

Alberta Enterprise Corporation
Annual Report 2010–2011

Alberta Enterprise's mission is to promote the development of a local venture capital (VC) industry for the support of knowledge-based companies.

Alberta Enterprise Corporation

Annual Report 2010–2011

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Accountability Statement

Alberta Enterprise was established on December 8, 2008 upon proclamation of the Alberta Enterprise Corporation Act. The Board of the Alberta Enterprise Corporation (“Alberta Enterprise”) is accountable to the Minister of Alberta Advanced Education and Technology (“AET”). The Corporation is an important part of the Government of Alberta’s strategic plan to move the province toward a more diversified economy built on knowledge-based companies in high-value-added industry sectors.

Our Mission

Alberta Enterprise’s mission is to promote the development of a local venture capital (VC) industry for the support of knowledge-based companies. In compliance with its governing legislation and the agreement with Advanced Education and Technology, Alberta Enterprise works to fulfill its mission and mandate through investment as a limited partner in venture capital funds that meet criteria outlined in its investment policy, and through leadership of venture capital industry development activities.

Corporate Directory

Board of Directors

- Paul G. Haggis, Board Chair, former President and CEO of the Ontario Municipal Employees Retirement System (OMERS)
- Barry M. Heck, Vice Chair and Audit Committee Chair, President and Principal Partner of EL Merchant Capital
- R. Geoffrey Browne, Founder and Managing Partner of MWI & Partners
- Vicky Sharpe, Ph.D, President and CEO of Sustainable Development Technology Canada
- Brad Zumwalt, Founder and Partner of Zinc Ventures

Management Team

- Rod Charko
Chief Executive Officer
- Kristina Williams
Director of Investments
- Rebecca Giffen
Director of Investments
- Carey Houston
Director of Industry Development

Management's Responsibility for Reporting

Alberta Enterprise's management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the annual report, including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained to produce reliable information that meets reporting requirements, and to ensure that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The annual report has been approved by the Board of Directors and is prepared in accordance with ministerial guidelines.

The Auditor General of the Province of Alberta, the corporation's external auditor appointed under the *Auditor General Act*, performs an annual independent audit of Alberta Enterprise's financial statements in accordance with generally accepted accounting principles.

Message from President and CEO, and Board Chair

Alberta Enterprise invests in technology venture capital funds that finance early stage, knowledge-based companies. We focus on venture capital funds with Alberta-based fund managers, making investments in Alberta and abroad. In addition to capital investment, we support our technology industries by developing the province's venture capital ecosystem and improving the networks connecting entrepreneurs, experienced management and investors.

Summary of Achievements in Fiscal Year 2011:

- Finalized the Company's strategy to invest in venture capital funds resident in Alberta and beyond.
- Supported Yaletown Venture Partners ("Yaletown") and Chrysalix Ventures ("Chrysalix") in the launch of their Alberta offices and their hiring of full-time Alberta-based partners.
- Met with over 80 prospective VC funds or fund candidates, and commenced due diligence on select funds.
- Commenced work on an early stage angel investor co-investment fund.
- Fostered new partnerships with private VC and technology industry groups both in Alberta and beyond.

Alberta Enterprise management and its Board of Directors are working closely with AET and other Alberta stakeholder groups to ensure that our strategies are coordinated, that we operate with full transparency, and that we maintain a **clear focus on desired outcomes**. We look forward to seeing new achievements in Alberta's VC and technology sectors.

Central to our mission is a strategy to build up the technology VC "ecosystem" in the province.

Management Discussion and Analysis

Alberta Enterprise's operations focus on two key areas: investment as a limited partner in technology venture capital funds that finance early stage, knowledge-based companies; and targeted initiatives to develop the venture capital ecosystem and improve the networks connecting entrepreneurs, experienced management and investors.

As a result of Alberta Enterprise's investment and industry development activities, it is expected that in the long term, Alberta will claim an increasing share of the venture capital invested in Canada. **More venture funds will choose to locate and invest in Alberta.** Venture funds outside Alberta will be more active in pursuing investments here with local lead investors and these funds will be more active in looking at Alberta-based companies and technologies for investment. Alberta's investment community will be better networked, both within Alberta, and across Canada and internationally.

