Management's Discussion and Analysis of
Financial Position and Operating Results
For the Year Ended March 31, 2008

We prepared this discussion and analysis of financial position and results of operations of the British Columbia Securities Commission (BCSC) on April 17, 2008. You should read it in conjunction with our audited financial statements and related notes for the year ended March 31, 2008. These documents are available on our website at www.bcsc.bc.ca.

We prepared the financial information in this report in accordance with Canadian generally accepted accounting principles. We report in Canadian dollars.

Overview

Summary of fourth quarter and year-to-date fiscal 2008 operating results (excludes Education Reserve transactions)

Operations generated a $1.6 million surplus in the fourth quarter (fiscal 2007 - $0.5 million, $2.4 million ahead of budget.

Quarterly revenues were $8.8 million, $2.0 million ahead of budget and $0.9 million ahead of fiscal 2007 results. The variance between the current and prior year relates primarily to more non-prospectus distributions and higher revenues related to distributions under mutual fund prospectuses.

Quarterly expenses were $7.2 million (fiscal 2007 - $7.4 million), $0.4 million under budget, primarily due to staff vacancies and lower than expected communication expenses. Expenses declined $0.2 million from the prior year primarily due to less external legal consulting, and generally lower operating costs, being partly offset by higher salaries.

Year-to-date operations generated a $5.4 million surplus, $5.4 million ahead of budget and $2.3 million higher than fiscal 2007.

Year-to-date revenues were $3.6 million higher than expected and $2.2 million (7%) higher than fiscal 2007 because of strong market activity. Distribution revenues related to mutual fund sales and securities issued under prospectus exemptions remained strong.

Year-to-date expenses were $28.4 million, $1.8 million lower than expected, and $0.1 million (1%) lower than fiscal 2007. All expenses were under budget. Lower than expected salaries, professional fees, and communication costs accounted for most of the savings.

- Salaries and benefits costs were lower than expected due primarily to several extended vacancies caused by recruiting challenges.
- Professional fees were lower than expected because we needed less external legal consulting to support litigation and collection activities.
- Communication costs were lower than expected because we used in-house resources to develop most of our communications.

Financial structure

We aim to break even. This is difficult because our revenues fluctuate in proportion to market activity, while most of our costs are fixed. Temporary fee reductions and lower market activity significantly reduced fiscal 2004 revenues[1]. Market activity has been strong since fiscal 2005.

Securities market participants fund our operations through fees they pay under the *Securities Act*. Salaries, benefits, and occupancy costs account for about 80% of our expenses. As a government agency, we are exempt from income taxes and the GST.

The following table summarizes actual and expected results of operations and of the education reserve, by fiscal year:

	Past				Present				Future
	2004	2005	2006	2007	2008				2009
(millions)	Audited	Audited	Audited	Audited	Audited	vs. 2007	Budget	vs. budget	Budget
OPERATIONS									
Revenues									
Filing fees									
Prospectus and other distributions	11.6	13.3	14.7	16.3	18.3	2.0	15.3	3.0	16.5
Registration	4.9	8.1	8.4	8.7	9.2	0.5	9.0	0.2	9.1
Financial filings	4.5	4.7	4.6	5.0	4.5	(0.5)	4.4	0.1	4.6
Other fees	0.6	0.5	0.5	0.5	0.5	-	0.4	0.1	0.1
	21.6	26.6	28.2	30.5	32.5	2.0	29.1	3.4	30.3
Other revenues									
Enforcement cost recoveries	0.1	0.3	0.1	0.3	-	(0.3)	0.2	(0.2)	-
Investment income	0.7	0.4	0.4	0.8	1.3	0.5	0.9	0.4	1.1
	22.4	27.3	28.7	31.6	33.8	2.2	30.2	3.6	31.4
Expenses									
Salaries and benefits	19.5	19.7	20.2	21.2	21.6	0.4	22.7	(1.1)	23.0
Other operating expenses	7.6	7.0	7.2	7.3	6.8	(0.5)	7.5	(0.7)	7.6
	27.1	26.7	27.4	28.5	28.4	(0.1)	30.2	(1.8)	30.6
Operating surplus / (deficit) for the year	**(4.7)**	**0.6**	**1.3**	**3.1**	**5.4**	**2.3**	**-**	**5.4**	**0.8**
EDUCATION RESERVE									
Education revenues									
Penalties and designated amounts	0.4	0.9	0.7	1.4	0.9	(0.5)	0.5	0.4	0.6
Investment income	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2
	0.5	1.0	0.8	1.5	1.1	(0.4)	0.6	0.5	0.8
Education reserve disbursements	0.8	2.1	1.2	0.6	0.5	(0.1)	0.6	(0.1)	0.8
Education reserve surplus / (deficit) for the year	**(0.3)**	**(1.1)**	**(0.4)**	**0.9**	**0.6**	**(0.3)**	**-**	**0.6**	**-**
Consolidated surplus / (deficit)	**(5.0)**	**(0.5)**	**0.9**	**4.0**	**6.0**	**2.0**	**-**	**6.0**	**0.8**

[1] A firm registration fee holiday for MFDA members, with a $0.3 million / year impact, ends in fiscal 2010.

