$ (13,084)**
Beginning balance, accumulated other comprehensive loss (income)	52,587	25,684	4,755	4,057	(41,049)	(27,965)
Ending balance, accumulated other comprehensive loss (income)	**$ 25,390**	**$ 52,587**	**$ 4,240**	**$ 4,755**	**$ (106,365)**	**$ (41,049)**

Change in Plan Assets and Benefit Obligations

Changes in the estimated financial position of the DB provisions of the ATB Plan, the PSPP and the SRP and OPEB obligations are as follows:

As at March 31	Registered plan		Supplemental and other		ATB's share of PSPP	
($ in thousands)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Change in fair value of plan assets						
Fair value of plan assets at beginning of the year	$ 450,461	$ 429,126	$ -	$ -	$ 253,744	$ 215,488
Contributions from ATB	843	623	443	738	10,273	11,262
Interest income	15,012	17,676	-	-	8,639	9,086
Actuarial gain (loss) on plan assets	(20,234)	23,748	-	-	18,932	28,032
Benefits paid	(20,721)	(19,857)	(443)	(738)	(10,737)	(10,124)
Actual plan expenses	(1,010)	(855)	-	-	-	-
Fair value of plan assets at end of the year	**$ 424,351**	**$ 450,461**	**$ -**	**$ -**	**$ 280,851**	**$ 253,744**
Change in defined-benefit obligation						
Projected benefit obligation at beginning of the year	$ 421,621	$ 375,562	$ 7,968	$ 7,694	$ 299,518	$ 271,998
Effect of changes in financial assumptions	(47,522)	44,901	(860)	688	(41,543)	32,153
Experience (gain) loss on plan liabilities	(76)	5,738	345	10	(4,841)	(17,205)
Current-service costs	-	-	-	-	11,873	11,472
Interest expense	14,032	15,277	263	314	10,416	11,224
Benefits paid	(20,721)	(19,857)	(443)	(738)	(10,737)	(10,124)
Less: defined-benefit obligation at end of the year	**$ 367,334**	**$ 421,621**	**$ 7,273**	**$ 7,968**	**$ 264,686**	**$ 299,518**
Net pension-benefit asset (liability)	**$ 57,017**	**$ 28,840**	**$ (7,273)**	**$ (7,968)**	**$ 16,165**	**$ (45,774)**

Defined-Benefit Pension Expense

Benefit expense for DB provisions of the ATB Plan and for PSPP, SRP and OPEB consists of the following:

As at March 31	Registered plan		Supplemental and other		ATB's share of PSPP	
($ in thousands)	2022	2021	2022	2021	2022	2021
Current-service costs	$ -	$ -	$ -	$ -	$ 11,873	$ 11,472
Interest expense	14,032	15,403	263	314	10,416	11,224
Interest income	(15,012)	(17,676)	-	-	(8,639)	(9,086)
Administrative expenses and taxes	843	843	-	-	-	-
Net pension-benefit (income) expense recognized	**$ (137)**	**$ (1,430)**	**$ 263**	**$ 314**	**$ 13,650**	**$ 13,610**

Key Assumptions and Sensitivities

The significant assumptions used in the actuarial determination of projected benefit obligations and the related net benefit expense are, on a weighted-average basis, as follows:

	Registered plan		Supplemental and other		ATB's share of PSPP	
	2022	2021	2022	2021	2022	2021
Accrued-benefit obligation as at March 31						
Discount rate at end of the year *(%)*	4.4	3.4	4.4	3.4	4.4	3.4
Inflation rate *(%)*	2.0	2.0	2.0	2.0	2.0	2.0
Rate of compensation increase *(%)* (1)	4.5	0.8	4.5	0.8	3.0	0.0
Defined-benefit expense for the year ended March 31						
Discount rate at beginning of the year *(%)*	3.4	4.2	3.4	4.2	3.4	4.2
Inflation rate *(%)*	2.0	2.0	2.0	2.0	2.0	2.0
Rate of compensation increase *(%)* (1)	n/a	n/a	n/a	n/a	3.0	0.0
ATB's share of PSPP contributions *(%)*	n/a	n/a	n/a	n/a	3.2	3.2

(1) This refers to the long-term weighted-average rate of compensation increase, including merit and promotion.

Mortality assumptions are significant in measuring the accrued-pension-benefit obligation. The following table outlines the assumptions used:

	2022	2021
Registered plan and supplemental and other	Canadian Pensioner Mortality (CPM) 2014 public sector mortality table, improvement scale CPM-B	Canadian Pensioner Mortality (CPM) 2014 public sector mortality table, improvement scale CPM-B
ATB's share of PSPP	Canadian Pensioner Mortality (CPM) 2014 private sector mortality table, improvement scale MI-2017, no adjustment	Canadian Pensioner Mortality (CPM) 2014 private sector mortality table, improvement scale MI-2017, 95% adjustment for females

The following table outlines the possible impact of changes in certain key weighted-average economic assumptions used to measure the accrued-pension-benefit obligations as at March 31, 2022, and the related expense for the year then ended:

As at March 31, 2022 ($ in thousands)		Registered plan Benefit obligation	Registered plan Benefit expense	Supplemental and other Benefit obligation	Supplemental and other Benefit expense	ATB's share of the PSPP Benefit obligation	ATB's share of the PSPP Benefit expense
Discount rate							
Impact of:	1.0% increase	$ (44,343)	$ (2,964)	$ (719)	$ 32	$ (35,908)	$ (4,126)
	1.0% decrease	55,050	2,442	859	(42)	41,544	4,104
Inflation rate							
Impact of:	1.0% increase	28,551	1,257	27	1	18,099	1,476
	1.0% decrease	(25,412)	(1,118)	(25)	(1)	(16,940)	(1,381)
Rate of compensation increase							
Impact of:	0.25% increase	1,060	47	10	1	1,850	306
	0.25% decrease	(1,034)	45	(10)	-	(1,837)	(300)
Mortality							
Impact of:	10.0% increase	(6,965)	(306)	(121)	(5)	n/a (1)	n/a (1)
	10.0% decrease	7,617	336	131	6	n/a (1)	n/a (1)

(1) Mortality sensitivity information for the PSPP is not available.

This sensitivity analysis should be used with caution, as it is hypothetical and the effect of changes in each significant assumption may not be linear. Also, the sensitivities in each key variable have been calculated independently of changes in other key variables, and actual experience may result in simultaneous changes to a number of key assumptions. Changes in one factor could result in changes to another that may serve to amplify or reduce certain sensitivities.

19 Payment in Lieu of Tax

Pursuant to the *ATB Act*, the GoA may assess a charge to ATB as prescribed by the *Alberta Treasury Branches Regulation* (*ATB Regulation*). The *ATB Regulation* defines the charge to be an amount equal to 23% of ATB's consolidated NI as reported in its audited annual financial statements. PILOT is calculated as 23% of NI reported under IFRS.

As at March 31, 2022, ATB has accrued a total of $175.2 million (2021: $62.9 million) for PILOT.

20 Related-Party Transactions

In the ordinary course of business, ATB provides normal banking services to various departments and agencies of the GoA on terms similar to those offered to non-related parties. (See Note 14.) These services also include OTC foreign exchange forwards to manage currency exposure. (See Note 10.) The fair values of the asset and liability associated with these derivative contracts as at March 31, 2022, are $0.1 million (2021: nil) and $0.1 million (2021: nil), respectively.

During the year, ATB leased certain premises from the GoA. For the year ended March 31, 2022, the total of these payments was $0.4 million (2021: $0.3 million). ATB recognized a deposit guarantee fee payable to the Crown in right of Alberta in return for a guarantee on all client deposits and a PILOT. (See Notes 14 and 19.)

ATB entered into a wholesale borrowing agreement with the Minister on November 24, 2003 (amended November 9, 2007). The agreement was amended again in December 2015 to increase the available limit of borrowings to $7.0 billion from $5.5 billion. Effective March 31, 2020, the limit was increased by $2.0 billion to $9.0 billion. Under this agreement, the Minister acts as fiscal agent of ATB under the *Financial Administration Act* and is involved in raising wholesale borrowings in the marketplace. As at March 31, 2022, wholesale borrowings are $4.4 billion (2021: $3.5 billion), payable to the Minister.

ATB provides loans to key management personnel, defined as those having authority and responsibility for planning, directing and controlling the activities of ATB; their close family members and their related entities on market conditions, except for banking products and services that are subject to approved guidelines governing all employees. As at March 31, 2022, $8.9 million (2021: $6.7 million) in loans is outstanding. Key management personnel have deposits provided at standard market rates. As at March 31, 2022, $0.5 million (2021: $0.9 million) in deposits is outstanding.

No impairment losses were recorded against balances outstanding from key management personnel, and no specific allowances for impairment were recognized on balances with these personnel and their close family members. Key management personnel's compensation is disclosed in the audited Compensation Summary in the Executive Compensation Discussion and Analysis in the MD&A.

Key management personnel, excluding the President and CEO, may also purchase achievement notes based on their role within ATB. As at March 31, 2022, $4.6 million (2021: $3.8 million) in achievement notes is outstanding to this group.

ATB's key management personnel include our NEOs; President and CEO; CFO; Chief Experience Officer; Senior EVP, Everyday Financial Services; and Chief Risk Officer. The following table presents the compensation of ATB's Board and NEOs:

For the year ended March 31 *($ in thousands)*	2022	2021
Salaries and short-term incentives (1)	$ 4,947	$ 4,208
Pension (2)	32	32
Long-term incentives (3)	2,905	3,306
All other compensation and benefits (4)	617	737
Total	**$ 8,352**	**$ 8,283**

(1) In FY2021, the NEOs consisted of the President and CEO; CFO; Senior EVP, ATB Business, and CEO, ATB Capital Markets; Chief Experience Officer; and Chief Technology Officer.
(2) Salaries and STIs consist of all regular base pay earned by NEOs and Board of Directors' compensation and other direct cash remuneration. STI plan pay for NEOs is also included and is accrued based on goal attainment for the fiscal year but is paid after the fiscal year-end.
(3) Pension includes the annual compensatory value from the FPP for NEOs, based on employer contributions.
(4) LTIs include the grants awarded to NEOs for the fiscal year. Payment of the grants is deferred for three fiscal years and will include appreciation or depreciation annually based on ATB's RAROC performance over the term of the grant and is contingent upon the NEO's continued employment with ATB.
(5) All other compensation may include the following for NEOs: perquisites, HCSA credits, executive health benefit, personal tax advice, relocation benefit, retention bonus, employer contributions to an RRSP and an unfunded supplementary pension plan operating on a defined-contribution basis (DC SERP) within the CEO Pension Plan, and employer contributions to the NSP. ATB makes a notional contribution under the NSP for any annual pension amounts that exceed allowable maximums under the *Income Tax Act*. The NSP is a non-registered plan that provides notional DC benefits that cannot be provided within the DC plan due to income tax restrictions.

21 Commitments, Guarantees and Contingent Liabilities

Credit Instruments

In the normal course of business, ATB enters into various off-balance sheet commitments to provide clients with sources of credit. These may include letters of credit, letters of guarantee and loan guarantees, and commitments to extend credit.

All of these arrangements are subject to ATB's normal credit standards, and collateral may be obtained where appropriate. The contract amounts represent the maximum credit risk exposure to ATB should the contracts be fully drawn and any collateral held prove to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent future cash requirements.

Letters of Credit

Standby letters of credit represent an irrevocable obligation to make payments to a third party if the client cannot meet its financial or contractual performance obligations. In the event of a call on such commitments, ATB has recourse against the client.

Documentary and commercial letters of credit require ATB to honour drafts presented by third parties upon completion of specific activities.

Guarantees

Guarantees also represent an irrevocable obligation to make payments to a third party in certain situations. Guarantees include contracts or indemnities that contingently require ATB to make payments (either as some asset or service) to another party based on changes in an asset, liability or equity the other party holds; failure of a third party to perform under an obligating agreement or failure of a third party to pay its indebtedness when due. The term of these guarantees varies according to the contracts and normally does not exceed one year. In the event of a call on such commitments, ATB has recourse against the client.

Commitments to Extend Credit

Commitments to extend credit represent undertakings by ATB to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions, and include recently authorized credit not yet drawn down and credit facilities available on a revolving basis.

The amounts presented in the current and comparative year for commitments to extend credit include demand facilities of $12.5 billion (2021: $11.4 billion). For demand facilities, ATB considers the undrawn portion to represent a commitment to the client; however, the terms of the commitment allow ATB to adjust the credit exposure if circumstances warrant doing so. Accordingly, these demand facilities are considered to represent a lesser exposure than facilities with extended commitment terms. Credit facilities are contracted for a limited period of usually less than one year and may expire or terminate without being drawn upon. The contractual amounts of all such credit instruments are outlined in the table below:

As at March 31 *($ in thousands)*	2022	2021
Loan guarantees and standby letters of credit	$ 976,258	$ 1,154,472
Commitments to extend credit	19,662,931	18,434,227
Total	**$ 20,639,189**	**$ 19,588,699**

Pledged Assets

In the ordinary course of business, ATB grants a security interest in certain collateral (including securities, interest-bearing deposits with financial institutions, and loans and accounts) to the Bank of Canada in order to participate in clearing and payment systems and to have access to its facilities. ATB also pledges securities to Clearing and Depository Services Inc. in order to participate in a settlement-agent credit ring, which is outlined in the following table:

As at March 31 *($ in thousands)*	2022	2021
Assets pledged to:		
Bank of Canada	$ 386,012	$ 439,282
Clearing and Depository Services Inc.	16,000	16,000
Merrill Lynch	4,000	4,000
Total	**$ 406,012**	**$ 459,282**

In addition to the amounts above, ATB has pledged assets relating to certain derivative contracts and collateralized borrowing. (See Notes 10 and 15.)

Indemnification Agreements

In the normal course of operations, ATB enters into various agreements that provide general indemnification to the other party. Examples include service agreements, leasing agreements, clearing arrangements and service contracts. These indemnifications may require ATB, in certain circumstances, to compensate the other party for costs incurred as a result of various contingencies.

ATB also indemnifies directors and officers, to the extent permitted by law, against certain claims that may be made against them as a result of their services to the company. The terms of these indemnifications vary based on the contract, the nature of which prevents ATB from making a reasonable estimate of the maximum potential amount it could be required to pay to other parties. Historically, any such amounts have not been significant. No amount has been accrued in the consolidated statement of financial position in respect of such indemnifications.

Contingent Liabilities

Various actions and legal proceedings arising from the normal course of business are pending against ATB. Management does not consider the aggregate liability of these actions and proceedings to be material.

Contractual Obligations

ATB has various obligations under long-term non-cancellable contracts, which include service contracts and finance leases for buildings and equipment. The expected payments for such obligations for each of the next five fiscal years and thereafter are outlined in the following table:

As at March 31 *($ in thousands)*	2022	2021
2022	$ -	$ 97,464
2023	117,248	55,164
2024	68,068	31,046
2025	36,733	12,188
2026	29,147	10,496
2027	21,793	9,125
Thereafter	44,123	30,369
Total	**$ 317,112**	**$ 245,852**

Lease Commitments

The lease payments required under ATB's leases are as follows:

As at March 31 *($ in thousands)*	2022	2021
Lease payments		
Not later than 1 year	$ 33,760	$ 38,130
Later than 1 year but not later than 5 years	101,386	98,771
Later than 5 years	65,270	82,461
Total lease payments	**$ 200,414**	**$ 219,362**
Less: charges not yet due	39,853	48,028
Total lease commitments	**$ 160,561**	**$ 171,334**

$9.2 million (2021: $10.8 million) was recorded for interest expense to equipment, including depreciation in the consolidated statement of income for our lease liabilities. The total cash outflow for leases this year is $35.9 million (2021: $38.0 million).

22 Interest Rate Risk

Interest Rate Gap Analysis

Gap analysis involves the allocation of interest-rate-sensitive assets and interest-rate-sensitive liabilities into categories according to their maturity or repricing date. Gaps can change significantly within a short period of time. The impact of changes in interest rates on NII will depend upon the size and rate of change in interest rates, the size and maturity of the total gap position, and management of these positions over time. ATB actively manages its interest rate gap position to protect NII while minimizing risk. The following table shows ATB's interest rate gap position:

	Term to maturity/repricing						
As at March 31, 2022 *($ in thousands)*	**Fixed rate within 3 months**	**Floating rate within 3 months**	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Non-interest-rate-sensitive**	**Total**
Assets							
Cash resources and securities	$ 164	$ 7,911,599	$ 7,917,188	$ 110,589	$ -	$ 325,089	$ 8,352,866
Loans	8,030,696	17,308,028	30,124,602	15,130,224	793,788	(119,910)	45,928,704
Other assets	2,770,465	-	2,770,465	-	-	-	2,770,465
Derivative financial instruments (1)	240,000	3,689,999	5,559,999	6,857,900	2,326,600	n/a	14,744,499
Total	**$ 11,041,325**	**$ 28,909,626**	**$ 46,372,254**	**$ 22,098,713**	**$ 3,120,388**	**$ 205,179**	**$ 71,796,534**
Liabilities and equity							
Deposits	$ 18,239,448	$ 965,742	$ 22,829,199	$ 2,311,718	$ 46	$ 12,178,519	$ 37,319,482
Securities sold under repurchase agreements	-	-	-	-	-	-	-
Wholesale borrowings	2,350,000	263,180	2,613,180	1,050,000	800,000	(20,213)	4,442,967
Collateralized borrowings	479,367	1,371,022	2,258,159	4,620,540	732,534	3,716	7,614,949
Other liabilities	3,045,080	177,363	3,222,443	-	-	-	3,222,443
Equity	-	-	-	-	-	4,452,194	4,452,194
Derivative financial instruments (1)	205,000	11,017,000	11,806,975	1,368,000	1,569,524	n/a	14,744,499
Total	**$ 24,318,895**	**$ 13,794,307**	**$ 42,729,956**	**$ 9,350,258**	**$ 3,102,104**	**$ 16,614,216**	**$ 71,796,534**
Interest-rate-sensitive gap as percentage of assets	$ (13,277,570) (18.5%)	$ 15,115,319 21.1%	$ 3,642,298 5.1%	$ 12,748,455 17.8%	$ 18,284 0.03%	$ (16,409,037) (22.9%)	

As at March 31, 2021 *($ in thousands)*	**Fixed-rate within 3 months**	**Floating rate within 3 months**	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Non-interest-rate-sensitive**	**Total**
Assets							
Cash resources and securities	$ -	$ 8,478,557	$ 8,478,557	$ -	$ -	$ 181,124	$ 8,659,681
Loans	7,435,633	18,358,390	30,875,346	13,664,366	524,691	(467,181)	44,597,222
Other assets	2,498,132	-	2,498,132	-	-	-	2,498,132
Derivative financial instruments (1)	600,000	6,366,775	9,131,775	8,601,750	3,246,600	n/a	20,980,125
Total	**$ 10,533,765**	**$ 33,203,722**	**$ 50,983,810**	**$ 22,266,116**	**$ 3,771,291**	**$ (286,057)**	**$ 76,735,160**
Liabilities and equity							
Deposits	$ 20,152,909	$ 419,064	$ 25,349,935	$ 1,924,827	$ 6,527	$ 10,477,099	$ 37,758,388
Securities sold under repurchase agreements	14,730	-	14,730	-	-	-	14,730
Wholesale borrowings	1,400,000	263,180	1,663,180	350,000	1,500,000	(4,361)	3,508,819
Collateralized borrowings	347,886	1,696,915	2,395,332	4,417,500	1,102,321	15,929	7,931,082
Other liabilities	2,467,093	-	2,467,093	-	-	-	2,467,093
Equity	-	-	-	-	-	4,074,923	4,074,923
Derivative financial instruments (1)	515,000	14,613,350	16,928,350	2,678,775	1,373,000	n/a	20,980,125
Total	**$ 24,897,618**	**$ 16,992,509**	**$ 48,818,620**	**$ 9,371,102**	**$ 3,981,848**	**$ 14,563,590**	**$ 76,735,160**
Interest-rate-sensitive gap as percentage of assets	$ (14,363,853) (18.7%)	$ 16,211,213 21.1%	$ 2,165,190 2.8%	$ 12,895,014 16.8%	$ (210,557) (0.3%)	$ (14,849,647) (19.4%)	

(1) Derivative financial instruments are included in this table at the notional amount.

The effective yield represents the weighted-average effective yield based on the earlier of contractual repricing or maturity dates. The weighted-average effective yield for each class of financial asset and liability is shown below:

As at March 31, 2022	Within 1 year	1 to 5 years	Over 5 years	Total
Total assets *(%)*	2.5	2.5	2.5	2.5
Total liabilities and equity *(%)*	0.6	0.9	2.2	0.8
Interest-rate-sensitive gap *(%)*	**1.9**	**1.6**	**0.3**	**1.7**

As at March 31, 2021	Within 1 year	1 to 5 years	Over 5 years	Total
Total assets *(%)*	2.3	2.6	2.3	2.4
Total liabilities and equity *(%)*	0.6	1.0	2.1	0.8
Interest-rate-sensitive gap *(%)*	**1.7**	**1.6**	**0.2**	**1.6**

Interest Rate Sensitivity

The following table provides the potential impact of an immediate and sustained 100- and 200-basis-point increase and decrease, respectively, in interest rates on ATB's NI:

As at March 31 *($ in thousands)*	2022	2021
Impact on net earnings in succeeding year from:		
Increase in interest rates of:		
100 basis points	$ 35,921	$ 26,034
200 basis points	69,591	49,859
Decrease in interest rates of:		
100 basis points (1) (2)	(40,293)	171
200 basis points (1)	(78,018)	(30,047)

(1) Certain aspects of the decrease in interest rate scenarios are constrained by interest rate floors when appropriate.
(2) The 100-basis-point decrease result for March 31, 2021, is positive as interest rate floors exist with the lower prime and overnight rates.

The potential impact of a 100- and 200-basis-point increase is well within our interest-rate-risk-management policy.

23 Achievement Notes

ATB sells principal-at-risk achievement notes to certain eligible team members as an incentive for promoting the growth of ATB subsidiaries that provide, or will provide, services under the ATB Wealth brand name. Under this plan, eligible team members could purchase a 25-year note with a value linked to the fair market value of certain ATB subsidiaries, namely ATB Investment Management Inc, ATB Securities Inc. and ATB Insurance Advisors Inc. Holders of these notes do not have an ownership interest in ATB or its subsidiaries, nor do they have the rights of a direct holder of an interest in ATB or its subsidiaries.

Each note-holder is entitled to:

- Receive a cash payment at maturity representing the then-current value of the note.
- Submit a request to sell notes during the annual transaction window (subject to a three-year vesting period and additional restrictions on ATB Wealth executives).
- Receive cash distributions, if any, based on the formula set out in the note.

Upon an employee's termination, a designated affiliate of ATB has the right, but not the obligation, to acquire notes from the employee at the price applicable at the termination date.

The notes are not guaranteed under the deposit guarantee provided by the Crown in right of Alberta, and there is the risk—if the fair market value of the ATB subsidiaries specified above decreases—that the note-holder will lose some or all of the original investment. There is no public market for these notes, and the valuation of the ATB subsidiaries specified above is based on a model prepared by an external consultant.

During the year, ATB issued $5.2 million (2021: $3.0 million) of these notes, which are recorded in other liabilities in the consolidated statement of financial position. During the year, $5.7 million (2021: $8.6 million) of the notes were redeemed. As at March 31, 2022, the liability for these notes is $64.5 million (2021: $58.5 million). An expense of $10.8 million (2021 $13.0 million) was recorded to the consolidated statement of income.

24 Capital Management

ATB measures and reports capital adequacy to ensure we meet the minimum levels set out by our regulator, the ASFI, while supporting the continued growth of our business.

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *ATB Act* and associated regulations and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Minister, which was modelled after guidelines governing other Canadian deposit-taking institutions. ATB's minimum Tier 1 capital requirement is 7%, and the total capital requirement is the greater of 10% of risk-weighted assets or 5% of total assets. Risk weights are established for various on- and off-balance-sheet assets according to the degree of credit risk.

Tier 1 capital consists of retained earnings, and Tier 2 capital consists of eligible portions of wholesale borrowings, the collective allowance for loan losses and notional capital. Wholesale borrowings became eligible as Tier 2 capital as of December 2015 as a result of an amendment to the capital requirements guideline. Effective March 31, 2020, the limit was increased by $2.0 billion to $9.0 billion. Effective March 30, 2009, $600 million of notional capital was made available to ATB. This amount, reduced by 25% of NI each quarter, was fully extinguished during the year. Effective April 1, 2017, software and other intangibles were deducted from total capital.

As at March 31, 2022, ATB has exceeded the total capital requirements and Tier 1 capital requirement of the *Capital Requirements* guideline.

As at March 31 *($ in thousands)*	**2022**	**2021**
Tier 1 capital		
Retained earnings	$ 4,548,190	$ 3,961,408
Tier 2 capital		
Eligible portions of:		
Wholesale borrowings	1,611,662	1,876,866
Collective allowance for loan losses	238,023	319,262
Notional capital	-	22,086
Total Tier 2 capital	$ 1,849,685	$ 2,218,214
Deductions from capital		
Software and other intangibles	227,575	282,708
Total capital	**$ 6,170,300**	**$ 5,896,914**
Total risk-weighted assets	$ 37,462,503	$ 36,487,057
Risk-weighted capital ratios		
Tier 1 capital ratio	12.1%	10.9%
Total capital ratio	16.5%	16.2%

25 Revenue

Disaggregation of Revenue

The following tables disaggregate fee and commission income by fee types and AOE and reflect the nature and amount of revenue collected in accordance with IFRS 15. (See Note 26 for more on ATB's segmented information.)

($ in thousands)	Everyday Financial Services	ATB Business	ATB Wealth	Strategic support units	Total
March 31, 2022					
Wealth management	$ 26	$ 102	$ 280,748	$ (1,710)	$ 279,166
Service charges	51,935	30,371	837	697	83,840
Card fees	40,017	32,639	1,157	21	73,834
Credit fees	374	54,045	7	-	54,426
Capital markets revenue	-	53,035	-	-	53,035
Insurance	21,923	3,215	-	-	25,138
Sundry	38	212	-	(68)	182
Total revenue from contracts with customers	**$ 114,313**	**$ 173,619**	**$ 282,749**	**$ (1,060)**	**$ 569,621**
Other non-contract fee income	8,153	71,572	213	12,007	91,945
Total other income	**$ 122,466**	**$ 245,191**	**$ 282,962**	**$ 10,947**	**$ 661,566**

($ in thousands)	Everyday Financial Services	ATB Business	ATB Wealth	Strategic support units	Total
March 31, 2021					
Wealth management	$ -	$ 198	$ 241,165	$ (1,393)	$ 239,970
Service charges	47,101	23,495	786	561	71,943
Card fees	32,361	28,029	795	160	61,345
Credit fees	392	48,908	18	1	49,319
Capital markets revenue	-	58,018	-	-	58,018
Insurance	21,629	2,219	-	-	23,848
Sundry	61	355	-	(1,009)	(593)
Total revenue from contracts with customers	**$ 101,544**	**$ 161,222**	**$ 242,764**	**$ (1,680)**	**$ 503,850**
Other non-contract fee income	6,051	67,144	122	22,213	95,530
Total other income	**$ 107,595**	**$ 228,366**	**$ 242,886**	**$ 20,533**	**$ 599,380**

26 Segmented Information

ATB has organized its operations and activities around the following three AOEs, which differ in products and services offered:

- **Everyday Financial Services** provides financial services to individuals, entrepreneurs and small businesses through our online banking platforms (ATB Personal and ATB Business Banking), voice banking, automated banking machine network and physical distribution network, powered by the ATB team members in branches, agencies and ATB Client Care.
- **ATB Business** provides financial advisory services to medium and large businesses, corporations and agricultural clients.
- **ATB Wealth** provides investment advisory services, investment management, insurance solutions, private banking and institutional portfolio management solutions.

ATB's SSUs provide company-wide expertise and support to our AOEs in being client-obsessed and providing and delivering the best experience, products and services to our clients. The SSUs comprise business units of a corporate nature, including finance, risk management, technology, treasury operations, HR, internal assurance and other functions.

Basis of Presentation

Results presented in the following schedule are based on ATB's internal financial reporting systems. The accounting policies used in preparing the schedules are consistent with those followed in preparing the consolidated financial statements, as we disclose in the notes to the statements. Since these AOEs align with ATB's internal management structure, they may not be directly comparable to those of other financial institutions.

NII is attributed to each AOE according to ATB's internal FTP system: assets earn NII to the extent that external revenues exceed internal FTP expense, and liabilities earn NII to the extent that internal FTP revenues exceed external interest expenses. LLP is allocated based on the loans the AOE has issued and is determined based on the methodology outlined in Notes 2 and 9.

Direct expenses are attributed across AOEs as incurred. Certain indirect expenses are allocated to ATB Wealth and ATB Capital Markets Inc. on the basis of service-level agreements. Other indirect costs are allocated between the reporting segments using indirect allocation methods that incorporate financial and activity-based cost drivers. Indirect expenses that are not allocated and direct expenses of a corporate or support nature are reported under SSUs.

($ in thousands)	Everyday Financial Services (1)	ATB Business	ATB Wealth	Strategic support units (1)	Total
March 31, 2022					
Net interest income	$ 481,153	$ 700,657	$ 30,564	$ 29,941	$ 1,242,315
Other income	122,466	245,191	282,962	10,947	661,566
Total revenue	603,619	945,848	313,526	40,888	1,903,881
Provision (recovery of) for loan losses	6,653	(204,846)	(1,700)	(3,986)	(203,879)
Non-interest expenses (2) (3)	531,066	443,510	276,379	95,273	1,346,228
Income (loss) before PILOT	65,900	707,184	38,847	(50,399)	761,532
Payment in lieu of (recovery of) tax	15,157	162,652	8,935	(11,592)	175,152
Net income (loss)	**$ 50,743**	**$ 544,532**	**$ 29,912**	**$ (38,807)**	**$ 586,380**
Total assets	$ 28,192,931	$ 24,066,722	$ 1,058,865	$ 3,733,517	$ 57,052,035
Total liabilities	16,941,643	18,739,775	1,069,861	15,848,562	52,599,841

($ in thousands)	Everyday Financial Services (1)	ATB Business	ATB Wealth	Strategic support units (1)	Total
March 31, 2021					
Net interest income	$ 458,049	$ 635,854	$ 19,847	$ 64,817	$ 1,178,567
Other income	107,595	228,366	242,886	20,533	599,380
Total revenue	565,644	864,220	262,733	85,350	1,777,947
Provision for loan losses	52,104	201,787	4,427	12,767	271,085
Non-interest expenses (2)	533,248	402,977	232,072	65,156	1,233,453
(Loss) income before PILOT	(19,708)	259,456	26,234	7,427	273,409
(Recovery of) payment in lieu of tax	(221)	59,675	6,034	(2,604)	62,884
Net (loss) income	**$ (19,487)**	**$ 199,781**	**$ 20,200**	**$ 10,031**	**$ 210,525**
Total assets	$ 26,725,291	$ 23,042,814	$ 1,519,727	$ 4,467,203	$ 55,755,035
Total liabilities	17,452,570	18,793,198	1,557,216	13,877,128	51,680,112

(1) In June 2021, the financial results and balances for certain loan products were moved to the SSUs from EFS. Results for the year ended March 31, 2021, were reclassified to conform with current period presentation.
(2) Certain costs are allocated from the SSUs to the AOEs. The allocation method, revised annually, may create fluctuations in ATB's segmented results.
(3) For the year ended March 31, 2022, results include the $37.2 million writeoff of a non-strategic technology asset.

27 Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current period's presentation.

ATB Insurance Advisors Inc.

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General OF ALBERTA

To the Board of Directors of ATB Insurance Advisors Inc.

Report on the Financial Statements

Opinion

I have audited the financial statements of ATB Insurance Advisors Inc., which comprise the statement of financial position as at March 31, 2022, and the statements of changes in deficiency, operations and comprehensive income, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ATB Insurance Advisors Inc. as at March 31, 2022, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of ATB Insurance Advisors Inc. in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The financial statements of ATB Insurance Advisors Inc. are included in the *Annual Report of the Ministry of Treasury Board and Finance* that is prepared by the Ministry of Treasury Board and Finance. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to ATB Insurance Advisors Inc., but does not include the financial statements of ATB Insurance Advisors Inc. and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing ATB Insurance Advisors Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ATB Insurance Advisors Inc.'s financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ATB Insurance Advisors Inc.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ATB Insurance Advisors Inc.'s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit

evidence obtained up to the date of my auditor's report. However, future events or conditions may cause ATB Insurance Advisors Inc. to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

May 19, 2022
Edmonton, Alberta

ATB Insurance Advisors Inc.
Statement of Financial Position
($ thousands)

	As at		
		RESTATED (note 5)	RESTATED (note 5)
	March 31, 2022	**March 31, 2021**	**April 1, 2020**
ASSETS	**$**	**$**	**$**
Current assets			
Cash	15	15	45
Accounts receivable (note 6)	22	4	34
Insurance claim receivable (note 15)	78	-	-
	115	19	79
Non-current assets			
Intangible assets (note 7)	166	195	181
	281	214	260
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	18	128	110
Due to affiliates (note 8)	6	-	7
Compensation payable (note 9)	7	5	4
Contract liabilities (note 13)	56	44	38
Due to ATB (note 10)	4,163	4,181	4,424
	4,250	4,358	4,583
Long-term liabilities			
Accounts payable and accrued liabilities	-	16	-
Contract liabilities (note 13)	280	222	176
	4,530	4,596	4,759
SHAREHOLDER DEFICIENCY			
Share capital (note 11)	5	5	5
Deficit	(4,254)	(4,387)	(4,504)
	(4,249)	(4,382)	(4,499)
	281	214	260

The accompanying notes are an integral part of these financial statements

Original signed by
Director

Original signed by
Chief Financial Officer

ATB Insurance Advisors Inc.

Statement of Changes in Deficiency

For the year ended March 31, 2022 ($ thousands, except for shares)

	Class A Common Shares #	Share Capital $	Deficit $	Shareholder Deficiency $
Balance at March 31, 2020	100	5	(4,463)	(4,458)
Restatement (note 5)	-	-	(41)	(41)
Restated balance at April 1, 2020	-	-	(4,504)	(4,499)
Net income and comprehensive income	-	-	117	117
Balance at March 31, 2021	100	5 -	(4,387) -	(4,382)
Balance at March 31, 2021	100	5	(4,387)	(4,382)
Net income and comprehensive income	-	-	133	133
Balance at March 31, 2022	100	5 -	(4,254) -	(4,249)

The accompanying notes are an integral part of these financial statements

ATB Insurance Advisors Inc.
Statement of Operations and Comprehensive Income
($ thousands)

	For the year ended	
	March 31, 2022 $	RESTATED (note 5) March 31, 2021 $
Revenue (note 13)		
Insurance commissions	608	518
Other income (note 15)	78	-
	686	518
Administration and selling expenses (note 14)		
Interest expense	101	105
General and administrative	98	9
Salaries and employee benefits	95	91
Referral fees	74	27
Professional fees	61	72
Amortization (note 7)	34	27
Intercorporate management fees (note 16)	24	17
IT Infrastructure and services	18	14
Incentive compensation (note 9)	8	5
	513	367
Net income before payment in lieu of tax	173	151
Payment in lieu of tax ("PILOT") (note 10)	40	34
Net income and comprehensive income	133	117

The accompanying notes are an integral part of these financial statements

ATB Insurance Advisors Inc.
Statement of Cash Flows
($ thousands)

	For the year ended	
		RESTATED (note 5)
	March 31, 2022	**March 31, 2021**
Cash provided by (used in)	**$**	**$**
Operating activities		
Net income and comprehensive income	133	117
Adjustments for non-cash items		
Amortization	34	27
Adjustments for net change in non-cash working capital items		
Accounts receivable	(18)	30
Insurance claim receivable	(78)	-
Accounts payable and accrued liabilities	(126)	34
Due to affiliates	6	(7)
Compensation payable	2	1
Due to ATB	(11)	(14)
Contract liabilities	70	52
Net cash from operating activities	12	240
Investing activities		
Purchases of intangible assets	(5)	(41)
Net cash used in investing activities	(5)	(41)
Financing activities		
Repayments to ATB	(7)	(229)
Net cash used in financing activities	(7)	(229)
Net change in cash	-	(30)
Cash at beginning of period	15	45
Cash at end of period	15	15
Supplementary information		
Interest paid	101	105
PILOT paid	50	48

The accompanying notes are an integral part of these financial statements

ATB Insurance Advisors Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

1. Nature of Operations and Economic Dependence

ATB Insurance Advisors Inc. (“ATBIA” or the “Company”) is a wholly-owned subsidiary of ATB Financial (“ATB”) and is affiliated with ATB Investment Management Inc. (“ATBIM”), ATB Securities Inc. (“ATBSI”), and ATB Capital Markets Inc. (“ATBCM”). ATBIA, ATBIM, and ATBSI operate under the trademark ATB Wealth, which also includes certain private banking operations within ATB. ATBIM, ATBSI and ATBIA may be referred to collectively as ATB Investor Services (“ATBIS”), the trademark this group of companies previously operated under.

ATBIA was established to provide personal insurance products including, but not limited to, life insurance, disability insurance and critical illness insurance. As a provincial Crown corporation, ATBIA is exempt from income tax; however, it is subject to payment in lieu of tax (“PILOT”) as described in note 10.

The continuing operations of ATBIA are dependent upon ATB’s ongoing financial support (note 10).

ATBIA has entered into a direct contractual relationship with an insurance distributor and broker (the managing general agent, or “MGA”) to provide sales management and brokerage operation services, and generally oversee ATBIA insurance operations. ATBIA also engages individual, licensed insurance specialists (“ATBIA Advisors”) to conduct the insurance business managed by the MGA. The ATBIA Advisors, who are independent contractors, are responsible for determining the manner and means by which they provide services to ATBIA clients. ATBIA must also enter into separate contractual relationships with insurance carriers that offer policies. These agreements include reference to ATBIA’s relationship with the MGA. One of these insurance carriers is the parent company of the MGA.

The address of the Company’s registered office is:
2100, 10020 - 100 Street
Edmonton, Alberta T5J 0N3

These financial statements were approved by the Board of Directors on May 19, 2022.

2. Significant Accounting Policies

a. Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The policies applied in these financial statements are based on IFRS issued and outstanding as of March 31, 2022.

These financial statements are presented in Canadian dollars, which is ATBIA’s functional currency.

These financial statements have been prepared under the historical cost convention.

ATB Insurance Advisors Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

b. Critical Accounting Judgements and Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, as at the statement of financial position date, as well as the reported amounts of revenue and expenses during the periods presented. The assumptions underlying valuations and assessments are reviewed by management on a regular basis; however, actual results could differ significantly from these estimates, and the impact of any such differences will be recorded in future periods.

The notes to the financial statements for the year ended March 31, 2022, provide additional information on ATBIA's critical accounting judgments and estimates in the following notes:

- Note 2d: Intangible Assets - estimating useful lives.
- Note 2e: Impairment of Intangible Assets - selecting impairment indicator factors and assessing those factors.
- Note 2g: Revenue Recognition - assumptions for estimating revenue deferral relating to unsatisfied performance obligations.
- Note 2g: Revenue Recognition - assumptions for estimating revenue deferral for policy cancellation.
- Note 2i: Employee benefits - estimates of amounts that will be approved for payment under variable compensation plans.
- Note 4: Financial Instruments - assessing expected credit losses for financial assets described in note 2 k.
- Note 15: Settlement of Third Party Claim - judgment concerning the recovery of a claim under the Company's error and omissions insurance policy.

c. Cash

Cash consists of cash on deposit held with ATB.

d. Intangible Assets

Intangible assets represent the purchase by the Company of the insurance businesses of ATBIA Advisors when arrangements with those advisors cease. After initial recognition, these purchases are carried at cost less accumulated amortization, and less provisions for impairment, if any. Balances are amortized on a straight-line basis over their estimated useful lives of 10 years.

Useful lives are determined based on current facts and past experience, and take into consideration existing long-term agreements and contracts. While these useful life estimates are reviewed on a regular basis and amortization calculations revised accordingly, actual lives may differ from the estimates.

Upon an ATBIA Advisor's exit, a partial, upfront payment is made to the ATBIA Advisor, with the remaining amount payable two years later. This amount is initially recorded in accounts payable and accrued liabilities (long-term) on the statement of financial position.

e. Impairment of Intangible Assets

Intangible assets are subject to impairment review whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management uses judgment in selecting indicators of impairment, and assessing whether business and economic conditions have changed in relation to those indicators. There were no indicators of impairment for the years ended March 31,

ATB Insurance Advisors Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

2022 or 2021.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows.

f. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when it is more likely than not that an outflow of economic resources will be required to settle a legal or constructive obligation, which has arisen as a result of past events, and for which a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Company has not recognized any provisions at March 31, 2022 (March 31, 2021 - $nil).

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of ATBIA, or, are present obligations that have arisen from past events but are not recognized because it is not probable that settlement will require an outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Where significant, contingent liabilities are disclosed,, unless the probability of settlement is remote.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are disclosed only when an inflow of economic benefits is probable. When there is a change in circumstances and it becomes virtually certain that an inflow of economic benefits will arise, the asset is no longer contingent and is recognized in the period in which the change occurs.

g. Revenue Recognition

Revenue from contracts with customers is recognized when control of a good or service transfers to a customer. ATBIA follows a five-step recognition and measurement framework in order to determine when to recognize revenue:

i. Identify the contract(s) with a customer
ii. Identify the performance obligation(s) in the contract
iii. Determine the transaction price
iv. Allocate the transaction price to the performance obligation(s)
v. Recognize revenue when (or as) ATBIA satisfies a performance obligation(s)

ATBIA acts as an agent on behalf of both the insurance carriers and the MGA. As agents of the insurance carriers, it is the MGA's and ATBIA's performance obligation to arrange for other parties to provide services to policyholders who are the customers of the insurance carriers. These services may be provided directly by either the MGA, ATBIA or the ATBIA Advisors.

Management identified two primary, broadly focused performance obligations to the customers of the insurance carriers, which are either explicitly stated in ATBIA's contracts with either the insurance carriers, the MGA or the ATBIA Advisors, or are implied by industry practice and the expectations of customers:

ATB Insurance Advisors Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

1. To sell insurance and financial services products to customers, by recruiting, training and managing a team of licensed insurance agents. ATBIA satisfies this performance obligation primarily by arranging for the services to be provided by the MGA and/or the ATBIA Advisors.

2. To provide ongoing service to policyholders while the policy remains in force. ATBIA satisfies this performance obligation primarily by arranging for the services to be provided by the ATBIA Advisors, but also satisfies this performance obligation by providing branding, technology and infrastructure support to the ATBIA Advisors or to the MGA as it manages the ATBIA Advisors. In certain instances, services originally provided directly by the ATBIA Advisors may be subsequently provided directly by ATBIA, if the original ATBIA Advisor exits its contract with ATBIA.

Individual contracts with customers that have similar characteristics are managed on a portfolio basis, as the result would not differ materially from applying revenue recognition policies to individual contracts within the portfolio. Management identified two portfolios of contract types with customers. For one portfolio, the obligation to provide ongoing service to policyholders is assigned primarily to the ATBIA Advisor; for the other portfolio, the obligation to provide ongoing service to policyholders has been assumed by ATBIA directly, where the original ATBIA Advisor has exited its contract with ATBIA. Management determined that this distinction required the latter portfolio to be accounted for as a separate portfolio of contracts because distinct services are added to ATBIA's performance obligation and because its share of the allocation of transaction price increases (as specified in the contractual arrangements with the MGA and the ATBIA Advisors).

Portfolio 1: New policies where the ATBIA Advisor directly services the policyholder

The total transaction price for these contracts comprises commission compensation received from insurance carriers, which includes first year compensation and monthly or annual renewal commissions starting in the second year of a policy's term. First year compensation comprises a significant portion of the total transaction price over the term of the insurance policy. First year compensation is receivable from the insurance carrier when the policy has been successfully placed with the insurance carrier and the first year's premiums have been paid to the insurance carrier by the policyholder. Renewal commissions are receivable as subsequent year's premiums are received by the insurance carrier from the policyholder.

ATBIA recognizes new policy revenue at a point in time when first year compensation becomes receivable, which coincides with ATBIA satisfying the first performance obligation. ATBIA recognizes renewal commission revenue over time in each period in which it makes ongoing services available to policyholders. With respect to the second performance obligation, the various activities that ATBIA or the ATBIA Advisors may perform in the ongoing service of policyholders could be performed at any time over the term of the policy.

For policies placed prior to March 1, 2018 (the effective date of ATBIA's revised agreement with the MGA and the ATBIA Advisors), ATBIA receives a fixed percentage of total first year compensation payable under contracts with insurance carriers to all of ATBIA, the MGA and the ATBIA Advisors combined, and the same percentage of ongoing renewal commissions. ATBIA allocates its portion of first year compensation to the satisfaction of the first performance obligation and its portion of ongoing renewal commissions to each period's satisfaction of the second performance obligation.

ATB Insurance Advisors Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

For policies placed after March 1, 2018, ATBIA receives only a percentage of first year compensation. In order to allocate a portion of total compensation received to each subsequent period's satisfaction of the second performance obligation, ATBIA defers recognition of a portion of the first year compensation received. This portion is derived from a series of significant estimates and judgments made by management, based on ongoing analysis of its portfolio of contracts with customers. These significant estimates and judgments include:

Significant estimated factors	Year ended March 31, 2022	Year ended March 31, 2021
Average first year compensation as a percent of annual policy premium	42.5%	42.5%
Average renewal commission as percent of annual policy premium	3.75%	3.75%
Portion of first year compensation received to be recognized annually for satisfaction of second performance obligation	2.4%	2.4%
Average term of contract	10 years	10 years
Percentage of first year compensation to defer for future periods' satisfaction of second performance obligation	24%	24%

The deferral of first year compensation and the subsequent satisfaction of future years' performance obligations results in a contract liability (note 13).

Portfolio 2: Existing policies where ATBIA directly services the policyholder

The total transaction price for these contracts comprises the incremental portion of the renewal commission that is receivable by ATBIA, based on the terms in the agreement between ATBIA, the MGA and the ATBIA Advisors. This portion increased as a result of the amendment to the agreement effective March 1, 2018.

ATBIA recognizes renewal commission revenue from these contracts over time in each period in which it makes ongoing services available to policyholders. As such, ATBIA may recognize revenue from the same policy under both contract portfolio types.

Variable consideration

The compensation ATBIA receives is variable in three aspects.

First, ATBIA may have to return all or a portion of first year compensation if the customer cancels the policy or allows it to lapse by not paying premiums. As a result, a portion of first year compensation received is deferred until this right of the insurance carriers to impose a chargeback of commissions paid expires. This deferral of first year compensation results in a reduction to insurance commission revenue and an increase to contract liabilities (note 13). Revenue is subsequently recognized on a straight-line basis over the subsequent 24-month period. This portion of deferred revenue is derived from a series of estimates and judgments made by management, with the average lapse rate estimated using historical internal lapse occurrence. Significant estimates and judgments include:

ATB Insurance Advisors Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

Significant estimated factors	Year ended March 31, 2022	Year ended March 31, 2021
Average duration of chargeback period	2 years	2 years
Average lapse rate (chargeback as a percent of total first year compensation received)	5.25%	5.00%

Second, ATBIA will not receive any share of ongoing renewal commissions should the customer cancel the policy or allow it to lapse.

Third, ATBIA receives additional revenue from the MGA and certain insurance carriers with respect to the sale of new policies when certain thresholds for aggregate annual production by the ATBIA Advisors are exceeded. This compensation is recognized at the point in time when the thresholds have been met. As such, this compensation is excluded from amounts deferred.

h. Foreign Exchange

Financial assets and liabilities denominated in foreign currencies are translated into and presented in Canadian dollars at the exchange rates in effect at the date of the statement of financial position. Revenue and expenses are translated at the exchange rates prevailing at the respective transaction dates. During the years ended March 31, 2022 and March 31, 2021, ATBIA did not have any transactions denominated in foreign currencies.

i. Employee Benefits

ATBIA provides benefits to employees through the following plans (see also note 9):

Defined Contribution Plan

ATBIA provides its non-union employees with a registered defined contribution pension plan. Contributions to the plan are expensed as related salaries or incentive compensation are earned, and are recorded in salaries and employee benefits in the statement of operations and comprehensive income. Contributions payable at the end of the year are recorded in accounts payable and accrued liabilities.

