Ontario

Ministry of Finance

Public Accounts of Ontario

Financial Statements of Crown Corporations, Boards, Commissions

Government Organizations, Trusts & Miscellaneous Financial Statements

2003-2004

VOLUME 2b

TABLE OF CONTENTS

MINISTERIAL RESPONSIBILITY FOR
GOVERNMENT ENTERPRISES, ORGANIZATIONS, TRUSTS & OTHER

Minister of Agriculture and Food
- Agricorp

Ministry of Attorney General
- Legal Aid Ontario
- The Public Guardian and Trustee for the Province of Ontario

Minister of Culture
- The Centennial Centre of Science and Technology
- Ontario Trillium Foundation
- Royal Ontario Museum

Minister of Economic Development and Trade
- Liquor Control Board of Ontario
- Ontario Immigrant Investor Corporation
- Ontario Lottery and Gaming Corporation

Ministry of Education
- Education Quality and Accountability Office

Minister of Energy
- Hydro One Inc.
- Independent Electricity Market Operator
- Ontario Energy Board
- Ontario Power Generation

Minister of Environment
- Ontario Clean Water Agency

Minister of Finance
- Deposit Insurance Corporation of Ontario
- Losses deleted from the accounts
- Motor Vehicle Accident Claims Fund
- Ontario Electricity Financial Corporation
- Ontario Financing Authority
- Ontario Municipal Economic Infrastructure Financing Authority
- Ontario Securities Commission
- Pension Benefit Guarantee Fund
- Provincial Judges Pension Fund
- Revenue remissions

Minister of Health and Long-Term Care
- Cancer Care Ontario
- Smart Systems for Health

Minister of Labour
- Workplace Safety and Insurance Board

Chair of Management Board of Cabinet (Management Board Secretariat)
- Ontario Pension Board
- Ontario Realty Corporation

Minister of Municipal Affairs and Housing
- Ontario Housing Corporation

Minister of Natural Resources
- Algonquin Forestry Authority

Minister of Northern Development and Mines
- Northern Ontario Heritage Fund Corporation
- Ontario Northland Transportation Commission

Minister of Tourism and Recreation
- Metropolitan Toronto Convention Centre Corporation
- Ontario Place Corporation
- Niagara Parks Commission

Minister of Training, Colleges and Universities
- Ontario Educational Communications Authority (TV Ontario)

Minister of Transportation
- Greater Toronto Transit Authority
- Toronto Area Transit Operating Authority

A GUIDE TO PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 2003-2004 Public Accounts of the Province of Ontario comprise the **Annual Report and Financial Statements** and three volumes:

Volume 1 contains the Consolidated Revenue Fund schedules and Ministry statements. The Consolidated Revenue Fund reflects the financial activities of the government's ministries on a modified cash basis.

Volume 2 contains the financial statements of significant provincial crown corporations, boards and commissions which are part of the government's reporting entity and miscellaneous financial statements.

Volume 3 contains the details of expenditure and the Ontario Public Sector salary disclosure.

2. A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 2003 to March 31, 2004. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents (Volume 2a contains Government Business Enterprises; Volume 2b contains Other Government Organizations, Trusts and Miscellaneous Statements). In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

ONTARIO PUBLIC SECTOR SALARY DISCLOSURE

The *Public Sector Salary Disclosure Act* requires employers in the public sector to disclose the names, positions, salaries and taxable benefits of employees paid $100,000 or more in the previous calendar year. One of the requirements is to include the information with their annual report or financial statements.

The employees of the following enterprises, organizations, trusts and ministry employees are paid through the Ontario government payroll system. Therefore, any employees paid $100,000 or more in 2003 are listed in the OPS listing in Volume 3 of the Public Accounts:

Pension Benefit Guarantee Fund
Motor Vehicle Accident Claims Fund
Northern Ontario Heritage Fund Corporation
Ontario Electricity Financial Corporation
Ontario Housing Corporation
Provincial Judges Pension Fund
The Public Guardian and Trustee for the Province of Ontario
Toronto Area Transit Operating Authority

For enterprises, organizations and trust who have employees who were paid $100,000 or more in 2003, the listing required by the Act is included with their financial statements in this volume.

OTHER GOVERNMENT ORGANIZATIONS

AgriCorp

Management's Responsibility For Financial Reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with generally accepted accounting principles. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for unsettled indemnities that are necessarily based on management's best estimates and have been made using careful judgement.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the Office of the Provincial Auditor on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.

Randy Jackiw
Chief Executive Officer

Rolly Stroeter
Chief Financial Officer

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

AUDI ALTERAM PARTEM

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To AgriCorp
and to the Minister of Agriculture and Food

I have audited the balance sheet of Agricorp as at March 31, 2004 and the statements of operations and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 4, 2004

Gary R. Peall, CA
Acting Assistant Provincial Auditor

AGRICORP

Balance Sheet
As at March 31, 2004

	2004 ($ 000)	2003 ($ 000)
ASSETS		
Cash	—	1,723
Accounts receivable (Note 4)	16,953	24,782
Funds under administration (Note 5)	2,592	12,461
Investments (Note 6)	133,435	150,307
Due from the Minister of Finance (Note 7)	93,858	96,418
Capital assets (Note 8)	1,266	1,102
	248,104	286,793
LIABILITIES AND FUND BALANCES		
Liabilities		
Bank indebtedness	75	—
Accounts payable and accrued liabilities	1,675	1,554
Unearned premiums and revenue (Note 9)	15,250	20,804
Provision for unsettled indemnities	5,133	13,021
Funds under administration payable (Note 5)	2,592	12,461
	24,725	47,840
Fund Balances (Notes 1 and 13)		
General Fund	7,910	6,067
Ontario Crop Insurance Fund	121,405	140,731
Market Revenue Program	94,064	92,155
	223,379	238,953
	248,104	286,793

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Chief Executive Officer

AGRICORP

Statement of Operations and Fund Balance – General Fund
For the Year Ended March 31, 2004

	2004 ($ 000)	2003 ($ 000)
Revenue		
Operating funding (Note 10)	11,650	10,510
Sales, consulting and other services	7,194	6,497
Interest Income	173	59
	19,017	17,066
Expenses		
Selling, general and administrative	16,353	14,580
Depreciation	821	632
	17,174	15,212
Excess of revenue over expenses	1,843	1,854
Fund balance, beginning of year	6,067	4,213
Fund balance, end of year	7,910	6,067

See accompanying notes to financial statements.

AGRICORP

Statement of Operations and Fund Balance – Ontario Crop Insurance Fund
For the Year Ended March 31, 2004

	2004 ($ 000)	2003 ($ 000)
Revenue		
Premiums from insured producers	57,337	48,823
Premium funding – Ontario and Canada (Note 3)	57,337	48,823
Interest and investment income	8,706	10,929
Reinsurance received (Note 11)	—	39
Bad debt recoveries	—	41
	123,380	108,655
Expenses		
Indemnities (Note 12)	126,716	143,447
Reinsurance (Note 11)	15,981	17,041
Bad debts	9	—
	142,706	160,488
Excess (deficiency) of revenue over expenses	(19,326)	(51,833)
Fund balance, beginning of year	140,731	192,564
Fund balance, end of year	121,405	140,731

See accompanying notes to financial statements.

AGRICORP

Statement of Operations and Fund Balance – Market Revenue Program
For the Year Ended March 31, 2004

	2004 ($ 000)	2003 ($ 000)
Revenue		
Premium funding – Ontario and Canada (Note 3)	16	14,579
Interest income	2,550	3,089
	2,566	17,668
Expenses		
Indemnities (Note 12)	657	47,448
Excess (deficiency) of revenue over expenses	1,909	(29,780)
Fund balance, beginning of year	92,155	121,935
Fund balance, end of year	94,064	92,155

See accompanying notes to financial statements.

AGRICORP

Statement of Cash Flows
For the Year Ended March 31, 2004

	2004 ($ 000)	2003 ($ 000)
Cash Flows from (used in) Operating Activities		
Excess (deficiency) of revenue over expenses		
▪ General Fund	1,843	1,854
▪ Ontario Crop Insurance Fund	(19,326)	(51,833)
▪ Market Revenue Program	1,909	(29,780)
Adjustments to reconcile net income to funds provided by operating activities		
▪ Depreciation	821	632
▪ Net change in working capital	(2,932)	26,083
Cash flows used in operating activities	(17,685)	(53,044)
Cash Flows from Investing Activities		
Purchase of capital assets	(985)	(747)
Decrease in investments	16,872	52,220
Cash flows from investing activities	15,887	51,473
Net increase (decrease) in cash	(1,798)	(1,571)
Cash at beginning of year	1,723	3,294
(Bank indebtedness) cash at end of year	(75)	1,723

See accompanying notes to financial statements.

AGRICORP

Notes to Financial Statements
March 31, 2004

1. NATURE OF OPERATIONS

The *AgriCorp Act, 1996* established AgriCorp as a new Crown agency effective January 1, 1997. The Corporation was established without share capital. Its mandate is to design and deliver agricultural safety net plans and other food products and services to the farm, food and rural sectors of Ontario. Safety net programs include Crop Insurance and the Market Revenue Program.

The Ontario Crop Insurance Fund was established in 1966 and currently operates pursuant to the *Crop Insurance Act (Ontario), 1996*. The program provides growers with protection on all major crops grown in Ontario, against yield reduction caused by natural perils.

The Market Revenue Program was established pursuant to the Interim Gross Revenue Insurance Plan (GRIP) agreement established by the Government of Canada with the provinces and commenced operations on April 1, 1991. The Program protects farmers against reduced income caused by low market prices of certain designated crops.

In January 2001, AgriCorp assumed responsibility from the Ontario Ministry of Agriculture and Food for the delivery of the Farm Business Registration Program established under the *Farm Registration and Farm Organizations Funding Act, 1993*. AgriCorp's obligations under an agreement with the Ministry primarily include registration of farm businesses, collection of registration fees and, after deducting an administrative charge, forwarding the net fees to Ontario's accredited General Farm Organizations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

(b) Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided using the straight line method over the estimated useful life of the assets as listed below.

Furniture and fixtures	4 years
Vehicles	4 years
Machinery and equipment	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	remaining life of the lease

(c) Pension Plan

Full-time employees participate in a mandatory contributory defined benefit pension plan administered by a third-party administrator. The Corporation matches employees' contributions. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on services and management's best estimates. Pension plan assets are valued using current fair values and any adjustments are amortized on a straight-line basis over the actuarial average remaining service life of the employee group.

AGRICORP

Notes to Financial Statements
March 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments

Interest income, gains and losses on disposal, amortization of premiums and discounts and write-downs to market value are reported in investment income. Market Revenue, Crop Insurance and General Fund cashflows and investments are segregated avoiding the need for allocation of investment income. Short-term investments are acquired primarily for the purpose of liquidity and are intended to be held for less than one year. Short-term investments are carried at cost which approximates market value. Long-term investments are recorded at cost net of accumulated premiums and discounts amortized over the term to maturity.

(e) Provision for Unsettled Indemnities

Provision for unsettled indemnities relate to certain Crop Insurance claims that remained unsettled at year-end and were either quantified based on settlement amounts after year-end or management's best estimates of the amounts to be paid.

(f) Revenue Recognition

Premiums received in the period are deferred for crops which will be harvested subsequent to the end of the fiscal year.

3. CANADA-ONTARIO COST SHARING AGREEMENTS

(a) Crop Insurance

A new Canada-Ontario Insurance Agreement came into effect April 1, 2003 and expires March 31, 2008 or at a mutually agreed upon date. Under the terms of the Agreement, crop producers pay half of the insurance premium costs and the other half is paid by the Federal and Provincial governments, 60% and 40% respectively. The full cost of the program's selling, general and administrative expenses are shared by the two levels of government in the same proportions.

(b) Market Revenue

The Canada-Ontario Market Revenue Agreement has expired. No new agreement was in place for the current fiscal year. However, the Province and the Federal government are in discussions regarding the continuation of this program.

AGRICORP

Notes to Financial Statements
March 31, 2004

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2004 ($ 000)	2003 ($ 000)
Government funding	15,710	17,980
Accrued interest	10	6
Producer premiums, net	570	6,021
Trade	663	775
	16,953	24,782

5. FUNDS UNDER ADMINISTRATION

The Corporation provides cheque production and cash management services for agricultural programs under various agreements with the Ontario Ministry of Agriculture and Food. The funds required to make payments under these programs are provided by Ontario and Canada.

	2004 ($ 000)	2003 ($ 000)
Funds Under Administration		
Short-term investments	—	10,452
Cash (Outstanding payments)	2,592	1,954
Other	—	55
	2,592	12,461
Funds Under Administration Payable		
Ontario Whole Farm Relief Program	—	3,021
Ontario Farm Income Disaster Program	1,159	8,863
Canada Grain Stabilization Payment	3	20
Ontario Farm Business Registration Program	99	169
Canada-Ontario BSE Recovery Program	2,007	—
Ontario BSE Recovery Program (Bank overdraft)	(1,121)	—
Other	445	388
	2,592	12,461

6. INVESTMENTS

Legislation restricts the Corporation's investments to highly liquid, high grade instruments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

AGRICORP

Notes to Financial Statements
March 31, 2004

6. INVESTMENTS (CONTINUED)

(a) Portfolio Profile

Investments are as follows:

	2004		2003	
	Carrying Amount ($ 000)	Fair Value ($ 000)	Carrying Amount ($ 000)	Fair Value ($ 000)
Short-term	13,013	12,984	19,535	19,473
Long-term				
Government of Canada	20,060	20,938	20,382	20,928
Province of Ontario	25,545	27,357	25,708	26,813
Other provincial governments	28,496	30,233	28,825	29,577
Provincial utilities	46,321	49,614	45,713	47,214
Other financial institutions	—	—	10,144	10,152
Total long-term	120,422	128,142	130,772	134,684
Total Investments	133,435	141,126	150,307	154,157

(b) Investment Risk

The coupon rates for the long-term bond portfolio ranged from 5.0% to 10.25% with a weighted average yield of 5.858%. Fluctuations in interest rates could have a significant impact on the market value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if actual claims levels differed significantly from expected claims and quick liquidation of assets was required to meet obligations. At March 31, 2004, a 1% move in interest rates could impact the market value by approximately $3.6 million.

(c) Maturity Profile of the Investment Portfolio

	2004 ($ 000)	2003 ($ 000)
<1 Year	13,013	19,535
1-3 Years	47,301	56,096
3-5 Years	59,250	37,727
>5 Years	13,871	36,949
Total	133,435	150,307

AGRICORP

Notes to Financial Statements
March 31, 2004

7. DUE FROM THE MINISTER OF FINANCE

Pursuant to Order-in-Council 1546/91, an account has been established in the Ontario Government's Consolidated Revenue Fund to receive Market Revenue Program contributions from Canada and Ontario. No funding was received for the 2003 crop year, since the Canada-Ontario Market Revenue Agreement had expired. Interest is paid quarterly on the account's average daily closing value based on the average Bank of Canada treasury bill rate. This account is used to administer the Program and cannot be accessed for the general operating, financing and investing activities of the Corporation.

8. CAPITAL ASSETS

	March 31, 2004			2003
	Cost ($ 000)	Accumulated Amortization ($ 000)	Net Book Value ($ 000)	Net Book Value ($ 000)
Computer hardware	3,408	2,396	1,012	808
Computer software	1,496	1,278	218	227
Leasehold improvements	153	126	27	34
Machinery and equipment	122	113	9	31
Vehicles	36	36	—	—
Furniture and fixtures	18	18	—	2
	5,233	3,967	1,266	1,102

9. UNEARNED PREMIUMS AND REVENUE

Unearned premiums represent premiums paid in advance to the Ontario Crop Insurance Fund for winter wheat ($9.53 million) and other crops ($4.42 million). These crops are not harvested until after the end of the fiscal year giving rise to the deferral of the premiums. Unearned revenue ($1.30 million) includes operating funding related to the unamortized value of capital assets.

10. OPERATING FUNDING

Canada and Ontario have agreed to share the costs of administering the Ontario Crop Insurance Fund at the rate of 60% and 40% respectively. Since the Canada-Ontario Market Revenue Agreement had expired, Market Revenue Program activity was substantially reduced during the 2003/04 fiscal year. However, the Corporation still maintains and administers the assets of the Market Revenue Program. Therefore, based on a reasonable estimate of the administrative workload, these costs were allocated to the Fund and Program 95% and 5%, respectively.

AGRICORP

Notes to Financial Statements
March 31, 2004

11. REINSURANCE AGREEMENT

The Corporation has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume crop insurance losses based on negotiated thresholds. Payments made by reinsurance companies represent claims submitted for crop losses incurred by the Corporation.

12. INDEMNITIES

The Ontario Crop Insurance Fund's operating results for the current period includes a $0.20 million under-provision for unsettled indemnities as at March 31, 2003 (2002 – $0.35 million under-provision for indemnities). In addition, the Ontario Crop Insurance Fund's operating results for the current period include a provision for unsettled indemnities relating to the 2003 crop year of $5.13 million (2002 – $1.02 million).

The Market Revenue Program's operating results for the current period includes a $0.7 million under-provision of unsettled indemnities as at March 31, 2003 (2002 – $35.45 million under-provision). No provision for unsettled indemnities was required for the Market Revenue Program for the 2003 crop year because a Canada-Ontario Market Revenue Agreement was not in place for that year. The provision for unsettled indemnities as at March 31, 2003 relating to the 2002 crop year was $12 million.

13. SEGMENTED INFORMATION

	General Fund	Crop Insurance Fund	Market Revenue Program	Total 2004	Total 2003
			($ 000)		
Assets					
Cash	—	—	—	—	1,723
Accounts receivable	1,681	15,027	245	16,953	24,782
Funds under administration	2,592	—	—	2,592	12,461
Investments	7,931	125,504	—	133,435	150,307
Due from the Minister of Finance	—	—	93,858	93,858	96,418
Capital assets	1,266	—	—	1,266	1,102
	13,470	140,531	94,103	248,104	286,793
Liabilities					
Bank indebtedness	78	(3)	—	75	—
Accounts payable and accrued liabilities	1,586	50	39	1,675	1,554
Unearned premiums and revenue	1,304	13,946	—	15,250	20,804
Provision for unsettled indemnities	—	5,133	—	5,133	13,021
Funds under administration payable	2,592	—	—	2,592	12,461
	5,560	19,126	39	24,725	47,840
Fund Balances	7,910	121,405	94,064	223,379	238,953

AGRICORP

Notes to Financial Statements
March 31, 2004

14. PENSION PLAN

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The plan was set up effective January 1, 1997. Plan assets are invested in three balanced funds and one global equity fund.

	2004 ($ 000)	2003 ($ 000)
Fair value of plan assets - beginning	2,463	2,312
Contributions by the corporation	376	286
Contributions by the employees	303	286
Benefit payments	(80)	(132)
Return on plan assets	619	(289)
Fair value of plan assets – ending	3,681	2,463

Based on a financial statement prepared by the plan's actuary, the present value of the accrued pension obligation and the fair value of the net assets available to provide for the obligation, are as follows:

	2004 ($ 000)	2003 ($ 000)
Accrued pension obligation	4,524	3,119
Fair value of plan assets	3,681	2,463
Pension plan surplus (deficit)	(843)	(656)

The pension plan remained in a deficit during the fiscal year due to low investment returns. Certain assumptions were made in determining the pension obligation. Plan assets were assumed to earn 7% per year, salary escalation was assumed to be 4% per year and 6.75% was used as the discount rate.

To date, the Corporation has an accrued pension benefit liability as follows:

	2004 ($ 000)	2003 ($ 000)
Accrued benefit liability – beginning	85	54
Pension expense for the year	359	317
Contributions by the corporation	(376)	(286)
Accrued benefit liability – ending	68	85

15. RELATED PARTY TRANSACTIONS

The Corporation has entered into several agreements to acquire services from the Ontario Ministry of Agriculture and Food. Under the terms of the agreements the Corporation paid the Ministry $374,180 during the year. These services, assessed at fair market value, include the utilization of postage, courier, copy, and legal services. In addition, the Corporation paid the Ontario Realty Corporation $374,903 to rent their head office location.

AGRICORP

Notes to Financial Statements
March 31, 2004

16. BOARD REMUNERATION AND SALARY DISCLOSURE

Total remuneration to members of the Board of Directors was $29,783 during the year ending March 31, 2004 (2003 – $43,587).

The *Public Sector Salary Disclosure Act, 1996*, requires the Corporation to disclose employees paid an annual salary in excess of $100,000. For the 2003 calendar year, the amounts paid to such individuals is as follows:

Name	Position	Salary Paid ($)	Taxable Benefits ($)
Brown, Greg	Executive Director, Business Development	112,579	8,270
Ip, Stephen	Director, Information Technology	103,833	6,453
Jackiw, Randy	Chief Executive Officer	156,106	10,856
Vleck, Michael	Director, Research and Development	101,487	3,332

17. LEASE COMMITMENTS

The Corporation is committed under an operating lease on leased premises with future minimum rental payments due as follows:

	($ 000)
2005	357
2006	357
	714

18. CONTINGENT LIABILITY

The General Fund balance includes an accumulation of $0.8 million relating to the reimbursement by the reinsurance companies of adjusting costs incurred by the Corporation. The Province of Ontario also reimbursed the Corporation for these costs. Consequently, the right to these funds between the Province and the Corporation is uncertain. The Ministry of Agriculture and Food will bring this matter to the attention of the Ministry of Finance for resolution.

cancer care ontario | action cancer ontario

May 14, 2004

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this financial statement. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements.

Cancer Care Ontario is dedicated to the highest standards of integrity and patient care. To safeguard Cancer Care Ontario's assets, a sound and dynamic set of internal financial controls and procedures that balance benefits and costs has been established. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Finance and Audit Committee.

The Board of Directors through the Finance and Audit Committee ensures that management fulfills its responsibilities for financial information and internal control. This committee oversees the financial activities of Cancer Care Ontario and reviews the financial statements and the external auditors' report thereon.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

For the fiscal year ending March 31, 2004, Cancer Care Ontario's Board of Directors, through the Finance and Audit Committee, was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls. The Committee meets regularly with management, the internal auditor and the Provincial Auditor to satisfy itself that each group had properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The Provincial Auditor had direct and full access to the Finance and Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Cancer Care Ontario's financial reporting and the effectiveness of the system of internal controls.

On behalf of Cancer Care Ontario Management

Alan R. Hudson
President and Chief Executive Officer

Elham Roushani
Provincial VP & Chief Financial Officer

Cancer Care Ontario | Action Cancer Ontario 620 University Avenue Toronto ON M5G 2L7
T.416.971.9800 F.416.971.6888 www.cancercare.on.ca

Ontario

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To Cancer Care Ontario
and to the Minister of Health and Long-Term Care

I have audited the statement of financial position of Cancer Care Ontario as at March 31, 2004 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of Cancer Care Ontario'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 Cancer Care Ontario as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 14, 2004

J.R. McCarter, CA
Assistant Provincial Auditor

CANCER CARE ONTARIO

Statement of Financial Position
(In thousands of dollars)

March 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	$ 63,279	$ 35,757
Short-term investments	–	4,010
Receivables (note 2)	15,760	37,378
	79,039	77,145
Long-term investments (note 3)	62,209	58,434
Accrued pension asset (note 4)	–	7,879
Capital assets (note 5)	57,055	57,424
Other	247	337
	$ 198,550	$ 201,219
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 37,151	$ 44,502
Deferred contributions:		
Deferred operating grants (note 6(a))	38,897	23,657
Deferred contributions related to capital assets (note 6(b))	73,952	71,782
	112,849	95,439
Post-retirement benefits other than pension plan (note 4)	5,471	6,801
Fund balances:		
Endowment	2,613	2,613
Internally and externally restricted	28,813	34,592
Invested in capital assets (note 7)	6	4,849
Unrestricted	11,647	12,423
	43,079	54,477
Commitments (note 12)		
Contingency (note 13)		
	$ 198,550	$ 201,219

See accompanying notes to financial statements.

On behalf of the Board:

CANCER CARE ONTARIO

Statement of Operations
(In thousands of dollars)

Year ended March 31, 2004, with comparative figures for 2003

	Restricted		General		Total	
	2004	2003	2004	2003	2004	2003
Revenue:						
Ministry of Health and Long-Term Care	$ –	$ –	$ 333,766	$ 292,811	$ 333,766	$ 292,811
Investment income (note 8)	175	61	4,580	3,210	4,755	3,271
Donations, bequests and grants	20,294	28,135	2,305	157	22,599	28,292
Amortization of deferred contributions related to capital assets (note 6(b))	1,882	1,705	15,210	13,130	17,092	14,835
Other (note 9)	–	–	15,185	18,164	15,185	18,164
	22,351	29,901	371,046	327,472	393,397	357,373
Expenses:						
Salaries	5,545	5,622	92,706	118,888	98,251	124,510
Benefits	1,338	1,183	24,586	30,962	25,924	32,145
Integrated Cancer Programs Services	–	–	55,243	–	55,243	–
Integrated Cancer Programs Restructuring	–	–	12,956	–	12,956	–
Drugs	9	16	72,159	67,935	72,168	67,951
Other operating (note 10)	15,674	17,421	62,776	58,369	78,450	75,790
Medical and surgical services and supplies	2,613	2,131	26,767	29,021	29,380	31,152
Amortization of capital assets	1,882	1,705	16,950	17,047	18,832	18,752
Loss on disposal of capital assets	–	–	2,684	–	2,684	–
Pension (note 4)	–	–	12,109	4,605	12,109	4,605
Post-retirement benefits other than pension plan (note 4)	–	–	(1,202)	2,098	(1,202)	2,098
	27,061	28,078	377,734	328,925	404,795	357,003
Excess (deficiency) of revenue over expenses	$ (4,710)	$ 1,823	$ (6,688)	$ (1,453)	$ (11,398)	$ 370

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Statement of Changes in Fund Balances
(In thousands of dollars)

Year ended March 31, 2004, with comparative figures for 2003

	Restricted		General		2004	2003
	Endowment	Other	Invested in capital assets (note 7)	Unrestricted	Total	Total
Fund balances, beginning of year	$ 2,613	$ 34,592	$ 4,849	$ 12,423	$ 54,477	$ 54,107
Excess (deficiency) of revenue over expenses	–	(4,710)	(4,424)	(2,264)	(11,398)	370
Interfund transfers (note 11)	–	(1,069)	–	1,069	–	–
Invested in capital assets (note 7)	–	–	(419)	419	–	–
Fund balances, end of year	$ 2,613	$ 28,813	$ 6	$ 11,647	$ 43,079	$ 54,477

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses - Restricted	$ (4,710)	$ 1,823
Items not involving cash:		
Deficiency of revenue over expenses - General	(6,688)	(1,453)
Amortization of capital assets	18,832	18,752
Loss on disposal of capital assets	2,684	–
Amortization of deferred contributions related to capital assets	(17,092)	(14,835)
Change in non-cash operating working capital	29,507	29,810
	22,533	34,097
Investing activities:		
Short-term investments, net	4,010	(994)
Long-term investments, net	(3,775)	(2,668)
Additions to (purchase of) capital assets:		
Funded by contributions for capital assets	(41,886)	(40,792)
Internally funded	419	(2,031)
Other assets	90	117
Change in accrued pension asset	7,879	979
Change in post-retirement benefits other than pension plan	(1,330)	1,937
Reduction in deferred contributions related to disposed capital assets	20,320	–
Deferred contributions related to capital assets	19,262	39,740
	4,989	(3,712)
Increase in cash and cash equivalents	27,522	30,385
Cash and cash equivalents, beginning of year	35,757	5,372
Cash and cash equivalents, end of year	$ 63,279	$ 35,757

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2004

The Government of Ontario approved the establishment of Cancer Care Ontario (the "Organization") on April 29, 1997 to facilitate significant improvements for cancer patients, their families and the public in the outcome, quality and efficiency of cancer services. The cancer services encompassed prevention, early detection, diagnosis, treatment, supportive care, research and education. The Organization was incorporated under the name of The Ontario Cancer Treatment and Research Foundation by an Act of Legislature of the Province of Ontario in 1943 and the name of the Organization was changed in 1997 to Cancer Care Ontario. The Organization is a registered charity under the Income Tax Act.

The Organization integrated the operations at its regional cancer centres with its host hospitals as of December 31, 2003. This involved transferring the employees, operations and many assets from each of the regional cancer centres to the corresponding host hospital.

Effective January 1, 2004, the host hospitals became responsible for the operation of the cancer centres in accordance with the Cancer Program Integration Agreement ("CPIA"). Based on the CPIA agreement, the Organization will fund the Integrated Cancer Programs ("ICP") at the host hospitals in return for various cancer activity volumes.

The Organization is striving to improve the performance of the cancer treatment system in Ontario by driving quality, accountability and innovation in all cancer related services. The Organization's new role includes emphasis on performance management. In this way, the Organization will advance new ideas, promote changes and take action toward quality improvement in the cancer treatment system.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)
Year ended March 31, 2004

1. Significant accounting policies:

The Organization's financial statements are prepared by management using Canadian generally accepted accounting principles.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, deferred contributions and fund balances at the date of the financial statements and the reported amounts on the statements of operations and changes in fund balances during the year. Actual results could differ from those estimates.

(a) Fund accounting:

The Organization uses the restricted fund method of accounting for contributions.

The General Fund accounts for the Organization's Ministry of Health and Long-Term Care funded programs and administration activities. This fund reports unrestricted resources and restricted operating grants.

The Restricted Fund reports all externally and internally restricted resources. The main use of these resources is for research and education. These funds include donations and grants which either have specific restrictions placed on their use by the donor or have been received by a centre and are restricted for use by that centre.

The Endowment Fund reports contributions subject to externally imposed stipulations specifying that the resources contributed be maintained permanently.

(b) Revenue recognition:

Restricted contributions related to Ministry of Health and Long-Term Care funded programs are recognized as revenue of the General Fund in the year which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate Restricted Fund in the year of receipt.

Contributions for endowment are recognized as revenue of the appropriate Endowment Fund in the year of receipt.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)
Year ended March 31, 2004

1. Significant accounting policies (continued):

Restricted investment income earned on Endowment Fund resources are recognized as revenue of the Restricted Fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received.

(c) Inventory:

Drug inventory is stated at the lower of cost and net realizable value, and is included in other current assets.

(d) Investments:

Short-term investments are stated at cost, which approximates market. Short-term investments are those with original terms to maturity in excess of three months but less than one year. Short-term investments with maturity of less than three months are recorded as cash and cash equivalents.

Long-term investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

(e) Capital assets:

Capital assets are recorded at cost. Contributions received for the purchase of capital assets are recorded as grants for capital assets and amortized on the same basis as the capital assets. All capital assets are amortized on a straight-line basis at 20% per annum.

Land and buildings for four lodges donated by the Canadian Cancer Society - Ontario Division are recorded at nominal value, as current value is not reasonably determinable.

(f) Contributed services:

The Organization benefits from services provided by volunteers at the regional cancer centres. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)
Year ended March 31, 2004

1. Significant accounting policies (continued):

(g) Post-retirement benefits:

(i) Pension costs:

The pension expense and obligation have been actuarially determined using a modified unit credit methodology prorated on services and based on management's best estimate assumptions. The pension expense for the year also includes adjustments for plan amendments and changes in assumptions which are being amortized on a straight-line basis over the average remaining service period of active plan members. Experience gains or losses which exceed 10% of the greater of the benefit obligation and the fair value of plan assets are amortized over the average remaining service period of active plan members.

(ii) Post-retirement benefits other than pension plan:

The cost of post-retirement benefits other than pension plan is actuarially determined using the projected benefit method prorated on employment services and is expensed as employment services are rendered.

The transitional obligation arising from the adoption of this accounting policy is being amortized over the average remaining service period of active employees expected to receive benefits under the benefit plans.

Losses on curtailments are recorded in the statement of operations in the period in which it is probable that they will occur and their effects are reasonably estimable.

Gains or losses on settlements and gains on curtailments are recorded in the statement of operations in the period in which they occur.