The following table summarizes actual and expected financial position, by fiscal year:

	Past				Present				Future
	2004	2005	2006	2007	2008				2009
(millions)	Audited	Audited	Audited	Audited	Audited	vs. 2007	Budget	vs. budget	Budget
Accumulated surpluses									
General	-	0.7	1.7	3.8	7.2	3.4	1.9	5.3	6.3
Fee stabilization reserve	11.8	11.8	12.0	13.0	15.0	2.0	14.0	1.0	15.5
Education reserve	3.9	2.8	2.4	3.3	3.9	0.6	3.1	0.8	3.7
	15.7	15.3	16.1	20.1	26.1	6.0	19.0	7.1	25.5
Supplementary information									
Fee revenue (before temp. reductions)	24.9	26.9	28.5	30.8	32.8	2.0	29.4	3.4	30.6
Fee revenue growth rate	4%	8%	6%	8%	6%		-5%		-7%
Average FTEs	204	195	191	189	186	(3)	200	(14)	198
Operating expense growth	-2%	-1%	3%	4%	0%		6%		8%
Capital Additions	0.8	0.4	0.3	0.2	0.7	0.5	0.9	-0.2	0.7

Revenues

We discuss Education Reserve transactions separately, starting on page 8.

Fee revenues
Almost all of our operational funding comes from filing fees market participants pay. We collect:

Category	Source	% of Fee Total Fiscal 2008	% of Fee Total Fiscal 2007
Distribution fees	Paid by securities issuers when they file disclosure documents	56%	53%
Registration fees	Paid by firms and individuals to register with us to sell or advise on securities	28%	28%
Financial filing fees	Paid by public companies when they file annual and quarterly financial statements	14%	17%
Other fees	Paid by market participants, primarily to request exemptions from *Securities Act* requirements	2%	2%

Our fee revenues fluctuate with market activity. We are most dependent on fees paid by mutual funds to distribute securities and file their financial statements with us, and on fees paid by the five largest Canadian banks to register their representatives with us. Mutual funds contributed about $12.6 million, or about 39% (fiscal 2007 – $11.6 million, or 38%) of period fee revenue.

Distribution fee revenues vary depending on the number and size of offerings completed in each year, and revenues are higher during stronger markets. The remaining fee categories have exhibited lower volatilities and have grown slowly over the last several years.

Enforcement cost recoveries
Enforcement cost recoveries decreased $0.3 million (100%) from the prior year to Nil because we no longer designate portions of settlement sanctions as cost recoveries.

Revenues depend on our ability to collect assessed costs. Since our incorporation on April 1, 1995, we have collected $3.9 million (62%) of $6.3 million assessed. Collecting enforcement cost recoveries can be difficult because respondents often have limited assets, have poor credit, or have left British Columbia. We pursue outstanding amounts, which totaled $2.4 million on March 31, 2008, vigorously and indefinitely.

Investment income
Our portfolio generates modest returns because we invest conservatively. Investment income related to operations increased about 50% to $1.3 million (fiscal 2007 - $0.8 million). Our average portfolio balance relating to operations and our portfolio rate of return both increased.

Fiscal	Investment income	Average operating portfolio balance	Return
2008	1.3 million	23.0 million	5.4%
2007	0.8 million	18.6 million	4.2%

Significant operating revenue variances
Revenues were $3.6 million higher than expected and increased $2.2 million from fiscal 2007. Strong market activity increased distribution fee revenues, as non-prospectus offerings and fees related to distributions under mutual fund prospectuses both increased. Most significantly:

Variance	vs. budget	vs. 2007
We expected prospectus revenues to decline after strong activity in 2007. Instead, market activity increased in 2008 and we experienced a 6% increase in prospectus[2] filing revenues. Most of the increase is due to fees related to mutual fund sales.	+ $1.4 million	+ $0.7 million
We expected non-prospectus[3] distribution fees to decrease $0.4 million (14%) from the prior year after experiencing higher than average activity in fiscal 2007. Instead, filing volumes and related fees increased further.	+ $1.5 million	+$1.1 million-
We expected normal growth in registrations to increase registration revenue about 4%. Registration[4] fees actually grew 6%.	+ $0.2 million	+ $0.5 million
We expected financial filings revenue to decrease 11%. Fiscal 2007 revenue was approximately 0.4 million higher than normal due to a filing cycle change.	+ $0.1 million	- $0.5 million
Investment income increased because surplus and returns were higher than expected.	+ $0.4 million	+ $0.5 million
Other small variances, net		- $0.1 million
Total revenue variances, 12% of budget	+ $3.6 million	+ $2.2 million

[2] Companies and mutual funds are normally required to prepare a prospectus before raising money from the public. A prospectus gives details of the operations, financial status and management of the company.

[3] Prospectus exemptions allow companies to sell securities without a prospectus when other factors (like relationship or financial sophistication) ensure investors have access to all information about the proposed transaction that could affect their purchase decision.

[4] Firms and individuals that sell securities must register with us every year.

Operating Expenses

We discuss Education Reserve transactions separately, on page 8.

We are committed to managing our expenses so they do not exceed expected revenue over the business cycle. We do this by:

- Preparing an annual budget approved by the Board
- Reporting actual-versus-budget experience to management every month
- Requiring Board approval of significant expenses
- Continually improving the efficiency of our processes

Five-year average operating expense growth was 0.5%: fiscal 2008 operating expenses are only 2.5% (0.7 million) higher than fiscal 2003 operating expenses.

Expenses were $28.4 million, $1.8 million under budget and $0.1 million (1%) lower than fiscal 2007. Salaries, due to position vacancies, and professional fees, due to less external legal consulting, were significantly below budget, but most other operating expenses were also lower than expected.

Salaries and benefits
We averaged the equivalent of 186 full-time staff during the year (fiscal 2007 – 189). Staffing costs are approximately 75% of our operating expenses, and annual, performance-based salary increases drive most of our non-project expense growth. We compete for professional staff with law and accounting firms, the securities industry and other regulators. Like most of our competitors, we offer a compensation package that includes performance-based incentives. To remain competitive, we conduct annual salary surveys and make adjustments as appropriate.