Short-Term Employee Benefits

Short-term employee benefits, such as paid absences and other benefits including any related payroll taxes, are accounted for on an accrual basis over the period in which the employees provide the related services, and are recorded in the statement of operations and comprehensive income as salaries and employee benefits. Short-term employee benefits payable at the end of the year are recorded in accounts payable and accrued liabilities.

Variable Compensation Plans

Certain employees of the Company are eligible to participate in variable compensation plans that allow them to share directly in the success of the Company. On an annual basis, employees may receive a lump-sum payment that is based on the combined achievement of separate performance targets for the individual employee, ATB Wealth and ATB. Variable compensation plan expenses are recorded in the statement of operations and comprehensive income as incentive compensation.

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At the end of each fiscal year, but prior to the final assessment of attainment of performance targets, Management estimates amounts payable under variable compensation plans and accrues an expense that is recorded in compensation payable (note 9). Amounts are formally reviewed and determined by management subsequent to the end of the year. As such, amounts eventually paid may differ from the Company's estimates.

j. Share-Based Payments

Certain eligible employees of the Company have the opportunity to participate in a share-based compensation plan of ATB. Under this plan, eligible employees of the Company may choose to purchase Achievement Notes issued by ATB (note 14) with a value linked to the fair market value of certain ATB subsidiaries, including ATBIA. The obligation to settle the notes with employees belongs to ATB, not ATBIA. This is a group plan where the awards are considered cash-settled by ATB and equity-settled by the Company. The value of the award for equity-settled plans is determined only once, on the grant date. No compensation expense is recorded by the Company related to the awards when granted, as the notes are issued to employees at fair value on the grant date.

k. Financial Instruments – Recognition and Measurement

Recognition

All financial assets and financial liabilities are initially recognized on the trade date, which is the date that ATBIA becomes a party to the contractual provisions of the financial instrument. ATBIA derecognizes a financial asset when the contractual right to receive cash flows from the asset has expired, or when the Company transfers the rights to receive the contractual cash flows in a transaction where substantially all the risks and rewards of ownership of the financial asset are transferred. ATBIA derecognizes a financial liability when its contractual obligations are discharged, or when the contract is cancelled or has expired.

Classification and Measurement - Financial Assets

Financial assets are classified and measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). Classification is based on the Company's business model for managing the specified financial assets, and whether the contractual cash flows of the specified financial asset represents solely payments and interest on the principal amount outstanding (the "SPPI test"). Principal is defined as the fair value of the asset at initial recognition and may change over the asset's life. Interest payments can include consideration for the time value of money as well as for credit and liquidity risks. Financial assets are only reclassified if a significant change in the asset's business model occurs subsequent to initial recognition.

The classifications of the financial assets of ATBIA are as follows:

Financial Assets	Classification
● Cash	Amortized cost
● Accounts receivable	Amortized cost
● Insurance claim receivable	Amortized cost

Financial assets held primarily to collect contractual cash flows, which are comprised of principal and interest are classified as amortized cost. These assets are initially recognized at fair value – which is the cash consideration to originate or purchase the asset, including any transaction costs – and subsequently measured at amortized cost using the effective interest method.

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For financial assets classified as amortized cost with an expected term of less than one year that do not have a significant financing component, initial measurement is at the transaction price, which results in the recognition of no interest income under the effective interest method.

Classification and Measurement - Financial Liabilities

Financial liabilities are classified and measured at either FVTPL or amortized cost. Financial liabilities not classified as FVTPL are measured at amortized cost. Financial liabilities are never reclassified.

The classifications of the financial liabilities of ATBIA are as follows:

Financial Liabilities	Classification
• Accounts payable and accrued liabilities	Amortized cost
• Compensation payable	Amortized cost
• Due to affiliates	Amortized cost
• Due to ATB	Amortized cost

For all financial liabilities classified as amortized cost, ATBIA initially measures all amounts at the transaction price, which results in the recognition of no interest expense under the effective interest method. As per note 10, amounts due to ATB are due on demand, with no fixed terms for repayment. Interest is paid monthly on the outstanding balance less PILOT payable, and the outstanding balance is paid down if there is excess operating cash.

Impairment of Financial Assets

The Company incorporates an expected credit loss ("ECL") model for the recognition and measurement of impairments of financial assets measured at amortized cost. The ECL model involves a staged approach, whereby financial assets move through three stages as their credit quality changes. ECL are the weighted-average credits losses, where the probability of default is used for the weighting.

The stage of the ECL model dictates how ATBIA measures impairment losses:

- Stage 1: On initial recognition, for financial assets measured at amortized cost where there is not a significant financing component, ATBIA applies the simplified approach permitted by IFRS, which requires expected lifetime losses to be recognised from initial recognition of the receivable. For all other financial assets measured at amortized cost, ATBIA determines the impairment provision on a 12-month ECL basis. For these calculations, the Company uses a historical-based provision matrix adjusted for forward-looking factors.

- Stage 2: For financial assets that have experienced a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment, and where the overall assessment of credit risk at the reporting date is not still low, ATBIA records an estimate of lifetime ECL.

- Stage 3: For financial assets that have objective evidence of impairment at the reporting date, ATBIA records an estimate of lifetime ECL and recognizes interest revenue on the carrying value of the asset net of the credit allowance.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the amount of the loss is recognized in the statement of operations and comprehensive

ATB Insurance Advisors Inc.
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income. For practical reasons, ATBIA may measure impairment on the basis of an instrument's fair value using an observable market price.

As at March 31, 2022 and March 31, 2021, none of the Company's financial assets were in stages 2 or 3 of the impairment model, and the Company applied the simplified approach to all financial assets in Stage 1.

I. Financial Instruments – Fair Value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of the fair value of a financial instrument at initial recognition is the fair value of the consideration received or paid.

The estimated fair value of financial instruments that are short-term in nature is considered to be equal to their carrying value. These items include cash, accounts receivable, insurance claim receivable, accounts payable and accrued liabilities, compensation payable, due to affiliates and due to ATB. These fair value estimates are classified as level 2 in the fair value hierarchy described in note 3.

3. Financial Instruments - Fair Value Hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy based on the quality and reliability of the information used to estimate the fair value. The fair value hierarchy has the following levels:

- Level 1 – fair value based on quoted prices in active markets.
- Level 2 – fair value estimated using valuation techniques that use market-observable inputs other than quoted market prices.
- Level 3 – fair value estimated using inputs that are not based on observable market data.

ATBIA has no financial instruments that are recorded at fair value as at March 31, 2022 and 2021.

4. Financial Instruments - Financial Risk Management

ATBIA's financial instruments are exposed to a variety of financial risks: market risk, credit risk, and liquidity risk. ATBIA's overall risk management program focuses on the unpredictability of financial and economic markets, and seeks to minimize potential adverse effects on ATBIA's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. There are three types of market risk: interest rate risk, currency risk and price risk.

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Interest rate risk: ATBIA is subject to interest rate cash flow risk, as the amount that is due to ATB excluding PILOT (note 10) is subject to interest rate fluctuations and the degree of volatility in these rates. ATBIA does not currently hold any financial instruments that mitigate this risk. As at March 31, 2022, if interest rates were to change by 1%, the change in interest expense on the amount due to ATB excluding PILOT would be approximately $42 (March 31, 2021 - $42).

Currency risk: ATBIA does not hold financial instruments denominated in foreign currencies and therefore is not exposed to currency risk.

Price risk: ATBIA is not exposed to financial market pricing risk, as no financial instruments held by the Company fluctuate as a result of changes in market prices.

Credit Risk

Credit risk is the risk that a counterparty to a financial asset will default resulting in a financial loss to ATBIA. ATBIA is exposed to credit risk through its financial assets.

The application of the ECL model (note 2 k)) to the Company's financial assets is described below:

- Cash balances are subject to impairment testing; however, the identified impairment losses were immaterial. All cash is on deposit with ATB, an Alberta Crown Agent, from which management believes the probability of default is remote.

- Accounts receivable (note 6) are i) due from insurance carriers with which ATBIA places new insurance policies; ii) due from ATBIA Advisors for compensation chargebacks paid on their behalf; or iii) due from the MGA for performance bonuses or compensation chargebacks paid on either ATBIA or ATBIA Advisors' behalves. Amounts due from insurance carriers are paid promptly, unless the amounts are negligible or the insurance carrier is owed by ATBIA for a policy chargeback. Amounts due from ATBIA Advisors are paid down as the advisors generate subsequent commissions with that insurance carrier. The MGA pays the performance bonus annually, subsequent to each year end. Given the low probability of default and a history of negligible actual losses, the provision for ECL for accounts receivable at March 31, 2022 was $nil (March 31, 2021 - $nil).

- The insurance claim receivable was recognized because it is Management's judgment that recovery is virtually certain. As such, the provision for ECL at March 31, 2022 was $nil.

The Company's maximum credit exposure is $115 (March 31, 2021 - $19) which is the sum of cash, accounts receivable and insurance claim receivable.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by closely monitoring the level of cash available to meet its obligations and determining whether additional funding is required through its credit facility or parent company, ATB.

The Company's financial liabilities giving rise to liquidity risk that are considered short-term (due on demand or within 30 days), include accounts payable and accrued liabilities, compensation payable, due to affiliates, and due to ATB. The continuing operations of ATBIA are dependent on ATB not calling the advances that are recorded as part of due to ATB (Note 10).

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5. Restatement of Prior Period Amounts

During the current fiscal year, the Company discovered that ATB had paid certain external legal expenses on its behalf in prior periods. As such, the Company has restated certain balances on the statement of financial position previously reported as at April 1, 2020 to reflect the impact of this accounting error:

	Previously Reported $	Restatement $	Restated Balance $
Statement of Financial Position - Liabilities and Shareholder Equity			
Accounts payable and accrued liabilities	57	53	110
Due to ATB	4,436	(12)	4,424
Deficit	(4,463)	(41)	(4,504)

The Company has also restated certain balances previously reported as at and for the year ended March 31, 2021, as follows:

	Previously Reported $	Restatement $	Restated Balance $
Statement of Financial Position - Liabilities and Shareholder Equity			
Accounts payable and accrued liabilities	7	121	128
Due to ATB	4,209	(28)	4,181
Deficit	(4,294)	(93)	(4,387)
Statement of Operations and Comprehensive Income			
Professional fees	4	68	72
Payment in lieu of tax ("PILOT")	50	(16)	34
Statement of Cash Flows			
Net income and comprehensive income	169	(52)	117
Net change in non-cash working capital items			
Accounts payable and accrued liabilities	(34)	68	34
Due to ATB	2	(16)	(14)

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6. Accounts Receivable

	March 31, 2022	March 31, 2021
	$	$
Due from ATBIA Advisors	1	4
Due from insurance carriers	7	1
Due from (to) MGA	14	(1)
	22	4

7. Intangible Assets

Intangible assets consist exclusively of purchases of ATBIA Advisors' businesses who have ended their relationship with ATBIA.

	March 31, 2022			March 31, 2021		
	Cost	Accumulated Amortization	**Carrying Amount**	Cost	Accumulated Amortization	**Carrying Amount**
	$	$	**$**	$	$	**$**
Balance at beginning of year	305	(110)	**195**	264	(83)	**181**
Additions	5	-	**5**	41	-	**41**
Amortization	-	(34)	**(34)**	-	(27)	**(27)**
Balance at end of year	310	(144)	**166**	305	(110)	**195**

There were no impairments recognized during the year ended March 31, 2022 (March 31, 2021 - $nil).

8. Due to Affiliates

In the normal course of operations, ATBIA transacts with ATBSI as described in note 14. The amounts that are due to affiliates arising from these transactions are generally settled in the following month and are not subject to interest charges. The amounts due to affiliates are as follows:

	March 31, 2022	March 31, 2021
	$	$
Due to ATBSI	6	-

9. Compensation Payable and Employee Benefits

Variable Compensation Plans

As at March 31, 2022, the Company had accrued and expensed $7 (March 31, 2021 - $5) for its variable compensation plans.

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Defined Contribution Plan

ATBIA provides future benefits to employees through defined contribution plans. All defined contribution plan members are in a flexible pension plan, which is a combination of retirement savings in a registered defined contribution pension plan with a wealth accumulation component. This additional component allows employees to allocate funds to their ATB defined contribution pension plan, or to an RRSP, RESP, or ATB mortgage. For the year ended March 31, 2022, expenses related to the plan, which are recorded in salaries and employee benefits, were $10 (March 31, 2021 - $9).

10. Due to ATB

In the normal course of operations, ATB pays certain expenses on behalf of ATBIA. Additionally, ATB has helped finance ATBIA operations since the inception of the Company. The balance owing to ATB is primarily related to this financing of past operations. The continuing operations of ATBIA are dependent on ATB not calling these advances.

Pursuant to the *ATB Act*, the Government of Alberta may assess a charge to ATB as prescribed by the *ATB Regulation*. The *ATB Regulation* defines the Payment in lieu of tax (“PILOT”) charge to be 23% of ATB's consolidated net income as reported in its audited annual financial statements under IFRS.

For the year ended March 31, 2022, ATBIA accrued and incurred an expense of $40 (March 31, 2021 - $34) for PILOT. The amount owing for PILOT is not subject to interest and will be paid to ATB no later than June 30, 2022.

The net amount due to ATB, less PILOT, is subject to monthly interest charges at ATB’s prime lending rate. The prime lending rate at March 31, 2022 was 2.70% (March 31, 2021 – 2.45%).

The amounts due to ATB arising from the transactions described above are:

	March 31, 2022	March 31, 2021
	$	$
Due to ATB - PILOT	12	22
Due to ATB - Other	4,151	4,159
Due to ATB	4,163	4,181

11. Share Capital

Authorized:

Unlimited number of Class A voting, common shares without nominal or par value
Unlimited number of Class B non-voting, common shares without nominal or par value
Unlimited number of 10% non-cumulative, redeemable, non-voting, preferred shares without nominal or par value, redeemable at $100 per share

Issued and outstanding:

	March 31, 2022	March 31, 2021
Class A common shares #	100	100
Share capital ($ in thousands)	5	5

ATB Insurance Advisors Inc.
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12. Capital Risk Management and Restrictions

ATBIA's objectives in managing its capital, which is defined as shareholder deficiency and amounts due to ATB, are:

- To safeguard ATBIA's ability to operate as a going concern; and
- To provide financial capacity and flexibility to meet its strategic objectives.

The capital structure of ATBIA is managed and adjusted to reflect changes in economic conditions. In order to maintain or adjust the capital structure, adjustments may be made to the number of new common shares issued. In support thereof, management reviews the financial position of ATBIA on a monthly basis. If capital decreases, additional contributions or loans from ATB may be requested. Additionally, any repayment of amounts due to ATB is determined based on maintaining optimal levels of capital in the business.

ATBIA works towards managing its capital objectives to the extent possible while facing the challenges of market conditions. ATBIA's capital management objectives have not changed over the periods presented.

13. Revenues from Contracts With Customers

Disaggregation of Revenue From Contracts With Customers

	March 31, 2022	March 31, 2021
Nature of revenue	**$**	**$**
New insurance policies	325	265
Ongoing service to policyholders	270	251
Performance bonuses and other	13	2
	608	**518**

Revenue from commissions related to the placement of new policies and performance bonuses are recognized at a point in time, while revenue from commissions related to the ongoing service to policyholders is recognized over time.

ATB Insurance Advisors Inc.
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For the year ended March 31, 2022 ($ thousands)

Liabilities Related to Contracts With Customers

A contract liability represents the Company's obligation to provide services to a customer for which the entity has received consideration. As per note 2 g), ATBIA has two types of contract liability: i) chargebacks of first year compensation related to lapsed or canceled policies ("Lapse"); and ii) unsatisfied performance obligations to service policyholders in future years ("Future Service"), which arise only for new policies placed under the new agreement with the MGA that became effective March 1, 2018.

Amounts presented on the statement of financial position as contract liabilities include:

	March 31, 2022			March 31, 2021		
	Lapse	Future Service	**Total**	Lapse	Future Service	**Total**
	$	$	**$**	$	$	**$**
Current	17	39	**56**	15	29	**44**
Long-term	5	275	**280**	4	218	**222**
	22	**314**	**336**	**19**	**247**	**266**

Revenue Recognized in Relation to Contract Liabilities

Revenue includes the following amounts recognized that were included in the contract liability balance at the beginning of each year presented:

	March 31, 2022	**March 31, 2021**
	$	**$**
Lapse	15	17
Future Service	29	21

Unsatisfied Performance Obligations

The closing balance for contract liabilities is expected to be recognized into revenue over the next 10 years as follows:

	Lapse	**Future Service**
	$	**$**
Fiscal 2023 to 2025 (1 to 3 years)	22	118
Fiscal 2026 to Fiscal 2028 (4 to 6 years)	-	117
Fiscal 2029 to Fiscal 2032 (7 to 10 years)	-	79
	22	**314**

ATB Insurance Advisors Inc.
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14. Related Party Transactions

In the normal course of operations, ATBIA pays referral fees to ATBSI and ATB, and intercorporate management fees to ATBSI. ATB charges interest on amounts owing to ATB, and charges for various administrative and selling services, which includes a notional rent charge included in general and administrative expense effective April 1, 2021. ATBIA does not transact with ATBIM or ATBCM. A summary of these transactions is as follows:

Related Party	Transaction	March 31, 2022	March 31, 2021
		$	$
ATBSI	Referral fees	71	27
ATBSI	Intercorporate management fees	24	17
ATB	IT infrastructure and services	17	13
ATB	Professional fees	3	3
ATB	Salaries and employee benefits	2	3
ATB	Interest expense	101	105
ATB	General and administrative	96	6
ATB	Referral fees	3	-
		317	**174**

The transactions with related parties listed above were subject to annual service level agreements (and amendments) made effective April 1, 2021 (for the year ended March 31, 2022) and April 1, 2020 (for the year ended March 31, 2021). The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Compensation of Key Management Personnel

Under IFRS, key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Key management personnel are compensated through ATBSI and ATBIM; therefore, there is no key management compensation recorded in these financial statements. Compensation for key management personnel is captured in the management fee charged by ATBSI. The value of this compensation that was allocated to ATBIA for the year ended March 31, 2022 was $6 (March 31, 2021 - $2).

Employee Achievement Notes

ATB sells Principal-at-Risk Achievement Notes to certain eligible employees as an incentive for promoting the growth of the subsidiaries of ATB that provide, or will in the future provide, services under the ATB Wealth brand name. Under this plan, eligible employees are provided an opportunity to purchase a 25-year note with a value linked to the fair market value of certain ATB subsidiaries, including ATBIA. Holders of these notes do not have an ownership interest in ATB or its subsidiaries, nor do they have the rights of a direct holder of an interest in ATB or its subsidiaries.

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The rebranding and reorganization of ATBIS into ATB Wealth did not change the manner in which Achievement Notes are valued. ATB Wealth's results are a combination of ATBIA, ATBIM, ATBSI and Private Banking. These combined results are published in ATB's quarterly and annual reporting. The basis of reporting for ATB Wealth is different from the legal entity results of ATBIA, ATBIM and ATBSI from which the Achievement Note valuation is derived.

Each note holder is entitled to:

- a cash payment at maturity representing the then-current value of their note;
- submit a request to sell notes during the annual Transaction Window (subject to a 3-year vesting period and additional restrictions on ATB Wealth executives); and,
- cash distributions, if any, based on the formula set out in the note.

Upon an employee's termination, the designated acquirer under the plan has the right, but not the obligation, to acquire notes from the employee at the price applicable at the termination date.

The notes are not guaranteed under the deposit guarantee provided by the Crown in right of Alberta, and there is a risk, if the valuation decreases, that the note holder will lose some or all of the original investment.

There is no public market for these notes, and the valuation is based on a model prepared by an external consultant updated annually.

The liability recorded by ATB with regards to the Achievement Notes owned by the employees of ATBIA, or previously allocated to ATBIA as part of shared management services, is as follows:

	March 31, 2022	March 31, 2021
	$	$
Liability at beginning of year	424	345
Redemptions	(25)	(4)
Appreciation and vesting	48	83
Liability at end of year	**447**	**424**

15. Settlement of Third Party Claim

During the year ended March 31, 2022, ATBIA settled a third party claim made by one of its insurance carriers. The Company's total expenses associated with this claim, including costs for external legal counsel, was capped at the deductible amount under its errors and omissions insurance policy. Expenses are recorded in general and administrative. As at March 31, 2022, ATBIA had recorded a receivable of $78 (March 31, 2021 - $nil) associated with the related insurance claim, as it is Management's judgment that recovery is virtually certain. The recovery is recorded as other income in the statement of operations and comprehensive income.

ATB Insurance Advisors Inc.
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16. Intercorporate Management Fees

An intercorporate management fee exists in order for ATBSI to more appropriately distribute the costs of shared management, executive, strategic, and supporting costs with ATBIM, ATBIA and the private banking business within ATB (“Private Banking”). This fee is calculated by determining the total amount of shared costs and charging them to each of ATBSI, ATBIM, ATBIA and Private Banking according allocation drivers determined by common management of ATB Wealth. The fee charged by ATBSI is subject to a 25% markup. This methodology is intended to better assign costs proportional to the benefit generated by the shared services.

Management must use judgment in determining how to allocate costs between entities. These methods may change from year-to-year, as ATB Wealth changes its structure and transfers accountabilities between functions. For the year ended March 31, 2022, $9,632 of administration and selling expenses initially recorded in ATBSI formed the basis for costs eligible to be allocated to ATBIA (March 31, 2021 - $6,764). For expenses that Management has determined should be allocated to ATBIA, the allocation driver chosen was contribution to combined ATB Wealth revenues.

17. Credit Facility

ATBIA has access to a $50 unsecured operating loan facility with ATB (March 31, 2021 - $50). Interest on the facility is calculated based on prime less 0.25%, which was 2.45% at March 31, 2022 (March 31, 2021 - 2.20%). No amounts have been drawn on the facility as at March 31, 2022 (March 31, 2021 - $nil). A standby fee of 0.25% is calculated daily on the undrawn portion and remitted to ATB quarterly.

ATB Investment Management Inc.

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General OF ALBERTA

To the Board of Directors of ATB Investment Management Inc.

Report on the Financial Statements

Opinion

I have audited the financial statements of ATB Investment Management Inc., which comprise the statements of financial position as at March 31, 2022 and 2021, and the statements of changes in equity, operations and comprehensive income, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ATB Investment Management Inc. as at March 31, 2022 and 2021, and its financial performance, and its cash flows for the years then ended in accordance with the financial reporting framework specified in paragraph 3.2(3)(a) of National Instrument 52-107, *Acceptable Accounting Principles and Auditing Standards*, for financial statements delivered by registrants.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of ATB Investment Management Inc. in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter - basis of accounting

I draw attention to Note 2(a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ATB Investment Management Inc. to meet the requirements of National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. As a result, the financial statements may not be suitable for another purpose. My report is not modified in respect of this matter.

Other information

The financial statements of ATB Investment Management Inc. are included in the *Annual Report of the Ministry of Treasury Board and Finance* that is prepared by the Ministry of Treasury Board and Finance. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to ATB Investment Management Inc., but does not include the financial statements of ATB Investment Management Inc. and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to report the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting framework specified in paragraph 3.2(3)(a) of National Instrument 52-107, *Acceptable Accounting Principles and Auditing Standards*, for financial statements delivered by registrants, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing ATB Investment Management Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ATB Investment Management Inc.'s financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ATB Investment Management Inc.'s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ATB Investment Management Inc.'s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause ATB Investment Management Inc. to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

May 19, 2022
Edmonton, Alberta

ATB Investment Management Inc.
Statements of Financial Position
($ thousands)

	As at	
	March 31, 2022	March 31, 2021
ASSETS	$	$
Current assets		
Cash	10,964	6,195
Due from related parties (note 5)	14,616	14,199
Client fees receivable	10,728	9,565
Due from advisors	35	70
Prepaid expenses	369	291
Securities owned	27	26
	36,739	30,346
Non-current assets		
Due from advisors	27	64
Software and computer equipment (note 6)	38	225
	65	289
	36,804	30,635
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	9,893	7,250
Compensation payable (note 7)	2,604	1,688
Due to affiliates (note 8)	14	746
Due to ATB (note 9)	14,086	11,940
	26,597	21,624
Long-term liabilities		
Compensation payable (note 7)	394	182
	26,991	21,806
SHAREHOLDER EQUITY		
Share capital (note 10)	5	5
Retained earnings	9,808	8,824
	9,813	8,829
	36,804	30,635

The accompanying notes are an integral part of these financial statements
Certain comparative figures have been revised (Note 18)

Approved by:

Original signed by
Director

Original signed by
Chief Financial Officer

ATB Investment Management Inc.

Statements of Changes in Equity

For the year ended March 31, 2022 ($ thousands, except for shares)

	Class A Common Shares #	Share Capital $	Retained Earnings $	Shareholder Equity $
Balance at March 31, 2020	100	5	7,459	7,464
Dividends	-	-	(37,000)	(37,000)
Net income and comprehensive income	-	-	38,365	38,365
Balance at March 31, 2021	100	5	8,824	8,829
Balance at March 31, 2021	100	5	8,824	8,829
Dividends	-	-	(45,000)	(45,000)
Net income and comprehensive income	-	-	45,984	45,984
Balance at March 31, 2022	100	5	9,808	9,813

The accompanying notes are an integral part of these financial statements

ATB Investment Management Inc.
Statements of Operations and Comprehensive Income
($ thousands)

	For the year ended	
	March 31, 2022	March 31, 2021
Revenue (notes 14 and 15)	$	$
Fund management fees	184,978	161,716
Fee based revenue	28,046	23,300
Securities commissions	91	66
Other revenue (note 12)	123	161
	213,238	185,243
Administration and selling expenses (note 15)		
Trailing commissions	72,265	66,132
Third party fund manager fees	43,947	35,548
Intercorporate management fees (note 13)	8,124	9,467
Salaries and employee benefits	6,568	6,889
IT infrastructure and services	5,835	4,132
Relationship management fees	5,080	4,231
Advisor commissions	4,803	3,869
General and administrative	3,810	2,668
Incentive compensation (note 7)	1,471	622
Professional fees	1,131	981
Clearing and processing	280	246
Amortization and depreciation	187	617
Banking and interest charges	17	16
	153,518	135,418
Net income before payment in lieu of tax	59,720	49,825
Payment in lieu of tax ("PILOT") (note 9)	13,736	11,460
Net income and comprehensive income	45,984	38,365

The accompanying notes are an integral part of these financial statements
Certain comparative figures have been revised (Note 18)

ATB Investment Management Inc.
Statements of Cash Flows
($ thousands)

	For the year ended	
	March 31, 2022	March 31, 2021
Cash provided by (used in)	**$**	**$**
Operating activities		
Net income and comprehensive income	45,984	38,365
Adjustments for non-cash items		
Unrealized gain on securities owned	(1)	(5)
Amortization and depreciation	187	617
Adjustments for net change in non-cash working capital items		
Due from related parties	(417)	(2,202)
Client fees receivable	(1,163)	(1,662)
Due from advisors	72	146
Prepaid expenses	(78)	(130)
Accounts payable and accrued liabilities	2,643	(575)
Compensation payable	1,128	(203)
Due to affiliates	(732)	(671)
Due to ATB	2,146	2,329
Net cash from operating activities	49,769	36,009
Financing activities		
Dividends	(45,000)	(37,000)
Net cash used in financing activities	(45,000)	(37,000)
Net change in cash	4,769	(991)
Cash at beginning of period	6,195	7,186
Cash at end of period	10,964	6,195
Supplementary information		
Interest paid	17	16
Interest received	60	44
PILOT paid	11,460	9,249

The accompanying notes are an integral part of these financial statements

Certain comparative figures have been revised (Note 18)

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

1. Nature of Operations

ATB Investment Management Inc. (“ATBIM” or the “Company”) is a wholly-owned subsidiary of ATB Financial (“ATB”) and is affiliated with ATB Securities Inc. (“ATBSI”), ATB Insurance Advisors Inc. (“ATBIA”) and ATB Capital Markets Inc. (“ATBCM”). ATBIM, ATBSI, and ATBIA operate under the trademark ATB Wealth, which also includes certain private banking operations within ATB. ATBIM, ATBSI and ATBIA may be referred to collectively as ATB Investor Services (“ATBIS”), the trademark this group of companies previously operated under.

ATBIM was established to manage a family of mutual fund portfolios and to provide portfolio management services to high net worth clientele. ATBIM is registered as a Portfolio Manager and Investment Fund Manager with the Alberta Securities Commission (“ASC”). ATBIM is the fund manager for the Compass Portfolio Series of mutual funds and the ATBIS Pooled Fund Series of mutual funds (collectively, “ATBIS Funds”). As a provincial Crown corporation, ATBIM is exempt from income tax; however, it is subject to payment in lieu of tax (“PILOT”) as described in note 9.

The address of the Company’s registered office is:
2100, 10020 - 100 Street
Edmonton, Alberta T5J 0N3

These financial statements were approved by the Board of Directors on May 19, 2022.

2. Significant Accounting Policies

a. Basis of Preparation

As a registrant under National Instrument 31-103 *Registration Requirements and Exemptions*, the Company is subject to the requirements of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*. These financial statements are prepared in accordance with the financial reporting framework specified in subsection 3.2(3)(a) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for non-consolidated financial statements delivered by registrants (the “Framework”). The Framework requires the financial statements to be prepared in accordance with Canadian generally accepted accounting principles applicable to publicly accountable enterprises, as set out in the Chartered Professional Accountants of Canada (“CPA Canada”) Handbook, except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified in International Accounting Standard (“IAS”) 27 *Separate Financial Statements*. Accordingly, readers are cautioned that these financial statements may not be appropriate for other purposes. In 2010, the CPA Canada Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and requires publicly accountable enterprises to apply such standards in their financial reporting.

The Company had no investments in subsidiaries, jointly controlled entities, or associates as at March 31, 2022 and 2021.

These financial statements are presented in Canadian dollars, which is ATBIM’s functional currency.

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain assets and liabilities at fair value through profit and loss (note 2m)).

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

b. Critical Accounting Judgements and Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, as at the statement of financial position date, as well as the reported amounts of revenues and expenses during the periods presented. The assumptions underlying valuations and assessments are reviewed by management on a regular basis; however, actual results could differ significantly from estimates, and the impact of any such differences will be recorded in future periods.

The notes to the financial statements for the year ended March 31, 2022, provide additional information on ATBIM's critical accounting judgments and estimates under the Framework in the following notes:

- 2f. Software - judgments in establishing useful lives and thus depreciation expense for computer equipment and amortization expense for software.
- 2k. Employee benefits - estimates of amounts that will be approved for payment under variable compensation plans.
- 3. Financial Instruments - Fair Value Hierarchy - assumptions for valuing long-term incentive plan liabilities described in note 2k.
- 4. Financial Instruments - Financial Risk Management - assessing expected credit losses for financial assets described in note 2m.
- 13. Intercorporate Management Fees - judgments when identifying shared costs and choosing allocation drivers for support costs to be shared across ATB Wealth

c. Cash

Cash consists of cash on deposit held with ATB.

d. Securities Owned

Securities owned consists of seed capital in the ATBIS Pooled Fund Series of mutual funds. At each reporting period, the Company assesses its investments in funds managed by the Company for control, or significant influence. Factors considered in the Company's assessment of control and significant influence over the funds include: i) extent of the Company's interest in the funds; ii) rights held by other investors; iii) the remuneration the Company is entitled to for its services as a manager to the fund; and iv) the scope of the Company's decision making authority. If a fund is considered to be controlled by the Company, it will be consolidated. If the Company determines that it has significant influence or joint control over a fund, then that fund is considered to be an associate.

e. Computer Equipment

Computer equipment is carried at cost less accumulated depreciation and provision for impairment, if any, and is depreciated on a straight-line basis over its estimated useful life. Additions and subsequent expenditures are capitalized only to the extent that they enhance the future economic benefits expected to be derived from the assets. The depreciable amount of an asset is the gross carrying amount, less the estimated residual value at the end of its useful life. No depreciation is calculated on assets under development until the assets are available for use. As at March 31, 2022, computer equipment had been fully depreciated.

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

f. Software

Software represents internally generated intangible assets, as defined under IAS 38 *Intangible assets*. Software is carried at cost less accumulated amortization and provision for impairment, if any, with cost amortized on a straight-line basis over the software's estimated useful life. No amortization is calculated on software under development until the assets are available for use. The estimated useful life for software is 3 years.

Management makes judgments when determining useful lives by assessing current facts and past experience, existing long-term agreements and contracts, current and forecasted demand, and the potential for technological obsolescence. While these useful life estimates are reviewed on a regular basis, and amortization calculations revised accordingly, actual useful lives may differ from the estimates.

Costs related to software developed or obtained for internal use are capitalized if it is probable that future economic benefits will flow to ATBIM and the cost can be measured reliably. Eligible costs include external direct costs for materials and services, as well as payroll and payroll related costs for employees directly associated with an internally developed software project.

g. Impairment of Computer Equipment and Software

Computer equipment and software that are in use by the Company are subject to impairment review by Management whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Software under development is reviewed for impairment annually. There were no indicators of impairment for the years ended March 31, 2022 or 2021.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows.

h. Provisions and Contingent Liabilities

Provisions are recognized when it is more likely than not that an outflow of economic resources will be required to settle a legal or constructive obligation, which has arisen as a result of past events, and for which a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Company has not recognized any provisions at March 31, 2022 (March 31, 2021 - $nil).

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of ATBIM, or, are present obligations that have arisen from past events but are not recognized because it is not probable that settlement will require an outflow of economic benefits or because the amount of the obligations cannot be reliably measured. Where significant, contingent liabilities are disclosed, unless the probability of settlement is remote.

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

i. Foreign Exchange

Financial assets and liabilities denominated in foreign currencies are translated into, and presented in, Canadian dollars at the exchange rates in effect at the date of the statement of financial position. Revenues and expenses are translated at the exchange rates prevailing at the respective transaction dates. Realized and unrealized gains and losses arising from these translations are included in other revenue in the statements of operations and comprehensive income.

j. Revenue Recognition

Revenue from contracts with customers is recognized when control of a good or service transfers to a customer. ATBIM follows a five-step recognition and measurement framework in order to determine when to recognize revenue:

i. Identify the contract(s) with a customer
ii. Identify the performance obligation(s) in the contract
iii. Determine the transaction price
iv. Allocate the transaction price to the performance obligation(s)
v. Recognize revenue when (or as) ATBIM satisfies a performance obligation(s)

Interest income is recorded on an accrual basis.

ATBIM has the following categories of revenue from contracts with customers (see also note 14).

Fund Management Fees from ATBIS Funds

Depending on the series of units of held by investors, the prospectus of the ATBIS Funds permits ATBIM to charge fund management fees in consideration for providing, or arranging for, the provision of investment decisions, management of the ATBIS Funds, distributions and sales of the units of the ATBIS Funds, as well as covering the fees, costs and expenses related to third-party advisors who may be retained to make recommendations to ATBIM. These activities are considered to be a single performance obligation. The fund management fee charged by ATBIM is prescribed in the prospectus and based on the average daily net asset value (“NAV”) of units held by all investors of the particular mutual fund series. ATBIM recognizes these fund management fees over time, records this revenue each month and generally collects from ATBIS Funds in the following month.

Fund Management Fees from Individual Investors and ATBSI

Depending on the series of units held by investors, the prospectus of the ATBIS Funds permits ATBIM to charge fund management fees to investors directly for the same services described above, where the customer in the contract is an ATBIM client rather than the ATBIS Funds. The fund management fee charged by ATBIM is negotiated between the investor and ATBIM, and based on the average daily NAV of units held by the individual client. ATBIM recognizes these fund management fees over time and records this revenue each month. ATBIM collects directly from client accounts every quarter, or when a client account is closed.

Employees of ATB or companies affiliated with ATBIM also hold these series of units as clients of ATBSI. In this instance, ATBIM charges the fund management fee permitted by the prospectus of the ATBIS Funds to ATBSI directly every month.

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

Advisory Fees from ATBIM clients (Fee based revenue)

ATBIM earns fee based revenues from its clients for acting as a portfolio manager with full investment discretion. The fee structure charged by ATBIM for these services is negotiated between the client and ATBIM and based on the average daily market value of client assets under administration with ATBIM. ATBIM recognizes this fee based revenue over time, records this revenue each month and collects directly from client accounts every quarter, or when a client account is closed.

Other Contract Revenue - Other Fund Management Fees, Trailer Fees and Commissions

ATBIM earns various other fees and commissions from i) third-party mutual fund companies and asset managers for clients invested with those companies; ii) ATB for clients invested in ATB GICs; and iii) clients for trading certain securities. Depending on the contracts with these customers and the type of product the client is invested in, revenue can be earned either at a point in time or over time.

k. Employee Benefits

ATBIM provides benefits to employees through the following plans (see also note 7):

Defined Contribution Plan

ATBIM provides its non-union employees with a registered defined contribution pension plan. Contributions to the plan are expensed as related salaries or incentive compensation are earned, and are recorded in salaries and employee benefits in the statements of operations and comprehensive income. Contributions payable at the end of the year are recorded in accounts payable and accrued liabilities.

Public Service Pension Plan (“PSPP”)

The PSPP is a multi-employer pension plan for eligible employees of the Province of Alberta, approved provincial agencies, and public bodies. The plan provides a pension for each year of pensionable service based on the average salary of the highest five consecutive years up to the year’s maximum pensionable earnings. The PSPP pools all assets and liabilities of participating employers, but there is no allocation of assets and liabilities to participating employers. In order to recognize an estimate of its own liability under this plan, ATB applies defined-benefit accounting; however, no further allocation of this amount to the ATBIS subsidiaries are determined, such that gains and losses associated with funding the liability are not shared with ATBIM. Contributions to the plan are expensed as related salaries are earned, and are recorded as salaries and employee benefits in the statements of operations and comprehensive income. Contributions payable at the end of the year are recorded in accounts payable and accrued liabilities.

Notional Supplemental Plan

ATBIM has a notional supplemental plan (“NSP”) that provides additional retirement benefits to eligible employees that cannot be provided within the defined contribution plan due to taxation limitations on contributions to a registered defined contribution pension plan.

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

The NSP account is an unfunded account established by ATB on behalf of each eligible employee, and consists of notional contributions, notional interest, and notional gains and losses. Notional contributions are amounts that would have been made pursuant to the defined contribution plan were taxation limits not imposed. Notional contributions include both employee and employer contributions. Notional interest is accrued on notional contributions at a rate for customer deposits with ATB in the calendar year of contribution until the end of the year, at which point the aggregate amount is notionally invested. The ongoing value of the notional investments is indexed to the NAV of one of the Compass Portfolio Series of mutual funds, resulting in notional gains and losses, which cease to accrue at the end of the month in which the employee retires or leaves the Company.

The Company is not required to secure the NSP benefits, or to establish or contribute to a funding arrangement of any kind with respect to the provision of benefits payable. The Company may establish, but has no obligation to establish, a special purpose reserve in respect of the liabilities under the NSP.

The Company anticipates that the NSP will continue indefinitely; however, the Company reserves the right to amend, modify or terminate the NSP with or without replacement.

The NSP liability is recorded in compensation payable. Employer notional contributions, and notional interest and gains and losses are recorded as salaries and employee benefits in the statements of operations and comprehensive income and are described further in note 7.

Short-Term Employee Benefits

Short-term employee benefits, such as paid absences and other benefits including any related payroll taxes, are accounted for on an accrual basis over the period in which the employees provide the related services, and are recorded in the statements of operations and comprehensive income as salaries and employee benefits. Short-term employee benefits payable at the end of the year are recorded in accounts payable and accrued liabilities.

Variable Compensation Plans

Certain employees of the Company are eligible to participate in variable compensation plans that allow them to share directly in the success of the Company. On an annual basis, employees may receive a lump-sum payment that is based on the combined achievement of separate performance targets for the individual employee, ATB Wealth and ATB. Variable compensation plan expenses are recorded in the statements of operations and comprehensive income as incentive compensation.

At the end of each fiscal year, but prior to the final assessment of attainment of performance targets, Management estimates amounts payable under variable compensation plans and accrues an expense that is recorded in compensation payable (note 7). Amounts are formally reviewed and determined by management subsequent to the end of the year. As such, amounts eventually paid may differ from the Company’s estimates.

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

Long-Term Employee Benefits

ATBIM has a long-term incentive plan (“LTIP”) for certain eligible employees of the Company. The plan provides an incentive for achieving success in execution of strategic objectives that create value and long-term sustainability of the Company. Certain employees of the Company receive LTIP grants approved by the ATB Board of Directors. The amounts are subject to annual appreciation and depreciation factors that measure performance against targets, and are payable three years from the effective date of the grant. The liability for LTIP is recorded at the present value of the grants that have vested as of the reporting date, less an allowance for forfeiture. The liability for LTIP vests over three years from the date of the grant. The liability for LTIP is included in compensation payable, and the related expense is included in incentive compensation expenses.

Transfers of Clients Between Advisors

In accordance with the terms of their employment agreements, advisors may receive compensation for transitioning clients to other advisors in the Company. Similarly, advisors receiving the transferred clients who satisfy conditions outlined in their employment agreements may have compensation reduced in order to pay for these transition services. Advisors sign agreements with the Company that stipulate the total compensation to be paid or received in respect of the transfer of a specified list of clients. Advisors receive quarterly payments from ATBIM or make quarterly payments to ATBIM over the subsequent four years.

With respect to the advisor transferring clients, the Company recognizes a liability and an expense over the period during which the transition services occur. The liability is recorded in compensation payable, while the expense is recorded in salaries and employee benefits. No interest is due to the transferring advisor on the outstanding balance.

With respect to the advisor who is required to make a payment for receiving clients, the Company recognizes an asset and an expense recovery over the period during which the transition services occur. The asset is recorded in due from advisors, while the expense recovery is recorded in salaries and employee benefits. Advisors sign promissory notes for amounts owed to the Company; however, no interest is charged as the Company pays no interest on related amounts due to the transferring advisor.

l. Share-Based Payments

Certain eligible employees of the Company have the opportunity to participate in a share-based compensation plan of ATB. Under this plan, eligible employees of the Company may choose to purchase Achievement Notes issued by ATB with a value linked to the fair market value of certain ATB subsidiaries, including ATBIM (note 15). The obligation to settle the notes with employees belongs to ATB, not ATBIM. This is a group plan where the awards are considered cash-settled by ATB and equity-settled by the Company. The value of the award for equity-settled plans is determined only once, on the grant date. No compensation expense is recorded by the Company related to the awards when granted, as the notes are issued to employees at fair value on the grant date.

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

m. Financial Instruments – Recognition and Measurement

Recognition

All financial assets and financial liabilities are initially recognized on the trade date, which is the date that ATBIM becomes a party to the contractual provisions of the financial instrument. ATBIM derecognizes a financial asset when the contractual right to receive cash flows from the asset has expired, or when the Company transfers the rights to receive the contractual cash flows in a transaction where substantially all the risks and rewards of ownership of the financial asset are transferred. ATBIM derecognizes a financial liability when its contractual obligations are discharged, or when the contract is cancelled or has expired.

Classification and Measurement - Financial Assets

Financial assets are classified and measured at amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income (“FVOCI”). Classification is based on the Company’s business model for managing the specified financial assets, and whether the contractual cash flows of the specified financial asset represents solely payments and interest on the principal amount outstanding (the “SPPI test”). Principal is defined as the fair value of the asset at initial recognition and may change over the asset’s life. Interest payments can include consideration for the time value of money as well as for credit and liquidity risks. Financial assets are only reclassified if a significant change in the asset’s business model occurs subsequent to initial recognition.

The classifications of the financial assets of ATBIM are as follows:

Financial Assets	Classification
• Cash • Due from related parties • Client fees receivable • Due from advisors	Amortized cost
• Securities owned	FVTPL

Financial assets held primarily to collect contractual cash flows that are comprised of principal and interest are classified as amortized cost. These assets are initially recognized at fair value – which is the cash consideration to originate or purchase the asset, including any transaction costs – and subsequently measured at amortized cost using the effective interest method.

For financial assets classified as amortized cost with an expected term of less than one year that do not have a significant financing component, initial measurement is at the transaction price, which results in the recognition of no interest income under the effective interest method.

Classification and Measurement - Financial Liabilities

Financial liabilities are classified and measured at either FVTPL or amortized cost. Financial liabilities not classified as FVTPL are measured at amortized cost. Financial liabilities are never reclassified.

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

The classifications of the financial liabilities of ATBIM are as follows:

Financial Liabilities	Classification
• Accounts payable and accrued liabilities • Due to affiliates • Compensation payable (note 7) • Due to ATB	Amortized cost
• Compensation payable - LTIP and NSP (note 7)	FVTPL

For financial liabilities classified as amortized cost, ATBIM initially measures all amounts at the transaction price, which results in the recognition of no interest expense under the effective interest method.

Impairment of Financial Assets

The Company incorporates an expected credit loss ("ECL") model for the recognition and measurement of impairments of financial assets measured at amortized cost. The ECL model involves a staged approach, whereby financial assets move through three stages as their credit quality changes. ECL are the weighted-average credit losses, where the probability of default is used for the weighting.

The stage of the ECL model dictates how ATBIM measures impairment losses:

- Stage 1: On initial recognition, for financial assets measured at amortized cost where there is not a significant financing component, ATBIM applies the simplified approach permitted by IFRS, which requires expected lifetime losses to be recognized from initial recognition of the receivable. For all other financial assets measured at amortized cost, ATBIM determines the impairment provision on a 12-month ECL basis. For these calculations, the Company uses a historical-based provision matrix adjusted for forward-looking factors.

- Stage 2: For financial assets that have experienced a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment, and where the overall assessment of credit risk at the reporting date is not still low, ATBIM records an estimate of lifetime ECL.

- Stage 3: For financial assets that have objective evidence of impairment at the reporting date, ATBIM records an estimate of lifetime ECL and recognizes interest income on the carrying value of the asset net of the credit allowance.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the amount of the loss is recognized in the statement of operations and comprehensive income. For practical reasons, ATBIM may measure impairment on the basis of an instrument's fair value using an observable market price.

As at March 31, 2022 and March 31, 2021, none of the Company's financial assets were in stages 2 or 3 of the impairment model, and the Company applied the simplified approach to all financial assets in Stage 1.

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

n. Financial Instruments – Fair Value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of the fair value of a financial instrument at initial recognition is the fair value of the consideration received or paid.

The estimated fair value of financial instruments that are short-term in nature is considered to be equal to carrying value. These items include cash, due from related parties, client fees receivable, due from advisors, accounts payable and accrued liabilities, due to affiliates, due to ATB, and certain compensation payable amounts that are not carried at fair value. These fair value estimates for the financial instruments listed above are classified as level 2 in the fair value hierarchy described in note 3.

Securities owned, and the liabilities for LTIP and the notionally invested portion of the NSP are carried at fair value. See note 3 for an explanation of how these items are valued and where they are classified in the fair value hierarchy.

3. Financial Instruments - Fair Value Hierarchy

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy based on the quality and reliability of the information used to estimate the fair value. The fair value hierarchy has the following levels:

- Level 1 – fair value based on quoted prices in active markets.
- Level 2 – fair value estimated using valuation techniques that use market-observable inputs other than quoted market prices.
- Level 3 – fair value estimated using inputs that are not based on observable market data.

The fair value of securities owned as at March 31, 2022 was $27 (March 31, 2021 - $26). Securities owned are classified as level 1 under the fair value hierarchy. Changes in fair value are presented as other revenue in the statements of operations and comprehensive income.

The portion of the NSP liability representing notionally invested funds is indexed to the value of the Compass Balanced Portfolio that has a quoted market price available. This portion of the NSP liability amounted to $207 as at March 31, 2022 (March 31, 2021 - $39), and is classified as level 2 under the fair value hierarchy.

The LTIP liability has a maturity date longer than one year and is therefore carried at fair value, using an appropriate discount rate, which was 3.3% per annum as at March 31, 2022 (March 31, 2021 - 2.7%). The fair value of the LTIP component of incentive compensation payable is also determined by estimating appreciation factors related to future years' performance, estimating forfeiture rates, and vesting awards over a three-year period. The LTIP obligation has been classified as level 3 under the fair value hierarchy.