A curtailment is an event that results in a significant reduction of the expected years of future service of active employees, or the elimination for a significant number of active employees of the right to earn defined benefits for some, or all, of their future services. A settlement is a transaction in which an entity substantially discharges, or settles, all or part of an accrued benefit obligation. When a restructuring of a benefit plan gives rise to both a curtailment and a settlement, the Organization accounts for the curtailment prior to the settlement.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)
Year ended March 31, 2004

2. Receivables:

	2004	2003
Accounts receivable	$ 1,609	$ 10,701
Due from the Ministry of Health and Long-Term Care	4,791	18,248
Due from Community Foundations	8,387	4,821
Other	973	3,608
	$ 15,760	$ 37,378

3. Long-term investments:

The carrying value and market value of the Organization's long-term investments are as follows:

2004	Carrying value	Market value	Effective yield	Maturity
Treasury bills, guaranteed investment certificates and cash	$ 4,065	$ 4,065	2.00%	Under 1 year
Bonds	35,302	35,940	3.0% - 20.5%	0 - 46 years
Equities	22,842	22,860	n/a	n/a
	$ 62,209	$ 62,865		

2003	Carrying value	Market value	Effective yield	Maturity
Treasury bills, guaranteed investment certificates and cash	$ 5,206	$ 5,196	2.81%	Under 1 year
Bonds	43,306	43,151	3.39% - 15.68%	0 - 49 years
Equities	9,922	7,888	n/a	n/a
	$ 58,434	$ 56,235		

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)
Year ended March 31, 2004

4. Pension and post-retirement benefits other than pension plans:

The Organization maintained a defined contribution pension plan with a minimum defined benefit guarantee. Contributions made by the Organization during the year were $4,230 (2003 - $3,626). Contributions made by the employees during the year were $4,230 (2003 - $3,626). The amount of benefits paid during the year was $20,244 (2003 - $12,966).

The Organization also offers non-pension, post-retirement benefits to its employees, including extended health care and drugs. Benefits paid during the year under this unfunded plan were $129 (2003 - $161).

As a result of the Organization's restructuring during the year, the Organization has commenced the wind up process of the post-retirement benefits plans previously offered. Accordingly, the curtailment of the pension benefit plan resulted in an increase of the accrued benefit obligation of $24,571 and the settlement of the pension benefit plan resulted in an increase of the accrued benefit obligation of $3,777. Included in the pension expense recorded in the statement of operations is a curtailment loss of $5,226 and a settlement loss of $3,777. The curtailment of the post-retirement benefits other than pension plan resulted in a reduction of the accrued benefit obligation of $13,410 and included in the post-retirement benefits other than pension plan expense recorded in the statement of operations is a curtailment gain of $3,535.

Information about the Organization's plans is as follows:

	2004		2003	
	Pension benefit plan	Post-retirement benefits other than pension plan	Pension benefit plan	Post-retirement benefits other than pension plan
Accrued benefit obligation before curtailment/settlement	$ (162,815)	$ (17,064)	$ (180,851)	$ (16,301)
Effect of curtailment	(24,571)	13,410	–	–
Effect of settlement	(3,777)	–	–	–
Accrued benefit obligation after curtailment/settlement	(191,163)	(3,654)	(180,851)	(16,301)
Fair value of plan assets	191,163	–	172,195	–
Funded status, plan deficit	–	(3,654)	(8,656)	(16,301)
Unamortized actuarial loss (gain)	–	(4,522)	57,523	(3,719)
Unamortized net transitional obligation (asset)	–	2,705	(40,988)	13,219
Net accrued benefit asset (liability)	$ –	$ (5,471)	$ 7,879	$ (6,801)

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)
Year ended March 31, 2004

4. Pension and post-retirement benefits other than pension plans (continued):

The actuarially determined present value of the accrued benefit obligation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action as follows:

	2004		2003	
	Pension benefit plan	Post-retirement benefits other than pension plan	Pension benefit plan	Post-retirement benefits other than pension plan
Discount rate	7%	6.25%	7%	7%
Salary increases	5% per annum	n/a	5% per annum	n/a
Expected net rate of return on plan assets	6.5% per annum	n/a	6.5% per annum	n/a
Hospital and drug cost trend rate	n/a	11% in 2004 to 5% over the following six years	n/a	8% in 2003 to 4% in 2013 and after
Other medical costs trend rate	n/a	4% per annum	n/a	4% per annum
Normal retirement age	65	65	65	65

5. Capital assets:

			2004	2003
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture, equipment and leasehold improvements	$ 13,960	$ 12,793	$ 1,167	$ 26,006
Therapeutic and other technical equipment	162,123	106,235	55,888	30,473
Radioactive cobalt and radium	219	219	–	133
Deposits on equipment	–	–	–	812
	$ 176,302	$ 119,247	$ 57,055	$ 57,424

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)
Year ended March 31, 2004

6. Deferred contributions:

(a) Deferred operating grants:

Deferred operating grants represent unspent resources related to Ministry of Health and Long-Term Care funded programs. Unspent amounts are held for use in subsequent periods or settlement by the Ministry of Health and Long-Term Care. Changes in the deferred operating grant balance are as follows:

	2004	2003
Balance, beginning of year	$ 23,657	$ 19,679
Amounts received related to subsequent periods	19,963	9,171
Amount recognized as revenue	(3,818)	(5,160)
Amount returned to Ministry of Health and Long-Term Care	(905)	(33)
Balance, end of year	$ 38,897	$ 23,657

(b) Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of funds received for the purchase of capital assets. The amortization of deferred contributions related to capital assets is recorded in the statement of operations. Contributions are amortized on a straight-line basis at 20% per annum. The changes in the deferred contributions related to capital assets balance for the year are as follows:

	2004	2003
Balance, beginning of year	$ 71,782	$ 46,877
Amounts received related to capital assets	19,262	39,740
Amount recognized as revenue	(17,092)	(14,835)
Balance, end of year	$ 73,952	$ 71,782

The balance of unamortized capital contributions related to capital assets consists of the following:

	2004	2003
Unamortized capital contributions used to purchase capital assets	$ 57,049	$ 52,575
Unspent contributions	16,903	19,207
Balance, end of year	$ 73,952	$ 71,782

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)
Year ended March 31, 2004

7. Invested in capital assets:

	2004	2003
Capital assets	$ 57,055	$ 57,424
Amounts financed by deferred capital contributions	(57,049)	(52,575)
	$ 6	$ 4,849

Change in net assets invested in capital assets is calculated as follows:

	2004	2003
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	$ 17,092	$ 14,835
Amortization of capital assets	(18,832)	(18,752)
Loss on disposal of capital assets	(2,684)	–
	$ (4,424)	$ (3,917)
Net change in invested capital assets:		
Purchase of capital assets	$ 41,467	$ 42,823
Deferred contributions related to capital assets	(41,886)	(40,792)
	$ (419)	$ 2,031
Loss on disposal of capital assets:		
Disposal of capital assets	$ 23,004	$ –
Deferred contributions related to capital assets	(20,320)	–
	$ 2,684	$ –

8. Investment income:

Net investment income earned on the Endowment Fund resources in the amount of $40 (2003 - $44) is included in the Restricted Fund.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)
Year ended March 31, 2004

9. Other revenue:

	2004	2003
General Fund:		
Miscellaneous	$ 5,912	$ 6,687
Retail drug revenue	4,317	3,996
Salary recovery	3,131	3,514
Patient revenue	694	894
Host hospital revenue	639	820
Oncologist association group	383	2,088
Lodge and catering	109	165
	$ 15,185	$ 18,164

10. Other operating expenses:

	2004	2003
Restricted Fund:		
Purchased services	$ 5,036	$ 6,084
Equipment	639	2,036
Consulting	724	1,074
Building	412	1,336
Other	8,431	6,415
Travel	432	476
	$ 15,674	$ 17,421
General Fund:		
Purchased services	$ 23,066	$ 21,717
Equipment	12,122	11,282
Consulting	8,487	4,994
Building	8,371	9,873
Other	7,342	6,361
Travel	1,541	2,043
Education and research programs and publications	1,047	1,299
Patient services	800	800
	$ 62,776	$ 58,369

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)
Year ended March 31, 2004

11. Interfund transfers:

	2004	2003
Transfer to the General Fund from the Restricted Fund	$ 1,069	$ 1,541

The transfer from the Restricted Fund to the General Fund represents the release of internally restricted reserves.

12. Commitments:

The Organization leases computer and office equipment. Under the terms of the leases, future payments are estimated as follows:

2005	$ 940
2006	607
2007	291
2008	54
2009	19
	$ 1,911

13. Contingency:

The Organization is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"), which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid are not sufficient to cover claims, the Organization will be required to provide additional funding on a participatory basis.

Since its inception, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions receivable from HIROC as of March 31, 2004.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)
Year ended March 31, 2004

14. Financial instruments:

The carrying amounts of cash and cash equivalents, short-term investments, receivables and accounts payable and accrued liabilities approximate fair values due to the short-term nature of these instruments.

The fair values of long-term investments (note 3), accrued pension asset (note 4) and post-retirement benefits other than pension plan (note 4) are available elsewhere in these financial statements.

15. Guarantees:

(a) Director/officer indemnification:

The Organization's General By-Law contains an indemnification of its directors/officers, former directors/officers and other persons who have served on Board committees against all costs incurred by them in connection with any action, suit or other proceeding in which they are sued as a result of their service, as well as all other costs sustained or incurred by them in relation to their service. This indemnity excludes costs that are occasioned by the indemnified party's own dishonesty, wilful neglect or default.

The nature of the indemnification prevents the Organization from making a reasonable estimate of the maximum amount that it could be required to pay to counterparties. To offset any potential future payments, the Organization has purchased from HIROC directors' and officers' liability insurance to the maximum available coverage.

No amount has been accrued in the accompanying financial statements with respect to the contingent aspect of this indemnity.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)
Year ended March 31, 2004

15. Guarantees (continued):

(b) Other indemnification agreements:

In the normal course of its operations, the Organization executes agreements that provide for indemnification to third parties. These include, without limitation: indemnification of the Landlord under the Organization's lease of premises; indemnification of the Minister of Health and Long-Term Care from claims, actions, suits or other proceedings based upon the actions or omissions of the representative groups of medical, radiation and gynaecology/oncology physicians under certain Alternate Funding Agreements; and indemnification of the 11 ICP host hospitals from claims, actions, costs, damages and expenses brought about as a result of any breach by the Organization of its obligations under the Cancer Program Integration Agreement and the related closing documentation.

While the terms of these indemnities vary based upon the underlying contract, they normally extend for the term of the contract. In most cases, the contract does not provide a limit on the maximum potential amount of indemnification, which prevents the Organization from making a reasonable estimate of its maximum potential exposure. To the best of management's knowledge, the Organization has not made any significant payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

16. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Cancer Care Ontario

Surname	Given Name	Position	Salary Paid	Taxable Benefits
ARJUNE	BANSKUMAR	Medical Physicist	$130,572.64	$439.88
ASSURAS	JOHN	General Practitioner, Oncology	$223,719.37	$514.00
BARNETT	ROBIN	Manager, Physics	$145,205.84	$491.12
BATTISTA	JERRY	Director, Physics Research & Education	$157,107.84	$497.60
BERTOTHY	MICHELE	General Practitioner, Oncology	$170,180.15	$471.16
BRIEN	SUSAN	VP, Reg. Cancer Srvcs, Windsor	$144,974.48	$417.51
BROWMAN	GEORGE	VP, Reg. Cancer Srvcs, Hamilton	$219,657.85	$663.52
BRUNSKILL	IAN	Chief Information Officer	$207,120.22	$0.00
CAMERON	IAN	Physicist	$114,454.89	$431.14
CANO	PABLO	Medical Oncologist	$114,264.51	$129.96
CARTER	BRENDA	Director, Regional Planning & Admin	$120,676.07	$366.48
CASALE	MARIA	General Practitioner, Oncology	$136,309.16	$406.06
CHAMBERS	ANN	Senior Scientist	$117,806.58	$394.58
CHEN	ZONGHUA	Physicist	$124,222.92	$402.40
CHOW	THOMAS	Physicist	$126,011.11	$420.44
CLARK	CAROLYN	General Practitioner, Oncology	$144,497.01	$0.00
COVENS	ALLAN	Gynecological Oncologist	$117,046.40	$373.20
COWAN	DONALD	Senior Consultant	$140,034.27	$0.00
CRAIGIE	PAMELA	General Practitioner, Oncology	$129,936.06	$363.91
CYGLER	JOANNA	Senior Physicist	$133,387.62	$503.52
DAR	ABDUL	Radiation Oncologist	$114,455.42	$555.69
DAVID NOLAN	CATHERINE	Prov. VP, Corporate Services/ CFO	$245,084.93	$612.48
DHALIWAL	HARBHAJAN	VP, Reg. Cancer Srvcs, Thunder Bay	$134,859.59	$306.24
DINGLE	BRIAN	VP, Reg. Cancer Srvcs, Grand River	$121,241.78	$408.32
DIXON	PETER	VP, Regional Cancer Srvcs, Durham	$184,211.00	$612.48
DRODGE	KAREN	General Practitioner, Oncology	$144,077.91	$411.82
ELSWORTHY	KATHERINE	General Practitioner, Oncology	$102,902.33	$0.00
EVANS	WILLIAM	VP/ Chief Medical Officer	$342,099.30	$612.48
FARRELL	THOMAS	Senior Physicist	$141,655.96	$472.54
FAVELL	LISA	Director, Capital Planning	$158,384.18	$493.80
FRALICK	RICHARD	General Practitioner, Oncology	$172,404.97	$0.00
GARCIA	JOHN	Director, Prevention Unit	$129,869.51	$454.50
GEORGE	RALPH	Surgical Oncologist	$118,401.01	$393.60
GERIG	LEE	Supervisor, Clinical Physics & Treatment	$169,632.86	$468.94
GERMOND	COLIN	Head, Medical Oncology	$165,125.12	$153.12
GOH	MARY	Senior Manager, IT	$113,181.09	$361.20
GREEN	ESTHER	Chief Nursing Officer	$104,027.36	$363.54
GRUNFELD	EVA	Clinician Scientist	$211,115.95	$0.00
HALIKOWSKI	MARVIN	General Practitioner, Oncology	$275,019.61	$514.00
HAYWARD	JOSEPH	Physicist	$112,613.97	$378.74
HEYDON	ANGELICA	Director, Provincial Affairs	$114,019.10	$380.88
HOLOWATY	ERIC	Director, Surveillance Unit	$140,074.04	$489.78
HORANI-SHIRKEY	MARIA	General Practitioner, Oncology	$119,360.60	$330.74
HUDSON	ALAN	President & CEO	$404,034.35	$4,000.10
HUYNH	CHAU	General Practitioner, Oncology	$225,284.84	$514.00
JADAVJI	MOYEZ	Director, Regional Planning & Admin	$110,239.96	$349.14
JORDAN	KEVIN	Physicist	$107,881.04	$378.40
JOSHI	CHANDRA	Medical Physicist	$131,611.77	$447.22
KARNAS	SCOTT	Physicist	$108,610.92	$342.08
KELLER	BRIAN	Physicist	$112,616.71	$414.44
KERR	ANDREW	Medical Physicist	$133,771.71	$447.22
KNIGHT	ANDREW	General Practitioner, Oncology	$235,173.75	$512.64
KOCANDRLE	HANNA	General Practitioner, Oncology	$150,886.32	$425.26
KOROPATNICK	JAMES	Director, Cancer Research Lab	$128,939.39	$344.48
KREIGER	NANCY	Director, Research - DPO	$131,643.26	$442.52
KRON	TOMAS	Physicist	$144,382.18	$504.16
KWOK	CHUN-BUN	Physicist	$111,916.56	$390.50

LAM	KIT YING	Senior Physicist	$134,953.67	$408.90
LAMB	ALASTAIR	Director, Regional Planning & Admin	$106,286.41	$354.48
LAROCHELLE	CATHERINE	General Practitioner, Oncology	$115,882.11	$0.00
LELIEVRE	CHRISTINE	General Practitioner, Oncology	$136,767.43	$377.56
LESZCZYNSKI	KONRAD	Chief Physicist	$164,684.01	$439.76
LEWIS	CRAIG	Physicist	$132,275.56	$445.28
LIGHTSTONE	ALEXANDER	Physicist	$124,281.65	$434.92
LOGAN	DIANE	Director, Medical Oncology	$144,280.81	$153.12
LOPEZ	PEDRO	Medical Oncologist	$146,860.75	$153.12
MACPHERSON	MILLER	Senior Physicist	$107,756.16	$382.36
MAH	KATHERINE	Senior Physicist	$139,042.92	$0.00
MAI	VERNA	Division Director, Preventive Oncology	$194,970.81	$612.48
MATHESON	GARTH	Director, Regional Planning & Admin	$127,010.22	$414.84
MCFARLANE	SANDRA	Director, Nursing & Patient Services	$105,641.26	$342.36
MCGHEE	PETER	Chief Physicist	$163,730.20	$458.08
MESSNER	SANDRA	General Practitioner, Oncology	$110,795.26	$215.08
MOULIN	DWIGHT	Physician, Pain & Symptom Mgmt	$167,706.31	$415.92
MYLER	UWE	Physicist	$103,976.61	$0.00
NIXON	JUDITH	General Practitioner, Oncology	$138,037.96	$368.16
O'BRIEN	PETER	Chief Physicist	$157,228.34	$523.68
OSBORNE	RAYMOND	Gynecological Oncologist	$117,046.94	$373.20
OSTAPIAK	OREST	Physicist	$119,041.46	$420.44
OSTIC	HEATHER	General Practitioner, Oncology	$135,975.87	$387.92
PANG	GEORDI	Physicist	$112,439.22	$390.50
PATTERSON	MICHAEL	Head, Medical Physics	$159,633.75	$509.52
PETERS	VICTOR	Senior Physicist	$151,042.68	$503.52
POWER	MICHAEL	VP, Reg. Cancer Srvcs, Thunder Bay	$130,701.64	$382.44
PROSS	DIANE	GP, Onc./ Reg'l Med Coord, OBSP	$129,333.41	$410.68
PROVOST	DANIEL	Medical Physicist	$114,491.25	$368.40
RAAPHORST	PETER	Manager, Physics	$153,810.66	$508.12
RAJASINGHAN	RAJ	General Practitioner, Oncology	$170,180.65	$471.16
RAND	CAROL	Director, Community Oncology	$112,838.64	$320.56
RAPLEY	PATRICK	Medical Physicist	$124,739.16	$419.54
RAWLINSON	ALAN	Project Manager, Medical Physics	$138,345.19	$483.48
REID	TRUDY	Director, Regional Planning & Admin	$127,977.68	$437.54
ROBERTS	WAYNE	Senior Manager, IT	$123,229.62	$378.90
ROBILLARD	LUCILE	General Practitioner, Oncology	$164,423.08	$459.04
ROBINS	JEAN	Medical Physicist	$107,658.02	$393.72
ROSS	ELISABETH	Executive Director, NOCA	$105,108.90	$341.86
ROUSHANI	ELHAM	Director, Finance	$104,787.56	$349.77
ROY	GASTON	Director, IT	$104,388.70	$346.08
SANKREACHA	RAXA	Physicist	$120,676.17	$369.60
SAUNDERS	DEBORAH	Medical Head, Dental Oncology	$112,011.30	$443.58
SAWKA	CAROL	VP, Regional Cancer Services, Toronto	$219,403.11	$630.19
SCHREINER	JOHN	Chief Physicist	$146,515.77	$486.84
SCORA	DARYL	Physicist	$108,638.15	$376.82
SETO	JOYCE	Project Manager, IT	$114,326.88	$0.00
SEXTON	FRED	General Practitioner, Oncology	$200,532.31	$411.16
SHUMAK	RENE	Radiologist In Chief	$120,592.48	$420.00
SIMUNOVIC	MARKO	Surgical Oncologist	$181,211.89	$612.48
SINGH	GURMIT	Senior Scientist	$127,613.48	$441.14
SIXEL	KATHARINA	Senior Physicist	$124,310.13	$436.74
SKOT	JANICE	VP, Regional Cancer Srvcs, Sudbury	$191,289.90	$4,180.28
SMITH	ANNE	VP, Regional Cancer Srvcs, Kingston	$190,211.04	$612.48
SNIDER	ANNE	Director, Regional Planning & Admin	$128,857.46	$372.76
SZABO	JOSEPH	Physicist	$131,163.63	$447.22
SZANTO	JANOS	Senior Physicist	$133,651.38	$503.52
TAYLOR	DONALD	VP, HR & Organizational Development	$173,749.87	$0.00
TAYLOR	JOHN	Physicist	$114,460.41	$364.80
TENHUNEN	LINDA	General Practitioner, Oncology	$198,590.61	$409.44
THOMPSON	LESLEE	VP, Cancer Sys. Integ. & Performance	$139,482.67	$306.24

TOUCHIE	MICHAEL	General Practitioner, Oncology	$166,140.77	$459.04
TURLEY	EVA	Senior Scientist	$106,209.25	$367.44
VAN DYK	JAKE	Manager, Clinical Physics	$153,351.34	$496.44
VERGIDIS	DIMITRIOS	Medical Oncologist	$157,823.09	$153.12
VIDELA	NELSON	Physicist	$105,596.91	$363.30
WADDELL	MARY	General Practitioner, Oncology	$161,843.28	$0.00
WANG	XIAOFANG	Medical Physicist	$132,002.94	$422.88
WEINROTH	JUDITH	General Practitioner, Oncology	$170,181.09	$471.85
WHITTON	ANTHONY	Prov. Head, Radiation Oncology	$180,670.30	$612.48
WILKINS	DAVID	Senior Physicist	$116,869.51	$436.74
WOLCH	GARY	General Practitioner, Oncology	$119,959.18	$260.65
WONG	EUGENE	Physicist	$110,677.73	$388.24
WONG	SUSAN	General Practitioner, Oncology	$130,231.21	$0.00
WOO	MILTON	Senior Physicist	$141,023.16	$503.52
WYMAN	DOUGLAS	Manager, RT Technical Support	$140,851.64	$467.72
YEUNG	TAI	Senior Physicist	$140,002.20	$456.84
ZANKE	BRENT	Prov. Head, Systemic Therapy	$161,559.66	$547.00

The Centennial Centre of Science and Technology

Office of the Provincial Auditor of Ontario

Auditor's Report

AUDI ALTERAM PARTEM

To the Board of Trustees of the Centennial Centre of Science and Technology
and to the Minister of Culture

I have audited the balance sheet of The Centennial Centre of Science and Technology as at March 31, 2004 and the statements of operations, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Centre'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 Centre as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 18, 2004

Gary R. Peall, CA
Acting Assistant Provincial Auditor

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Balance Sheet
As at March 31, 2004

	2004 ($ 000)	2003 ($ 000)
ASSETS		
Current		
Cash and short-term investments	13,277	8,836
Accounts receivable	680	728
Prepaid expenses	193	601
Inventory of general stores and small tools	108	124
	14,258	10,289
Capital Assets (Note 4)	15,778	15,201
	30,036	25,490
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	1,806	1,531
Deferred revenue	1,498	2,973
Due to the Province of Ontario	2,188	2,464
Loans Payable [Note 9(b) and (c)]	417	417
	5,909	7,385
Long-Term Liabilities		
Loan Payable to Province of Ontario [Note 9(a)]	5,300	5,300
Loan Payable to Ontario Financing Authority [Note 9(b)]	250	500
Loan Payable [Note 9 (c)]	164	331
	5,714	6,131
Deferred Capital Contributions (Note 5)	10,031	7,765
Unspent Deferred Capital Contributions (Note 5)	5,015	494
	15,046	8,259
Equity		
Invested in Capital Assets (Note 6)	5,747	7,436
Deficit (Note 3)	(2,380)	(4,126)
	3,367	3,310
Special Purpose Fund – Fund Balance (Note 3)	—	405
	30,036	25,490

See accompanying notes to financial statements.

Approved on behalf of the Centre:

Trustee

Trustee

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Statement of Operations
For the Year Ended March 31, 2004

	2004 ($ 000)	2003 ($ 000)
Revenue		
Province of Ontario		
Operating grant	12,621	12,639
Occupancy grant [Note 11(b)]	3,968	3,968
Other grants	288	392
Corporate Donations – Agents of Change Project (Note 12)	763	294
General Admission and Parking Fees	3,471	3,558
Revenue from Ancillary Operations (Schedule 1)	9,596	8,075
	30,707	28,926
Expenses		
General Operations		
Exhibits and Programs	1,165	1,362
Marketing and Advertising	1,884	1,407
Visitor Services	2,754	2,640
Facility Operations	4,277	3,954
Program Management	4,179	3,066
Administration	2,226	2,271
Retroactive Cost of Living Salary Adjustments	—	782
Agents of Change project (Note 12)	763	294
Occupancy Costs [Note 11(b)]	4,127	4,137
Expenses from Ancillary Operations (Schedule 1)	8,040	6,679
	29,415	26,592
Net income before amortization	1,292	2,334
Amortization of Deferred Capital Contribution (Note 5)	1,019	963
Amortization Expense	(2,659)	(2,460)
	(1,640)	(1,497)
Net (loss)/income for the year	(348)	837

See accompanying notes to financial statements.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Statement of Changes in Equity
For the Year Ended March 31, 2004

	2004 ($ 000)			2003 ($ 000)
	Equity Invested in Capital Assets	Deficit from Operations	Total	Total
Balance, beginning of year	7,436	(4,126)	3,310	2,473
Transfer from special purpose fund (Note 3)	—	405	405	—
Investment in capital assets	(49)	49	—	—
Net (loss)/income for the year	(1,640)	1,292	(348)	837
Balance, end of year	5,747	(2,380)	3,367	3,310

See accompanying notes to financial statements.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Statement of Cash Flows
For the Year Ended March 31, 2004

	2004 ($ 000)	2003 ($ 000)
Cash and short-term investments, beginning of year	8,836	4,201
Cash Flows from Operating Activities		
Net (loss)/income for the year	(348)	837
Adjustments for items not requiring an outlay of cash		
▪ Amortization of capital assets	2,659	2,460
▪ Amortization of deferred capital contribution	(1,019)	(963)
	1,292	2,334
Net change in non-cash working capital	(1,004)	1,667
Net cash generated through operating activities	288	4,001
Cash Flow from Investing and Financing Activities		
Capital Assets acquisitions	(3,236)	(1,323)
Net (decrease)/increase in long term liabilities	(417)	334
Deferred contributions – agents of change	5,460	1,623
Deferred contributions – other capital projects	2,346	—
Net cash generated from investing and financing activities	4,153	634
Cash and short-term investments, end of year	13,277	8,836

See accompanying notes to financial statements.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Schedule of Revenue and Expenses from Ancillary Operations
For the Year Ended March 31, 2004 **SCHEDULE 1**

	2004 ($ 000)			2003 ($ 000)		
	Revenue	**Expenses**	**Net**	**Revenue**	**Expenses**	**Net**
School Admissions/Programs	1,343	1,600	(257)	1,099	1,140	(41)
Camps	678	604	74	606	582	24
Facility Rentals	262	251	11	385	239	146
Omnimax	1,606	1,792	(186)	1,677	1,923	(246)
International Sales and Rentals	3,177	2,789	388	2,109	1,639	470
Sponsorship/Donations	584	426	158	632	391	241
Memberships	1,025	468	557	754	373	381
Concessions	367	17	350	476	—	476
Interest	481	26	455	280	12	268
Other	73	67	6	57	80	(23)
Retroactive Cost of Living Salary Adjustments	—	—	—	—	300	(300)
TOTALS	9,596	8,040	1,556	8,075	6,679	1,396

See accompanying notes to financial statements.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2004

1. NATURE OF THE BUSINESS

The Centennial Centre of Science and Technology, commonly known as the Ontario Science Centre, was established under *The Centennial Centre of Science and Technology Act*. The Centre's mission is 'To delight, inform and challenge visitors through engaging and thought-provoking experiences in science and technology'. The general operations of the Centre are supported by operating grants from the Province, by admission fees and by other revenues earned through ancillary business operations. Revenues and expenses related to ancillary business operations are reported on Schedule 1 of the Financial Statements. As an agency of the Province of Ontario, the Centre is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Centre have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventory

Inventory is valued at the lower of cost or replacement cost.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets as indicated below:

Omnimax Theatre Leasehold Improvements	20 years
Leasehold Improvements	10 years
Exhibits	10 years
Exhibits - Rentals	4 or 5 years
Furniture, Fixtures and Equipment	5 years
Computer Equipment	3 years

The land on which the Centre is located is leased from the City of Toronto for $1 per annum on a 99-year lease which commenced July 1, 1965. The Ontario Realty Corporation owns the buildings which house the Centre. For details of occupancy costs see note 11(b).

(d) Pledges

Pledges to donate funds for Operations are included in income when received.

(e) Revenue Recognition

Revenue on exhibits manufactured for sale is recognized on a percentage of completion basis.

(f) Deferred Revenue

Deferred revenue is comprised mainly of deposits for future exhibit rentals.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

3. TRANSFER OF SPECIAL PURPOSE FUND TO EQUITY

During the current fiscal year, the Centre's Board of Trustees approved the transfer of the Special Purpose Fund balance of $405,000 to reduce the Centre's Deficit from Operations as there are no longer any restrictions on the use of these funds.

4. CAPITAL ASSETS

Capital assets consists of the following:

	2004 ($ 000)			2003 ($ 000)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Exhibits	8,654	4,909	3,745	2,034
Exhibits – Rentals	3,823	1,995	1,828	2,618
Omnimax Theatre Leasehold Improvements	14,432	5,814	8,618	9,464
Leasehold Improvements	4,686	3,170	1,516	1,037
Furniture, Fixtures and Equipment	290	219	71	48
	31,885	16,107	15,778	15,201

5. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the amount of donations and government grants received to acquire capital assets but not yet recognized as revenue. Revenue will be recognized over the same period as the expected life of the capital assets to which they relate, in order to properly match revenues with costs. The changes in the deferred capital contributions balance are as follows:

	2004 ($ 000)	2003 ($ 000)
Balance, beginning of year	8,259	7,599
Net additions/transfers during year	7,806	1,623
Amortization of deferred capital contributions	(1,019)	(963)
	15,046	8,259

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2004

5. DEFERRED CAPITAL CONTRIBUTIONS (CONTINUED)

The ending balance of deferred capital contribution consists of the following:

	2004 ($ 000)	2003 ($ 000)
Agents of Change Project	6,957	1,623
Omnimax	5,444	5,898
Health and Safety Initiatives	2,252	—
Leasehold Improvements	393	738
	15,046	8,259

6. EQUITY INVESTED IN CAPITAL ASSETS

Equity invested in capital assets represents the following:

	2004 ($ 000)	2003 ($ 000)
Capital assets, net	15,778	15,201
Less amount financed by deferred capital contributions	(10,031)	(7,765)
	5,747	7,436

7. PROPERTY MAINTENANCE AND REPAIRS

Certain maintenance and repair expenses of the Centre are absorbed by the Province of Ontario and are not included in the Statement of Operations.

8. PENSION PLAN

The Centre provides pension benefits for substantially all its permanent employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are multiemployer defined benefit plans established by the Province of Ontario. These plans are accounted for as defined contribution pension plans as the Centre has insufficient information to apply defined benefit plan accounting. The contributions noted below represent the Centre's expenses for the plans during the year.

The Centre's contributions related to the pension plans for the year were $934,389 (2003 – $787,625). These contributions have been included in salaries and employee benefits disclosed in Note 10.

In addition, the cost of post-retirement non-pension benefits were paid by Management Board Secretariat and are not included in the Statement of Operations.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2004

9. LOANS PAYABLE

(a) Loan from Province of Ontario

The Province made an interest-free repayable loan of $5,300,000 to the Centre in 1996/97 to construct the Omnimax Theatre. The Centre shall repay this loan by annual payments in amounts equal to 50% of the average annual profits received by the Centre from the Omnimax Theatre during the previous two fiscal years, if any. Such annual payments shall continue until the principal of the loan is repaid.

(b) Loan from the Ontario Financing Authority

In 2002/03, the Ontario Financing Authority (OFA) lent the Centre $1,000,000, at short-term interest rates calculated by the OFA and payable monthly. The Centre had repaid $500,000 of the loan balance by March 31, 2004. The remaining balance is to be repaid in $250,000 installments on each of March 31, 2005 and 2006.

(c) Food Service Agreement

The Centre entered into a 10-year agreement with a food services company to provide food services until May 31, 2006. The company contributed approximately $1.5 million to the Centre for the construction of new restaurants and other food service related facilities, as stipulated under the terms of the agreement. The annual net profit from the food and beverage operations managed by the company are to be shared between the company and the Centre in accordance with a formula in the agreement. The agreement specifies certain fixed payments to the company as follows: (1) an annual management fee, starting at $130,000 in 1996/97, reduced by $10,000 for each of the following nine years; and (2) a refund of the $1.5 million contribution without interest in nine equal installments, which started in 1997/98.

10. BREAKDOWN OF EXPENSES

Expenses are reported in the Statement of Operations on a functional basis. Total expenses by type are as follows:

	2004 ($ 000)	**2003 ($ 000)**
Salaries and Benefits	17,058	15,561
Other Direct Operating Expenses	12,357	11,031
	29,415	26,592

11. COMMITMENTS AND CONTINGENCIES

(a) Imax Dome Projection System Maintenance Agreement

The Centre has a ten-year agreement expiring in December 2006, with an automatic renewal for one further 10-year term, for leasing and servicing of an Imax Dome Projection System. The agreement commits the Centre to: (1) monthly rental payments to be calculated in accordance with a formula based on admission revenue; and (2) an annual maintenance fee of $66,000 (adjusted to reflect changes in the Consumer Price Index for Toronto).