We focus staff effort (with overhead allocated proportionately) on our strategic goals:

Strategic Goal		Fiscal 2008	Fiscal 2007
Goal 1	Promote a culture of compliance	35%	33%
Goal 2	Act decisively against misconduct	39%	42%
Goal 3	Educate investors	11%	9%
Goal 4	Advance cost-effective regulation	15%	16%

Salaries and benefits costs, at $21.6 million (fiscal 2007 - $21.2 million) were $1.1 million lower than expected because merit-based salary increases only partly offset position vacancies.

Remuneration summary:

Position	Name	Appointed	Term end	Base Salary[5]	Other cash benefits[6]	Other non-cash benefits[7]	Total Fiscal 2008	Total Fiscal 2007[8]	Meetings attended[9]
Executive Commissioners									
Chair	Hyndman, Doug	Apr. '87	N/A	$342,369	$144,040	$47,948	$534,357	$531,509	18
Vice Chair	Aitken, Brent	Oct. '95	N/A	$356,400	$0	$5,344	$361,744	$274,917	16
Vice Chair	Salvail-Lopez, A.	Nov. '92	Nov. '06	$0	$0	$0	$0	$873,924	N/A
Commissioner	Ford, Robin	Jul. '04	Dec. 07	$162,186	$0	$21,111	$183,297	$284,298	13
Independent Commissioners									
Commissioner	Alexander, Neil	Mar. '02	Mar. '08	$42,350	$0	$1,933	$44,283	$50,808	14
Commissioner	Brockman, Joan	Mar. '98	May '06	$0	$0	$0	$0	$4,633	N/A
Commissioner	Foreman, Marc	Mar. '02	Mar. '08	$23,900	$0	$1,123	$25,023	$26,617	14
Commissioner	Graf, John[10]	Dec. '98	Mar. '08	$74,625	$0	$2,049	$76,674	$71,981	17
Commissioner	Hanna, Kenneth	Jul. '06	Jul. '09	$39,950	$0	$0	$39,950	$26,250	18
Commissioner	Milbourne, Robert	Mar. '02	Mar. '08	$42,150	$0	$0	$42,150	$56,394	18
Commissioner	Smith, David	Jul. '06	Jul. '09	$36,300	$0	$0	$36,300	$23,950	18
Commissioner	Wiltshire, Suzanne	Jul. '06	Jul. '09	$49,375	$0	$2,049	$51,424	$29,348	18
Commissioner	Wares, Roy[11]	Mar. '98	Sep. '06	$0	$0	$0	$0	$52,679	N/A
Senior Management									
Executive Director	Leong, Brenda	Oct. '04	N/A	$248,139	$91,337	$39,939	$379,415	$358,922	N/A

Professional services

We contract third party professional services when it is not cost-effective, or when we do not have the skills, to perform the work ourselves. Those services include a legislative drafter seconded from the Attorney General and, when necessary, outside legal counsel to represent us in legal matters. Other significant components of professional service expense are national project, transcription, internal and external audit, and collection costs.

Professional fees declined to $1.7 million (fiscal 2007 - $2.0 million), ahead of budget by $0.5 million primarily due to lower legal and trustee costs related to collection of outstanding enforcement sanctions.

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[5] Base salary includes honoraria, regular base, vacation and sick leave pay. Independent commissioner remuneration includes fees to participate in hearings and attend Board and Committee meetings.

[6] Other cash benefits normally include performance-based incentives and transportation allowances.

[7] Other non-cash benefits include amounts we paid on behalf of these members and employees and include pension, long-term disability, health and dental plan, Canada pension plan, employment insurance premiums, parking and professional membership fees.

[8] The amount paid to Adrienne Salvail-Lopez includes a $575,000 capital payment for loss of statutory office.

[9] During fiscal 2008, the Board scheduled, and held during the year, 12 monthly meetings, 3 enforcement policy meetings, 2 strategic planning meetings, and one performance assessment meeting.

[10] Appointment ended March 31, 2008. His authority to exercise powers in two enforcement proceedings was extended until the panels make their final decision.

[11] Appointment ended May 1, 2006. His authority to exercise powers in an enforcement proceeding was extended until the panel's final decision on September 12, 2006.

During the year, we hired Western Compensation & Benefits Consultants to perform a salary survey and Hay Group consultants to review independent commissioner compensation and to conduct an employee engagement survey.

Occupancy
We rent office space under a lease that ends on November 30, 2011.

Information management
Information management costs were $0.8 million, as expected (fiscal 2007 - $0.8 million). We spend significant amounts on information systems and management annually to improve market participants' access to our services, the information we maintain, the speed with which we deliver services, and the quality of our regulatory duties. Information management has three main components:

- Software licensing and maintenance fees
- Electronic information services and hardcopy material costs
- Physical record scanning and storage costs

Administration
The significant components of administration expense are stationary and office supplies, copier leases, meeting expenses, hearing witness expenses, payroll processing, and bank charges.

External communications
The significant components of external communications expense are:

- Design, writing, and printing costs of annual reports and communication materials, including our share of *BC Gazette* production costs
- Third-party meeting costs
- Postage and courier
- Advertising, primarily recruitment advertising costs

Significant fiscal 2008 communication activities included delivering investor and industry education seminars, hosting our annual *Capital Ideas* industry forum, and ongoing website development.