1 Operational Overview: Investment

In Fiscal Year 2011, our investment activities included:

- Reaching out to a broad cross-section of **prospective VC funds** and identifying those most likely to be successful in Alberta and provide a **positive financial return** for our shareholder. An intended outcome of this process is that we foster the establishment of networks between technology VC funds and the more established investment community found in Alberta's energy sector.
- **Establishing networks** between VC fund managers in Alberta and those elsewhere in Canada and abroad, since their ability to partner to syndicate their investments is critical to their success.
- Ensuring that we have developed and follow **best practices and internal controls** that govern our own due diligence and investment-decision processes.
- Making **prudent investment decisions** that reflect our commitment to earn a positive financial return for our shareholder.

Our activities realize Alberta Enterprise's investment strategy:

- Pursuing regional VC fund managers, as well as leveraging the networks of VC funds from across Canada, the US and abroad.
- Requiring any funds we invest in include **Alberta-based fund managers**. Our two investments to date – in Yaletown Venture Partners and Chysalix Ventures – bring to Alberta world-class sector expertise in Information & Communication Technology (ICT) and Clean/Energy Technologies, Alberta-based investment professionals and global networks of contacts that Alberta entrepreneurs and investors can leverage.
- Investing in funds that **target next-generation technologies**.
- Leveraging our province's strengths by seeking Alberta investors who **target Alberta innovation** in areas such as energy and information technologies.
- Developing a strategy that will yield **more early stage and angel investment capital** for Alberta's knowledge-based entrepreneurs.

We require that any funds we invest in include Alberta-based managers.

2 Goals and Outcomes: Investment

Alberta Enterprise has achieved its Fiscal Year 2011 investment targets and goals:

- Finalized the Company's investment strategy, prioritizing support for regional investor funds, but allowing support of VCs that may be located outside the province.
- Reviewed and met with over 80 prospective venture capital funds or fund candidates.
- Began a process to network the technology VCs from outside Alberta with the established energy and energy technology investors currently in Alberta.
- Supported the launch of the Chrysalix and Yaletown offices in Alberta, and their announcements of the hiring of their full-time Alberta-based partners.
- Commenced work on an early stage angel investor co-investment fund.
- Implemented best-practice processes for managing due diligence and monitoring fund performance.

We expect to announce additional fund investments in Fiscal Year 2012.

3 Operational Overview: VC Ecosystem/Industry Development

Central to our mission is a strategy to build up the venture capital “ecosystem” in the province. Alberta Enterprise is uniquely capable of creating and sustaining the vital networks through which the often-disconnected VC and knowledge-based sectors of the Alberta economy come together to leverage relationships and capital.

Alberta Enterprise fosters, through strategic industry development activities, a thriving provincial venture capital industry and provides Alberta's knowledge-based companies with greater access to financing, operational expertise and industry networks of the VC sector. **Our activities drive deal flow and connectivity between VCs and the Alberta technology entrepreneurs** who have traditionally been under-served by investment capital.

In Fiscal Year 2011, our industry development activities included:

- **Improving or creating networks** to connect Alberta venture capital investors, entrepreneurs and experienced technology management/board talent, and extending these networks to create valued connections to groups in other technology hubs like Silicon Valley.
- Creating more efficient networks that connect angel investors, institutional VC firms, traditional energy and energy technology investors within Alberta, and connecting Alberta investors to their peers elsewhere.
- Providing support to our investee funds to ensure their Alberta partners are connected with other investors and potential sources of deal flow, and to help them raise their profile in the province.
- Connecting to and ensuring alignment with the initiatives of key stakeholders (service providers, advisory and consulting firms) who share a common interest in building a strong Alberta VC industry.

Chrysalix and Yaletown have hired full-time Alberta-based executives, and opened their Alberta offices.