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2004

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Occupancy Cost

Effective April 1, 1998, the Ontario Realty Corporation began charging the Centre an accommodation fee for occupying its facilities. The fee covers rent, taxes, maintenance and certain operating costs. The lease expired on March 31, 2003 and it is being renewed on a year-to-year basis until a new agreement is reached between the Centre and the Ontario Realty Corporation. The minimum lease payment for the coming fiscal year is $3,964,500. The Centre receives a Ministry grant each year to fund the majority of this expenditure.

The Centre is also negotiating a new lease agreement with the City of Toronto for the Centre's parking lot.

(c) Equipment Leases

The Centre leases some of its equipment on an operating lease basis. Total lease commitments for the next three years are as follows:

	($ 000)
2004/05	246
2005/06	149
2006/07	55
	450

12. PLEDGES FOR AGENTS OF CHANGE PROJECT

The Centre has embarked on a $40 million capital project called Agents of Change. The project will focus on innovation and will renew about one quarter of the Centre's public space, including the creation of seven new Experience Areas. Funding for the project is two fold—private sector and government funding. As at March 31, 2004, over $8 million had been received. Pledges for the next four years are as follows:

	($ 000)
2004/05	8,647
2005/06	9,535
2006/07	6,438
2007/08	302
	24,922

13. COMPARATIVE FIGURES

The March 31, 2003 comparative figures have been reclassified where necessary to conform to the current year's presentation.

Ontario Science Centre

Surname	Given Name	Position	Salary Paid	Taxable Benefits
BENNETT	JOANN	Director, Business Development	$112,907.60	$203.31
BOWEN	JULIE	Project Leader, Agents of Change	$100,483.45	$176.40
COHEN	SUSAN	Deputy Director, Education	$100,026.27	$176.12
GORECKI	BERNARD	Director, Marketing & Visitor Services	$113,573.85	$204.96
LEWIS	LESLEY	Director, General	$146,988.02	$268.23
MARTIN	JENNIFER	Director, Visitor Experience	$116,747.91	$204.96
MCLAUGHLIN	HOOLEY	Deputy Director, Visitor Experience	$100,366.38	$181.95
TROOP	GRANT	Dir., Business Planning & Operations	$110,703.61	$200.94

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Education Quality Accountability Office are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Education Quality Accountability Office are described in the Summary of Significant Accounting Policies contained in Note 3 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to May 12, 2004.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by Horwath Orenstein LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditor's Report, which follows, outlines the scope of their examination and their opinion.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE
On behalf of management,

Marguerite Jackson
Chief Executive
Toronto, Canada
May 12, 2004

Robin Dafoe
Officer Director Corporate Services

AUDITORS' REPORT

To the Board of Directors of the Education Quality and Accountability Office (The Agency)

We have audited the statement of financial position of the Education Quality and Accountability Office as at March 31, 2004 and the statement of revenues and expenditures and accumulated surplus for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles for public sector entities.

Horwath Orenstein LLP

Toronto, Ontario
May 12, 2004

Chartered Accountants

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Financial Position

March 31, 2004

		2004		2003 *Note 8*
ASSETS				
Cash	**$**	**11,529,602**	$	5,042,006
Accounts receivable		**233,386**		3,505,377
Capital assets *(Note 4)*		**195,793**		-
	$	**11,958,781**	$	8,547,383
LIABILITIES AND EQUITY				
Accounts payable and accrued liabilities	**$**	**5,920,824**	$	7,966,247
Equity - surplus		**6,037,957**		581,136
	$	**11,958,781**	$	8,547,383

APPROVED BY THE BOARD

CHAIR

CHIEF EXECUTIVE OFFICER

See the accompanying notes

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Revenues and Expenditures and Accumulated Surplus

Year Ended March 31, 2004

		2004		2003 *Note 8*
REVENUE				
Ministry of Education				
Base allocation	**$**	**44,071,729**	$	47,550,000
One-time allocations		**-**		7,750,851
Other revenue		**499,830**		511,605
		44,571,559		55,812,456
EXPENDITURES				
	$	-	$	-
Service and rental		**28,468,179**		34,548,050
Salaries, wages and benefits		**8,378,763**		9,850,089
Transportation and communication		**1,913,451**		5,322,283
Supplies and equipment		**354,345**		931,498
		39,114,738		50,651,920
EXCESS OF REVENUE OVER EXPENDITURES		**5,456,821**		5,160,536
ACCUMULATED SURPLUS (DEFICIT) - BEGINNING OF YEAR		**581,136**		(4,579,400)
ACCUMULATED SURPLUS - END OF YEAR	**$**	**6,037,957**	$	581,136

See the accompanying notes

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements

Year Ended March 31, 2004

1. DESCRIPTION OF OPERATIONS

The Education Quality and Accountability Office ("The Agency") was established by the Province of Ontario by the "EQAO Act", June 1996. It was created to assure greater accountability and contribute to the enhancement of the quality of education in Ontario. This is done through assessments and reviews based on objective, reliable and relevant information, and the timely public release of that information along with recommendations for system improvement.

2. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2003, the Agency retroactively adopted the policy of capitalizing capital assets, without restating prior periods, in order to conform with Generally Accepted Accounting Principles. Prior to March 31, 2003 , the Agency expensed all capital assets acquired in the year. The cumulative effect of adopting this policy is immaterial.

3. SIGNIFICANT ACCOUNTING POLICY

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Furniture and fixtures	20.00%	Straight-line
Computer equipment	33.33%	Straight-line

For assets acquired or brought into use during the year, amortization is calculated from the month following that in which additions come into operation.

4. CAPITAL ASSETS

	Furniture and Fixtures	Computer Equipment	Total
Opening cost	$ 111,660	$ 26,249	$ 137,909
Additions for the year	21,272	69,712	90,984
Amortization for the year	(24,351)	(8,749)	(33,100)
Ending net book value	$ 108,581	$ 87,212	$ 195,793

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements

Year Ended March 31, 2004

5. COMMITMENTS

i) The Agency leases premises under a long-term lease that expires on December 31, 2012. Under the terms of the lease, the Agency is required to pay an annual base rent which is pre-determined based on square footage rates.

The minimum annual lease payments related to the office lease and office equipment for the next five years are as follows:

2005	$ 676,946
2006	$ 609,340
2007	$ 618,200
2008	$ 618,200
2009	$ 618,200

ii) The Agency has a service agreement with a third party to provide various computer support services for an annual cost of approximately $450,000. The agreement is for a five year period ending March 31, 2005.

6. FINANCIAL INSTRUMENTS

The Agency's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Agency is not exposed to credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values due to their short-term maturity.

7. STATEMENT OF CASH FLOWS

A statement of cash flows has not been presented as it would not provide any additional useful information.

8. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of chartered accountants.

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

Public Sector Salary Disclosure

Surname	Given Name	Position	Salary Paid	Taxable Benefits
DUCHARME	MONIQUE	Co-ordinator, French Lang. Assess	$106,653.98	$188.92
JACKSON	MARGUERITE	Chief Executive Officer	$195,059.58	$364.50
JONES	RICHARD	Director, Assessment & Reporting	$106,089.78	$195.34
KESTELL	MARY-LOU	Education Officer	$102,873.15	$188.92
SAUNDERS	KELSEY	Co-ordinator, English Lang. Assess.	$101,468.05	$182.10

BDO

BDO Dunwoody LLP
Chartered Accountants
and Advisors

Royal Bank Plaza
P.O. Box 32
Toronto Ontario Canada M5J 2J8
Telephone: (416) 865-0200
Telefax: (416) 865-0887

www.bdo.ca

Auditors' Report

To the Members of the
Greater Toronto Transit Authority

We have audited the balance sheet of Greater Toronto Transit Authority as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Toronto, Ontario
June 9, 2004

Greater Toronto Transit Authority
Balance Sheet

March 31	2004	2003
	(in thousands of dollars)	
Assets		
Current		
Cash and cash equivalents	$ 78,979	$ 43,030
Short term investments	-	10,901
Accounts receivable	5,112	4,474
Contributions due from Province	13,284	14,433
Contributions due from Municipalities	6,807	9,433
Contributions due from Government of Canada	1,911	-
Spare parts and supplies	2,181	1,994
Prepaid expenses	804	1,170
	109,078	85,435
Capital assets (Note 1)	952,490	838,205
Long term lease (Note 2)	31,477	31,804
	$ 1,093,045	$ 955,444
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 54,105	$ 36,424
Unearned revenue in respect of tickets sold and not used	5,618	5,259
Due to Province of Ontario (Note 3)	8,158	4,380
	67,881	46,063
Employee future benefits payable (Note 4)	21,236	19,411
	89,117	65,474
Net Assets		
Net assets invested in capital assets	952,490	838,205
Net assets invested in intangible assets	31,477	31,804
Net assets held in reserves (Note 5)	26,332	26,332
Deficiency of net assets	(6,371)	(6,371)
	1,003,928	889,970
	$ 1,093,045	$ 955,444

On behalf of the Members:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BDO

Greater Toronto Transit Authority
Statement of Operations

For the year ended March 31		2004		2003
		(in thousands of dollars)		
Revenues				
Operating revenue	$	**188,190**	$	182,620
Investment income		**562**		953
Contribution from Municipalities		**14,682**		16,850
Contribution from Government of Canada		**1,911**		133
Contribution from the Province of Ontario		**210,872**		133,168
Return of contribution to the Province of Ontario		**(8,158)**		(4,380)
		408,059		329,344
Expenses				
Labour and administration		**75,967**		69,923
Services		**11,952**		10,872
Supplies		**1,129**		1,256
Facility maintenance		**32,954**		32,022
Equipment maintenance		**35,120**		32,635
Operations		**68,098**		69,038
Amortization of capital assets		**68,554**		57,732
Amortization of intangible assets		**327**		327
		294,101		273,805
Excess of revenues over expenses prior to capital asset additions	**$**	**113,958**	$	55,539

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BDO

Greater Toronto Transit Authority
Statement of Changes in Net Assets

For the year ended March 31

(in thousands of dollars)

	Invested in Capital Assets	Invested in Long Term Lease	Net Assets Held in Reserves (Note 5)	Deficiency	2004 Total	2003 Total
Balance, beginning of period	$ 838,205	$ 31,804	$ 26,332	$ (6,371)	$ 889,970	$ 834,431
Excess (deficiency) of revenues over expenses prior to capital asset additions	(68,554)	(327)	-	182,839	113,958	55,539
Investment in capital assets	192,703	-	-	(192,703)	-	-
Disposal of capital assets	(9,864)	-	-	9,864	-	-
Balance, end of year	$ 952,490	$ 31,477	$ 26,332	$ (6,371)	$ 1,003,928	$ 889,970

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BDO

Greater Toronto Transit Authority
Statement of Cash Flows

For the year ended March 31	2004	2003
	(in thousands of dollars)	
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses	$ 113,958	$ 55,539
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Amortization of capital and intangible assets	68,881	58,059
Loss on disposal of capital assets	2,662	63
Change in non-cash working capital balances	25,048	(14,903)
	210,549	98,758
Investing activities		
Purchase of capital assets	(192,703)	(128,998)
Proceeds on capital assets disposals	7,202	98
Proceeds (purchase) of short term investments	10,901	(6,920)
	(174,600)	(135,820)
Net increase (decrease) in cash and cash equivalents	35,949	(37,062)
Cash and cash equivalents, beginning of year	43,030	80,092
Cash and cash equivalents, end of year	$ 78,979	$ 43,030

Greater Toronto Transit Authority
Summary of Significant Accounting Policies

March 31, 2004

Purpose of Organization

The Greater Toronto Transit Authority ("GTTA" or the "Authority") is a Crown agency carrying on business as "GO Transit". As a non-share capital corporation, GO Transit reports to the Minister of Transportation ("MTO"). GO Transit operates an interregional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto Area ("GTA") including the Cities of Toronto and Hamilton, and Regions of Halton, Peel, York, Durham, as well as Simcoe County, Dufferin County, Wellington County and the cities of Barrie and Guelph and the Town of Bradford-West Gwillimbury.

Prior to January 1, 2002, GO Transit reported to the Greater Toronto Services Board. On January 1, 2002, the GO Transit Act (2001) came into effect, and GO Transit reported to the Province of Ontario, through the Minister of Transportation.

Basis of Presentation

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles for Not-For-Profit Organizations.

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less and consist of money market instruments.

Short Term Investments

Short term investments are stated at the lower of cost and market value and include amounts with original maturities greater than three months and less than one year.

Spare Parts and Supplies

Spare parts and supplies are carried at the lower of cost and replacement cost.

Greater Toronto Transit Authority
Summary of Significant Accounting Policies

March 31, 2004

Capital Assets

Capital assets are recorded at cost less accumulated amortization.

The Authority provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

Buildings and equipment	
Shelters and ticket booths	5 years
Other buildings	20 years
Leasehold improvements	20 years
Locomotives	20 years
Other railway rolling stock	25 years
Improvements to railway right-of-way and plant	20 years
Trackwork and installation	20 years
Buses	12 years
Parking lots	20 years
Sundry - Furniture	12 years
- Other	3-5 years

Viability studies for future expansion represent costs deferred on a project-by-project basis until the viability of the respective project is determined. When the project is finalized, the costs are amortized based on a specific asset category. If a project is abandoned or the costs are considered to be unrecoverable, the deferred costs are charged to operations in the year the determination is made.

Long term lease

Long term lease represents the prepayment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, the term of the lease plus one renewal period.

Employee Future Benefits

The Authority provides pension plan benefits through the multi-employer OMERS Pension Fund. The expense for the year equals the required contribution for the year.

The Authority also provides other employee future benefits using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

Commuter Services Revenue

Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the balance sheet as current liabilities.

Contributions

The Authority follows the deferral method of accounting for contributions. Contributions are recognized as revenue in the year in which the related expenses are incurred.

BDO

Greater Toronto Transit Authority
Summary of Significant Accounting Policies

March 31, 2004

Net Assets held in Reserves

Net assets held in reserves are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by the GTTA board and are disclosed on the balance sheet as equity.

The purpose of establishing the Municipal Capital and Operating Restructuring (MCOR) reserve is to assist in funding large capital expenditures.

The purpose of establishing the Employment Obligation reserve is to assist in funding general employment related obligations of the Authority.

The purpose of establishing the Self Insured Retention reserve is to assist in funding any claims against the self-insured retention layer of the Authority's insurance program.

The purpose of the Stabilization reserve is to assist in funding fluctuations in operating and capital budgets of the Authority from year to year.

All transactions of the reserves require approval by the GTTA board. They are reported in the statement of changes in net assets.

Interest income is included in general revenue as investment income.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include funding, the recovery of capital assets, unearned revenue, amortization of capital assets and contingencies. Actual results could differ from those estimates as additional information becomes available in the future.

Financial Instruments

Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. In management's opinion, the carrying amount of the Authority's financial instruments approximate fair value unless otherwise noted.

Greater Toronto Transit Authority
Notes to Financial Statements

March 31, 2004 **(in thousands of dollars)**

1. Capital Assets

	2004		2003	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 181,138**	**$ -**	$ 163,643	$ -
Buildings	**268,116**	**141,889**	255,864	130,378
Leasehold improvements	**24,907**	**13,572**	24,418	12,384
Locomotives and other railway rolling stock	**300,074**	**81,349**	220,342	68,674
Improvements to railway right-of-way plant	**436,354**	**292,165**	430,721	275,781
Trackwork and installation	**87,706**	**45,537**	86,130	41,542
Construction-in-progress	**65,441**	**-**	53,545	-
Buses	**132,682**	**44,831**	106,752	46,477
Parking lots	**103,842**	**40,533**	100,512	38,909
Sundry	**63,845**	**51,739**	62,718	52,295
	1,664,105	**711,615**	1,504,645	666,440
		$ 952,490		$ 838,205

The Authority capitalizes appropriate payroll costs where time has been spent on particular capital projects. The amount capitalized for the year ended March 31, 2004 was $2,462 (2003 - $1,989).

2. Long Term Lease

	2004		2003	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Leasehold, Union Station	**$ 32,703**	**$ 1,226**	$ 32,703	$ 899
		$ 31,477		$ 31,804

3. Due to Province

The amounts owing to the Province of Ontario represents contributions received in fiscal 2003 - 2004 in excess of funds required.

Greater Toronto Transit Authority
Notes to Financial Statements

March 31, 2004 **(in thousands of dollars)**

4. Employee Future Benefits

Pension Plan

The Authority provides pension benefits for substantially all of its permanent employees through participation in the Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2004 was $1,543 (2003 - $258).

With the repatriation of the GTTA to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. The amount of the pension obligation in question and who ultimately bears this amount remains unresolved.

Other Employee Future Benefits

The Authority provides post-retirement life and health benefits, Workplace Safety & Insurance Board ("WSIB") liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

In 2004, the Authority's management had an actuarial valuation completed for accounting purposes, resulting in an accrued benefit obligation at March 31, 2004 of $26,864 and a remaining unamortized actuarial loss balance of $5,628.

For the purpose of accounting for post-retirement non-pension benefits, the Authority has adopted the policy to recognize gains and losses in a year in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

Assumptions

Discount Rate - 6.25% (2003 - 6.75%)
Expected average remaining service life - 13.8 years (2003 - 11 years)
Rate of compensation increase - 3.5% per annum (2003 - 4.0%).
Health care benefits increase - 10% in 2004 grading down to 4% in 2010 and thereafter
Dental care benefits increase - 4% per annum

	2004	2003
Current service cost	$ 1,263	$ 1,231
Interest cost	1,431	1,340
Employee future benefits expense	$ 2,694	$ 2,571
Benefits payments	$ 729	$ 562

Greater Toronto Transit Authority
Notes to Financial Statements

March 31, 2004 **(in thousands of dollars)**

5. Net Assets held in Reserves

	MCOR	Employment Obligation	Self Insured Retention	Stabilization	Total Reserves
Balance, beginning of year	$ 21,051	$ 889	$ 2,013	$ 2,379	$ 26,332
Expenditures	-	-	-	-	-
Balance, end of year	$ 21,051	$ 889	$ 2,013	$ 2,379	$ 26,332

6. Commitments

a) The minimum lease payments for premises in each of the next five years and thereafter are as follows:

2005	$ 2,660
2006	2,244
2007	2,100
2008	1,984
2009	1,972
Thereafter	2,487
	$ 13,447

b) The Authority has also committed approximately $165,829 for various capital asset additions over the next fiscal year.

c) The Authority has a lease with TATOA for 243 rail cars and 42 locomotives for total lease payments of one dollar per year terminating on July 1, 2006.

d) A significant amount of the services provided by the Authority are operated and maintained by outside parties using rolling stock owned or leased from Toronto Area Transit Operating Authority Act ("TATOA") by the Authority. These services are governed by the agreements with the Canadian National Railway Company ("CN"), Canadian Pacific Railway Company ("CP") and Bombardier Inc. and by a number of minor service agreements. The Authority has entered into the following major agreements for approximately $75,800 per year:

(i) Master Operating Agreement with CN terminating on May 31, 2008.

(ii) Commuter Agreement with CP terminating July 1, 2008.

(iii) Equipment Maintenance Contract with Bombardier terminating on May 31, 2006.

Greater Toronto Transit Authority
Notes to Financial Statements

March 31, 2004 **(in thousands of dollars)**

7. Contingent Liability

Various lawsuits have been filed against the Company for incidents which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuits, now pending, is not yet determinable. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution. Also, see Note 4.

GO Transit

Surname	Given Name	Position	Salary Paid	Taxable Benefits
BOYLE	ROBERT	Director, Facilities Services	$111,368.48	$379.44
CHUNG	FRANCES	Director, Financial Services	$117,201.74	$383.16
JENKINS	WILLIAM	Director, Customer Services	$105,831.46	$360.36
MCNEIL	GARY	Managing Director & CEO	$153,393.69	$5,648.78
NORMAN	JEAN	Director, Corporate Services	$119,662.04	$390.30
PERCY	GREGORY	Director, Rail Services	$107,302.88	$365.22
ROBINSON	ALLAN	Director, Bus Services	$108,614.45	$369.60

MANAGEMENT REPORT

INDEPENDENT ELETRICITY MARKET OPERATOR

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Independent Electricity Market Operator are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Independent Electricity Market Operator are described in the Summary of Significant Accounting Policies contained in Note 2 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to February 12, 2004.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by PricewaterhouseCoopers LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

INDEPENDENT ELECTRICITY MARKET OPERATOR

On behalf of management,

Dave Goulding

Dave Goulding
President and Chief Executive Officer

Gary Sherkey

Gary Sherkey
Vice President – Finance, CFO and Treasurer

Toronto, Canada
February 12, 2004

AUDITORS' REPORT

To the Board of Directors of the Independent Electricity Market Operator ("IMO")

We have audited the statement of financial position of the IMO as at December 31, 2003 and the statements of operations and accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of the IMO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the IMO as at December 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
February 12, 2004

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

(in thousands of Canadian dollars)	FOR THE YEAR ENDED DECEMBER 31, 2003	FOR THE YEAR ENDED DECEMBER 31, 2002
REVENUES		
System fees	$ 148,895	$ 146,650
Other revenue	7,303	2,734
Ancillary services, rural rate assistance and remote subsidies	—	83,436
TOTAL REVENUES	**$ 156,198**	**$ 232,820**
EXPENSES		
Cost of ancillary services, rural rate assistance and remote subsidies	—	83,436
Labour	56,630	52,969
Computer services, support and equipment	10,984	12,548
Consultants, contract and legal services	6,146	4,961
Telecommunications	2,938	7,430
Other costs	5,604	4,661
Amortization	51,160	46,216
TOTAL EXPENSES	**$ 133,462**	**$ 212,221**
Net Income Before Interest and Investment Income	22,736	20,599
Interest and investment income	3,722	2,737
Interest expense and financing charges	(21,535)	(22,225)
NET INCOME FOR THE YEAR	**4,923**	**1,111**
ACCUMULATED SURPLUS — BEGINNING OF YEAR	10,715	9,604
ACCUMULATED SURPLUS — END OF YEAR	**$ 15,638**	**$ 10,715**

See accompanying notes to Financial Statements.

STATEMENT OF FINANCIAL POSITION

(in thousands of Canadian dollars)	FOR THE YEAR ENDED DECEMBER 31, 2003	FOR THE YEAR ENDED DECEMBER 31, 2002
ASSETS		
Current assets		
Cash & cash equivalents	$ 36,939	$ 47,818
Temporary investments	12,442	65,158
Prepaid expenses & receivables	19,344	18,174
	68,725	**131,150**
Property & Equipment (Note 3)		
In service	211,462	237,001
Construction-in-progress	1,664	14,243
	213,126	**251,244**
Other Assets		
Long term investments (Note 4)	6,464	—
Prepaid pension expense (Note 7)	24,566	24,447
	31,030	**24,447**
TOTAL ASSETS	**$ 312,881**	**$ 406,841**
LIABILITIES		
Current Liabilities		
Accounts payable & accrued liabilities (Note 5)	$ 16,431	$ 15,775
Accrued interest	1,952	3,749
Long-term debt payable within one year (Note 6)	—	275,000
	18,383	294,524
Long-term Debt (Note 6)	253,200	78,200
Accrual for Employee Future Benefits Other than Pensions (Note 7)	25,660	23,402
TOTAL LIABILITIES	**297,243**	**396,126**
ACCUMULATED SURPLUS	**15,638**	**10,715**
TOTAL LIABILITIES & ACCUMULATED SURPLUS	**$ 312,881**	**$ 406,841**

See accompanying notes to Financial Statements.

On behalf of the Board:

James C. Baillie **Carol S. Perry**

STATEMENT OF CASH FLOWS

(in thousands of Canadian dollars)	FOR THE YEAR ENDED DECEMBER 31, 2003	FOR THE YEAR ENDED DECEMBER 31, 2002
OPERATING ACTIVITIES		
Net income for the year	$ 4,923	$ 1,111
Adjustments for non-cash items:		
Amortization	51,160	46,216
Decrease/(Increase) in prepaid pension expense	4,276	(209)
Increase in accrual for employee future benefits other than pensions	2,258	1,713
	62,617	**48,831**
Changes in non-cash balances related to operations:		
Contribution to pension fund	(4,395)	(135)
Decrease in accounts payable and accrued liabilities	(1,832)	(3,406)
Increase in prepaid expenses and receivables	(1,170)	(11,999)
Decrease in amounts due under Transitional Revenue Allocation Agreement	—	12,626
	(7,397)	**(2,914)**
Cash provided from operating activities	**$ 55,220**	**$ 45,917**
INVESTING ACTIVITIES		
Net sale/(purchase) of temporary investments	52,716	(65,158)
Purchase of long term investments	(6,464)	—
Investment in property & equipment	(12,351)	(49,050)
Cash provided from/(used in) investing activities	**$ 33,901**	**$ (114,208)**
FINANCING ACTIVITIES		
Retirement of long-term debt	(100,000)	—
Cash used in financing activities	**$ (100,000)**	—
NET CHANGE IN CASH & CASH EQUIVALENTS	(10,879)	(68,291)
CASH & CASH EQUIVALENTS — BEGINNING OF YEAR	47,818	116,109
CASH & CASH EQUIVALENTS — END OF YEAR	**$ 36,939**	**$ 47,818**

See accompanying notes to Financial Statements.

Supplementary Information: *(in thousands of Canadian dollars)*

Interest Paid	**$ 23,291**	**$ 23,291**

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Independent Electricity Market Operator (IMO) is a not-for-profit, non-taxable corporation, created by statute effective on April 1, 1999 pursuant to Part II of *The Electricity Act*, 1998. As set out in *The Electricity Act*, the IMO operates pursuant to a license granted by the Ontario Energy Board. The objects of the IMO as contained in *The Electricity Act*, are as follows:

- to exercise and perform the powers and duties assigned to the IMO under *The Electricity Act*, 1998, the market rules and license;
- to enter into agreements with transmitters giving the IMO the authority to direct the operations of their transmission systems;
- to direct the operations and maintain the reliability of the IMO-controlled grid to promote the purposes of *The Electricity Act*, 1998;
- to establish and operate the IMO-administered markets to promote the purposes of *The Electricity Act*, 1998;
- to collect and provide to the public information relating to the current and future electricity needs of Ontario and the capacity of the integrated power system to meet those needs;
- to participate in the development by any standards authority of standards and criteria relating to the reliability of the transmission systems;
- to work with the responsible authorities outside Ontario to co-ordinate the IMO's activities with their activities.

The North American electrical utility industry has undertaken initiatives to move away from traditional monopolies toward introducing competition into power generation. On October 30, 1998 the Government of Ontario enacted the Energy Competition Act, 1998 to restructure the business carried on by Ontario Hydro and introduce competition. On May 1, 2002 the Government of Ontario opened the competitive electricity market.

On December 9, 2002 the Government passed Bill 210, *Electricity Pricing, Conservation and Supply Act, 2002*. Bill 210, among other things, froze the commodity cost of electricity for a portion of the competitive market, specifically low-volume and designated customers, until May 1, 2006 at 4.3 cents per kilowatt hour. On December 15, 2003, the newly elected Government of Ontario passed Bill 4, Ontario Energy Board and Amendment Act, 2003. Under Bill 4, beginning April 1, 2004 low-volume and designated consumers will pay 4.7 cents per kilowatt hour for their first 750 kilowatt hours of consumption and 5.5 cents per kilowatt hour for their remaining monthly consumption. This interim pricing scheme will remain in place until the Ontario Energy Board (OEB) develops an alternative mechanism for setting prices in the future, and no later than May 1, 2005.

The price signals for the wholesale price of energy continue to be set in the market, utilizing methodologies and systems unchanged from those utilized prior to either Bill 210 or Bill 4. In addition, customers that are neither low-volume or designated customers continue to pay market prices, unchanged from prior to the passage of either Bill 210 or Bill 4.

The Electricity Act, specifically Section 19, requires on an annual basis, that the IMO submit its proposed expenditures, revenue requirements, and fees it proposes to charge during the coming year to the OEB for review. Bill 210 amended Section 19 to provide that the submission may be made only with the approval of the Minister of Energy, a requirement that remains unchanged under Bill 4. The IMO obtained permission of the Minister of Energy to submit its proposed expenditures, revenue requirements, and fees to the OEB in October 2003. In December 2003, the OEB approved the IMO's requested 2004 expenditures, revenue requirements, and fees. As specified in *The Electricity Act*, any surplus generated shall be used by the IMO for the purposes of carrying out its objects under *The Electricity Act*. The IMO expects to recover any deficit in future system fees, subject to approval by the Ontario Energy Board.

On January 14, 2004, the Energy Conservation and Supply Task Force released its report to the Minister of Energy entitled "Tough Choices: Addressing Ontario's Power Needs". The task force was established in June 2003 to develop an action plan for attracting new generation, promoting conservation, and enhancing the reliability of the transmission grid. Should the Government of Ontario implement the recommendations of the Energy Conservation and Supply Task Force, there will be significant changes to many aspects of Ontario's electricity industry, including the IMO's roles and responsibilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statement preparation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

b) Revenue recognition

In accordance with an agreement between the IMO and the other successor entities of Ontario Hydro, the IMO received system fees and ancillary service fees during the period up to market opening on May 1, 2002. Such fees were approved by the Ontario Energy Board (OEB) and were recognized as earned in accordance with the terms of the agreement.

Since the opening of the IMO-administered markets on May 1, 2002, system fees earned by the IMO are based on approved rates for each megawatt of electricity withdrawn from the IMO-controlled grid. System fees are recognized as revenue at the same time as the electricity is withdrawn.

Since market opening, ancillary service transactions became those of the market participants rather than the IMO. These financial statements do not include the financial transactions of market participants within the IMO-administered markets.

Other revenue represents amounts that accrue to the IMO relating to interest on funds passing through market settlement accounts, as well as fines and penalties passing through the market adjustment account. Such revenue is recognized as it accrues.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash, term deposits and other short-term investments with original maturity dates of less than 90 days.

d) Temporary investments

Short-term money market investments with original maturities of 90 days or longer are classified as temporary investments and valued at amortized cost. Premiums and discounts are amortized to income using the constant yield method over the period to maturity.

e) Construction-in-progress

Construction-in-progress generally relates to the costs of physical facilities, hardware and software, and includes costs paid to vendors, internal and external labour, consultants, an applicable share of overhead, and an allocation of interest related to funds borrowed to finance the project. Costs relating to construction-in-progress are transferred to property and equipment in service when the asset under construction is deemed to be ready for use.

f) Property and equipment in service

Property and equipment are capitalized at cost, which comprises materials, labour, external support, overheads, and interest applicable to capital activities.

g) Amortization

The capital cost of property and equipment in service is amortized on a straight line basis over their estimated service lives.

The estimated service lives in years, from the date the assets were transferred from Ontario Hydro or subsequently acquired, are:

Class	Estimated Average Service Life
Facilities	41
Market Systems and Applications	4 to 7
Infrastructure and Other Assets	3 to 10

Gains and losses on sales of property and equipment and losses on premature retirements are charged to operations as adjustments to amortization expense. Removal costs are charged to amortization expense as incurred.

The estimated service lives of property and equipment and the significant assumptions underlying the estimates of removal costs are subject to periodic review. The impacts of changes in the estimated lives of property and equipment are amortized on a prospective basis. The most recent review was completed in fiscal 2003.

h) Long term investments

Portfolio investments are carried at cost less any provision for other than temporary losses.

i) Pension and other post-employment benefits

The IMO's post-employment benefit programs include pension, group life insurance, health care, long-term disability and workers compensation benefits.

The IMO accrues obligations under pension and other post-employment benefit ("OPEB") plans and the related costs, net of plan assets. Pension fund assets are valued using market related values for equities, whereby fund assets are calculated using a five-year moving average of year-end market values, and market values for fixed income securities. Pension and OPEB expenses and obligations are determined annually by independent actuaries using the projected benefit method and management's best estimates using a measurement date of September 30.

Pension and OPEB expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions, and experience gains or losses, which are amortized on a straight line basis over the expected average remaining service life of the employees covered by the plan. Pension and OPEB expenses are recorded during the year in which employees render services.

j) Fair value of financial instruments

The carrying amounts reported in the balance sheet for financial instruments, comprising current assets and current liabilities approximate to their fair values. The fair value of long term investments is disclosed in Note 4. The fair value of the long-term debt is not readily available.

k) Foreign exchange

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated in Canadian dollars at the rate prevailing at that date. Exchange gains and losses arising on settlement of foreign exchange transactions are reported in the statement of operations at the date at which the transactions are settled.

l) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements. Actual results could differ from those estimates.