Education Reserve

We order administrative penalties and disgorgements under the *Securities Act.* We also negotiate settlement amounts. We appropriate revenue from penalties, settlements, and unclaimed disgorgements to our Education Reserve, which we spend only to educate securities market participants and members of the public about investing, financial matters or the operation or regulation of securities markets.

Since our incorporation on April 1, 1995, we have collected $9.2 million (22%) of $42.7 million sanctioned. During fiscal 2008, we sanctioned $23.9 million (fiscal 2007 - $1.4 million). This large increase is due to the nature of the cases decided and because legislative changes in May 2006 increased the maximum administrative penalty under the *Securities Act* to $1.0 million per contravention and, in November 2007, introduced the disgorgement of funds provision. Disgorgement requires respondents to return ill-gotten gains to victims. Administration of disgorged funds is performed by the court system. Of the $23.9 million sanctioned during the year, $12.7 million relates to disgorgement orders.

Of fiscal 2008 sanctions, collection of $22.8 million (2007 – nil) is uncertain, and is not recorded in the financial statements. Collecting sanctions can be difficult because respondents often have limited assets, have poor credit, or have left British Columbia. We pursue outstanding amounts, which totaled $33.5 million on March 31, 2008, vigorously and indefinitely.

The Education Reserve balance was $3.9 million (fiscal 2007 - $3.3 million) at the period end.

	Fiscal 2008	Fiscal 2007	$ Change	% Change
Opening Balance, April 1	$ 3,341,429	$ 2,426,635	$ 914,794	38%
Additions	886,719	1,432,335	(545,616)	-38%
Investment income	154,414	127,310	27,104	21%
Disbursements	(494,007)	(644,671)	(150,664)	-23%
Closing Balance, March 31	3,888,555	3,341,429	547,126	16%
Commitments outstanding	(209,117)	(206,749)	2,368	1%
Balance, net of commitments	$3,679,438	$ 3,134,680	$ 544,758	17%

We fund education projects both directly and in partnership with others. We evaluate each proposed project against criteria to assess the need for the project, the project's design and success measures, a potential partner's background and experience, and the degree to which the project's goals align with our service and operating plans. Education reserve disbursements totaled $0.5 million, $0.1 million lower than budget and $0.1 million lower than Fiscal 2007.

The following chart summarizes fiscal 2008 disbursements, and remaining commitments:

Sponsor	Nature	Paid	Remaining Commitment
BC Crime Prevention Association	The CPA will use its website and other communication channels to promote InvestRight and the Red Flags campaign. To sponsor CPA symposium and crime prevention week.	18,717	31,931
BCIT	To develop a specialty certificate in securities fraud analysis by building on existing certificate programs. BCIT and BCSC staff are developing a new 3 credit course "Fraudulent Financial Statements" and substantially revising another "Investigating a Securities Crime."	-	15,000
BCSC	Print media campaign using community newspapers through out the province and the Vancouver Province to create awareness of BCSC and investment fraud	116,617	
BCSC	Radio media campaign on CKNW, various community stations through out the province to create awareness of the BCSC and investment fraud.	49,230	14,560
BCSC	Ethnic media campaign through lower mainland Chinese and South Asian radio stations	12,803	
BCSC	Sponsor industry events. Deliver 1/2 day workshops on national mining instrument - NI 43-101.	12,398	-
BCSC	To deliver workshops, events and law enforcement outreach program.	10,117	26,883
Better Business Bureau	BBB will use its communication and distribution channels to promote InvestRight and the Red Flags campaign. To sponsor the BBB's Scam Jam, an annual crime prevention symposium.	32,450	10,000
Better Business Bureau Vancouver Island	To sponsor 13 Ethics Expos in 13 Vancouver Islands communities.	13,204	20,098
Chinese Cultural Society	To create free online educational program for Chinese immigrants giving them an introduction to the Canadian capital markets.	7,103	173
Credit Unions	To develop on-line Credit Union fraud awareness education program for front line staff	18,000	7,500
CUPE Education	To develop a train the trainers program to enable CUPE Education representative to incorporate the investRight program into their pre-retirement program.	663	4,337
Fraser Valley Pastors	To promote awareness about affinity fraud to the various religious communities in the Fraser Valley. To develop training materials for promoting the affinity fraud program at provincial level.	75,605	24,395
Junior Achievement	To sponsor the Junior Achievement's Dollars and Sense program.	21,000	
Mennonite Brethren Churches of Canada	To promote awareness of affinity fraud through the Mennonite Stewards delivery of investor education to members of their 110 churches throughout BC.	5,702	10,073
Planning 10	To develop a measurement program and enhanced website for Planning 10. Planning 10 is our contribution to the finances section of a Ministry of Education mandated planning course for grade 10 students. Introduced advocacy program through use of webinars. Working with Financial Consumer Agency to develop a national resource based in Planning 10 materials.	61,673	-
SHARE	Shareholder Association for Research & Education is a non-profit organization established to promote responsible investment practices by pension funds. Share is developing a three level education program for pension plan trustees.	22,083	44,167
Various	InvestRight materials and website enhancements.	16,642	-
		494,007	209,117

Financial Position and Liquidity

Cash position
Cash and investments (including the fee stabilization reserve, but excluding amounts reserved for education) totaled $29.1 million at year-end (March 31, 2007 - $22.8 million). The increase is due to the fiscal 2008 surplus.

We had a working capital surplus of $13.7 million at year-end (March 31, 2007 - $0.8 million). We have sufficient liquidity and capital resources. In addition, we can draw on our $15.0 million fee stabilization reserve, when necessary.