4 Goals and Outcomes: Industry Development

Our Fiscal Year 2011 accomplishments in the areas of venture capital industry development include:

- Assisted the re-launch of the non-profit industry group Venture Capital Association of Alberta (VCAA), and helped position it as the primary VC network in Alberta.
- Spurred the creation of – and provide ongoing support to – The A100, a private non-profit group of experienced Alberta technology executives who mentor and support Alberta's next generation of technology entrepreneurs.
- Provided advice and support for grassroots technology start-up networking groups including Startup Edmonton and Startup Calgary (private, non-profit organizations).
- Leveraged sponsorship in The C100, a private, non-profit organization comprised of Canadian ex-pats in Silicon Valley who mentor and guide Canadian technology entrepreneurs, to extend their participation into Alberta for benefit of our entrepreneurs and investors.
- Actively advanced our agenda by participating in relevant industry events and conferences, by Canadian Venture Capital Association, Venture Capital Association of Alberta and the Institutional Limited Partners Association.
- Advanced our agenda by leveraging sponsorships in select industry events like the Canadian Venture Capital Association conference, GROW Conference, Banff Venture Forum and Venture Capital Association of Alberta conferences.

5 Operational Overview: Budget & Capital Deployment

Last fiscal year, Alberta Enterprise invested in Chrysalix Ventures and Yaletown Venture Partners, with commitments of \$15 million (USD) and \$14 million (CAD) respectively. These commitments are being drawn down over the life of the funds, as is standard in the industry. As of March 31st, 2011, Alberta Enterprise had paid out \$6.4 million in cash calls from both Chrysalix and Yaletown, to fund their operations and investments. At that time, our remaining commitment to both funds was approximately \$22.1 million (subject to US exchange rate fluctuation).

Alberta Enterprise's balance sheet includes an \$885,000 unrealized gain on its investments in these limited partnerships. We record a proportionate share of any increases or decreases in the fair market value of investments made by the funds. Changes in fair market value are not recorded (i.e. realized) in Alberta Enterprise's income statement until the investments are sold.

Alberta Enterprise's income statement identifies a loss of \$471,000 in 2010-11 which includes:

- Surplus of \$186,000 on operating activities, as labour and other operating costs were less than anticipated.
- Loss of \$657,000 on investing activities. Alberta Enterprise records a proportionate share of the annual operating surpluses or deficits incurred by the limited partnerships in which we invest. The limited partnerships will incur operating deficits in the short term, however, it is expected that the deficits will be offset by surpluses in the long term.

The above reflects accounting standards' treatment for limited partnerships in both in the private equity and venture capital industries.

Alberta Enterprise is uniquely capable of creating and sustaining vital networks.

6 Looking Ahead

Seeding and nurturing a thriving venture capital ecosystem in Alberta is a long term initiative, and results will not accrue for several years. However, significant achievements have already been made and we are confident that the long-term outcomes of our work will include:

- Increased venture capital fund activity in Alberta.
- Better networking and coordination across the technology focused investment community of angels, venture capital funds, investment banks and other service providers.
- A larger and better-networked community to support Alberta's technology entrepreneurs, including the availability of experienced mentors and advisors in the province, with strong connections to their peers in other technology hubs.
- A positive return on the invested capital.

7 Key Risk Factors

Alberta Enterprise faces a number of risks as it sets out towards achieving its outcomes. With the industry in transition, the Corporation will monitor the trends behind these risks and take steps to mitigate them wherever possible.

→ Fundraising Risks

There is a risk that Alberta Enterprise will identify only a limited number of funds that meet all our investment criteria, successfully pass through due diligence and are able to close fundraising in the required timeframe. It must be noted that in both BC and Ontario, government-sponsored initiatives have experienced significant challenges in qualifying funds while also satisfying the public policy mandates with which they are charged. Additionally there is a risk of Canadian funds not reaching their targets for fundraising. Due to the economic climate it has been increasingly difficult for funds to raise capital.

→ General Partner Consolidation

As a result of the recent economic upheaval and the historical performance of venture capital in Canada, it is expected that there may be a consolidation of Canadian venture funds and/or general partner teams in Canada.