3. PROPERTY AND EQUIPMENT

	As at December 31, 2003			As at December 31, 2002
(in thousands of Canadian dollars)	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Property and equipment in service				
Facilities	$ 48,081	$ 5,312	$ 42,769	$ 44,156
Market Systems and Applications	205,070	67,593	137,477	145,423
Infrastructure and Other Assets	66,581	35,365	31,216	47,422
	319,732	108,270	211,462	237,001
Construction-in-progress	1,664	—	1,664	14,243
	$ 321,396	**$ 108,270**	**$ 213,126**	**$ 251,244**

In 2003, adjustments were made to reflect management's estimates of remaining asset service lives. The impact of these changes in estimates was an increase in amortization expense of $7,361,243 in the year.

Removal costs of $1,920,219 related to the Data Acquisition and Computer Systems were incurred in 2003. These costs were charged to amortization in the year.

Interest capitalized to construction-in-progress during 2003 was $356,110 (2002 - $960,331).

4. LONG TERM INVESTMENTS

Long term investments represent an investment in a balanced pooled fund. The market value of these investments was $6,938,338 as at December 31, 2003.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of Canadian dollars)	As at December 31, 2003	As at December 31, 2002
Relating to property and equipment	$ 2,869	$ 2,178
Relating to operations	13,562	13,597
	$ 16,431	**$ 15,775**

6. LONG-TERM DEBT

(in thousands of Canadian dollars)	As at December 31, 2003	As at December 31, 2002
Notes payable	$ 253,200	$ 353,200
Less payable within one year	—	(275,000)
	$ 253,200	**$ 78,200**

(in thousands of Canadian dollars)	As at December 31, 2003	As at December 31, 2002
Notes payable to		
Ontario Electricity Financial Corporation (OEFC)	$ 78,200	$ 78,200
The Province of Ontario	175,000	275,000
	$ 253,200	**$ 353,200**

Note payable to OEFC

The long-term note payable to Ontario Electricity Finance Corporation (OEFC) is unsecured, bears interest at 7.9% per annum and is repayable in full on May 1, 2009. Interest accrues daily and is payable in arrears, in equal semi-annual payments on May 1 and November 1 of each year.

Note payable to Province of Ontario

The long-term note payable to the Province of Ontario is unsecured.

The loan agreement provided for an extension of the original repayment date of November 3, 2003, if on or before October 27, 2003, the IMO was unable to obtain a credit rating, or obtained a credit rating below a specific level, to the earlier of March 31, 2005 or six months after which a credit rating is either received or revised to a specific level.

The IMO exercised the extension option and at the same time entered into a revised loan agreement with the Province of Ontario, repaying $100 million of the outstanding principal on November 3, 2003. Under the revised agreement interest accrues daily at an interest rate equal to the three month floating Bankers' Acceptance rate plus 50 basis points during this period. At December 31, 2003, the interest rate was 3.26%. The revised loan agreement provides the right for the IMO to make prepayments on the outstanding principal at three month intervals, in multiples of $5 million, co-incident with the payment of interest. On February 3, 2004 the IMO repaid a further $25 million.

Credit facility

IMO has an unsecured, committed, and extendible 364-day revolving credit facility agreement with a Canadian chartered bank, under which the bank will make available to the IMO an amount up to $20 million. As at December 31, 2003 and 2002 no balance was drawn on the credit facility. Advances under this facility are available in Canadian dollars by way of prime rate loans or relevant Bankers'

Acceptances rates. Unused portions of this credit facility are subject to a commitment fee of 10 basis points per annum and a Stamping Fee of 30 basis points per annum upon acceptance of each Bankers' Acceptance.

The IMO also has an unsecured, committed, and extendible 364-day revolving credit facility agreement with a banking syndicate, under which the syndicate will make available to the IMO an amount up to $100 million. As at December 31, 2003 and 2002 no balance was drawn on this credit facility. Advances under this facility are available in Canadian dollars by way of prime rate loans or relevant Bankers' Acceptances rates. Unused portions of this credit facility are subject to a commitment fee of 10 basis points per annum and a Stamping Fee of 30 basis points per annum upon acceptance of each Bankers' Acceptance. This facility will mainly be used to fund shortfalls in amounts owed to the IMO by Market Participants for payment to other Market Participants prior to their recovery under the provisions of the market rules.

7. BENEFIT PLANS

The IMO provides pension and other employee future benefits, comprising group life insurance, long-term disability and group medical and dental plans, for the benefit of current and retired employees.

Pension plans

The Independent Electricity Market Operator Pension Plan is a contributory defined benefit, registered pension plan. In addition to the funded, registered, pension plan, the IMO provides certain non-registered defined benefit pensions through an unfunded, non-registered plan.

Other employee future benefits

The group life insurance, long-term disability and group medical and dental benefits are provided through unfunded, non-registered defined benefit plans.

Summary of accrued benefit obligations and plan assets

(in thousands of Canadian dollars)	2003 Pension benefits	2002 Pension benefits	2003 Other benefits	2002 Other benefits
Accrued benefit obligation	$ 272,317	$ 234,967	$ 34,694	$ 28,876
Fair value of plan assets	215,412	203,693	—	—
Funded status	$ (56,905)	$ (31,274)	$ (34,694)	$ (28,876)
Prepaid (accrued) benefit cost recognized in the statements of financial position	$ 24,566	$ 24,447	$ (25,660)	$ (23,402)

Summary of principal assumptions used to calculate benefit costs and obligations

	2003 Pension benefits	2002 Pension benefits	2003 Other benefits	2002 Other benefits
Discount rate	6.1%	6.6%	6.1%	6.6%
Expected return on plan assets	7.25%	7.25%	—	—
Rate of compensation increase	3.5%	3.5%	3.5%	3.5%
Rate of benefit increases	3.0%	3.0%	—	—
Expected average remaining service life of employees	12 years	12 years	12 years	12 years

Hospital and drug costs are assumed to increase by 9.0% in 2004, 8.0% in 2005, 7.0% in 2006, 6.0% in 2007 and by 5.0% per annum thereafter. Dental costs are assumed to increase by 5.0% per annum.

Summary of benefit costs and plan contributions

(in thousands of Canadian dollars)	2003 Pension benefits	2002 Pension benefits	2003 Other benefits	2002 Other benefits
Benefit cost (income)	$ 4,276	$ (209)	$ 3,298	$ 2,639
Employer contributions	123	39	1,008	890
Plan participant's contributions	1,803	1,654	—	—
Benefits paid	9,228	7,833	1,008	890

An employer contribution in the amount of $4.366 million was made to the registered pension plan in December 2003.

8. SEGMENTED INFORMATION

IMO consists of a single business engaged in the operation of the wholesale electricity system in Ontario.

9. COMMITMENTS

Operating commitments

The obligations of the IMO with respect to non-cancellable operating leases over the next five years is as follows:

(in thousands of Canadian dollars)	
2004	$ 2,123
2005	1,755
2006	1,305
2007	994
2008	994

10. COMPARATIVE FIGURES

Certain of the 2002 comparative figures in the financial statements have been reclassified to conform to the 2003 financial statement presentation.

Independent Electricity Market Operator				
RECORD OF EMPLOYEES' 2003 SALARIES AND BENEFITS				
Surname	**Given Name**	**Position**	**Salary Paid**	**Taxable Benefits**
ALEXANIAN	HENRY	Engineer/Officer-Solutions	$100,968.40	$469.80
ANDERSON	DAVID	Mgr-Quality Assurance & Development	$167,671.77	$514.08
ARAGO	LIEZL	Engineer/Officer-Database	$116,857.28	$385.56
ARMSTRONG	LOUIS	Engr/Officer-Telecom & Computer Ntwks	$114,615.25	$331.56
BABCOCK	TIM	Senior Operations Officer	$126,679.96	$510.99
BAKSI	JIM	Settlement Production Manager	$170,125.88	$568.62
BARGER	HERB	Operations Officer	$101,765.29	$479.61
BEAMER	DEREK	Corporate Policy Officer	$111,009.82	$448.20
BONERT	B	Senior Engineer/Officer-Systems	$100,827.30	$422.28
BRINDLEY	STUART	Manager Emergency Preparedness	$185,039.54	$517.32
BUCCIARELLI	FRANK	Section Head-IT&I	$110,499.40	$449.82
BURNS	STEPHEN	Sr Engineer/Tchncl Officer-Market Limits	$126,449.17	$510.57
CAMPBELL	BRUCE	Vice President-Corporate & Legal Affairs	$361,439.59	$1,516.32
CARSON	BILL	Manager - IT Operations	$149,761.01	$745.20
CAVANAGH	STEVEN	Operations Officer	$113,538.99	$415.02
CHALMERS	JAMES	Operations Officer	$119,684.03	$453.91
CHAN	KEN	Sr Engr/Tech Off-Mrkt Limits/Sys Cap	$122,600.95	$512.61
CHANDLER	HARRY	Director-Market Assmt & Compliance	$221,543.24	$991.44
CHARLAND	MARIO	Senior Operations Officer	$128,335.45	$518.22
CHIU	WANG	Senior Engineer/Officer-Solutions	$145,076.04	$530.16
CHONG TAI	DAVID	Section Head-IT&I	$116,031.02	$564.96
CHUNG	SIMON	Senior Engineer/Officer-Database	$131,358.13	$484.20
CONSTANTINESC	BARB	Sr Engr/Tech Offcr-Connection Assmts	$101,315.66	$405.00
COOPER	STEVE	Sr Engr/Tech Off-Emergency Preprdnes	$126,070.32	$564.63
CORNFIELD	BRIAN	Senior Operations Officer	$126,384.28	$480.33
COWBOURNE	DEREK	Vice President-Market Services	$375,794.16	$1,406.16
DANG	NORM	Section Head-IT&I	$109,999.00	$536.13
DELLOW	MALCOLM	Engineer/Officer-Solutions	$108,250.02	$424.44
DEVEREAUX	DAVID	Operations Officer	$102,446.65	$413.59
DICKSON	PAT	Manager-Human Resources	$162,759.09	$518.40
DORAN	PAT	Manager-Market Facilitation	$160,708.59	$826.20
DRENTH	JASON	Operations Officer	$111,963.13	$453.15
DREW	DENNIS	Senior Engineer/Technical Officer	$119,284.39	$537.06
DRURY	PETER	Sr Engr/Tech Offcr-Connection Assmts	$107,032.00	$504.21
ELMER	GEOFF	Senior Engineer/Technical Offcr-Training	$106,928.28	$519.51
FAHMY	GAMAL	Senior Engineer/Officer-Solutions	$107,405.20	$516.96
FAIRCHILD	JOHN	Senior Operations Officer	$143,503.98	$539.91
FALVO	MICHAEL	Section Head-System Capability	$141,167.91	$753.30
FARRUGIA	ROGER	Senior Engineer/Technical Officer	$108,751.46	$466.48
FINDLAY	J. AL	Manager-Customer Relations	$185,901.26	$822.96
FINKBEINER	DARREN	Manager-Design Authority	$119,532.27	$607.03
FOK	DANNY	Sr Eng/Tech Off-Mrkt Limits/Sys Cap	$100,841.70	$469.44
FONG	CLEMENT	Section Head-IT&I	$151,533.01	$577.74
FREIRE	JOSEPH	Senior Engr/Tech Officer-Settlements	$135,418.56	$504.96
GATT	PAUL	Section Head-IT&I	$116,539.29	$567.54
GEMMILL	JEFF	Senior Operations Officer	$123,923.53	$415.26
GENOVESE	VITO	Senior Engineer/Technical Officer	$102,723.71	$408.78

Surname	Given Name	Position	Salary Paid	Taxable Benefits
GIBBONS	ROBERT	Manager-Long Term Forecasts & Assmts	$161,214.04	$745.20
GIKE	RUSSELL	Engineer/Officer-Shift Control	$123,633.62	$537.18
GOOCH	STEVE	Senior Engineer/Officer-Solutions	$109,032.01	$492.72
GOULDING	DAVID	President & Chief Executive Officer	$673,426.96	$2,200.77
HARPER	HAROLD	Section Head-IT&I	$114,971.77	$529.71
HARRISON	CYNTHIA	Senior Engineer/Tech Offcr-Settlements	$105,388.68	$422.28
HAY	LAWRENCE	Superintendent-Operations	$141,207.41	$603.78
HENDERSON	PETE	Section Head-Consistent Set Management	$146,692.04	$516.24
HESS	TOM	Superintendent-Operations	$142,883.14	$581.76
HINE	GREGORY	Sr Engr/Technical Offcr-Assessments	$100,376.00	$413.10
HINKSON	KEITH	Engineer/Technical Officer-Operations	$100,669.18	$445.20
HOY	DAVID	Senior Engineer/Officer-Systems	$110,862.26	$482.91
INDEWEY	RICK	Senior Operations Officer	$132,460.20	$545.07
INGMAN	NICHOLAS	Project Engineer-Planning & Delivery	$115,065.36	$444.60
JOHNSON	LEN	Operations Officer	$113,514.09	$459.03
JONES	ROWAN	Supervisor-Wholesale Metering	$108,386.05	$448.20
JOVIC	RADO	Senior Engineer/Officer-Solutions	$114,508.66	$440.64
JOYCE	BRYAN	Section Head-IT&I	$104,399.28	$433.08
JUTRAS	JAMES	Section Head-IT&I	$108,547.60	$516.90
KALINOVICH	MIKE	Human Resources Consultant	$111,838.37	$604.62
KANDOLA	HARDEEP	Senior Engineer/Technical Officer	$125,479.92	$499.20
KAPTEYN	ROBERT	Operations Officer	$106,523.77	$423.99
KARABETSOS	TED	Engineer/Technical Officer	$106,871.52	$457.77
KATHURIA	RAJ	Market Information Analyst	$100,642.45	$467.10
KATSURAS	GEORGE	Senior Regulatory Analyst	$102,281.00	$363.60
KELBERT	JIM	Senior Analyst-Rule Amendment	$111,164.87	$497.31
KITCHEN	BRUCE	Senior Operations Officer	$121,295.37	$495.66
KLAHSEN	PETER	Engineer/Officer-Shift Control	$124,408.44	$525.03
KLINE	HEATHER	Supervisor-Mrkt Accounting & Reporting	$106,035.00	$441.18
KOT	JOHN	Senior Engineer/Officer-Systems	$105,929.80	$489.78
KOZLIK	KEN	Director-Client Support	$226,958.70	$933.12
KULA	LEONARD	Design Authority Specialist	$123,402.73	$454.44
LAD	DILIP	Senior Engr/Officer-Telecom & Network	$103,696.59	$390.96
LAFOYIANNIS	PETER	Supervisor-Market Information Services	$130,010.10	$511.35
LAM	LISA	Senior Engr/Tech Officer-Settlements	$141,037.75	$501.72
LANGE	HELMUT	Engineer/Technical Officer	$101,024.68	$0.00
LANGFORD	TIM	Operations Officer	$116,609.58	$372.06
LEE	DON	Director-Business Development	$228,752.69	$920.16
LEE	FRANK	Senior Engineer/Officer-Database	$129,780.52	$495.33
LEONARD	TED	Corporate Controller	$162,621.02	$777.60
LEWIS	DAVID	Engr/Offcr-Telecom & Computer Networks	$106,744.25	$0.00
LIMBRICK	WILLIAM	Vice President-IT&I	$336,006.94	$1,445.04
LINDENMAYR	ERIC	Engineer/Officer-Systems	$111,216.19	$475.77
LOCKE	BRUCE	Section Head-IT&I	$122,648.02	$462.78
LOUIE	CHAK	Sr Engr/Tech Off-Mrkt Limits/Sys Cap	$113,852.76	$501.66
LUBEK	JACK	Senior Analyst-Market Assessment	$110,911.53	$523.68
LYLE	ALEXANDER	Senior Engineer/Officer-Systems	$112,442.76	$464.28
LYN	TYRONE	Section Head-IT&I	$146,283.87	$534.87
MACKAY	BRUCE	Manager-Contracts & Agreements	$164,003.46	$263.52
MACKENZIE	JOHN	Supervisor-Market Rules	$107,648.90	$445.50

Surname	Given Name	Position	Salary Paid	Taxable Benefits
MACNEIL	JAMES	Sr Eng/Tech Off-Emergency Preprdnes	$106,562.21	$489.78
MAGUIRE	DANNY	Senior Operations Officer	$130,782.24	$525.87
MARIA	GAMAL	Manager - Technical Integration	$168,702.56	$751.68
MARTIN	DAN	Senior Operations Officer	$132,280.31	$510.24
MARTIN	DAVID	Operations Officer	$116,947.60	$388.26
MARTIN	ROSANNE	Assistant Treasurer	$150,379.56	$265.68
MARX	MICHAEL	Senior Operations Officer	$121,971.25	$512.25
MCCLOY	ROBERT	Engineer/Technical Officer-Settlements	$112,605.85	$519.21
MCLELLAN	GARY	Superintendent-Operations	$120,301.57	$595.53
MCVEETY	MICHAEL	Senior Operations Officer	$115,458.96	$79.38
MEDAL	JOHN	Engineer/Technical Officer-Operations	$112,171.56	$387.18
MEYER	GARRY	Superintendent-Operations	$135,017.63	$544.17
MILLER	ALLAN	Senior Engineer/Technical Officer	$124,501.82	$579.93
MILNER	DEBORAH	Section Head-IT&I	$106,733.90	$436.86
MISNER	BRAD	Section Head-IT&I	$110,413.19	$442.80
MONIZE	FRANCIS	Corporate Policy Officer	$107,740.20	$522.06
MORRIS	ELIZABETH	Manager-Market Relations	$133,636.54	$680.40
MURPHY	PAUL	Chief Operating Officer	$377,305.65	$1,406.16
MURRAY	ROSS	Operations Officer	$111,788.48	$398.52
MURRAY	YVONNE C	Manager-Audit	$141,854.92	$423.72
NOBLE	KERRY	Mgr-Planning, Delivery & Applications	$154,863.46	$771.12
ORCHESON	JAMES	Information Security Co-ordinator	$101,713.00	$505.53
PARCEY	TODD	Senior Operations Officer	$130,452.64	$522.45
PATERSON	WILLIAM	Engineer/Officer-Shift Control	$117,005.64	$489.45
PAZZELLI	IVO	Engr/Offcr-Telecom & Computer Networks	$107,164.23	$393.90
PENN	RICHARD	Manager-Market Assessment	$172,162.72	$855.36
PETTENUZZO	RODNEY	Senior Engineer/Technical Officer	$103,629.43	$481.20
PETTITT	W. (BILL)	Section Head-IT&I	$114,462.46	$550.17
PHILLIPS	DREW	Supervisor Training & Education	$123,249.22	$586.80
PITCHELL	KIM	Senior Engineer/Technical Officer	$117,794.18	$554.37
RADAN	MIKE	Section Head-Market Limits	$144,267.55	$688.50
REYNOLDS	TERRY	Operations Officer	$122,853.41	$453.93
RIVARD	BRIAN	Senior Economic Advisor	$112,818.51	$442.26
ROBITAILLE	DAVID	Senior Engineer/Technical Officer	$100,750.40	$481.95
ROCHESTER	DANIEL	Supervising Engr/Tech Off-Assessments	$110,229.20	$532.26
RUSSELL	KYLE	Operations Officer	$107,499.88	$365.22
SCHAEDLICH	KLAUS	Senior Exchange Engineer/Officer	$108,147.00	$530.76
SCHLAG	GUNTER	Senior Engineer/Officer-Systems	$102,273.00	$492.15
SCHLAG	STEVE	Engineer/Officer-Shift Control	$116,804.24	$489.09
SCHMIDT	DAN	Manager-Market Facilitation	$139,426.36	$398.52
SCHNEIDER	HORST	Section Head-Infrastructure&Axclry Srvcs	$116,671.55	$432.54
SCOTT	CHRIS	Senior Engineer/Officer-Systems	$145,449.98	$471.45
SEPA	TOIVO ROY	Business Strategist	$100,376.00	$486.30
SERGEJEWICH	PETER	Director-Market Development	$222,102.91	$900.72
SHALABY	AMIR	Manager-Regulatory Affairs	$195,476.30	$894.24
SHERKEY	GARY	Vice President Finance, CFO & Treasurer	$292,187.56	$1,347.84
SINCLAIR	ROB	Senior Engineer/Officer-Solutions	$109,935.70	$459.52
SOLOMONIAN	VAN	Sr Methods & Qual Assurance Engr/Offcr	$102,602.78	$433.08
SPRATT	TIMOTHY	Operations Officer	$111,092.59	$353.53
SPRINGGAY	GUY	Senior Market Relations Consultant	$113,642.16	$499.89

Surname	Given Name	Position	Salary Paid	Taxable Benefits
STEVENS	CHRIS	Director-Settlements	$235,408.38	$939.60
STEWART	ROY	General Counsel & Secretary	$253,270.46	$1,127.52
STUBBERT	DAVE	Superintendent-Operations	$134,032.39	$571.86
STURGEON	DAN	Senior Operations Officer	$124,404.06	$468.84
SWANT	FRED	Engineer/Officer-Shift Control	$114,766.94	$476.34
TABUE	ALAIN	Senior Engineer/Officer-Systems	$107,908.35	$479.64
TAKATA	RICHARD	Engineer/Officer-Shift Control	$119,068.88	$507.78
TANG	CHI	Section Head-Models & Data	$138,387.55	$675.54
TENCH	DON	Manager-Consistent Information Set	$179,161.74	$816.48
THOMAS	DOUGLAS	Director of Finance	$233,002.98	$648.00
THOMAS	NORMAN	Director-Human Resources	$231,387.92	$972.00
THWAITES	SCOTT	Operations Officer	$102,751.00	$449.76
TRAVERS	SCOTT	Trainer/Educator	$100,499.50	$479.58
TRICKEY	CANDICE	Market Relations Consultant	$105,227.53	$373.68
TROTTI	MICHAEL	Engineer/Officer-Systems	$107,159.25	$452.28
TSAI	DAVID	Senior Analyst-Surveillance	$107,042.00	$518.97
TSE	NORMAN	Power Billing System Analyst	$132,137.92	$469.20
VENDITTI	MICHAEL	Senior Engineer/Officer-Solutions	$104,186.39	$422.82
VERT	JAMES	Superintendent-Operations	$134,617.69	$551.51
VISCA	JOHN	Manager-Technology	$146,691.98	$254.88
WALDEN	DALE	Senior Operations Officer	$127,987.59	$517.41
WARREN	KIM	Manager-Shift Operations	$162,689.47	$777.60
WATSON	ALLAN	Operations Officer	$116,687.07	$430.98
WILBUR	BILL	Supervisor-Market Development	$103,752.84	$412.56
WILLIAMS	RALPH	Superintendent-Operations	$144,309.73	$593.58
WILSON	MARK	Section Head-Market Forecasts & Intgrtn	$125,918.81	$576.62
WOLOSHANSKY	JOHN	Sr Engr/Tech Off-Mrkt Limits/Sys Cap	$103,271.00	$413.10
WONG	VICTOR	Manager-Settlement Support	$160,985.52	$450.90
WONG	YAM	Weather Services Meteorologist	$103,421.16	$454.86
WOO	BILL	Sr Engr/Tech Off-Mrkt Limits/Sys Cap	$117,233.99	$499.89
WOO	PETER	Senior Engineer/Officer-Systems	$125,236.06	$503.67
WORTH	BRIAN	Senior Engr/Technical Offcr-Settlements	$101,076.40	$480.90
WRIGHT-HILBIG	RHONDA	Supvsr-Compliance & Dispute Resolution	$110,113.58	$501.66
WYNN	JAN	Senior Engineer/Technical Officer	$101,432.90	$484.50
YI	JAMES	Senior Engineer/Officer-Systems	$123,808.62	$500.40
YI	SAM	Engineer/Officer-Shift Control	$105,416.15	$439.83
YOUNG	TERRY	Director-Crp Relations & Communications	$165,849.08	$596.16
ZAWORSKI	RICHARD	Engr/Technical Offcr-Wholesale Metering	$100,674.00	$477.81
ZIEGLER	BARRY	Superintendent-Operations	$141,749.03	$611.46

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

375 University Avenue, Suite 404 Toronto, ON M5G 2G1
375, avenue University, bureau 404 Toronto ON M5G 2G1
www.legalaid.on.ca

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements.

Legal Aid Ontario is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances of the reliability of financial information and that the assets were safeguarded.

The Board ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee of the Board. The Board meets bi-monthly to oversee the financial activities of LAO. On an annual basis, the Board reviews the financial statements and the external auditors' report thereon, and recommends them to the Ministry of the Attorney General.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Angela Longo
President & CEO

Michelle A. Séguin
Vice President,
Corporate Services

July 29, 2004

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the balance sheet of Legal Aid Ontario as at March 31, 2004 and the statements of operations and accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of Legal Aid Ontario'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 Legal Aid Ontario as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 2, 2004

J.R. McCarter, CA
Assistant Provincial Auditor

Legal Aid Ontario
Balance Sheet

March 31	2004 ($000's)	2003 ($000's)
ASSETS		
Current		
Cash and cash equivalents (Note 2)	$ 203	$ 6,520
Cash and cash equivalents - contingency reserve (Note 8)	490	236
Accounts receivable (less allowance for doubtful accounts)	28,394	20,216
Prepaid expenses	956	1,161
Short term investments (Note 3)	2,607	3,197
Short term investments - contingency reserve (Notes 3 and 8)	1,950	2,076
	34,600	33,406
Long term investments (Note 3)	36,800	38,494
Long term investments contingency reserve (Notes 3 and 8)	16,857	24,985
Capital assets (Note 4)	14,889	8,945
	$ 103,146	$ 105,830
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 55,156	$ 58,530
Accrued pension benefit liability (Note 11)	241	107
Deferred contributions (Note 6)	5,188	4,789
	60,585	63,426
Net Assets		
Accumulated surplus (Note 1(c))	14,402	10,755
Invested in capital assets (Note 7)	9,761	4,156
Contingency reserve (Notes 3 and 8)	18,398	27,493
	42,561	42,404
	$ 103,146	$ 105,830

On behalf of the Board

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
Statement of Operations and Accumulated Surplus

For the year ended March 31		2004 ($000's)		2003 ($000's)
REVENUE				
Province of Ontario (Note 1(a))	$	**256,048**	$	244,966
The Law Foundation of Ontario		**24,205**		17,678
Client contributions		**13,090**		13,327
Judgments, costs and settlements		**1,701**		1,095
Investment and other income		**4,582**		5,181
		299,626		282,247
EXPENSES				
Core Business				
Certificate Program				
Criminal		**84,777**		80,960
Family		**42,410**		41,434
Immigration and refugee		**17,804**		16,434
Other civil		**5,426**		5,333
Settlement conferences		**178**		191
		150,595		144,352
Area office services		**23,176**		23,705
Family law offices		**2,016**		1,892
Refugee law office		**749**		653
		176,536		170,602
Duty Counsel Program				
Duty counsel fees and disbursements		**33,135**		28,754
Expanded duty counsel		**595**		542
		33,730		29,296
Clinic Program and special services				
Clinic law services (Note 9)		**54,038**		57,482
Nishnawbe-Aski allocation		**1,544**		1,524
Student legal aid societies		**2,755**		2,617
		58,337		61,623
Service Innovation Projects				
Pilot projects		**158**		311
Client access services		**343**		-
Other		**871**		1,088
		1,372		1,399

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
Statement of Operations and Accumulated Surplus (Continued)

For the year ended March 31	2004 ($000's)	2003 ($000's)
EXPENSES (continued)		
Service Provider Support		
Research facility	**2,020**	2,132
Administrative		
Provincial office	**21,285**	20,327
Enterprise-wide software implementation and other projects	**3,518**	2,505
Amortization expense	**2,671**	3,820
	27,474	26,652
	299,469	291,704
Excess (deficiency) of revenue over expenses for the year	**157**	(9,457)
Accumulated surplus, beginning of year	**10,755**	18,511
Invested in capital assets	**(5,605)**	(2,695)
Transferred from contingency reserve (Note 8)	**9,095**	4,396
Accumulated surplus, end of year	**$ 14,402**	$ 10,755

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
Statement of Cash Flows

For the year ended March 31	2004 ($000's)	2003 ($000's)
Cash provided by (used in)		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	$ 157	$ (9,457)
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by operating activities:		
Amortization	2,671	3,820
Amoritization of bond premium	256	432
Amortization of deferred contributions	(2,083)	(3,114)
Realization of deferred contributions	(3,518)	(2,470)
Writedown of short term investments	6	82
Gain on sale of investments	(1,161)	(202)
Write-off of capital assets	2	-
Transfer of capital assets to community clinics	-	306
Changes in non-cash working capital balances		
Accounts receivable	(8,178)	9,423
Prepaid expenses	205	(647)
Accounts payable and accrued liabilities	(3,374)	(2,611)
Accrued pension benefit liability	134	107
Accrued interest on long term investments	97	123
Deferred contributions	6,000	4,443
	(8,786)	235
INVESTING ACTIVITIES		
Purchase of capital assets	(8,617)	(5,680)
Purchase of investments	(79,800)	(47,471)
Redemption of investments	91,140	57,297
	2,723	4,146
Net increase (decrease) in cash and cash equivalents during the year	(6,063)	4,381
Cash and cash equivalents, beginning of year	6,756	2,375
Cash and cash equivalents, end of year	$ 693	$ 6,756
Represented by		
Cash and cash equivalents	$ 440	$ 6,520
Bank indebtedness	(237)	-
	203	6,520
Cash and cash equivalents - contingency reserve	490	236
	$ 693	$ 6,756

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
Summary of Significant Accounting Policies

March 31, 2004

NATURE OF OPERATIONS
On December 18, 1998, the Ontario Legislative Assembly enacted the **Legal Aid Services Act**, 1998 whereby Legal Aid Ontario (the "Corporation") was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999 and is tax exempt under the **Income Tax Act.**

The **Legal Aid Services Act**, 1998 establishes the following mandate for the Corporation:

- To promote access to justice throughout Ontario for low-income individuals by providing high quality legal aid services
- To encourage and facilitate flexibility and innovation in the provision of legal aid services
- To recognize the diverse legal needs of low-income individuals and disadvantaged communities
- To operate within a framework of accountability for the expenditure of public funds

The affairs of the Corporation are governed and managed by a Board of eleven Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

BASIS OF ACCOUNTING
The Corporation follows the deferral method of accounting for contributions.

Accumulated surplus represents the excess of revenue over expenses related to the Corporation's program delivery and administrative activities.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

REVENUE RECOGNITION
Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured. Due to the uncertainty in collections, client contributions and judgments are recognized based on historical collection experience. Included in accounts receivable is $13.4 million (2003 - $13.4 million) relating to client contributions and judgments.

EXPENSE RECOGNITION
Expenses are recognized on an accrual basis. Certificate program costs include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed by lawyers but not yet billed to the Corporation.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents consist of cash on hand and balances with banks plus highly liquid investments with original maturities of three months or less.

Legal Aid Ontario
Summary of Significant Accounting Policies

March 31, 2004

INVESTMENTS

Short term investments are stated at the lower of cost or market value. Long term investments are stated at cost and are written down when there is a permanent impairment in value. Purchase premiums or discounts on bonds are amortized on a straight-line basis over the life of the particular securities. Government and corporate bonds are carried at amortized cost. Any writedowns or gains and losses on the disposal of investments are recorded in the year they occur as either an increase or decrease in investment income. Gains and losses on disposal are calculated based on the average cost of the securities sold.

CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight line basis over the estimated useful life of the asset as follows:

Furniture and office equipment	-	5 years
Computer hardware and software	-	3 years
Custom-designed software	-	5 years
Enterprise-wide software	-	7 years
Leasehold improvements	-	over the term of lease

DEFERRED CONTRIBUTIONS

Deferred special initiatives contributions represent unspent resources relating to the Province of Ontario funded projects. Unspent amounts are held for expenditures in subsequent periods or settlement by the Province.

Deferred capital contributions related to capital assets represents the unamortized portion of contributions used for the acquisition of capital assets. Amortization of the deferred contribution is provided on the same basis as the related capital asset.

PENSIONS

Substantially all of the Corporation's employees are enrolled in a defined contribution plan. The costs of pension benefits for defined contribution plans are charged to operations as contributions become due. The Corporation also has a small number of employees enrolled in a defined benefit plan. The costs of pension benefits earned by the employees covered by the defined benefit plan is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, terminations and retirement ages of plan members. Adjustments for plan amendments, changes in assumptions and actuarial gains and losses are charged to operations over the expected average remaining service life of the employee group which is approximately 13 years.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. In management's opinion, the carrying amount of the Corporation's financial instruments approximate fair value unless otherwise noted.