Assets
Capital assets declined by $0.1 million to $3.0 million (March 31, 2007 - $3.1 million) because $0.8 million amortization (fiscal 2007 - $1.1 million) exceeded $0.7 million additions (fiscal 2007 - $0.2 million). Additions related primarily to information technology.

Liabilities
Deferred revenue increased $0.4 million to $6.5 million (March 31, 2007 – $6.1 million). Deferred revenue is calendar year registrations received in advance.

Accrued salaries increased $0.2 million to $2.5 million (March 31, 2007 – $2.3 million). The significant components of accrued salaries are $1.8 million for fiscal 2008 incentives and $0.5 million to accrue the five days since our last payroll before year-end.

Quarterly Financial Information

Prospectus and other statutory filing patterns normally generate surpluses from operations (excluding education reserve transactions) in the first and third quarters, offset by deficits in the second and fourth quarters. Due to strong market activity, the fourth quarter of fiscal 2007, and all fiscal 2008 quarters, generated surpluses.

('000s)	Fiscal 2008				Fiscal 2007			
Operating	Mar.	Dec.	Sept.	June	Mar.	Dec.	Sept.	June
Revenues	$ 8,827	$ 7,518	$ 7,458	$ 9,979	$ 7,908	$ 6,901	$ 7,261	$ 9,570
Expenses	7,229	7,130	6,969	7,045	7,372	6,716	7,447	7,017
Surplus (Deficit)	$ 1,598	$ 388	$ 512	$ 2,934	$ 536	$ 185	$ (186)	$ 2,552
Education								
Revenues	$ 396	$ 144	$ 295	$ 206	$ 304	$ 344	$ 84	$ 828
Disbursements	(197)	(65)	(166)	(66)	(79)	(13)	(353)	(200)
Surplus (Deficit)	$ 199	$ 79	$ 106	$ 140	$ 225	$ 331	$ (269)	$ 628
Consolidated								
Surplus (Deficit)	$ 1,797	$ 467	$ 618	$ 3,074	$ 761	$ 516	$ (455)	$ 3,180

Risks and Opportunities

Fee revenue
As previously mentioned, we fund operations primarily from filing fees paid by market participants. Fee revenue fluctuates with market activity, rising in strong market conditions and falling in weak market conditions. We continuously monitor our fee structure and may propose changes to government, to ensure we break even in future years.

Securities regulatory reform

We have been supporting government's work to implement the regulatory reforms outlined in the Provincial / Territorial Memorandum of Understanding Regarding Securities Regulation (Passport MOU), signed September 30, 2004 by provincial ministers responsible for securities regulation in all provinces and territories except Ontario. The Passport MOU proposes single window access to capital markets in participating provinces and territories, and a review of the regulatory fees charged in the context of the passport system. Changes to date have not materially affected our operations.

While the Passport MOU may ultimately change what we do and how we fund our operations, we have forecast no impact on our revenues and expenses because we expect any changes to have no net impact on our bottom line.

National electronic filing systems

We collect about 90% of our fee revenue through the SEDAR and NRD electronic filing systems. Under various agreements with the Canadian Securities Administrators (CSA), CDS Inc. (CDS) operates the SEDAR, SEDI and NRD electronic filing systems. Should CDS become unable or unwilling to continue to operate them, the CSA would have to contract another party to host them.

National filing systems operating agreements

CDS operates the SEDAR and SEDI national filing systems on behalf of the CSA under agreements with the Alberta Securities Commission, British Columbia Securities Commission, Ontario Securities Commission (OSC), and l'Autorité des Marchés Financiers (AMF), together called the CSA Principal Administrators. CDS operates the NRD national filing system under agreements with the CSA Principal Administrators and the Investment Dealers Association (IDA). Under the agreements:

- The CSA Principal Administrators must pay CDS if the SEDAR system budgeted operating costs exceed revenues ("shortfall"). Our portion of any SEDAR shortfall is limited to 15.4%.
- CDS must pay SEDAR revenues in excess of system budgeted operating costs ("surplus") to the CSA Principal Administrators. Any surplus is not divisible; the CSA Principal Administrators own it as a group.
- CDS and the CSA Principal Administrators agree to share actual versus budgeted system operating cost ("expense") variances equally.

The OSC is holding $23.9 million in trust. The funds are the national filing systems' accumulated surpluses and expense variances and interest earned on those amounts to March 31, 2008. The CSA Principal Administrators have agreed that we will use these funds only for the benefit of national filing system users through system enhancements or usage fee adjustments.

Contractual Obligations

Our contractual obligations as at March 31, 2008 are:

$ (millions)	Total	< 1 year	2 - 3 years	4 - 5 years	> 5 years
Rent and operating costs (net of sublease recoveries)	7.0	1.9	3.8	1.3	-

Critical Accounting Estimates

Management must make estimates and assumptions when preparing the financial statements. Management makes those assumptions based on experience and current conditions and believes that they are reasonable. However, actual results may differ from management's estimates. In our financial statements, management has estimated the portion of amounts receivable that we will receive, the useful lives of our capital assets, and the value of employee leave liability.

Amounts receivable
We accrue amounts due when they meet generally accepted revenue recognition criteria. We recognize enforcement cost recoveries, penalties, and settlement amounts when we issue the decision or reach an agreement and the amounts are determined to be collectible.

Capital assets
We capitalize goods and services when their cost is greater than $2,000 and their benefit to us extends beyond the current fiscal year. We amortize the cost of our capital assets over their expected useful lives based on our experience with similar assets. Our capital assets consist primarily of leasehold improvements and information technology. New information could lead us to reduce or eliminate an asset's value or expected useful life.