→ Deal Flow

Alberta's knowledge-based industry sectors are relatively small compared to larger Canadian centres such as Toronto or Vancouver, or to large technology clusters in the United States. Depending on their sector or stage focus, funds interested in working in Alberta may experience challenges in documenting sufficient deal flow to justify the location of a partner and an office in Alberta.

→ Public Policy / Geography

Venture capital funds are motivated solely by the prospect of realizing superior returns for their investors. Although Alberta Enterprise will not place a requirement on its investee funds that they invest only in Alberta, we do expect funds to locate a partner and make a meaningful commitment to the province. We may face challenges in finding funds willing to make such a commitment while also successfully passing due diligence and demonstrating the ability to close fundraising. Further, institutional investors looking for superior returns may be skeptical of funds with significant limitations placed on them by a lead limited partner with an agenda other than return on investment.

Seeding and nurturing a thriving venture capital ecosystem in Alberta is a long term initiative.

Corporate Governance Statement

Management of the Company

The business and affairs of the corporation are managed by or under the direction or supervision of the Board of Directors. The Board exercises all powers of the company not required to be exercised by the shareholder.

Board of Directors

The Board, which comprises non-executive directors, meets five times per year and as required for strategic planning purposes and to progress specific decisions. The Board is accountable to the shareholding Minister of Alberta Advanced Education and Technology in the manner set out in the *Alberta Enterprise Corporation Act*, Alberta Enterprise Corporation Regulation and the Alberta Enterprise Corporation Transfer Agreement.

The Board establishes strategic policy, guides and monitors the business and affairs of the Corporation on behalf of the shareholder, and is committed to a high standard of corporate governance. Responsibility for the operation and administration of the company is delegated to the Chief Executive who is accountable to the Board. In particular, the Board places emphasis on implementation of venture capital best practices, sound administrative systems and procedures, and regulatory compliance.

The directors are appointed by the Lieutenant Governor in Council. A director holds office for a term fixed in the order appointing the director, which term must not exceed three years. Alberta Enterprise's Board of Directors presently includes five external and independent members.

Governance Review

A governance review is undertaken at least annually, to ensure effectiveness of governance structures.

Conflict of Interest Policy and Procedures

As outlined in the AEC Code of Conduct and Ethical Standards a “**conflict of interest**” exists when an individual’s private interests interfere or conflict with or appear to interfere or conflict with the interests of the Corporation. A conflict situation may arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her professional obligations objectively and effectively or when he or she otherwise takes action that is inconsistent with the interests of the Corporation for his or her direct or indirect benefit or for the direct or indirect benefit of a third party. A conflict of interest may also arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Corporation, whether received from the Corporation or a third party. Loans to or guarantees of obligations of Employees or any of their respective family members are likely to amount to conflicts of interest as are transactions of any kind between the Corporation and any other entity in which an employee, officer or director has a material interest.

Conflicts of interest are prohibited as a matter of corporate policy, except as specifically approved by the Corporation’s board of directors (the “Board”) and except in accordance with applicable laws and regulations. It is not always easy to determine whether a conflict of interest exists, so any potential conflicts of interest must be reported immediately to senior management.

Alberta Enterprise Corporation
Auditor's Report & Financial Statements



Independent Auditor's Report

To the Board of Directors of Alberta Enterprise Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of Alberta Enterprise Corporation, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Enterprise Corporation as at March 31, 2011, and the results of its operations, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, CA]

Auditor General

May 27, 2011

Edmonton, Alberta

ALBERTA ENTERPRISE CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2011

Statement of Financial Position

Statement of Operations

Statement of Remeasurement Gains and Losses

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Expenses Directly Incurred Detailed by Object

Schedule 2 – Executive Compensation

Schedule 3 – Related Party Transactions

ALBERTA ENTERPRISE CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2011

	(in thousands)	
	2011	2010
Assets		
Cash and Cash Equivalents (Note 4)	\$ 93,649	\$ 101,037
Accounts Receivable	21	7
Investments (Note 5)	5,579	2,732
	\$ 99,249	\$ 103,776
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	\$ 28	\$ 4,969
	28	4,969
Net Assets		
Net Assets at Beginning of Year	98,807	100,000
Net Loss	(471)	(1,078)
Net Remeasurement Gains (Losses) for the Year (Note 5)	885	(115)
Net Assets at End of Year	99,221	98,807
	\$ 99,249	\$ 103,776

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

Approved by the Board of Directors.