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

The following table presents the change in fair value of level 3 financial instruments:

	March 31, 2022	March 31, 2021
	$	$
Fair value at beginning of period	46	234
Vesting (forfeiture) of awards	132	(32)
Changes in estimates	6	-
Transfers from (to) ATBSI	148	(94)
Settled	(16)	(62)
Fair value at end of period	**316**	**46**

There have been no transfers between fair value hierarchy levels during the year.

4. Financial Instruments - Financial Risk Management

ATBIM's financial instruments are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. ATBIM's overall risk management program focuses on the unpredictability of financial and economic markets, and seeks to minimize potential adverse effects on ATBIM's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. There are three types of market risk: currency risk, interest rate risk and price risk.

Currency risk: Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. Risk exists that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. ATBIM does not hold significant amounts of financial instruments denominated in foreign currencies and therefore is not exposed to significant currency risk.

Interest rate risk: ATBIM is subject to interest rate risk as cash balances and the amount that is due to ATB excluding PILOT (note 9) are subject to interest rate fluctuations and the degree of volatility in these rates. ATBIM is also exposed to interest rate risk as the fair value of the LTIP liability will fluctuate as a result of changes in market interest rates. ATBIM does not currently hold any financial instruments that mitigate this risk and management does not believe that the impact of interest rate fluctuations will be significant on the Company's overall financial performance.

As at March 31, 2022, ATBIM held $10,964 in cash (March 31, 2021 - $6,195). As at March 31, 2022, if interest rates were to change by 25 bps, the change in interest income would be approximately $27 (March 31, 2021 - $15).

Price risk: ATBIM is exposed to price risk through the securities it owns and the NSP liability. As at March 31, 2022, if market prices were to change by 10%, the change in net income before PILOT would be $18 (March 31, 2021 - $1).

ATB Investment Management Inc.
Notes to the Financial Statements
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Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in a financial loss to ATBIM. ATBIM is exposed to credit risk through its financial assets.

The application of the ECL model (note 2 m)) to the Company's various financial assets is described below:

- Cash balances are subject to impairment testing; however, the identified impairment losses were immaterial. All cash is on deposit with ATB, an Alberta Crown Agent, from which management believes the probability of default is remote.
- Amounts presented as due from related parties are primarily comprised of fund management fees due from ATBIS Funds. This balance also includes certain fund expenses paid by ATBIM on behalf of ATBIS Funds, which ATBIM may choose to absorb (note 5). Given the low probability of default and the Company's history of no actual losses, the provision for ECL for due from related parties at March 31, 2022 was $nil (March 31, 2021 - $nil).
- Client fees receivable are collected directly from client accounts. For these balances, management believes default constitutes insufficient assets in the account to pay fees when billed, and that the probability of default is very low because ATBIM investment counselors are directly responsible for portfolio management. Given the low probability of default and a history of negligible actual losses, the provision for ECL for client fees receivable at March 31, 2022 was $nil (March 31, 2021 - $nil).
- Promissory notes due from advisors with respect to payments for client transfers are paid down from the commission income earned by those advisors. For these amounts, management believes default constitutes an unpaid amount beyond 30 days, and that the probability of default is very low. In the event of default, the Company is permitted to both i) deduct amounts owed from other compensation payable due to the defaulting advisor; or ii) transfer clients from the defaulting advisor to another advisor. Given the low probability of default, a history of no actual losses and the low net exposure to actual losses, the provision for ECL for these amounts due from advisors as at March 31, 2022 was $nil (March 31, 2021 - $nil).

The Company's credit exposure at March 31, 2022 is $36,370 (March 31, 2021 - $30,093), which is the sum of its cash, due from related parties, client fees receivable and due from advisors balances.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by closely monitoring the level of cash available to meet its obligations and reducing dividends to its parent, ATB, as required.

The Company's financial liabilities giving rise to liquidity risk that are considered short-term, include accounts payable and accrued liabilities, compensation payable, commissions payable, due to affiliates, and due to ATB.

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

5. Due from Related Parties

In the normal course of operations, ATBIM receives fund management fees from ATBIS Funds. ATBIM charges ATBIS Funds for services, including general and administrative expenses, and the portion of salaries and employee benefits for management time spent supporting the ATBIS Funds (note 15). ATBIM also pays certain expenses on behalf of ATBIS Funds, for which it is subsequently reimbursed. The amounts due from ATBIS Funds arising from these transactions are generally settled in the following month and are not subject to interest charges.

	March 31, 2022	March 31, 2021
	$	$
Due from ATBIS Funds	14,616	14,199

At its sole discretion, ATBIM may waive fund management fees and/or absorb expenses incurred on behalf of the ATBIS Funds. This amount is recorded in general and administrative expenses (note 15). Such waivers and absorptions can be terminated at any time without notice.

6. Software and Computer Equipment

	Computer Equipment	Software	Total
	$	$	$
Cost			
Balance at April 1, 2020	64	3,915	3,979
Balance at March 31, 2021	64	3,915	3,979
Retirements	-	(499)	(499)
Balance at March 31, 2022	64	3,416	3,480
Accumulated Amortization and Depreciation			
Balance at April 1, 2020	43	3,094	3,137
Amortization and depreciation	21	596	617
Balance at March 31, 2021	64	3,690	3,754
Amortization and depreciation	-	187	187
Retirements	-	(499)	(499)
Balance at March 31, 2022	64	3,378	3,442
Carrying Amounts			
Balance at March 31, 2021	-	225	225
Balance at March 31, 2022	-	38	38

The retirement of assets for the year ended March 31, 2022 resulted in no additional expenses. There was no retirement of assets during the year ended March 31, 2021.

There were no impairments recognized during the year ended March 31, 2022 (March 31, 2021 - $nil).

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

7. Compensation Payable and Employee Benefits

Compensation Payable

	March 31, 2022	March 31, 2021
	$	$
Commissions payable	1,215	1,040
Due to advisors - transfer of clients	67	103
Variable compensation plan payable	1,177	524
LTIP payable	145	21
Recorded in current liabilities	**2,604**	**1,688**
Due to advisors - transfer of clients	16	118
LTIP payable	171	25
NSP payable	207	39
Recorded in long-term liabilities	**394**	**182**

Defined Contribution Plan and PSPP

ATBIM provides future benefits to employees through defined contribution plans. All defined contribution plan members are in a flexible pension plan, which is a combination of retirement savings in a registered defined contribution pension plan with a wealth accumulation component. This additional component allows employees to allocate funds to their ATB defined contribution pension plan, or to an RRSP, RESP, or ATB mortgage. For the year ended March 31, 2022, expenses related to the flexible pension plan, which are recorded in salaries and employee benefits, were $798 (March 31, 2021 - $659).

Some ATBIM employees are members of the PSPP (note 2 k)). For the year ended March 31, 2022, expenses related to the PSPP were $91 (March 31, 2021 - $79).

Notional Supplemental Plan

The change in the carrying amount of the NSP liability for periods presented is as follows:

	March 31, 2022	March 31, 2021
	$	$
Carrying amount at beginning of year	39	219
Transfers from (to) ATBSI	143	(21)
Employer contributions	44	30
Employee contributions	14	4
Gains and losses on notionally invested amounts	1	34
Settled	(34)	(227)
Carrying amount at end of year	**207**	**39**

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

Incentive Compensation Plans

As at March 31, 2022, the Company had accrued and expensed $1,177 (March 31, 2021 - $524) for variable compensation plans related to the achievement of goals and performance targets (note 2 k)).

For LTIP (note 2 k)), amounts recorded as at March 31, 2022 are as follows:

Fiscal Year Issued	LTIP Grants Issued	Allowance for Forfeiture	Vested	Present Value of Grants Vested
	$	$	$	$
2020	145	-	145	145
2021	150	8	97	94
2022	258	13	82	77
Total	**553**	**21**	**324**	**316**

The value presented for LTIP grants issued includes the appreciation or depreciation of those awards. For the year ended March 31, 2022, LTIP expense was $140 (March 31, 2021 - forfeiture of $32) and is recorded in incentive compensation expenses.

8. Due to Affiliates

In the normal course of operations, ATBIM transacts with ATBSI as described in note 15. The amounts that are due to affiliates arising from these transactions are generally settled in the following month and are not subject to interest charges. The amounts due to affiliates are as follows.

	March 31, 2022	March 31, 2021
	$	$
Due to ATBSI	14	746

9. Due to ATB

In the normal course of operations, ATBIM transacts with ATB as described in note 15. The amounts due to ATB are generally settled in the following month.

Pursuant to the *ATB Act*, the Government of Alberta may assess a charge to ATB as prescribed by the *ATB Regulation*. The *ATB Regulation* defines the Payment in lieu of tax (“PILOT”) charge to be 23% of ATB's consolidated net income as reported in its audited annual financial statements under IFRS.

For the year ended March 31, 2022, ATBIM accrued and incurred an expense of $13,736 for PILOT (March 31, 2021 - $11,460). The amount owing for PILOT is not subject to interest and will be paid to ATB no later than June 30, 2022.

ATB Investment Management Inc.
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The net amount due to ATB less PILOT is subject to monthly interest charges at ATB's prime lending rate. The prime lending rate at March 31, 2022 was 2.70% (March 31, 2021 - 2.45%).

The total amounts due to ATB arising from these transactions are as follows:

	March 31, 2022	March 31, 2021
	$	$
Due to ATB - PILOT	13,735	11,460
Due to ATB - Other	351	480
	14,086	11,940

10. Share Capital

Authorized:

Unlimited number of Class A voting, common shares without nominal or par value
Unlimited number of Class B non-voting, common shares without nominal or par value
Unlimited number of 10% non-cumulative, redeemable, non-voting, preferred shares without nominal or par value, redeemable at $100 per share

Issued and outstanding:

	March 31, 2022	March 31, 2021
Class A common shares (#)	100	100
Share capital ($ in thousands)	5	5

11. Capital Risk Management and Restrictions

ATBIM's objectives in managing its capital, which is defined as shareholder equity, are:

- To safeguard ATBIM's ability to operate as a going concern by maintaining adequate residual capital as prescribed by the ATBIS Board of Directors from time to time;
- To provide financial capacity and flexibility to meet its strategic objectives; and
- To maintain at all times working capital sufficient in size to satisfy the ASC's minimum excess working capital requirements.

The Company met the ASC's minimum excess working capital requirement of $100 throughout the year. The capital structure of ATBIM is managed and adjusted to reflect changes in economic conditions. Management may maintain or adjust the capital structure by adjusting the number of new common shares issued or by restricting dividends. In support thereof, management reviews the financial position of ATBIM on a monthly basis. ATBIM works towards managing its capital objectives to the extent possible while facing the challenges of market conditions. ATBIM's capital management objectives have not changed over the periods presented.

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

12. Other Revenue

	March 31, 2022	March 31, 2021
	$	$
Interest income	60	44
Trailer fees and mutual fund commissions	32	15
GIC commissions	29	101
Unrealized gain on securities owned	1	5
Foreign exchange	1	(4)
	123	**161**

13. Intercorporate Management Fees

An intercorporate management fee exists in order for ATBSI to more appropriately distribute the costs of shared management, executive, strategic, and supporting costs with ATBIM, ATBIA and the private banking business within ATB ("Private Banking"). This fee is calculated by determining the total amount of shared costs and charging them to each of ATBSI, ATBIM, ATBIA and Private Banking according to allocation drivers determined by common management of ATB Wealth. The fee charged by ATBSI is subject to a 25% markup. This methodology is intended to better assign costs proportional to the benefit generated by the shared services.

Management must use judgment in determining how to allocate costs between entities. These methods may change from year-to-year, as ATB Wealth changes its structure and transfers accountabilities between functions. For the year ended March 31, 2022, $17,000 of administration and selling expenses initially recorded in ATBSI formed the basis for costs eligible to be allocated to ATBIM (March 31, 2021 - $16,583). For the year ended March 31, 2022, Management has chosen to allocate certain costs based on contribution to combined ATB Wealth revenues, and other costs based on contribution to combined ATB Wealth assets under administration. In prior years, applicable costs were allocated only based on contribution to combined ATB Wealth revenue.

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

14. Disaggregation of Revenue from Contracts With Customers

Nature of revenue	Customer	March 31, 2022	March 31, 2021
Recognized over time and based on assets under administration		$	$
Fund management fees	ATBIS Funds	167,182	147,765
Fund management fees	ATBIM clients	14,008	10,858
Fund management fees	Other	3,788	3,093
Fee-based revenue	ATBIM clients	28,046	23,300
GIC commissions	ATB	14	90
Trailer fees and mutual fund commissions	Various	32	15
		213,070	185,121
Recognized at a point in time			
Securities commissions	ATBIM clients	91	66
GIC commissions	ATB	15	11
		106	77
		213,176	**185,198**

15. Related Party Transactions

In the normal course of operations, ATBIM pays trailing commissions and intercorporate management fees to ATBSI. ATBIM also pays relationship management fees to ATBSI where ATBSI advisors assist in managing relationships of ATBIM clients that were referred by ATBSI. ATBIM may reimburse ATBSI for payments to ATBSI advisors for the transfer of clients from ATBSI to ATBIM, with such expenses recorded as salaries and benefits. ATBSI may pay for certain expenses on behalf of ATBIM. Also, ATBSI collects client fees on behalf of ATBIM. ATBIM does not transact with ATBIA or ATBCM.

In the normal course of operations, ATBIM earns interest income and GIC commissions from ATB, while ATB charges ATBIM for various administrative and selling expenses, as well as interest on amounts owing to ATB.

A summary of these transactions is as follows:

Related Party	Transaction	March 31, 2022	March 31, 2021
		$	$
ATBIS Funds	Fund management fees	167,182	147,765
ATB	Interest income	60	44
ATB	GIC commissions	29	101
		167,271	**147,910**

ATB Investment Management Inc.
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Related Party	Transaction	March 31, 2022	March 31, 2021
		$	$
ATBIS Funds	Fund expenses absorbed (note 5)	525	573
ATBIS Funds	Recoveries of salaries and employee benefits (note 5)	(829)	(629)
ATBSI	Trailing commissions	72,104	65,990
ATBSI	Salaries and employee benefits - transfer of clients	344	262
ATBSI	Salaries and employee benefits - account fees	8	6
ATBSI	Relationship management fees	5,080	4,231
ATBSI	Intercorporate management fees	8,124	9,467
ATB	General and administrative	2,775	1,760
ATB	Salaries and employee benefits	385	565
ATB	Professional fees	644	624
ATB	IT infrastructure and services	4,559	3,084
ATB	Banking and interest charges	17	16
		93,736	**85,949**

The transactions with related parties listed above were subject to annual service level agreements (and amendments) made effective April 1, 2021 (for the year ended March 31, 2022) and April 1, 2020 (for the year ended March 31, 2021). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Compensation of Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Amounts paid directly by ATBIM to the key management personnel of ATBIM were as follows:

	March 31, 2022	March 31, 2021
	$	$
Short-term employee benefits	409	195
Deferred compensation and termination benefits	137	663
Retirement and post employment benefits	29	76
	575	**934**

These amounts exclude all compensation associated with employee achievement notes, including new grants, distributions, appreciation and note redemptions. Some of the key management personnel of ATBIM are wholly within ATBSI, and include the Chief Executive Officer of ATB Wealth and direct reports leading finance, risk, compliance, advisory and wealth planning functions. Compensation paid to these key management personnel is allocated to ATBIM as part of the intercompany management fee (note 13) and is not included in the table above. The value of this compensation that was allocated to ATBIM for the year ended March 31, 2022 was $1,172 (March 31, 2021 - $1,181).

ATB Investment Management Inc.
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Employee Achievement Notes

ATB sells Principal-at-Risk Achievement Notes to certain eligible employees as an incentive for promoting the growth of the subsidiaries of ATB that provide, or will in the future provide, services under the ATB Wealth brand name. Under this plan, eligible employees are provided an opportunity to purchase a 25-year note with a value linked to the fair market value of certain ATB subsidiaries, including ATBIM. Holders of these notes do not have an ownership interest in ATB or its subsidiaries, nor do they have the rights of a direct holder of an interest in ATB or its subsidiaries.

The rebranding and reorganization of ATBIS into ATB Wealth did not change the manner in which Achievement Notes are valued. ATB Wealth's results are a combination of ATBIM, ATBSI, ATBIA and Private Banking. These combined results are published in ATB's quarterly and annual reporting. The basis of reporting for ATB Wealth is different from the legal entity results of ATBIM, ATBSI and ATBIA from which the Achievement Note valuation is derived.

Each note holder is entitled to:

- a cash payment at maturity representing the then-current value of their note;
- submit a request to sell notes during the annual Transaction Window (subject to a 3-year vesting period and additional restrictions on ATB Wealth executives); and,
- cash distributions, if any, based on the formula set out in the note.

Upon an employee's termination, the designated acquirer under the plan has the right, but not the obligation, to acquire notes from the employee at the price applicable at the termination date.

The notes are not guaranteed under the deposit guarantee provided by the Crown in right of Alberta, and there is a risk, if the valuation decreases, that the note holder will lose some or all of the original investment.

There is no public market for these notes, and the valuation is based on a model prepared by an external consultant that is updated annually.

The liability recorded by ATB with regards to the Achievement Notes owned by the employees of ATBIM, or previously allocated to ATBIM as part of shared management services, is as follows:

	March 31, 2022	March 31, 2021
	$	$
Liability at beginning of year	6,125	6,317
New subscriptions	660	250
Redemptions	(360)	(1,651)
Appreciation and vesting	746	1,209
Liability at end of year	**7,171**	**6,125**

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

16. Credit Facility

As at March 31, 2022, ATBIM had access to a $5,000 unsecured operating loan facility with ATB. Interest on the facility was calculated based on prime plus 0.25%, which was 2.45% at March 31, 2022. A standby fee of $13 was paid during the year (March 31, 2021 - $12) on the undrawn portion, and is recorded in banking and interest charges.

17. Commitments - Contractual Obligations

ATBIM is committed to payments under service agreements for software licences. ATBIM is also committed to payments under service agreements for mutual fund processing services that are recoverable from ATBIS Funds. The future minimum payments for such obligations are as follows:

	On behalf of ATBIS Funds	Software Licences
	$	$
2023	5,459	358
2024	-	136
	5,459	**494**

ATB Investment Management Inc.
Notes to the Financial Statements
For the years ended March 31, 2022 and 2021 ($ thousands)

18. Comparative Figures

Certain comparative figures have been revised to conform with the current period's financial statement presentation.

	Revised Prior Period Amount March 31, 2021 $	Prior Period Amount March 31, 2021 $	Difference due to Change in Presentation $
Statement of Financial Position			
Accrued liabilities	-	7,250	(7,250)
Accounts payable and accrued liabilities	7,250	-	7,250
Incentive and other compensation payable - current	-	648	(648)
Commissions payable	-	1,040	(1,040)
Compensation payable - current	1,688	-	1,688
Incentive and other compensation payable - long-term		182	(182)
Compensation payable - long-term	182	-	182
Statement of Operations and Comprehensive Income			
GIC commissions	-	101	(101)
Interest income	-	44	(44)
Trailer fees and mutual fund commissions	-	15	(15)
Other income	-	1	(1)
Other revenue	161	-	161
Commission expenses	-	3,865	(3,865)
Advisor commissions	3,869	-	3,869
Professional fees	981	5,216	(4,235)
Relationship management fees	4,231	-	4,231
Statement of Cash Flows			
Accrued liabilities	-	(575)	575
Accounts payable and accrued liabilities	(575)	-	(575)
Incentive and other compensation payable	-	(455)	455
Commissions payable	-	252	(252)
Compensation payable	(203)	-	(203)

ATB Securities Inc.

Financial Statements
March 31, 2022

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Independent Auditor’s Report

Auditor General OF ALBERTA

To the Board of Directors of ATB Securities Inc.

Report on the Financial Statements

Opinion

I have audited the financial statements of ATB Securities Inc., which comprise the statement of financial position as at March 31, 2022, and the statements of changes in equity, operations and comprehensive income, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ATB Securities Inc. as at March 31, 2022, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of ATB Securities Inc. in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The financial statements of ATB Securities Inc. are included in the *Annual Report of the Ministry of Treasury Board and Finance* that is prepared by the Ministry of Treasury Board and Finance. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to ATB Securities Inc., but does not include the financial statements of ATB Securities Inc. and my auditor’s report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor’s report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing ATB Securities Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ATB Securities Inc.'s financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ATB Securities Inc.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ATB Securities Inc.'s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause ATB Securities Inc. to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

May 19, 2022
Edmonton, Alberta

ATB Securities Inc.
Statement of Financial Position
($ thousands)

	As at		
		RESTATED - Note 5	RESTATED - Note 5
	March 31, 2022	March 31, 2021	April 1, 2020
ASSETS	$	$	$
Current assets			
Cash	111,663	82,783	71,048
Clients' cash held in trust	51,272	39,890	39,823
Due from clients	13,553	11,709	10,612
Due from brokers and dealers	19,308	15,975	31,128
Client fees receivable	15,364	13,481	11,316
Accounts receivable (note 6)	638	431	619
Due from affiliates (note 7)	20	746	1,424
Due from advisors (note 8)	4,091	3,979	3,709
Prepaid expenses	841	725	514
	216,750	169,719	170,193
Non-current assets			
Software and computer equipment (note 9)	6,271	9,943	12,715
Due from advisors (note 8)	4,502	4,225	5,240
	10,773	14,168	17,955
	227,523	183,887	188,148
LIABILITIES			
Current liabilities			
Due to clients (note 6)	114,803	79,821	86,524
Due to brokers and dealers	16,039	24,056	25,567
Accounts payable and accrued liabilities	8,915	5,809	7,712
Compensation payable (note 10)	22,853	19,617	17,633
Due to ATB (note 11)	3,349	3,704	3,342
	165,959	133,007	140,778
Long-term liabilities			
Compensation payable (note 10)	7,616	7,736	8,115
	173,575	140,743	148,893
SHAREHOLDER EQUITY			
Share capital (note 12)	26,391	26,391	26,391
Retained earnings	27,557	16,753	12,864
	53,948	43,144	39,255
	227,523	183,887	188,148

The accompanying notes are an integral part of these financial statements
Certain comparative figures have been restated (Note 5)

Original signed by
Director

Original signed by
Chief Financial Officer

ATB Securities Inc.
Statement of Changes in Equity
($ and # in thousands)
For the year ended March 31, 2022

	Class A Common Shares	Share Capital	Retained Earnings	Shareholder Equity
	#	$	$	$
Balance at March 31, 2020	78,995	26,391	16,395	42,786
Restatement (note 5)	-	-	(3,531)	(3,531)
Restated balance at April 1, 2020	78,995	26,391	12,864	39,255
Dividends	-	-	(12,000)	(12,000)
Net income and comprehensive income	-	-	15,889	15,889
Balance at March 31, 2021	78,995 -	26,391 -	16,753 -	43,144
Balance at March 31, 2021	78,995	26,391	16,753	43,144
Dividends	-	-	(4,000)	(4,000)
Net income and comprehensive income	-	-	14,804	14,804
Balance at March 31, 2022	78,995 -	26,391 -	27,557 -	53,948

The accompanying notes are an integral part of these financial statements

ATB Securities Inc.
Statement of Operations and Comprehensive Income
($ thousands)

	For the year ended	
		RESTATED - Note 5
	March 31, 2022	**March 31, 2021**
Revenue (notes 14 and 17)	**$**	**$**
Trailer fees and mutual fund commissions	77,047	70,530
Fee based revenue	59,089	48,045
Intercorporate management fees (note 15)	9,630	10,905
Relationship managment fees	5,080	4,231
Client account fees	2,359	2,286
GIC commissions	1,281	1,652
Securities commissions	477	595
Other revenue (note 16)	992	664
	155,955	138,908
Administration and selling expenses (note 17)		
Commissions	57,860	51,941
Salaries and employee benefits	39,909	34,542
Incentive compensation (note 10)	8,307	5,761
IT infrastructure and services	7,235	4,992
General and administrative	12,152	10,794
Professional fees	4,654	3,133
Amortization and depreciation (note 9)	3,746	4,468
Clearing and processing	2,740	2,586
Banking and interest charges	126	56
	136,729	118,273
Net income before payment in lieu of tax	19,226	20,635
Payment in lieu of tax ("PILOT") (note 11)	4,422	4,746
Net income and comprehensive income	14,804	15,889

The accompanying notes are an integral part of these financial statements

Certain comparative figures have been restated (Note 5)

ATB Securities Inc.
Statement of Cash Flows
($ thousands)

	For the year ended	
		RESTATED - Note 5
	March 31, 2022	**March 31, 2021**
Cash provided by (used in)	**$**	**$**
Operating activities		
Net income and comprehensive income	14,804	15,889
Adjustments for non-cash items		
Amortization and depreciation	3,746	4,468
Provision (note 6)	122	679
Adjustments for net change in non-cash working capital items		
Net cash from (to) clients and brokers and dealers	10,053	5,096
Client fees receivable	(1,883)	(2,165)
Due from advisors	(389)	745
Accounts receivable	24	188
Prepaid expenses	(116)	(211)
Accounts payable and accrued liabilities	3,106	(1,903)
Due from affiliates	726	678
Compensation payable	3,116	1,605
Due from ATB	(355)	362
Net cash from operating activities	32,954	25,431
Investing activities		
Purchases of software	(74)	(1,696)
Net cash used in investing activities	(74)	(1,696)
Financing activities		
Dividends	(4,000)	(12,000)
Proceeds from subordinated loan (note 13)	10,000	-
Repayment of subordinated loan	(10,000)	-
Net cash used in financing activities	(4,000)	(12,000)
Net change in cash	28,880	11,735
Cash at beginning of period	82,783	71,048
Cash at end of period	111,663	82,783
Supplementary information		
Interest paid	126	56
Interest received	842	654
PILOT paid	4,902	4,647

The accompanying notes are an integral part of these financial statements

Certain comparative figures have been restated (Note 5)

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

1. Nature of Operations

ATB Securities Inc. (“ATBSI” or the “Company”) is a wholly-owned subsidiary of ATB Financial (“ATB”) and is affiliated with ATB Investment Management Inc. (“ATBIM”), ATB Insurance Advisors Inc. (“ATBIA”) and ATB Capital Markets Inc. (“ATBCM”). ATBSI, ATBIM, and ATBIA operate under the trademark ATB Wealth, which also includes certain private banking operations within ATB. ATBIM, ATBSI and ATBIA may be referred to collectively as ATB Investor Services (“ATBIS”), the trademark this group of companies previously operated under.

ATBSI was established to provide client wealth management services. ATBSI is a full service broker dealer, and is a member of the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Canadian Investors Protection Fund (“CIPF”). As a provincial Crown corporation, ATBSI is exempt from income tax; however, it is subject to payment in lieu of tax (“PILOT”) as described in note 11.

The address of the Company’s registered office is:
2100, 10020 – 100 Street
Edmonton, Alberta T5J 0N3

These financial statements were approved by the Board of Directors on May 19, 2022.

2. Significant Accounting Policies

a. Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The policies applied in these financial statements are based on IFRS issued and outstanding as of March 31, 2022.

These financial statements are presented in Canadian dollars, which is ATBSI’s functional currency. All references to $ are in Canadian dollars and references to US$ are in United States dollars.

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain assets at fair value through profit and loss (note 2 n)).

b. Critical Accounting Judgments and Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, as at the statement of financial position date, as well as the reported amounts of revenues and expenses during the periods presented. The assumptions underlying valuations and assessments are reviewed by management on a regular basis; however, actual results could differ significantly from these estimates, and the impact of any such differences will be recorded in future periods.

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

The notes to the financial statements for the year ended March 31, 2022, provide additional information on ATBSI's critical accounting judgments and estimates in the following notes:

- Note 2f: Software - judgments when establishing useful lives and thus depreciation expense for computer equipment and amortization expense for software assets.
- Note 2g: Impairment of Computer Equipment and Software - assessments of indicators of impairment
- Note 2l: Employee benefits - estimates of amounts that will be approved for payment under variable compensation plans.
- Note 3: Fair Value - assumptions for valuing long-term incentive plan liabilities described in note 2 l.
- Note 4: Financial instruments - assessing expected credit losses for financial assets described in note 2 n.
- Note 6: Provisions, contingent liabilities and contingent assets - estimates for the amounts of provisions and assignment of losses to current and past fiscal periods, and judgments about the recovery of amounts from insurance claims.
- Note 15: Intercorporate Management Fee - judgments when identifying shared costs and choosing allocation drivers for support costs to be shared across ATB Wealth.

c. Cash

Cash consists of cash on deposit. The Company primarily uses accounts held with ATB, but also has accounts with another financial institution for day-to-day cash management and regulatory purposes.

d. Clients' Cash Held in Trust

Included in clients' cash held in trust are amounts with respect to Registered Retirement Savings Plans ("RRSP"), Registered Retirement Income Funds ("RRIF"), Registered Education Savings Plans ("RESP"), Tax Free Savings Accounts ("TFSA"), and Registered Disability Savings Plans ("RDSP"), which are segregated in a trust account with Canadian Western Trust. Corresponding liabilities are recorded in due to clients. Cash held in trust is restricted from use by ATBSI.

e. Computer Equipment

Computer equipment is carried at cost less accumulated depreciation and provision for impairment, if any, and is depreciated on a straight-line basis over its estimated useful life. Additions and subsequent expenditures are capitalized only to the extent that they enhance the future economic benefits expected to be derived from the assets. The depreciable amount of an asset is the gross carrying amount, less the estimated residual value at the end of its useful life. No depreciation is calculated on assets under development until the assets are available for use. The computer equipment assets of ATBSI are fully depreciated.

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

f. Software

Software represents internally generated intangible assets, as defined under IAS 38 *Intangible assets*. Software is carried at cost less accumulated amortization and provisions for impairment, if any, with cost amortized on a straight-line basis over the software's estimated useful life. No amortization is calculated on software under development until the assets are available for use. The estimated useful lives for these intangible assets range from 3 to 7 years. The useful life of subsequent improvements to related software applications is selected to align with the end of the useful life of the underlying platform.

Management makes judgments when determining useful lives by assessing current facts and past experience, existing long-term agreements and contracts, current and forecasted demand, and the potential for technological obsolescence. While these useful life estimates are reviewed on a regular basis, and amortization calculations revised accordingly, actual useful lives may differ from the estimates.

Costs related to software developed or obtained for internal use are capitalized if it is probable that future economic benefits will flow to ATBSI and the cost can be measured reliably. Eligible costs include external direct costs for materials and services, as well as payroll and payroll related costs for employees directly associated with an internally developed software project.

g. Impairment of Computer Equipment and Software

Computer equipment and software that are in use by the Company are subject to impairment review by Management whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Software under development is reviewed for impairment annually. There were no indicators of impairment for the years ended March 31, 2022 or March 31, 2021.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows.

h. Due from (to) Clients and Due from (to) Brokers and Dealers

Due from clients represents debit positions in client accounts. The majority of the amounts relate to margin balances and pending trades. Due to clients represents credit positions in client accounts, including clients' cash held in trust. These amounts are due on demand. Amounts due from or due to brokers and dealers represent trades which have been executed but not settled. Transactions are recorded on a trade-date basis.

i. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when it is more likely than not that an outflow of economic resources will be required to settle a legal or constructive obligation, which has arisen as a result of past events, and for which a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of ATBSI, or, are present obligations that have arisen from past events but are not recognized because it is not probable that settlement will require an outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Where significant, contingent liabilities are disclosed, unless the probability of settlement is remote.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are disclosed only when an inflow of economic benefits is probable. When there is a change in circumstances and it becomes virtually certain that an inflow of economic benefits will arise, the asset is no longer contingent and is recognized in the period in which the change occurs.

j. Foreign Exchange

Financial assets and liabilities denominated in foreign currencies are translated into, and presented in, Canadian dollars at the exchange rates in effect at the date of the statement of financial position. Revenues and expenses are translated at the exchange rates prevailing at the respective transaction dates. Realized and unrealized gains and losses arising from these translations are included in other revenue in the statement of operations and comprehensive income.

k. Revenue Recognition

Revenue from contracts with customers is recognized when control of a good or service transfers to a customer. ATBSI follows a five-step recognition and measurement framework in order to determine when to recognize revenue:

i. Identify the contract(s) with a customer
ii. Identify the performance obligation(s) in the contract
iii. Determine the transaction price
iv. Allocate the transaction price to the performance obligation(s)
v. Recognize revenue when (or as) ATBSI satisfies a performance obligation(s)

Interest income is recorded on an accrual basis.

ATBSI has the following categories of revenue from contracts with customers (see also note 14).

Trailer Fees and Mutual Fund Commissions from Asset Managers

ATBSI may earn a trailing commission, or trailer fee, from asset management companies for providing advice to ATBSI clients while these clients hold investments in the mutual funds managed by such companies. These trailer fees are receivable while clients remain invested in the mutual funds. These asset management companies include ATBIM (for the Compass Portfolio Series and ATBIS Pooled Fund Series of mutual funds) and ATB (for its High Interest Savings Accounts, or HISA). Trailer fees earned by ATBSI are specified in the individual prospectuses of these mutual fund series, and are generally based on the average daily net asset value (“NAV”) of the mutual fund series or HISA product held by ATBSI clients. ATBSI accrues these trailer fees monthly, and receives payment from the asset managers on a monthly or quarterly basis. The individual prospectuses of certain mutual funds may also entitle ATBSI to earn other types of transaction commissions on transactions involving those mutual funds; however, these amounts are insignificant relative to trailer fees received.

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

Advisory Fees from ATBSI Clients (Fee Based Revenue)

ATBSI earns fee based revenues from certain clients for providing investment advice, which may include management of investment portfolios or wealth planning, while the clients hold investments through ATBSI. The advice fee charged by ATBSI is negotiated between the client and ATBSI in accordance with tiered rates set by Company guidelines. The fee is based on the average daily market value of client assets under administration by ATBSI as specified in the contract with the client, and applied equally to the satisfaction of all performance obligations of ATBSI. ATBSI accrues fee based revenues each month, and collects directly from client accounts every quarter, or when a client account is closed.

Intercorporate Management Fees from ATBIM, ATBIA and ATB

An intercorporate management fee exists in order for ATBSI to more appropriately distribute the costs of shared management, executive, strategic, and supporting costs with ATBIM, ATBIA and the private banking business within ATB ("Private Banking"). This fee is calculated by determining the total amount of shared costs and allocating an amount to each of ATBSI, ATBIM, ATBIA and Private Banking according to allocation drivers determined by Management. The fee charged by ATBSI is subject to a 25% markup. This methodology is intended to better assign costs proportional to the benefit generated by the shared services.

Relationship Management Fees from ATBIM

ATBSI earns fees from ATBIM where ATBSI advisors are involved in managing relationships with ATBIM clients that were referred from ATBSI and who hold investments through ATBIM. The fee charged by ATBSI is negotiated between ATBIM and ATBSI, based on the fees charged by ATBIM to the clients, and applied equally to the satisfaction of all performance obligations. ATBSI accrues these fees each month and collects from ATBIM every quarter.

GIC Commissions from ATB

ATBSI earns commissions from ATB where ATBSI clients purchase or hold GICs offered through ATB. The commissions earned by ATBSI are specified in the service level agreement between ATB and ATBSI (note 17), and are based on the principal value and term of the GIC. ATBSI recognizes these commissions as revenue when it has fully satisfied its obligation to advise clients about purchasing or holding the GIC. Where GICs are non-redeemable, GIC commissions are recognized in full at the time of purchase for the entire term of the contract. Where the GICs are redeemable by the client without penalty and ATBSI has an ongoing obligation to advise clients about continuing to hold the GICs, commissions are recognized monthly, based on the number of days in the month the GIC was held.

Securities Trading Commissions and Client Account Fees from ATBSI Clients

ATBSI earns commissions from certain client trading activity, account fees for administering registered plan accounts not subject to advisory fees as described above, and other fees for transferring or deregistering accounts. ATBSI may choose to waive these fees or commissions.

Securities trading commission rates and account fees are specified in the documentation provided to clients when they enroll with ATBSI. Securities trading commissions are recognized on a trade-date basis.

Fees for transferring or deregistering accounts are recognized when such activity occurs. Account administration fees are accrued evenly throughout the year and collected directly from client accounts annually. These fees are recorded in client account fees.

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

Other Customer Contract Revenue

ATBSI earns commissions from ATBIA where client referrals result in new insurance policies placed through ATBIA. ATBSI also earns commissions from a third party discount broker for referrals.

I. Employee Benefits

ATBSI provides benefits to employees through the following plans (see also note 10):

Defined Contribution Plan

ATBSI provides its non-union employees with a registered defined contribution pension plan. Contributions to the plan are expensed as related salaries or incentive compensation are earned, and are recorded in salaries and employee benefits in the statement of operations and comprehensive income. Contributions payable at the end of the year are recorded in accounts payable and accrued liabilities.

Public Service Pension Plan ("PSPP")

The PSPP is a multi-employer pension plan for eligible employees of the Province of Alberta, approved provincial agencies, and public bodies. The plan provides a pension for each year of pensionable service based on the average salary of the highest five consecutive years up to the year's maximum pensionable earnings. The PSPP pools all assets and liabilities of participating employers, but there is no allocation of assets and liabilities to participating employers. In order to recognize an estimate of its own liability under this plan, ATB applies defined-benefit accounting; however, no further allocation of this amount to the ATBIS subsidiaries is determined, such that gains and losses associated with funding the liability are not shared with ATBSI. Contributions to the plan are expensed as related salaries are earned, and are recorded as salaries and employee benefits in the statement of operations and comprehensive income. Contributions payable at the end of the year are recorded in accounts payable and accrued liabilities.

Notional Supplemental Plan

ATBSI has a notional supplemental plan ("NSP") that provides additional retirement benefits to eligible employees that cannot be provided within the defined contribution plan due to taxation limitations on contributions to a registered defined contribution pension plan.

The NSP account is an unfunded account established by ATB on behalf of each eligible employee, and consists of notional contributions, notional interest, and notional gains and losses. Notional contributions are amounts that would have been made pursuant to the defined contribution plan were taxation limits not imposed. Notional contributions include both employee and employer contributions. Notional interest is accrued on notional contributions at a rate for customer deposits with ATB in the calendar year of contribution until the end of the year, at which point the aggregate amount is notionally invested. The ongoing value of the notional investments is indexed to the NAV of one of the Compass Portfolio Series of mutual funds, resulting in notional gains and losses, which cease to accrue at the end of the month in which the employee retires or leaves the Company.

The Company is not required to secure the NSP benefits, or to establish or contribute to a funding arrangement of any kind with respect to the provision of benefits payable. The Company may establish, but has no obligation to establish, a special purpose reserve in respect of the liabilities under the NSP.

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

The Company anticipates that the NSP will continue indefinitely; however, the Company reserves the right to amend, modify or terminate the NSP with or without replacement.

The NSP liability is recorded in compensation payable. Employer notional contributions, and notional interest and notional gains and losses are recorded as salaries and employee benefits in the statement of operations and comprehensive income and are described further in note 10.

Short-Term Employee Benefits

Short-term employee benefits, such as paid absences and other benefits including any related payroll taxes, are accounted for on an accrual basis over the period in which the employees provide the related services, and are recorded in the statement of operations and comprehensive income as salaries and employee benefits. Short-term employee benefits payable at the end of the year are recorded in accounts payable and accrued liabilities.

Variable Compensation Plans

Certain employees of the Company are eligible to participate in variable compensation plans that allow them to share directly in the success of the Company and ATB. On an annual basis, employees may receive a lump-sum payment that is based on the combined achievement of separate performance targets for the individual employee, ATB Wealth and ATB. Variable compensation plan expenses are recorded in the statement of operations and comprehensive income as incentive compensation.

At the end of each fiscal year, but prior to the final assessment of attainment of performance targets, Management estimates amounts payable under variable compensation plans and accrues an expense that is recorded in compensation payable (note 10). Amounts are formally reviewed and determined by management subsequent to the end of the year. As such, amounts eventually paid may differ from the Company's estimates.

Long-Term Employee Benefits

ATBSI has a long-term incentive plan ("LTIP") for certain eligible employees of the Company. The plan provides an incentive for achieving success in execution of strategic objectives that create value and long-term sustainability of the Company. Certain employees of the Company receive LTIP grants approved annually by the ATB Board of Directors. The amounts are subject to annual appreciation and depreciation factors that measure performance against targets, and are payable three years from the effective date of the grant. The liability for LTIP is recorded at the present value of the grants that have vested as at the reporting date, less an allowance for forfeiture. The liability for LTIP vests over three years from the date of the grant. The liability for LTIP is included in compensation payable, and the related expense is included in incentive compensation expenses.

Loans to Advisors

For a period of time, ATBSI offered loans to its advisors at rates significantly below fair value as an employee benefit. These loans are financial assets, the accounting for which is described in note 2 n). No new loans are currently being offered by the Company.

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

As the rates on the loans to advisors are below market interest rates, the fair value of the loans is less than the carrying amount of the loans. The difference between the fair value on initial recognition and the carrying value is an employee benefit. As the loans are linked to future employee service, the difference between the carrying value and fair value is recorded as prepaid expenses on the statement of financial position, and expensed over the service period to salaries and employee benefits. If the employee is terminated or leaves ATBSI, the residual deferred employee benefit is immediately expensed to salaries and employee benefits.

Amounts related to the accounting for loans due from advisors are summarized in note 8.

Transfers of Clients Between Advisors

In accordance with the terms of their employment agreements, advisors may receive compensation for transitioning clients to other advisors in the Company or ATBIM. Similarly, advisors receiving the transferred clients who satisfy conditions outlined in their employment agreements may have compensation reduced in order to pay for these transition services. Advisors sign agreements with the Company that stipulate the total compensation to be paid or received with respect to the transfer of a specified list of clients. Advisors receive monthly payments from ATBSI or make monthly payments to ATBSI over the subsequent four years.

With respect to the advisor transferring clients, the Company recognizes a liability and an expense over the period during which the transition services occur. The liability is recorded in compensation payable, while the expense is recorded in salaries and employee benefits. No interest is due to the transferring advisor on the outstanding balance.

With respect to the advisor who is required to make a payment for receiving clients, the Company recognizes an asset and an expense recovery over the period during which the transition services occur. The asset is recorded in due from advisors, while the expense recovery is recorded in salaries and employee benefits. Advisors sign promissory notes for amounts owed to the Company; however, no interest is charged as the Company pays no interest on related amounts due to the transferring advisor.

ATBSI advisors may be involved in managing relationships with ATBIM clients who they referred to ATBIM. When the advisor retires, the client relationship management is transferred fully to ATBIM, and ATBSI may recover related benefits paid to the advisor from ATBIM (note 17).

m. Share-Based Payments

Certain eligible employees of the Company have the opportunity to participate in a share-based compensation plan of ATB. Under this plan, eligible employees of the Company may choose to purchase Achievement Notes issued by ATB with a value linked to the fair market value of certain ATB subsidiaries, including ATBSI (note 17). The obligation to settle the notes with employees belongs to ATB, not ATBSI. This is a group plan where the awards are considered cash-settled by ATB and equity-settled by the Company. The value of the award for equity-settled plans is determined only once, on the grant date. No compensation expense is recorded by the Company related to the awards when granted since the notes are issued to employees at fair value on the grant date.

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

n. Financial Instruments – Recognition and Measurement

Recognition

All financial assets and financial liabilities are initially recognized on the trade date, which is the date that ATBSI becomes a party to the contractual provisions of the financial instrument. ATBSI derecognizes a financial asset when the contractual right to receive cash flows from the asset has expired, or when the Company transfers the rights to receive the contractual cash flows in a transaction where substantially all the risks and rewards of ownership of the financial asset are transferred. ATBSI derecognizes a financial liability when its contractual obligations are discharged, or the contract is cancelled or has expired.

Classification and Measurement - Financial Assets

Financial assets are classified and measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). Classification is based on the Company's business model for managing the specified financial assets, and whether the contractual cash flows of the specified financial asset represents solely payments and interest on the principal amount outstanding (the "SPPI test"). Principal is defined as the fair value of the asset at initial recognition and may change over the asset's life. Interest payments can include consideration for the time value of money, as well as for credit and liquidity risks. Financial assets are only reclassified if a significant change in the asset's business model occurs subsequent to initial recognition.

The classifications of the financial assets of ATBSI are as follows:

Financial Assets	Classification
● Cash ● Clients' cash held in trust ● Due from clients ● Due from brokers and dealers ● Due from advisors ● Client fees receivable ● Accounts receivable ● Due from affiliates	Amortized cost

Financial assets held primarily to collect contractual cash flows that are comprised of principal and interest are classified as amortized cost. These assets are initially recognized at fair value – which is the cash consideration to originate or purchase the asset, including any transaction costs – and subsequently measured at amortized cost using the effective interest method.

For financial assets classified as amortized cost with an expected term of less than one year that do not have a significant financing component, initial measurement is at the transaction price, which results in the recognition of no interest income under the effective interest method.

For other financial assets measured at amortized cost, specifically loans due from advisors, interest is reported as interest income in the statement of operations and comprehensive income.

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

Classification and Measurement - Financial Liabilities

Financial liabilities are classified and measured at either FVTPL or amortized cost. Financial liabilities not classified as FVTPL are measured at amortized cost. Financial liabilities are never reclassified.

The classifications of the financial liabilities of ATBSI are as follows:

Financial Liabilities	Classification
• Accounts payable and accrued liabilities • Due to clients • Due to brokers and dealers • Compensation payable (note 10) • Due to ATB	Amortized cost
• Compensation payable - LTIP and NSP (note 10) • ATBCM guarantee	FVTPL

For all financial liabilities classified as amortized cost, ATBSI initially measures amounts at the transaction price, which results in the recognition of no interest expense under the effective interest method.

Offsetting Financial Instruments

Financial assets and liabilities are offset in the financial statements when and only when there is a legally enforceable right to set off amounts, and an intention to settle on a net basis or realize the asset and settle the liability simultaneously. A legally enforceable right exists when the right is enforceable in the normal course of business or in the event of default, insolvency, or bankruptcy.

The Company has the right to set off amounts due from clients in certain accounts against balances due to clients in certain other accounts; however, absent an actual event of default, the Company does not intend to settle client amounts on a net basis.

ATB Capital Markets Inc. Guarantee

Coincident with ATB's acquisition of a controlling interest in ATBCM, ATBSI and ATBCM (together, "the Guarantors") entered into a Uniform Guarantee by Members and Related Companies Agreement ("the Agreement"). The Agreement is required by IIROC by virtue of the Guarantors being participating IIROC firms and having common ownership under ATB as the parent company.

The Agreement requires that each Guarantor guarantee the debts, liabilities and obligations of the other Guarantor to their respective customers who are eligible for protection by CIPF in accordance with the terms contained therein.

The Agreement sets the guarantee amount as a percentage of regulatory capital. The maximum guarantee of each Guarantor is equal to its regulatory capital at the time any demand is made. ATBCM is an introducing broker under IIROC rules and does not carry customer accounts that give rise to customer liabilities in the normal course of business. As a result, management believes that as long as ATBCM does not carry customer accounts, that there is no risk of loss. As of March 31, 2022, and March 31, 2021, no demands have been made under the Agreement and the maximum amount of ATBSI's guarantee under the Agreement is $nil.

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

Management has concluded that the fair value of the guarantee liability is not material, and, as such, it has not been recorded in the financial statements. The impact of the Agreement will be reassessed at each future reporting date as long as the Agreement is in place.

Impairment of Financial Assets

The Company incorporates an expected credit loss (“ECL”) model for the recognition and measurement of impairments of financial assets measured at amortized cost. The ECL model involves a staged approach, whereby financial assets move through three stages as their credit quality changes. ECL are the weighted-average credit losses, where the probability of default is used for the weighting.

The stage of the ECL model dictates how ATBSI measures impairment losses:

- Stage 1: On initial recognition, for financial assets measured at amortized cost where there is not a significant financing component, ATBSI applies the simplified approach permitted by IFRS, which requires expected lifetime losses to be recognised from the initial recognition date of the asset. For all other financial assets measured at amortized cost, ATBSI determines the impairment provision on a 12-month ECL basis. For these calculations, the Company uses a historical-based provision matrix adjusted for forward-looking factors.

- Stage 2: For financial assets that have experienced a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment, and where the overall assessment of credit risk at the reporting date is not still low, ATBSI records an estimate of lifetime ECL.