Employee leave liability
Our employees accrue vacation and other leave entitlements based on their years of service. We have estimated the value of employee leaves not yet taken based on our employee records and attributed benefit costs to those leaves based on our experience. The actual value of employee leaves taken will vary depending on their particular circumstances.

Outlook for Fiscal 2009

We expect a modest surplus in fiscal 2009: we expect market activity to decline and reduce fee revenue by $2.2 million (7%). We expect operating expenses to increase $2.2 million (8%) in fiscal 2009 due primarily to staff additions and higher salary costs.

Statement of Management Responsibility

Management of the British Columbia Securities Commission is responsible for ensuring that the financial statements and other financial information in this annual report are complete and accurate.

Management, consisting of the Executive Director and her senior staff, has prepared the financial statements according to accounting principles that are generally accepted in Canada. The preparation of financial statements necessarily involves the use of estimates, which have been made using careful judgment. It is possible that circumstances will cause actual results to differ. Management does not believe it is likely that any differences will be material.

Financial information contained throughout this annual report, including the management discussion and analysis and the charts and figures in the body of the annual report, is consistent with these financial statements.

Management develops and maintains systems of control that give the Board reasonable assurance that management has:

- operated within its authorized limits,
- safeguarded assets, and
- kept complete and accurate financial records.

The Board is responsible for establishing prudent rules of business and staff conduct. It is the Commission's policy to maintain the highest standards of ethics in all its activities. The Commission has created an employee conduct policy, including conflict of interest rules for employees and commissioners, to achieve those standards.

The Board is also responsible for ensuring that management fulfills its financial reporting and control responsibilities, and has appointed an independent audit committee to oversee the financial reporting process. The committee members are independent commissioners who do not participate in the day-to-day operations of the Commission. The audit committee meets regularly throughout the year with management, the internal auditors and the external auditors to review the:

- financial statements,
- adequacy of financial reporting, accounting systems and controls, and
- internal and external audit functions.

The internal auditors are charged with the responsibility of reviewing and evaluating the adequacy of and compliance with the Commission's internal control standards. The internal auditors report the results of their reviews and make recommendations both to management and the audit committee. The external auditor's responsibility is to express an opinion on whether the financial statements, in all material respects, fairly present the commission's financial position, results of operations and cash flows in accordance with accounting principles that are generally accepted in Canada. The internal and external auditors have full and open access to the audit committee, with and without the presence of management.

The audit committee has reviewed these financial statements and has recommended the Board approve them.

The British Columbia Lieutenant Governor in Council has appointed the Auditor General to be the independent auditor of the Commission. The Auditor General has examined the financial statements and his report follows.

Douglas M. Hyndman
Chair and Chief Executive Officer

Brenda M. Leong
Executive Director

Report of the Auditor General of British Columbia

To the Commissioners of the British Columbia Securities Commission, and

To the Attorney General, Province of British Columbia

I have audited the balance sheet of the *British Columbia Securities Commission* as at March 31, 2008 and the statements of operations, of surpluses, and of cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *British Columbia Securities Commission* as at March 31, 2008 and the results of its operations, its surpluses, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
April 24, 2008

John Doyle, MBA, CA
Auditor General

British Columbia Securities Commission

Financial Statements
For the Year Ended March 31, 2008

(audited)

British Columbia Securities Commission
Balance Sheet
At March 31, 2008
(audited)

	2008	2007
ASSETS		
Current assets:		
Cash and short term investments (note 4)	$ 14,097,945	$ 9,791,726
Amounts receivable (note 5)	283,773	338,326
Prepaid expenses (note 6)	383,444	410,397
	14,765,162	10,540,449
Investments held for designated purposes (note 4)	18,888,555	16,341,429
Capital assets (note 7)	2,996,607	3,101,509
	$ 36,650,324	$ 29,983,387
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$ 747,212	$ 680,966
Accrued salaries	2,517,104	2,260,551
Deferred revenue	6,514,029	6,086,021
Employee leave liability (note 8)	660,883	677,741
	10,439,228	9,705,279
Deferred rent	88,065	110,335
SURPLUSES		
General	7,234,476	3,826,344
Fee stabilization reserve (note 9)	15,000,000	13,000,000
Education reserve (note 9)	3,888,555	3,341,429
	26,123,031	20,167,773
	$ 36,650,324	$ 29,983,387

Note 13 describes our commitments and contingencies.

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

Approved by the Board:

DOUGLAS M. HYNDMAN
Chair

DAVID J. SMITH
Member

British Columbia Securities Commission
Statement of Operations
For the Year Ended March 31, 2008
(audited)

	2008	2007
REVENUES		
Fees		
Prospectus and other distributions	$ 18,268,660	$ 16,322,593
Registration	9,226,928	8,691,771
Financial filings	4,530,617	5,032,260
Exemptive orders and other	518,106	512,467
Administrative penalties and designated settlements (note 10)	886,719	1,432,335
Enforcement cost recoveries (note 10)	1,667	300,208
Investment income	1,389,906	907,116
	34,822,603	33,198,750
EXPENSES		
Salaries and benefits (note 12)	21,666,784	21,281,068
Professional services	1,694,144	2,002,771
Occupancy	1,910,742	1,784,962
Depreciation	842,502	1,074,890
Information management	785,377	822,608
Education reserve(note 9)	494,007	644,671
External communications	307,621	384,692
Administration	313,955	373,443
Staff training	358,380	356,813
Business travel	349,583	325,072
Telecommunications	144,250	145,591
	28,867,345	29,196,581
EXCESS OF REVENUES OVER EXPENSES	$ 5,955,258	$ 4,002,169