ALBERTA ENTERPRISE CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2011

	(in thousands)		
	2011		2010
	Budget	Actuals	Actuals (Restated)
Revenues			
Grant from Government of Alberta	\$ 1,425	\$ 1,425	\$ 1,000
Interest Income	1,250	-	-
Other Revenue	-	6	-
	<u>2,675</u>	<u>1,431</u>	<u>1,000</u>
Expenses - Directly Incurred (Note 2b , Schedule 1)			
Operating Costs	1,425	1,245	995
Investment Expenses	-	-	116
	<u>1,425</u>	<u>1,245</u>	<u>1,111</u>
Net Operating Results	1,250	186	(111)
Loss on Investments (Note 3)	-	(657)	(967)
Net Income (Loss)	<u>\$ 1,250</u>	<u>\$ (471)</u>	<u>\$ (1,078)</u>

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

ALBERTA ENTERPRISE CORPORATION
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2011

	(in thousands)	
	2011	2010
Accumulated Remeasurement Losses at Beginning of Year	\$ (115)	\$ -
Unrealized Gain (Loss) Attributed to:		
Investments	1,114	(115)
Foreign Exchange	(229)	-
Net Remeasurement Gains (Losses) for the Year	885	(115)
Accumulated Remeasurement Gains and (Losses) at End of Year	\$ 770	\$ (115)

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

ALBERTA ENTERPRISE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2011

	(in thousands)	
	2011	2010
Operating Transactions		(Restated)
Net Operating Results	\$ 186	\$ (111)
Increase in Accounts Receivable	(14)	(7)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(4,941)	4,957
Cash (Applied to) Generated from Operating Transactions	(4,769)	4,839
Investing Transactions		
Purchase of Investments	(2,619)	(3,814)
Cash Applied to Investing Transactions	(2,619)	(3,814)
(Decrease) Increase in Cash and Cash Equivalents	(7,388)	1,025
Cash and Cash Equivalents, Beginning of Year	101,037	100,012
Cash and Cash Equivalents, End of Year	\$ 93,649	\$ 101,037

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

ALBERTA ENTERPRISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Enterprise Corporation (the Corporation) is a Provincial Corporation that operates under the authority of the *Alberta Enterprise Corporation Act*.

The Alberta Enterprise Corporation was established on December 5, 2008 and is part of a strategy to encourage technology commercialization and promote growth in Alberta's venture capital industry.

The Corporation is exempt from Canadian federal and Alberta provincial income taxes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

a) Reporting Entity

The reporting entity is the Corporation, which is part of the Ministry of Advanced Education and Technology and for which the Minister of Advanced Education and Technology is accountable. Other entities accountable to the Minister are the Department of Advanced Education and Technology, Access to the Future Fund, Alberta Innovates corporations, and the Public Post-Secondary Institutions. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial positions and results of the Ministry's operations for which the Minister is accountable.

b) 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 unearned revenue. Grants from the Government of Alberta are recognized as revenue in the year the transfers are authorized.

Expenses

Directly incurred expenses are recognized when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Assets

Financial assets of the Corporation mainly include cash and investments.

The Corporation records investments in limited partnerships on a fair value basis. Fair value is determined based upon valuation techniques considered appropriate by the limited partnerships and includes techniques such as the market approach or income approach. The Corporation relies upon the audited financial statements of the limited partners when valuing the Corporation's investments.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Corporation and its liabilities.

c) Financial Instruments

Accounting Standard for Investments

The Corporation has early adopted Public Sector Accounting Board (PSAB) Standard PS 3450 – Financial Instruments, a recently approved Standard, as the basis for accounting for the Corporation's investments. The Standard applies for fiscal years on or after April 1, 2012 however, early adoption is permitted which allows for the recording of investments at fair value.