Legal Aid Ontario
Notes to Financial Statements

March 31, 2004

1. Funding by the Province of Ontario

Section 71 of the **Legal Aid Services Act**, 1998 requires the Corporation and the Attorney General of Ontario to enter into a Memorandum of Understanding ("MOU") every five years. The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between the Attorney General and the Corporation.

The Memorandum of Understanding was signed on December 22, 2000 and is effective until April 1, 2004. The Corporation and the Attorney General of Ontario are currently in discussion over the terms of the next MOU.

(a) Contributions received from the Province of Ontario were allocated as follows:

	2004 ($000's)	2003 ($000's)
Contributions	$ 250,447	$ 239,382
Realization of deferred contributions (Note 6)	3,518	2,470
Amortization of deferred contributions (Note 6)	2,083	3,114
	$ 256,048	$ 244,966

(b) Included in contributions from the Province of Ontario for the year ended March 31, 2004 is an amount of $50.6 million (2003 - $45.6 million) representing an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law, the Youth Criminal Justice Act, and other expenditures for unique pressures through a cost-sharing arrangement.

(c) Subsection 66(3) of the **Legal Aid Services Act**, 1998 allows the Corporation to designate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless under Subsection 69(2) it is ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

2. Cash and Cash Equivalents

Cash and cash equivalents include Government of Canada treasury bills of $0.386 million (2003 - $1.623 million) which mature in April 2004 and bear interest of 2.06% to 2.18% (2003 - 2.83%).

The Corporation has an available line of credit in the amount of $5 million which remained unused as of March 31, 2004. The credit facility bears interest at prime rate and is unsecured.

Legal Aid Ontario
Notes to Financial Statements

March 31, 2004

3. Investments

	2004 ($000's)		2003 ($000's)	
	Cost	**Market**	Cost	Market
Canada bonds Interest rates from 4.25% to 6.0%, maturing from September 2004 to June 2010	**$ 13,802**	**$ 14,084**	$ 17,440	$ 17,928
Provincial bonds Interest rates from 4.75% to 7.75%, maturing from June 2005 to December 2011	**26,721**	**27,630**	32,340	32,866
Corporate bonds Interest rates from 4.4% to 7.0%, maturing from September 2004 to January 2010	**16,957**	**17,494**	18,141	18,423
Accrued bond interest	**734**	**734**	831	831
	58,214	**59,942**	68,752	70,048
Less: Contingency reserve				
- short term (Note 8)	**(1,950)**	**(1,982)**	(2,076)	(2,123)
- long term (Note 8)	**(16,857)**	**(17,524)**	(24,985)	(25,456)
	(18,807)	**(19,506)**	(27,061)	(27,579)
	$ 39,407	**$ 40,436**	$ 41,691	$ 42,469
Represented by				
Short term investments	**$ 2,607**	**$ 2,645**	$ 3,197	$ 3,276
Long term investments	**36,800**	**37,791**	38,494	39,193
	$ 39,407	**$ 40,436**	$ 41,691	$ 42,469

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the **Legal Aid Services Act**, 1998. The investments held by the Corporation as at March 31, 2004 are in compliance with the statutory requirements. The Corporation earned total investment income of $4.5 million in 2004 (2003 - $4.7 million).

Legal Aid Ontario
Notes to Financial Statements

March 31, 2004

4. Capital Assets

	2004 ($000's) Cost	2004 ($000's) Accumulated Amortization	2003 ($000's) Cost	2003 ($000's) Accumulated Amortization
Furniture and office equipment	$ 3,090	$ 2,156	$ 2,634	$ 1,852
Computer hardware and software	15,788	13,952	14,524	12,301
Custom-designed software	817	817	817	747
Enterprise-wide software	10,623	-	4,180	-
Leasehold improvements	4,597	3,101	4,149	2,459
	34,915	20,026	26,304	17,359
Net book value		$ 14,889		$ 8,945

Included in capital assets is approximately $10.623 million (2003 - $4.235 million) of enterprise-wide software and computer hardware and software which was not in use as at the year end, and therefore no amortization expense has been taken.

5. Accounts Payable and Accrued Liabilities

	2004 ($000's)	2003 ($000's)
Legal accounts - billings received but not paid	$ 13,271	$ 17,217
- work performed but not yet billed	25,934	29,048
Rent inducements	100	172
Trade and other payables	15,118	11,475
Vacation pay	733	618
	$ 55,156	$ 58,530

At year end, management estimates the liability for work conducted by private lawyers that has not yet been billed by these lawyers to the Corporation to be approximately $25.9 million (2003 - $29.0 million). This estimate uses a methodology that incorporates average costs and time frames for similar cases over a period of 7 years.

Due to the uncertainty involved in the estimation process, there will likely be a difference between the estimated and actual liability for legal accounts. In the opinion of management the actual liability will fall within a range of plus 20% to minus 20% ($20.7 million to $31.1 million). Any adjustment of the estimated liability would result in a corresponding increase or decrease in expenses for the "certificate program," the "excess (deficiency) of revenue over expenses for the year" and the "accumulated surplus".

Legal Aid Ontario
Notes to Financial Statements

March 31, 2004

6. Deferred Contributions

Changes in deferred special initiatives and capital contributions relating to Province of Ontario funded projects are as follows:

	2004 ($000's)	2003 ($000's)
Deferred special initiatives contributions		
Balance, beginning of year	$ -	$ -
Contributions received during the year	6,000	4,443
Transferred upon acquisition of capital assets	(2,422)	(1,973)
Realization of deferred contributions (Note 1(a))	(3,518)	(2,470)
	60	-
Deferred capital contributions		
Balance, beginning of year	4,789	5,930
Contributions for capital assets	2,422	1,973
Amortization of deferred contributions (Note 1(a))	(2,083)	(3,114)
	5,128	4,789
	$ 5,188	$ 4,789

7. Changes in Net Assets Invested in Capital Assets

	2004 ($000's)	2003 ($000's)
Balance, beginning of year	$ 4,156	$ 1,461
Amortization	(2,671)	(3,820)
Amortization of deferred contributions	2,083	3,114
Purchase of capital assets	8,617	5,680
Contributions for capital assets	(2,422)	(1,973)
Disposal of capital assets	(2)	(306)
	$ 9,761	$ 4,156
Represented by		
Capital assets (Note 4)	$ 14,889	$ 8,945
Deferred capital contributions (Note 6)	(5,128)	(4,789)
	$ 9,761	$ 4,156

Legal Aid Ontario
Notes to Financial Statements

March 31, 2004

8. Contingency Reserve

Section 6 of Ontario Regulation 107/99 made under the **Legal Aid Services Act**, 1998, requires the Corporation to maintain at least a $20 million contingency reserve. The Regulation also allows the Corporation to increase the contingency reserve by investment income earned on the contingency reserve and general funds and to withdraw capital amounts from the fund to cover its operating costs. As of March 31, 2003, there was $7.493 million of accumulated investment income earned available to fund general operations. In June 2003, the Province directed the Corporation to use the contingency reserve to fund the costs of $9.095 million incurred in 2003/2004 for the tariff increase which came into effect August 1, 2002. As a result, the accumulated investment income is fully drawn and the contingency reserve capital amount is $18.4 million, below the minimum $20 million balance required by the Regulation. Due to financial constraints, the Corporation currently has no plans to replenish the balance of the contingency reserve to the $20 million minimum balance. The contingency reserve is made up as follows:

	2004 ($000's)	2003 ($000's)
Balance, beginning of year	$ 27,493	$ 31,889
Transfer from contingency reserve to accumulated surplus	(9,095)	(4,396)
Balance, end of year	$ 18,398	$ 27,493

Represented by	2004 ($000's)	2003 ($000's)
Cash and cash equivalents	$ 490	$ 236
Due from (due to) general funds	(899)	196
Investments - short term (Note 3)	1,950	2,076
Investments - long term (Note 3)	16,857	24,985
	$ 18,398	$ 27,493

The transfer of funds of $9.095 million (2003 - $4.396 million) was used to fund the tariff increase which came into effect August 1, 2002. In 2003, of the $4.396 million transfer of funds, $3.233 million was used to fund the tariff increase which came into effect August 1, 2002 and $1.163 million was used for other one-time expenditures. The transfer of funds of $9.095 million is comprised of $9.652 million (2003 - $7.659 million) in cash transfers from the contingency reserve fund to the general fund net of $1.652 (2003 - $1.724 million) of investment income earned in the contingency reserve fund and increase of $1.095 million (2003 - $1.539 million) in due from (due to) general funds over the prior year. The transfer of funds was used primarily to fund the $9.095 million (2003 - $3.233 million) tariff increase that came into effect August 1, 2002.

Cash and cash equivalents - contingency reserve includes treasury bills of $0.490 million (2003 - $0.220 million) as at March 31, 2004, which will mature between April and May 2004 and bear interest of 1.99% to 2.13% (2003 - 2.72%).

Legal Aid Ontario
Notes to Financial Statements

March 31, 2004

9. Clinic Law Services

The Corporation provides funding to community clinics enabling them to provide legal aid services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital each governed and managed by a board of directors. Community Clinics are independent from, but accountable to the Corporation under Sections 33 to 39 of the **Legal Aid Services Act**, 1998. Each community clinic is independently audited and are required to provide audited financial statements to the Corporation for the funding period.

The total grant to community clinics consists of:

	2004 ($000's)	2003 ($000's)
Payments to and on behalf of clinics	$ **52,311**	$ 55,331
Administrative costs	**1,727**	2,151
	$ **54,038**	$ 57,482

10. Commitments and Contingencies

(a) The Corporation issues certificates to individuals seeking legal aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. While an appropriate legal accounts liability is reflected in the financial statement as at March 31, 2004, management estimates that a potential $53 million could still be incurred on certificates issued on or before March 31, 2004 over and above the billings received to date and management's estimate of work performed but not yet billed.

(b) The Corporation leases various office premises and equipment throughout the Province. The minimum annual commitments under these leases for the next five years are approximately as follows:

	Amount ($000's)
2005	$ 7,152
2006	6,493
2007	5,849
2008	5,340
2009	2,671
Thereafter	2,639
	$ 30,144

Legal Aid Ontario
Notes to Financial Statements

March 31, 2004

10. Commitments and Contingencies (continued)

(c) The Corporation is the defendant in a number of lawsuits arising out of the ordinary course and conduct of its activities. The outcome and ultimate disposition of these actions are not likely to be significant and are not determinable at this time. Losses, if any, will be accounted for in the period of settlement.

Some of the above lawsuits are covered by insurance after the application of a deductible, of up to $0.05 million, depending on when the event of the claim occurred and the nature of the claim.

11. Pensions

The Corporation has a pension plan to provide retirement benefits for its employees. The plan has two components, a defined contribution component and a defined benefit component.

Defined Contribution Component

The defined contribution component of the plan covers 566 (2003 - 471) employees, the majority of employees. The Corporation makes pension contributions to the defined contribution component of the plan, which is limited to making regular payments to match the amount contributed by the employees for current service. The Corporation's pension expense for the year relating to this component of the plan was $1.381 million (2003 - $1.512 million).

Defined Benefit Component

The defined benefit component of the plan covers 16 (2003 - 16) participants. Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. It is subject to actuarial valuations for funding purposes at intervals of not more than three years. The next actuarial valuation will be performed in fiscal 2006 on the value at January of 2005. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

The Corporation made no pension contribution to this component of the plan in the current year.

For the year ended March 31, 2004, an actuarial valuation for accounting purposes was performed using the following assumptions:

Discount rate	6.5%
Salary increases	4.5%
Expected rate of return on assets	6.0%

Legal Aid Ontario
Notes to Financial Statements

March 31, 2004

11. Pensions (continued)

The actuarial valuation for accounting purposes for the year ending March 31, 2004 indicated an actuarial surplus of $0.184 million (2003 - $0.126 million), resulting from accrued benefit obligation of approximately $2.046 million (2003 - $1.765 million) and fair value of plan assets available to provide for these benefits of approximately $2.230 million (2003 - $1.891 million). The pension expense for the year was $0.048 million (2003 - $0.020 million pension income) and the pension accrued benefit asset as at March 31, 2004 was $0.006 million (2003 - $0.054 million). During the year, employees contributed $0.035 million (2003 - $0.040 million) and the Plan paid benefits of $0.008 million (2003 - $0.008 million).

The Board of the Corporation approved the establishment of a supplementary pension benefit for designated executive members. Under the supplementary benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The Plan is unfunded and the benefits will be paid by the Corporation as they come due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2004.

For the year ended March 31, 2004, an actuarial valuation for accounting purposes was performed using the following assumptions:

Discount rate	5.0%
Salary increases	3.0%

The actuarial valuation for accounting purposes for the year ending March 31, 2004 indicated the Corporation's pension expense on this benefit for the year was $0.085 million (2003 - $0.074 million) the pension accrued benefit obligation as at March 31, 2004 was $0.516 million (2003 - $0.471 million) and the accrued benefit liability as at March 31, 2004 was $0.247 million (2003 - $0.161 million). During the year, the employee and the Corporation made no payments to the plan (2003 - $nil).

12. Comparative Figures

Certain comparative figures have been reclassified to conform with current year presentation.

RECORD OF EMPLOYEES' 2003 SALARIES AND BENEFITS

Please refer to the PSSD Guide before filling out this form

Cal Year	Sector	Employer	Surname	Given Name	Position	Salary Paid	Taxable Benefits
Insert additional rows as needed							
2003	Agencies	Legal Aid Ontario	Biggar	George	VP, Policy, Planning & External Relations	$137,933.12	$363.12
2003	Agencies	Legal Aid Ontario	Buchanan	Robert	VP, Client Legal Services	$133,403.02	$345.84
2003	Agencies	Legal Aid Ontario	Carten	Jennifer	Area Director/Executive Director	$112,065.89	$299.04
2003	Agencies	Legal Aid Ontario	Champagne	Nathalie	Area Director	$103,417.59	$272.40
2003	Agencies	Legal Aid Ontario	Davies	Simon	Area Director	$111,065.65	$299.04
2003	Agencies	Legal Aid Ontario	Dee	Garth	Director, Clinic Resource Office	$101,266.44	$259.92
2003	Agencies	Legal Aid Ontario	Ellsworth	Randall	Director, Clinic Services Office	$102,562.59	$273.72
2003	Agencies	Legal Aid Ontario	Gardner	Ross	Director, Finance	$113,563.04	$293.76
2003	Agencies	Legal Aid Ontario	Gillham	Jeff	Administrator	$101,236.94	$168.24
2003	Agencies	Legal Aid Ontario	Hastings	Maureen	Executive Lead	$112,863.83	$299.04
2003	Agencies	Legal Aid Ontario	Lake	Douglas	Business Analyst	$100,031.78	$168.24
2003	Agencies	Legal Aid Ontario	Lawson	Ruth	General Counsel	$138,869.76	$361.80
2003	Agencies	Legal Aid Ontario	Longo	Angela	President and CEO	$187,582.20	$9,471.26
2003	Agencies	Legal Aid Ontario	McCaffrey	Susan	VP, Clinic and Special Services	$131,844.86	$344.96
2003	Agencies	Legal Aid Ontario	Moretti	Vicki	Area Director	$103,671.57	$272.40
2003	Agencies	Legal Aid Ontario	Morley	Jane	Director, LAO Law	$106,970.56	$285.72
2003	Agencies	Legal Aid Ontario	Pasut	Robert	Manager IT, Special Assignment	$107,464.64	$288.48
2003	Agencies	Legal Aid Ontario	Robertson	Heather	Area Director	$114,159.97	$304.44
2003	Agencies	Legal Aid Ontario	Seguin	Michelle	VP, Corporate Services	$142,285.35	$367.74
2003	Agencies	Legal Aid Ontario	Silver	Margaret	Area Director	$107,540.79	$285.72
2003	Agencies	Legal Aid Ontario	Stevens	Mary Anne	Area Director	$103,119.41	$275.04
2003	Agencies	Legal Aid Ontario	Thomas	Aneurin	Policy Director	$106,380.76	$283.74
2003	Agencies	Legal Aid Ontario	Wilkins	Keith	Counsel, Legal Aid Directorate	$116,228.16	$308.40

I certify that the information provided on this record is correct in accordance with the *Public Sector Salary Disclosure Act, 1996*.

This record has been approved by

Name

PRESIDENT / CEO
Position Title

416-204 7110
Phone Number

March 2 2004
Date

Prepared under the *Public Sector Salary Disclosure Act, 1996*

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Manager's Responsibility for Financial Information

Management and Board of Directors are responsible for the fair presentation in the financial statements of the Corporation's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles.

The Board of Directors ensures that Management is discharging its responsibilities in maintaining appropriate internal controls, and provides accurate and reliable financial information.

The Board of Directors and The Finance, Audit and Operations Committee meets on a quarterly basis to review the financial performance of the Corporation. The Finance, Audit and Operations Committee also meets annually with the external auditor's to review the financial statements and their reports before recommending them to the Board of Directors for approval.

KPMG, the external auditor's of the Metro Toronto Convention Centre have examined the financial statements. It is their responsibility to express an opinion on whether the financial statements are fairly presented in accordance with the generally accepted accounting principles. The Auditor's Report outlines the scope of their examination and opinion.

Barry Smith
President and
Chief Executive Officer

Imtiaz Dhanjee
Vice President, Finance

kpmg

KPMG LLP
Chartered Accountants
Suite 3300 Commerce Court West
PO Box 31 Stn Commerce Court
Toronto ON M5L 1B2

Telephone (416) 777-8500
Telefax (416) 777-8818
www.kpmg.ca

AUDITORS' REPORT

To the Board of Directors of the Metropolitan Toronto
Convention Centre Corporation and the Minister
of Tourism and Recreation

We have audited the balance sheet of the Metropolitan Toronto Convention Centre Corporation as at March 31, 2004 and the statements of operations, deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada

May 14, 2004

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Balance Sheet

March 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Current assets:		
Cash	$ 2,255,896	$ 1,338,119
Cash committed for capital projects	269,757	757,002
Customer deposits	5,187,510	3,756,194
Accounts receivable	2,100,183	2,607,793
Inventories	333,949	382,941
Prepaid expenses	431,707	279,349
	10,579,002	9,121,398
Other assets	–	37,629
Capital assets (note 2)	131,166,909	136,369,528
Employee future benefits (note 5)	546,600	880,400
	$ 142,292,511	$ 146,408,955
Liabilities and Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,164,664	$ 5,241,906
Deferred revenue	5,187,510	3,756,194
	10,352,174	8,998,100
Deficiency	(10,910,368)	(7,940,933)
Contributed surplus (note 3)	142,850,705	145,351,788
Commitments (note 4)		
	$ 142,292,511	$ 146,408,955

See accompanying notes to financial statements.

On behalf of the Board:

_________________ Director

_________________ Director

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Operations

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Revenue:		
Food and beverage	$ 15,300,437	$ 21,046,305
Facility rentals	9,875,249	11,733,263
Parking	5,590,053	5,727,274
Other	6,038,068	7,380,873
	$ 36,803,807	$ 45,887,715
Gross operating profit	$ 20,481,057	$ 27,235,707
Operating expenses	15,210,934	17,109,537
Net operating income	5,270,123	10,126,170
Interest expense	–	4,503,715
Amortization, net of reallocation to operating expenses for parking garage of $99,696 (2003 - $96,000)	4,739,558	4,850,133
Net income	$ 530,565	$ 772,322

Statement of Deficiency

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Deficiency, beginning of year	$ (7,940,933)	$ (8,713,255)
Net income	530,565	772,322
Distribution payment to Ontario Financing Authority	(3,500,000)	–
Deficiency, end of year	$ (10,910,368)	$ (7,940,933)

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Net income	$ 530,565	$ 772,322
Items not involving cash:		
Amortization	4,839,254	4,946,133
Accrued interest	–	4,503,715
	5,369,819	10,222,170
Change in non-cash operating working capital:		
Accounts receivable	507,610	(54,880)
Inventories	48,992	(81,439)
Prepaid expenses	(152,358)	10,105
Employee future benefits	333,800	(511,300)
Accounts payable and accrued liabilities	(1,346,999)	745,721
	4,760,864	10,330,377
Financing:		
Repayment of temporary expansion financing	–	(17,238,641)
Distribution payment to Ontario Financing Authority	(2,500,000)	–
Repayment of contributed surplus	(2,501,083)	–
	(5,001,083)	(17,238,641)
Investing:		
Recovery of asset costs	2,501,083	7,446,127
Additions to capital assets	(1,830,332)	(2,216,680)
	670,751	5,229,447
Increase (decrease) in cash	430,532	(1,678,817)
Cash, beginning of year	2,095,121	3,773,938
Cash, end of year	$ 2,525,653	$ 2,095,121

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended March 31, 2004

The Metropolitan Toronto Convention Centre Corporation (the "Corporation") is a government business enterprise of the Ministry of Tourism and Recreation of the Province of Ontario and incorporated as a corporation without share capital under Bill 141, the Metropolitan Toronto Convention Centre Corporation Act, 1988. The Corporation is also a Crown agency under the same act and is exempt from income taxes.

The Corporation operates a convention facility for conventions, trade shows, consumer shows, corporate and food and beverage events and parking facilities.

1. Significant accounting policies:

(a) Revenue recognition:

Revenue from facility rentals, food and beverage sales, and the use of the Corporation's parking facilities is recognized when services are provided. Cancellation fees are recognized when an event is cancelled.

(b) Inventories:

Inventories are recorded at the lower of cost and net realizable value.

(c) Other assets:

Deferred development costs, included in other assets, represent expenses, net of pre-operating revenue, earned in the pre-operating period. The amount is being amortized on a straight-line basis over a period of five years.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2004

1. Significant accounting policies (continued):

(d) Capital assets:

Capital assets which are financed by government grants are shown net of applicable grants.

Effective April 1, 2003, the Company adopted The Canadian Institute of Chartered Accountants Handbook Section 3063, "Impairment of Long-Lived Assets". Long-lived assets, including building, leasehold improvements, furniture, fixtures and computer equipment, are amortized over their estimated useful lives. The Company reviews long-lived assets for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered to be impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value. At March 31, 2004, no such impairment had occurred.

Amortization is charged on a straight-line basis over the following estimated useful lives of the assets:

Building	50 years
Furniture, fixtures and computer equipment	3 - 10 years
Leasehold improvements	5 - 20 years

(e) Deferred revenue:

Deferred revenue represents customer deposits received for future use of the Corporation's facilities. Deposits are applied against the customer's billing.

(f) Financial instruments:

The carrying values of customer deposits, accounts receivable and accounts payable and accrued liabilities approximate fair values due to their short-term nature.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2004

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the Corporation's 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 balance sheet date and the reported amounts of revenue and expenses during the year. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

(h) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

2. Capital assets:

			2004	2003
	Cost	Accumulated amortization	Net book value	Net book value
Building	$ 216,673,412	$ 26,946,266	$ 189,727,146	$ 196,452,484
Furniture, fixtures and computer equipment	14,895,645	11,357,148	3,538,497	3,728,412
Leasehold improvements	27,650,008	26,846,274	803,734	1,740,483
	259,219,065	65,149,688	194,069,377	201,921,379
Less government grants	85,914,604	23,012,136	62,902,468	65,551,851
	$ 173,304,461	$ 42,137,552	$ 131,166,909	$ 136,369,528

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2004

3. Contributed surplus:

	2004	2003
Opening contributed surplus	$ 145,351,788	$ –
Payment of settlement proceeds	(2,501,083)	–
Temporary expansion financing transferred to contributed surplus	–	145,351,788
Closing contributed surplus	$ 142,850,705	$ 145,351,788

Pursuant to an Order in Council, Ontario Financing Authority ("OFA") released the Corporation, as of March 30, 2003, from all its obligations under the temporary expansion financing facility.

Additionally during 2003, the Corporation resolved a dispute regarding the construction of the South Facility, resulting in a $9,500,000 settlement, plus interest, payable to the Corporation. Of this amount, $7,446,127 was received in the year ended March 31, 2003. The remaining amount of $2,501,083, including interest, was received in the year ended March 31, 2004. The Corporation recorded the amounts received as reductions in capital assets.

In accordance with the Order in Council discussed above, the Corporation remitted all proceeds received as a result of the settlement to the Province of Ontario in the year that the amounts were received.

The Corporation recorded the amount remitted in the year ended March 31, 2003 as a reduction in the temporary expansion financing facility. The balance of the temporary expansion financing facility as at March 31, 2003 of $145,351,788 (after repayments during the year of $9,752,514 and payment of $7,446,127 from the settlement proceeds) was transferred to contributed surplus. The Corporation recorded the amount remitted in the year ended March 31, 2004 as a reduction in contributed surplus.

The Corporation agreed to make a minimum distribution payment to the Province of Ontario annually in the amount of $2,500,000 less any amount of payments-in-lieu of property taxes which it makes within that year and annually any such further amounts agreed to in writing by the Corporation and the OFA. On April 3, 2004, the Board of Directors approved a resolution to forward an additional distribution in the amount of $1,000,000 to the OFA. The Corporation has accrued for this additional distribution as at March 31, 2004.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2004

4. Commitments:

The Corporation is committed to minimum annual distributions to the OFA as discussed in note 3, as well as minimum annual lease payments under various operating leases for facility rental premises, parking premises, office premises, vehicles, computer equipment and equipment, as follows:

2005	$ 5,553,049
2006	5,460,993
2007	5,483,647
2008	5,551,068
2009	5,689,376
Thereafter	341,727,157
	$ 369,465,290

5. Employee future benefits:

The Corporation maintains a contributory, defined benefit pension plan. Contributions are made by employees at specified rates and by the sponsor in such amounts and at such times as determined by the consulting actuaries. The plan provides pension benefits based on the length of service and final average earnings. In addition, certain retired employees also receive health and other post-retirement benefits paid for by the Corporation.

The cost of pension and other future benefits earned by employees is determined using the projected benefit method prorated on service and is charged to expense as services are rendered. This cost reflects management's best estimates of the pension plan's expected investment yields, salary escalations, mortality of members, terminations and the ages at which members will retire. Adjustments arising from plan amendments, experience gains and losses, and changes in assumptions are amortized over the average remaining service lives of the employees.

As shown in the following table, the Corporation has a funding deficit of $644,900 (2003 - $1,154,800) for its employee future benefit plans. The funding deficit is offset by unamortized net actuarial losses of $1,191,500 (2003 - $2,035,200) and results in an employee future benefit asset of $546,600 (2003 - $880,400) recorded in the financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2004

5. Employee future benefits (continued):

Information about the Corporation's pension plan and employee benefit arrangements are detailed in the table below:

	2004		2003	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Plan assets:				
Market value, beginning of year	$ 7,666,200	$ 649,500	$ 6,447,100	$ 706,100
Actual return on plan assets	1,280,100	22,400	(271,500)	(39,800)
Employer contributions	465,200	46,200	1,268,500	46,200
Employee contributions	298,400	–	309,800	–
Benefits paid	(210,500)	(63,000)	(87,700)	(63,000)
Market value, end of year	$ 9,499,400	$ 655,100	$ 7,666,200	$ 649,500
Plan obligation:				
Accrued benefit obligation, beginning of year	$ 7,817,800	$ 1,652,700	$ 6,325,400	$ 1,444,800
Current service cost	871,300	63,600	877,700	55,400
Interest cost	558,000	109,500	501,100	102,800
Benefits paid	(210,500)	(63,000)	(87,700)	(63,000)
Actuarial losses	–	–	201,300	112,700
Accrued benefit obligation, end of year	$ 9,036,600	$ 1,762,800	$ 7,817,800	$ 1,652,700
Plan surplus (deficit):				
Market value less accrued benefit obligation, end of year	$ 462,800	$ (1,107,700)	$ (151,600)	$ (1,003,200)
Unamortized net actuarial loss	960,700	230,800	1,790,100	245,100
Accrued benefit asset (liability)	$ 1,423,500	$ (876,900)	$ 1,638,500	$ (758,100)
Benefit plan expense:				
Current service cost, net of employee contributions	$ 572,900	$ 63,600	$ 567,900	$ 55,400
Interest cost	558,000	109,500	501,100	61,600
Expected return on plan assets	(556,000)	(22,400)	(483,900)	–
Net amortization	105,300	9,800	52,000	3,600
Net benefit plan expense	$ 680,200	$ 160,500	$ 637,100	$ 120,600
Actuarial assumptions:				
Discount rate	6.5%	6.5%	6.5%	6.5%
Expected long-term rate of return on plan assets	7.0%	3.5%	7.0%	3.5%
Rate of compensation increase	4.0%	–	4.0%	–
Medical inflation	n/a	6.0%	–	6.0%

Metro Toronto Convention Centre

Surname	Given Name	Position	Salary Paid	Taxable Benefits
DHANJEE	IMTIAZ	Director, Finance & Control	$117,800.06	$6,433.34
FERNANDES	ANGELO	Executive Chef	$172,800.10	$6,125.86
HOUGHTON	JOHN	VP, Sales & Marketing	$189,300.02	$6,433.72
KWOK	ANNIE	Director, Catering	$160,954.14	$6,564.22
LEE	ESTHER	VP, Human Resources & Admin	$147,400.40	$5,969.86
LILLEYMAN	TIMOTHY	Director, Food & Beverage	$175,800.10	$5,167.28
MCDONALD	WILLIAM	Director, Technology Services	$106,400.44	$5,832.84
QUATTROCIOCCHI	VINCE	VP, Operations	$133,800.06	$6,753.23
SMITH	BARRY	President & CEO	$349,800.14	$10,206.44
STODDART	CAROLE	VP, Customer Services	$122,800.12	$5,584.96

Office of the Provincial Auditor of Ontario

Northern Ontario Heritage Fund Corporation

Auditor's Report

To the Northern Ontario Heritage Fund Corporation
and to the Minister of Northern Development and Mines

I have audited the balance sheet of the Northern Ontario Heritage Fund Corporation as at March 31, 2004 and the statements of revenue and expenses and net investment by the Province of Ontario and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 25, 2004

Gary R. Peall, CA
Acting Assistant Provincial Auditor

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Balance Sheet
As at March 31, 2004

	2004 ($000s)	2003 ($000s)
Assets		
Cash and cash equivalents (Note 3)	**200,811**	208,934
Accrued interest	**2,146**	5,322
Loans receivable (Note 4)	**26,761**	30,775
	229,718	245,031
Patten Post Diversification Fund under administration (Note 5)	**10,960**	15,002
	240,678	260,033
Liabilities		
Patten Post Diversification Fund under administration (Note 5)	**10,960**	15,002
Commitments (Note 8)		
Net investment by the Province of Ontario	**229,718**	245,031
	240,678	260,033

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Director

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Revenue and Expenses and Net Investment by the Province of Ontario
For the Year Ended March 31, 2004

	2004 ($000s)	2003 ($000s)
Revenue		
Province of Ontario grant		
Operating	**60,000**	60,000
Administration (Note 7)	**847**	788
Interest on cash and cash equivalents	**7,351**	8,555
Interest on loans receivable	**909**	1,716
	69,107	71,059
Expenses		
Grants	**79,386**	96,227
Forgivable loans	**3,931**	2,357
Credit and investment losses, net of recoveries (Note 6)	**(111)**	870
Administration (Note 7)	**1,214**	1,289
	84,420	100,743
Excess of expenses over revenue	**(15,313)**	(29,684)
Net investment by the Province of Ontario, beginning of year	**245,031**	274,715
Net investment by the Province of Ontario, end of year	**229,718**	245,031

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows
For the Year Ended March 31, 2004

	2004 ($000s)	2003 ($000s)
Lending, investing and financial assistance activities		
Loan disbursements	**(1,497)**	(5,984)
Loan repayments and recoveries	**6,902**	5,353
Grants and forgivable loans	**(83,743)**	(97,323)
Interest received on loans receivable	**48**	323
	(78,290)	(97,631)
Financing activities		
Cash contributions from the Province for:		
Lending and financial assistance activities	**60,000**	60,000
Administration	**847**	788
	60,847	60,788
Operating activities		
Interest received on cash and cash equivalents	**10,534**	7,879
Administration costs	**(1,214)**	(1,289)
	9,320	6,590
Decrease in cash and cash equivalents	**(8,123)**	(30,253)
Cash and cash equivalents, beginning of year	**208,934**	239,187
Cash and cash equivalents, end of year	**200,811**	208,934

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2004

1. NATURE OF THE BUSINESS

The Corporation was established, without share capital, on June 1, 1988 under the *Northern Ontario Heritage Fund Act*. The purpose of the Corporation is to fund infrastructure improvements and economic development opportunities in Northern Ontario by providing financial assistance by way of conditional contributions, forgivable performance loans, incentive term loans and loan guarantees.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

(a) Basis of Accounting

The financial statements have been prepared using the accrual method of accounting.