- Stage 3: For financial assets that have objective evidence of impairment at the reporting date, ATBSI records an estimate of lifetime ECL and recognizes interest income on the carrying value of the asset, net of the credit allowance.

The amount of any impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses), discounted at the financial asset’s original effective interest rate. The asset’s carrying amount is reduced, and the amount of the loss is recognized in the statement of operations and comprehensive income. For practical reasons, ATBSI may measure impairment on the basis of an instrument’s fair value using an observable market price.

As at March 31, 2022, there are no financial assets in stage 2, and financial assets amounting to $20 and recorded in accounts receivable are in stage 3. As at March 31, 2021, none of the Company’s financial assets were in stages 2 or 3 of the impairment model. The Company applied the simplified approach to all financial assets in Stage 1, except for loans to advisors.

o. Financial Instruments – Fair Value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of the fair value of a financial instrument at initial recognition is the fair value of the consideration received or paid.

The estimated fair value of items that are short-term in nature is considered to be equal to carrying value. These items include cash, clients’ cash held in trust, due from (to) clients, due from (to) brokers and dealers, client fees receivable, accounts receivable, due from advisors, due from affiliates, accounts payable and accrued liabilities, due to ATB, and certain compensation payable amounts that are not carried at fair value. These fair value estimates for the financial instruments listed above are classified as level 2 in the fair value hierarchy as described in note 3.

ATB Securities Inc.
Notes to the Financial Statements
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Liabilities for LTIP and the notionally invested portion of the NSP are carried at fair value. See note 3 for an explanation of how these items are valued and where they are classified in the fair value hierarchy.

3. Financial Instruments - Fair Value Hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy based on the quality and reliability of the information used to estimate the fair value. The fair value hierarchy has the following levels:

- Level 1 – fair value based on quoted prices in active markets.
- Level 2 – fair value estimated using valuation techniques that use market-observable inputs other than quoted market prices.
- Level 3 – fair value estimated using inputs that are not based on observable market data.

The portion of the NSP liability representing notionally invested funds is indexed to the value of a mutual fund with a quoted market price available. The NSP liability is classified as level 2 under the fair value hierarchy (note 10).

ATBSI holds US cash for operational purposes and may additionally hold, for a short period of time, material amounts of US cash related to client balances. ATBSI may use forward derivative contracts with ATB to mitigate the risk of holding these larger amounts. These financial instruments are classified as level 2 under the fair value hierarchy. As at March 31, 2022, the balance of these financial instruments was $nil (March 31, 2021 - $nil).

The fair value of the LTIP component of incentive compensation payable is determined by estimating appreciation factors related to future years' performance, vesting awards over a three-year period, and discounting the expected future obligation of the grants using a rate of 3.3% per annum (March 31, 2021 - 2.7%). The LTIP obligation has been classified as level 3 under the fair value hierarchy.

The following table presents the change in fair value of level 3 financial instruments:

	March 31, 2022	**March 31, 2021**
	$	**$**
Fair value at beginning of period	1,465	1,330
Vesting of awards	803	702
Changes in estimates	51	65
Transfers (to) from ATBIM	(148)	94
Settled	(889)	(726)
Fair value at end of period	**1,282**	**1,465**

There have been no transfers between fair value hierarchy levels during the period.

ATB Securities Inc.
Notes to the Financial Statements
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4. Financial Instruments - Financial Risk Management

ATBSI's financial instruments are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. ATBSI's overall risk management program focuses on the unpredictability of financial and economic markets, and seeks to minimize potential adverse effects on ATBSI's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. There are three types of market risk: currency risk, interest rate risk, and price risk.

Currency risk: Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. ATBSI can have material amounts of financial instruments denominated in foreign currencies. Risk exists that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. ATBSI may use derivative instruments to reduce exposure to foreign exchange risk (note 3).

The Company's US dollar denominated balances amounted to:

	March 31, 2022	March 31, 2021
	US$	US$
Cash	1,441	2,862
Due from clients	32	26
Due from brokers and dealers	35	607
Client fees receivable	62	50
Due to clients	(541)	(2,382)
Due to brokers and dealers	(261)	(531)
Accounts payable and accrued liabilities	(29)	(3)
	739	**629**

Based on these balances, a 5% change in US exchange rates would result in a foreign exchange gain or loss of approximately $46 (March 31, 2021 - $40). Foreign exchange gains and losses are recorded in other revenue on the statement of operations and comprehensive income (note 16).

Interest rate risk: ATBSI is subject to interest rate risk as cash balances and the amount that is due to ATB excluding PILOT (note 11) are subject to interest rate fluctuations and the degree of volatility in these rates. ATBSI is exposed to interest rate risk as the value of its loans to advisors and LTIP liability will fluctuate as a result of changes in market interest rates. ATBSI does not currently hold any financial instruments that mitigate this risk.

As at March 31, 2022, ATBSI held $162,935 in cash and clients' cash held in trust (March 31, 2021 - $122,673). As at March 31, 2022, if interest rates were to change by 25 bps, the change in interest income would be approximately $407 (March 31, 2021 - $307).

Price risk: ATBSI is exposed to price risk through the NSP liability. As at March 31, 2022, if market prices were to change by 10%, the change in salaries and employee benefits would be $127 (March 31, 2021 - $118).

ATB Securities Inc.
Notes to the Financial Statements
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Credit Risk

Credit risk is the risk that a counterparty to a financial asset will default resulting in a financial loss to ATBSI. ATBSI is exposed to credit risk primarily through its financial assets.

The application of the ECL model (note 2 n)) to the Company's various groups of financial assets is described below:

- Loans to advisors are considered low risk, as any amounts past due may be offset against compensation owed to these advisors. Therefore, the impairment provision is determined using 12 months of ECL. Where a loan balance remains outstanding from an advisor that is no longer an employee of ATBSI, the exposure to loss in the event of default could be higher. The provision for ECL on loans to advisors at March 31, 2022 was $2 (March 31, 2021 - $5).

- Cash and clients' cash held in trust balances are subject to the impairment testing; however, the identified impairment losses were immaterial. As at March 31, 2022, $2,449 of cash was on deposit with ATB, an Alberta Crown Agent (March 31, 2021 - $2,026). The remaining cash balance of $109,214 and clients' cash held in trust were on deposit with reputable financial institutions (March 31, 2021 - $80,757). Management believes the probability of default for each of these institutions is remote.

- Amounts presented as due from clients pertain primarily either to margin accounts or trade settlements. For these balances, management believes default constitutes either a margin call that cannot be met due to insufficient assets, or unresolved settlement of trade balances beyond thirty days. Loans for margins accounts are fully secured by securities held in the borrower's account. The Company has credit controls, monitoring and procedures governing margin accounts, while the short-term nature of trade settlement amounts means balances are generally outstanding for only two to three days after becoming due. Given the low probability of default, the low exposure to actual losses should default occur, and the Company's history of negligible actual losses, the provision for ECL for due from clients balances at March 31, 2022 was $nil (March 31, 2021 - $nil).

- Amounts presented as due from brokers and dealers generally represent either amounts due from mutual fund companies for sales by ATBSI clients of mutual fund units and unpaid mutual fund distributions, or amounts due from brokers who facilitate sales of other securities by ATBSI clients. Amounts due from mutual fund companies can include settlements related to client investments in mutual fund trusts managed by ATBIM and HISA products managed by ATB. Generally, these balances are outstanding for only two to three days after becoming due. For these balances, management believes default constitutes an unresolved settlement beyond thirty days, and that the probability of default is very low. In the event of default, management believes the amount exposed to loss would be reduced by any amounts due to the counterparty recorded in due to brokers and dealers. Given the low probability of default, the lower net exposure to actual losses from third party counterparties should default occur, and the Company's history of negligible actual losses, the provision for ECL for due from brokers and dealers at March 31, 2022 was $nil (March 31, 2021 - $nil).

- Client fees receivable are collected directly from client accounts. For these balances, management believes default constitutes insufficient assets in the account to pay fees when billed, and that the probability of default is very low, as ATBSI advisors are able to approve and monitor client transaction activity or liquidate securities held by clients to pay outstanding fees. Given the low probability of default and a history of negligible actual losses, the provision for ECL for client fees receivable at March 31, 2022 was $nil (March 31, 2021 - $nil).

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- Promissory notes due from advisors with respect to payments for client transfers are paid down from the commission income earned by those advisors. Amounts due from advisors for expenses are collected quarterly from advisor bank accounts. For these combined amounts, management believes default constitutes an unpaid amount beyond 30 days, and that the probability of default is very low. In the event of default, the Company is permitted to both deduct amounts owed from other compensation payable to the defaulting advisor. Given the low probability of default and a history of negligible actual losses, the provision for ECL for these amounts due from advisors as at March 31, 2022 was $nil (March 31, 2021 - $nil).

- Amounts due from affiliates are either from ATBIM, which is a profitable company with management common to ATBSI, or from ATBIA, which has a support agreement in place with ATB. Given the low probability of default, combined with the low exposure to actual losses should default occur, the provision for ECL for amounts due from affiliates at March 31, 2022 was $nil (March 31, 2021 - $nil).

- Accounts receivable comprise accrued trailer fees receivable, accrued recoveries (note 6) or other immaterial balances. The Company has recorded a provision of $20 (March 31, 2021 - $nil) with respect to amounts owed by advisors that are no longer employees.

The Company's maximum credit exposure is $220,411 (March 31, 2021 - $173,219) which is the sum of all financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by closely monitoring the level of cash available to meet its obligations and determining whether additional funding is required through its credit facility or from its parent company, ATB.

The Company's financial liabilities giving rise to liquidity risk that are considered short-term include due to clients, due to brokers and dealers, accounts payable and accrued liabilities, compensation payable, and due to ATB.

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Notes to the Financial Statements
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5. Restatement of Prior Year Amounts

Loss Events

The Company has restated amounts previously reported with respect to loss events discovered in the current fiscal year, but related to transactions that occurred in previous years, and resulting in reimbursements to clients as amounts are investigated and agreed upon (note 6). These transactions were not otherwise identified by the Company's internal controls. Management has restated retrospectively balances previously reported on the statement of financial position effective April 1, 2020 to reflect its estimates of impacts of the loss events on prior periods:

	Previously Reported $	Restatement $	Restated Balance $
Statement of Financial Position - Liabilities and Shareholder Equity			
Due to clients	81,938	4,586	86,524
Due to ATB	4,397	(1,055)	3,342
Retained earnings	16,395	(3,531)	12,864

Changes in balances reported as due to clients represent the Company's estimate of the remaining payments at each year end, based on findings of its investigation. Changes in the due to ATB balance represent the impact on payment in lieu of tax (note 11).

The Company has also restated certain balances previously reported as at and for the year ended March 31, 2021, as follows.

	Previously Reported $	Restatement $	Restated Balance $
Statement of Financial Position - Liabilities and Shareholder Equity			
Due to clients	74,556	5,265	79,821
Due to ATB	4,915	(1,211)	3,704
Retained earnings	20,807	(4,054)	16,753
Statement of Operations and Comprehensive Income			
General and administrative (see also below)	10,132	679	10,811
Payment in lieu of tax	4,902	(156)	4,746
Statement of Cash Flows			
Net income and comprehensive income	16,412	(523)	15,889
Adjustments for non-cash items: Provision	-	679	679
Adjustments for net change in non-cash working capital items			
Due to ATB	518	(156)	362

ATB Securities Inc.
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For the year ended March 31, 2022 ($ thousands)

Other Changes in Presentation

Certain comparative figures have been revised to conform with the current period's financial statement presentation.

	Revised Prior Period Amount March 31, 2021 $	Prior Period Amount March 31, 2021 $	Difference due to Change in Presentation $
Statement of Financial Position			
Trailer fees receivable	-	274	(274)
Miscellaneous receivables	-	157	(157)
Accounts receivable	431	-	431
Accrued liabilities	-	5,809	(5,809)
Accounts payable and accrued liabilities	5,809	-	5,809
Incentive and other compensation payable - current	-	8,720	(8,720)
Commissions payable	-	10,897	(10,897)
Compensation payable - current	19,617	-	19,617
Incentive and other compensation payable - long-term	-	7,736	(7,736)
Compensation payable - long-term	7,736	-	7,736
Statement of Operations and Comprehensive Income			
Interest income	-	654	(654)
Other income (losses)	-	(113)	113
Other contract revenue	-	123	(123)
Other revenue	664	-	664
Commissions	51,941	51,714	227
Salaries and employee benefits	34,542	34,525	17
IT infrastructure and services	4,992	4,381	611
General and administrative (see also above)	10,794	10,811	(17)
Professional fees	3,133	3,971	(838)
Statement of Cash Flows			
Trailer fees receivable	-	92	(92)
Miscellaneous receivables	-	96	(96)
Accounts receivable	188	-	188
Accrued liabilities	-	(1,903)	1,903
Accounts payable and accrued liabilities	(1,903)	-	(1,903)
Incentive and other compensation payable	-	341	(341)
Commissions payable	-	1,264	(1,264)
Compensation payable	1,605	-	1,605

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Notes to the Financial Statements
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	Revised Prior Period Amount April 1, 2020 $	Prior Period Amount April 1, 2020 $	Difference due to Change in Presentation $
Statement of Financial Position			
Trailer fees receivable	-	366	(366)
Miscellaneous receivables	-	253	(253)
Accounts receivable	619	-	619
Accrued liabilities	-	7,712	(7,712)
Accounts payable and accrued liabilities	7,712	-	7,712
Incentive and other compensation payable - current	-	8,000	(8,000)
Commissions payable	-	9,633	(9,633)
Compensation payable - current	17,633	-	17,633
Incentive and other compensation payable - long-term	-	8,115	(8,115)
Compensation payable - long-term	8,115	-	8,115

Revisions on the statement of financial position, the statement of cash flows and revisions to revenue composition on the statement of operations and comprehensive income were completed to condense the number of less significant balances.

Additionally, certain expenses related to technology services were reclassified from professional fees to IT infrastructure and services, commissions paid to agencies supporting the ATB branch network for referrals related to ATBIS client holdings were reclassified from professional fees to commissions expense, and miscellaneous employee-related amounts were moved from general and administrative expenses to salaries and employee benefits.

6. Provisions, Contingent Liabilities and Contingent Assets

Included in due to clients as at March 31, 2022 is a provision of $673 (March 31, 2021 - $5,265) for amounts related to loss events discovered in the current fiscal year for a small number of ATBSI clients going back several fiscal years, where the Company has expects to reimburse clients as amounts are investigated and agreed upon. Increases to the provision are recorded as an expense in general and administrative expenses in the statement of operations and comprehensive income.

	March 31, 2022 $	March 31, 2021 $
Balance at beginning of year	5,265	4,586
Additional provision recorded	353	679
Charges recorded against provision	(4,945)	-
Balance at end of year	**673**	**5,265**

The balance of this provision as at March 31, 2022, represents the Company's estimate of the remaining payments based on findings of its investigation to date, and comprises primarily estimated market returns on identified transactions or transactions identified but still under review. Actual results may differ from this estimate. A contingent liability associated with related, but unidentified transactions may exist; however, as of the date of these financial statements, no such amount is reasonably determinable.

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During the year ended March 31, 2022, the Company entered into agreements with various third parties to recover $231. This balance is recorded in accounts receivable. The recovery is netted against losses in general and administrative expenses in the statement of operations and comprehensive income.

The Company is in the process of initiating an insurance claim under its Financial Institution Bond policy with respect to the underlying events. As at March 31, 2022, it is management's opinion that this process has not reached a point where recovery through the insurance claim is virtually certain. If successful, the Company expects that the insurance claim would recover much of the associated losses and contingent liabilities, if any.

ATBSI is also the defendant in several claims arising from the normal course of business. Management does not consider the aggregate liability of these actions and proceedings to be material.

7. Due from Affiliates

In the normal course of operations, ATBSI transacts with ATBIM and ATBIA as described in note 17. The amounts that are due from affiliates arising from these transactions are generally settled in the following month and are not subject to interest charges. The amounts due from affiliates are as follows:

	March 31, 2022	March 31, 2021
	$	$
Due from ATBIM	14	746
Due from ATBIA	6	-
	20	**746**

ATB Securities Inc.
Notes to the Financial Statements
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8. Due from Advisors

For a period of time, the Company offered low-interest loans to advisors. No new loans are currently being offered by the Company. Loans to advisors bear interest at 1% (March 31, 2021 - 1%). On initial recognition, the loans are discounted using market rates of interest for similar loans of 9% (March 31, 2021 - 9%). The entire present value discount is recorded as current in prepaid expenses, and will be amortized and recorded as salaries and employee benefits over the life of the loans. Other expenses represent costs paid by the Company on behalf of its advisors that are collected from the advisors on a quarterly basis, and are not part of the low-interest loan program.

	March 31, 2022	March 31, 2021
	$	$
Face value loans	51	73
Present value discount on loans	(6)	(9)
Expected credit losses on loans	(1)	(2)
Promissory notes for transfers of clients (note 2l.)	3,445	3,254
Other expenses	602	663
Due from advisors - current	**4,091**	**3,979**
Face value loans	106	158
Present value discount on loans	(16)	(27)
Expected credit losses on loans	(1)	(3)
Promissory notes for transfers of clients (note 2l.)	4,413	4,097
Due from advisors - long-term	**4,502**	**4,225**

ATB Securities Inc.
Notes to the Financial Statements
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9. Software and Computer Equipment

	Computer Equipment	Software	Software Under Development	Total
	$	$	$	$
Cost				
Balance at April 1, 2020	17	26,774	389	27,180
Additions	-	-	1,696	1,696
Transfers to completed assets	-	1,611	(1,611)	-
Balance at March 31, 2021	17	28,385	474	28,876
Additions	-	-	74	74
Transfers to completed assets	-	548	(548)	-
Retirements	-	(89)	-	(89)
Balance at March 31, 2022	17	28,844	-	28,861
Accumulated Amortization and Depreciation				
Balance at April 1, 2020	17	14,448	-	14,465
Amortization and depreciation	-	4,468	-	4,468
Balance at March 31, 2021	17	18,916	-	18,933
Amortization and depreciation	-	3,746	-	3,746
Retirements	-	(89)	-	(89)
Balance at March 31, 2022	17	22,573	-	22,590
Carrying Amounts				
Balance at March 31, 2021	-	9,469	474	9,943
Balance at March 31, 2022	-	6,271	-	6,271

The retirement of assets for the year ended March 31, 2022 resulted in no additional expenses. There was no retirement of assets during the year ended March 31, 2021.

There were no impairments recognized during the year ended March 31, 2022 (March 31, 2021 - $nil).

ATB Securities Inc.
Notes to the Financial Statements
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10. Compensation Payable and Employee Benefits

Compensation Payable

	March 31, 2022	March 31, 2021
	$	$
Commissions payable	11,601	10,897
Due to advisors - transfer of clients	4,555	3,991
Variable compensation plan payable	6,050	3,945
LTIP payable	647	784
Recorded in current liabilities	**22,853**	**19,617**
Due to advisors - transfer of clients	5,715	5,871
LTIP payable	635	681
NSP payable	1,266	1,184
Recorded in long-term liabilities	**7,616**	**7,736**

Defined Contribution Plan and PSPP

ATBSI provides future benefits to employees through defined contribution plans. All defined contribution plan members are in a flexible pension plan, which is a combination of retirement savings in a registered defined contribution pension plan with a wealth accumulation component. This additional component allows employees to allocate funds to their ATB defined contribution pension plan, or to an RRSP, RESP, or ATB mortgage. For the year ended March 31, 2022, expenses related to the flexible pension plan, which are recorded in salaries and employee benefits, were $5,836 (March 31, 2021 - $4,914).

Some ATBSI employees are members of the PSPP (note 2 l)). For the year ended March 31, 2022, expenses related to the PSPP were $924 (March 31, 2021 - $939).

Notional Supplemental Plan

The change in the carrying amount of the NSP liability for periods presented is as follows:

	March 31, 2022	March 31, 2021
	$	$
Carrying amount at beginning of year	1,184	973
Transfers (to) from ATBIM	(143)	21
Employer contributions	121	90
Employee contributions	34	30
Gains and losses on notionally invested amounts	70	220
Settled	-	(150)
Carrying amount at end of year	**1,266**	**1,184**

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Notes to the Financial Statements
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Incentive Compensation Plans

As at March 31, 2022, the Company had accrued and expensed $6,050 (March 31, 2021 - $3,945) for variable compensation plans related to the achievement of goals and performance targets (note 2 l)).

For LTIP grants (note 2 l)) amounts recorded as at March 31, 2022 are as follows:

Fiscal Year Issued	LTIP Grants Issued	Allowance for Forfeiture	Vested	Present Value of Grants Vested
	$	$	$	$
2020	647	-	647	647
2021	569	29	367	358
2022	940	47	298	277
Total	**2,156**	**76**	**1,312**	**1,282**

The value presented for LTIP grants issued includes the appreciation or depreciation of those awards. For the year ended March 31, 2022, LTIP expense of $852 (March 31, 2021 - $831) is recorded in incentive compensation expenses.

11. Due to ATB

In the normal course of operations, ATBSI transacts with ATB as described in note 17. The amounts due to ATB are generally settled in the following month.

Pursuant to the ATB Act, the Government of Alberta may assess a charge to ATB as prescribed by the ATB Regulation. The ATB Regulation defines the Payment in lieu of tax (“PILOT”) charge to be 23% of ATB's consolidated net income before PILOT as reported in its audited annual financial statements under IFRS.

For the year ended March 31, 2022, ATBSI accrued and incurred an expense of $4,422 for PILOT (March 31, 2021 - $4,746). The amount owing for PILOT is not subject to interest and will be paid to ATB no later than June 30, 2022.

The net amount due to ATB, excluding PILOT payable, is subject to monthly interest charges at ATB’s prime lending rate. The prime lending rate at March 31, 2022 was 2.70% (March 31, 2021 – 2.45%).

The total amounts due to ATB arising from these transactions are as follows:

	March 31, 2022	March 31, 2021
	$	$
Due to ATB - PILOT	3,211	3,691
Due to ATB - Other	138	13
Due to ATB	**3,349**	**3,704**

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Notes to the Financial Statements
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12. Share Capital

Authorized:

Unlimited number of Class A voting, common shares without nominal or par value
Unlimited number of Class B non-voting, common shares without nominal or par value
Unlimited number of 10% non-cumulative, redeemable, non-voting, preferred shares without nominal or par value, redeemable at $100 per share

Issued and outstanding:

	March 31, 2022	**March 31, 2021**
Class A common shares (#)	78,995,100	78,995,100
Share capital ($ in thousands)	26,391	26,391

13. Capital Risk Management and Restrictions

ATBSI's objectives in managing its capital, which is defined as shareholder equity, are:

- To safeguard ATBSI's ability to operate as a going concern by maintaining adequate residual capital as prescribed by the ATBIS Board of Directors from time to time;
- To provide financial capacity and flexibility to meet its strategic objectives; and
- To maintain adequate risk-adjusted capital ("RAC") as required by IIROC.

The capital structure of ATBSI is managed and adjusted to reflect changes in economic conditions. In order to maintain or adjust the capital structure, adjustments may be made to the number of new common shares issued or restricting dividends. In support thereof, management reviews the financial position of ATBSI on a monthly basis. ATBSI works towards managing its capital objectives to the extent possible while facing the challenges of dynamic market conditions. ATBSI's capital management objectives have not changed over the periods presented.

Regulatory Capital

IIROC sets and monitors capital requirements for the Company to protect clients and counterparties. The Company is required to maintain a prescribed minimum level of RAC in order to be able to meet its liabilities and pass early warning tests. RAC is calculated in accordance with requirements as IIROC may from time to time prescribe. RAC is monitored daily and calculated weekly by ATBSI to ensure compliance with IIROC requirements. ATBSI's policy is to maintain regulatory capital at levels in excess of IIROC requirements to provide a buffer for unexpected market conditions, as well as to have sufficient capital for future business expansion. There were no changes to IIROC rules that significantly impacted the Company's calculation of RAC during the years presented.

As at March 31, 2022, ATBSI had RAC of $36,919 (March 31, 2021 - $26,482), which exceeded regulatory requirements set out by IIROC. ATBSI met all the early warning tests as prescribed by IIROC throughout the years ended March 31, 2022 and March 31, 2021.

Subordinated Loan

In response to the discovery of loss events as described in note 6, on September 20, 2021, ATBSI entered into a uniform subordinated loan agreement with ATB for $10,000 in accordance with IIROC regulations. This loan was unsecured and subordinated to ATBSI's obligations to other vendors and creditors. The subordinated loan bore interest at ATB prime plus 0.25% per annum.

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A subordinated loan is an allowable asset in computing risk-adjusted capital to the extent that it is required for the Company's continued compliance with IIROC regulatory requirements. The loan was repaid to ATB with the consent of IIROC on December 23, 2021.

14. Disaggregation of Revenues from Contracts with Customers

Nature of revenue	Customer	March 31, 2022 $	March 31, 2021 $
Recognized over time - Based on assets under administration			
Trailer fees	ATBIS Funds	72,104	65,990
Trailer fees	ATB	1,610	1,327
Trailer fees and mutual fund commissions	Third parties	3,333	3,213
Fee-based revenue	ATBSI clients	59,089	48,045
Relationship management fees	ATBIM	5,080	4,231
GIC commissions	ATB	180	619
Other customer contract revenue	Third parties	120	96
		141,516	123,521
Recognized over time - Other			
Intercorporate management fees	ATB, ATBIM, ATBIA	9,630	10,905
Client account fees	ATBSI clients	1,547	1,718
		11,177	12,623
Recognized at a point in time			
Securities commissions	ATBSI clients	477	595
Client account fees	ATBSI clients	812	568
Other customer contract revenue	ATBIA	71	27
GIC commissions	ATB	1,101	1,033
		2,461	2,223
		155,154	**138,367**

15. Intercorporate Management Fee

Management must use judgment in determining how to allocate costs between entities. These methods may change from year-to-year, as ATB Wealth changes its structure and transfers accountabilities between functions. For the year ended March 31, 2022, $17,000 of administration and selling expenses recorded initially in ATBSI were subject to allocation to ATBIM, ATBIA and Private Banking (March 31, 2021 - $16,583). For the year ended March 31, 2022, Management has chosen to allocate certain costs based on contribution to combined ATB Wealth revenues, and other costs based on contribution to combined ATB Wealth assets under administration. In prior years, applicable costs were allocated only based on contribution to combined ATB Wealth revenue.

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

16. Other Revenue

	March 31, 2022	March 31, 2021
	$	$
Other contract revenue	191	123
Interest income	842	654
Foreign exchange and other income	(41)	(113)
	992	**664**

17. Related Party Transactions

In the normal course of operations, ATBSI receives trailing commissions and relationship management fees from ATBIM, collects client fees on behalf of ATBIM, and receives referral fees from ATBIA. ATBSI receives trailer fees for HISA products, GIC commissions, and interest income from ATB. ATBSI collects intercorporate management fees from ATBIM, ATBIA and ATB. ATB charges ATBSI for various administrative and selling services, as well as interest on amounts owing to ATB. ATBSI recovers from ATBIM payments for employee benefits to ATBSI advisors for the transfer of clients to ATBIM. ATBSI does not transact with ATBCM. A summary of related party transactions is as follows:.

Related Party	Transaction	March 31, 2022	March 31, 2021
		$	$
ATBIM	Trailer fees	72,104	65,990
ATBIM	Relationship management fees	5,080	4,231
ATBIM	Intercorporate management fees	8,124	9,467
ATBIA	Other contract revenue (insurance referrals)	71	27
ATBIA	Intercorporate management fees	24	17
ATB	Trailer fees	1,611	1,327
ATB	GIC commissions	1,281	1,652
ATB	Interest income	15	20
ATB, ATBIM & ATBIA	Client account fees	119	111
ATB	Intercorporate management fees	1,482	1,421
		89,911	**84,263**

Related Party	Transaction	March 31, 2022	March 31, 2021
		$	$
ATB	Salaries and employee benefits	387	593
ATB	General and administrative expenses	7,705	7,294
ATB	IT infrastructure and services	5,662	4,235
ATB	Professional fees	657	692
ATB	Banking and interest charges	126	56
ATBIM	Salaries and employee benefits - transfer of clients	(344)	(262)
		14,193	**12,608**

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

The transactions with related parties listed above were subject to annual service level agreements (and amendments) made effective April 1, 2021 (for the year ended March 31, 2022) and April 1, 2020 (for the year ended March 31, 2021). The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Compensation of Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Key management personnel include the Chief Executive Officer of ATB Wealth and direct reports leading strategy, finance, risk, compliance, advisory and wealth planning functions.

Key management personnel compensation comprises:

	March 31, 2022	March 31, 2021
	$	$
Short-term employee benefits	1,922	1,858
Deferred compensation	479	483
Retirement and post employment benefits	205	244
	2,606	**2,585**

These amounts exclude all compensation associated with employee achievement notes, including new grants, distributions, appreciation and note redemptions. A portion of the compensation paid by ATBSI for key management personnel is recovered by the Company through the intercorporate management fees charged to ATBIM, ATBIA and ATB (note 15).

Employee Achievement Notes

ATB sells Principal-at-Risk Achievement Notes to certain eligible employees as an incentive for promoting the growth of the subsidiaries of ATB that provide, or will in the future provide, services under the ATB Wealth brand name. Under this plan, eligible employees are provided an opportunity to purchase a 25-year note with a value linked to the fair market value of certain ATB subsidiaries, including ATBSI. Holders of these notes do not have an ownership interest in ATB or its subsidiaries, nor do they have the rights of a direct holder of an interest in ATB or its subsidiaries.

The rebranding and reorganization of ATBIS into ATB Wealth did not change the manner in which Achievement Notes are valued. ATB Wealth's results are a combination of ATBSI, ATBIM, ATBIA and Private Banking. These combined results are published in ATB's quarterly and annual reporting. The basis of reporting for ATB Wealth is different from the legal entity results of ATBSI, ATBIM and ATBIA from which the Achievement Note valuation is derived.

Each note holder is entitled to:

- A cash payment at maturity representing the then-current value of their note;
- Submit a request to sell notes during the annual Transaction Window (subject to a 3-year vesting period and additional restrictions on ATB Wealth executives); and,
- Cash distributions, if any, based on the formula set out in the note.

ATB Securities Inc.
Notes to the Financial Statements
For the year ended March 31, 2022 ($ thousands)

Upon an employee's termination, the designated acquirer under the plan has the right, but not the obligation, to acquire notes from the employee at the price applicable at the termination date.

The notes are not guaranteed under the deposit guarantee provided by the Crown in right of Alberta, and there is a risk, if the valuation decreases, that the note holder will lose some or all of the original investment. There is no public market for these notes, and the valuation is based on a model prepared by an external consultant that is updated annually.

The liability recorded by ATB with regards to the Achievement Notes owned by the employees of ATBSI, or previously allocated to ATBSI as part of shared management services, is as follows:

	March 31, 2022	March 31, 2021
	$	$
Liability at beginning of year	36,360	31,508
New subscriptions	2,791	1,828
Redemptions	(3,600)	(3,422)
Appreciation and vesting	4,111	6,446
Liability at end of year	**39,662**	**36,360**

18. Credit Facility

As at March 31, 2022, ATBSI had access to a $10,000 unsecured operating loan facility with ATB (March 31, 2021 - $10,000). Interest on the facility is calculated based on prime less 0.25%, which was 2.45% at March 31, 2022 (March 31, 2021 – 2.20%). No amounts were drawn as at March 31, 2022 (March 31, 2021 - $nil). Standby fees of $25 were paid for the year ended March 31, 2022 on the undrawn portion (March 31, 2021 - $25), and are included in banking and interest charges in the statement of operations and comprehensive income.

19. Commitments - Contractual Obligations

ATBSI is committed to payments under service agreements for software licences including support and maintenance services. The future minimum payments for such obligations are outlined as follows:

Year	$
2023	1,072
2024	996
2025	964
2026	964
2027	843
	4,839

ATB Capital Markets Inc.

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General OF ALBERTA

To the Board of Directors of ATB Capital Markets Inc.

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of ATB Capital Markets Inc. (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholder equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The consolidated financial statements of the Group are included in the *Annual Report of the Ministry of Treasury Board and Finance* that is prepared by the Ministry of Treasury Board and Finance. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to the Group, but does not include the consolidated financial statements of the Group and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit

evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

May 19, 2022
Edmonton, Alberta

ATB CAPITAL MARKETS INC.

Consolidated Balance Sheet

As at March 31, 2022
(in Canadian dollars)

	March 31, 2022	March 31, 2021
ASSETS		
Current assets		
Cash (note 2)	$ 10,312,879	$ 9,178,403
Marketable securities at fair value (note 4)	62,916,328	73,048,072
Accounts receivable	9,249,219	4,673,522
Due from carrying broker (note 5)	555,538	764,364
Prepaid expenses	927,058	570,756
	83,961,022	88,235,117
Non-current assets		
Property and equipment (note 6)	704,925	996,808
Accounts receivable	19,864	37,942
Deposit with carrying broker (note 5)	562,760	572,975
Right of use asset (note 3)	3,229,807	2,351,793
	4,517,356	3,959,518
	$ 88,478,378	**$ 92,194,635**
LIABILITIES		
Current liabilities		
Subordinated loan (note 13)	10,000,000	10,000,000
Accounts payable and accrued liabilities	23,426,994	17,955,037
Due to carrying broker (note 5)	41,387	77,175
Due to issuer	17,811,656	35,184,800
Current lease liabilities (note 3)	763,224	896,398
	52,043,261	64,113,410
Non-current liabilities		
Lease liabilities (note 3)	2,831,544	1,909,275
	54,874,805	66,022,685
SHAREHOLDER EQUITY		
Share capital (note 7)	$ 20,477,410	$ 20,477,410
Accumulated other comprehensive income	50,759	153,410
Retained earnings/(deficit)	13,075,404	5,541,130
	33,603,573	26,171,950
	$ 88,478,378	**$ 92,194,635**

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Original signed by
Director

Original signed by
Director

ATB CAPITAL MARKETS INC.

Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

For the year ended March 31, 2022
(in Canadian dollars)

	March 31 2022	March 31 2021
Revenue		
Agency commission	$ 5,106,001	$ 6,306,246
Corporate finance fees	27,899,090	26,889,149
Advisory fee	17,164,438	11,873,780
Interest and other	1,495,786	1,525,462
Net change in fair value of marketable securities	(1,316,829)	3,940,414
Research fees	426,157	356,036
	50,774,643	50,891,087
Direct costs		
Commission expenses	$ (16,716,921)	$ (6,196,174)
Clearing costs	(447,553)	(676,877)
	(17,164,474)	(6,873,051)
	$ 33,610,169	**$ 44,018,036**
Expenses		
Salaries, benefits, and bonus (note 12)	15,118,663	21,718,379
General and administrative expenses (note 12)	7,483,146	9,494,667
Depreciation and amortization	964,333	1,094,124
Interest expense (note 13)	293,954	832,451
Total Expenses	23,860,096	33,139,621
Net income before interest and payment in lieu of tax	9,750,073	10,878,415
Payment in lieu of tax (note 8)	2,215,799	2,425,929
Net income (loss) for the period	**$ 7,534,274**	**$ 8,452,486**
Other Comprehensive income		
Foreign currency translation of foreign operations	(102,651)	(331,998)
Net comprehensive income (loss)	**$ 7,431,623**	**$ 8,120,488**

The accompanying notes are an integral part of these financial statements

ATB CAPITAL MARKETS INC.

Consolidated Statement of Changes in Shareholder Equity

For the year ended March 31, 2022
(in Canadian dollars)

	Share Capital $	Accumulated Other Comprehensive Income $	Retained Earnings $	Total Equity $
Balance at March 31, 2020	$ 6,257,410	$ 485,408	$ (2,911,356)	$ 3,831,462
Net Income (loss)	-	-	8,452,486	8,452,486
Other Comprehensive Income	-	(331,998)	-	(331,998)
Shares Repurchased (note 7)	(780,000)	-	-	(780,000)
Shares Issued (note 7)	15,000,000	-	-	15,000,000
Balance at March 31, 2021	$ 20,477,410	$ 153,410	$ 5,541,130	$ 26,171,950
Balance at March 31, 2021	$ 20,477,410	$ 153,410	$ 5,541,130	$ 26,171,950
Net Income (loss)	-	-	7,534,274	7,534,274
Other Comprehensive Income	-	(102,651)	-	(102,651)
Balance at March 31, 2022	$ 20,477,410	$ 50,759	$ 13,075,404	$ 33,603,573

The accompanying notes are an integral part of these financial statement

ATB CAPITAL MARKETS INC.

Consolidated Statement of Cash Flows

For the year ended March 31, 2022
(in Canadian dollars)

	March 31, 2022	March 31, 2021
Operations:		
Net income (loss) for the period	$ 7,534,274	$ 8,452,486
Items not affecting cash		
Foreign currency translation	(102,651)	(331,998)
Depreciation and amortization	964,333	1,094,124
	$ 8,395,956	$ 9,214,612
Net Change in non-cash working capital items		
Marketable securities owned at fair value	$ 10,131,744	$ (63,886,743)
Due from carrying brokers	208,826	121,302
Accounts receivable	(4,557,619)	(1,169,839)
Prepaid expenses	(356,302)	211,052
Income taxes receivable	-	237,510
Accounts payable and accrued liabilities	5,471,957	14,242,604
Liability to issuer	(17,373,144)	35,184,800
Due to carrying brokers	(35,788)	19,924
	(6,510,326)	(15,039,390)
	$ 1,885,630	$ (5,824,778)
Investing		
Purchase of property and equipment	$ (254)	$ (5,254)
Deposits with carrying brokers	10,215	36,227
	$ 9,961	$ 30,973
Financing		
Subordinated loan advances	-	41,875,000
Subordinated loan repayments	-	(45,000,000)
Payment of principal portion of lease liability	(761,115)	(905,941)
Redemption of share capital	-	(780,000)
Issuance of share capital	-	15,000,000
	$ (761,115)	$ 10,189,059
Net increase (decrease) in cash for the year	1,134,476	4,395,254
Cash, beginning of period	9,178,403	4,783,149
Cash, end of period	$ 10,312,879	$ 9,178,403
Supplementary information		
Interest paid	293,954	832,451
Interest received	127,845	99,941

ATB CAPITAL MARKETS INC.

Notes to Consolidated Financial Statements

For the year ended March 31, 2022
(in Canadian dollars)

1. Nature of Business

ATB Capital Markets Inc. (the "Company" or "ATB CMI") (formerly known as AltaCorp Capital Inc) was incorporated on May 17, 2010 under the Alberta Business Corporations Act and commenced operations on January 19, 2011. The Company's wholly-owned subsidiary, ATB Capital Markets USA Inc. (the "Subsidiary") was incorporated on June 21, 2010 under the Alberta Business Corporations Act and commenced operations on April 5, 2011. On January 1, 2018, ATB Financial ("ATB Financial") became the controlling shareholder of the Company, and on March 31, 2020 the Company became a wholly owned subsidiary of ATB Financial. As a provincial Crown corporation, ATB CMI is exempt from income tax; however, it is subject to payment in lieu of tax ("PILOT") as described in note 8. On May 29, 2020 AltaCorp Capital Inc changed its name to ATB Capital Markets Inc, and on June 21, 2020 AltaCorp Capital (USA) Inc. followed suit and changed its name to ATB Capital Markets USA Inc.

The Company is registered as a Type II Introducing Broker, under the regulatory authority and provisions of the Investment Industry Regulatory Organization of Canada ("IIROC") and conducts its operations under an agreement dated October 16, 2012 with National Bank Independent Network ("NBIN"), which acts as the "Carrying Broker". The agreement does not contain a termination date, but there is a termination charge during the first three years of the agreement. NBIN performs certain securities trading and clearing activities and record keeping as the agent for the Company for a fee based on the number of trades executed, settled, and cleared on behalf of the Company. As a result, NBIN is responsible for the Company's client accounts subject to indemnification by the Company for any related losses. The Company is a member of the Canadian Investor Protection Fund ("CIPF") and provides institutional trading as well as corporate underwriting and advisory services.

The Subsidiary is registered as a broker/dealer with the Financial Industry Regulatory Authority, Inc. ("FINRA") and is a member of the Securities Investor Protection Corporation ("SIPC"). The Subsidiary became an Introducing Broker to Apex Clearing Corporation ("Apex Clearing") on June 5, 2012. Apex Clearing performs certain securities clearing activities and record keeping as the agent for the Subsidiary for a fee based on the number of trades executed, settled, and cleared on behalf of the Subsidiary. The Subsidiary's Fully Disclosed Clearing Agreement with Apex Clearing expires August 28, 2022.

The address of the Company's registered office is:
410, 585 – 8 Avenue SW
Calgary, Alberta T2P 1G1

2. Significant Accounting Policies

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC") and include the accounts of the Company and its Subsidiary. The accounting policies, methods of computation, and presentation applied in these financial statements are the same as those applied in the Company's audited financial statements for the year ended March 31, 2021 except as described in the notes to the financial statements. All intercompany transactions and balances have been eliminated.

These consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These statements are presented in Canadian dollars, which is the Company's functional currency. The Subsidiary has a functional currency of US dollars.

ATB CAPITAL MARKETS INC.

Notes to Consolidated Financial Statements
For the year ended March 31, 2022
(in Canadian dollars)

(b) Critical accounting estimates and judgements

These consolidated financial statements, prepared in accordance with IFRS, include estimates and assumptions by management that affect the reported amount of assets, liabilities, income, and expenses during the reporting period. Management believes that the Company's critical accounting policies where judgement is necessarily applied are those which relate to expected credit losses, the valuation of financial instruments, and the fair value of the cross guarantee agreement (note 9). Actual results could differ from these results.

(c) Revenue recognition

IFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The new guidance includes a five-step recognition and measurement framework that ATB Capital Markets follows in order to determine when to recognize revenue.

i. Identify the contract(s) with customer

ii. Identify the performance obligation(s) in the contract

iii. Determine the transaction price

iv. Allocate the transaction price

v. Recognize revenue when (or as) ATB CMI satisfies a performance obligation

ATB Capital Markets main type of revenue contracts are as follows:

Agency commissions revenue consists of revenue generated through traditional commission-based brokerage services, recognized on a trade date basis.

Corporate finance fees are comprised of fees earned when the Company acts as agent or underwriter in the distribution of the securities of issuers. Corporate finance fees are recorded at the time the transaction is completed and the related income is reasonably determinable and the amount is collectible.

Advisory fees are recorded, depending on the terms of the engagement agreement, at the time the transaction is completed, or advice is provided, and the related income is reasonably determinable and collectible.

Unrealized underwriting position gains or losses consist of the difference between the new issue price (excluding the underwriter's commission) and the fair value of the unsold position on a trade date basis.

Realized underwriting position gains or losses consist of the difference between the new issue price and the price the stock position was sold on a trade date basis.

Research fee revenue is earned as a result of providing research services to clients. The revenue is recognized once the services have been provided and the related income is reasonably determinable.

Interest and other income are recognized on an accrual basis using the effective interest method for interest-bearing instruments.

(d) Cash

Cash consists of Canadian and US currency on deposit at a Canadian financial institution.

(e) Leasehold inducements

Leasehold inducements were monies received on an operating lease for premises from the property owner. Inducements were amortized over the term of the lease and reduce lease expenses. In accordance with the adoption of IFRS 16 (note 3), a right-of-use asset is recognized less leasehold inducements.

ATB CAPITAL MARKETS INC.

Notes to Consolidated Financial Statements
For the year ended March 31, 2022
(in Canadian dollars)

(f) Property and equipment

Property and equipment are recorded at cost less amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Leasehold improvements	term of lease	straight-line method
Furniture and fixtures	20%	declining balance method
Computer equipment	45% and 55%	declining balance method
Computer software	100%	declining balance method

One-half the normal amortization is charged in the year of acquisition for computer equipment, computer software and furniture and fixtures. The Company does not record amortization on its artwork since it has an indefinite useful life.

(g) Financial instruments

Recognition

All financial assets and financial liabilities are initially recognized on the trade date, which is the date that ATB CMI becomes a party to the contractual provisions of the financial instrument. The Company derecognizes a financial asset when the contractual right to receive cash flows from the asset has expired, or when the Company transfers the rights to receive the contractual cash flows in a transaction where substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, or the contract is canceled or has expired.

Classification and measurement – Financial assets

Under IFRS 9, financial assets are classified and measured at amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). Classification is based on the Company's business model for managing the specified financial asset represents solely payments and interest on the principal amount outstanding (the "SPPI test"). Principal is defined as the fair value of the asset at initial recognition and may change over the asset's life. Interest payments can include consideration for the time value of money, as well as for credit and liquidity risks. Financial assets are only reclassified if a significant change in the asset's business model occurs subsequent to initial recognition.

Financial assets held primarily to collect contractual cash flows comprised of principal and interest are classified as amortized cost. These assets are initially recognized at fair value – which is the cash consideration to originate or purchase the asset, including any transaction costs – and subsequently measured at amortized cost using the effective interest rate method.

For financial assets classified as amortized cost with an expected term of less than one year that do not have a significant financing component, IFRS 9 permits a practical expedient permitting initial measurement at the transaction price, which results in the recognition of no interest income under the effective interest rate method.

For other financial assets measured at amortized cost, interest is reported as interest income in the statement of income and comprehensive income.

Marketable securities are classified as FVTPL. Income from the changes in fair values is recognized as unrealized gains and/or losses on the statement of income and comprehensive income.

Classification and measurement – Financial liabilities

Financial liabilities are classified and measured at either FVTPL or amortized cost. Financial liabilities not classified as FVTPL are measured at amortized cost. For all financial liabilities classified as amortized cost, including liability to issuer, subordinated loan, accounts payable and accrued liabilities and due to carrying

ATB CAPITAL MARKETS INC.

Notes to Consolidated Financial Statements
For the year ended March 31, 2022
(in Canadian dollars)

broker, the Company initially measures amounts at the transaction price, which results in the recognition of no interest expense under the effective interest rate method.

Impairment of financial assets

IFRS 9 establishes a new expected credit loss ("ECL") model for the recognition and measurement of impairments of financial assets measured at FVOCI. The ECL model involves a staged approach, whereby financial assets move through three stages as their credit quality changes. Expected credit losses are the weighted-average credit losses, where the probability of default is used for the weighting. The stage of the ECL model dictates how the Company measures impairment losses:

Stage 1: On initial recognition, for financial assets measured at amortized cost where there is not a significant financing component, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition date of the asset. For all other financial assets measured at amortized cost, the Company determines the impairment provision on a 12-month ECL basis. For these calculations, the Company uses a historical-based provision matrix adjusted for forward-looking factors.

Stage 2: For financial assets that have experienced a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment, and where the overall assessment of credit risk at the reporting date is not still low, the Company records an estimate of lifetime ECL.

Stage 3: For financial assets that have objective evidence of impairment at the reporting date, the Company records an estimate of lifetime ECL and recognizes interest income on the carrying value of the asset, net of the credit allowance.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the statement of operations and comprehensive income. For practical reasons, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

As at March 31, 2022 and March 31, 2021, none of the Company's financial assets were in stages 2 or 3 of the impairment model.

(h) Securities owned

Securities owned and securities sold short are carried at fair values as at the reporting date. Fair value is based on quoted closing market prices for exchange-traded equities, actively traded equities and fixed income securities traded in the over-the-counter markets. For non-quoted securities, fair value is determined using appropriate methods which take into account the liquidity of the securities, the size of the bid and ask spread, the relative breadth of the market, current yield adjustments and other factors. Included in the Company's securities owned are broker warrants which are derivative financial assets and are carried in the Company's consolidated balance sheet at their estimated fair value, determined using a modified Black Scholes model.

Securities owned also includes the Company's commitment to purchase any unsold securities from an issuer upon closing of a bought deal financing and market makers positions.

(i) Securities transactions

Securities transactions and related revenues and expenses are recorded on a trade date basis. Transaction costs are expensed as incurred.

(j) Comprehensive income

Other comprehensive income (loss) represents changes in shareholders' equity that result from unrealized gains and losses on financial assets classified and measured as FVOCI, unrealized foreign exchange gains and losses arising from the translation of the financial statements for self-sustaining foreign operations, and

ATB CAPITAL MARKETS INC.

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changes in the fair value of the effective portion of cash flow hedging instruments. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income (loss), which is presented as a separate category of shareholders' equity on the consolidated balance sheet.