Market Risk

The Corporation is subject to market risk and foreign currency risk with respect to its investment portfolio. To manage these risks, the Corporation has established a target mix of investment types designed to achieve the optimal returns within reasonable risk tolerance and in accordance with the Corporation's investment mandate. The Corporation does not participate in any foreign currency hedging activities.

**NOTE 3 RESTATEMENT
(in thousands)**

The prior year results included investment expenses of \$973 and realized gains of \$973 in the calculation of net operating results. Management has restated the presentation of the prior year results. The following table illustrates the effect of this restatement:

	As Previously Reported March 31, 2010	Adjustment	As Restated March 31, 2011
Income (Loss) on Investments	\$ 6	\$ (973)	\$ (967)
Investment Expenses	1,089	(973)	116

These adjustments did not have any impact on the net loss position of the Corporation.

NOTE 4 CASH AND CASH EQUIVALENTS
(in thousands)

Cash in the amount of \$93,649 (2010 - \$101,037) is comprised of cash deposited in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is administered by the Ministry of Finance and Enterprise with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital.

CCITF 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, 2011, securities held by the Corporation had a time weighted return of 1.1% per annum (2010: 1.0% per annum).

NOTE 5 INVESTMENTS
(in thousands)

The Government of Alberta has allocated \$100,000 to the Corporation for investments in limited partnerships that provide venture capital in knowledge-based industries.

The Corporation is a limited partner in two (2010 - two) limited partnerships and \$28,577 (2010 - \$29,234) has been committed to these limited partnerships. Committed funds are paid into the partnership in amounts and at times determined by the general partner in order to meet the partnership's funding requirements. The Corporation's disbursements to date and commitments are as follows:

	<u>Chrysalix Energy III Fund ^(a)</u>	<u>Yaletown Ventures II</u>	<u>2011 Total</u>	<u>2010</u>
Funds disbursed to partnership for:				
Investments (b)	\$ 4,334	\$ 2,100	\$ 6,434	\$ 3,814
Remaining Commitment	10,243	11,900	22,143	25,420
Total Funding Committed	<u>\$ 14,577</u>	<u>\$ 14,000</u>	<u>\$ 28,577</u>	<u>\$ 29,234</u>

- (a) Commitments are payable in US dollars. Amounts above are based upon exchange rate on March 31, 2011.
- (b) In addition to the amounts noted above, the Corporation also paid \$0 (2010 - \$116) into partnerships for other fees that are authorized under the limited partnership agreements but are not part of its total funding commitment. These fees are included as Investment Expenses on the Statement of Operations.

NOTE 5 INVESTMENTS (Cont'd)

The Corporation's investments in limited partnerships are recorded on a fair value basis and include unrealized gains or losses, which are reflected in the Statement of Remeasurement Gains and Losses. Equity in each partnership includes contributions to the partnerships for investments. It also includes a share of the losses of the partnership based on the Corporation's funding commitment as set out in the individual partnership agreements.

The Corporation's equity in partnerships is as follows:

	Chrysalix Energy III Fund	Yaletown Ventures II	Total
Partners' Capital:			
Contributed capital	\$ 34,552	\$ 13,418	\$ 47,970
Accumulated unrealized gain on investments	7,478	1,429	8,907
Accumulated net loss from operations	(8,622)	(4,280)	(12,902)
Accumulated unrealized foreign exchange loss on investments	-	(278)	(278)
Accumulated non-cash interest on investments	-	28	28
	<u>\$ 33,408</u>	<u>\$ 10,317</u>	<u>\$ 43,725</u>
Equity in USD	33,408		
Exchange Rate	0.97		
Equity in CAD	32,466	10,317	
AEC's Percentage Partnership	12.21%	15.65%	
AEC's Share of Equity	<u>\$ 3,964</u>	<u>\$ 1,615</u>	<u>\$ 5,579</u>