(b) Transactions with the Province of Ontario

The Province of Ontario contributes funds to finance the lending and financial assistance activities and reimburses the Corporation for certain administration expenses. The Province's investment is reduced by the net cost of operations.

(c) Loans Receivable

Loans receivable are stated at their estimated net realizable value. Interest-free loans are discounted at the average provincial borrowing rate to determine the present value of the loan. The difference between the face value of the loan and its present value is in substance, a grant, and is recognized as grants expense in the year when the loan is made. The amount of the loan discount is amortized to interest income over the term of the loan.

(d) Provision for Credit Losses

Credit losses arise on loans receivable issued by the Corporation. In addition to specific write-offs and write-downs, a provision for credit losses is maintained in an amount considered adequate to absorb anticipated credit-related losses. The provision for losses on loans consists of provisions on specific loans and a general provision, and is deducted from loans receivable.

The amounts written off and written down in the year, net of realized recoveries of amounts written off and written down in prior years, and changes in provisions, are charged to credit and investment losses, net of recoveries, in the Statement of Revenue and Expenses and Net Investment by the Province of Ontario.

(e) Revenue Recognition

Interest income is recognized on the accrual basis.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Forgivable Loans

Generally, loans are forgiven on condition that the borrower has met certain requirements after the loan is disbursed. The Corporation expenses forgivable loans when disbursed.

(g) Use of Estimates

Preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

3. CASH AND CASH EQUIVALENTS

The *Northern Ontario Heritage Fund Act* restricts investments to securities issued or guaranteed by the provinces, Canada, United States, United Kingdom, the International Bank for Reconstruction and Development and any Canadian Schedule I or II bank, and other investments as authorized by the Lieutenant Governor in Council. The Corporation, through an Investment Management Agreement with the Ontario Financing Authority, invests excess funds in securities as allowed by the Act.

Cash and cash equivalents consist of:

	2004 ($000s)	2003 ($000s)
Cash (cheques issued in excess of funds on deposit)	**31,355**	(20,653)
Short-term investments	**169,456**	229,587
	200,811	208,934

Short-term investments consist of treasury bills (maturing within 365 days) which yielded 2.58% on average (2003 – 3.22%) and have a market value that approximates carrying value.

4. LOANS RECEIVABLE

	2004 ($000s)	2003 ($000s)
Current	**3,094**	1,672
Long-term	**34,648**	41,458
Provision for credit losses	**(9,791)**	(9,885)
Loan discount	**(1,190)**	(2,470)
	26,761	30,775

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2004

4. LOANS RECEIVABLE (CONTINUED)

Generally, loans bear fixed interest rates ranging from 0% to 9.25% and are fully repayable within 20 years from the date disbursed.

The changes in the loan discount balances are as follows:

	2004 ($000s)	2003 ($000s)
Balance, beginning of year	**2,470**	2,778
Add: Amount of loan discount (credited) charged to grants expense	**(425)**	1,261
Less: Amount amortized to interest on loans receivable revenue	**(855)**	(1,569)
Balance, end of year	**1,190**	2,470

5. PATTEN POST DIVERSIFICATION FUND UNDER ADMINISTRATION

The Corporation is responsible for the administration of a Fund whose proceeds were received from Ontario Power Generation Incorporated. The objective of the Fund is to benefit communities that suffered economic hardship as a result of uranium mine closures in the Elliot Lake area. The Corporation is responsible for processing applications for funding according to established funding criteria.

The activity of the Fund was as follows:

	2004 ($000s)	2003 ($000s)
Investment income	**402**	390
Disbursements to communities	**(4,444)**	(651)
Net results for the year	**(4,042)**	(261)
Fund balance, beginning of year	**15,002**	15,263
Fund balance, end of year	**10,960**	15,002
The Fund balance is represented by:		
(Cheques issued in excess of funds on deposit) Cash	**(2,813)**	400
Treasury bills maturing in 90 days or less	**13,761**	14,512
Accrued interest	**12**	90
	10,960	15,002

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2004

6. CREDIT AND INVESTMENT LOSSES, NET OF RECOVERIES

Credit and investment losses, net of recoveries, shown in the Statement of Revenue and Expenses and Net Investment by the Province of Ontario are as follows:

	2004 ($000s)	2003 ($000s)
Write-downs	-	175
Less recoveries	(17)	(47)
(Decrease) increase in provision for doubtful loans	(94)	742
Net expense	(111)	870

7. ADMINISTRATION

Certain costs of administration such as salaries and benefits of employees, their travel, other standard government supplies and accommodation costs are borne by the Province of Ontario through the Ministry of Northern Development and Mines. Details are as follows:

	2004 ($000s)	2003 ($000s)
Salaries and benefits	773	679
Transportation and communications	189	279
Services	98	124
Marketing	139	185
Supplies and equipment	15	22
	1,214	1,289
Less: expenses borne by the Province	847	788
Expenses borne by the Corporation	367	501

In addition, the Ontario Development Corporation engages and pays a private sector asset management company to manage some of the Corporation's loan portfolios. The management fee is not reflected in the financial statements.

The Corporation provides pension benefits for all its permanent staff through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund which are both multi-employer defined benefit pension plans established by the Province of Ontario. For the year ended March 31, 2004, the costs of the pension plans were paid by Management Board Secretariat and are not included in the financial statements. In fiscal 2003, $32,418 was included in salaries and benefits in respect of the Corporation's contribution to these plans.

8. COMMITMENTS

Funds committed but not disbursed as at March 31 are approximately $150,893,000 (2003: $174,000,000).

TVOntario

TFO tvo ILC

Management's Responsibility for Financial Statements

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 4, 2004.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Internal Audit Department of the Ontario Educational Communications Authority (OECA) independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board of Directors.

The OECA Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Board has appointed an Audit Committee from among its own members. The audit committee meets periodically with management, Internal Audit, and the Office of the Provincial Auditor to discuss audit, internal control, accounting policy, and financial reporting matters. The financial statements were reviewed jointly by the Audit and Finance Committees before approval by the Board of Directors.

The Office of the Provincial Auditor conducts an annual audit in accordance with Section II of the Ontario Educational Communications Authority Act. The auditor's report outlines the scope of the auditor's examination and opinion.

Isabel Bassett

Isabel Bassett
Chair and Chief Executive Officer

June 4, 2004

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

AUDITOR'S REPORT

Office of the Provincial Auditor of Ontario

Bureau du vérificateur provincial de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

To the Ontario Educational Communications Authority and the Minister of Training, Colleges and Universities.

I have audited the statement of financial position of The Ontario Educational Communications Authority as at March 31, 2004 as well as the statement of operations and equity, the statement of changes in equity and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion of 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 Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

J. R. McCarter, CA
Assistant Provincial Auditor

Toronto, Ontario
June 4, 2004

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Financial Position
as at March 31, 2004

Assets	**2004 ($000's)**	**2003 ($000's)**
Current Assets		
Cash and short-term investments (note 3)	8,436	11,525
Accounts receivable (note 4)	4,698	3,349
Inventories	467	451
Prepaid expenses	758	521
	14,359	**15,846**
Accrued pension asset (note 5)	**3,410**	**4,579**
Investments held for Capital Renewal (note 6)	**4,046**	**3,811**
Net Capital Assets (note 7)	**21,431**	**20,955**
Total Assets	**43,246**	**45,191**
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	7,599	9,948
Deferred revenue (note 8)	5,248	3,223
Lease obligations (note 9)	38	64
	12,885	**13,235**
Non-Current Liabilities		
Lease obligations (note 9)	0	38
Employee future benefits (note 5)	2,495	1,770
Deferred capital contributions (note 10)	18,170	19,341
	20,665	**21,149**
Equity		
Invested in capital assets	7,269	5,324
Restricted – Accrued pension asset (note 5)	3,410	4,579
Unrestricted	(983)	904
	9,696	**10,807**
Total Liabilities and Equity	**43,246**	**45,191**

Commitments and Contingent Liabilities (notes 14 and 17)

See accompanying Notes to Financial Statements.

On behalf of the Board:

Isabel Bassett

Chair

Director

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Operations and Equity
for the year ended March 31, 2004

	2004 ($000's)	2003 ($000's)
Revenues		
Government grants and funding (note 11)	60,176	56,717
Self-generated revenue (note 12)	14,819	15,608
Amortization of deferred capital contributions (note 10)	2,361	1,775
Deferral of pension charges (note 5)	0	237
Capital revenue and renewal fund, net	0	247
	77,356	**74,584**
Expenses		
Educational services (note 13)	62,806	61,083
Cost of self-generated revenue (note 12)	5,645	5,554
Administrative services	5,310	5,130
Amortization of capital assets	3,537	2,973
Pension expense (note 5)	1,169	0
	78,467	**74,740**
Deficiency of revenues over expenses	**(1,111)**	**(156)**
Equity, beginning of year	**10,807**	**14,163**
Gift to TVOntario Foundation	**0**	**(3,200)**
Equity, end of year	**9,696**	**10,807**

See accompanying Notes to Financial Statements.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Changes in Equity
for the year ended March 31, 2004

	2004 ($000's)				2003 ($000's)
	Invested in Capital Assets	**Restricted Accrued Pension Asset**	**Unrestricted**	**Total**	**Total**
Balance, beginning of year	5,324	4,579	904	**10,807**	**14,163**
Excess/(Deficiency) of revenues over expenses	(1,176)	(1,169)	1,234	**(1,111)**	**(156)**
Investment in Capital assets	3,121	0	(3,121)	**0**	**0**
Gift to TVOntario Foundation	0	0	0	**0**	**(3,200)**
Balance, end of year	**7,269**	**3,410**	**(983)**	**9,696**	**10,807**

See accompanying Notes to Financial Statements.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Cash Flows
for the year ended March 31, 2004

	2004 ($000's)	2003 ($000's)
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	(1,111)	(156)
Add/(deduct) non-cash items:		
Amortization of capital assets	3,537	2,973
Amortization of deferred capital contributions	(2,361)	(1,775)
Pension expense (income)	1,169	(237)
Post retirement benefits	725	637
Gain on disposal of capital assets	(4)	(27)
Net change in non-cash working capital:		
Accounts receivable	(1,349)	(707)
Inventories	(16)	126
Prepaid expenses	(237)	157
Deferred revenue	2,025	191
Accounts payable and accrued liabilities	(2,349)	842
Cash provided by operating activities	**29**	**2,024**
INVESTING AND FINANCING ACTIVITIES		
Capital asset additions	(4,043)	(7,472)
Current year's deferred capital contributions	955	5,060
Proceeds from disposal of capital assets	34	55
Lease obligations	(64)	(97)
Gift to TVOntario Foundation	0	(3,200)
Cash used in investing and financing activities	**(3,118)**	**(5,654)**
Net decrease in cash position during the year	**(3,089)**	**(3,630)**
Cash and short-term investments, beginning of year	**11,525**	**15,155**
Cash and short-term investments, end of year	**8,436**	**11,525**

See accompanying Notes to Financial Statements.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Notes to Financial Statements
March 31, 2004

1. AUTHORITY AND MANDATE

The Ontario Educational Communications Authority (the Authority) is a provincial Crown Corporation that was created in June 1970 by an act of the Ontario Legislature. In accordance with the act, the Authority's main objective is to initiate, acquire, produce, distribute, exhibit or otherwise deal in programs and materials in the educational broadcasting and communications fields.

The Authority is a registered charitable organization which may issue income tax receipts for contributions. As a Crown Corporation of the Province of Ontario and a registered non-profit organization under the Income Tax Act, the Authority is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Authority have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventories

Program support materials are valued at the lower of cost or net realizable value where cost is determined on a weighted average basis. Stores and supplies are valued at cost, where cost is determined on a first in, first out basis and is net of an allowance for obsolescence. Video and audio tapes are valued at the lower of cost or net realizable value, where cost is determined on a first in, first out basis.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight line basis over the following terms beginning the year following acquisition:

Building	30 years
Transmitters	17 years
Transmitter Monitoring Equipment	7 years
In House Technical Equipment	7 years
Leasehold Improvements	5 years
Computer Equipment	5 years
Office Furniture & Fixtures	15 years
Office Equipment	10 years
Vehicles	5 years

(d) Revenue recognition

1. Revenue from the licensing of program material is recognized when the rights to the program material are sold.

2. Membership contributions are recorded on a cash basis. Contributions from corporate sponsors are recognized when the contract is signed, except multi-year contributions that are recognized when the cash is received.

3. Grants and revenues received in the year for special purposes are deferred until the related expenses have been incurred.

4. Revenue from contributions restricted for the purchase of capital assets is deferred and amortized over the same period as the related capital asset.

5. Student fees for courses and General Education Development testing are recognized as revenues at the time of registration.

(e) Employee Future Benefits

The Authority accrues its obligations under employee defined benefit plans and the related costs, net of plan assets. The transitional asset and obligations are being amortized over the expected average remaining service period of active employees expected to receive benefits under these plans. The cost of pension benefits and other post retirement benefits for the defined benefit plans are actuarially determined by independent actuaries using the projected benefit method prorated on services and management's best estimates. Pension plan assets are valued at market value.

(f) Use of Estimates

The presentation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CASH AND SHORT-TERM INVESTMENTS

The Authority's investment policy restricts short-term investments to securities issued by or guaranteed as to principal and interest by Ontario, any other province of Canada, Canada or the United Kingdom, securities issued by the United States of America or deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued or endorsed by any chartered bank to which the Bank Act (Canada) applies.

Cash and short-term investments of $8,436,000 (2003 - $11,525,000) include $7,137,000 (2003 - $8,311,000) of investments maturing within 180 days, yielding 2.5% (2003 – 2.7%) on average during the year, with a market value that approximates carrying value.

4. ACCOUNTS RECEIVABLE

	2004 ($000's)	2003 ($000's)
Project funding	2,934	1,937
Trade	1,015	830
Other	749	582
	4,698	**3,349**

5. EMPLOYEE FUTURE BENEFITS

The Authority maintains non-contributory defined benefit pension plans for most of its employees. Under its defined benefit pension plans, the Authority had an accrued pension asset at March 31 of $3,410,000 (2003 - $4,579,000). The Authority's pension charges for the year were $1,169,000 (2003 - $237,000 income). No employer contributions were made to the plan during the year, and pension benefits paid were $2,520,000 (2003 - $2,282,000).

The Authority also maintains a defined contribution pension plan for its employees. No contributions were made to the defined contribution pension plan during the year (2003 - $0).

The Authority also offers non-pension post retirement benefits such as health care to employees through defined benefit plans on a cost sharing basis. At March 31, the unfunded post retirement benefit plan had a net accrued benefit liability of $2,495,000 (2003 - $1,770,000). The post retirement benefits paid by the Authority during the year were $94,000 (2003 - $87,000). The Authority's post retirement benefits expense for the year was $820,000 (2003 - $724,000).

The most recent valuation of the main defined benefit pension plan, executive pension plan, and post employment benefit plan was as of January 1, 2004. The funded status of the Authority's defined benefits plans at March 31, in aggregate was as follows:

	Pension Benefit Plans		Post Retirement Benefit Plan	
	2004 ($000's)	2003 ($000's)	2004 ($000's)	2003 ($000's)
Market value of plan assets	76,975	68,455	0	0
Accrued benefit obligation	75,162	67,842	6,440	5,349
Plan surplus/(deficit)	1,813	613	(6,440)	(5,349)

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations are:

	Pension Benefit Plans		Post Retirement Benefit Plan	
	2004	2003	2004	2003
Discount rate	6.00%	6.50%	6.00%	6.50%
Expected investment return on plan assets	8.00%	8.00%	0	0
Rate of compensation increase	4.50%	4.50%	N/A	N/A
Health cost increase	N/A	N/A	9.00%	8.50%
Dental cost increase	N/A	N/A	4.50%	4.50%

Effective January 1, 2003, the pension plan covering most employees was amended to allow an unreduced pension benefit when the sum of the member's age and credited service equals 80 years or more rather than 85 years or more. The minimum age requirement remains at 55 years. Effective January 1, 2004, this benefit was extended to the members of the executive plan. Eligible members of the plans may also take advantage of an early retirement window that offers unreduced pension and bridge benefits if they retire between January 1, 2003 and December 31, 2004. The impact of the early retirement window effective January 1, 2004 has not been factored into the fiscal year's actuarial results.

6. INVESTMENTS HELD FOR CAPITAL RENEWAL

Since 1984, a portion of the funding received each year has been set aside to ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced when needed. Available funds were invested in short-term deposits that earned an average interest rate of 2.8% during the fiscal year. The changes in the fund were as follows:

	2004 ($000's)	2003 ($000's)
Balance, beginning of year	3,811	8,034
Allocation of grants - Ministry of Training,		
Colleges and Universities, (note 11)	961	961
- Ministry of Education, (note 11)	128	0
Interest earned	101	122
Drawing for capital acquisitions	(955)	(5,306)
Balance, end of year	**4,046**	**3,811**

7. NET CAPITAL ASSETS

Capital assets consist of the following:

	2004 ($000's)			2003 ($000's)
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Land	236	0	236	236
Buildings	4,760	3,042	1,718	1,851
Transmitters	27,027	22,810	4,217	4,909
Transmitter monitoring equipment	1,105	864	241	270
In house technical equipment	25,952	18,832	7,120	5,388
Leasehold improvements	7,630	3,648	3,982	2,197
Computer equipment	6,204	3,779	2,425	2,173
Office furniture and fixtures	2,693	1,758	935	687
Office equipment	1,159	1,002	157	245
Vehicles	534	428	106	182
Construction in Progress	294	0	294	2,817
	77,594	**56,163**	**21,431**	**20,955**

8. DEFERRED REVENUE

	2004 ($000's)	2003 ($000's)
Provincial government programming project funding (note 11)	5,183	3,098
Corporate project funding and other revenue	65	125
	5,248	**3,223**

Expenditures related to the above deferrals have been budgeted for the 2005 fiscal year.

9. LEASE OBLIGATIONS

Lease obligations represent the balance of the commitments made under capital leases. The changes in the lease obligations balance are as follows:

	2004 ($000's)	2003 ($000's)
Lease obligations, beginning of year	102	199
Less: Payments made on existing capital leases	(64)	(97)
Lease obligations, end of year	**38**	**102**
Current lease obligations	38	64
Non-current lease obligations	0	38
	38	102

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received for the purchase of capital assets and are recorded as revenue in the Statement of Operations and Equity when the related capital assets are amortized. The changes in the deferred contributions balance are as follows:

	2004 ($000's)	2003 ($000's)
Deferred capital contributions, beginning of year	19,341	20,279
Add: Allocation of grants - Ministry of Training, Colleges and Universities	961	961
- Ministry of Education	128	0
Interest earned	101	122
Current year's deferred capital contributions	955	5,060
Less: Drawing for capital acquisitions	(955)	(5,306)
Amortization of capital contributions	(2,361)	(1,775)
Deferred capital contributions, end of year	**18,170**	**19,341**

11. GOVERNMENT GRANTS AND FUNDING

	2004 ($000's)	2003 ($000's)
Provincial		
Ministry of Training, Colleges and Universities		
- Base Grant	48,040	48,040
Less: Amount allocated for capital renewal (note 6)	(961)	(961)
	47,079	47, 079
Programming project grants and funding:		
Ministry of Education		
- Independent Learning Centre grant	6,421	6,421
Less: Amount allocated for capital renewal (note 6)	(128)	0
- Independent Learning Centre transition funds	0	500
- Early Reading and Early Math grant	5,848	0
Others	685	494
Funding deferred from prior year	3,098	2,963
Funding deferred to future year (note 8)	(5,183)	(3,098)
	10,741	7,280
Total Provincial	**57,820**	**54,359**
Federal		
Programming project grants and funding:		
Heritage Canada	2,350	2,305
Others	6	53
Total Federal	**2,356**	**2,358**
Total government grants and funding	**60,176**	**56,717**

In 2004, the Ministry of Education agreed to provide funding of $7,225,000 for the development and delivery of the extended prototype and modules of the e-learning component of the Early Reading and Early Math Strategies Project of the Ministry. The total amount received was $5,848,000 of which $1,580,000 was spent during the year. The balance of $4,268,000 was deferred and related expenditures have been budgeted for in the 2005 fiscal year.

12. SELF-GENERATED REVENUE AND COST

	2004 ($000's)			2003 ($000's)		
	Revenue	Cost	Net Revenue	Revenue	Cost	Net Revenue
Sales and licensing	1,369	1,499	(130)	1,947	1,633	314
Membership and corporate contributions	7,527	3,989	3,538	7,569	3,837	3,732
Corporate project funding*	513	0	513	762	0	762
Cable revenue	2,170	41	2,129	1,763	39	1,724
ILC revenues**	2,003	0	2,003	2,120	0	2,120
Others	1,237	116	1,121	1,447	45	1,402
	14,819	**5,645**	**9,174**	**15,608**	**5,554**	**10,054**

	2004 ($000's)	2003 ($000's)
*Corporate project funding:		
Revenue received in the year	507	797
Revenue deferred from prior year	71	36
Revenue deferred to future year	(65)	(71)
	513	762

**All ILC costs are included in Educational Services (see note 13). For details of all ILC revenues, see note 16.

13. EDUCATIONAL SERVICES

	2004 ($000's)	2003 ($000's)
TVO	28,049	28,867
TFO	16,693	15,321
ILC	8,917	8,823
Technical support	5,142	4,578
Communications and branding	3,155	2,648
Research and audience measurement	850	846
	62,806	61,083

14. COMMITMENTS

The Authority has entered into capital and operating leases covering transmission facilities, offices, warehouses and equipment. Future lease payments are as follows:

Year ending March 31	($000's)
2005	1,940
2006	1,449
2007	967
2008	399
2009	5
	4,760
2010 and beyond	2
Total future lease payments	4,762

15. CONTRIBUTED MATERIALS AND SERVICES

The Authority uses the services of volunteers to assist primarily in the membership area. The Authority also receives contributions of materials for use mainly in fund raising activities. Due to the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

16. THE INDEPENDENT LEARNING CENTRE

Under the terms of an agreement executed March 7, 2002 with the Ministry of Education and the Ministry of Training, Colleges and Universities, the Independent Learning Centre (ILC) was transferred to the Authority effective April 1, 2002.

The ILC provides a wide range of distance education courses, in English and in French, that allow adults to earn secondary school diploma credits, upgrade their basic skills, or study for personal development. It also supports children who may not be able to access elementary day school programs. The General Education Development (GED) testing is also available through the ILC.

Funding for these activities includes a grant from the Ministry of Education and ILC self-generated revenues. The portion of the grant that has been identified for specific projects (course development) is deferred to the future year until the projects have been completed.

	2004 ($000's)	**2003 ($000's)**
Activities were funded by:		
Ministry of Education ILC grant (note 11)	6,421	6,421
Funding deferred from prior year	2,289	0
Funding deferred to future year	(635)	(2,289)
Funding allocated to capital renewal fund	(128)	0
ILC grant recognized	7,947	4,132
ILC self-generated revenue	2,003	2,120
Total ILC grant and self-generated revenue	9,950	6,252

Expenditures related to the above deferrals have been budgeted for the 2005 fiscal year.

17. CONTINGENT LIABILITIES

Contingent liabilities refer to possible legal claims that have been made against the Authority. Although the ultimate outcome of these claims cannot be predicted with certainty, adequate provisions have been made for those liabilities that in the opinion of management may result in future settlements. Differences between provisions and actual settlements will be accounted for at the time of settlement.

18. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current presentation.

19. THE TVONTARIO FOUNDATION

The TVOntario Foundation was constituted as a public foundation under the Canada Corporations Act effective April 1, 1998. The Board of Directors of the Foundation is appointed by the Board of Directors of the Authority, with the members of the Foundation being comprised exclusively of the members of the Board of Directors of the Authority. The Foundation is a registered charity under the Income Tax Act, whose objectives are to receive and maintain a fund or funds and to pay all or part of the principal and income to the Authority provided that the Authority maintains its status as a registered charity and continues to have as its objective the promotion of educational and/or children's programming.

In accordance with Canadian generally accepted accounting principles, the accounts of the Foundation are not consolidated in the financial statements of the Authority. The financial position and results of operations for the year ended March 31, 2004 were as follows:

Financial Position as at March 31st

	2004 ($000's)	2003 ($000's)
Assets		
Current assets		
Cash and short term investments	3,524	3,330
Total assets	**3,524**	**3,330**
Liabilities and Equity		
Liabilities		
Accrued Liabilities	128	0
	128	**0**
Equity		
Restricted (Matching Gift Fund Campaign)	3,318	3,225
Unrestricted	78	105
	3,396	**3,330**
Total liabilities and equity	**3,524**	**3,330**

Results of operations for the year ending March 31st

	2004 ($000's)	2003 ($000's)
Revenues		
Donations	101	55
Restricted Gift from OECA	0	3,200
Interest income	93	25
Total revenues	**194**	**3,280**
Contribution to OECA	128	4
Excess of revenue over contribution to OECA	**66**	**3,276**
Equity, beginning of year	**3,330**	**54**
Equity, end of year	**3,396**	**3,330**

The Board of Directors of the Authority has approved the funding of the Foundation's operating expenditures through the Authority until March 31, 2007. The Foundation's net expenditures absorbed by the Authority were $101,000 during the year ended March 31, 2004 (2003 – $38,000).

Short-term investments earned an average interest rate of 2.9% during the fiscal year.

In compliance with the Income Tax Act, the Foundation recognized its disbursement quota of $128,000 as contribution to the Authority.

ONTARIO EDUCATIONAL
COMMUNICATIONS AUTHORITY

EMPLOYEES PAID $100,000 OR MORE IN 2003

Name	Position	Salary Paid ($)	Taxable Benefits ($)
Arnold, Clara	Director, Human Resources	108,647	903
Bassett, Isabel	Chair and Chief Executive Officer	104,827	11,948
Blackburn, Russell (Professional name: Pierre Granger)	Host/Producer	133,570	673
Buttignol, Rudy	Creative Head, Documentaries Drama & Network	114,144	948
Cole, Ellen T.	Director, Communications	103,894	864
Ellingson, Pat	Creative Head, Children's and Daytime Programming	118,344	973
Grant, Doug	Creative Head ,Current Affairs	122,564	1,018
Irwin, Sarah	Managing Director, Independent Learning Centre	106,212	880
Paikin, Steve	Host/Producer	173,572	2,692
Paquin, Claudette	Managing Director, TFO	120,153	997
Robock, Lee	General Manager and Chief Operating Officer	138,539	3,197
Taylor, Pamela	Director, Legal Services and General Counsel	114,051	945
Todd, Paula	Host/Producer	171,586	2,931

Prepared under the Public Salary Disclosure Act, 1996
Date: March 17, 2004

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Electricity Financial Corporation have been prepared in accordance with accounting principles recommended for governments by the Canadian Institute of Chartered Accountants and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 4, 2004.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. Internal Audit Services of the Ministry of Finance independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee meets periodically with management, the internal auditors and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with accounting principles recommended for governments by the Canadian Institute of Chartered Accountants. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and his opinion.

On behalf of Management:

Gadi Mayman

Chief Executive Officer and Vice-Chair (interim)

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Office of the Provincial Auditor of Ontario

Bureau du vérificateur provincial de l'Ontario

AUDI ALTERAM PARTEM

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Electricity Financial Corporation
and to the Minister of Finance

I have audited the statement of financial position of the Ontario Electricity Financial Corporation as at March 31, 2004 and the statements of revenue, expense and unfunded liability and cash flow for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at March 31, 2004 and the results of its operations and its cash flow for the year then ended, in accordance with the accounting principles recommended for governments by the Canadian Institute of Chartered Accountants.

Toronto, Ontario
July 4, 2004

J.R. McCarter, CA
Assistant Provincial Auditor

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Ontario Electricity Financial Corporation

Statement of Financial Position
as at March 31, 2004
($ Millions)

	2004	2003
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**$ 8**	$ 3
Accounts receivable	**355**	248
Interest receivable	**12**	31
Current portion of notes receivable (Note 6)	**250**	651
	625	933
Payments-in-lieu of tax receivable (Note 11)	**248**	218
Due from Province of Ontario (Notes 5, 11)	**351**	351
Notes and loans receivable (Note 6)	**12,080**	12,337
Deferred debt costs	**451**	673
	$ 13,755	$ 14,512
LIABILITIES		
Current Liabilities		
Accounts payable	**$ 250**	$ 210
Interest payable	**563**	556
Short-term notes payable (Note 7)	**1,177**	3,413
Current portion of long-term debt (Note 7)	**3,945**	1,665
	5,935	5,844
Long-term debt (Note 7)	**22,433**	21,752
Power purchase contracts (Notes 9, 16)	**4,021**	4,125
Nuclear funding liability (Note 10)	**1,916**	2,974
	34,305	34,695
Contingencies and guarantees (Note 14)		
UNFUNDED LIABILITY (Notes 1, 3, 11)	**(20,550)**	(20,183)
	$ 13,755	$ 14,512

Approved on behalf of the Board of Directors:

Colin Andersen
Chair

Gadi Mayman
Vice-Chair (interim)

See accompanying notes to financial statements

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Ontario Electricity Financial Corporation
Statement of Revenue, Expense and Unfunded Liability
for the Year Ended March 31, 2004
($ Millions)

	2004	2003
REVENUE		
Debt retirement charge (Note 1)	$ **1,000**	$ 889
Revenue pool residual (Note 1)	**-**	24
Payments-in-lieu of tax (Note 11)	**627**	711
Interest	**771**	964
Power sales (Note 9)	**510**	635
Net reduction of power purchase contracts (Note 9)	**104**	161
Electricity sector dedicated income (Notes 5, 11)	**-**	197
Gain on sale of Hydro One notes (Note 6)	**-**	206
Other	**10**	10
Total Revenue	**3,022**	3,797
EXPENSE		
Interest - short-term debt	**78**	147
- long-term debt	**1,812**	1,867
Interest on nuclear funding liability (Note 10)	**142**	162
Amortization of deferred charges	**91**	105
Electricity Consumer Price Protection Fund (Note 12)	**253**	665
Power purchases (Note 9)	**797**	786
Temporary generation supply (Note 13)	**70**	-
Debt guarantee fee	**134**	147
Operating	**12**	16
Total Expense	**3,389**	3,895
Deficiency of revenue over expense	**367**	98
Unfunded Liability, beginning of year	**20,183**	20,085
Unfunded Liability, end of year	$ **20,550**	$ 20,183

See accompanying notes to financial statements.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Ontario Electricity Financial Corporation
Statement of Cash Flow
for the Year Ended March 31, 2004
($ Millions)

	2004	2003
CASH FLOWS USED IN OPERATING ACTIVITIES		
Deficiency of revenue over expense	**$ 367**	$ 98
Adjustments for:		
Amortization of deferred charges	**(91)**	(105)
Net reduction of power purchase contracts (Note 9)	**104**	161
Interest on nuclear funding liability (Note 10)	**(142)**	(162)
Payments-in-lieu of tax receivable	**30**	(18)
Other items	**163**	69
Cash required by operations	**431**	43
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt issues	**5,490**	967
Less long-term debt retired	**2,279**	2,775
Long-term debt issued (retired), net	**3,211**	(1,808)
Short-term debt issued (retired), net	**(2,236)**	(583)
Payment towards nuclear funding liability (Note 10)	**(1,200)**	-
Sale of notes receivable (Note 6)	**-**	1,878
Repayment of notes receivable	**661**	536
Cash provided from financing activities	**436**	23
Increase (decrease) in cash and cash equivalents	**5**	(20)
Cash and cash equivalents, beginning of year	**3**	23
Cash and cash equivalents, end of year	**$ 8**	$ 3
Interest paid during the year and included in deficiency of revenue over expense	**$ 1,883**	$ 2,117

See accompanying notes to financial statements.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Notes to Financial Statements

1) Restructuring of the Ontario Electricity Industry

Effective April 1, 1999, pursuant to the *Electricity Act, 1998,* Ontario Hydro was continued as a corporation without share capital under the name Ontario Electricity Financial Corporation (OEFC). It is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act of Canada. OEFC is a Crown agency created to manage the debt and administer the assets, liabilities, rights and obligations of Ontario Hydro not transferred to other successor entities. These other successor entities include:

- Ontario Power Generation Inc. (OPG), an electricity generation company;
- Hydro One Inc. (Hydro One), a regulated electricity transmission and distribution business;
- Independent Electricity Market Operator (IMO), the regulated centralized independent system co-ordinator responsible for directing system operations and operating the electricity market; and
- Electrical Safety Authority (ESA), which performs a regulatory function related to electrical inspections.