(k) Provisions and Contingencies

Provisions are recognized when it is more likely than not that an outflow of economic resources will be required to settle a legal or constructive obligation, which has arisen as a result of past events, and for which a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Company has not recognized any provisions at March 31, 2022 (March 31, 2021 - $nil).

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of ATB CMI, or, are present obligations that have arisen from past events but are not recognized because it is not probable that settlement will require an outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognized in the financial statements but are disclosed, where significant, unless the probability of settlement is remote.

(l) Foreign currency transactions

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Subsidiary with the US dollar as its functional currency is expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in shareholders' equity.

(m) Accounting standards adopted

There have been no new standards, amendments or interpretations that have relevance to the Company that are effective for the first time for the financial year beginning March 31, 2021.

There were no significant IFRS accounting standards, interpretations or amendments to existing IFRS accounting standards that were not yet effective as at March 31, 2022 that are expected to have a material impact on the financial statements.

3. IFRS 16 Lease

Right-of-use Asset	Total
Cost:	
At March 31, 2020	$ 3,988,736
Adjustment	(75,405)
At March 31, 2021	$ 3,913,331
Addition	2,383,231
Adjustment	(1,983,496)
At March 31, 2022	$ 4,313,066

Accumulated depreciation	
At March 31, 2020	$ (863,134)
Depreciation	(698,404)
At March 31, 2021	$ (1,561,538)

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Adjustment	1,150,475
Depreciation	(672,196)
At March 31, 2022	$ (1,083,259)
Carrying value	
March 31, 2021	$ 2,351,793
March 31, 2022	$ 3,229,807

Lease Liabilities	Total
Cost:	
At March 31, 2020	$ 3,705,330
Additions	–
Interest expense	70,552
Lease payments	(970,209)
At March 31, 2021	$ 2,805,673
Additions	1,550,211
Interest expense	46,786
Lease payments	(807,902)
At March 31, 2022	$ 3,594,768

The maturity analysis of the undiscounted contractual balances of the lease liabilities is as follows:

In one year or less	$ 763,224
In more than one year, but less than five years	2,831,544
In more than five years	-
	$ 3,594,768

4. Fair Value Marketable Securities

An analysis of the fair value of securities owned by term to maturity is as follows:

	Term to maturity		March 31,	March 31,
	Within 1 year	Over 1 year	2022 Total	2021 Total
Broker warrants	$ 66,489	$ 8,965	$ 75,454	$ 1,837,041
Common shares	7,865,274	–	7,895,274	29,601
Bonds	44,975,500	–	44,975,500	71,181,430
Convertible debentures	–	10,000,000	10,000,000	–

5. Introducing broker agreements

In accordance with the terms of the agreements with NBIN and Apex Clearing, the Company must maintain a minimum of CDN $250,000 and US $250,000 (in the form of cash or short term Government of Canada

ATB CAPITAL MARKETS INC.

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bonds) in a capital deposit account to be held by the Carrying Broker and Apex Clearing as long as the agreement is in effect and as such is not available for use by the Company. The Company currently maintains a Canadian Treasury bill with a value of $250,000 with NBIN and US $250,000 cash with Apex Clearing.

The Company may be required to provide additional funds should the Carrying Broker's margin requirements change. NBIN is a regulated entity under the jurisdiction of IIROC and a member of the CIPF. Apex Clearing is a regulated entity under the jurisdiction of FINRA and a member of the SIPC.

The $555,538 receivable (March 31, 2021 - $764,364) from the Company's Carrying Brokers represents amounts due from NBIN and Apex Clearing for commissions earned and short inventory positions.

The $41,387 payable (March 31, 2021 - $77,175) to the Company's Carrying Brokers represents amounts due to NBIN and Apex Clearing for clearing trades and long inventory positions.

6. Property and equipment

	Furniture, artwork and fixtures	Computer equipment	Computer software	Leasehold improvements	Total
Cost:					
At March 31, 2020	$ 1,107,772	$ 575,809	$ 90,445	$ 2,900,959	$ 4,674,985
Additions	–	5,265	–	–	–
At March 31, 2021	$ 1,107,772	$ 581,074	$ 90,445	$ 2,900,959	$ 4,680,250
Additions	620	–	–	–	620
Disposals	–	–	–	–	–
At March 31, 2022	$ 1,108,392	$ 581,074	$ 90,445	$ 2,900,959	$ 4,680,870

	Furniture, artwork and fixtures	Computer equipment	Computer software	Leasehold improvements	Total
Accumulated amortization:					
At March 31, 2020	$ 824,854	$ 533,181	$ 90,445	$ 1,920,920	$ 3,369,400
Amortization	47,613	24,893	–	241,536	314,042
At March 31, 2021	$ 872,467	$ 558,074	$ 90,445	$ 2,162,456	$ 3,683,442
Amortization	38,153	12,815	–	241,535	292,503
At March 31, 2022	$ 910,620	$ 570,889	$ 90,445	$ 2,403,991	$ 3,975,945
Carrying value					
March 31, 2021	$ 235,305	$ 23,000	$ –	$ 738,503	$ 996,808
March 31, 2022	$ 197,772	$ 10,185	$ –	$ 496,968	$ 704,925

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7. Share capital

Details of the Company's share capital are as follows:

(a) Authorized

Unlimited number of Class A voting common shares without nominal or par value;

Unlimited number of Class B non-voting common shares without nominal or par value;

(b) Issued:

	Shares	Amount
Class A shares		
Balance, beginning of period April 1, 2020	3,386,000	$ 4,414,143
Shares issued during the year	15,000,000	15,000,000
Repurchased during the year	–	–
Balance, end of period March 31, 2021	18,386,000	$ 19 ,414,143
Class A shares		
Balance, beginning of period April 1, 2021	18,386,000	$ 19,414,143
Shares issued during the year	–	–
Repurchased during the year	–	–
Balance, end of period March 31, 2022	18,386,000	$ 19,414,143

	Shares	Amount
Class B shares		
Balance, beginning of period April 1, 2020	2,327,432	$ 1,843,267
Shares issued during the year	–	–
Repurchased during the year	–	(780,000)
Balance, end of period March 31, 2021	2,327,432	$ 1,063,267
Class B shares		
Balance, beginning of period April 1, 2021	2,327,432	$ 1,063,267
Shares issued during the year	–	–
Repurchased during the year	–	–
Balance, end of period March 31, 2022	2,327,432	$ 1,063,267

8. PILOT

As of March 31, 2020, and in connection with ATB Capital Markets becoming a Crown corporation (note 1), the Company is now exempt from income tax and will be subject to PILOT. Pursuant to the ATB Act, the Government of Alberta may assess a charge to ATB as prescribed by the ATB Regulation. The ATB Regulation defines this change to be an amount equal to 23% of ATB's consolidated net income as reported in its audited annual financial statements. PILOT is calculated as 23% of net income reported under IFRS.

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For the year ended March 31, 2022, ATB CMI expensed $2,215,799 (March 31, 2021 - $2,425,929) related to PILOT. Amounts owing for PILOT are not subject to interest and are paid to ATB within three months of year end.

9. Cross guarantee

Coincident with ATB Financials' acquisition of controlling ownership of the Company , ATB Securities Inc. and the Company (the "Guarantors") entered into a Uniform Guarantee by Members and Related Companies Agreement (the "Agreement").

IIROC rules require the Company and ATB Securities Inc. by virtue of common ownership, to guarantee the debts, liabilities, and obligations of their respective customers who are eligible for protection by CIPF in accordance with the terms contained therein.

The Agreement sets the guarantee amount as a percentage of regulatory capital. The maximum guarantee of each Guarantor is equal to its regulatory capital at the time any demand is made. Management believes the risk of loss under this agreement is remote. As of March 31, 2022, and 2021 no demands have been made under the Agreement.

10. Financial instruments

i) Fair value hierarchy

The fair value of financial assets and liabilities not carried at fair value approximate their carrying amounts due to the imminent or short term maturity of these financial assets and liabilities.

When available, quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs, are used to determine fair value. For financial instruments not traded in an active market, the fair value is determined using appropriate and reliable valuation techniques. Such techniques may include recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Valuation techniques may require the use of estimates or management assumptions if observable market data is not available. When the fair value cannot be reliably measured using a valuation technique, then the financial instrument is measured at cost.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy based on the quality and reliability of the information used to estimate the fair value. The three levels of fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial assets and liabilities measured at fair value as at March 31, 2022 and March 31, 2021 are summarized below:

March 31, 2022	Level 1	Level 2	Level 3	Total
Cash	$ 10,312,879	$ -	$ -	$ 10,312,879
Marketable securities at fair value	62,840,774	75,454	-	62,916,328

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Deposits with carrying brokers	562,760	-	-	562,760
Liability to issuer	(17,811,656)			(17,811,656)
	$ 55,904,757	$ 75,454	$ -	$ 55,980,311

March 31, 2021	Level 1	Level 2	Level 3	Total
Cash	$ 9,178,403	$ -	$ -	$ 9,178,403
Marketable securities at fair value	71,211,031	1,837,041	-	73,048,072
Deposits with carrying brokers	572,975	-	-	572,975
Liability to issuer	(35,184,800)	-	-	(35,184,800)
	$ 45,777,609	$ 1,837,041	$ -	$ 47,614,650

There have been no transfers between fair value hierarchy levels during the year. The fair value of other financial instruments including accounts receivable and due from carrying broker approximate their carrying amounts due to their imminent or short term maturity.

ii) Financial Risk Management

ATB CMI's financial instruments are represented by cash, marketable securities owned and sold short at fair value, accounts receivable, due to (from) carrying broker, deposits with carrying broker, liability to issuer, and accounts payable and accrued liabilities and subordinated loan. There are various risks inherent in financial instruments including market risk (which consists of fair value risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. ATB CMI's overall risk management program focuses on the unpredictability of financial and economic markets, and seeks to minimize potential adverse effects on ATB CMI's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices. The Company segregates market risk into three categories: fair value risk, interest rate risk and foreign exchange risk.

Fair value risk: The Company is exposed to fair value as a result of its participation in corporate financing bought deals and through securities owned. Securities held for trading are valued based on quoted bid market prices, net of any valuation allowance and, as such, changes in fair value affect income as they occur. The Company mitigates its fair value risk exposure through controls to limit concentration levels and capital usage within its inventory account.

March 31, 2022	Carrying value	Effect of a 10% increase in the fair value	Effect of a 10% decrease in the fair value
Marketable securities	$ 62,916,328	$ 6,291,632	$ (6,291,632)

ATB CAPITAL MARKETS INC.

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March 31, 2021	Carrying value	Effect of a 10% increase in the fair value	Effect of a 10% decrease in the fair value
Marketable securities	$ 73,048,072	$ 7,304,807	$ (7,304,807)

Interest Rate Risk: Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Company. The Company incurs interest rate risk on its own cash balances. All cash matures within two months. The Company does not hedge its exposure to interest rate risk as it is minimal. The Company has a subordinated loan with a variable interest rate.

The increase or decrease in income for each 100 basis points change in interest rates on cash and cash equivalents, assuming all other variables remain constant, is not material. An increase or decrease in income for each 100 basis points change in interest on the subordinated loan, assuming all other variables remain consistent, would be $100,000 (March 31, 2021 - $100,000).

Foreign exchange risk: Foreign exchange risk arises from the possibility that changes in the exchange rates for foreign currencies will result in losses. The Company is exposed to foreign exchange risk to the extent of balances, transactions and cash flows that occur in US dollars.

The following table summarizes the effect on net income of a 10% fluctuation in the value of the US dollar on US dollar balances held as at March 31, 2022. This analysis assumes all other variables remain constant.

March 31, 2022	Carrying value	Effect of a 10% increase in the value of the US $	Effect of a 10% decrease in the value of the US $
Net unhedged balance sheet exposure to US $	$ 5,532,565	$ 553,256	$ (553,256)

March 31, 2021	Carrying value	Effect of a 10% increase in the value of the US $	Effect of a 10% decrease in the value of the US $
Net unhedged balance sheet exposure to US $	$ 4,732,535	$ 473,253	$ (473,253)

Credit Risk

Credit risk is the risk of loss associated with a counterparty's liability to fulfill its payment obligations. Credit risk arises from cash, marketable securities at fair value, accounts receivable and due from carrying broker. The Company mitigates credit risk by monitoring credit exposures, obtaining collateral and limiting transactions with counterparties based on an ongoing assessment of the counterparties' creditworthiness. The maximum exposure of the Company to credit risk before taking into account any collateral held or other credit enhancements is the carrying values of the financial instruments as disclosed in the consolidated financial statements as at March 31, 2022 and March 31, 2021.

The Company is also exposed to the risk that counterparties to transactions do not fulfill their obligations. Counterparties primarily include the Company's Carrying Brokers, investment dealers and financial

ATB CAPITAL MARKETS INC.

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institutions. As at March 31, 2022, the Company's most significant concentration is with investment dealers and its financial institution (2021 - investment dealers and its financial institution); accounts receivable are subject to additional concentration of credit risk from 12 debtors (March 31, 2021 – 8 debtors) comprising 76% (March 31, 2021 – 25%) of the carrying amount. Management believes that this is in the normal course of business and does not anticipate loss for non-performance.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring that adequate funds exist to support business strategies and operational growth. The Company's business requires capital for operating and regulatory purposes. Total current assets reflected on the statement of financial condition amount to $83,951,863 which exceed current liabilities (excluding subordinated loan) of $42,034,102 that are anticipated to be paid within 12 months from the statement of financial position date. Additionally, the Company has a subordinated loan of $10,000,000 owing to ATB Financial Inc.

11. Due from (to) Affiliates

In the normal course of operations, ATB CMI collects a management fee from ATB Capital Markets USA. The amounts are duly recorded as payable and receivable in each of the companies. The amounts that are due from affiliates arising from these transactions are generally settled in the following month and are not subject to interest charges. These amounts are eliminated on a consolidated basis.

12. Due to ATB

In the normal course of operations, ATB pays certain expenses on behalf of ATB Capital Markets. The amounts due to ATB are generally settled within three months.

Pursuant to the *ATB Act,* the Government of Alberta may assess a charge to ATB as prescribed by the ATB Regulation. The *ATB Regulation* defines the change to be an amount equal to 23% of ATB's consolidated net income as reported in its audited annual financial statements. PILOT is calculated as 23% of net income reported under IFRS.

The total amounts due to ATB arising from transactions with ATB are as follows:

	March 31, 2022	March 31, 2021
Due from/(to) ATB - PILOT	$ (2,213,567)	$ (2,427,978)
Due from/(to) ATB - Other	(2,279,822)	(1,019,751)
Due from/(to) ATB	$ (4,493,389)	$ (3,447,729)

In 2022 the Company signed a service level agreement with ATB financial made effective April 1, 2022. The transactions included are part of the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. For the period ended March 31, 2022, the company incurred $25,472,149 (March 31, 2021 - $11,961,654) related to this agreement, this includes the Other amount above.

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13. Related party transactions

During the period ended March 31, 2022, the Company incurred $247,168 (March 31, 2021- $751,301) in interest expense on a subordinated loan provided by ATB Financial ("ATB"). This amount is included in interest expense on the consolidated statement of income and comprehensive income. The subordinated loan balance bears interest of ATB prime plus .25% per annum, and the effective rate of interest for 2022 was 2.50% (2021 – 4.13%). There is no security on this loan. Subordinated loans are allowable assets in computing RAC to the extent that such loans are required for the Company's continued compliance with IIROC regulatory requirements and may be repaid only with prior approval of the IIROC and 90 days notice by either party. The fair value of subordinated loans approximates carrying value.

	March 31, 2022	March 31, 2021
Loan balance, beginning of year	$ 10,000,000	$ 13,125,000
Additional borrowing	-	41,875,000
Repayments	-	(45,000,000)
Balance, end of year	$ 10,000,000	$ 10,000,000

During the period ended March 31, 2022 the Company paid ATB Financial rent of $940,895 (March 31, 2021 - $1,022,293).

The Company has a long-term operating lease with respect to its Calgary premises, which expires April 30, 2025 and its Toronto premises which expires February 28, 2027. The leases contain a monthly charge for the common operating costs.

Shareholders, Directors and other Key Management Personnel:

During the period ended March 31, 2022, the Company incurred $5,010,508 in compensation and other short-term benefits to key management personnel (2021 - $2,997,208). No other benefits have been provided.

Officers, directors, employees and their related companies conduct business with the Company on substantially similar terms and conditions as external clients, subject to regulatory requirements.

14. Capital management

The Company requires capital for operating and regulatory purposes, including the funding of existing and future operations and for maintaining sufficient regulatory capital. The fundamental components of the Company's capital structure include shareholders' equity, which consists of share capital, accumulated other comprehensive income and retained earnings. The following table summarizes the Company's capital as at March 31, 2022:

Type of capital	Carrying amount
Share capital	$ 20,477,410
Accumulated other comprehensive income	50,759
Retained earnings (deficit)	13,075,404
Total shareholders' equity	$ 33,603,573

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The Company's capital management objectives and policies are designed to ensure that an adequate level of capital is maintained at all times to support current and future operations, to meet all financial obligations and to comply with the rules of IIROC and FINRA. The Company is required to maintain a prescribed minimum level of Risk Adjusted Capital ("RAC") of $250,000 calculated in accordance with such requirements as IIROC may from time to time prescribe. The Subsidiary is subject to Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission. The Subsidiary computes its net capital under the basic method and is required to maintain minimum net capital, as defined, equal to the greater of $250,000 or 6 2/3% of aggregate indebtedness, as defined, at all times. The uses of capital which require monitoring on a daily basis include outstanding trades and security positions, underwriting commitments and with these requirements may require the Company to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business. The Company and its Subsidiary were in compliance with all of the minimum regulatory capital requirements to which it is subject as at March 31, 2022 and March 31, 2021.

Credit Union Deposit Guarantee Corporation

Financial Statements
December 31, 2021

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Independent Auditor's Report

Auditor General OF ALBERTA

To the Directors of the Credit Union Deposit Guarantee Corporation

Report on the Financial Statements

Opinion

I have audited the financial statements of the Credit Union Deposit Guarantee Corporation (the Corporation), which comprise the statement of financial position as at December 31, 2021, and the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Credit Union Deposit Corporation 2021 Annual Report*, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance. I have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

March 9, 2022
Edmonton, Alberta

Statement of Financial Position

As at December 31
(Thousands of dollars)

	Notes		2021		2020
ASSETS					
Cash and cash equivalents	4	$	3,790	$	6,435
Assessments receivable			2,276		2,193
Accrued interest receivable and prepaid expenses			1,303		1,280
Deferred tax asset			565		-
Investments	5,6		417,937		420,296
Right-of-use asset			346		345
Property, equipment and intangible assets			73		120
TOTAL ASSETS			**426,290**		**430,669**
LIABILITIES					
Accounts payable and accrued liabilities		$	516	$	667
Currrent tax payable			5		1,338
Lease liability			347		346
Deferred tax liability			-		2,820
Unclaimed credit union balances	8		2,658		2,530
TOTAL LIABILITIES			**3,526**		**7,701**
EQUITY					
Deposit guarantee fund		$	425,652	$	413,167
Accumulated other comprehensive (loss) / income			(2,888)		9,801
TOTAL EQUITY			**422,764**		**422,968**
TOTAL LIABILITIES AND EQUITY		**$**	**426,290**	**$**	**430,669**
Provision for financial assistance	7				
Commitments	14				

The accompanying notes are part of these financial statements.

Approved by the Board: March 9, 2022

Original signed by
John McGowan
Board Chair

Original signed by
Ken Morris
Chair, Audit and Finance Committee

Statement of Comprehensive Income

For the years ended December 31
(Thousands of dollars)

	Notes	2021	2020
REVENUE			
Assessment revenue	9	$ 12,155	$ 11,564
Investment income	9	6,760	19,590
		18,915	**31,154**
EXPENSES			
Administration expenses	10	6,407	6,444
		6,407	**6,444**
Income before income taxes		**12,508**	**24,710**
Income tax expense	13	23	2,368
NET INCOME		**$ 12,485**	**$ 22,342**
OTHER COMPREHENSIVE INCOME / (LOSS), NET OF TAX			
Items that will be reclassified to net income			
Net unrealized gain on fair value through other comprehensive income financial instruments			
Other comprehensive (loss) / income		$ (14,681)	$ 15,475
Income tax		2,616	(2,748)
Reclassification to net income, net of tax		(624)	(4,097)
OTHER COMPREHENSIVE (LOSS) / INCOME, NET OF TAX		**(12,689)**	**8,630**
COMPREHENSIVE INCOME (LOSS) / INCOME		**$ (204)**	**$ 30,972**

The accompanying notes are part of these financial statements.

Statement of Changes in Equity

For the years ended December 31
(Thousands of dollars)

	Deposit Guarantee Fund	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance as at December 31, 2019	**$ 390,825**	**$ 1,171**	**$ 391,996**
Net income	22,342	-	22,342
Other comprehensive income, net of tax	-	8,630	8,630
Balance as at December 31, 2020	**$ 413,167**	**$ 9,801**	**$ 422,968**
Net income	12,485	-	12,485
Other comprehensive loss, net of tax	-	(12,689)	(12,689)
Balance as at December 31, 2021	**$ 425,652**	**$ (2,888)**	**$ 422,764**

The accompanying notes are part of these financial statements.

Statement of Cash Flows

For the years ended December 31
(Thousands of dollars)

	2021	2020
OPERATING ACTIVITIES:		
Net income	$ 12,485	$ 22,342
Adjustments for:		
Amortization	76	85
Loss on disposal of property and equipment	-	1
Investment income	(3,325)	(9,707)
Fair value adjustments on FVTPL	3,556	(2,660)
Impairment recovery	(7)	(7)
Deferred income taxes	(642)	473
Depreciation of right-of-use asset	207	207
Lease interest	6	7
Increase in assessments receivable	(83)	(95)
(Increase) / Decrease in accrued interest receivable and prepaid expenses	(25)	139
Decrease in current tax receivable	(1,333)	-
Increase in current tax payable	-	1,070
Increase in right of use assets	1	1
Decrease in accounts payable and accrued liabilities	(151)	(147)
Increase in long-term unclaimed credit union balances	128	253
CASH FLOWS FROM OPERATING ACTIVITIES	**10,893**	**11,962**
INVESTING ACTIVITIES:		
Purchase of investments	(178,106)	(156,822)
Proceeds from sales of investments	164,810	146,492
Purchase of property, equipment and intangible assets	(28)	(26)
CASH FLOWS USED IN INVESTING ACTIVITIES	**$ (13,324)**	**$ (10,356)**
FINANCING ACTIVITIES:		
Lease payments	(214)	(214)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(214)**	**(214)**
(Decrease) / Increase in cash and cash equivalents	(2,645)	1,392
Cash and cash equivalents, at beginning of year	6,435	5,043
CASH AND CASH EQUIVALENTS, AT END OF YEAR	**$ 3,790**	**$ 6,435**

The accompanying notes are part of these financial statements.

Notes to Financial Stetements

(Thousands of dollars)

1. NATURE OF ORGANIZATION

The Credit Union Deposit Guarantee Corporation ("the Corporation") was established in 1974 and operates under the authority of the *Credit Union Act*, Chapter C-32, revised Statutes of Alberta, 2000 ("the Act"). It is a provincial agency without share capital. The mandate of the Corporation is to provide risk-based regulatory oversight and a deposit guarantee to enable a safe and sound credit union system in Alberta.

The Corporation is located in Canada. The address of the Corporation's office is 20th Floor, 10104 – 103 Avenue, Edmonton, Alberta T5J 0H8.

To fulfill its mandate, the Corporation undertakes functions set out in the Act and maintains the Deposit Guarantee Fund ("the Fund"). The Corporation is funded by assessments from credit unions.

The Act provides that the Government of Alberta ("the Province") will ensure that the obligations of the Corporation are carried out. As at December 31, 2021, credit unions in Alberta held deposits, including accrued interest, totaling $24,660,752 (2020: $23,511,174).

In cases where a credit union is experiencing financial difficulty, the Corporation implements an intervention strategy that may result in placing the credit union under supervision. The Corporation provides financial assistance, support and direction in planning, policy and operational matters for supervised credit unions.

2. BASIS OF PRESENTATION

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements were approved by the Board of Directors on March 9, 2022.

Statements and notes are in Canadian dollars which is the Corporation's functional currency and expressed in thousands of dollars.

The Corporation presents its Statement of Financial Position in order of liquidity.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

Under IFRS 9, the Corporation classifies and measures its financial assets as:

- amortized cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit and loss (FVTPL).

The classification and measurement for financial assets are based on the Corporation's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest (SPPI).

The Corporation determines its business model that best reflects how the financial assets are managed based on observable factors and relevant objective evidence. The Corporation has determined its business models as follows:

- Held-to-collect: Assets held to collect the contractual principal and interest cash flows.
- Held-to-collect-and-sell: Both collecting contractual cash flows and selling are fundamental to achieving the objective of the business.
- Other business model: Neither of the above and represent business objectives where assets are managed on a fair value basis.

Notes to Financial Statements
(Thousands of dollars)

Financial assets are measured at amortized cost if they are held within the held-to collect business model and the contractual cash flows pass the SPPI test.

Financial assets in the held-to-collect-and-sell business model where the contractual cash flows meet the SPPI test are measured at FVOCI. The financial assets measured at FVOCI are recorded at fair value with unrealized gains and losses included in AOCI until realized when the cumulative gain or loss is transferred to net income. Interest income and impairment losses, are recognized in Statement of Comprehensive Income.

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on the financial assets is recognized in the Statement of Comprehensive Income in the period in which it arises.

The Corporation elected, at initial recognition, to irrevocably designate equity investments at FVOCI. The fair value changes are recorded in OCI, with any gains or losses when selling the asset not reclassified in profit or loss. Dividend income is recorded in Statement of Comprehensive Income.

Impairment of Financial Assets

The Corporation recognizes expected credit loss (ECL) for financial assets classified as FVOCI and amortized cost.

For financial assets classified as FVOCI, the Corporation uses a model to calculate the loss allowance that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The calculated ECL does not reduce the carrying amount in the Statement of Financial Position, which remains at fair value. Instead, the allowance is recognized in OCI with a corresponding charge to Statement of Comprehensive Income.

The Corporation assesses quarterly whether the financial assets classified as FVOCI have experienced a significant increase in credit risk. Since the financial assets measured at FVOCI are investment grade and considered low credit risk, the Corporation measures loss allowance at 12-month ECL, instead of lifetime ECL.

A simplified approach of the expected loss model is applied to trade receivables that do not contain a significant financing component. The simplified approach does not require the tracking of changes in credit risk but requires the recognition of lifetime ECLs at all times. The Corporation applied the simplified approach and used a provision matrix as a practical expedient for determining ECLs on trade receivables.

Financial Liabilities

Financial liabilities are classified and measured at amortized cost.

Effective Interest Method

The Corporation uses the effective interest method to recognize investment income or expense which includes premiums or discounts earned on financial instruments.

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating investment income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including other premiums or discounts) through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Transaction Costs

Transaction costs related to financial assets and liabilities are expensed as incurred as these do not represent material amounts.

Notes to Financial Statements

(Thousands of dollars)

Property, Equipment and Intangible Assets

Property, equipment and intangible assets are recorded in the Statement of Financial Position at historical cost, less accumulated depreciation, amortization and impairment losses.

Cost includes the expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property and equipment have materially different useful lives, they are accounted for as separate items (major components) of property and equipment. Assets which are fully depreciated are maintained on the books at original cost less accumulated depreciation and show zero net book value until they are disposed of at which time they are removed from the books.

Depreciation and impairment losses are recognized in net income. Depreciation and amortization have been calculated on the following basis:

Furniture and equipment	Five year straight line
Computer equipment	Three year straight line
Leasehold improvements	Straight line over lease term
Intangible assets[1]	
Software without maintenance agreement	Three year straight line
Software with maintenance agreement	Five year straight line

[1] Intangible assets include the purchase of computer software

Gains and losses on disposal of property, equipment and intangible assets are determined by comparing the proceeds from disposal with the carrying amount of the property, equipment and intangible assets.

Provision for Financial Assistance

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that the outflow of economic benefits will be required to settle the obligation. The amount, timing and form of financial assistance that may be required for credit unions are dependent on future events and outcomes. Outcomes that may require financial assistance are stabilization, amalgamations, arrangements, liquidations or dissolutions. The Corporation provides for a provision for financial assistance based on three main components, as follows:

1. Where the need for financial assistance becomes likely and the amount for specific credit unions can reasonably be estimated.
2. Where the amount can be reasonably estimated and arises from indemnity agreements entered into with credit unions due to outcomes described above.
3. Where the Corporation has determined there is the potential for financial assistance based on an analysis of the inherent risks in the credit union system.

A contingent liability for financial assistance arises from a liability of sufficient uncertainty with respect to the probability and amount of the expected outflows such that it does not qualify for recognition as a provision. Depending on the probability of loss occurring, contingent liabilities may be disclosed in the notes to the financial statements. Contingent liabilities may be established based on potential individual credit union assistance payments and/or an assessment of the inherent risk in the credit union system.

Provisions and contingencies for financial assistance consist of the calculation of potential liabilities and contingencies to meet the IFRS standards. Calculations include management's judgment based on historical information and other factors. Credit union analysis for potential liabilities includes a review of all credit unions based on key financial and risk information and provisions related to amalgamations or arrangements and any indemnity agreements.

Notes to Financial Statements
(Thousands of dollars)

Revenue Recognition

Assessment Revenue
Credit union deposit guarantee assessments are classified as revenue and are recognized when:

- The amount of revenue can be measured reliably; and
- It is probable that the economic benefit will flow to the Corporation.

Credit union deposit guarantee assessments are recognized when earned. These regular assessments are determined quarterly, and accrued monthly. Credit union payments are received quarterly.

Investment Income
Interest and dividend income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to principal outstanding at the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognized when it is known that a dividend has been declared.

Employee Benefits

Defined Contribution Plan
The Corporation has a defined contribution plan and pays fixed contributions to a service provider with no legal or constructive obligation to pay further amounts. The contributions to the registered retirement saving plans are recognized as an employee benefit expense on the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Short-term Employee Benefits
Short-term employee benefit obligations are measured at cost on an undiscounted basis and are expensed as the related service is provided.

Income Taxes
The Corporation is a deposit insurance corporation for income tax purposes and pays income taxes on its taxable income at the statutory rate prescribed for deposit insurance corporations. Its taxable income excludes deposit guarantee assessments and financial assistance recoveries and no deduction may be made for financial assistance payments.

The Corporation records income taxes based on the tax liability method which is the amount expected to be paid to or recovered from the federal and provincial taxation authorities.

Current Tax
The current tax assets and liabilities are based on taxable income for the year. Taxable income differs from net income as reported in the Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of temporary taxable differences.

Notes to Financial Statements
(Thousands of dollars)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Comprehensive Income and Accumulated Other Comprehensive Income ("AOCI")
Comprehensive income is comprised of net income and other comprehensive income. For the Corporation, other comprehensive income includes net unrealized gains and losses on investments classified as FVOCI.

Amounts recognized in other comprehensive income will eventually be transferred to the Statement of Comprehensive Income and reflected in net income as gains or losses once FVOCI investments are realized.

Comprehensive income and its components are disclosed in the Statement of Comprehensive Income. The Statement of Changes in Equity present the continuity of AOCI. The cumulative amount of other comprehensive income recognized, AOCI, represents a component of equity on the Statement of Financial Position.

Leases
The Corporation assesses whether a contract is or contains a lease at inception of a contract. The Corporation recognizes a right-of-use asset (ROU) and a corresponding lease liability for all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets. For these leases, the Corporation recognizes the lease payments as an operating expense.

ROU asset is measured at cost and depreciated on a straight-line basis to the end of the useful life of the ROU asset or the end of the lease term. Impairment is assessed when such indicators exist.

Lease liability is measured at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

All exercised lease options (termination and extension) are assessed to determine required modifications to the right of use assets and lease liabilities.

3.2 CHANGES IN ACCOUNTING POLICIES

There are no new IFRS standards issued that impact the Corporation's operations and financial statements for the year-end 2021.

3.3 FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards and amendments are not yet effective for the year ended December 31, 2021.

Notes to Financial Statements
(Thousands of dollars)

Annual Improvements to IFRS Standards 2018–2020
In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020, amending a number of standards as part of its annual improvements. IFRS 9 Financial Instruments clarifies which fees are included when applying the "10% test" to assess whether a financial liability is derecognized. Under IFRS 16 Leases, an example for reimbursements made by the lessor for leasehold improvements has been removed. In September 2020, the Accounting Standards Board (AcSB) endorsed the IASB's annual improvements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early application permitted. The amendment to IFRS 16 relates to an illustrative example and has no effective date. The Corporation is evaluating the impact of the standard on its financial statements.

IFRS 17 — Insurance Contracts
The IASB issued amendments to IFRS 17 in November 2020. IFRS 17 sets out the requirements for a company reporting information about insurance contracts it issues and reinsurance contracts it holds. The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier applications permitted and applied retrospectively. The Corporation does not issue insurance contracts or hold reinsurance contracts; therefore, the standard has no impact on the Corporation's financial statements.

IAS 1 – Presentation of Financial Statements – Disclosure of Accounting Policies
The IASB issued amendments to IAS 1 (classification of liabilities as current or non-current) in January 2020. The amendments affect the presentation of liabilities in the statement of financial position and clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. It further explains that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of liability. The amendments also define what is referred to as settlement. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively.

In February 2021, the IASB issued another amendment to IAS 1, intended to help preparers decide which accounting policies to disclose in their financial statements. The amendments require entities to disclose material accounting policies rather than significant accounting policies. The amendments on IFRS Practice Statement 2 – *Making Materiality Judgement* provide guidance on how to apply a four-step materiality process to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Corporation is evaluating the impact of the both amendments on its financial statements.

IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors
In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8), that updates the definition of accounting estimates and provided guidance to help entities distinguish changes in accounting estimates from changes in accounting policies. The Corporation is currently assessing the impact of the new definition, which is effective for annual reporting periods beginning on or after January 1, 2023, and will be applied prospectively. Earlier application is permitted.

IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
In May 2021, the International Accounting Standards Board (IASB) issued amendments to deferred tax related to assets and liabilities arising from a single transaction. The amendment relates to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The amendments narrowed the scope of the recognition exemption, so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Corporation is evaluating the impact of the standard on its financial statements.

Notes to Financial Statements

(Thousands of dollars)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are on deposit in the bank account and Consolidated Cash Investment Trust Fund ("CCITF") of the Province which is managed with the objective of providing competitive interest income while maintaining appropriate security and liquidity of 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. As at December 31, 2021 securities held in CCITF have an average rate of return of 0.2% per annum (2020: 0.6%).

5. INVESTMENTS

The fair value of the Corporation's investments is summarized below:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Investment securities measured at:				
FVOCI - segregated portfolio	$ 345,750	$ 349,259	$ 347,025	$ 335,110
FVTPL - bond pool	72,072	71,877	73,156	69,406
FVOCI (designated) - equity instruments	115	115	115	115
Total	**$ 417,937**	**$ 421,251**	**$ 420,296**	**$ 404,631**

The fair value of the segregated portfolio is summarized below:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Directly held				
Securities issued or guaranteed by:				
Canada	$ 103,911	$ 104,652	$ 120,736	$ 116,236
Provinces	129,123	131,504	125,713	121,505
Financial Institutions	62,546	63,091	53,855	52,097
Asset backed securities	50,170	50,012	46,721	45,272
Total	**$ 345,750**	**$ 349,259**	**$ 347,025**	**$ 335,110**

Fair Value Hierarchy

The table below provides a summary of management's best estimate of the relative reliability of data or inputs used to measure the fair value of the Corporation's investments. The measure of reliability is determined based on the following three levels:

Level 1:	The fair value is based on quoted prices in active markets.
Level 2:	The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3:	The fair value is based on inputs that are not based on observable market data.

Notes to Financial Statements

(Thousands of dollars)

	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment securities measured at:								
FVOCI - segregated portfolio	$ 103,911	$ 241,839	$ -	$ 345,750	$ 120,736	$ 226,289	$ -	$ 347,025
FVTPL - bond pool	-	72,072	-	72,072	-	73,156	-	73,156
FVOCI (designated) - equity instrument	-	-	115	115	-	-	115	115
Total	**$ 103,911**	**$ 313,911**	**$ 115**	**$ 417,937**	**$ 120,736**	**$ 299,445**	**$ 115**	**$ 420,296**

There were no transfers (2020: Nil) between Level 1 and 2 nor were there changes to the Level 3 assets in the period.

Valuation Technique and Inputs

Fair value is calculated using independent pricing sources and Canadian investment dealers. The calculation of fair value is based on market conditions or estimates at a point in time and may not be reflective of future fair value. Fair value is an estimated amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The valuation technique and key inputs used for Level 2 securities for fixed income securities and the Bond Pool are based on a vendor hierarchy:

- Using either spread pricing or curve pricing when direct quotes are not available. Spread pricing involves using interpolated spreads from liquid bonds and applying those to the valuation of illiquid bonds. Curve pricing involves using a variety of different generic quotes and terms to maturity to generate a curve of data points that would then be used to value securities using a linear interpolation.
- Using market observations to calculate evaluated prices for a variety of security types with a 3-pronged approach in the valuation algorithms: direct observations, historical tracking and observed comparables. The results are then weighted and aggregated based on the reliability of each input to arrive at a final evaluated price for that security.

Fair Value Classification of Bond Pool

The Corporation owns units in the Bond Pool and is considered to have exposure to the risks and benefits of those units in the pool and not the underlying investments. The classification of the Bond Pool is therefore determined based on the level that represents the most significant portion of the underlying investments in the entire pool. As a result, the value of the Bond Pool is categorized as Level 2.

Fair Value Measurement of Shares

The Corporation has designated the shares with Credit Union Central Alberta Limited $100 (2020: $100) and Concentra Bank $15 (2020: $15) as FVOCI. They have no specific maturity, are not quoted nor traded in an active market, the shares are issued and redeemed at par value, and there is no observable market data with which to reliably measure a fair value. There are no identifiable observable inputs and thus no inputs from which to determine the relationship to or sensitivity of fair market value to changes in unobservable inputs. During the year, there were no changes to the valuation of the shares.

Notes to Financial Statements
(Thousands of dollars)

6. INVESTMENT RISK MANAGEMENT

The Corporation established an investment policy that is reviewed annually by the Board. In accordance with the Corporate Investment Policy, the Corporation manages investment risk by maintaining a conservative portfolio, and engages Alberta Investment Management Corporation ("AIMCo"), an experienced investment manager, to manage the portfolio. Compliance with the investment policy is monitored by the investment manager and management, and is reported to the Audit and Finance Committee on a quarterly basis.

The Corporation has a segregated investment portfolio and owns units in a Bond Pool established and managed by AIMCo. The segregated portfolio consists of high quality Canadian fixed income and debt related investments. The Bond Pool primarily consists of investment grade securities. The Bond Pool has a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units. The Corporation's units in the Bond Pool represents approximately 0.4% (2020: 0.7%) of the Bond Pool's outstanding units.

As at December 31, 2021, securities directly held (excluding the Bond Pool) have an average effective market yield of 1.6% per annum (2020: 0.7%) based on fair value. As at December 31, 2021, securities held by the Bond Pool have an average effective market yield of 2.4% per annum (2020: 1.9%).

The Corporation's rate of return objective is to earn an average return over a rolling four-year period on the aggregate investment portfolio of 25 basis points ("bps") greater than the benchmark. As of December 31, 2021, the average return over a rolling four-year period over the policy benchmark is 21 bps (2020: 30 bps).

The Corporation's investments are exposed to financial risks including credit risk, interest rate and liquidity risk. The Corporation has risk management processes to monitor and address risks.

i) Credit Risk

Credit risk relates to the possibility that a loss may occur from the failure of another party to discharge its contractual obligation. The Corporation has established specific rules with respect to the credit ratings of counter-parties so that they do not fall below an acceptable threshold. For the segregated portfolio, the Corporation only invests in issuers of debt instruments with a credit rating of A or higher for federal and provincial investments, AA or higher for financial institutions, AAA for asset backed securities and A or higher for infrastructure from recognized credit rating agencies: Dominion Bond Rating Service Morningstar ("DBRS"); S&P Global Ratings ("S&P"); Moody's Investors Service; and Fitch Ratings Inc. The following table shows the credit risk exposure of the segregated portfolio at the end of the reporting period.

Credit Rating	2021			2020		
	Fair Value	Book Value	% of Total	Fair Value	Book Value	% of Total
AAA	$ 154,081	$ 154,664	44.6%	$ 167,458	$ 161,508	48.3%
AA (From AA+ to AA-)	188,347	191,167	54.4%	178,113	172,146	51.3%
A (From A+ to A-)	3,322	3,428	1.0%	1,454	1,456	0.4%
Total	**$ 345,750**	**$ 349,259**	**100.0%**	**$ 347,025**	**$ 335,110**	**100.0%**

Note: Excludes Credit Union Central Alberta Limited $100 (2020: $100) and Concentra Bank $15 (2020: $15) shares as there is no credit risk associated with these equities.

Notes to Financial Statements
(Thousands of dollars)

The credit risk within the Bond Pool is managed by AIMCo in accordance with their statement of investment policies and guidelines. The securities in the Bond Pool are primarily of investment grade quality.

The ECL for the segregated portfolio is $30 (2020: $37). The segregated portfolio consists of investment grade securities. For investment grade securities, ratings on such investments do not significantly change over a short period. As such the expected credit loss are recognized only in respect of default events that are possible within the next 12 months. The following table shows the breakdown of ECL per credit rating.

Credit Rating	2021 12-month ECL value	2020 12-month ECL value
AA	$ 28	$ 36
A	2	1
Total	**$ 30**	**$ 37**

ii) Interest Rate Risk
As investments are carried at fair value, they are exposed to fluctuations in fair value. The Corporation is exposed to interest rate fluctuation as a result of normal market risk. This can affect cash flows, term deposits and fixed income securities at the time of maturity and re-investment of individual instruments. To mitigate the interest rate risk, the Corporation's portfolio is positioned defensively on interest rates with shorter duration relative to its benchmark with a view that the current low yield environment is not sustainable, especially in Canada. An increase or decrease of one percent would result in a decrease or increase of $22,123 (2020: $22,405) in the fair value of total investment if all other variables are constant.

iii) Liquidity Risk
Liquidity risk is the risk of having insufficient financial resources to meet the Corporation's funding requirements in delivering its mandate of regulating the credit unions and guaranteeing the deposits at the credit unions. The Corporation's principal sources of funds are cash generated from credit union deposit guarantee assessments and interest earned on its investments. The assessment revenue and investment income support the normal operations of the Corporation. The Fund is invested conservatively and a draw from the Fund is only done when needed. The term structure for the segregated portfolio is presented in the table below:

Credit Rating	2021 Securities	2020 Securities
Under 1 year to 5 years	57%	55%
Over 5 years	43%	45%

The investment in units of the Bond Pool can be liquidated on a timely basis.

Notes to Financial Statements

(Thousands of dollars)

7. PROVISION FOR FINANCIAL ASSISTANCE

The Corporation monitors credit unions experiencing financial difficulty and has a contingent responsibility to provide financial assistance in the outcomes referred to in Note 3: Provision for Financial Assistance. The provision is based on expected loss calculation and is subject to uncertainty surrounding the amount. The expected timing of outflows of economic benefit is dependent on future events. The Corporation used judgment and gave consideration to the impact of the COVID-19 pandemic, volatile oil prices and uncertainty in the economy in determining the provision for financial assistance. As such, actual losses may differ significantly from estimate.

There were no indemnification agreements outstanding with credit unions in 2021.

8. UNCLAIMED CREDIT UNION BALANCES

The unclaimed credit union balances are customer accounts, transferred from credit unions after ten years of inactivity, to the Corporation. The amounts earn monthly interest calculated using the prescribed rate by the Act. The interest rate used in 2021 is 1% (2020: 1%). After a period of 20 years since an unclaimed balance was transferred to the Corporation without any valid claim having been made, the balance will be transferred to the Province's General Revenue Fund. After that transfer, the person(s) entitled to that money can no longer make a claim. The Corporation transferred $36 (2020: $26) in unclaimed balances to the Province's General Revenue Fund on December 31, 2021.

9. REVENUE

Assessment Revenue

The Corporation charges quarterly deposit guarantee assessments to credit unions to carry out its legislated mandate. The assessment rate is reviewed every three years provided the fund size is within the operating range of 1.40% to 1.60%. Assessment rate in 2021 is 0.05% (2020: 0.05%) of credit unions' deposits and borrowings.

Assessments received by the Corporation from the largest credit union represent 59.5% (2020: 60%) of the total assessments received.

Investment Income

The investment income is as follows:

	2021	2020
Investment and other income	$ 9,557	$ 11,926
Net gain on sale of investments	752	4,997
Fair value adjustments on FVTPL	(3,556)	2,660
Impairment recovery	7	7
Total investment income	**$ 6,760**	**$ 19,590**

Notes to Financial Statements
(Thousands of dollars)

10. ADMINISTRATION EXPENSES

	2021	2020
Salaries and benefits	$ 4,408	$ 4,773
Professional fees	895	491
Occupancy	459	469
Office	198	224
Employee related expenses	176	180
Board and committee fees	133	151
Depreciation and amortization	76	85
Employee travel	27	35
Other	27	25
Board and committee expenses	8	11
Total administration expenses	**$ 6,407**	**$ 6,444**

11. RETIREMENT BENEFIT PLANS

The Corporation maintains a defined contribution plan for its employees where the cost is charged to expenses when recognized. The Corporation contributes 9% (2020: 9%) of the employees' gross salary including any paid vacation pay to each employee's Registered Retirement Savings Plan (RRSP) and the employee contributes a required minimum of 3% (2020: 3%). Participation is compulsory for all permanent employees. The RRSP deductions are remitted monthly to the administrator of the group plan. In 2021, the Board approved an adhoc top-up to the employer's contribution.

The Corporation also maintains a Retirement Compensation Arrangement Plan (RCA Plan), where cost is charged to the Statement of Comprehensive Income. Half of the contributions for an eligible employee are deposited in the RCA Plan. The other half of the contributions are forwarded to Canada Revenue Agency, held in a non-interest bearing refundable tax account. The contributions are calculated annually up to a maximum amount.

The total expense recognized in the Statement of Comprehensive Income of $430 (2020: $472) represents contributions paid to these plans by the Corporation. As at December 31, 2021, $53 contributions (2020: $74) was payable to the plan.

The Corporation does not have any defined benefit plans.

12. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with AIMCo, an Alberta Crown Corporation, and departments of the Province. Routine operating transactions and outstanding balances with any related parties, which are settled at negotiated market prices under normal trade terms and conditions are incidental and not disclosed. Investment management fees paid to AIMCo is $481 (2020: $325).

Notes to Financial Statements
(Thousands of dollars)

The Corporation is governed by the Act, and the Province appoints the Board of Directors. The Board Chair of the Corporation reports directly to the President of Treasury Board and Minister of Finance. The Corporation applied the exemption set out in IAS 24 – Related Party Disclosures regarding the disclosure of transactions with a related government and its related entities. The transactions carried out with the Province and its related entities are investment activities involving bonds issued by the Province and are carried out under normal market conditions.

The Board of Directors, executives and their immediate family members are also deemed to be related parties. As at the reporting date, there were no business relationships or transactions, other than compensation, between the Corporation, Board of Directors and its executives. The Board of Directors and executives' remuneration are disclosed in the table below. As at December 31, 2021, outstanding compensation payable are $20 (2020: $21). The Chair receives a retainer paid monthly for an annual amount of $10. The Chair and Board of Directors are paid on a per diem basis for preparation and meeting time. The minimum and maximum amounts paid to directors were $8 (2020: $13) and $36 (2020: $32), respectively. The average amount paid to directors was $17 (2020: $18).