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

British Columbia Securities Commission
Statement of Surpluses
For the Year Ended March 31, 2008
(audited)

	General	Fee Stabilization Reserve (Note 9)	Education Reserve (Note 9)	Total
Balance, March 31, 2006	$ 1,738,969	$ 12,000,000	$ 2,426,635	$ 16,165,604
Excess of revenues over expenses	4,002,169	-	-	4,002,169
Appropriation during the year	(1,914,794)	1,000,000	914,794	-
Balance, March 31, 2007	$ 3,826,344	$ 13,000,000	$ 3,341,429	$ 20,167,773
Excess of revenues over expenses	5,955,258		-	5,955,258
Appropriation during the year	(2,547,126)	2,000,000	547,126	-
Balance, March 31, 2008	$ 7,234,476	$ 15,000,000	$ 3,888,555	$ 26,123,031

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

British Columbia Securities Commission
Statement of Cash Flows
For the Year Ended March 31, 2008
(audited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from fees	$ 32,886,384	$ 30,993,072
Cash receipts from penalties and settlements	950,513	1,543,047
Cash paid to and on behalf of employees	(21,408,978)	(21,605,930)
Cash paid to suppliers and others	(6,202,924)	(6,587,085)
Investment income received	1,370,406	907,116
	7,595,401	5,250,220
CASH FLOWS USED FOR INVESTING ACTIVITIES		
Paid for capital assets	(742,056)	(239,321)
Net increase in cash and cash equivalents	6,853,345	5,010,899
Cash and cash equivalents, beginning of year	26,133,155	21,122,256
Cash and cash equivalents, end of year	$ 32,986,500	$ 26,133,155
Represented by:		
Cash and short term investments	$ 14,097,945	$ 9,791,726
Investments held for designated purposes	18,888,555	16,341,429
	$ 32,986,500	$ 26,133,155

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

British Columbia Securities Commission
Notes to Financial Statements
For the Year Ended March 31, 2008
(audited)

1. Nature of operations

The British Columbia Securities Commission is a Crown corporation created by the Province of British Columbia on April 1, 1995. We are responsible for the administration of the *Securities Act*. As a government agency, we pay only those taxes paid by the provincial government.

2. Significant accounting policies

Management has prepared these financial statements according to accounting principles that are generally accepted in Canada. The important accounting policies used are:

a) Short term and designated investments
Under BC law, we must invest any money that we receive, but do not immediately need, in an investment pool that the British Columbia Investment Management Corporation, a BC government organization, administers. We buy units in pooled investment funds that invest primarily in:

- Canadian money market instruments maturing within 15 months, and
- Canadian bonds issued or guaranteed by the government of Canada or a provincial government and maturing within 10 years.

Any earnings from our investments are reinvested in the same fund and add to the carrying value of the units we own.

We value our short term investments and investments held for designated purposes at their market value. The fair value of short term investments and investments held for designated purposes is considered to be the market value. Fair value is the amount that would be agreed upon by two unrelated parties to a transaction who have full knowledge of all relevant facts and who are under no obligation to act.

b) Capital assets
We record our capital assets at cost. We depreciate them using the straight line method over their useful lives. We estimate the useful lives of our assets to be as follows:

- Information technology assets – four years
- Leasehold improvements – the length of the remaining lease term or the length of the estimated useful life of each improvement, whichever time is shorter
- Office furniture and equipment – ten years

c) Revenue
We accrue prospectus and other statutory filing fees when filings are made and collectibility is assured. The amounts due and their collectibility are normally determined simultaneously, as most filings are paid for immediately.

Registration fees are paid to us in advance. We recognize only the portion of fees that relate to the registration period falling in the current fiscal year as revenue. We treat the balance as deferred revenue and recognize it as income in the next year.

We recognize administrative penalties and designated settlements after we issue a decision or reach an agreement and determine the amounts are collectible.

2. Significant accounting policies (con't)

d) Estimates

Canadian generally accepted accounting principles require management to make estimates and assumptions for certain amounts disclosed in the financial statements.

In our financial statements, management has estimated the:

- portion of accounts and advances receivable that we will receive
- useful lives of capital assets
- value of the employee leave liability

Results may differ from these estimates.

3. Financial instruments

The carrying values of cash and cash equivalent assets, accounts and amounts receivable, accounts payable and accrued liabilities, accrued salaries, and employee leave liability approximate their fair value because of their short maturity dates.

Short term investments and investments held for designated purposes are subject to credit risk and interest rate risk. Credit risk is the risk that investment values will fluctuate because debtors cannot pay. We believe this risk is low because most of our investments are in government securities. Interest rate risk is the risk that investment values will fluctuate because of changes in market interest rates. We mitigate this risk by investing primarily in short term instruments.

4. Investments

Investments are carried at market value, and consist of:

		2008			2007		
		Units	Expected Return	Market Value	Units	Expected Return	Market Value
Short term investments included in cash	Pooled Canadian Money Market Fund ST2	0.34	-	$ 1,219,968	-	-	$ -
Investments held for designated purposes	Cash	-	-	$ -	-	-	$ 688,768
	Pooled Canadian Money Market Fund ST2	3.10	3.27%	11,173,618	2.72	4.50%	9,328,237
	Short Term Bond Fund	3.75	3.28%	7,714,937	3.28	4.15%	6,324,424
			3.27%	$ 18,888,555		4.17%	$ 16,341,429

5. Amounts receivable

Amounts receivable consist of:

	2008	2007
Settlement sanctions	$ 127,369	$ 189,496
Hearing, legal and other cost recoveries	106,185	100,000
Employee advances and other	50,219	48,830
	$ 283,773	$ 338,326