The change in equity in partnerships since April 1, 2010 is as follows:

	Chrysalix Energy III Fund	Yaletown Ventures II	Total
Equity in Partnership, April 1, 2010	\$ 1,722	\$ 1,010	\$ 2,732
Funds disbursed to partnership for investments	1,919	700	2,619
Corporation's share of partnership unrealized investment gain	712	173	885
Loss on Investments	(389)	(268)	(657)
Equity in Partnership, March 31, 2011	<u>\$ 3,964</u>	<u>\$ 1,615</u>	<u>\$ 5,579</u>
Cost of Partnership Investment	<u>\$ 4,334</u>	<u>\$ 2,100</u>	<u>\$ 6,434</u>

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	<u>2011</u>	<u>2010</u>
Accounts Payable and Accrued Liabilities		
Accounts Payable	\$ 2	\$ 64
Accrued Liabilities	<u> 26</u>	<u> 4,905</u>
	<u>\$ 28</u>	<u>\$ 4,969</u>

NOTE 7 BUDGET

Interest earnings on the Corporation's bank account are remitted to the Government of Alberta and are not retained by the Corporation. This practice was implemented after the budget was finalized so the Statement of Operations includes a budget for interest earnings but no actuals.

NOTE 8 COMPARATIVE FIGURES

Certain 2010 figures have been reclassified to conform to 2011 presentation.

NOTE 9 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors.

ALBERTA ENTERPRISE CORPORATION
SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

Schedule 1 - Expenses Directly Incurred Detailed by Object

	(in thousands)		
	Budget	2011	2010 (Restated)
Grants	\$ 80	\$ 67	\$ 69
Salaries, Wages, Benefits, & Payments to Consultants	769	649	383
Supplies & Services	576	529	659
	<u>\$ 1,425</u>	<u>\$ 1,245</u>	<u>\$ 1,111</u>

Schedule 2 - Executive Compensation

	2011			2010	
	Compensation (1)	Other Cash Benefits (2)	Other Non- Cash Benefits (3)	Total	Total
Chair of the Board	\$ -	\$ 44,961	\$ 1,039	\$ 46,000	\$ 69,600
Board Members	-	77,000	3,600	80,600	134,000
Executives:					
Chief Executive Officer (4)	220,000	60,000	-	280,000	163,333
Director, Investments (5)	56,100	5,600	-	61,700	78,000
Director, Investments (6)	83,417	3,850	-	87,267	-
Director, Industry Development (7)	96,875	3,875	-	100,750	13,030

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base compensation is established through contractual agreements.
- (2) Other Cash Benefits for Board members include honoraria payments and per diem allowances, other cash benefits for Executives include incidental expense allowances.
- (3) Other Non-cash Benefits for Board members includes Canada Pension Plan payments. No non-cash benefits are provided to Executives.
- (4) The Chief Executive Officer position was filled in September 2009.
- (5) The Director of Investments position was filled on a part time basis beginning October 2009.
- (6) The Director of Investments position was filled on a part time basis beginning in May 2010.
- (7) The Director of Industry Development position was filled on a part time basis beginning in February 2010 .

Schedule 3 - Related Party Transactions
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management the Corporation.

Entities in the Ministry refers to entities consolidated in the Ministry of Advanced Education and Technology. Other entities outside of the Ministry relate to the remaining entities consolidated at the Provincial level.

The Corporation had the following transactions with related parties which are recorded in the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities Outside of the Ministry	
	2011	2010 (Restated)	2011	2010 (Restated)
Revenues				
Grants	\$ 1,425	\$ 1,000	\$ -	\$ -
Expenses – Directly Incurred				
Other Services	\$ 103	\$ 136	\$ 66	\$ 7
Payables to	\$ 21	\$ 945	\$ -	\$ -

The Corporation receives financial services, such as financial reporting and transaction processing, from the Department of Advanced Education and Technology at no charge.