	2021				2020
Credit Rating	Salary[1]	Other Compensation[2]	Other Non-Cash Benefits[3]	Total	Total
Chair	$ 36	$ -	$ -	$ 36	$ 32
Board of Directors	98	-	-	98	125
Executives:					
President & CEO[4]	262	60	8	330	440
Vice President, Regulation & Risk Assessment (VP, RRA)[5]	194	34	8	236	154
Chief Financial Officer (CFO)	175	34	8	217	217
Vice President, Business Services & Regulatory Practices (VP, BSRP)	180	32	8	220	228
Assistant Vice President, Governance & Human Resources (AVP, GOV & HR)[6]	-	-	-	-	407
Total remuneration	**$ 945**	**$ 160**	**$ 32**	**$ 1,137**	**$ 1,603**

1. Salary includes regular base pay.

2. Other compensation includes wellness, vehicle allowance, contributions to the group RRSP, independent life and accidental disability insurance, parking, and contributions to an RCA Plan for the President & CEO only. The total amount contributed to executive RRSPs in the defined contribution plan was $111 (2020: $134). Contributions made to the RCA Plan was $19 (2020: $28). The compensation amount disclosed on the Corporation's public website includes salary and other compensation.

3. Other non-cash benefits include employer's portion of CPP, EI, WCB and health and dental premiums.

4. The CEO position was occupied by two different individuals in 2020.

5. The VP, RRA position was previously titled Executive Vice President, Regulation & Risk Assessment. The position was vacant from August 5, 2020 to January 3, 2021.

6. A termination benefit of $189 was included in the AVP, Gov & HR total compensation in 2020. The position was retitled to Director, Human Resources and rescinded from being an executive position.

Notes to Financial Statements
(Thousands of dollars)

13. INCOME TAX EXPENSE

The Corporation's statutory income tax rate is 17% (2020: 18%). Income taxes differ from the expected result that would have been obtained by applying the combined federal and provincial tax rate to income before taxes for the following reasons:

	2021		2020	
Expected income taxes on pre-tax net income at the statutory rate	$	2,126	$	4,448
Add (deduct) tax effect of:				
Non-taxable assessments		(2,066)		(2,081)
Other		(37)		1
Total income tax expense	**$**	**23**	**$**	**2,368**

At December 31, 2021, the non-depreciated property and equipment values for income tax purposes are higher than the related book values by approximately $1 (2020: $1). The resulting deferred tax liability is reflected in the Statement of Financial Position. The Corporation's future effective income tax rate is 17% (2020: 17%).

14. COMMITMENTS

During the year, the Corporation extended its office space lease agreement for one year. The lease expires on August 31, 2023. The following represents the estimated payments for the office lease over the next five years.

	Lease and Interest Payments		Lease Operating Expenses	
Not later than one year	$	214	$	274
Later than one year and not later than five years		143		183
Later than five years		-		-
	$	**357**	**$**	**457**

15. CAPITAL MANAGEMENT

The Corporation's capital is comprised of ex ante funding. The Corporation is not subject to externally imposed regulatory capital requirements. The Corporation manages equity through the following: quarterly reporting to the Board of Directors through its committees on financial results; setting budgets and reporting variances to those budgets; establishing the Corporate Investment Policy; monitoring, reporting, and reviewing the adequacy of the Fund, and reviewing the assessment rates for credit unions.

The Corporation has determined that it is prudent to maintain an amount in advance or ex ante funding to absorb losses. The amount of such funding consists of the Fund and AOCI. The Fund size is maintained within an operating range of 1.40% to 1.60% of total deposits and borrowings plus adjustments for any credit union deficiency from the minimum supervisory capital requirement. The Fund size as of December 31, 2021 is 1.70% (2020: 1.78%).

16. COMPARATIVE FIGURES

Certain 2020 figures have been reclassified, where necessary, to conform to 2021 presentation.

Other Financial Information

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Supplementary Information Required by Legislation or by Direction of the President of Treasury Board and Minister of Finance

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Public Interest Disclosure (Whistleblower Protection) Act (Unaudited)

For the year ended March 31, 2022

Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* reads:

32 (1) Every chief officer must prepare a report annually on all disclosures that have been made to the designated officer of the department, public entity or office of the Legislature for which the chief officer is responsible.

(2) The report under subsection (1) must include the following information:

a) the number of disclosures received by the designated officer, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;

b) the number of investigations commenced by the designated officer as a result of disclosures;

c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

(3) The report under subsection (1) must be included in the annual report of the department, public entity or office of the Legislature if the annual report is made publicly available on request.

There were no disclosures of wrongdoing filed with my office for your department between April 1, 2021 and March 31, 2022.

Statement of Remissions, Compromises and Write-offs (Unaudited)

For the year ended March 31, 2022

The following has been prepared pursuant to section 23 of the *Financial Administration Act*.

The statement includes all remissions, compromises and write-offs of the Ministry of Treasury Board and Finance made or approved during the fiscal year.

Write-offs	
Department of Treasury Board and Finance	
Accounts Receivable	
Motor Vehicle Accident Recoveries	$ 7,789,222
Corporate Income Tax	3,722,481
Tobacco Tax	395,088
Fuel Tax	99,486
Abandoned and Seized Vehicles	33,092
Sub-total	12,039,369
Implemented guarantees and indemnities	
Gainers Inc. and subsidiaries	4,600
ATB Financial	113,622,000
Loans and accounts receivable	
Total write-offs	$ 125,665,969

Statement of Borrowings Made Under Section 56 of the *Financial Administration Act* (Unaudited)

For the year ended March 31, 2022

The following has been reported pursuant to section 56(2) of the *Financial Administration Act*.

	Issue Principal	Proceeds
Payable in Canadian dollars:		
Promissory Notes	$ 41,963,074,000	$ 45,427,457,208
Debentures	4,972,432,000	4,953,703,460
	$ 46,935,506,000	$ 50,381,160,668

Statement of the Amount of Debt of the Crown for Which Securities Were Pledged (Unaudited)

For the year ended March 31, 2022

The following statement has been prepared pursuant to section 66(2) of the *Financial Administration Act*.

The amount of the debt of the crown outstanding at the end of the 2021-22 fiscal year for which securities were pledges under Part 6 of the *Financial Administration Act* was $ nil.

Statements of Guarantees and Indeminities (Unaudited)

For the year ended March 31, 2022

The following statement has been prepared pursuant to section 75 of the *Financial Administration Act*.

The statement summarizes the amounts of all guarantees and indemnities given by the Ministry of Treasury Board and Finance and on behalf of the Crown and Provincial Corporations for the year ended March 31, 2022, the amounts paid as a result of liability under guarantees and indemnities, and the amounts recovered in debts owing as a result of payments under guarantees and indemnities.

Program/Borrower	Payments	Recoveries
CROWN GUARANTEES		
Gainers Inc. and subsidiaries	$ 4,600	$ -

Lapse/Encumbrance (Unaudited)

Department of Treasury Board and Finance
For the year ended March 31, 2022

($ thousands)

	Voted Estimates (1)	Supplementary Supply	Adjustments	Adjusted Voted Estimate	Voted Actuals (3)	(Unexpended) Over Expended
Operating Expense						
1. Ministry Support Services						
1.1 Minister's Office	$ 1,055	$ -		$ 1,055	$ 969	$ (86)
1.2 Associate Minister of Red Tape Reduction's Office	523	-		523	$ 435	(88)
1.3 Deputy Minister's Office	676	-		676	710	34
1.4 Corporate Services	4,321	-		4,321	3,788	(533)
	6,575	-	-	6,575	5,902	(673)
2. Budget Development and Reporting	5,918	-		5,918	5,411	(507)
3. Fiscal Planning and Economic Analysis	5,842	-		5,842	5,238	(604)
4. Investment, Treasury and Risk Management						
4.1 Treasury Management	10,443	-		10,443	9,845	(598)
4.2 Risk Management and Insurance	1,760	-		1,760	1,682	(78)
	12,203	-	-	12,203	11,527	(676)
5. Office of the Controller	7,428	-		7,428	5,640	(1,788)
6. Tax and Revenue Management						
6.1 Tax and Revenue Administration	27,599	-	398	27,997	26,795	(1,202)
	27,599	-	398	27,997	26,795	(1,202)
7. Financial Sector and Pensions						
7.1 Financial Sector Regulation and Policy	5,818	-		5,818	5,324	(494)
7.2 Automobile Insurance Rate Board	1,309	-	-	1,309	1,174	(135)
	7,127	-	-	7,127	6,498	(629)
8. Provincial Bargaining Coordination Office	3,360	-		3,360	2,857	(503)
9. Corporate Planning and Red Tape Reduction	2,433	-		2,433	1,510	(923)
10. Public Service Commission						
10.1 Office of the Public Service Commissioner	654	-	-	654	668	14
10.2 Public Service Communications and Engagement	3,087	-	-	3,087	2,885	(202)
10.3 Human Resources Service Delivery	31,484	-	-	31,484	30,116	(1,368)
10.4 Labour and Employment Policy and Programs	7,616	-	-	7,616	7,672	56
10.5 Strategic Services and Public Agency Secretariat	18,757	-	-	18,757	14,449	(4,308)
10.6 Strategic Integration Branch	1,528	-	-	1,528	1,089	(439)
	63,126	-	-	63,126	56,879	(6,247)
11. Communications and Public Engagement				-		
11.1 Communications and Public Engagement	30,685	-		30,685	30,724	39
11.2 Market Access				-		-
	30,685	-	-	30,685	30,724	39
12. Gaming						
12.1 Gaming Research	1,600	-		1,600	700	(900)
12.2 Horse Racing and Breeding Renewal Program	37,200	-	-	37,200	29,803	(7,397)
	38,800	-	-	38,800	30,503	(8,297)
Total	211,096	-	398	211,494	189,484	(22,010)
(Lapse)/Encumbrance						(22,010)

Lapse/Encumbrance (Unaudited)
Department of Treasury Board and Finance
For the year ended March 31, 2022

($ thousands)

	Voted Estimates (1)	Supplementary Supply	Adjustments (2)	Adjusted Voted Estimate	Actuals (3)	(Unexpended) Over Expended
Capital Investment Vote by Program						
Department Capital Acquisitions						
1 Ministry Support Services						
1.4 Corporate Services	$ 25	$ -	$ (11)	$ 14	$ -	$ (14)
11 Communications and Public Engagement						
11.1 Communications and Public Engagement	-	-	-	-		-
Total	25	-	(11)	14	-	(14)
(Lapse)/Encumbrance						(14)
Contingency and Disaster and Emergency Assistance Vote by Program						
Operating Expense						
15. Contingency / Disaster and Emergency Assistance	$ 750,000	$ -	$ (722,290)	$ 27,710	$ -	$ (27,710)
16. Contingency - COVID-19	1,250,000	-	(1,250,000)	-	-	-
17. Contingency - Recovery Plan	500,000	-	(500,000)	-	-	-
Total	2,500,000	-	(2,472,290)	27,710	-	(27,710)
(Lapse)/Encumbrance						$ (27,710)

(1) As per "Expense Vote by Program", "Capital Investment Vote by Program", "Financial Transactions Vote by Program" and "Contingency and Disaster and Emergency Assistance" on pages 216-217 of the 2021-22 Government Estimates.

(2) TBF had an encumbrance from prior year which is adjusted for fiscal year 2021-22.

(3) Actuals exclude non-voted amounts such as amortization and valuation adjustments.

Long Term Disability Income Continuance Plan - Bargaining Unit

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General
OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of the Long Term Disability Income Continuance Plan – Bargaining Unit (the Plan), which comprise the statement of financial position as at March 31, 2022, and the statements of changes in net assets available for benefits, and changes in benefit obligation for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at March 31, 2022, and the changes in its net assets available for benefits and changes in its benefit obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Plan in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The financial statements of the Plan are included in the *Annual Report of the Ministry of Treasury Board and Finance* that is prepared by the Ministry of Treasury Board and Finance. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to the Plan, but does not include the financial statements of the Plan and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up

to the date of my auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

May 31, 2022
Edmonton, Alberta

Statement of Financial Position

As at March 31, 2022

	($ thousands) 2022	2021
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 264,230	$ 289,801
Contributions receivable		
Employer	397	387
Employee	396	386
Accounts receivable	840	985
Total Assets	265,863	291,559
Liabilities		
Accounts payable and accrued liabilities	2,149	20,362
Total Liabilities	2,149	20,362
Net assets available for benefits	263,714	271,197
Benefit obligation and surplus		
Benefit obligation (Note 5)	222,282	218,492
Surplus (Note 6)	41,432	52,705
Benefit obligation and surplus	**$ 263,714**	**$ 271,197**

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

Statement of Changes in Net Assets Available for Benefits

Year ended March 31, 2022

	($ thousands)	
	2022	**2021**
Increase in assets		
Contributions:		
Employers	$ 12,361	$ 13,130
Employees	12,324	13,105
Investment income (Note 7)		
Income	20,846	25,141
Increase in fair value	-	16,125
	45,531	67,501
Decrease in assets		
Benefit payments	40,463	42,336
Adjudication	4,891	5,291
Severance	1,081	605
Rehabilitation	537	595
Investment loss (Note 7)		
Decrease in fair value	4,048	-
Investment expenses (Note 8)	1,740	1,338
Administrative expenses (Note 9)	254	346
	53,014	50,511
(Decrease) increase in net assets	(7,483)	16,990
Net assets available for benefits at beginning of year	271,197	254,207
Net assets available for benefits at end of year	**$ 263,714**	**$ 271,197**

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

Statement of Changes in Benefit Obligation

Year ended March 31, 2022

	($ thousands)	
	2022	**2021**
Increase in benefit obligation		
New claims	$ 31,215	$ 42,269
Interest accrued on benefits	5,759	5,933
Other net experience loss	1,091	4,206
Change in discount rate assumption	-	6,931
	38,065	59,339
Decrease in benefit obligation		
Benefit payments	40,463	42,336
Terminations other than expected	(6,439)	(11,269)
Change in CPP offset assumption	251	281
	34,275	31,348
Increase in benefit obligation	3,790	27,991
Benefit obligation at beginning of year	218,492	190,501
Benefit obligation at end of year	$ 222,282	$ 218,492

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

Notes to the Financial Statements

Year ended March 31, 2022
(all dollar values in thousands, unless otherwise stated)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Long Term Disability Income Continuance Plan (the Plan) for bargaining unit employees is a summary only. For a complete description of the Plan, reference should be made to section 21 of the *Public Service Act*, the Long Term Disability Income Continuance Plan Regulation, section 98 of the *Financial Administration Act* and Treasury Board Directive 08/98, as amended.

a) General

The Plan provides disability benefits and ensures income continuance of eligible Government of Alberta employees included in an Alberta Union of Provincial Employee's (AUPE) bargaining unit. Management and employees opted out and excluded from an AUPE bargaining unit are covered under a separate plan.

b) Funding Policy

Long term disability benefits are funded equally by employer and employee contributions at rates which are expected to provide for all benefits payable under the Plan. The rates in effect at March 31, 2022 are 1.00% (2021: 1.00%) of insurable salary for employers and 1.00% (2021: 1.00%) for employees. The rates are to be reviewed at least once every three years by the Public Service Commissioner based on recommendations of the Plan's actuary and Advisory Committee.

c) Long Term Disability Benefits

Benefits are payable when eligible plan members become disabled for 80 consecutive normal workdays as the result of bodily injury or illness, as determined by the Plan's adjudicator. Plan members are eligible for coverage after completion of three consecutive months of service without absence in a permanent position, or a full year in a temporary position. The Plan provides for benefits equal to 70 per cent of members' pre-disability salary. Reduced benefits are payable to eligible members who receive compensation from the Workers' Compensation Board, an automobile insurance plan, benefits under the Canada Pension Plan or any other group disability plan, vacation leave pay or employment income other than a rehabilitation program.

No benefit is payable if the disability is the result of injuries suffered from participation in a criminal act or an act of war, or injury or illness which are self-inflicted intentionally. Disabled members who are not under the continuous care of a physician or who are confined in prisons are not eligible for benefits.

Benefits terminate upon the earliest of the date the member resigns or is gainfully employed or is no longer disabled, three months after the adjudicator declares the member is suitable for gainful employment, or the date the member attains age 65 and is eligible for an unreduced public service pension. Benefits also terminate when a member's earnings under a rehabilitation program or earnings received from employment or self- employment are the same as the member's pre-disability salary or after 24 months where the member is in a temporary position or when an employee refuses or wilfully fails to participate and cooperate in a rehabilitation plan.

d) Decrease in Assets

Expenses of the Plan include benefits paid out, adjudication fees, rehabilitation expenses, administrative expenses and severance payments for resignation of employment subsequent to disability leave. Adjudication fees include services performed by an independent agent in determining the eligibility of claims, the amounts of eligible benefits and the time period applicable for disability. Administrative expenses include the cost of salaries and benefits incurred on behalf of the Plan by the Public Service Commission of $205 (2021: $208).

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 accounting standards for pension plans. The Plan has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or benefit obligation.

These financial statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

b) Valuation of Investments

Investments are recorded at fair value. As disclosed in Note 3, the Plan's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Establishment and Maintenance of Pooled Funds, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in the pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between Alberta Investment Management Corporation (AIMCo), a Crown corporation within the Ministry of Treasury Board and Finance, and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. AIMCo controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Plan does not report the financial instruments of the pools on its statement of financial position.

The Plan becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its units. The Plan reports its share of the financial risks in Note 4.

The fair value of units held by the Plan is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in units are recorded in the Plan's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Plan's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by AIMCo on the fourth business day following the year end. Differences in valuation estimates provided to Treasury Board and Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investment income in the following period.

Investments in pool units are recorded in the Plan's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

c) Investment Income

a) Investment income is recorded on an accrual basis.

b) Investment income is reported in the statement of changes in net assets available for benefits and in Note 7 and includes the following items recorded in the Plan's accounts:

i. Income distributions from the pools, based on the Plan's pro-rata share of total units issued by the pools; and

ii. Changes in fair value of units including realized gains and losses on disposal of units and unrealized gains and losses on units determined on an average cost basis.

d) Investment Expenses

Investment expenses include all amounts incurred by the Plan to earn investment income (see Note 8). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

e) Valuation of Benefit Obligation

The value of the benefit obligation and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made at least every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuation uses the projected benefit method based on estimates of the Plan's Disabled Life Reserve and the Incurred But Unreported Reserve and management's best estimate, as at the valuation and extrapolation date, of various economic and non-economic assumptions.

f) Valuation of Accounts Receivable, Accounts Payable and Accrued Liabilities

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book values.

g) 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 the 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 valuation of the Plan's benefit obligation, private investments, hedge funds, real estate and renewable resources. Uncertainty arises because:

i) the Plan's actual experience may differ, perhaps significantly, from assumptions used in the valuation of the Plan's benefit obligation, and

ii) the estimated fair values of the Plan's private investments, hedge funds, real estate and renewable resources pools may differ significantly from the values that would have been used had readily available market prices existed for these investments.

While best estimates have been used in the valuation of the Plan's benefit obligation and in the valuation of the Plan's private investments, hedge funds, real estate and renewable resources investments, management considers that it is possible, based on existing knowledge, that change in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations in respect of the benefit obligation are disclosed as net experience gains or losses that change the value of the benefit obligation (see Note 5b).

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Plan's investments.

NOTE 3 INVESTMENTS

The Plan's investments are managed at the asset class level for purposes of evaluating the Plan's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Plan's assets in accordance with the Statement of Investment Policies and Goals (SIP&G) approved by the President of Treasury Board and Minister of Finance. The fair value of the pool units is based on the Plan's share of the net asset value of the pooled fund. The pools have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Plan, and units of the pools, within the ranges approved for each asset class (see Note 4).

($ thousands)

	Fair Value Hierarchy [a]		2022			2021
	Level 2	Level 3	**Fair Value**	Level 2	Level 3	**Fair Value**
Money market and fixed income						
Deposits and short-term securities	$ 3,084	$ -	$ 3,084	$ 21,956	$ -	$ 21,956
Bonds, mortgages and private debt	103,572	14,288	117,860	110,057	13,114	123,171
	106,656	14,288	120,944	132,013	13,114	145,127
Equities						
Canadian	28,851	-	28,851	28,542	-	28,542
Foreign	67,198	2,974	70,172	68,764	3,415	72,179
Private	-	2,050	2,050	-	1,959	1,959
	96,049	5,024	101,073	97,306	5,374	102,680
Inflation sensitive and alternatives						
Real estate	-	22,360	22,360	-	22,427	22,427
Infrastructure	-	12,517	12,517	-	13,089	13,089
Renewable resources	-	6,424	6,424	-	5,316	5,316
	-	41,301	41,301	-	40,832	40,832
Strategic, tactical and currency investments *	207	705	912	228	934	1,162
Total investments	$ 202,912	$ 61,318	$ 264,230	$ 229,547	$ 60,254	$ 289,801

* This asset class is not listed separately in the SIP&G as it relates to strategic investments and currency overlays made on an opportunistic and discretionary basis (see Note 4).

NOTE 3 INVESTMENTS (CONTINUED)

a) **Fair Value Hierarchy**: The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Plan as Level 2 may contain investments that might otherwise be classified as Level 1.
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totaling $202,912 (2021: $229,547).
- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and inflation sensitive investments totalling $61,318 (2021: $60,254).

Reconciliation of Level 3 Fair Value Measurements:

	($ thousands) 2022	2021
Balance, beginning of year	$ 60,254	$ 61,140
Investment income *	8,525	434
Purchases of Level 3 pooled fund units	3,401	4,610
Sale of Level 3 pooled fund units	(10,862)	(5,930)
Balance, end of year	**$ 61,318**	**$ 60,254**

* Investment income includes unrealized gains of 2,864 (2021: losses of $1,356).

b) **Valuation of Financial Instruments recorded by AIMCo in the Pools**

The methods used to determine the fair value of investments recorded in the pools are explained in the following paragraphs:

- ***Money market and fixed income:*** Public interest-bearing securities 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 mortgages are valued based on the net present value of future cash flows discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans are valued similar to private mortgages.
- ***Equities:*** Public 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. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods for private equities may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.
- ***Inflation sensitive and alternatives:*** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and discounted cash flows. The fair value of renewable resources investments is appraised annually by independent third party evaluators. Infrastructure investments are valued similar to private equity investments.
- ***Strategic, tactical and currency investments:*** The estimated fair value of infrastructure investments held in emerging market countries are valued similar to private equities. For tactical asset allocations, investments in derivative contracts provide overweight or underweight exposure to global equity and bond markets, including emerging markets. Currency investments consist of directly held currency forward and spot contracts.

NOTE 3 INVESTMENTS (CONTINUED)

- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of the pools (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on differences between contractual foreign exchange rates and foreign exchange forward rates. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights 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.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with the underlying securities held in the pooled investment funds created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity 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. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Plan are clearly outlined in the SIP&G approved by the President of Treasury Board and Minister of Finance. The purpose of the SIP&G is to ensure the Plan is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. AIMCo manages the Plan's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. In order to earn the best possible return at an acceptable level of risk, the President of Treasury Board and Minister of Finance has established the following target policy asset mix:

Asset Class	Target Policy Asset Mix	Actual Asset Mix 2022 ($ thousands)	%	Actual Asset Mix 2021 ($ thousands)	%
Money market and fixed income	35 - 55%	$ 120,944	45.8	$ 145,127	50.1
Equities	20 - 58%	101,073	38.3	102,680	35.4
Inflation sensitive and alternatives	7 - 20%	41,301	15.6	40,832	14.1
Strategic, tactical and currency	(a)	912	0.3	1,162	0.4
		$ 264,230	100.0	$ 289,801	100.0

(a) In accordance with the SIP&G, AIMCo may invest up to 2% of the fair value of the Plan's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at its discretion, use currency overlays limited to an economic exposure limit of 5% of the Plan's assets.

NOTE 4 INVESTMENT RISK MANAGEMENT (CONTINUED)

a) Credit risk

i. Debt securities

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt placements.

The following table summarizes the Plan's investment in debt securities by credit rating at March 31, 2022:

Credit rating	2022	2021
Investment Grade (AAA to BBB-)	88.5%	86.6%
Speculative Grade (BB+ or lower)	1.8%	2.7%
Unrated	9.7%	10.7%
	100.0%	100.0%

ii. Counterparty default risk - derivative contracts

The Plan is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). AIMCo is responsible for selecting and monitoring derivative counterparties on behalf of the Plan. AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Plan. Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

iii. Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At March 31, 2022, the Plan's share of securities loaned under this program is $4,720 (2021: $5,148) and collateral held totals $5,055 (2021: $5,483). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or bankers' acceptances and bankers' deposit notes. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

NOTE 4 INVESTMENT RISK MANAGEMENT (CONTINUED)

b) Foreign currency risk

The Plan is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 26% (2021: 24%) of the Plan's investments, or $67,453 (2021: $69,011), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 17% (2021: 13%) and the Euro, 3% (2021: 3%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 2.6% (2021: 2.4%) of total investments.

The following table summarizes the Plan's exposure to foreign currency investments held in the pools at March 31, 2022:

($ thousands)

	2022		2021	
Currency [a]	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 44,686	$ (4,469)	$ 39,011	$ (3,901)
Euro	6,743	(674)	7,423	(742)
Japanese yen	3,983	(398)	4,613	(461)
Other foreign currency	12,041	(1,204)	17,964	(1,797)
Total foreign currency investments	$ 67,453	$ (6,745)	$ 69,011	$ (6,901)

(a) Information on specific currencies is disclosed when the current year fair value is greater than 1% of the Plan's total investments.

c) Interest rate risk

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in pools managed by AIMCo. Interest rate risk relates to the possibility that the fair value of investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 3.0% (2021: 2.8%) of total investments.

d) Price risk

Price risk relates to the possibility that pool units will change in value due to future fluctuations in market prices of equities held in the pools caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan is exposed to price risk associated with the underlying equity investments held in the pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 3.7% (2021: 4.2%) of total investments. Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

NOTE 4 INVESTMENT RISK MANAGEMENT (CONTINUED)

e) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions, and by investing in pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, renewable resources, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. These sources of cash are used to pay pension benefits and operating expenses, purchase new investments, settle derivative transactions with counterparties and margin calls on futures contracts. The Plan's future liabilities include the accrued pension benefits obligation and payables related to the purchase of pool units.

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Plan has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Plan's Indirect Share ($ thousands)	
By counterparty	Number of counterparties	2022	2021
Contracts in net favourable position (current credit exposure)	179	$ 3,454	$ 3,274
Contracts in net unfavourable position	6	(1,368)	(1,373)
Net fair value of derivative contracts	185	$ 2,086	$ 1,901

i. Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a net favourable position totaling $3,454 (2021: $3,274) were to default at once.

ii. Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

iii. Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

	Plan's Indirect Share ($ thousands)	
Types of derivatives used in pools	2022	2021
Equity-based derivatives	$ 1,166	$ 747
Foreign currency derivatives	343	773
Interest rate derivatives	497	350
Credit risk derivatives	80	31
Net fair value of derivative contracts	$ 2,086	$ 1,901

NOTE 4 INVESTMENT RISK MANAGEMENT (CONTINUED)

i. Equity-based derivatives include equity swaps. Equity swaps are contracts where one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument. Rights, warrants, futures and options are also included as equity-based derivatives.

ii. Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

iii. Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

iv. Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

v. At March 31, 2022, deposits in futures contracts margin accounts totaled $1,622 (2021: $1,654). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $2,753 (2021: $3,199 and $nil (2021: $nil).

NOTE 5 BENEFIT OBLIGATION

a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2021 by the Plan's actuary, Eckler Ltd. and was then extrapolated to March 31, 2022.

The assumptions used in the valuation were developed as the best estimate of expected short and long term market conditions and other future events. These estimates were, after consultation with the Plan's actuary, adopted by the Public Service Commissioner.

The major assumptions used were:

	%	
	2022 Extrapolation	**2021 Valuation**
Interest discount rate (net of investment and administrative expenses)	2.9	2.9
Continuance rates		
Based on Study on Canadian Group Long Term Disability Termination Experience (1988-1997)	Modified*	Modified*
Incurred but unreported reserve factor		
As percentage of experience rated premiums	30	30

* The rates have been modified by duration to reflect the Plan's adjudication practices and claims termination experience.

The Disabled Life Reserve is an estimate of the value of future payments to be made over the life of incurred claims, discounted to a current value using a rate of 2.9% (2021: 2.9%). An adjustment has been made to the Disabled Life Reserve to reflect Plan members who may be approved for Canada Pension Plan benefits in the future.

NOTE 5 BENEFIT OBLIGATION (CONTINUED)

The Incurred But Unreported Reserve is an estimate of the value of the financial impact of claims that are either unreported or not approved at the fiscal year end, but which will ultimately be accepted for benefits. Based on a review of historical reserves, management and the Plan's actuary determined a reserve factor of 30% (2021: 30%) of experience rated premiums was appropriate for estimating the reserve amount.

The next actuarial valuation of the Plan is expected to be completed as at December 31, 2022. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2023.

b) Sensitivity of Changes in Major Assumptions

As at March 31, 2022 based on the extrapolation performed from the December 31, 2021 valuation, holding the continuance rates and incurred but unreported reserve factor constant, a 0.5% decrease in the assumed interest discount rate would reduce the actuarial surplus of the Plan by $6 million (2021: $6 million).

NOTE 6 SURPLUS

	($ thousands) 2022	2021
Surplus at beginning of year	$ 52,705	$ 63,706
(Decrease) increase in net assets available for benefits	(7,483)	16,990
Net (increase) in benefit obligation	(3,790)	(27,991)
Surplus at end of year	$ 41,432	$ 52,705

NOTE 7 INVESTMENT INCOME

The following is a summary of the Plan's investment income (loss) by asset class:

	Income	Change in Fair Value	2022 Total	Income	Change in Fair Value	2021 Total
Money market and fixed income	$ 3,717	$ (7,936)	$ (4,219)	$ 9,988	$ (3,238)	$ 6,750
Equities						
Canadian	5,608	466	6,074	4,526	6,869	11,395
Foreign	8,054	(653)	7,401	10,727	13,788	24,515
Private	680	472	1,152	(794)	17	(777)
	14,342	285	14,627	14,459	20,674	35,133
Inflation sensitive and alternatives						
Real estate	1,039	2,158	3,197	(134)	(1,158)	(1,292)
Infrastructure	1,160	1,429	2,589	445	388	833
Renewable resources	371	326	697	(130)	(88)	(218)
	2,570	3,913	6,483	181	(858)	(677)
Strategic, tactical and currency investments	217	(310)	(93)	513	(453)	60
	$ 20,846	$ (4,048)	$ 16,798	$ 25,141	$ 16,125	$ 41,266

($ thousands)

NOTE 7 INVESTMENT INCOME (CONTINUED)

The change in fair value includes realized and unrealized gains and losses on pool units and currency hedges. Realized and unrealized gains and losses on pool units total $2,719 and ($6,765) respectively (2021: $277 and $15,848 respectively). Realized and unrealized gains and losses on currency hedges total ($32) and $30 respectively (2021: ($106) and ($36) respectively).

Income earned in pooled investment funds is distributed to the Plan daily based on the Plan's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis, income and expense on derivative contracts and writedowns of securities held in pools which are indicative of a loss in value that is other than temporary.

NOTE 8 INVESTMENT EXPENSES

	($ thousands)	
	2022	2021
Amount charged by AIMCo for: [(a)]		
Investment costs [(b)]	$ 855	$ 802
Performance based fees [(b)]	873	524
	1,728	1,326
Amounts charged by Treasury Board and Finance for:		
Investment accounting and Plan reporting	12	12
Total investment expenses	$ 1,740	$ 1,338
Increase in expenses	30.0%	22.1%
Increase in average investments under management	1.7%	1.2%
Increase in value of investments attributed to AIMCo	2.5%	2.1%
Investment expense as a percent of dollar invested	0.6%	0.5%

(a) Investment expenses are charged by AIMCo on a cost recovery basis. Please refer to AIMCo's financial statements for a more detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance based fees relate to external managers hired by AIMCo.

(b) Internal performance fees previously included in investment costs have now been reclassed to performance based fees.

NOTE 9 ADMINISTRATIVE EXPENSES

	($ thousands)	
	2022	2021
General administration costs		
Salaries and related expenses	$ 205	$ 208
Actuarial fees	15	96
Supplies and services	34	42
	$ 254	$ 346

NOTE 10 INVESTMENT RETURNS, CHANGE IN NET ASSETS AND BENEFIT OBLIGATION

The following is a summary of investment returns (losses), and the annual change in net assets compared to the annual change in the benefit obligation and the per cent of benefit obligation supported by net assets.

	2022	2021	2020	2019	2018
			in per cent		
Increase in net assets attributed to:					
Investment income					
Policy benchmark return on investments	3.0	14.1	0.3	6.1	4.7
Value added (lost) by investment manager	2.5	2.1	(4.6)	0.4	1.0
Time weighted rate of return, at fair value [(a)]	**5.5**	**16.2**	**(4.3)**	**6.5**	**5.7**
Other sources [(b)]	(8.3)	(9.5)	(5.7)	(5.2)	(4.6)
Per cent change in net assets [(c)]	**(2.8)**	**6.7**	**(10.0)**	**1.3**	**1.1**
Per cent change in benefit obligation [(c)]	**1.7**	**14.7**	**10.7**	**3.1**	**(4.3)**
Per cent of benefit obligation supported by net assets	**119**	**124**	**133**	**164**	**167**

(a) All investment returns are provided by AIMCo and are net of investment expenses. The annualized total return and policy benchmark return (PBR) on investments over five years is 5.7% (PBR: 5.6%), ten years is 7.9% (PBR: 7.3%) and since inception is 6.4% (PBR: 6.1%).

(b) Other sources include employee and employer contributions and administration expenses.

(c) The percentage change in net assets and the benefit obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in benefit obligation.

NOTE 11 CAPITAL

The Plan defines its capital as the funded status. The Plan's definition of capital is unchanged from prior periods. The funded status is the same as accounting surplus of $41,432 (2021: surplus of $52,705) reported in Note 6.

NOTE 12 CONTINGENT LIABILITIES

The Plan is not named in any legal matters where damages are being sought, this year or in the prior year.

NOTE 13 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2022 presentation.

NOTE 14 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Public Service Commissioner and the Senior Financial Officer.

Long Term Disability Income Continuance Plan - Management, Opted Out And Excluded

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General
OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of the Long Term Disability Income Continuance Plan – Management, Opted Out and Excluded (the Plan), which comprise the statement of financial position as at March 31, 2022, and the statements of changes in net assets available for benefits, and changes in benefit obligation for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at March 31, 2022, and the changes in its net assets available for benefits and changes in its benefit obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Plan in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The financial statements of the Plan are included in the *Annual Report of the Ministry of Treasury Board and Finance* that is prepared by the Ministry of Treasury Board and Finance. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to the Plan, but does not include the financial statements of the Plan and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up

to the date of my auditor’s report. However, future events or conditions may cause the Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

May 31, 2022
Edmonton, Alberta

Statement of Financial Position

As at March 31, 2022

	($ thousands)	
	2022	**2021**
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 50,356	$ 57,632
Employer contributions receivable	173	160
Accounts receivable	80	32
Total Assets	50,609	57,824
Liabilities		
Accounts payable and accrued liabilities	635	4,586
Total Liabilities	635	4,586
Net assets available for benefits	49,974	53,238
Benefit obligation and surplus		
Benefit obligation (Note 5)	43,377	45,380
Surplus (Note 6)	6,597	7,858
Benefit obligation and surplus	**$ 49,974**	**$ 53,238**

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

Statement of Changes in Net Assets Available for Benefits

Year ended March 31, 2022

	($ thousands) 2022	2021
Increase in assets		
Employer contributions	$ 4,067	$ 2,216
Investment income (Note 7)		
Income	3,969	5,011
Increase in fair value	-	2,875
	8,036	10,102
Decrease in assets		
Benefit payments	9,701	10,250
Adjudication	716	741
Rehabilitation	61	54
Severance	288	55
Investment loss (Note 7)		
Decrease in fair value	79	-
Investment expenses (Note 8)	356	369
Administrative expenses (Note 9)	99	136
	11,300	11,605
(Decrease) in net assets	(3,264)	(1,503)
Net assets available for benefits at beginning of year	53,238	54,741
Net assets available for benefits at end of year	**$ 49,974**	**$ 53,238**

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

Statement of Changes in Benefit Obligation

Year ended March 31, 2022

	($ thousands)	
	2022	**2021**
Increase in benefit obligation		
New claims	$ 8,679	$ 8,361
Interest accrued on benefits	1,340	1,483
Change in discount rate assumption	-	1,171
	10,019	11,015
Decrease in benefit obligation		
Benefit payments	9,701	10,250
Terminations other than expected	2,261	(798)
Change in CPP offset assumption	30	38
Other net experience gains/(loss)	30	(749)
	12,022	8,741
(Decrease) increase in benefit obligation	(2,003)	2,274
Benefit obligation at beginning of year	45,380	43,106
Benefit obligation at end of year	$ 43,377	$ 45,380

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

Notes to the Financial Statements

Year ended March 31, 2022
(all dollar values in thousands, unless otherwise stated)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Long Term Disability Income Continuance Plan (the Plan) for management, opted out and excluded employees is a summary only. For a complete description of the Plan, reference should be made to section 21 of the *Public Service Act*, the Provincial Court Judges and Masters in Chambers Compensation Regulation 176/98 and the Justice of Peace Regulation 6/99, the Long Term Disability Income Continuance Plan Regulation, the Long Term Disability Benefits Regulation (Legislative Assembly Act), section 98 of *the Financial Administration Act* and Treasury Board Directive 09/98, as amended.

a) General

The Plan provides disability benefits and ensures income continuance of eligible Government of Alberta management, opted out and excluded employees, Members of the Legislative Assembly, Auditor General, Child and Youth Advocate, Chief Electoral Officer, Ethics Commissioner, Freedom of Information and Privacy Commissioner, Ombudsman, Full-Time Justice of the Peace and Provincial Judges. Employees included in an Alberta Union of Provincial Employee's bargaining unit are covered under a separate plan.

b) Funding Policy

Long term disability benefits are funded by employer (Government of Alberta including Legislative Assembly and other Legislative Offices) contributions at a rate which is expected to provide for all benefits payable under the Plan. The rate in effect at March 31, 2022 is 0.75% (2021: 0.30%) of insurable salary of eligible employees with the exception of Justice of the Peace and Provincial Judges with the rate of 1.35% (2021: 0.55%). The rates are to be reviewed at least once every three years by the Public Service Commissioner based on recommendations of the Plan's actuary and Advisory Committee.

c) Long Term Disability Benefits

Benefits are payable when eligible plan members become disabled for 80 consecutive normal workdays as the result of bodily injury or illness, as determined by the Plan's adjudicator. Plan members are eligible for coverage after completion of three consecutive months of service without absence in a permanent position, or a full year in a temporary position. The Plan provides for benefits equal to 70 per cent of members' pre-disability salary. Reduced benefits are payable to eligible members who receive compensation from the Workers' Compensation Board, an automobile insurance plan, benefits under the Canada Pension Plan or any other group disability plan, vacation leave pay or employment income other than a rehabilitation program.

No benefit is payable if the disability is the result of injuries suffered from participation in a criminal act or an act of war, or injury or illness which are self-inflicted intentionally. Disabled members who are not under the continuous care of a physician or who are confined in prisons are not eligible for benefits.

Benefits terminate upon the earliest of the date the member resigns or is gainfully employed or is no longer disabled, three months after the adjudicator declares the member is suitable for gainful employment, or the date the member attains age 65 and is eligible for an unreduced public service pension. For Judges and Full-Time Justices of the Peace benefits terminate at age 70. Benefits also terminate when a member's earnings under a rehabilitation program or earnings received from employment or self-employment are the same as the member's pre-disability salary or after 24 months where the member is in a temporary position or when an employee refuses or willfully fails to participate and cooperate in a rehabilitation plan.

d) Decrease in Assets

Expenses of the Plan include benefits paid out, adjudication fees, rehabilitation expenses, administrative expenses and severance payments for resignation of employment subsequent to disability leave. Adjudication fees include services performed by an independent agent in determining the eligibility of claims, the amounts of eligible benefits and the time period applicable for disability. Administrative expenses include the cost of salaries and benefits incurred on behalf of the Plan by the Public Service Commission of $94 (2021: $87).

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 accounting standards for pension plans. The Plan has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or benefit obligation.

These financial statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

b) Valuation of Investments

Investments are recorded at fair value. As disclosed in Note 3, the Plan's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Establishment and Maintenance of Pooled Funds, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in the pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between Alberta Investment Management Corporation (AIMCo), a Crown corporation within the Ministry of Treasury Board and Finance, and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. AIMCo controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Plan does not report the financial instruments of the pools on its statement of financial position.

The Plan becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its units. The Plan reports its share of the financial risks in Note 4.

The fair value of units held by the Plan is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in units are recorded in the Plan's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Plan's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by AIMCo on the fourth business day following the year end. Differences in valuation estimates provided to Treasury Board and Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investment income in the following period.

Investments in pool units are recorded in the Plan's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING… (CONTINUED)

c) Investment Income

(a) Investment income is recorded on an accrual basis.

(b) Investment income is reported in the statement of changes in net assets available for benefits and in Note 7 and includes the following items recorded in the Plan's accounts:

i. Income distributions from the pools, based on the Plan's pro-rata share of total units issued by the pools; and

ii. Changes in fair value of units including realized gains and losses on disposal of units and unrealized gains and losses on units determined on an average cost basis.

d) Investment Expenses

Investment expenses include all amounts incurred by the Plan to earn investment income (see Note 8). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

e) Valuation of Benefit Obligation

The value of the benefit obligation and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made at least every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuation uses the projected benefit method based on estimates of the Plan's Disabled Life Reserve and the Incurred but Unreported Reserve and management's best estimate, as at the valuation and extrapolation date, of various economic and non-economic assumptions.

f) Valuation of Accounts Payable and Accrued Liabilities

The fair values of accounts payable and accrued liabilities are estimated to approximate their book values.

g) 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 the 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 valuation of the Plan's benefit obligation, private investments, hedge funds, real estate and renewable resources. Uncertainty arises because:

i) the Plan's actual experience may differ, perhaps significantly, from assumptions used in the valuation of the Plan's benefit obligation, and

ii) the estimated fair values of the Plan's private investments, hedge funds, real estate and renewable resources pools may differ significantly from the values that would have been used had readily available market prices existed for these investments.

While best estimates have been used in the valuation of the Plan's benefit obligation and in the valuation of the Plan's private investments, hedge funds, real estate and renewable resources investments, management considers that it is possible, based on existing knowledge, that change in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations in respect of the benefit obligation are disclosed as net experience gains or losses that change the value of the benefit obligation (see Note 5b).

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING… (CONTINUED)

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Plan's investments.

NOTE 3 INVESTMENTS

The Plan's investments are managed at the asset class level for purposes of evaluating the Plan's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Plan's assets in accordance with the Statement of Investment Policies and Goals (SIP&G) approved by the President of Treasury Board and Minister of Finance. The fair value of the pool units is based on the Plan's share of the net asset value of the pooled fund. The pools have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Plan, and units of the pools, within the ranges approved for each asset class (see Note 4).

($ thousands)

	Fair Value Hierarchy [a]		2022	Fair Value Hierarchy [a]		2021
	Level 2	Level 3	Fair Value	Level 2	Level 3	Fair Value
Money market and fixed income						
Deposits and short-term securities	$ 3,133	$ -	$ 3,133	$ 5,048	$ -	$ 5,048
Bonds, mortgages and private debt	17,872	2,896	20,768	19,707	2,857	22,564
	21,005	2,896	23,901	24,755	2,857	27,612
Equities						
Canadian	4,840	-	4,840	5,570	-	5,570
Foreign	11,246	780	12,026	11,731	895	12,626
Private	-	775	775	-	607	607
	16,086	1,555	17,641	17,301	1,502	18,803
Inflation sensitive and alternatives						
Real estate	-	3,966	3,966	-	6,390	6,390
Infrastructure	-	3,065	3,065	-	3,147	3,147
Renewable resources	-	1,506	1,506	-	1,347	1,347
	-	8,537	8,537	-	10,884	10,884
Strategic, tactical and currency investments *	65	212	277	52	281	333
Total investments	$ 37,156	$ 13,200	$ 50,356	$ 42,108	$ 15,524	$ 57,632

* This asset class is not listed separately in the SIP&G as it relates to strategic investments and currency overlays made on an opportunistic and discretionary basis (see Note 4).

NOTE 3 INVESTMENTS **(CONTINUED)**

a) **Fair Value Hierarchy**: The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Plan as Level 2 may contain investments that might otherwise be classified as Level 1.
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totaling $37,156 (2021: $42,108).
- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and inflation sensitive investments totaling $13,200 (2021: $15,524).

Reconciliation of Level 3 Fair Value Measurements:

	($ thousands)	
	2022	**2021**
Balance, beginning of year	$ 15,524	$ 16,077
Investment income *	2,293	50
Purchases of Level 3 pooled fund units	492	926
Sale of Level 3 pooled fund units	(5,109)	(1,529)
Balance, end of year	**$ 13,200**	**$ 15,524**

* Investment income includes unrealized gains of $228 (2021: losses of $526)

b) **Valuation of Financial Instruments recorded by AIMCo in the Pools**

The methods used to determine the fair value of investments recorded in the pools are explained in the following paragraphs:

- ***Money market and fixed income***: Public interest-bearing securities 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 mortgages are valued based on the net present value of future cash flows discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans are valued similar to private mortgages.
- ***Equities***: Public 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. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods for private equities may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.
- ***Inflation sensitive and alternatives***: The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and discounted cash flows. The fair value of renewable resources investments is appraised annually by independent third party evaluators. Infrastructure investments are valued similar to private equity investments.
- ***Strategic, tactical and currency investments***: The estimated fair value of infrastructure investments held in emerging market countries are valued similar to private equities. For tactical asset allocations, investments in derivative contracts provide overweight or underweight exposure to global equity and bond markets, including emerging markets. Currency investments consist of directly held currency forward and spot contracts.

NOTE 3 INVESTMENTS (CONTINUED)

- ***Foreign currency***: Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts***: The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of the pools (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on differences between contractual foreign exchange rates and foreign exchange forward rates. Futures contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights 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.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with the underlying securities held in the pooled investment funds created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity 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. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Plan are clearly outlined in the SIP&G approved by the President of Treasury Board and Minister of Finance. The purpose of the SIP&G is to ensure the Plan is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. AIMCo manages the Plan’s return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. In order to earn the best possible return at an acceptable level of risk, the President of Treasury Board and Minister of Finance has established the following target policy asset mix:

Asset Class	Target Policy Asset Mix	Actual Asset Mix 2022 ($ thousands)	%	Actual Asset Mix 2021 ($ thousands)	%
Money market and fixed income	35 - 55%	$ 23,901	47.4	$ 27,612	47.9
Equities	20 - 58%	17,641	35.0	18,803	32.6
Inflation sensitive and alternatives	7 - 20%	8,537	17.0	10,884	18.9
Strategic, tactical and currency	(a)	277	0.6	333	0.6
		$ 50,356	100.0	$ 57,632	100.0

(a) In accordance with the SIP&G, AIMCo may invest up to 2% of the fair value of the Plan's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at its discretion, use currency overlays limited to an economic exposure limit of 5% of the Plan's assets.

NOTE 4 INVESTMENT RISK MANAGEMENT (CONTINUED)

a) Credit risk

i. Debt securities

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt placements.

The following table summarizes the Plan's investment in debt securities by credit rating at March 31, 2022:

Credit rating	2022	2021
Investment Grade (AAA to BBB-)	87.4%	84.8%
Speculative Grade (BB+ or lower)	1.7%	2.7%
Unrated	10.9%	12.5%
	100.0%	100.0%

ii. Counterparty default risk - derivative contracts

The Plan is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). AIMCo is responsible for selecting and monitoring derivative counterparties on behalf of the Plan. AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Plan. Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

iii. Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At March 31, 2022, the Plan's share of securities loaned under this program is $799 (2021: $966) and collateral held totals $855 (2021: $1,028). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or a bank-issued letter of credit. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

NOTE 4 INVESTMENT RISK MANAGEMENT (CONTINUED)

b) Foreign currency risk

The Plan is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 25% (2021: 23%) of the Plan's investments, or $12,459 (2021: $13,200), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 17% (2021: 13%) and the Euro, 2% (2021: 2%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 2.5 (2021: 2.3%) of total investments.