On April 1, 1999, the respective business units, including assets, liabilities, employees, rights and obligations of the former Ontario Hydro, were transferred to OPG and Hydro One (and their subsidiaries) and the IMO for $8.5 billion, $8.6 billion and $78 million respectively in exchange for debt payable to OEFC. On the same day, the Province exchanged equity of $5,126 million and $3,759 million in OPG and Hydro One respectively for debt payable to OEFC.

OEFC debt, liabilities and associated financing costs will be repaid from interest on notes receivable from the Province and successor entities, and, as provided under the *Energy Competition Act, 1998,* from dedicated electricity revenues in the form of payments-in-lieu (PILs) of corporate income, capital and property taxes made by the successor entities and municipal electric utilities. Residual debt is serviced through a Debt Retirement Charge (DRC) paid by electricity consumers at a rate of 0.7 cents per kilowatt-hour for most Ontario consumers. Until open access on May 1, 2002, OEFC continued to be a party to a revenue-allocation agreement among successor entities and was entitled to the forecast residual amount in the revenue pool after allocations to OPG, Hydro One and the IMO were paid.

2) Summary of Significant Accounting Policies

Basis of Accounting

As OEFC is a government organization, these financial statements are prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Measurement Uncertainty

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 it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurement uncertainty in these financial statements exists in the estimated amount for the Electricity Consumer Price Protection Fund, the valuation of the power purchase contracts and the estimated defeasance date for OEFC's obligations. Estimates are based on the best information available at the time of preparation of the financial statements and will be updated annually to reflect new information as it becomes available.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Deferred Debt Costs

Deferred debt costs includes the unamortized amounts related to unrealized foreign exchange gains or losses resulting from the translation of long-term debt issued in foreign currencies and discounts, premiums or commissions arising from the issuance of debt or the acquisition of debt prior to maturity. These costs are amortized to operations over the life of the underlying debt.

Revenue Recognition

Revenues are recognized in the period in which they are earned.

Foreign Currency Translation

Debt is composed of short-, medium- and long-term bonds, notes and debentures. Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the hedge agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at year-end rates of exchange and any exchange gains or losses are deferred and amortized over the remaining term to maturity.

Power Purchase Contracts

The power purchase contracts liability is valued on a discounted cash-flow (DCF) basis. Periodic revaluations of this liability will give rise to changes in the estimated cost of the contracts and will be amortized to operations over a maximum ten-year period.

3) Going Concern

OEFC is dependent on the Province to borrow to finance maturing debt and to cover any cash shortfalls in the Corporation. It is also dependent on the government's long-term plan to defease the unfunded liability described in Note 11.

4) Cash and Cash Equivalents

Cash and cash equivalents includes cash on deposit and highly liquid investments with maturities of less than three months. They are recorded at cost, which approximates current market value.

5) Due from Province of Ontario

The Province has committed to dedicate the combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries to OEFC. For the year ended March 31, 2004, the aggregate earnings of the subsidiaries did not exceed the Province's financing cost. Consequently, no dedicated income transfer has been reflected (March 2003 - $197 million).

ONTARIO ELECTRICITY FINANCIAL CORPORATION

6) Notes and Loans Receivable

($ millions)

	Maturity date	Interest rate	Interest payable	March 31, 2004	March 31, 2003
Province of Ontario	2039 - 2041	5.85	Monthly	$ 8,885	$ 8,885
OPG	2005 - 2011	5.44 to 6.65	Semi-annually	3,200	3,200
Hydro One		5.4 to 13.50	Semi-annually	—	651
IMO	2009	7.90	Semi-annually	78	78
				12,163	12,814
Less: Current portion of notes receivable				250	651
				11,913	12,163
Add: Loans receivable from non-utility generators (NUGs) (See Note 9)				167	174
				$ 12,080	**$ 12,337**

OEFC has agreed with OPG, Hydro One and IMO not to sell notes owing from these successor entities without their prior approval.

On March 5, 2003, with the prior approval of Hydro One, OEFC completed the sale of $1,878 million (face value) of Hydro One notes. OEFC realized a gain of $206 million on the sale as interest rates payable on the notes were above market interest rates.

In 2002, OEFC had agreed with OPG to defer principal payments of $200 million originally due in March and September 2002 until December 2004. These maturities totaling $200 million have been further deferred until December 2006. In addition, OEFC has agreed with OPG to defer principal repayments totaling $500 million originally due in the period March 2003 to September 2004. The new maturity dates on these notes have been extended until March 2005 to September 2006.

7) Debt

Debt at March 31, 2004 is set out below by maturity and by currency of repayment, expressed in Canadian dollars.

($ millions) Currency	Canadian Dollar	U.S. Dollar	Swiss Franc	2004 Total	2003 Total
Maturing in:					
1 year	4,563	559	—	5,122	5,078
2 years	1,131	425	—	1,556	3,250
3 years	2,074	739	—	2,813	1,425
4 years	528	1,053	—	1,581	119
5 years	3,095	388	—	3,483	1,959
1-5 years	11,391	3,164	—	14,555	11,831
6-10 years	4,375	1,026	307	5,708	7,667
11-15 years	648	—	—	648	648
16-20 years	3,678	—	—	3,678	3,678
21-25 years	2,116	—	—	2,116	2,077
26-50 years	850	—	—	850	929
Total	**$23,058**	**$4,190**	**$307**	**$27,555**	**$26,830**

ONTARIO ELECTRICITY FINANCIAL CORPORATION

The effective rate of interest on the debt portfolio is 6.54 per cent (March 2003 - 6.78 per cent) after considering the effect of derivative instruments used to manage interest rate risk. The longest term to maturity is to October 17, 2031. Total foreign currency-denominated debt at March 31, 2004 was $4.5 billion (March 2003 - $3.8 billion), 100 % of which (March 2003 - $2.6 billion or 67.7 per cent) was fully hedged to Canadian funds. Bonds and notes payable are either held, or guaranteed as to principal and interest, by the Province as set out below:

	March 31, 2004			March 31, 2003		
($ millions)	Held by the Province	Guaranteed by the Province	**Total**	Held by the Province	Guaranteed by the Province	**Total**
Short term debt	1,177	—	1,177	3,413	—	3,413
Current portion of long term debt	3,697	248	3,945	350	1,315	1,665
Long term debt	11,520	10,913	22,433	9,791	11,961	21,752
	$16,394	$11,161	$27,555	$13,554	$13,276	$26,830

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing the OEFC's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of OEFC debt at March 31, 2004 is $32.2 billion (March 2003 - $31.2 billion). This is higher than the book value of $27.6 billion (March 2003 - $26.8 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

8) Risk Management and Derivative Financial Instruments

OEFC employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost-effective manner. A variety of strategies are used, including the use of derivative financial instruments ("derivatives"). Derivatives are financial contracts, the value of which is derived from underlying instruments. OEFC uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which OEFC agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows OEFC to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by OEFC include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk that foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, OEFC uses derivative contracts to convert foreign currency cash flows into Canadian dollar denominated cash flows. The current policy allows unhedged foreign currency debt principal payments and foreign currency transactions to reach a maximum of 5 per cent of total debt, reduced from 20 per cent at March 31, 2003. At March 31, 2004, the actual unhedged level was 0.1 per cent (March 2003 - 6.3 per cent) of total debt, with all the currency exposure to US dollars.

Floating rate risk is the exposure of OEFC to changes in short-term interest rates over a 12-month period. OEFC reduces its exposure to rate changes by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt, net of liquid reserves, to reach a maximum of 20 per cent of total debt. At March 31, 2004, OEFC's floating rate debt as a percentage of total debt was 8.0 per cent (March 2003 - 13.5 per cent).

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Liquidity risk is the risk that OEFC will not be able to meet its current short-term financial obligations. As explained in Note 3, OEFC is dependent on the Province to finance maturing debt and to cover any cash shortfalls in the Corporation.

The table below presents a maturity schedule of OEFC's derivatives, by type, outstanding at March 31, 2004, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value ($ millions)

As at March 31, 2004

Maturity in Fiscal Year	2005	2006	2007	2008	2009	6-10 Years	Over 10 Years	TOTAL 2004	TOTAL 2003
Cross-currency swaps	-	425	739	496	388	1,309	-	3,357	2,355
Interest rate swaps	292	1,488	1,826	1,272	588	1,446	1,436	8,348	7,043
Forward foreign exchange contracts	1,578	-	-	-	-	-	-	1,578	720
Other [1]	112	-	-	-	-	-	-	112	50
Total	$ 1,982	1,913	2,565	1,768	976	2,755	1,436	$ 13,395	$ 10,168

(1) Other includes options and futures.

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which OEFC has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2004.

Credit Risk Exposure ($ millions)	**March 31, 2004**	**March 31, 2003**
Gross credit risk exposure[(1)]	5,398	4,167
Less: Netting[(2)]	(5,787)	(4,293)
Net credit risk exposure[(3)]	$ (389)	$ (126)

Notes:

(1) Gross credit risk exposure includes credit exposure on swaps, forward foreign exchange agreements, options and futures.

(2) Master agreements provide for close out netting as contracts do not have coterminous settlement dates.

(3) Total exposure to counterparties with positive exposure (meaning that counterparties owed OEFC) was $130 million (March 2003 - $202 million) and the total exposure to counterparties with negative exposure (meaning that OEFC owed the counterparties) was $519 million (March 2003 - $328 million) for a total net credit exposure of $(389) million (March 2003 - ($126) million).

OEFC manages its credit risk exposure from derivatives by, among other things, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. In addition, OEFC enters into contractual agreements (master agreements) that provide for termination netting and, if applicable, payment netting with virtually all of its counterparties. Gross credit risk exposure represents the loss OEFC would incur if every counterparty to which OEFC had credit risk exposure were to default at the same time and the contracted netting provisions were not exercised or could not be enforced. Net credit risk exposure is the loss including the mitigating impact of these netting provisions.

As at March 31, 2004, OEFC's most significant concentrations of credit risk were with an A+ rated counterparty, which represented more than 10 per cent of the Net Credit Risk Exposure. The net cost to OEFC, if it had to replace all of the swap contracts with this counterparty would be $60 million.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

9) Power Purchase Contracts

Power purchase contracts and related loan agreements were entered into by Ontario Hydro with non-utility generators (NUGs) located in Ontario. As the legal continuation of Ontario Hydro, OEFC is the counterparty to these contracts. These contracts, expiring on various dates to 2048, provide for the purchase of power at prices that are expected to be in excess of the market price. Since open access on May 1, 2002, this power has been sold at market prices that generally have been less than cost. Prior to open access, power purchased from NUGs was resold at cost to the revenue pool managed by OPG.

During the year, OEFC purchased power in the amount of $797 million (2003 - $786 million) and sold this power for $510 million (2003 - $635 million). Effective April 18, 2002, the NUG Contract Management Agreement between Enron Canada Corporation and OEFC was assigned to UBS Warburg Energy (Canada) Ltd. Annual fees include both a fixed fee of approximately $750,000 plus a variable fee based on performance in minimizing losses under NUG power purchase agreements that amounted to $6.8 million (2002 - $10 million).

The NUG liability had been valued at $4,286 million on a discounted cash-flow (DCF) basis since Ontario Hydro was continued as OEFC on April 1, 1999. As the electricity market was opened in May 2002, the DCF model was updated as of March 31, 2003 which reduced the estimated liability from $4.286 billion to $3.745 billion. The revaluation change is being amortized to operations over a ten year period. In addition, each year, interest at the DCF rate is added to the liability and the estimated in-year loss in the DCF model is deducted from the liability as set out below:

Statement of NUG Liability ($ millions)

As at March 31, 2004

	2004	2003
NUG Liability, beginning of year	$ 3,745	$ 4,286
Interest charged during the year	221	253
Deduct estimated in-year loss	(283)	(372)
Revaluation as of March 31, 2003		(422)
Subtotal	3,683	3,745
Add: Unamortized Revaluation Changes		
Gross Revaluation	422	422
Accumulated Amortization	(84)	(42)
	338	380
	$ 4,021	**$ 4,125**

Loans to NUGs decreased during the period by a net $7 million to $167 million at March 31, 2004 (2003 - $174 million), primarily due to principal repayments.

10) Nuclear Funding Liability

OEFC as the continued Ontario Hydro assumed a liability in the amount of $2,378 million representing nuclear waste management and asset removal liabilities that were incurred prior to April 1, 1999. In March 2002, the Province and OPG entered into the Ontario Nuclear Funds Agreement (ONFA) to establish, fund and manage segregated funds to ensure that sufficient funds are available to pay for costs of nuclear waste management and station decommissioning.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

The Board of Directors of OEFC approved the funding of the Decommissioning Segregated Fund, established by OPG, over the next four years, thus discharging the nuclear funding liability. OEFC contributed $1,200 million towards the fund liability on July 24, 2003.

Interest is accrued at a rate equal to the Ontario Consumer Price Index plus 3.25 per cent in accordance with the terms of ONFA which were finalized on July 24, 2003. Previously, interest had been accrued at an estimated rate of 5.75%. The liability has been adjusted to reflect the finalized rate. A commitment-in-lieu of $1,916 million as at March 31, 2004 (March 2003 - $2,974 million) has been provided to the Decommissioning Segregated Fund.

11) Unfunded Liability

The opening unfunded liability of $19.4 billion at April 1, 1999, was composed of $38.1 billion in liabilities assumed from old Ontario Hydro less the value of assets transferred to OEFC at April 1, 1999 including $17.2 billion in notes receivable and $1.5 billion in loans receivable and other assets. Pursuant to the Electricity Act, 1998, and consistent with the principles of electricity restructuring, the government has a long-term plan in place to retire OEFC liabilities from within the electricity sector. The plan includes revenues and cash flows from the following sources as at **April 1, 1999**:

- **Notes receivable** from the Province of $8.9 billion, OPG of $3.4 billion, Hydro One of $4.8 billion and IMO for $0.1 billion for a total of $17.2 billion as a result of the transfer of assets to successor companies;
- **Payments-in-lieu** of corporate income, capital and property taxes made by OPG, Hydro One and municipal electric utilities;
- **Debt Retirement Charge** to be paid by ratepayers based on the consumption of electricity; and
- **Electricity Sector Dedicated Income** - Consistent with the Government's commitment to keep electricity income in the electricity sector, the combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries will be allocated to the retirement of OEFC's debt.

The long-term plan supports estimates that OEFC's obligations will likely be defeased in the years ranging from 2012 to 2020. Key assumptions underlying the range include the passage of proposed legislation, which would reform the electricity industry (see Note 16). These reforms would include the requirement that consumers pay the full cost of existing and any new contracts for generation, which OEFC anticipates would eliminate the liability for above market costs for power purchases. In addition, OPG's nuclear and baseload hydroelectric generation would receive regulated prices designed to recover approved costs, including the costs of capital. Other key assumptions include the shutdown of OPG's coal-fired generating stations at the end of 2007.

12) Electricity Consumer Price Protection Fund

On November 11, 2002, the Province announced a program designed to provide electricity to low volume and designated consumers at a fixed price of 4.3 cents per kilowatt-hour (kWh) until at least 2006, retroactive to May 1, 2002. Power generators continue to receive the competitive market price as set in the IMO electricity market. The program is administered through the Electricity Consumer Price Protection Fund (ECPPF) managed by OEFC.

On December 18, 2003, the *Ontario Energy Board Amendment Act (Electricity Pricing), 2003,* was passed into law to remove, effective April 1, 2004, the 4.3 cents per kWh price freeze in favour of a pricing structure that better reflects the true cost of electricity, including a strong incentive to conserve energy. Effective April 1, 2004, an interim pricing plan was introduced whereby the first 750 kWh consumed in any month is priced at 4.7 cents per kWh and consumption above that level is priced at 5.5 cents per kWh. This pricing plan will stay in place until the Ontario Energy Board develops a mechanism for setting prices no later than May 1, 2005.

Expenditures from the Fund during the year amounting to $643 million (March 2003 - $1,461 million) have been reduced by a portion of the rebate from OPG due under the Market Power Mitigation Agreement (MPMA) in the amount of $390 million (March 2003 - $796 million) leaving a net cost in OEFC of $253 million (March 2003 - $665 million).

13) Temporary Generation Supply

In April of 2003, OEFC was directed to undertake a project to install 200 to 400 megawatts of temporary generation to provide support to Ontario's electricity reserves during the summer and fall of 2003.

OEFC arranged for the installation of 249 megawatts of gas-fired generation by the summer of 2003 at a cost of $70 million. All of the contracts expired on December 31, 2003.

14) Contingencies and Guarantees

OEFC is involved in various legal actions arising out of the ordinary course and conduct of business, some of which relate to the former Ontario Hydro prior to the establishment of OEFC on April 1, 1999. Under the terms of the April 1, 1999 restructuring of Ontario Hydro, each successor entity (OPG, Hydro One, ESA and IMO and their respective subsidiaries) is responsible for any liabilities relating to those operations of the former Ontario Hydro that were transferred to it. In the event any such liabilities remained with OEFC, the successor entity is also required to indemnify OEFC. With respect to legal actions relating to operations of Ontario Hydro that were retained by OEFC, the outcome and ultimate disposition of these legal actions is not determinable at this time. Accordingly, no provision for the above actions is reflected in the financial statements. Settlements of these contingencies, if any, will be reflected in the period in which settlement occurs.

Subject to a $10 million and $20 million deductible respectively, OEFC has agreed to indemnify Hydro One and OPG with respect to any adverse claim to title to any asset, right or thing transferred or intended to be transferred to the companies at April 1, 1999 and any failure of the transfer order to transfer such assets, rights or things and with respect to payment to or from or other dealing with any equity account of Ontario Hydro, including certain related litigation. The Province of Ontario has guaranteed any liability arising from these indemnifications.

OEFC is contingently liable under guarantees given to third parties that have provided long-term financing to certain independent power producers in connection with the power purchase contracts described in Note 9. These guarantees total approximately $102 million at March 31, 2004 (March 2003 - $113 million).

15) Ontario Electricity Pension Services Corporation

OEFC was the administrator of the Ontario Electricity Financial Corporation Pension Plan and Fund. It was responsible for negotiating an agreement with each of the successor corporations for the division and transfer of the assets and liabilities of the OEFC pension plan to the pension plans of the successor corporations. The Ontario Electricity Pension Services Corporation (OEPSC), a wholly owned subsidiary of OEFC, acted as agent for OEFC to carry out the required administrative, investment and other responsibilities of the OEFC Pension Plan and Fund.

OEPSC made application to the Superintendent of Financial Services for Ontario for approval to transfer all of the assets of the OEFC Pension Plan to the pension plans of the four successor operating entities. The Superintendent agreed to the transfer on June 6, 2001. With the exception of certain records and assets of nominal value, all pension fund assets were transferred to the pension plans of successor corporations on June 29, 2001. As OEPSC's functions have been completed, OEFC is in process of winding up the company.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

16) Subsequent Event

On April 15th, 2004, the government released its proposals to reform the electricity sector. Legislation proposed to be introduced in June would, if passed by the Legislature, result in a combination of a fully regulated and competitive electricity sector with different generators receiving prices set through a variety of mechanisms. Electricity generated from OPG's nuclear and baseload hydro generation assets would receive regulated prices and electricity from those generators with existing or new contracts would receive prices as determined by their contracts. Consumers would pay a blend of these costs including the pass-through of regulated rates for OPG-regulated plants, the full costs for existing and new contracts for generation and market prices for other generation facilities.

If the legislation is passed by the Legislature, and when the reformed market becomes operational, OEFC would begin to receive actual contract prices for the power and would no longer incur above-market costs on the power purchase contracts with non-utility generators. Since the power purchase contracts liability on the balance sheet represents the net present value of the estimated above-market costs incurred under these contracts, OEFC anticipates that the estimated $3.9 billion liability at the time of implementation would be eliminated. OEFC will ensure that all implications of electricity sector reform are accounted for appropriately in the books of OEFC for the period in which those changes become effective.

Ontario Energy Board

MANAGEMENT'S RESPONSIBILITY

The Ontario Energy Board's management is responsible for the integrity and fair presentation of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods.

The Board maintains systems of internal accounting controls designed to provide reasonable assurance that reliable financial information is available on a timely basis and that Board assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed and approved by the Board's Management Committee. In addition the financial statements have been audited by the Provincial Auditor of Ontario, whose report follows.

Catherine Barker-Hoyes
Managing Director, Business Services

Office of the Provincial Auditor of Ontario

AUDI ALTERAM PARTEM

Auditor's Report

To the Ontario Energy Board

I have audited the statement of financial position of the Ontario Energy Board as at March 31, 2004 and the statements of operations and net assets and changes in financial position for the eight months ended March 31, 2004. These financial statements are the responsibility of the Board'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 Board as at March 31, 2004 and the results of its operations and the changes in its financial position for the eight months ended March 31, 2004 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 21, 2004

Gary R. Peall, CA
Acting Assistant Provincial Auditor

Ontario Energy Board
STATEMENT OF FINANCIAL POSITION
As at March 31, 2004

	2004 $
ASSETS	
Current Assets:	
Cash	9,371,846
Accounts receivable	69,213
Deposits and prepaid expenses	94,774
Hearing costs to be assessed	182,029
Total Current Assets	9,717,862
Capital assets (note 4)	734,562
TOTAL ASSETS	**10,452,424**
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	1,095,344
Due to the Province of Ontario (note 7)	6,306,584
Deferred recovery revenue (note 5)	1,611,694
Total Current Liabilities	9,013,622
Deferred revenue related to capital assets	734,562
TOTAL LIABILITIES	**9,748,184**
NET ASSETS	**704,240**
TOTAL LIABILITIES AND NET ASSETS	**10,452,424**

See accompanying notes to financial statements

On behalf of the Management Committee:

Howard Wetston
Chair

Jan Carr
Vice-Chair

Ontario Energy Board
STATEMENT OF OPERATIONS AND NET ASSETS
Eight Months Ended March 31, 2004

	2004 $
REVENUE	
Licence fees	11,500
Interest income	84,724
Other income (note 7c)	704,240
	800,464
Recovery of Costs:	
Hearing costs	214,651
General cost recovery (note 5)	12,562,447
	12,777,098
TOTAL REVENUE	13,577,562
EXPENSES	
Staff and board member costs	7,781,726
Consulting and professional	2,229,628
General program costs	761,579
Premises	1,221,903
Information technology	229,205
Office and administration	649,281
TOTAL EXPENSES	12,873,322
SURPLUS OF REVENUE OVER EXPENSES	**704,240**
Net Assets at August 1, 2003	0
NET ASSETS AT MARCH 31	**704,240**

See accompanying notes to financial statements

Ontario Energy Board
STATEMENT OF CHANGES IN FINANCIAL POSITION
Eight Months Ended March 31, 2004

	2004 **$**
Net inflow (outflow) of cash related to the following activities:	
RECOVERY OF COSTS	
Hearing costs assessed	32,622
General cost assessments	18,404,398
Less amounts related to activity before August 1, 2003	(3,495,695)
	14,941,325
OPERATING	
Revenue other than cost recovery	800,464
Expenses	(12,873,322)
Changes in non-cash working capital:	
Deposits and prepaid expenses	(94,774)
Accounts receivable	(69,213)
Accounts payable and accrued liabilities	1,095,344
	(11,141,501)
FINANCING	
Due to the Province of Ontario (note 7)	6,306,584
	6,306,584
INVESTING	
Capital asset purchases	(734,562)
	(734,562)
NET INCREASE IN CASH	9,371,846
Cash, beginning of period	0
Cash, end of period	9,371,846

See accompanying notes to financial statements

Ontario Energy Board
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

1. NATURE OF THE CORPORATION

The Ontario Energy Board is the regulator of Ontario's natural gas and electricity industries. The Board also provides advice on energy matters referred to it by the Minister of Energy and the Minister of Natural Resources.

Effective August 1, 2003 and pursuant to the *Ontario Energy Board Act,* the Ontario Energy Board ("the Board") was continued as a corporation without share capital empowered to fully recover its costs from gas and electricity industry participants.

2. SCOPE OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

These financial statements present the results of operations of the Board from the date of establishment of the Board as a corporation without share capital on August 1, 2003 to the first fiscal year end of March 31, 2004.

Note 5 provides supplementary information for the twelve months ended March 31, 2004 that includes unaudited expenditures for the four months prior to August 1, 2003, which are expenditures of the Ministry of Energy rather than of the Board as a corporation without share capital. The supplementary information is consistent with records of the Ministry of Energy for the fiscal year ended March 31, 2004.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements include:

a) Revenue Recognition

The Board follows the deferral method of accounting for cost recoveries. Recognition of cost-recovery revenue is matched to the expenses of the Board as follows:

- Recovery of hearing costs, assessed under section 30 of the *Ontario Energy Board Act*, is recognized as related expenses are incurred.
- General cost recovery, assessed under section 26 of the *Ontario Energy Board Act*, is recognized to the extent of expenses of the Board not otherwise recovered that are in excess of license fees and investment income. General cost recovery related to capital asset expenditures is deferred. Deferred revenue related to capital assets is amortized and recognized as revenue on the same basis that the underlying capital assets are amortized.

License fees and investment income are recognized as revenue when received and receivable, respectively.

Ontario Energy Board
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following the acquisition, as follows:

Office furniture and equipment	5 years
Computer equipment and related software	3 years

c) Financial Instruments

The Board does not use derivative financial instruments. The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate fair values, due to their short-term nature.

d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles require that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and recoveries for the year. Actual amounts could differ from these estimates.

4. CAPITAL ASSETS

	March 31, 2004		
	Cost $	Accumulated Amortization $	Net Book Value $
Office furniture and equipment	34,902	-	34,902
Computer equipment and related software	699,660	-	699,660
	734,562	-	734,562

Ontario Energy Board
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

5. INDUSTRY ASSESSMENTS FOR 2003-04

In December 2003, the gas and electricity industry participants were assessed estimated costs for the entire 2003-04 fiscal year based on forecasted amounts. Amounts assessed in excess of actual costs will reduce the assessments for 2004-05 and are reported as Deferred Recovery Revenue on the Statement of Financial Position. Actual costs and calculation of the deferred recovery revenue are outlined in the following tables.

a) Actual Costs for Twelve Months Ended March 31, 2004

	Ministry of Energy (4 months) *Unaudited - see note 2* $	Ontario Energy Board (8 months) *Statement of Operations* $	Total $
Staff & board member costs	3,131,149	7,781,726	10,912,875
Consulting and professional	673,428	2,229,628	2,903,056
General program costs	242,837	761,579	1,004,416
Premises	343,421	1,221,903	1,565,324
Information technology	71,893	229,205	301,098
Office and administration	199,898	649,281	849,179
Total Expenses	4,662,626	12,873,322	17,535,948
Hearing cost recovery, licence fees, investment income	(202,712)	(310,875)	(513,587)
General Cost Recovery	4,459,914	12,562,447	17,022,361

Costs recovered for the period before August 1, 2003 are paid to the Ministry of Energy under a Services Agreement (Note 7b).

b) Deferred Recovery Revenue at March 31, 2004

	2004 $
Assessments	18,404,398
Less: General cost recovery revenue	17,022,361
Deferred recovery revenue related to 2003-04 activity	1,382,037
Adjustment for balance at March 31, 2003	964,219
Deferred recovery revenue at March 31, 2004	2,346,256
Deferred recovery revenue related to capital assets	734,562
Deferred recovery revenue	1,611,694
Total deferred recovery revenue at March 31, 2004	2,346,256

Ontario Energy Board
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

6. EMPLOYEE FUTURE BENEFITS

The Board provides pension benefits to its full-time employees and full-time board members through participation in the Ontario Public Service Pension Plan, which is a multiemployer defined benefit pension plan. Consistent with other government Crown corporations, the Board accounted for this plan as a defined contribution plan as there is insufficient information available to the Board to apply defined benefit plan accounting. The Board's contributions to the plan during the period, represents pension expense for the period.

Employees that were formerly employees of the Ministry of Energy became employees of the Board effective March 29, 2004. The Ministry will be reimbursed for pension contributions for the period prior to March 29, 2004 under a services agreement (see note 7b).

During the fiscal period, pension expense (including the amount to be reimbursed to the Ministry) was $500,123 and is included in staff and board member costs on the Statement of Operations and Net Assets.

The Board is not responsible for the cost of employee post-retirement, non-pension benefits.

7. RELATED PARTY TRANSACTIONS

a) Assets and Liabilities at August 1, 2003

Assets transferred to the Board from the Province of Ontario were expensed in prior years and had no book value at August 1, 2003. No liabilities were assumed from the Province.

b) Services Agreement with the Ministry of Energy

The Ministry of Energy provided services to the Board at cost for the eight month period ending March 31, 2004 totaling $10,998,487, including salaries and benefits of $6,970,139, and other direct operating costs of $4,028,348. In addition, the Ministry purchased capital assets for the Board totaling $734,562.

On behalf of the Ministry of Energy, the Board recovered costs from the gas and electricity industries related to operations prior to August 1, 2003 totaling $3,569,301.

In February 2004 the Board paid the Province $8,291,526 related to the above amounts.

The balance of $6,306,584 due to the Province of Ontario reflects the amounts described above reduced by the one-time transition funding described in note 7c.

c) One-time Transition Funding

The Ministry of Energy will provide a grant of $704,240 related to the substantial transfer of Ministry employees to the Board on March 29, 2004.

ONTARIO ENERGY BOARD

Disclosure for 2003 under The Public Sector Salary Disclosure Act, 1996

Divulgation pour 2003 en vertu de la Loi de 1996 sur la divulgation des traitements dans le secteur public

Employer/ Employeur	Surname/ Nom de famille	Position/ Poste	Salary Paid/ Traitement	Taxable Benefits Avant. impos.
Ontario Energy Board	BETTS ROBERT	Board Member	$116,947.03	$219.22
Ontario Energy Board	BIRCHENOUGH ARTHUR	Board Member	$129,031.05	$0.00
Ontario Energy Board	GARNER MARK	Board Secretary	$110,239.94	$196.13
Ontario Energy Board	SOMMERVILLE PAUL	Board Member	$116,947.03	$219.22
Ontario Energy Board	VLAHOS PAUL	Board Member	$160,505.18	$276.70
Ontario Energy Board	WETSTON HOWARD	Chair	$191,434.00	$388.32

ONTARIO FINANCING AUTHORITY

Responsibility for Financial Reporting

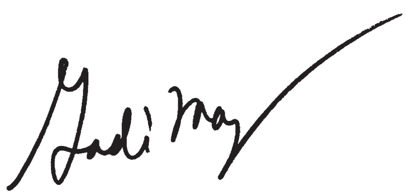
The accompanying financial statements of the Ontario Financing Authority have been prepared in accordance with accounting principles generally accepted in Canada and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 11, 2004.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through the Audit Committee, is responsible for overseeing that management fulfils its responsibilities for financial reporting and internal controls. The Audit Committee meets periodically with management, the internal auditors and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by the Office of the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:



Gadi Mayman

CEO and Vice-Chair (interim)
Ontario Financing Authority
June 11, 2004

ONTARIO FINANCING AUTHORITY

Auditor's Report

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

AUDI ALTERAM PARTEM

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Financing Authority
and to the Minister of Finance

I have audited the balance sheet of the Ontario Financing Authority as at March 31, 2004, and the statement of net income and retained earnings, and the cash flow statement for the year then ended. These financial statements are the responsibility of the Authority'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 Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended, in accordance with the Canadian generally accepted accounting principles.

Toronto, Ontario
July 11, 2004

J.R. McCarter, CA
Assistant Provincial Auditor

ONTARIO FINANCING AUTHORITY

Balance Sheet

As at March 31, 2004

(in thousands of dollars)	2004	*2003*
ASSETS		
Current assets		
Cash	$ 141	*$ 136*
Accounts receivable	2,852	*2,809*
Due from agencies (note 4 (iii))	1,140	*1,193*
Loans receivable (note 2)	6	*5*
Total current assets	**$ 4,139**	***$ 4,143***
Long-term assets		
Capital assets (note 3)	1,866	*975*
Loans receivable (note 2)	79,027	*79,033*
Total assets	**$ 85,032**	***$ 84,151***
LIABILITIES AND RETAINED EARNINGS		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,809	*$ 3,874*
Due to the Province of Ontario - Agencies (note 4 (iii))	1,140	*1,193*
Due to the Province of Ontario - OMIC debt (note 2)	6	*5*
Total current liabilities	$ 5,955	*$ 5,072*
Long-term debt		
Due to CPP and the Province of Ontario (note 2)	79,037	*79,043*
Total liabilities	$ 84,992	*$ 84,115*
Retained earnings	40	*36*
Total liabilities and retained earnings	**$ 85,032**	***$ 84,151***

See accompanying notes to financial statements.