6. Prepaid expenses

Prepaid expenses consist of:

	2008	2007
IDA registration processing fees	$ 283,023	$ 263,437
Information technology maintenance contracts	93,421	136,483
Other	7,000	10,477
	$ 383,444	$ 410,397

7. Capital assets

Capital assets consist of:

	2008			2007
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Leasehold improvements	$ 4,117,540	$ 2,650,768	$ 1,466,772	$ 1,759,374
Office furniture	2,054,213	1,338,172	716,041	716,577
Office equipment	678,816	518,285	160,531	185,390
Information technology	2,072,683	1,419,420	653,263	440,168
	$ 8,923,252	$ 5,926,645	$ 2,996,607	$ 3,101,509

8. Employee leave liability

Employee leave liability is what we owe to our employees for their accumulated vacation time and other leave entitlements not yet taken.

9. Reserves

	Fee Stabilization (a)	Education (b)	Total
Balance, March 31, 2006	$ 12,000,000	$ 2,426,635	$ 14,426,635
Additions and appropriations	1,000,000	1,432,335	2,432,335
Investment income allocation	-	127,130	127,130
Disbursements	-	(644,671)	(644,671)
Balance, March 31, 2007	$ 13,000,000	$ 3,341,429	$ 16,341,429
Additions and appropriations	2,000,000	886,719	2,886,719
Investment income allocation	-	154,414	154,414
Disbursements	-	(494,007)	(494,007)
Balance, March 31, 2008	$ 15,000,000	$ 3,888,555	$ 18,888,555

9. Reserves (con't)

a) *Fee stabilization reserve*
We appropriate amounts from our general surplus to the fee stabilization reserve so temporary revenue reductions will not immediately impair our ability to operate, or require immediate fee increases. This year, we appropriated $2 million (fiscal 2007 - $1 million) of the general surplus to the fee stabilization reserve.

b) *Education reserve*

We order administrative penalties and disgorgements under the *Securities Act*. We also negotiate settlement amounts. We appropriate revenue from penalties, settlements, and unclaimed disgorgements to our Education Reserve, which we spend only to educate securities market participants and members of the public about investing, financial matters or the operation or regulation of securities markets. We mix education reserve funds with our other funds for investment purposes, so we allocate a portion of our investment income to the education reserve.

10. Enforcement sanctions and cost recoveries

Revenues depend on the timing of enforcement actions completed during the period and on our ability to collect assessed amounts. Collecting enforcement revenues can be difficult because respondents often have limited assets, poor credit or have left British Columbia.

During fiscal 2008, enforcement sanctions and cost recoveries of $22.8 million (fiscal 2007 - $nil) was not recognized as revenue because collectability was unlikely. We vigorously pursue all uncollected amounts.

11. Related party transactions

We are related through common ownership to all provincial government ministries, agencies and Crown corporations. We conducted all transactions with these entities as though we were unrelated parties.

12. Post-retirement employee benefits

We, and our employees, contribute to the Public Service Pension Plan, a multi-employer plan established for the benefit of certain British Columbia public service employees. The plan is contributory, and its basic benefits are defined. The plan has about 47,000 active members and approximately 35,000 retired members. A board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of assets and administration of benefits.

An actuarial valuation of the plan is performed every three years to assess the financial position of the plan. The latest valuation, as at March 31, 2005, indicated a $767 million unfunded liability for basic pension benefits. In addition to basic benefits, the plan also provides supplementary benefits, including inflation indexing. These supplementary benefits are paid only to the extent that they have been funded, which is currently done on a "pay-as-you-go" basis. The plan's unfunded liability would increase to $2,208 million if indexed benefits were funded in advance. Surpluses and deficits are not attributable to individual employers, but affect future contribution levels. We charged $1,457,741 to expense for employer contributions during the period (fiscal 2007 - $1,432,252).

13. Commitments and contingencies

a) *Office lease*
We have leased office space to November 30, 2011. Our annual rent, net of sublease recoveries is approximately $925,000. We also pay our share of building operating and maintenance costs.

b) *National filing systems operating agreements*
CDS INC. (CDS) operates the SEDAR and SEDI national filing systems on behalf of the Canadian Securities Administrators (CSA) under agreements with the Alberta Securities Commission, British Columbia Securities Commission, Ontario Securities Commission (OSC), and l'Autorité des Marchés Financiers (AMF), together called the CSA Principal Administrators. CDS operates the NRD national filing system under agreements with the CSA Principal Administrators and the Investment Dealers Association (IDA). Under the agreements:

- The CSA Principal Administrators must pay CDS if the SEDAR system budgeted operating costs exceed revenues ("shortfall"). Our portion of any SEDAR shortfall is limited to 15.4%.
- CDS must pay SEDAR revenues in excess of system budgeted operating costs ("surplus") to the CSA Principal Administrators. Any surplus is not divisible; the CSA Principal Administrators own it as a group.
- CDS and the CSA Principal Administrators agree to share actual versus budgeted system operating cost ("expense") variances equally.

The OSC is holding $23.9 million in trust. The funds are the national filing systems' accumulated surpluses and expenses variances and interest earned on those amounts to March 31, 2008. The CSA Principal Administrators have agreed that we will use these funds only for the benefit of national filing system users through system enhancements or usage fee adjustments.

c) *Legal actions*
We are involved in legal actions arising from the operation of our business. The outcome and ultimate disposition of these actions are not yet determinable. We do not expect the outcome of any of these proceedings, individually or in total, to have a material impact on our financial position.