The following table summarizes the Plan's exposure to foreign currency investments held in the pools at March 31, 2022:

	($ thousands)			
	2022		2021	
Currency [(a)]	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 8,424	$ (842)	$ 7,688	$ (769)
Euro	1,156	(116)	1,299	(130)
Japanese yen	683	(68)	792	(79)
Other foreign currency	2,196	(220)	3,421	(342)
Total foreign currency investments	$ 12,459	$ (1,246)	$ 13,200	$ (1,320)

(a) Information on specific currencies is disclosed when the current year fair value is greater than 1% of the Plan's total investments.

c) Interest rate risk

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the fair value of investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter term bonds. If interest rates increased by 1% and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 2.7% (2021: 2.5%) of total investments.

d) Price risk

Price risk relates to the possibility that pool units will change in value due to future fluctuations in market prices of equities held in the pools caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan is exposed to price risk associated with the underlying equity investments held in the pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 3.4% (2021: 4.0%) of total investments. Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

NOTE 4 INVESTMENT RISK MANAGEMENT (CONTINUED)

e) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions, and by investing in pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, renewable resources, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. These sources of cash are used to pay pension benefits and operating expenses, purchase new investments, settle derivative transactions with counterparties and margin calls on futures contracts. The Plan's future liabilities include the accrued pension benefits obligation and payables related to the purchase of pool units.

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Plan has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Plan's Indirect Share ($ thousands)	
By counterparty	Number of counterparties	**2022**	**2021**
Contracts in net favourable position (current credit exposure)	178	$ 618	$ 610
Contracts in net unfavourable position	7	(231)	(265)
Net fair value of derivative contracts	185	$ 387	$ 345

i. Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a net favorable position totaling $618 (2021: $610) were to default at once.

ii. Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

iii. Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

	Plan's Indirect Share ($ thousands)	
Types of derivatives used in pools	**2022**	**2021**
Equity-based derivatives	$ 221	$ 144
Foreign currency derivatives	70	133
Interest rate derivatives	83	63
Credit risk derivatives	13	5
Net fair value of derivative contracts	$ 387	$ 345

NOTE 4 INVESTMENT RISK MANAGEMENT (CONTINUED)

i. Equity-based derivatives include equity swaps. Equity swaps are contracts where one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument. Rights, warrants, futures and options are also included as equity-based derivatives.

ii. Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

iii. Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

iv. Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

v. At March 31, 2022, deposits in futures contracts margin accounts totaled $275 (2021: $299). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $471 (2021: $570) and $nil (2021: $nil).

NOTE 5 BENEFIT OBLIGATION

a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2021 by the Plan's actuary, Eckler Ltd. and was then extrapolated to March 31, 2022.

The assumptions used in the valuation were developed as the best estimate of expected short and long term market conditions and other future events. These estimates were, after consultation with the Plan's actuary, adopted by the Public Service Commissioner.

The major assumptions used were:

The Disabled Life Reserve is an estimate of the value of future payments to be made over the life of incurred claims, discounted to a current value using a rate of 3.3% (2021: 3.3%). An adjustment has been made to the Disabled Life Reserve to reflect Plan members who may be approved for Canada Pension Plan benefits in the future.

The Incurred but Unreported Reserve is an estimate of the value of the financial impact of claims that are either unreported or not approved at the fiscal year end, but which will ultimately be accepted for benefits. Based on a review of historical reserves, management and the Plan's actuary determined a reserve factor of 35% (2021: 35%) of experience rated premiums was appropriate for estimating the reserve amount.

	%	
	2022 Extrapolation	**2021 Valuation**
Interest discount rate (net of investment and administrative expenses)	3.3	3.3
Continuance rates		
Based on Study on Canadian Group Long Term Disability Termination Experience (1988-1997)	Modified*	Modified*
Incurred but unreported reserve factor		
As percentage of experience rated premiums	35	35

* The rates have been modified by duration to reflect the Plan's adjudication practices and claims termination experience.

NOTE 5 BENEFIT OBLIGATION (CONTINUED)

The next actuarial valuation of the Plan is expected to be completed as at December 31, 2022. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2023.

b) Sensitivity of Changes in Major Assumptions

As at March 31, 2022, based on the extrapolation performed from the December 31, 2021 valuation, holding the continuance rates and incurred but unreported reserve factor constant, a 0.5% decrease in the assumed interest discount rate would reduce the actuarial surplus of the Plan by $1 million (2021: $1 million).

NOTE 6 SURPLUS

($ thousands)

	2022	2021
Surplus at beginning of year	$ 7,858	$ 11,635
(Decrease) in net assets available for benefits	(3,264)	(1,503)
Net decrease (increase) in benefit obligation	2,003	(2,274)
Surplus at end of year	$ 6,597	$ 7,858

NOTE 7 INVESTMENT INCOME

The following is a summary of the Plan's investment income (loss) by asset class:

($ thousands)

	Income	Change in Fair Value	2022 Total	Income	Change in Fair Value	2021 Total
Money market and fixed income	$ 668	$ (1,275)	$ (607)	$ 1,975	$ (480)	$ 1,495
Equities						
Canadian	998	153	1,151	908	1,454	2,362
Foreign	1,309	(32)	1,277	1,968	2,479	4,447
Private	262	243	505	(18)	(19)	(37)
	2,569	364	2,933	2,858	3,914	6,772
Inflation sensitive and alternatives						
Real estate	280	578	858	(38)	(330)	(368)
Infrastructure	291	271	562	97	22	119
Renewable resources	96	85	181	(36)	(19)	(55)
	667	934	1,601	23	(327)	(304)
Strategic, tactical and currency investments	65	(102)	(37)	155	(232)	(77)
	$ 3,969	$ (79)	$ 3,890	$ 5,011	$ 2,875	$ 7,886

NOTE 7 INVESTMENT INCOME (CONTINUED)

The change in fair value includes realized and unrealized gains and losses on pool units and currency hedges. Realized and unrealized gains and losses on pool units total $1,507 and ($1,576) respectively (2021: $259 and $2,616 respectively). Realized and unrealized gains and losses on currency hedges total ($37) and $27 respectively (2021: $32) and ($106) respectively).

Income earned in pooled investment funds is distributed to the Plan daily based on the Plan's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis, income and expense on derivative contracts and write-downs of securities held in pools which are indicative of a loss in value that is other than temporary.

NOTE 8 INVESTMENT EXPENSES

	($ thousands)	
Amount charged by AIMCo for: [(a)]	2022	2021
Investment costs [(b)]	$ 166	$ 171
Performance based fees [(b)]	178	186
	344	357
Amounts charged by Treasury Board and Finance for:		
Investment accounting and Plan reporting	12	12
Total investment expenses	$ 356	$ 369
(Decrease) increase in expenses	(3.5%)	35.7%
Decrease in average investments under management	(4.2%)	(6.5%)
Increase in value of investments attributed to AIMCo	3.6%	0.5%
Investment expense as a percent of dollar invested	0.7%	0.7%

(a) Investment expenses are charged by AIMCo on a cost recovery basis. Please refer to AIMCo's financial statements for a more detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance based fees relate to external managers hired by AIMCo.

(b) Internal performance fees previously included in investment costs have now been reclassed to performance based fees.

NOTE 9 ADMINISTRATIVE EXPENSES

	($ thousands)	
	2022	2021
General administration costs		
Salaries and related expenses	$ 94	$ 87
Actuarial fees	4	35
Supplies and services	1	14
	$ 99	$ 136

NOTE 10 INVESTMENT RETURNS, CHANGE IN NET ASSETS AND BENEFIT OBLIGATION

The following is a summary of investment returns (losses), and the annual change in net assets compared to the annual change in the benefit obligation and the per cent of benefit obligation supported by net assets.

	2022	2021	2020	2019	2018
			in per cent		
Increase in net assets attributed to:					
Investment income					
Policy benchmark return on investments	3.0	14.0	0.4	6.2	4.7
Value added (lost) by investment manager	3.6	0.5	(3.9)	0.3	1.0
Time weighted rate of return, at fair value [(a)]	**6.6**	**14.5**	**(3.5)**	**6.5**	**5.7**
Other sources [(b)]	(12.7)	(17.2)	(12.4)	(12.4)	(10.1)
Per cent change in net assets [(c)]	**(6.1)**	**(2.7)**	**(15.9)**	**(5.9)**	**(4.4)**
Per cent change in benefit obligation [(c)]	**(4.4)**	**5.3**	**6.5**	**2.7**	**(3.8)**
Per cent of benefit obligation supported by net assets	**115**	**117**	**127**	**161**	**176**

(a) All investment returns are provided by AIMCo and are net of investment expenses. The annualized total return and policy benchmark return (PBR) on investments over five years is 5.8% (PBR: 5.7%), ten years is 7.6% (PBR: 7.1%) and since inception is 6.1% (PBR: 5.9%).

(b) Other sources include employer contributions and administration expenses.

(c) The percentage change in net assets and the benefit obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in benefit obligation.

NOTE 11 CAPITAL

The Plan defines its capital as the funded status. The Plan's definition of capital is unchanged from prior periods. The funded status is the same as accounting surplus of $6,597 (2021: surplus of $7,858) reported in Note 6.

NOTE 12 CONTINGENT LIABILITIES

The Plan is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The Plan has been named in one (2021 one) claim of which the outcome is not determinable, and as such, no amounts are accrued in these financial statements in respect of this claim. The claim has a specified amount of $1,500 (2021: $1,500). The claim is covered by Alberta Risk Management Fund. The resolution of the claim may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 13 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2022 presentation.

NOTE 14 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Public Service Commissioner and the Senior Financial Officer.

Management Employees Pension Plan

Financial Statements
December 31, 2021

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Independent Auditor's Report

Auditor General OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of the Management Employees Pension Plan, which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets available for benefits, and changes in pension obligation for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Management Employees Pension Plan as at December 31, 2021, and the changes in net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Management Employees Pension Plan, in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Management Employees Pension Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Management Employees Pension Plan's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Employees Pension Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Management Employees Pension Plan's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Management Employees Pension Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

April 26, 2022
Edmonton, Alberta

Statement of Financial Position

As at December 31, 2021

	($ thousands)	
	2021	**2020**
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 6,557,486	$ 5,618,176
Contributions receivable		
Employers	271	257
Employees	294	113
Accounts receivable	436	1,455
Total Assets	6,558,487	5,620,001
Liabilities		
Accounts payable	763	1,885
Total Liabilities	763	1,885
Net assets available for benefits	$ 6,557,724	$ 5,618,116
Pension obligation and surplus		
Pension obligation (Note 5)	$ 5,209,564	$4,808,266
Surplus (Note 6)	1,348,160	809,850
Pension obligation and surplus	$ 6,557,724	$ 5,618,116

The accompanying notes are part of these financial statements.

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2021

	2021	2020
	($ thousands)	
Increase in Assets		
Contributions (Note 7)		
Employers	$ 76,674	$ 78,167
Employees	73,075	76,747
Investment income (Note 8)		
Income	721,160	232,104
Increase in fair value	397,883	-
Transfers from other plans, net	-	550
	1,268,792	387,568
Decrease in Assets		
Benefit payments (Note 10)	266,193	281,413
Transfers to other plans, net	544	-
Investment loss (Note 8)		
Decrease in fair value	-	88,336
Investment expenses (Note 11)	59,986	32,941
Administrative expenses (Note 12)	2,461	2,330
	329,184	405,020
Increase (decrease) in net assets	939,608	(17,452)
Net assets available for benefits at beginning of year	5,618,116	5,635,568
Net assets available for benefits at end of year	$ 6,557,724	$ 5,618,116

The accompanying notes are part of these financial statements.

Statement of Changes in Pension Obligation

Year ended December 31, 2021

	($ thousands)	
	2021	**2020**
Increase in pension obligation		
Interest accrued on opening pension obligation	$ 277,897	$ 273,217
Benefits earned	132,095	129,594
Net increase due to actuarial assumption changes (Note 5a)	290,279	58,885
	700,271	461,696
Decrease in pension obligation		
Benefits, transfers and interest	266,737	280,863
Net experience gains (Note 5b)	32,236	-
	298,973	280,863
Net increase in pension obligation	401,298	180,833
Pension obligation at beginning of year	4,808,266	4,627,433
Pension obligation at end of year (Note 5)	$ 5,209,564	$ 4,808,266

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

Year ended December 31, 2021
(All dollar amounts in thousands, unless otherwise stated)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Management Employees Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act,* Revised Statutes of Alberta 2000, Chapter P-41 and the *Management Employees Pension Plan* Alberta Regulation 367/93, as amended. Unless otherwise stated, all terms that are not defined below have the meaning prescribed to them in the Plan. Should anything in Note 1 or the financial statements conflict with the legislation, the legislation shall apply.

a) General

The Plan is a contributory defined benefit pension plan for eligible management employees of the Province of Alberta and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992, and have not withdrawn from the Plan since that date, continue as members of this Plan. The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0570887. The President of Treasury Board and Minister of Finance is the legal trustee for the Plan and Alberta Treasury Board and Finance is management for the purpose of these financial statements. The Plan is governed by the Management Employees Pension Board (the Board). The Board has certain statutory functions with respect to the Plan, including but not limited to, setting general policy guidelines on investment and management of the Plan's assets and administration of the Plan, setting contribution rates, conducting actuarial valuations and recommending amendments to the Plan rules.

b) Plan Funding

Current service costs and any actuarial deficiency (see Note 14) are funded by employees and employers at contribution rates, which together with investment earnings, are expected to provide for all benefits payable under the Plan. The contribution rates in effect at December 31, 2021 were 12.80% (2020: 12.80%) of the capped salary for employees and 13.20% (2020: 13.20%) for employers. The capped salary is set to ensure the benefit accrual is not greater than the defined benefit limit under the *Income Tax Act*.

The contribution rates are reviewed and approved at least once every three years by the President of Treasury Board and Minister of Finance, in consultation with the Board, based on recommendations of the Plan's actuary.

c) Retirement Benefits

The Plan provides a pension of 2.0% for each year of pensionable service based on the average of the highest five consecutive years of pensionable salary. Pensionable earnings after December 31, 1991 are capped to ensure the benefit accrual is not greater than the defined benefit limit under the *Income Tax Act*. The maximum combined pensionable service allowable under the Plan is 35 years.

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

Vested members are entitled to an unreduced pension on service after 1991 if they have either attained age 60, or attained age 55 and the sum of their age and years of combined pensionable service equals 80. Pensions on service after 1991 are reduced if the member is under age 60 and the 80 factor is not attained.

d) Disability Pensions

Unreduced pensions may be payable to members who become totally disabled and retire early with at least five years of combined pensionable service. Reduced pensions may be payable to members who become partially disabled and retire early with at least five years of combined pensionable service.

Individuals who became members after June 30, 2007 and had no combined pensionable service prior to July 1, 2007 are not entitled to disability pensions.

e) Death Benefits

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

f) Termination Benefits and Refunds to Members

Members who terminate with at least five years of combined pensionable service and who are not immediately entitled to a pension may receive a refund of their contributions and interest on service prior to 1992 and the commuted value of their pension for service after 1991, with the commuted value being subject to locking-in provisions. Any service purchased by the member on an elective basis that was wholly funded by the member is not included in the commuted value and is instead refunded as contributions with interest. If the remaining member contributions fund more than 100% of the benefit earned after 1991, that excess is refunded to the member.

Members who terminate with fewer than five years of combined pensionable service receive a refund of their contributions plus interest. The refunds are accounted for as benefit payments on the statement of changes in net assets available for benefits.

g) Purchased Service and Transfers

All elective service purchases are to be cost-neutral to the Plan. The actuarial present value of pension entitlements is paid when service is transferred out of the Plan under a transfer agreement. The cost to recognize service transferred into the Plan under a transfer agreement is the actuarial present value of the benefits that will be created as a result of the transfer.

h) Cost-of-Living Adjustments

Pensions payable are increased each year on January 1st 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. The cost-of-living increase is prorated for pensions that became payable between January 1st and December 31st of the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian accounting standards for pension plans. The Plan has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or pension obligation. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

b) Valuation of Investments

Investments are recorded at fair value. As disclosed in Note 3, the Plan's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Establishment and Maintenance of Pooled Funds, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between the Province of Alberta and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. Alberta Investment Management Corporation (AIMCo), a Crown corporation within the Ministry of Treasury Board and Finance, controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Plan does not report the financial instruments of the pools on its statement of financial position.

The Plan becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its units. The Plan reports its share of the financial risks in Note 4.

The fair value of units held by the Plan is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in units are recorded in the Plan's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Plan's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by AIMCo on the fourth business day following the year end. Differences in valuation estimates provided to Alberta Treasury Board and Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investment income in the following period.

Investments in units of the pools are managed and evaluated on a fair value basis. As such, all investments are designated and recorded in the financial statements at fair value.

Investments in pool units are recorded in the Plan's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

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.

c) Investment Income

(a) Investment income is recorded on an accrual basis.

(b) Investment income is reported in the statement of changes in net assets available for benefits and in Note 8 and includes the following items recorded in the Plan's accounts:

i. Income distributions from the pools, based on the Plan's pro-rata share of total units issued by the pools; and

ii. Changes in fair value of units including realized gains and losses on disposal of units and unrealized gains and losses on units determined on an average cost basis.

d) Investment Expenses

Investment expenses include all amounts incurred by the Plan to earn investment income, (see Note 11). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

e) Valuation of Pension Obligation

The value of the pension obligation and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made at least every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuation uses the projected benefit method pro-rated on service and management's best estimate, as at the measurement date, of various economic and non-economic assumptions.

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 the 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 valuation of the Plan's pension obligation, private investments, hedge funds and real estate investments. Uncertainty arises because:

i) the Plan's actual experience may differ, perhaps significantly, from assumptions used in the extrapolation of the Plan's pension obligation, and

ii) the estimated fair values of the Plan's private investments, hedge funds and real estate investments 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 valuation of the Plan's pension obligation, private investments, hedge funds and real estate investments, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations in the Plan's pension obligation are disclosed as assumptions or other changes and net experience gains or losses in the statement of changes in pension obligation in the year when actual results are known.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

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

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Plan's investments.

g) Income Taxes

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

NOTE 3 INVESTMENTS

The Plan's investments are managed at the asset class level for purposes of evaluating the Plan's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Plan's assets in accordance with the MEPP Investment Policy (IP) approved by the Plan's board. The fair value of the pool units is based on the Plan's share of the net asset value of the pooled fund. The pools have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Plan, and units of the pools, within the ranges approved for each asset class (see Note 4).

($ thousands)

	Fair Value Hierarchy [a]		2021	Fair Value Hierarchy [a]		2020
Asset class	Level 2	Level 3	**Fair Value**	Level 2	Level 3	**Fair Value**
Money market and fixed income						
Deposits and short-term securities	$ 36,547	$ -	$ 36,547	$ 31,200	$ -	$ 31,200
Bonds, mortgages and private debt	438,476	372,651	811,127	286,937	336,242	623,179
	475,023	372,651	847,674	318,137	336,242	654,379
Equities						
Canadian	1,008,018	-	1,008,018	859,595	-	859,595
Foreign	2,279,012	70,451	2,349,463	2,040,379	79,492	2,119,871
Private	4	438,752	438,756	4	200,026	200,030
	3,287,034	509,203	3,796,237	2,899,978	279,518	3,179,496
Inflation sensitive						
Real estate	-	866,436	866,436	-	718,720	718,720
Infrastructure	-	686,051	686,051	-	707,491	707,491
Renewable resources	-	39,916	39,916	-	34,278	34,278
Real return bonds	304,582	-	304,582	299,449	-	299,449
	304,582	1,592,403	1,896,985	299,449	1,460,489	1,759,938
Strategic, tactical and currency investments *	2,541	14,049	16,590	2,960	21,403	24,363
Total investments	$ 4,069,180	$ 2,488,306	$ 6,557,486	$ 3,520,524	$ 2,097,652	$ 5,618,176

* This asset class is not listed separately in the IP as it relates to strategic investments and currency overlays made on an opportunistic and discretionary basis (see Note 4).

a) **Fair Value Hierarchy:** The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Plan as Level 2 may contain investments that might otherwise be classified as Level 1.
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totaling $4,069,180 (2020: $3,520,524).
- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and inflation sensitive investments totaling $2,488,306 (2020: $2,097,652).

Reconciliation of Level 3 Fair Value Measurement

	($ thousands)	
	2021	**2020**
Balance, beginning of year	$ 2,097,652	$ 2,024,030
Investment income (loss) *	428,661	(68,041)
Purchases of Level 3 pooled fund units	332,419	344,783
Sale of Level 3 pooled fund units	(370,426)	(203,120)
Balance, end of year	$ 2,488,306	$ 2,097,652

* Investment income (loss) includes unrealized gains of $290,592 (2020: losses of $177,103).

b) **Valuation of Financial Instruments recorded by AIMCo in the Pools**

The methods used to determine the fair value of investments recorded in the pools are explained in the following paragraphs:

- ***Money market and fixed income:*** Public interest-bearing securities 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 mortgages are valued based on the net present value of future cash flows. Cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans is valued similar to private mortgages.
- ***Equities:*** Public 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. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.
- ***Inflation sensitive:*** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real

NOTE 3 INVESTMENTS CONTINUED

estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and discounted cash flows. Infrastructure investments are valued similar to private equity investments. Real return bonds are valued similar to public interest bearing securities.

- ***Strategic, tactical and currency investments***: The estimated fair value of infrastructure investments held in emerging market countries are valued similar to private equities. For tactical asset allocations, investments in derivative contracts provides overweight or underweight exposure to global equity and bond markets, including emerging markets. Currency investments consist of directly held currency forward and spot contracts.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of pooled investment funds (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on discounted cash flows using current market yields and current forward exchange rates. Futures contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights 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.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity 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. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Plan are clearly outlined in the IP approved by the Board. The purpose of the IP is to ensure the Plan is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The Board manages the Plan’s return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established the following asset mix policy ranges:

Asset Class	Target Asset Policy Mix	Actual Asset Mix 2021 ($ thousands)	2021 %	Actual Asset Mix 2020 ($ thousands)	2020 %
Money market and fixed income	10 - 25%	$ 847,674	12.9	$ 654,379	11.7
Equities	40 - 62%	3,796,237	57.9	3,179,496	56.6
Inflation sensitive	20 - 45%	1,896,985	28.9	1,759,938	31.3
Strategic, tactical and currency investments	(a)	16,590	0.3	24,363	0.4
		$ 6,557,486	100.0	$ 5,618,176	100.0

(a) In accordance with the IP, AIMCo may invest up to 2% of the fair value of the Plan's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at its discretion, invest the funds in currency overlays.

a) Credit Risk

i) Debt securities

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt placements.

The following table summarizes the Plan's investment in debt securities by credit rating at December 31, 2021:

Credit rating	2021	2020
Investment Grade (AAA to BBB-)	68.1%	64.0%
Speculative Grade (BB+ or lower)	2.2%	2.7%
Unrated	29.7%	33.3%
	100.0%	100.0%

ii) Counterparty default risk - derivative contracts

The Plan is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). AIMCo is responsible for selecting and monitoring derivative counterparties on behalf of the Plan. AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Plan. Provisions are in place to allow for termination of the contract should there be a material

NOTE 4 INVESTMENT RISK MANAGEMENT CONTINUED

downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At December 31, 2021, the Plan's share of securities loaned under this program is $206,224 (2020: $249,375) and collateral held totals $224,497 (2020: $267,871). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or bankers' acceptances and bankers' deposit notes. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) Foreign Currency Risk

The Plan is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 39% (2020: 42%) of the Plan's investments, or $2,532,404 (2020: $2,381,595), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 21% (2020: 20%) and the Euro, 5% (2020: 5%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Plan would be approximately 3.9% of total investments (2020: 4.2%).

The following table summarizes the Plan's exposure to foreign currency investments held in the pools at December 31, 2021:

	($ thousands)			
	2021		**2020**	
Currency [(a)]	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$1,407,461	$ (140,746)	$1,147,528	$(114,753)
Euro	295,531	(29,553)	284,497	(28,450)
British pound	170,188	(17,019)	175,381	(17,538)
Japanese yen	127,808	(12,781)	131,436	(13,144)
Hong Kong dollar	103,757	(10,375)	111,450	(11,145)
Other foreign currency	427,659	(42,766)	531,303	(53,130)
Total foreign currency investments	$2,532,404	$ (253,240)	$2,381,595	$(238,160)

(a) Information on specific currencies is disclosed when the current year fair value is greater than 1% of the Plan's net assets.

c) Interest Rate Risk

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest-bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 1.3% of total investments (2020: 1.2%).

d) Price Risk

Price risk relates to the possibility that pools units will change in value due to future fluctuations in market prices of equities held in the pools caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan is exposed to price risk associated with the underlying equity investments held in pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 6.4% of total investments (2020: 5.2%).

e) Liquidity Risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions, and by investing in pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, renewable resources, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. These sources of cash are used to pay pension benefits and operating expenses, purchase new investments, settle derivative transactions with counterparties and margin calls on futures contracts. The Plan's future liabilities include the accrued pension benefits obligation and exposure to net payables to counterparties (Note 4f).

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Plan has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Plan's Indirect Share ($ thousands)	
By counterparty	Number of counterparties	**2021**	**2020**
Contracts in net favourable position (current credit exposure)	161	$ 94,127	$ 116,193
Contracts in net unfavourable position	12	(49,297)	(39,261)
Net fair value of derivative contracts	173	$ 44,830	$ 76,932

NOTE 4 INVESTMENT RISK MANAGEMENT CONTINUED

(i) Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a net favourable position totaling $94,127 (2020: $116,193) were to default at once.

(ii) Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

(iii) Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

	Plan's Indirect Share ($ thousands)	
Types of derivatives used in pools	**2021**	**2020**
Equity-based derivatives	$ 34,398	$ 47,724
Foreign currency derivatives	7,132	28,802
Interest rate derivatives	680	(1,359)
Credit risk derivatives	2,620	1,765
Net fair value of derivative contracts	$ 44,830	$ 76,932

(i) Equity derivatives are structured to receive income from counterparties based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount in exchange for floating rate interest paid to the counterparty. Floating rate notes are held in equity pools to provide floating rate interest to support the pay leg of the equity derivatives. Rights, warrants, futures and options are also included as structured equity replication derivatives.

(ii) Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(iii) Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

(iv) Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

(v) At December 31, 2021, deposits in futures contracts margin accounts totaled $22,795 (2020: $18,898). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $51,400 (2020: $45,910) and $nil (2020: $nil).

NOTE 5 PENSION OBLIGATION

a) Actuarial Valuation and Extrapolation Assumptions

An actuarial valuation of the Plan was carried out as at December 31, 2020 by Aon and was then extrapolated to December 31, 2021.

The actuarial assumptions used in determining the value of the pension obligation of $5,209,564 (2020: $4,808,266) reflect management's best estimate, as at the measurement date, of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, inflation rate and salary escalation rate. The discount rate is determined by taking the plan specific asset allocation and applying the expected long term asset returns determined by an independently developed investment model; less expected plan investment expenses; and an additive for diversification and rebalancing. It does not assume a return for active management beyond the passive benchmark.

The major assumptions used for accounting purposes were:

	2021	2020
	%	
Discount rate	5.50	5.90
Inflation rate	2.00	2.00
Salary escalation rate*	3.00	3.00
Mortality rate	2014 Canadian Pension Mortality Table (Public Sector)	

* In addition to age specific merit and promotion increase assumptions.

The next actuarial valuation of the Plan is expected to be completed as at December 31, 2023. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2024.

b) Net Experience Gains

Net experience gains of $32,236 (2020: $nil) reflect the results of the valuation as at December 31, 2020 extrapolated to December 31, 2021.

c) Sensitivity of Changes in Major Assumptions

The Plan's future experience will differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. 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 Plan.

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2021:

	($ thousands)		
	Changes in Assumptions	**Increase in Plan Deficiency**	**Increase in Current Service Cost as a % of Pensionable Earnings ***
	%	$	
Inflation rate increase holding discount rate and salary escalation assumptions constant	1.0	388,400	2.1
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1.0	58,600	1.0
Discount rate decrease holding inflation rate and salary escalation assumptions constant	(1.0)	740,300	5.4

* The current service cost of accruing benefits (including 0.4% allowance for administration expenses) as a percentage of pensionable earnings is 25.8% at December 31, 2021.

NOTE 6 SURPLUS

	($ thousands) 2021	2020
Surplus at beginning of year	$ 809,850	$ 1,008,135
Increase (decrease) in net assets available for benefits	939,608	(17,452)
Net increase in pension obligation	(401,298)	(180,833)
Surplus at end of year	$ 1,348,160	$ 809,850

NOTE 7 CONTRIBUTIONS

	($ thousands) 2021	2020
Current service		
Employers	$ 76,301	$ 77,556
Employees	71,736	74,908
Past service		
Employers	373	611
Employees	1,339	1,839
	$ 149,749	$ 154,914

NOTE 8 INVESTMENT INCOME

The following is a summary of the Plan's investment income (loss) by asset class:

($ thousands)

	Income	Change in Fair Value	2021 Total	Income	Change in Fair Value	2020 Total
Money market and fixed income	$ 26,333	$ (16,875)	$ 9,458	$ 43,401	$ 13,492	$ 56,893
Equities						
Canadian	197,571	54,593	252,164	(3,865)	18,433	14,568
Foreign	376,620	57,970	434,590	113,193	20,086	133,279
Private	23,050	121,986	145,036	18,503	(27,598)	(9,095)
	597,241	234,549	831,790	127,831	10,921	138,752
Inflation sensitive						
Real estate	10,600	104,067	114,667	18,107	(114,339)	(96,232)
Infrastructure	59,024	99,097	158,121	25,444	(12,397)	13,047
Renewable resources	2,442	(810)	1,632	441	(1,663)	(1,222)
Real return bonds	19,160	(13,717)	5,443	8,002	28,590	36,592
	91,226	188,637	279,863	51,994	(99,809)	(47,815)
Strategic, tactical and currency investments	6,360	(8,428)	(2,068)	8,878	(12,940)	(4,062)
	$ 721,160	$ 397,883	$ 1,119,043	$ 232,104	$ (88,336)	$ 143,768

The change in fair value includes realized and unrealized gains and losses on pool units and currency hedges. Realized and unrealized gains and losses on pool units total $62,398 and $336,235 respectively (2020: $6,215 and $(91,051) respectively). Realized and unrealized gains and losses on currency hedges total $(1,442) and $692 respectively (2020: $(2,519) and $(981) respectively).

Income earned in pooled investment funds is distributed to the Plan daily based on the Plan's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis and income and expense on derivative contracts. Interest income earned on CCITF balance is included in income.

NOTE 9 INVESTMENT RETURNS, CHANGE IN NET ASSETS AND PENSION OBLIGATION

The following is a summary of investment returns (losses), and the annual change in net assets compared to the annual change in the pension obligation and the per cent of pension obligation supported by net assets:

	2021	2020	2019	2018	2017
			%		
Increase in net assets attributed to:					
Investment income					
Policy benchmark return on investments	11.9	9.5	13.3	0.6	9.2
Value added (lost) by AIMCo	7.2	(7.4)	(0.8)	0.5	0.9
Time weighted rate of return, at fair value [(a)]	**19.1**	**2.1**	**12.5**	**1.1**	**10.1**
Other sources [(b)]	(2.4)	(2.4)	(1.1)	(0.7)	(0.8)
Per cent change in net assets [(c)]	**16.7**	**(0.3)**	**11.4**	**0.4**	**9.3**
Per cent change in pension obligation [(c)]	**8.4**	**3.9**	**5.4**	**5.2**	**(0.9)**
Per cent of pension obligation supported by net assets	**126**	**117**	**122**	**115**	**121**

(a) All investment returns are provided by AIMCo and are net of investment expenses. The annualized total return and policy benchmark return (PBR) on investments over five years is 8.8% (PBR: 8.8%), ten years is 9.9% (PBR: 9.5%) and twenty years is 7.6% (PBR: 7.4%). The Plan's actuary estimates the long-term net investment return on assets for funding purposes to be 5.2% (2020: 5.2%).

(b) Other sources includes employee and employer contributions and transfers from other plans, net of benefit payments, transfers to other plans and administration expenses.

(c) The percentage change in net assets and the pension obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in pension obligation.

NOTE 10 BENEFIT PAYMENTS

	($ thousands)	
	2021	**2020**
Retirement benefits	$ 242,932	$ 232,357
Disability pensions	264	262
Termination benefits	17,502	43,090
Death benefits	5,495	5,704
	$ 266,193	$ 281,413

NOTE 11 INVESTMENT EXPENSES

	($ thousands) 2021	2020
Amounts charged by AIMCo for:		
Investment costs [a]	$ 24,891	$ 23,834
Performance based fees [a]	35,043	8,201
GST [b]	-	854
	59,934	32,889
Amounts charged by Treasury Board and Finance for :		
Investment accounting and Plan reporting	52	52
Total investment expenses	$ 59,986	$ 32,941
Increase (decrease) in expenses [a]	82.1%	(19.8%)
Increase in average investments under management	8.3%	5.3%
Increase (decrease) in value of investments attributed to AIMCo	7.2%	(7.4%)
Investment expenses as a percent of dollar invested	1.0%	0.6%
Investment expenses per member (in dollars)	$ 4,830	$ 2,665

(a) Investment expenses are charged by AIMCo on a cost-recovery basis. Please refer to AIMCo's financial statements for a more detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance based fees relate to external managers hired by AIMCo.

The per cent increase (decrease) in investment costs and performance based fees is 87.1% (2020: (19.3%)).

(b) AIMCo ceased charging GST to the Plan during the previous year.

NOTE 12 ADMINISTRATIVE EXPENSES

	($ thousands) 2021	2020
General administration costs	$ 2,069	$ 2,117
Board costs	29	38
Actuarial fees	123	26
Other professional fees	240	149
	2,461	2,330
Member service expenses per member (in dollars)	$ 198	$ 189

General Administration and the Board costs were paid to Alberta Pensions Services Corporation (APS) on a cost-recovery basis.

The Plan's share of APS's operating and plan specific costs was based on cost allocation policies approved by the President of Treasury Board and Minister of Finance.

NOTE 13 TOTAL PLAN EXPENSES

Total Plan expenses of investment expenses per Note 11 and administrative expenses per Note 12 are $62,447 (2020: $35,271) or $5,028 (2020: $2,854) per member (in dollars) and 0.95% (2020: 0.63%) of net assets under administration.

NOTE 14 CAPITAL

The Plan defines its capital as the funded status. In accordance with the *Public Sector Pension Plans Act*, the actuarial surplus or deficit is determined by an actuarial funding valuation performed, at a minimum, every three years. The objective is to ensure that the Plan is fully funded over the long term through the management of investments, contribution rates and benefits. Investments, the use of derivatives and leverage are based on an asset mix and risk policies and procedures that are designed to enable the Plan to meet or exceed its long-term funding requirement within an acceptable level of risk, consistent with the Plan's IP approved by the Board.

The Plan's asset values are determined on the fair value basis for accounting purposes. However, for funding valuation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset values for funding valuation purposes amounted to $5,944,565 at December 31, 2021 (2020: $5,583,883).

In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiency determined by the December 31, 2018 actuarial funding valuation is funded by special payments totaling 4.96% of pensionable earnings shared between employees and employers until December 31, 2019 and 0.00% thereafter.

NOTE 15 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Treasury Board and Finance based on information provided by APS, AIMCo and the Plan's actuary, and after consultation with the Board.

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Provincial Judges And Masters In Chambers Registered And (Unregistered) Pension Plan

Financial Statements
March 31, 2022

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Independent Auditor's Report

Auditor General OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of the Provincial Judges and Masters in Chambers Registered Pension Plan and the Provincial Judges and Masters in Chambers Unregistered Plan (the Plans), which comprise the statements of financial position as at March 31, 2022, and the statements of changes in net assets available for benefits and changes in pension obligation for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plans as at March 31, 2022, and the changes in the Plans' net assets available for benefits and changes in the Plans' pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Plans in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plans' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plans' financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plans' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plans' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Plans to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 10, 2022
Edmonton, Alberta

Statements of Financial Position

As at March 31, 2022

	Registered Plan Note 1a ($ thousands)		Unregistered Plan Note 1a ($ thousands)	
	2022	**2021**	**2022**	**2021**
Net assets available for benefits				
Assets				
Cash and cash equivalents (Note 3)	$ -	$ -	$ -	$ 355
Investments (Note 4)	174,415	166,325	-	-
GST receivable	-	5	-	-
Other receivable	994	118	81	-
Income tax refundable	-	-	10,847	18,652
Due from Reserve Fund (Note 6)	-	-	255,982	234,079
Total assets	175,409	166,448	266,910	253,086
Liabilities				
Accounts payable	48	346	181	1,089
Total liabilities	48	346	181	1,089
Net assets available for benefits	$ 175,361	$ 166,102	$ 266,729	$ 251,997
Pension obligation and surplus				
Pension Obligation (Note 7)	175,008	168,955	260,645	245,902
Surplus (deficit) (Note 8)	353	(2,853)	6,084	6,095
Pension obligation and surplus	$ 175,361	$ 166,102	$ 266,729	$ 251,997

The accompanying notes are part of these financial statements.

Statements of Changes in Net Assets Available for Benefits

Year ended March 31, 2022

	Registered Plan ($ thousands)		Unregistered Plan ($ thousands)	
	2022	**2021**	**2022**	**2021**
Increase in assets				
Contributions (Note 9)				
Employers	$ 4,550	$ 3,597	$ 1,178	$ 1,228
Employees	1,374	1,283	1,164	1,223
Province of Alberta	116	-	-	-
Investment income (Note 10)				
Income	14,133	15,303	152	18
Increase in fair value	-	10,262	-	-
Transfers from the Reserve Fund	-	-	961	11,980
Increase in due from Reserve Fund	-	-	21,903	32,559
	20,173	30,445	25,358	47,008
Decrease in assets				
Benefit payments (Note 12)	9,302	9,136	10,380	9,568
Investment loss (Note 10)				
Decrease in fair value	289	-	-	-
Investment expenses (Note 13)	1,083	857	25	22
Administrative expenses (Note 14)	240	209	221	181
	10,914	10,202	10,626	9,771
Increase in net assets	9,259	20,243	14,732	37,237
Net assets available for benefits at beginning of year	166,102	145,859	251,997	214,760
Net assets available for benefits at end of year	$ 175,361	$ 166,102	$ 266,729	$ 251,997

The accompanying notes are part of these financial statements.

Statements of Changes in Pension Obligation

Year ended March 31, 2022

	Registered Plan ($ thousands)		Unregistered Plan ($ thousands)	
	2022	**2021**	**2022**	**2021**
Increase in pension obligation				
Interest accrued on benefits	$ 7,355	$ 7,510	$ 11,084	$ 10,981
Benefits earned	5,711	4,724	11,188	11,025
Increase due to actuarial assumption changes	1,982	12,645	3,212	-
Net experience losses	307	815	-	-
	15,355	25,694	25,484	22,006
Decrease in pension obligation				
Benefits, transfers and interest	9,302	9,136	10,380	9,568
Decrease due to actuarial assumption changes	-	-	-	240
Net experience gains	-	-	361	15,147
	9,302	9,136	10,741	24,955
Net increase (decrease) in pension obligation	6,053	16,558	14,743	(2,949)
Pension obligation at beginning of year	168,955	152,397	245,902	248,851
Pension obligation at end of year (Note 7)	$ 175,008	$ 168,955	$ 260,645	$ 245,902

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

March 31, 2022

(all dollar amounts in thousands, unless otherwise stated)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Provincial Judges and Masters in Chambers Registered Pension Plan (Registered Plan) and the Provincial Judges and Masters in Chambers Unregistered Pension Plan (Unregistered Plan) is a summary only. The Registered Plan and the Unregistered Plan, collectively, are contributory defined benefit plans for provincial court judges appointed under the *Provincial Court Act* and masters in chambers appointed under the *Court of Queen's Bench Act.* For a complete description of the plans, reference should be made to the *Provincial Judges and Masters in Chambers Registered and Unregistered Pension Plans Alberta Regulation 196/2001,* as amended, which is established pursuant to the *Provincial Court Act*, Revised Statutes of Alberta 2000, Chapter P-31, and the *Court of Queens Bench Act*, Revised Statutes of Alberta 2000, Chapter F-12 and the *Interpretation Act,* Revised Statutes of Alberta 2000, Chapter I-8. The plans are administered and accounted for by the Province of Alberta (Province) separately; however, the regulation allows for the financial reporting of both plans to be combined within the same report.

a) General

The plans were established with effect from April 1, 1998. The Registered Plan provides, to members, benefits up to the maximum allowed for registered pension plans under federal tax rules. It is a registered pension plan as defined in the *Income Tax Act* and the registration number is 0927764. The Unregistered Plan which provides, to members, benefits in excess of those limits, is a Retirement Compensation Arrangement (RCA) under the *Income Tax Act*. The Registered Plan and The Unregistered Plan are financed by contributions from members and the Province as well as investment earnings. Due to the tax treatment of the RCA, contributions from the RCA are not large enough to provide for all of the expected future benefit payments from the Unregistered Plan. As a result, the Province has established the Provincial Judges and Masters in Chambers Reserve Fund (Reserve Fund) (see Note 6) to collect contributions from the Province. These contributions are provided by the Ministry of Justice and Solicitor General. The President of Treasury Board and Minister of Finance is the legal trustee of both plans and Alberta Treasury Board and Finance is management of both plans for the purpose of these financial statements.

b) Funding Policy

The Registered Plan current service costs are funded by the Province and members at rates which are expected to provide for all benefits payable under the Registered Plan. The rates in effect at March 31, 2022 are 7.00% (2021: 7.00%) of capped salary for members and 22.99% (2021: 19.56%) of capped salary *for* the Province. The rates are reviewed at least once every three years by the Province based on recommendations of the Plan's actuary.

The Unregistered Plan contribution rates in effect at March 31, 2022 are unchanged at 7.0% of pensionable salary in excess of capped salary for members and 7.0% of the excess salary for the Province. The contribution rate for the Province must equal or exceed the rate payable by members and is set by the President of Treasury Board, Minister of Finance, taking into account recommendations of the 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.

The current service costs funded by the Province to the Reserve Fund are contributed at a rate of 56.76% (2021: 43.25%) of salary in excess of capped salary. In addition, annual payments by the Province to the Reserve Fund of $684 (2021: $703) are made towards the unfunded liability of the Unregistered Plan.

c) Retirement Benefits

The Registered Plan provides for a pension of 2.0% for each year of pensionable service based on the average of the highest five consecutive years of pensionable salary for retirements prior to April 1, 2006 and three consecutive years for retirements subsequent to March 31, 2006. Pensionable earnings after December 31, 1991 are capped at the maximum pensionable salary limit. The capped salary is set to ensure the benefit accrual is not greater than the defined limit under the *Income Tax Act*.

The maximum benefit accrual percentage allowable under the Registered Plan and Unregistered Plan is 70%. Together the Registered Plan and Unregistered Plan provide a pension based on 2.0% of a member's highest average salary for years of pensionable service before April 1, 1998; 2.67% of a member's highest average salary for years of pensionable service between April 1, 1998 to March 31, 2000; and 3.0% of a member's highest average salary for years of pensionable service after March 31, 2000.

Members who terminated after March 31, 1998 are entitled to an unreduced pension on service after 1991 and before April 1,1998 if they are vested and have attained the age of 55 years with the sum of his or her age and judicial service amounting to at least 80 years, or have attained the age of 60 years.

Members who terminate after March 31, 1998 are entitled to an unreduced pension on service if they are vested and have attained the age 60 and the sum of their age and service equals 80. Pensions are reduced at the later of age 60 or 80 factor or latest pension commencement date. The 80-factor requirement does not apply to members from December 31 in the year the member attained age 71.

d) Disability Pensions

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

e) Death Benefits

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

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN CONTINUED

f) Termination Benefits

Members who terminate and are non-vested receive a refund of their own contributions plus interest.

Vested members who terminate and are not immediately entitled to a pension may apply for a deferred pension.

g) Province of Alberta's Liability for Benefits

Benefits are payable by the Province if assets are insufficient to pay for all benefits under the plans.

h) Cost-of-Living Adjustments

Pensions payable are increased each year on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index for persons who terminated before April 1, 2009. For persons who terminated after March 31, 2009, pensions payable are increased each year on January 1st by an amount equal to 100% of the increase in the Alberta Consumer Price Index. The cost-of-living increase is prorated for pensions that became payable between January 1st and December 31st of the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian accounting standards for pension plans. Both plans have elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to the investment portfolio or pension obligations. The statements provide information about the net assets available in both plans to meet future benefit payments and are prepared to assist members and others in reviewing the activities for the year.

b) Valuation of Investments

Investments are recorded at fair value. As disclosed in Note 4, the Plan's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Establishment and Maintenance of Pooled Funds, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between Alberta Investment Management Corporation (AIMCo), a Crown corporation within the Ministry of Treasury Board and Finance, and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. AIMCo controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Registered Plan does not report the financial instruments of the pools on its statement of financial position.

The Registered Plan becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its units. The Registered Plan reports its share of the financial risks in Note 5.

The fair value of units held by the Registered Plan is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 4b). Investments in units are recorded in the Registered Plan's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Registered Plan's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by AIMCo on the fourth business day following the year end. Differences in valuation estimates provided to Treasury Board and Finance after the year end cut-off date are reviewed by management. Differences considered immaterial by management are included in investment income in the following period.

Investments in pool units are recorded in the Registered Plan's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

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.

c) Investment Income

(a) Investment income is recorded on an accrual basis.

(b) Investment income is reported in the statement of changes in net assets available for benefits and in Note 10 and includes the following items recorded in the Registered Plan's accounts:

i. Income distributions from the pools, based on the Registered Plan's pro-rata share of total units issued by the pools; and

ii. Changes in fair value of units including realized gains and losses on disposal of units and unrealized gains and losses on units determined on an average cost basis.

d) Investment Expenses

Investment expenses include all amounts incurred by the Registered Plan to earn investment income (see Note 13). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

e) Value of Pension Obligation

The value of the pension obligations and changes therein during the year are based on actuarial valuations prepared by an independent firm of actuaries. The valuations are made at least every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuations use the projected benefit method pro-rated on service and management's best estimate, as at the measurement dates, of various economic and non-economic assumptions.

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 valuation of the pension obligations, private investments, hedge funds and private real estate investments. Uncertainty arises because:

i) actual experience may differ, perhaps significantly, from assumptions used in the calculation of the pension obligations, and

ii) the estimated fair values of the private investments, hedge funds, renewable resources and private real estate investments 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 valuation of the pension obligations, private investments, hedge funds, renewable resources and real estate investments, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations in the pension obligations are disclosed as net experience gains or losses in the statements of changes in pension obligation in the year when actual results are known.

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

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Registered Plan's investments.

g) Income Taxes

The Registered Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

The Unregistered Plan is a RCA as defined in the *Income Tax Act*. Refundable income tax is remitted on any cash contributions from eligible employees and designated employers and net investment income received at the rate of 50%. Refundable income tax is returned to the Unregistered Plan at the same rate when pension benefit payments are made to members and beneficiaries.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of deposits in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The CCITF is a pool comprised of short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2022, securities held by the CCITF have a time weighted rate of return of 0.2% per annum (2021: 0.4% per annum).

NOTE 4 INVESTMENTS

The Registered Plan's investments are managed at the asset class level for purposes of evaluating the Registered Plan's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Registered Plan's assets in accordance with the Statement of Investment Policies and Goals (SIP&G) approved by the Judges' Pension Plans Investment Committee (the Investment Committee). The fair value of the pool units is based on the Registered Plan's share of the net asset value of the pooled fund. The pools have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Registered Plan, and units of the pools, within the ranges approved for each asset class (see Note 5).

($ thousands)

	Fair Value Hierarchy [(a)]		2022	Fair Value Hierarchy [(a)]		2021
Asset class	Level 2	Level 3	**Fair Value**	Level 2	Level 3	**Fair Value**
Fixed income securities						
Deposits and short-term securities	$ 992	$ -	$ 992	$ 1,167	$ -	$ 1,167
Bonds, mortgages and private debt	46,799	9,922	56,721	46,409	9,095	55,504
	47,791	9,922	57,713	47,576	9,095	56,671
Equities						
Canadian	27,914	-	27,914	25,682	-	25,682
Global	45,053	1,524	46,577	42,749	1,749	44,498
	72,967	1,524	74,491	68,431	1,749	70,180
Inflation sensitive						
Real estate	-	26,412	26,412	-	25,626	25,626
Infrastructure	-	13,282	13,282	-	11,756	11,756
Renewable resources	-	1,927	1,927	-	1,313	1,313
	-	41,621	41,621	-	38,695	38,695
Strategic and currency investments*	1	589	590	(23)	802	779
Total investments	$ 120,759	$ 53,656	$ 174,415	$ 115,984	$ 50,341	$ 166,325

* This asset class is not listed separately in the SIP&G as it relates to strategic investments and currency overlays made on an opportunistic and discretionary basis (see Note 5).

a) Fair Value Hierarchy:

The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

NOTE 4 INVESTMENTS CONTINUED

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Registered Plan as Level 2 may contain investments that might otherwise be classified as Level 1.
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totalling $120,759 (2021: $115,984).
- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, and inflation sensitive investments totalling $53,656 (2021: $50,341).

Reconciliation of Level 3 Investments

	($ thousands) 2022	2021
Balance, beginning of year	$ 50,341	$ 50,580
Investment income (loss) *	6,177	(802)
Purchases of Level 3 pooled fund units	4,471	5,063
Sale of Level 3 pooled fund units	(7,333)	(4,500)
Balance, end of year	$ 53,656	$ 50,341

* Investment income (loss) includes unrealized gains of $3,084 (2021: losses of $2,930).

b) Valuation of Financial Instruments recorded by AIMCo in the Pools

The methods used to determine the fair value of investments recorded in the pools are explained in the following paragraphs:

- ***Fixed income securities:*** Public interest-bearing securities 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 mortgages are valued based on the net present value of future cash flows discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans is valued similar to private mortgages.
- ***Equities:*** Public 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. The fair value of hedge fund investments is estimated by external managers.
- ***Inflation sensitive:*** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows. The fair value of infrastructure is estimated by managers or general partners of infrastructure funds, pools and limited partnerships. The fair value of renewable resources investments is appraised annually by independent third party evaluators. Valuation methods may encompass a broad range of approaches.

The cost approach is used to value companies without either profits or cash flows. More established investments are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.

- ***Strategic and currency investments:*** The estimated fair value of infrastructure investments held in emerging market countries are valued similar to inflation sensitive infrastructure investments. Currency investments consists of directly held currency forward and spot contracts.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of pools (see Note 5f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on differences between contractual foreign exchange rates and foreign exchange forward rates. Futures contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights 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.

NOTE 5 INVESTMENT RISK MANAGEMENT

The Registered Plan is exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity 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. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Registered Plan will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Registered Plan are clearly outlined in the SIP&G approved by the Investment Committee. The purpose of the SIP&G is to ensure the Registered Plan is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The Investment Committee manages the Registered Plan's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5b).

NOTE 5 INVESTMENT RISK MANAGEMENT CONTINUED

Actuarial liabilities of the Registered Plan are primarily affected by the long-term real rate of return expected to be earned on investments. In order to earn the best possible return at an acceptable level of risk, the Investment Committee has established the following target policy asset mix:

Asset Class	Target Policy Asset Mix	Actual Asset Mix 2022 ($ thousands)	2022 %	Actual Asset Mix 2021 ($ thousands)	2021 %
Fixed income securities	30 - 45%	$ 57,713	33.1	$ 56,671	34.1
Equities	30 - 50%	74,491	42.7	70,180	42.2
Inflation sensitive	15 - 35%	41,621	23.9	38,695	23.2
Strategic and currency investments	(a)	590	0.3	779	0.5
		$ 174,415	100.0	$ 166,325	100.0

(a) In accordance with the SIP&G, AIMCo may invest up to 5% of the fair value of the Registered Plan's investments in opportunistic investments that are outside of the asset classes listed above. AIMCo may, at its discretion, use currency overlays to an economic exposure limit of 5% of the market value of the Registered Plan.

a) Credit Risk

i) Debt securities

The Registered Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 4 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt placements.

The following table summarizes the Registered Plan's investment in debt securities by credit rating at March 31, 2022:

Credit rating	2022	2021
Investment Grade (AAA to BBB-)	83.1%	80.7%
Speculative Grade (BB+ or lower)	2.0%	2.8%
Unrated	14.9%	16.5%
	100.0%	100.0%

ii) Counterparty default risk - derivative contracts

The Registered Plan is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 5f). AIMCo is responsible for selecting and monitoring derivative counterparties on behalf of the Plan. AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Registered Plan. Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Registered Plan's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At March 31, 2022, the Registered Plan's share of securities loaned under this program is $3,121 (2021: $2,989) and collateral held totals $3,338 (2021: $3,193). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or a bank-issued letter of credit. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) Foreign Currency Risk

The Registered Plan is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 30% (2021: 29%) of the Registered Plan's investments, or $52,223 (2021: $48,643), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 19% (2021: 16%) and the Euro, 4% (2021: 4%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss in fair value to the Registered Plan would be approximately 3.0% of total investments (2021: 2.9%).

The following table summarizes the Registered Plan's exposure to foreign currency investments held in the pools at March 31, 2022:

	($ thousands)			
	2022		**2021**	
Currency [a]	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 32,860	$ (3,286)	$ 26,280	$ (2,628)
Euro	6,474	(647)	6,476	(648)
British pound	3,681	(368)	3,851	(385)
Japanese yen	2,691	(269)	2,864	(286)
Other foreign currency	6,517	(652)	9,172	(917)
Total foreign currency investments	$ 52,223	$ (5,222)	$ 48,643	$ (4,864)

[a] Information on specific currencies is disclosed when the current year fair value is greater than 1% of the Registered Plan's total investments.

NOTE 5 INVESTMENT RISK MANAGEMENT CONTINUED

c) Interest Rate Risk

The Registered Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the fair value of investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Registered Plan would be approximately 2.1% (2021: 2.1%) of total investments.

d) Price Risk

Price risk relates to the possibility that pool units will change in fair value due to future fluctuations in market prices of equities held in the pools caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Registered Plan is exposed to price risk associated with the underlying equity investments held in pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss in fair value to the Registered Plan would be approximately 4.3% of total investments (2021: 4.9%). Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

e) Liquidity Risk

Liquidity risk is the risk that the Registered Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Registered Plan are met through income generated from investments, employee and employer contributions, and by investing in units of pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate and infrastructure are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. The sources of cash are used to pay pension benefits and operating expenses, purchase new investments, settle derivative transactions with counterparties and margin calls on futures contracts. The Registered Plan's future liabilities include the accrued pension benefits obligation and exposure to net payables to counterparties (Note 5f).

f) Use of Derivative Financial Instruments in Pooled Investment Funds

The Registered Plan has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Plan's Indirect Share ($ thousands)	
By counterparty	Number of counterparties	2022	2021
Contracts in net favourable position (current credit exposure)	177	$ 2,500	$ 2,086
Contracts in net unfavourable position	7	(960)	(993)
Net fair value of derivative contracts	184	$ 1,540	$ 1,093

(i) Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a net favourable position totaling $2,500 (2021: $2,086) were to default at once.

(ii) Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

(iii) Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 5. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

	Plan's Indirect Share ($ thousands)	
Types of derivatives used in pools	**2022**	**2021**
Equity-based derivatives	$ 847	$ 378
Foreign currency derivatives	346	539
Interest rate derivatives	294	143
Credit risk derivatives	53	33
Net fair value of derivative contracts	$ 1,540	$ 1,093

(i) Equity-based derivatives include equity swaps. Equity swaps are contracts where one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument. Rights, warrants, futures and options are also included as equity-based derivatives.

(ii) Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(iii) Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

(iv) Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

(v) At March 31, 2022, deposits in futures contracts margin accounts totaled $975 (2021: $890). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $1,619 (2021: $1,738) and $nil (2021: $nil).

NOTE 6 DUE FROM RESERVE FUND

The Provincial Judges and Masters in Chambers Reserve Fund is established to collect contributions from the Province and to invest the funds, which are set aside to meet future benefit payments of the Unregistered Plan. Separate financial statements are prepared for the Reserve Fund and can be found in the Ministry of Alberta Treasury Board and Finance Annual Report. The table below summarizes the net assets of the Reserve Fund at March 31.

NOTE 6 DUE FROM RESERVE FUND CONTINUED

	($ thousands) 2022	2021
Interest-bearing securities	$ 103,382	$ 97,895
Public equities	103,649	95,986
Alternatives	47,129	38,700
Strategic currency investments	612	795
Receivable from the Province of Alberta	684	703
Interest receivable from Province of Alberta	28	-
Accounts Receivable	498	-
	$ 255,982	$ 234,079

During the year, net assets of the Reserve Fund increased by $21,903 (2021: $32,559), comprised of employer contributions of $7,398 (2021 $8,386), investment income of $16,385 (2021: income of $37,205), interest income $28 (2021: $nil), accounts receivable of $498 (2021: $nil), less investment expenses of $1,445 (2021: $1,052), and transfers of $961 (2021: $11,980).

NOTE 7 PENSION OBLIGATION

a) Actuarial Valuation and Extrapolation Assumptions

Actuarial valuations of both plans were carried out as at March 31, 2021 by George and Bell Consulting and the results were then extrapolated to March 31, 2022. The next valuations of the plans will be carried out as at March 31, 2024. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the plans and will be accounted for as gains or losses in 2025.

The Registered Plan

The actuarial assumptions used in determining the value of the pension obligation of $175,008 (2021: $168,955) reflect management's best estimate, as at the valuation and extrapolation date, of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality, withdrawal and retirement rates. The primary economic assumptions include the discount rate, inflation rate, and the salary escalation rate. The discount rate is based on the average from a consistent modeled investment rate of return, net of investment expenses, and an additive for diversification and rebalancing. It does not assume a return for active management beyond the passive benchmark.

The major assumptions used for accounting purposes were:

	2022 %	2021 %
Discount rate	4.30	4.40
Inflation rate	2.00	2.00
Salary escalation rate	3.00	3.00
Mortality rate	2014 Canadian Pension Mortality Table (Public Sector)	

The Unregistered Plan

The major assumptions used in the actuarial extrapolation to March 31, 2022 to determine the pension obligation of $260,645 (2021: $245,902) were the same as those used in the extrapolation of the Registered Plan except for the investment rate of return which was assumed to be 4.4% per annum (2021: 4.5%).

Net Experience Gains/Losses

The Registered Plan net experience losses of $307 (2021: losses $815) reflect the results of the valuation as at March 31, 2021 extrapolated to March 31, 2022.

The Unregistered Plan net experience gains of $361 (2021: gains $15,147) reflect the results of the valuation as at March 31, 2021 extrapolated to March 31, 2022.

b) Sensitivity of Changes in Major Assumption

The Registered Plan's future experience will 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 plan.

The following is a summary of the sensitivities of the Registered Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation as at March 31, 2022:

	Sensitivities		
	Changes in Assumptions	Decrease in Plan Surplus	Increase in Current Service Cost*
	%	*($ millions)*	
Inflation rate increase holding discount rate and salary escalation assumptions constant	1.0%	$16.6	3.8%
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1.0%	$0.0	0.0%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	$22.1	6.8%

* As a % of capped pensionable earnings

The following is a summary of the sensitivities of the Unregistered Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation as at March 31, 2022:

	Sensitivities		
	Changes in Assumptions	Decrease in Plan Surplus	Increase in Current Service Cost*
	%	*($ millions)*	
Inflation rate increase holding discount rate and salary escalation assumptions constant	1.0%	$28.1	8.0%
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1.0%	$7.9	6.0%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	$35.9	13.9%

* As a % of excess pensionable earnings

NOTE 8 SURPLUS (DEFICIT)

	Registered Plan ($ thousands)		Unregistered Plan ($ thousands)	
	2022	**2021**	**2022**	**2021**
(Deficit) surplus at beginning of year	$ (2,853)	$ (6,538)	$ 6,095	$ (34,091)
Increase in net assets available for benefits	9,259	20,243	14,732	37,237
Net (increase) decrease in pension obligation	(6,053)	(16,558)	(14,743)	2,949
Surplus (deficit) at end of year	$ 353	$ (2,853)	$ 6,084	$ 6,095

NOTE 9 CONTRIBUTIONS

	Registered Plan ($ thousands)		Unregistered Plan ($ thousands)	
	2022	**2021**	**2022**	**2021**
Current service				
Employer	$ 4,550	$ 3,597	$ 1,178	$ 1,228
Employees	1,374	1,283	1,164	1,223
Province of Alberta	116	-	-	-
	$ 6,040	$ 4,880	$ 2,342	$ 2,451

NOTE 10 INVESTMENT INCOME

The following is a summary of the Registered Plan's investment income (loss) by asset class:

	($ thousands)					
	Income	**Change in Fair Value**	**2022**	**Income**	**Change in Fair Value**	**2021**
Fixed income securities	$ 1,592	$ (3,525)	$ (1,933)	$ 4,247	$ (1,550)	$ 2,697
Equities						
Canadian	5,290	330	5,620	3,975	6,467	10,442
Foreign	5,005	(527)	4,478	6,244	8,043	14,287
	10,295	(197)	10,098	10,219	14,510	24,729
Inflation sensitive						
Real estate	1,174	2,624	3,798	(104)	(1,651)	(1,755)
Infrastructure	890	944	1,834	403	(518)	(115)
Renewable resources	41	24	65	50	(86)	(36)
	2,105	3,592	5,697	349	(2,255)	(1,906)
Strategic and currency investments	141	(159)	(18)	488	(443)	45
	$ 14,133	$ (289)	$ 13,844	$ 15,303	$ 10,262	$ 25,565

The change in fair value includes realized and unrealized gains and losses on pool units and currency hedges. Realized and unrealized gains and losses on pool units total $1,192 and ($1,486) respectively (2021: $621 and $9,640 respectively). Realized and unrealized gains and losses on currency hedges total ($19) and $24 respectively (2021: ($52) and ($44) respectively).

Income earned in pools is distributed to the Registered Plan daily based on the plan's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis and income and expense on derivative contracts. Interest income earned on Consolidated Cash Investment Trust Fund (CCITF) balance is included in income.

The Unregistered Plan had interest income of $149 (2021: $18).

NOTE 11 INVESTMENT RETURNS, CHANGE IN NET ASSETS AND PENSION OBLIGATION

The following is a summary of the Registered Plan's investment returns, and the annual change in net assets compared to the annual change in the pension obligation and the per cent of pension obligation supported by net assets:

	2022	2021	2020	2019	2018
			in per cent		
Increase (decrease) in net assets attributed to:					
Investment income					
Policy benchmark return on investments	5.3	15.7	(0.9)	6.3	5.2
Value added (lost) by AIMCo	2.4	1.2	(5.3)	0.7	1.1
Time weighted rate of return, at fair value [(a)]	**7.7**	**16.9**	**(6.2)**	**7.0**	**6.3**
Other sources [(b)]	(2.5)	(3.0)	(2.5)	(2.7)	(2.1)
Per cent change in net assets [(c)]	**5.2**	**13.9**	**(8.7)**	**4.3**	**4.2**
Per cent change in pension obligation [(c)]	**3.6**	**10.9**	**4.1**	**-**	**5.0**
Per cent of pension obligation supported by net assets	**100**	**98**	**96**	**109**	**105**

(a) All investment returns are provided by AIMCo and are net of investment expenses. The annualized total return and policy benchmark return (PBR) on investments over five years is 6.1% (PBR: 6.4%), ten years is 8.0% (PBR: 7.6%) and twenty years is 6.8% (PBR: 6.5%).

(b) Other sources includes employee and employer contributions and transfers from other plans, net of benefit payments, transfers to other plans and administration expenses.

(c) The percentage change in net assets and the pension obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in pension obligation.

The following is a summary of the Unregistered Plan annual change in net assets compared to the annual change in the pension obligation and the per cent of pension obligation supported by net assets:

	2022	2021	2020	2019	2018
			in per cent		
Per cent change in net assets [(a)]	**5.8**	**17.3**	**(4.9)**	**8.4**	**7.6**
Per cent change in pension obligation [(a)]	**6.0**	**(1.2)**	**8.1**	**6.0**	**3.7**
Per cent of pension obligation supported by net assets	**102**	**102**	**86**	**98**	**96**

(a) The percentage change in net assets and the pension obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in pension obligation.

NOTE 12 BENEFIT PAYMENTS

	Registered Plan ($ thousands)		Unregistered Plan ($ thousands)	
	2022	2021	2022	2021
Retirement benefits	$ 8,856	$ 8,679	$ 10,077	$ 9,255
Death benefits	446	443	303	300
Termination Benefits	-	14	-	13
	$ 9,302	$ 9,136	$ 10,380	$ 9,568

NOTE 13 INVESTMENT EXPENSES

The Registered Plan has investment expenses of:

	($ thousands)	
Amount charged by AIMCo for: [(a)]	2022	2021
Investment costs [(b)]	$ 594	$ 541
Performance based fees [(b)]	458	275
GST	-	10
	1,052	826
Amounts charged by Treasury Board and Finance for: Investment accounting and Plan reporting	31	31
Total investment expenses	$ 1,083	$ 857
Increase (decrease) in expenses	26.4%	(0.1%)
Increase in average investments under management	9.1%	2.1%
Increase in value of investments attributed to AIMCo	2.4%	1.2%
Investment expense as a percent of dollar invested	0.6%	0.5%
Investment expenses per member (in dollars)	$ 3,483	$ 2,674

Please refer to AIMCo's financial statements for a more detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance based fees relate to external managers hired by AIMCo.

The per cent increase in investment costs and performance based fees is 28.9% (2021: 2.4%).

The Unregistered Plan investment expenses amounted to $25 (2021: $22) or $85 (2021: $75) per member (in dollars).

NOTE 14 ADMINISTRATIVE EXPENSES

	Registered Plan ($ thousands)		Unregistered Plan ($ thousands)	
	2022	2021	2022	2021
General administration costs	$ 212	$ 181	$ 194	$ 154
Actuarial fees	27	28	27	27
Other fees	1	-	-	-
	240	209	221	181
Member service expenses per member (in dollars)	$ 772	$ 673	$ 746	$ 609

General Administration and the Board costs were paid to Alberta Pensions Services Corporation (APS) on a cost-recovery basis.

NOTE 15 TOTAL EXPENSES

Total Registered Plan expenses of investment expenses per Note 13 and administrative expenses per Note 14 are $1,323 (2021: $1,066) or $4,255 (2021: $3,437) per member (in dollars) and 0.76% (2021: 0.64%) of net assets under administration.

Total Unregistered Plan expenses of investment expenses per Note 13 and administrative expenses per Note 14 are $246 (2021: $203) or $831 (2021: $684) per member (in dollars) and 0.09% (2021: 0.08%) of net assets under administration.

NOTE 16 CAPITAL

The Registered Plan defines its capital as the funded status. In accordance with the *Employment Pension Plans Act,* the actuarial surplus or deficit is determined by an actuarial funding valuation performed, at a minimum, every three years. The objective is to ensure that the Plan is fully funded over the long term through the management of investments, contribution rates and benefits. Investments, including the use of derivatives and leverage are based on the plan's SIP&G. The asset mix and risk policies and procedures are designed to enable the plan to meet or exceed its long-term funding requirement within an acceptable level of risk.

If there is an actuarial funding surplus that exceeds the amount that is actuarially determined to be necessary to pay benefits and the costs of administering the plan, the Lieutenant Governor in Council may, with respect to any portion or all of the excess, transfer it to the Province's General Revenue Fund, or apply it towards reduction of the contributions for which the Province is liable.

If the Registered Plan is terminated and the assets are not sufficient to pay all the benefits accrued under the terms of the Registered Plan, additional contributions are payable by the Province in amounts sufficient to ensure that all accrued benefits are paid. If, after all benefits are provided on the complete wind-up of the Registered Plan, assets remain in the plan, those assets shall be transferred to the General Revenue Fund of the Province.

The Unregistered Plan defines its capital as the funded status as described in Notes 1a, 1b, 1g and Note 6.

NOTE 17 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Treasury Board and Finance based on information provided by APS, AIMCo, and the Plan's actuary, and after consultation with the Judges' Pension Plan Advisory Committee.

Schedule of the Provincial Judges and Master in Chambers (Registered) Pension Plan and the Provincial Judges and Masters in Chambers (Unregistered) Pension Plan

The following Schedule is provided for illustrative purposes only. The Provincial Judges and Masters in Chambers (Registered) Pension Plan and the Provincial Judges and Masters in Chambers (Unregistered) Pension Plan are independent entities and, as such, there is no right of offset of these individual liabilities and assets. Data is provided using fair value of assets (not actuarial or "smoothed" values), as presented in the respective financial statements.

	($ thousands)	
	March 31, 2022	**March 31, 2021**
Net assets available for benefits - Registered Plan	$ 175,361	$ 166,102
Net assets available for benefits - Unregistered Plan *	266,729	251,997
	442,090	418,099
Pension Obligation - Registered Plan	175,008	168,955
Pension Obligation - Unregistered Plan	260,645	245,902
	435,653	414,857
Surplus of aggregate assets over aggregate accrued benefits	$ 6,437	$ 3,242

* Includes due from Reserve Fund for 2022 $255,982 (2021: $234,079)

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Public Service Management (Closed Membership) Pension Plan

Financial Statements
December 31, 2021

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Independent Auditor's Report

Auditor General
OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of the Public Service Management (Closed Membership) Pension Plan, which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets available for benefits, and changes in pension obligation for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Public Service Management (Closed Membership) Pension Plan as at December 31, 2021, and the changes in net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Public Service Management (Closed Membership) Pension Plan in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The financial statements of the Public Service Management (Closed Membership) Pension Plan are included in the *Annual Report of the Ministry of Treasury Board and Finance*. The other information comprises the information included in the *Annual Report of the Ministry of Treasury Board and Finance* relating to the Public Service Management (Closed Membership) Pension Plan, but does not include the financial statements of the Public Service Management (Closed Membership) Pension Plan and my auditor's report thereon. The *Annual Report of the Ministry of Treasury Board and Finance* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Public Service Management (Closed Membership) Pension Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Public Service Management (Closed Membership) Pension Plan's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Public Service Management (Closed Membership) Pension Plan's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Public Service Management (Closed Membership) Pension Plan's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Public Service Management (Closed Membership) Pension Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

April 26, 2022
Edmonton, Alberta

Statement of Financial Position

As at December 31, 2021

	($ thousands) 2021	2020
Net assets available for benefits		
Assets		
Cash and cash equivalents (Note 5)	$ 7,434	$ 6,428
Accounts receivable	105	161
Total Assets	7,539	6,589
Liabilities		
Accounts payable	10	11
Total Liabilities	10	11
Net assets available for benefits	$ 7,529	$ 6,578
Pension obligation and deficit		
Pension obligation (Note 3)	$ 401,125	$ 436,944
Deficit (Note 4)	(393,596)	(430,366)
Pension obligation and deficit	$ 7,529	$ 6,578

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2021

	($ thousands) 2021	2020
Increase in assets		
Contributions from the Province of Alberta	$ 43,500	$ 44,400
Investment income	20	65
	43,520	44,465
Decrease in net assets		
Benefit payments (Note 6)	42,195	43,830
Administration expenses (Note 7)	374	242
	42,569	44,072
Increase in net assets	951	393
Net assets available for benefits at beginning of year	6,578	6,185
Net assets available for benefits at end of year	$ 7,529	$ 6,578

The accompanying notes are part of these financial statements.

Statement of Changes in Pension Obligation

Year ended December 31, 2021

	($ thousands) 2021	2020
Increase in pension obligation		
Interest accrued on opening pension obligation	$ 13,981	$ 15,410
Net increase due to actuarial assumption changes (Note 3a)	-	3,171
	13,981	18,581
Decrease in pension obligation		
Benefits paid	42,195	43,830
Net decrease due to actuarial assumption changes (Note 3a)	2,970	-
Net experience gains (Note 3b)	4,635	-
	49,800	43,830
Net decrease in pension obligation	(35,819)	(25,249)
Pension obligation at beginning of year	436,944	462,193
Pension obligation at end of year (Note 3)	$ 401,125	$ 436,944

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

Year ended December 31, 2021
(All dollar amounts in thousands, unless otherwise stated)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Public Service Management (Closed Membership) Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act,* Revised Statutes of Alberta 2000, Chapter P-41. Unless otherwise stated, all terms that are not defined below have the meaning prescribed to them in the Plan. Should anything in Note 1 or the financial statements conflict with the legislation, the legislation shall apply.

a) General

The Plan is a defined benefit pension plan for eligible retired management employees of the Province of Alberta and certain provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were retired or were entitled to receive deferred pensions or had attained 35 years of pensionable service before August 1, 1992 continue as members of this Plan. The Plan is a registered pension plan as defined in the *Income Tax Act.* The Plan's registration number is 1006923. The President of Treasury Board and Minister of Finance is the legal trustee for the Plan and Alberta Treasury Board and Finance is management for the purpose of these financial statements.

b) Plan Funding

The Plan is funded by investment income and money appropriated to the Plan, if any, by the Legislative Assembly of the Province of Alberta.

The Plan's actuary performs an actuarial valuation of the Plan at least once every three years.

c) Retirement Benefits

The Plan provides for a pension of 2.0% for each year of pensionable service based on the average of the highest five consecutive years of pensionable salary. The maximum pensionable service allowable under the Plan is 35 years.

Members are entitled to receive a pension if they terminated before August 1, 1992 and attained age 55 with at least five years of pensionable service. In addition, those members who had achieved 35 years of pensionable service before August 1, 1992 and subsequently terminated are also entitled to a pension.

d) Cost-of-Living Adjustments

Pensions payable by the Plan are increased each year on January 1st 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. The cost-of-living increase is prorated for pensions that became payable between January 1st and December 31st of the previous year.

e) Guarantee

The Province of Alberta guarantees payment of all benefits arising under the Plan. After all assets in the Plan are exhausted, the Province of Alberta pays all benefits under the Plan.

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 accounting standards for pension plans. The Plan has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its pension obligation. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

b) Valuation of Cash and Cash Equivalents

Short-term securities included in cash and cash equivalents 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. The Plan's cut-off policy for valuation of investments and investment income is based on valuations provided by AIMCo at the close of the 4th business day following the year end.

c) Investment Transactions, Income Recognition and Transaction Costs

Investment income is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or liability. Transaction costs are expensed, and include fees and commissions paid to agents, advisors and brokers.

d) Valuation of Pension Obligation

The value of the pension obligation and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuation uses the projected benefit method pro-rated on service and management's best estimate, as at the measurement date, of various economic and non-economic assumptions.

e) 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 magnitude of the calculation of the Plan's actuarial value of the pension obligation. Uncertainty arises because the Plan's actual experience may differ, perhaps significantly, from assumptions used in the calculation.

While best estimates have been used in the calculation of the Plan's actuarial value of the pension obligation, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts. Differences between actual results and expectations are disclosed as changes in actuarial assumptions and net experience gains or losses in the note describing changes in the pension obligation (see Note 3a).

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Plan's investments.

f) Income Taxes

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

NOTE 3 PENSION OBLIGATION

a) Actuarial Valuation and Extrapolation Assumptions

An actuarial valuation of the Plan was carried out as at December 31, 2020 by Aon and was then extrapolated to December 31, 2021.

The actuarial assumptions used in determining the value of the pension obligation of $401,125 (2020: $436,944) reflect management's best estimate, as at the measurement date, of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate and inflation rate.

The major assumptions used for accounting purposes were:

	2021	2020
	%	%
Inflation rate	2.00	2.00
Discount rate	3.30	3.40
Mortality rate	2014 Canadian Pension Mortality Table (Public Sector)	

An actuarial valuation of the Plan as at December 31, 2023 will be carried out. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2024.

b) Sensitivity of Changes in Major Assumptions

The 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 and losses in future valuations and will affect the financial position of the Plan.

NOTE 3 PENSION OBLIGATION CONTINUED

The following is a summary of the sensitivities of the Plan's deficiency to changes in assumptions used in the actuarial extrapolation as at December 31, 2021:

	($ thousands)	
	Changes in Assumptions %	Increase in Plan Deficiency $
Inflation rate increase holding the discount rate assumption constant	1.0	$ 18,338
Discount rate decrease holding the inflation rate assumption constant	(1.0)	33,161

NOTE 4 DEFICIT

	($ thousands)	
	2021	2020
Deficit at beginning of year	$ (430,366)	$ (456,008)
Increase in net assets available for benefits	951	393
Net decrease in pension obligation	35,819	25,249
Deficit at end of year	$ (393,596)	$ (430,366)

NOTE 5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of deposits in the Consolidated Cash Investment Trust Fund. The Fund is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at December 31, 2021, securities held by the Fund have a time weighted rate of return of 0.18% per annum (2020: 0.92% per annum).

NOTE 6 BENEFIT PAYMENTS

	($ thousands)	
	2021	2020
Retirement benefits	$ 41,030	$ 42,547
Disability benefits	123	145
Termination benefits	30	-
Death benefits	1,012	1,138
	$ 42,195	$ 43,830

NOTE 7 ADMINISTRATION EXPENSES

	($ thousands) 2021	2020
General administration costs	$ 332	$ 222
Investment management costs	15	11
Actuarial fees	27	9
	$ 374	$ 242

General administration costs were paid to Alberta Pensions Services Corporation on a cost-recovery basis. The Plan's share of the Corporation's operating and plan specific costs were based on cost allocation policies approved by the President of Treasury Board and Minister of Finance.

Investment management costs were paid to Alberta Investment Management Corporation and do not include custodial fees, which have been deducted in arriving at investment income.

Total administration expenses amounted to $255 (2020: $158) per member (in dollars).

NOTE 8 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Treasury Board and Finance based on information provided by Alberta Pensions Services Corporation and the Plan's actuary.

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Supplementary Retirement Plan for Public Service Managers

Financial Statements
December 31, 2021

Table of Contents

Independent Auditor's Report

Auditor General OF ALBERTA

To the President of Treasury Board and Minister of Finance

Report on the Financial Statements

Opinion

I have audited the financial statements of the Supplementary Retirement Plan for Public Service Managers, which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets available for benefits, and changes in pension obligation for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Supplementary Retirement Plan for Public Service Managers as at December 31, 2021, and the changes in net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Supplementary Retirement Plan for Public Service Managers in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Supplementary Retirement Plan for Public Service Managers' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Supplementary Retirement Plan for Public Service Managers' financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Supplementary Retirement Plan for Public Service Managers' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Supplementary Retirement Plan for Public Service Managers' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Supplementary Retirement Plan for Public Service Managers to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

April 26, 2022
Edmonton, Alberta

Statement of Financial Position

As at December 31, 2021

	($ thousands) 2021	2020
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 10,966	$ 16,114
Refundable income tax (Note 1f and Note 5)	33,186	35,117
Contributions receivable		
Employers	9	8
Employees	8	6
Other receivables	2	1
Due from Alberta Pensions Services Corporation	293	401
Due from SRP Reserve Fund (Note 6)	186,694	159,268
Total Assets	231,158	210,915
Liabilities		
Income tax payable	191	249
Other payables	70	30
Total Liabilities	261	279
Net assets available for benefits	230,897	210,636
Pension obligation and deficit		
Pension obligation (Note 7)	251,879	270,608
Deficit (Note 8)	(20,982)	(59,972)
Pension obligation and deficit	$ 230,897	$ 210,636

The accompanying notes are part of these financial statements.

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2021

	2021 ($ thousands)	2020 ($ thousands)
Increase in assets		
Contributions (Note 9)		
Employers	$ 1,694	$ 2,425
Employees	1,677	2,422
Increase in SRP Reserve Fund (Note 6)	27,426	5,661
Investment income (Note 10)		
Income	393	901
Increase in fair value	-	694
	31,190	12,103
Decrease in assets		
Benefit payments (Note 11)	9,502	8,807
Investment loss (Note 10)		
Decrease in fair value	777	-
Investment expenses (Note 12)	58	46
Administrative expenses (Note 13)	592	711
	10,929	9,564
Increase in net assets	20,261	2,539
Net assets available for benefits at beginning of year	210,636	208,097
Net assets available for benefits at end of year	$ 230,897	$ 210,636

Statement of Changes in Pension Obligation

Year ended December 31, 2021

	2021 ($ thousands)	2020 ($ thousands)
Increase in pension obligation		
Interest accrued on opening pension obligation	$ 10,448	$ 11,104
Net increase due to actuarial assumption changes (Note 7a)	-	12,443
Benefits earned	5,738	7,951
	16,186	31,498
Decrease in pension obligation		
Benefits paid	9,502	8,807
Net decrease due to actuarial assumption changes (Note 7a)	4,903	-
Net experience gains (Note 7b)	20,510	4,878
	34,915	13,685
Net (decrease) increase in pension obligation	(18,729)	17,813
Pension obligation at beginning of year	270,608	252,795
Pension obligation at end of year (Note 7)	$ 251,879	$ 270,608

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

December 31, 2021
(All dollar amounts in thousands, unless otherwise stated)

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Supplementary Retirement Plan for Public Service Managers (the Plan) is a summary only. For a complete description of the Plan, reference should be made to sections 5, 7 and 98 of the *Financial Administration Act*, Chapter F-12, Revised Statutes of Alberta 2000 and the *Supplementary Retirement Plan - Retirement Compensation Arrangement Directive* (Treasury Board Directive 02/2020). The President of Treasury Board and Minister of Finance has overall responsibility for the operations of the Plan and is responsible for investments. Alberta Treasury Board and Finance is management for the purpose of these financial statements. Unless otherwise stated, all terms that are not defined below have the meaning prescribed to them in the Plan. Should anything in Note 1 or the financial statements conflict with the legislation, the legislation shall apply.

a) General

The Plan was established on July 1, 1999 to provide additional pension benefits to certain public service managers of designated employers who participate in the Management Employees Pension Plan (MEPP) and whose annual salary exceeds the MEPP salary cap. The Plan is supplementary to MEPP. Service under MEPP is used to determine eligibility for vesting and early retirement. A member’s pension commencement date is the same under both plans and the pension is payable in the same form. Members of MEPP who have attained 35 years of combined pensionable service cannot subsequently start participating in the Plan.

b) Plan Funding

Current service costs are funded by employee and employer contributions, which together with investment earnings and transfers from the Supplementary Retirement Plan Reserve Fund (see Note 6) are expected to provide for all benefits payable under the Plan. The contribution rate for designated employers equals or exceeds the rate for eligible employees. The contribution rates in effect at December 31, 2021 were 12.80% (2020: 12.80%) of pensionable earnings over the MEPP salary cap limit for eligible employees and designated employers.

An actuarial valuation of the Plan is required to be performed at least once every three years. The rates are to be reviewed periodically by the President of Treasury Board and Minister of Finance.

c) Benefits

The Plan provides a pension of 2.0% of pensionable earnings that are in excess of the MEPP salary cap for each year of pensionable service after July 1, 1999 in which the employer was a participating employer, based on the average salary of the highest five consecutive years.

Vested members are entitled to an unreduced pension on service if they have either attained age 60, or attained age 55 and the sum of their age and combined pensionable service equals 80. Pensions are reduced if the member is under age 60 and the 80 factor is not attained.

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN CONTINUED

Disability, death, termination benefits and cost-of-living adjustments under this Plan usually follow those of the MEPP.

d) Guarantee

Designated employers guarantee payment of all benefits arising under the Plan. If assets held in the Plan are insufficient to pay for benefits as they become due, the amount due is payable by designated employers.

e) Surplus Plan Assets

The Province of Alberta has the right to amend or discontinue the Plan in whole or in part at any time. Any assets remaining in the Plan after provision for benefits payable to or in respect of members on the complete wind-up of the Plan accrue to the Province of Alberta.

f) Income Taxes

The Plan is a *Retirement Compensation Arrangement* (RCA) as defined in the *Income Tax Act*. Refundable income tax is remitted on any cash contributions from eligible employees and designated employers and net investment income received at the rate of 50%. Refundable income tax is returned to the Plan at the same rate when pension benefit payments are made to Plan members and beneficiaries.

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 accounting standards for pension plans. The Plan has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or pension obligation. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

b) Valuation of Investments

Investments are recorded at fair value. As disclosed in Note 3, the Plan's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Establishment and Maintenance of Pooled Funds, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26.5, Section 15 and 20. Participants in pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between Alberta Investment Management Corporation (AIMCo), a Crown corporation within the Ministry of Treasury Board and Finance, and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. AIMCo controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Plan does not report the financial instruments of the pools on its statement of financial position.

The Plan becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its units. The Plan reports its share of the financial risks in Note 4.

The fair value of pool units held directly by the Plan is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in pool units are recorded in the Plan's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

The Plan's cut-off policy for valuation of investments, investment income and investment performance is based on valuations confirmed by AIMCo on the fourth business day following the period end. Differences in valuation estimates provided to Treasury Board and Finance after the period cut-off date are reviewed by management. Differences considered immaterial by management are included in investment income in the following period.

Investments in units of the pools are managed and evaluated on a fair value basis. As such, all investments are designated and recorded in the financial statements at fair value.

Investments in pool units are recorded in the Plan's accounts on a trade date basis.

All purchases and sales of the pool units are in Canadian dollars.

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.

c) Investment Income

a) Investment income is recorded on an accrual basis.

b) Investment income is reported in the statement of changes in net assets available for benefits and in Note 10 and includes the following items recorded in the Plan's accounts:

i. Income distributions from the pools, based on the Plan's pro-rata share of total units issued by the pools; and

ii. Changes in fair value of units including realized gains and losses on disposal of units and unrealized gains and losses on units determined on an average cost basis.

d) Investment Expenses

Investment expenses include all amounts incurred by the Plan to earn investment income (see Note 12). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

e) Valuation of Pension Obligation

The value of the pension obligation and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made at least every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuation uses the projected benefit method pro-rated on service and management's best estimate, as at the measurement date, of various economic and non-economic assumptions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

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 magnitude of the calculation of the Plan's pension obligation. Uncertainty arises because the Plan's actual experience may differ, perhaps significantly, from assumptions used in the calculation.

While best estimates have been used in the calculation, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts. Differences between actual results and expectations are disclosed as actuarial assumption changes and net experience gains or losses in the note describing changes in the benefit obligation in the year when actual results are known.

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Plan's investments.

NOTE 3 INVESTMENTS

The Plan's investments are managed at the asset class level for purposes of evaluating the Plan's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Plan's assets in accordance with the Statement of Investment Policies and Goals (SIP&G) approved by the Plan's Advisory Committee. The fair value of the pool units is based on the Plan's share of the net asset value of the pooled fund. The pools have a market based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Plan, and units of the pools, within the ranges approved for each asset class (see Note 4).

($ thousands)

	Fair Value Hierarchy [a]		2021	Fair Value Hierarchy [a]		2020
Asset class	Level 2	Level 3	**Fair Value**	Level 2	Level 3	**Fair Value**
Interest-bearing securities						
Cash and short-term securities	$ 221	$ -	$ 221	$ 565	$ -	$ 565
Bonds	10,745	-	10,745	15,549	-	15,549
Total Investment	$ 10,966	$ -	$ 10,966	$ 16,114	$ -	$ 16,114

a) **Fair Value Hierarchy:** The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Plan as Level 2 may contain investments that might otherwise be classified as Level 1.
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totalling $10,966 (2020: $16,114).
- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and inflation sensitive investments totalling $nil (2020: $nil).

b) **Valuation of Financial Instruments recorded by AIMCo in the Pools**

The methods used to determine the fair value of investments recorded in the pools are explained in the following paragraphs:

- ***Interest bearing securities:*** Public interest-bearing securities 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. Cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts:*** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of the pools (see Note 4d). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on discounted cash flows using current market yields and current forward exchange rates. Futures contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights 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.

NOTE 4 INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity 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. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Plan are clearly outlined in the SIP&G approved by the Advisory Committee. The purpose of the SIP&G is to ensure the Plan is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The Advisory Committee manages the Plan's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments, including assets held in the Supplementary Retirement Plan Reserve Fund (SRP Reserve Fund). In order to earn the best possible return at an acceptable level of risk, the Advisory Committee has established policy asset mix ranges of 25-45% fixed income instruments, 35-60% equities, and 12.5-30% alternative investments.

a) Credit Risk

i) Debt securities

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt placements.

The table below summarizes debt securities by credit rating at December 31, 2021:

Credit rating	2021	2020
Investment Grade (AAA to BBB-)	97.5%	94.6%
Speculative Grade (BB+ or lower)	1.7%	2.1%
Unrated	0.8%	3.3%
	100.0%	**100.0%**

ii) Counterparty default risk - derivative contracts

The Plan is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4d). AIMCo is responsible for selecting and monitoring derivative counterparties on behalf of the Plan. AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Plan. Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At December 31, 2021, the Plan's share of securities loaned under this program is $558 (2020: $19) and collateral held totals $611 (2020: $20). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or bankers' acceptances and bankers' deposit notes. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b) Interest Rate Risk

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 7.5% (2020: 7.5%).

c) Liquidity Risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions, and by investing in units of pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. These sources of cash are used to pay pension benefits and operating expenses, purchase new investments, settle derivative transactions with counterparties and margin calls on futures contracts. The Plan's future liabilities include the accrued pension benefits obligation and exposure to net payables to counterparties (Note 4d).

NOTE 4 INVESTMENT RISK MANAGEMENT CONTINUED

d) Use of Derivative Financial Instruments in Pooled Investment Funds

The Plan has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Plan's Indirect Share ($ thousands)	
By counterparty	Number of counterparties	2021	2020
Contracts in net favourable position (current credit exposure)	11	$ 20	$ 62
Contracts in net unfavourable position	9	(33)	(15)
Net fair value of derivative contracts	20	$ (13)	$ 47

(i) Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a net favourable position totaling $20 (2020: $62) were to default at once.

(ii) Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

(iii) Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

	Plan's Indirect Share ($ thousands)	
Types of derivatives used in pools	2021	2020
Interest rate derivatives	$ (13)	$ 35
Foreign currency derivatives	-	18
Credit risk derivatives	-	(6)
Net fair value of derivative contracts	$ (13)	$ 47

(i) Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

(ii) Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(iii) Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

(iv) At December 31, 2021, deposits in futures contracts margin accounts totaled $56 (2020: $92). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $56 (2020 $137) and $nil (2020: $nil).

NOTE 5 REFUNDABLE INCOME TAX

	($ thousands) 2021	2020
Refundable income tax at beginning of year	$ 35,117	$ 35,872
Tax on employees and employers contributions received	1,694	2,527
Tax on net investment income received plus adjustments of prior year taxes less tax refunds on benefits and refunds payments, net	(3,625)	(3,282)
Refundable income tax at end of year	$ 33,186	$ 35,117

NOTE 6 SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND (SRP RESERVE FUND)

Designated employers guarantee payment of all benefits arising under the Plan (see Note 1d). To provide for their future obligations to the Plan, designated employers contribute to the SRP Reserve Fund at rates established by the President of Treasury Board and Minister of Finance. The employer contribution rate is 9.9% of pensionable salary of eligible employees in excess of the *maximum pensionable salary limit* under the *Income Tax Act*.

The SRP Reserve Fund is a regulated fund established and administered by the President of Treasury Board and Minister of Finance to collect contributions from designated employers and to invest the funds, which are reserved to meet future benefit payments of the Plan.

As at December 31, 2021, the SRP Reserve Fund had net assets with fair value totalling $186,694 (2020: $159,268), comprising of $186,694 (2020: $159,268) in investments and $nil (2020: $nil) in receivables. The increase during the year of $27,426 (2020: $5,661) is attributed to contributions from employers of $1,419 (2020: $1,779) and investment gains of $26,007 (2020: $3,882).

NOTE 7 PENSION OBLIGATION

a) ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

An actuarial valuation of the Plan was carried out as at December 31, 2020 by Aon and results were then extrapolated to December 31, 2021.

The actuarial assumptions used in determining the value of the pension obligation of $251,879 (2020: $270,608) reflect management’s best estimate, as at the measurement date, of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, inflation rate, and the salary escalation rate. The discount rate is determined by taking the plan specific asset allocation and applying the expected long term asset returns determined by an independently developed investment model; less expected plan investment expenses; and an additive for diversification and rebalancing. It does not assume a return for active management beyond the passive benchmark.

NOTE 7 PENSION OBLIGATION CONTINUED

The major assumptions used for accounting purposes were:

	2021	2020
	%	
Discount rate on an after-tax basis	4.10	4.10
Inflation rate	2.00	2.00
Discount rate	4.90	5.00
Salary escalation rate *	3.00	3.00
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0
Mortality rate	2014 Canadian Pension Mortality Table (Public Sector)	

* In addition to age specific merit and promotion increase assumptions.

The next actuarial valuation of the Plan is expected to be completed as at December 31, 2023. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2024.

b) NET EXPERIENCE GAINS

Net experience gains of $20,510 (2020: $4,878) reflect the results of the valuation as at December 31, 2020 extrapolated to December 31, 2021.

c) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

The Plan's future experience will 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 Plan.

The following is a summary of the sensitivities of the Plan's net assets and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2021:

	($ thousands)		
	Changes in Assumptions	Decrease in Net Assets	Increase in Benefits Earned
	%	$	$
Inflation rate increase holding discount rate and salary escalation assumptions constant	1.0	20,583	420
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1.0	25,464	2,025
Discount rate decrease holding inflation rate and salary escalation assumptions constant*	(1.0)	40,852	1,133

* Sensitivities includes investment return of assets held by the SRP Reserve Fund (Note 6).

NOTE 8 DEFICIT

	($ thousands) 2021	2020
Deficit at beginning of year	$ (59,972)	$ (44,698)
Increase in net assets available for benefits	20,261	2,539
Net decrease (increase) in pension obligation	18,729	(17,813)
Deficit at end of year	$ (20,982)	$ (59,972)

NOTE 9 CONTRIBUTIONS

	($ thousands) 2021	2020
Employers	$ 1,694	$ 2,425
Employees	1,677	2,422
	$ 3,371	$ 4,847

NOTE 10 INVESTMENT INCOME

The following is a summary of the Plan's investment income (loss) by asset class:

($ thousands)	Income	Change in Fair Value	2021	Income	Change in Fair Value	2020
Interest-bearing securities	$ 393	$ (777)	$ (384)	$ 901	$ 694	$ 1,595

The change in fair value includes realized gains and losses from disposal of pool units totaling $(16) (2020: $227) and unrealized gains and losses on units totaling $(761) (2020: $467).

Income earned in pools is distributed to the Plan daily based on the Plan's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis, and income and expense on derivative contracts.

NOTE 11 BENEFIT PAYMENTS

	($ thousands) 2021	2020
Retirement benefits	$ 8,645	$ 7,847
Termination benefits	795	895
Death benefits	62	65
	$ 9,502	$ 8,807

NOTE 12 INVESTMENT EXPENSES

	($ thousands) 2021	2020
Amount charged by AIMCo for:		
Investment costs [(a)]	$ 33	$ 20
GST	-	1
	33	21
Amounts charged by Treasury Board and Finance for:		
Investment accounting and Plan reporting	25	25
Total investment expenses	$ 58	$ 46
Increase (decrease) in expenses	26.1%	(9.8%)
Decrease in average investments under management	(21.2%)	(8.8%)
Investment expense as a percent of dollar invested	0.4%	0.3%
Investment expenses per member (in dollars)	$ 24	$ 19

(a) Investment expenses are charged by AIMCo on a cost recovery basis. Please refer to AIMCo's financial statements for a more detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance based fees relate to external managers hired by AIMCo.

The per cent increase (decrease) in investment costs and performance based fees is 65.0% (2020: (20.0%)).

NOTE 13 ADMINISTRATION EXPENSES

Administration expenses of $592 (2020: $711) were charged to the Plan on a cost recovery basis.

	($ thousands) 2021	2020
General administration costs	$ 550	$ 696
Actuarial fees	42	15
	$ 592	$ 711
Member service expenses per member (in dollars)	$ 246	$ 296

The Plan's share of the Alberta Pensions Services Corporation's (APS) operating and plan specific costs was based on cost allocation formula approved by the President of Treasury Board and Minister of Finance.

NOTE 14 TOTAL PLAN EXPENSES

Total Plan expenses of investment expenses per Note 12 and administration expenses per Note 13 are $650 (2020: $757) or $270 (2020: $316) per member (in dollars) and 0.28% (2020: 0.36%) of net assets under administration.

NOTE 15 CAPITAL

The Plan defines its capital as the funded status as described in Notes 1b, 1e, Note 6 and Note 8.

NOTE 16 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Treasury Board and Finance based on information provided by APS, AIMCo and the Plan's actuary, and after consultation with the Advisory Committee for the Supplementary Retirement Plan for Public Service Managers.

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