Approved on behalf of the Board:

Colin Andersen

Colin Andersen
Chair

Gadi Mayman

Gadi Mayman
Chief Executive Officer and
Vice-Chair (interim)

ONTARIO FINANCING AUTHORITY

Statement of Net Income and Retained Earnings

For the year ended March 31

(in thousands of dollars)		**2004**		***2003***
REVENUE				
Interest	$	7,600	*$*	*7,600*
Cost recovery from the Province of Ontario (Note 4(ii))		13,423		*12,791*
Total revenue	**$**	**21,023**	***$***	***20,391***
EXPENSES				
Interest on long-term debt	$	7,596	*$*	*7,597*
Salaries, wages and benefits		10,298		*9,413*
Administrative and general		2,338		*2,458*
Amortization		787		*920*
Total expenses	**$**	**21,019**	***$***	***20,388***
Income from continuing operations	$	4	*$*	*3*
Net income from discontinued operations (note 7(i))		-		*6,132*
Net income from operations for the year	$	4	*$*	*6,135*
Retained earnings, beginning of the year		36		*73,980*
Transfer of POSO retained earnings to the Province of Ontario (note 7(i))		-		*(80,079)*
Retained earnings, end of the year	$	40	*$*	*36*

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Cash Flow Statement

For the year ended March 31

(in thousands of dollars)		**2004**		***2003***
Cash flows from operating activities				
Income from continuing operations	$	4	*$*	*3*
Adjustments to reconcile net income to funds provided by operating activities:				
Amortization		787		*920*
Net change in accounts receivable, payable and accrued liabilities		892		*(436)*
Cash flows from operating activities of discontinued operations		-		*10,608*
Cash flows from operating activities	$	1,683	*$*	*11,095*
Cash flows from financing activities				
Repayments to the Province re: OMIC loans	$	(5)	*$*	*(9)*
Repayments from holders of OMIC loans		5		*9*
Cash flows from financing activities of discontinued operations		-		*(370,242)*
Cash flows from/(used in) financing activities	$	-	*$*	*(370,242)*
Cash flows from investing activities				
Purchase of capital assets	$	(1,678)	*$*	*(485)*
Cash flows from investing activities of discontinued operations		-		*337,901*
Cash flows (used in)/from investing activities	$	(1,678)	*$*	*337,416*
Net increase/(decrease) in cash		5	*$*	*(21,731)*
Cash at beginning of the year		136		*21,867*
Cash at end of the year	**$**	**141**	***$***	***136***

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2004

BACKGROUND

The Ontario Financing Authority (the "OFA") was established as an agency of the Crown, on November 15, 1993, by the *Capital Investment Plan Act, 1993* (the "Act"). In accordance with the Act, the OFA's objects are:

- to assist public bodies and the Province of Ontario to borrow and invest money;
- to develop and carry out financing programs, issue securities, manage cash, currency and other financial risks on behalf of the Province or any public body;
- to provide such other financial services as are considered advantageous to the Province or any public body; and
- any additional objects as directed by the Lieutenant-Governor-in-Council.

The OFA is a corporation established under the laws of Ontario. The OFA is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act of Canada*.

1. SIGNIFICANT ACCOUNTING POLICIES

(i) General: The financial statements are prepared in accordance with Canadian generally accepted accounting principles prescribed by the Canadian Institute of Chartered Accountants (CICA.)

(ii) Capital assets: Capital assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the asset, as listed below, starting in the year of acquisition, i.e., a half year depreciation is charged in the year of acquisition and a half year in the year of disposal, irrespective of the date of acquisition or disposal.

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	remaining life of lease

(iii) Measurement uncertainty: The preparation of the financial statements of the OFA requires management to make estimates and assumptions based on information available at the time of preparation of the financial statements and will be adjusted annually to reflect new information as it becomes available.

2. ONTARIO MUNICIPAL IMPROVEMENT CORPORATION (OMIC)

In accordance with the *Capital Investment Plan Act, 1993*, the OMIC ceased to exist and its assets and liabilities were transferred to the OFA on November 15, 1993. OMIC received loans from the Canada Pension Plan (CPP) and the Province, which OMIC used to make loans to municipalities and school boards under similar terms as its debt.

As of March 31, 2004, the portion of long-term debt maturing in 2004-05 is $6,000 (March 31, 2003 – $5,000 which matured in 2003-2004) and is due to the Province. Long-term debt (maturing in the year ended March 31, 2006, and future) is comprised of debt due to the Province of $16,000 and to the CPP of $79 million (March 31, 2003 – $22,000 and $79 million respectively, maturing in year ended March 31, 2005, and future).

Notes to Financial Statements

The terms of the outstanding debt are as follows:

(in thousands of dollars)

	As at March 31, 2004		*As at March 31, 2003*	
Year ended March 31	**Principal Maturing**	**Effective Average Interest Rate (%)**	***Principal Maturing***	***Effective Average Interest Rate (%)***
2004	$ -		*$ 5*	*11.25*
2005	6	11.25	*6*	*11.25*
2006-09	6	11.25	*6*	*11.25*
1 - 5 years	12		*17*	
6 - 10 years	79,031	9.61	*79,031*	*9.61*
Total	**$ 79,043**		***$ 79,048***	

3. CAPITAL ASSETS

The balance of capital assets, net of amortization, is as follows:

(in thousands of dollars)

	Cost	Accumulated Amortization	Net Book Value March 31, 2004	*Net Book Value March 31, 2003*
Furniture and equipment	$ 313	$ 229	$ 84	*$ 58*
Computer hardware	6,344	4,949	1,395	*875*
Leasehold improvements	820	433	387	*42*
Total	**$ 7,477**	**$ 5,611**	**$ 1,866**	***$ 975***

4. TRANSACTIONS WITH THE PROVINCE AND OTHER PUBLIC BODIES

(i) Financing activities between the Province and other Public Bodies: Acting as a financial conduit for the Province, the OFA provides financing to various public bodies, the repayment of which is expected from third-party revenues. The funds for these loans are advanced to the OFA by the Province under a credit facility of $2.16 billion. Repayments received from public bodies by the OFA are forwarded to the Province. These transactions are not reflected in these financial statements. In compliance with an OFA Lending Policy adopted by its Board of Directors on December 17, 1997, each advance received by the OFA under the current facility bears interest at a rate that is equivalent to the rate of interest payable to the OFA on the corresponding loan to a public body(ies). As of March 31, 2004, $131 million (March 31, 2003 - $55 million), including accrued interest, was advanced by the Province to the OFA and must be repaid by the OFA on or before August 31, 2027.

Funds are generally advanced by the OFA to public bodies under interim financing arrangements, consisting of promissory notes for terms not exceeding one year. Interest is payable on the principal outstanding. The promissory notes are later converted to term debt and repay-

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

ment terms are finalized. As of March 31, 2004, except for the promissory note from the Centennial Centre of Science and Technology and a line of credit to the Ontario Northland Transportation Commission (ONTC), the receivables represent debentures.

The following represents amounts receivable by the OFA on behalf of the Province, including accrued interest. These are related party transactions, with the exception of those with the Toronto District School Board and the City of Windsor.

(in thousands of dollars)

	March 31, 2004	***March 31, 2003***
Toronto District School Board	$ 55,200	*$ -*
Ontario Northland Transportation Commission	51,111	*29,180*
Corporation of the City of Windsor	24,221	*24,999*
Centennial Centre of Science and Technology	500	*750*
	$ 131,032	*$ 54,929*

The Toronto District School Board has been incorporated under the *Education Act* and is existing under the laws of the Province of Ontario. Public school trustees are elected to represent the public school supporters in the City of Toronto. The 10 year debenture of $55.2 million was issued on March 31, 2004 at 3.999% and matures in March 2014. Principal and interest repayments commence in March 2008.

The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province under the *Ontario Northland Transportation Commission Act, 1990*. Members of the Commission are appointed by the Lieutenant-Governor-in-Council. The ONTC debentures outstanding at March 31, 2004, of $27.1 million, were issued in three stages: $3.9 million at 5.64%, maturing in April 2008; $12.7 million at 6.37%, maturing in August 2014; and $19 million at 5.6%, maturing in December 2014. In addition, the Minister of Finance directed the OFA on March 31, 2004, to assume the Province's lines of credit to ONTC of up to $27 million, which expire on September 30, 2004. Amounts drawn on these lines of credit at March 31, 2004, is $24 million.

The Corporation of the City of Windsor is a municipality within the meaning of the *Municipal Act*. The financing provided is for the acquisition, design and construction of the Windsor Justice Facility, consisting of provincial division courthouse and city police headquarters. This is a 20 year debenture at 6.41% maturing in March 2021.

The Centennial Centre of Science and Technology is a Crown agency of the Province under the *Centennial Centre of Science and Technology Act*. Its Board of Trustees is appointed by the Lieutenant-Governor-in-Council. Under the loan agreement, rate of interest on the principal outstanding (not to exceed $1.0 million) is OFA's lending rate, reset and payable monthly. The interest rate at March 31, 2004, was 2.28% (March 31, 2003 – 3.03% on $500,000 and 2.94% on $250,000). The borrower agrees to repay one-quarter of the aggregate principal sum at the end of each fiscal year with the final principal repayment on March 31, 2006.

(ii) **Investing for Related Parties:** In the normal course of operations, the OFA provides investment management services to other public bodies as listed below. Funds managed on behalf of other public bodies, as at March 31, 2004, (which are not reflected in these financial statements) consist of the Province's short term treasury bills.

Notes to Financial Statements

(in thousands of dollars)

	March 31, 2004	*March 31, 2003*
Northern Ontario Heritage Fund Corporation	$ 183,217	*$ 244,099*
Ontario Realty Corporation	111,498	*62,700*
Ontario Trillium Foundation	99,737	*111,594*
Ontario Securities Commission	31,996	*31,996*
Algonquin Forestry Authority	1,852	*1,803*
Total	**$ 428,300**	***$ 452,192***

The OFA also manages debt and investment on behalf of the Province, including the oversight of management of funds held by Ontario Power Generation Inc. (OPG) under the Ontario Nuclear Funds Agreement (ONFA). The Province, OPG and certain OPG subsidiaries entered into the agreement in March 2002 to dispose of nuclear waste and used fuel and to decommission nuclear power stations. The agreement came into force during 2003-04. During the year, the Ontario Electricity Restructuring Secretariat was transferred to the OFA forming part of the OFA's Corporate and Electricity Finance Division.

Cost recovery from the Province for all debt management and investment activities for the period ended March 31, 2004, was $13.4 million (March 31, 2003 – $12.8 million).

(iii) Ontario Electricity Financial Corporation (OEFC): The OEFC is the agency responsible for servicing and retiring the debt and certain other liabilities of the former Ontario Hydro. The OFA provides financial services and advice to OEFC and manages its debt portfolio – estimated at $27.6 billion, at March 31, 2004 (March 31, 2003 – $26.8 billion). In May 2003, the OFA obtained a Management Board approval for additional positions and associated other direct operating expenses to meet OEFC's mandate.

Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA): OMEIFA became operational on April 22, 2003. The OFA manages the debt of OMEIFA, which includes loans from the Province of Ontario of $1 billion, a loan from OCWA of $120 million and Ontario Opportunity Bonds of $323 million as at March 31, 2004.

The OFA assisted with the set up of OMEIFA and provides investment, cash and related financial management services to OMEIFA on a fee for service basis.

As a result of the May 2004 Ontario Budget, OMEIFA became the Ontario Strategic Infrastructure Financing Authority (OSIFA). OSIFA will assume a broader mandate by also providing financing to hospitals, school boards, colleges and universities and affordable housing providers.

Due from Agencies / Due to the Province of Ontario: Total costs incurred on behalf of OEFC and OMEIFA during the year and the total balance outstanding from OEFC and OMEIFA and due to the Province as at March 31, are as follows:

(in thousands of dollars)

	Costs incurred March 31, 2004	Balance outstanding March 31, 2004	*Balance outstanding March 31, 2003*
OEFC	$ 1,994	$ 695	*$ 1,193*
OMEIFA	1,076	445	-
Total	**$ 3,070**	**$ 1,140**	***$ 1,193***

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

5. FUTURE EMPLOYEE BENEFITS

The OFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit plan. This plan was accounted for as a defined contribution plan, as the OFA had insufficient information to apply defined benefit plan accounting to this pension plan. Commencing April 1, 2003, the cost of the pension plan is paid by Management Board Secretariat and is not reported in the financial statements. In addition, the cost of post-retirement, non-pension employee benefits is paid by Management Board Secretariat and is not reported in the financial statements. The OFA's pension contributions for the year ended March 31, 2003, were $346,552.

6. FINANCIAL INSTRUMENTS

The carrying amounts for cash, accounts receivable, loans receivable and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

Given that the terms and amounts of the OFA's long-term receivables offset the OFA's long-term debt, providing fair values for these instruments would not add any more useful information to that which has already been presented in these financial statements.

7. PROVINCE OF ONTARIO SAVINGS OFFICE (POSO)

(i) Discontinued Operations

Until the close of business on March 31, 2003, the OFA operated POSO as an agent of the Minister of Finance. POSO accepted deposits from the general public, government and other public bodies. These deposits formed part of the Consolidated Revenue Fund and were direct liabilities of the Province. POSO was sold to Desjardins Credit Union (DCU) on March 31, 2003, and POSO retained earnings of $80.1 million were transferred to the Province of Ontario as of March 31, 2003.

Key financial results of POSO prior to sale on March 31, 2003, were as follows:

(in thousands of dollars)

		2003
Total revenue	*$*	*87,372*
Total expenses		*81,240*
Net income from operations		*6,132*
Retained earnings, beginning of year		*73,947*
Retained earnings, end of year	*$*	*80,079*

(ii) Post-Sale Activities

Under the terms of the sale agreement between the Province and Desjardins Credit Union (DCU), the Province received additional sale revenue of $2.97 million on November 28, 2003.

Additionally, the Province paid an amount of approximately $9 million, including interest, resulting from an understatement of the initial assets transferred from the Province to DCU.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

8. CONTINGENCIES AND COMMITMENTS

The OFA, in the ordinary course and conduct of its business, may be exposed to various legal proceedings. At March 31, 2004, the OFA was not aware of any possible or actual legal proceedings against the OFA, except for those arising from the operation of the POSO until the date of its sale on March 31, 2003. Such contingencies would include civil litigation and grievance proceedings. There are no material claims outstanding. Settlements, if any relating to POSO, concerning these contingencies, will be accounted for by the Province in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

9. COMPARATIVE FIGURES

Certain of the 2002-03 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2003-04.

10. SALARY DISCLOSURE

The *Public Sector Salary Disclosure Act, 1996,* requires disclosure of Ontario Public Sector employees paid remuneration (e.g., salary, performance-based pay and severance) during the year in excess of $100,000. The amounts paid to such individuals in calendar year 2003 are listed below:

Name	Position	Remuneration Paid	Taxable Benefits
Charles Allain	Director (A), Debt Management	$ 157,648	$ 242
Ken Broadbent	Manager, Foreign Exchange	$ 124,957	$ 193
Joseph Campos	Director, Risk Control	$ 156,082	$ 259
Edmundo Castellanes	Manager, Risk Control Operations	$ 107,328	$ 181
Robert Coke	Director, Strategic & Operations Research	$ 118,586	$ 206
James Devine	Manager, Medium-Term Notes & Private Placements	$ 154,628	$ 242
Bryan Everitt	Manager, IT Bus. Sol. & Operations Res.	$ 107,654	$ 196
Michael Gourley	Vice-Chair & CEO, OFA (former)	$ 937,629	$ 13,628
Susan Guinn	Director, Retail Markets	$ 115,246	$ 207
Andrew Hainsworth	Manager, Funding	$ 155,363	$ 242
Douglas Harrington	Manager, Risk Control Financial Engineering	$ 101,531	$ 242
John Logie	Manager, Financial Engineering	$ 122,287	$ 192
Michael Manning	Executive Director (A), Capital Markets	$ 231,602	$ 338
Gadi Mayman	Vice-Chair & CEO, OFA (interim)	$ 231,602	$ 338
Christine Moszynski	Director, Capital Markets Treasury	$ 139,716	$ 230
Dermot Muir	Legal Counsel	$ 144,937	$ -
David Peters	Manager, Debt Management	$ 154,261	$ 242
Ken Russell	Legal Counsel	$ 158,369	$ 287
Corey Simpson	Director	$ 176,689	$ 309
Jeffery Telford	Manager, IT Infrastructure Management	$ 102,107	$ 191

ONTARIO HOUSING CORPORATION

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Ontario Housing Corporation have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to March 23, 2004

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Assistant Provincial Auditor. The Assistant Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

Toni Farley
General Manager
Ontario Housing Corporation

Office of the Provincial Auditor of Ontario

Auditor's Report

To the Ontario Housing Corporation
and to the Minister of Municipal Affairs and Housing

I have audited the statement of financial position of Ontario Housing Corporation as at December 31, 2003 and the statement of operations and accumulated deficit for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at December 31, 2003, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
March 19, 2004

J.R. McCarter, CA
Assistant Provincial Auditor

ONTARIO HOUSING CORPORATION
Statement of Financial Position
As at December 31, 2003

	2003	2002
	(thousands of dollars)	
ASSETS		
Cash	98,790	98,485
Investments in Properties (note 2)	31,531	34,618
Due from Province of Ontario	675	459
	130,996	**133,562**
Non-Profit Housing Fund (note 3)	1,360,523	1,360,434
	1,491,519	**1,493,996**
LIABILITIES		
Accounts Payable and Accrued Liabilities	67,076	68,547
Current Portion of Long-Term Debt	34,745	32,646
Long-Term Debt (note 4)	952,960	989,202
	1,054,781	**1,090,395**
Non-Profit Housing Fund (note 3)	1,360,523	1,360,434
CONTINGENT LIABILITIES (note 5)		
ACCUMULATED DEFICIT	(923,785)	(956,833)
	1,491,519	**1,493,996**

See accompanying notes to financial statements

On Behalf of the Board:

Director

General Manager

ONTARIO HOUSING CORPORATION
Statement of Operations and Accumulated Deficit
For the Year ending December 31, 2003

	2003	2002
	(thousands of dollars)	
Revenues:		
Subsidies from Province:		
- Debt Service Obligations	98,974	98,992
- Interest Differential, Non-Profit Housing Fund (note 3)	16,888	16,888
Interest Received from Student Housing	2,078	2,340
Total Revenues	**117,940**	**118,220**
Expenses:		
Debenture Interest:		
- Devolved Properties	64,462	66,551
- Student Housing	2,078	2,340
Interest Differential, Non-Profit Housing Fund (note 3)	16,888	16,888
Bursary Program	1,325	971
Miscellaneous	139	213
Total Expenses	**84,892**	**86,963**
Excess of revenues over expenses (note 6)	**33,048**	**31,257**
Return of Capital to Province	-	(26,073)
Accumulated Deficit, Beginning of Year	(956,833)	(962,017)
Accumulated Deficit, End of Year	**(923,785)**	**(956,833)**

See accompanying notes to financial statements

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2003

NATURE OF OPERATIONS

The Ontario Housing Corporation is an agency of the Ministry of Municipal Affairs and Housing and is continued under the *Ontario Housing Corporation Act* R.S.O. 1990 c.0.21.

Until December 31, 2000 the Corporation was the largest landlord in Ontario, owning approximately 84,000 public housing units. Under the *Social Housing Reform Act 2000* (SHRA), ownership of the public housing units was transferred, effective January 1, 2001, to Local Housing Corporations (LHCs) which are controlled by Municipal Services Managers. The *SHRA* required that the assets be transferred to the LHCs for no consideration, which resulted in a loss to the Corporation.

The Corporation retained its Investment in Student Housing and certain other assets. It also retained responsibility for administering the Corporation's debts, the Non-Profit Housing Fund, and contingent liabilities. The Corporation's debt service payments and other expenses are recovered from the Ministry of Municipal Affairs and Housing, in the form of subsidies.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principals. They reflect the Corporation's residual role which is primarily to service the federal and provincial debt related to the public housing assets that were transferred to Local Housing Corporations. Significant accounting policies followed by the Corporation are summarized below:

i. Subsidies from the province are accounted for as revenue, and revenue is recognized when expenses are incurred.

ii. The loss on the transfer of public housing units and other assets resulted in the Accumulated Deficit, which will be reduced each year by an amount equal to the portion of the subsidy from the province required to cover principal payments on the Corporation's long-term debt.

iii. A statement of cash flows has not been included in these financial statements because the information it would provide is readily apparent from the other financial statements and accompanying notes.

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2003

2. INVESTMENTS IN PROPERTIES

The Corporation's investments in properties are as follows:

	2003	2002
	(thousands of dollars)	
(a) Student Housing	30,377	33,426
(b) Provincial Housing	1,154	1,192
	31,531	34,618

(a) Student Housing

This investment represents funds advanced to universities and colleges to cover building costs for student accommodation projects. Each advance is associated with a specific long-term debt obligation of the Corporation and each educational institution makes semi-annual payments to the Corporation equal to the payments on the Corporation's corresponding long-term debt. When the debt is fully repaid, title to the properties will be transferred to the respective institutions. During 2003, one university repaid the advance on a project having an original cost of $2,862.

	2003	2002
	(thousands of dollars)	
Original Cost	44,877	47,739
Less: Accumulated Capital Repayments	14,500	14,313
	30,377	33,426

(b) Provincial Housing

All properties have been transferred to municipal LHCs except one for which certain legal issues have not been resolved. The funds advanced to cover the cost of this project are associated with a specific long-term debt obligation of the Corporation and the Corporation receives a subsidy from the Province equal to the annual payment on this debt.

	2003	2002
	(thousands of dollars)	
Original Cost	1,262	1,262
Less: Accumulated Capital Repayments	108	70
	1,154	1,192

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2003

3. NON-PROFIT HOUSING FUND

The Province of Ontario authorized the Corporation to borrow funds from the Canada Pension Plan Investment Fund and loan the funds as mortgages to non-profit housing corporations and universities and colleges to build, acquire or lease housing units. The CPP funds were borrowed from 1989 to 1992 and are repayable 20 years from the date of issuance of the debentures. Interest is payable semi-annually at various rates based on individual debentures – weighted average rate of 10.3%.

The majority of the CPP funds were initially loaned to non-profit housing corporations. However, during the 1993-2000 period these loans were refinanced in the private sector and, because the debentures could not be repaid ahead of their maturity dates, the funds were loaned to the Province.

As of December 31, 2003 the Fund consisted of:

	2003	2002
	(thousands of dollars)	
Assets		
Cash	3,900	3,811
Loans to Province of Ontario	1,157,212	1,157,212
Mortgages to Universities and Colleges	166,128	166,128
Interest Receivable	33,283	33,283
	1,360,523	1,360,434
Liabilities and Fund Balance		
Canada Pension Plan Investment Fund	1,323,340	1,323,340
Interest Payable	33,283	33,283
Fund Balance	3,900	3,811
	1,360,523	1,360,434

The interest rates on the mortgages to universities and colleges are the same as those payable on the Corporation's corresponding debentures. However, the interest rates on the loans to the Province reflect the lower rates in effect at the time they were made and thus the interest payments are not sufficient to service the debentures. The Corporation receives an interest differential subsidy from the Ministry of Municipal Affairs and Housing to cover the shortfall.

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2003

Details of the transactions related to the fund balance are as follows:

	2003	2002
	(thousands of dollars)	
Balance – Beginning of Year	3,811	3,743
Interest Earned – Loans, Mortgages, Bank	119,178	119,157
Interest Differential Subsidy from the Ministry of Municipal Affairs and Housing	16,888	16,888
Interest Paid on CPP Debentures	(135,977)	(135,977)
Balance – End of Year	3,900	3,811

4. LONG TERM DEBT

Long term debt is comprised of the following:

	2003	2002
	(thousands of dollars)	
Canada Mortgage and Housing Corporation	881,544	911,935
Loans Repayable to Province	106,161	109,913
	987,705	1,021,848
Less: Current Portion	34,745	32,646
	952,960	989,202

The Corporation borrowed funds from the Canada Mortgage and Housing Corporation (CMHC) and received capital funds from the Province of Ontario to finance investments in real property – now devolved to Local Housing Corporations. The capital funds provided by the Province, which had previously been included in Contributed Surplus, have been reclassified as Loans Repayable to Province, with interest and principal payments being made to the Minister of Finance. The interest expense is included in the Statement of Operations and Accumulated Deficit and is off-set by the subsidy from the Ministry of Municipal Affairs and Housing.

Interest on both the CMHC debt and the Loans Repayable to Province is payable at various rates based on individual agreements – the weighted average rates are 6.8% and 7.1% respectively (2002 – 6.8% and 7.1% respectively). Interest expense for the year totaled $66.5 million (2002 – $68.9), $7.6 million (2002 – $7.9) of which was paid to the Province.

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2003

Scheduled payments of principal and interest over the next five years are as follows:

	CMHC Debentures	Loans Repayable to Province	Total
		thousands of dollars	
2004	90,999	11,357	102,356
2005	90,967	11,348	102,315
2006	90,863	11,316	102,179
2007	90,743	11,290	102,033
2008	90,664	11,269	101,933

5. CONTINGENT LIABILITIES

The Corporation previously entered into loan insurance agreements with CMHC pertaining to mortgage loans on projects funded under various provincially-funded non-profit housing programs administered by the Ministry. Under these agreements, CMHC has insured mortgage loans made by lenders approved under the National Housing Act for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environment liabilities, incurred as a result of loan defaults on projects funded by the Province. The Ministry of Municipal Affairs and Housing will reimburse any costs incurred by the Corporation. As of December 31, 2003, there were $4.95 billion of mortgage loans outstanding on provincially funded projects. To date, there have been no claims for defaults on the insured mortgage loans.

The Corporation is a defendant in a legal suit. It is not possible to predict the cost to the Corporation, if any, of the resolution of the dispute.

6. EXCESS OF REVENUES OVER EXPENSES

The subsidies from the Province include amounts intended to cover the interest and principal payments on the Corporation's long-term debt. The interest is included in the Corporation's expenses and the excess of revenues over expenses represents the principal payments.

7. ADMINISTRATIVE EXPENSES

The Ministry of Municipal Affairs and Housing provides administrative services to the Corporation at no charge.

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2003

8. DETERMINATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Corporation's financial instruments, as explained below, are based on relevant market prices and information available at December 31, 2003. The fair value estimates are not necessarily indicative of the amounts that the Corporation might receive or incur in actual market transactions. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value of the amount due from the Province of Ontario and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these items.

The fair value of CMHC debentures is based on the future cash flows associated with each instrument discounted using an interest rate based on debt instruments with similar characteristics. At December 31, 2003, the aggregate fair value of the CMHC debentures was more than their aggregate book values by $114.2 million (2002 – $53.9 million).

Since the Corporation is controlled by the Province of Ontario, the fair value of loans repayable to province ($106.2 million at December 31, 2003) has not been calculated.

ONTARIO IMMIGRANT INVESTOR CORPORATION (OIIC)

Responsibility for Financial Accounting

Management and the Board of Directors are responsible for the financial statements presented. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The preparation of financial statements necessarily involves the use of estimates based on management's judgement.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

These financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditor's Report, which appears on the following page, outlines the scope of the Provincial Auditor's examination and his opinion.

On behalf of management

Robert Séguin
President

Diane Frith
Chief Financial Officer

Ontario Immigrant Investor Corporation

Office of the Provincial Auditor of Ontario

AUDI ALTERAM PARTEM

Auditor's Report

To the Ontario Immigrant Investor Corporation
and to the Minister of Economic Development and Trade

I have audited the balance sheet of the Ontario Immigrant Investor Corporation as at March 31, 2004 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
August 13, 2004

Gary R. Peall, CA
Acting Assistant Provincial Auditor

ONTARIO IMMIGRANT INVESTOR CORPORATION

Balance Sheet
As at March 31, 2004

	2004 $	2003 $
ASSETS		
Cash	28,365	1,666
Accounts receivable	1,751,339	2,049,020
Investments (Note 3)	65,173,105	42,450,659
Deferred commission charges (Note 5)	2,169,013	1,416,493
	69,121,822	45,917,838
LIABILITIES AND RETAINED EARNINGS		
Liabilities		
Accounts payable	125,105	230,294
Repayable Provincial Allocations (Note 4)	66,198,388	44,468,179
	66,323,493	44,698,473
Retained Earnings	2,798,329	1,219,365
	69,121,822	45,917,838

See accompanying notes to financial statements.

Approved on behalf of the Board:

Vice Chair

Director

ONTARIO IMMIGRANT INVESTOR CORPORATION

Statement of Operations and Retained Earnings
For the Year Ended March 31, 2004

	2004 $	2003 $
Revenue		
Interest income	2,388,869	1,090,469
Expenses (Note 6)		
Amortization of deferred commission charges (Note 5)	684,639	397,208
Less recovery of deferred commission charges expensed (Note 5)	—	(3,076)
Investment management fee (Note 3)	125,266	25,740
	809,905	419,872
Net Income	1,578,964	670,597
Retained earnings, beginning of year	1,219,365	548,768
Retained earnings, end of year	2,798,329	1,219,365

See accompanying notes to financial statements.

ONTARIO IMMIGRANT INVESTOR CORPORATION

Statement of Cash Flows
For the Year Ended March 31, 2004

	2004 $	2003 $
Cash provided by (used in) operating activities		
Net income	1,578,964	670,597
Changes in non-cash items related to operations		
Accounts receivable	297,681	(2,049,020)
Deferred commission charges	(752,520)	(714,843)
Accounts payable	(105,189)	230,294
	1,018,936	(1,862,972)
Cash (used in) provided by investing and financing activities		
Investments	(22,722,446)	(42,450,659)
Repayable provincial allocations	21,730,209	16,644,626
	(992,237)	(25,806,033)
Net (decrease) increase in cash	26,699	(27,669,005)
Cash, beginning of year	1,666	27,670,671
Cash, end of year	28,365	1,666

See accompanying notes to financial statements.

ONTARIO IMMIGRANT INVESTOR CORPORATION

Notes to Financial Statements
March 31, 2004

1. NATURE OF CORPORATION

The Ontario Immigrant Investor Corporation was established as a corporation without share capital on April 30, 1999 pursuant to Ontario Regulation 279/99 made under the *Development Corporations Act.*

The Corporation was established in order to participate in a revised federal Immigrant Investor Program (IIP). Under the new IIP, each participating province is required to establish a vehicle to receive and invest immigrant investor dollars for the purposes of creating or continuing employment in Canada in order to foster the development of a strong and viable economy. Each participating province, in turn, guarantees immigrant investors that their investment will be repaid after five years with no interest.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting
The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(b) Investments
Investments are stated at cost. For those investments purchased at a discount, the costs are adjusted for the accrued interest earned.

(c) Use of Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Financial Instruments
The carrying amount of cash, accounts receivable and accounts payable approximates fair value due to the short-term maturities of these instruments. The carrying values of investments and of repayable provincial allocations also approximate their fair value due to the nature of these instruments. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.

3. INVESTMENTS

Investments are comprised of fixed income securities issued by the Province of Ontario, maturing between one to five years, with yields ranging from 2.18% to 5.42%.

The investment portfolio is managed by the Ontario Financing Authority (OFA) in accordance to the terms and conditions set out in an agreement signed between the OFA, the Corporation and the Province. The OFA receives an investment management fee for performing these services.

ONTARIO IMMIGRANT INVESTOR CORPORATION

Notes to Financial Statements
March 31, 2004

4. REPAYABLE PROVINCIAL ALLOCATIONS

The Corporation incurs long-term obligations from funds received under the federal Immigrant Investor Program in accordance with the terms and conditions set out in an agreement signed in June 1999 between the federal Minister of Citizenship and Immigration and the Corporation. The agreement states that the federal Minister, as agent of the Corporation, receives funds from immigrant investors and transfers Ontario's share of the funds (Provincial Allocation) to the Corporation. The Corporation will repay any Provincial Allocations received without interest at expiry of the Allocation Period, being five years from the date the Provincial Allocation was originally received. An investor's application for permanent residence may be withdrawn by the Investor or denied by the federal government. If this happens, the Provincial Allocation pertaining to the Investor is due and repayable by the Corporation within 90 days of written notification from the investor for repayment. Funds received pertaining to applications still being processed by the federal government are also considered repayable within 90 days.

Pursuant to Order-in-Council 1243/99, the Province guarantees the repayment of the Provincial Allocations when due. The repayment schedule on Provincial Allocations is as follows:

	$
Due 90 days on request	1,384,298
Due fiscal year 2005	1,790,802
Due fiscal year 2006	6,611,937
Due fiscal year 2007	18,682,698
Due fiscal year 2008	16,942,842
Due fiscal year 2009	20,785,811
	66,198,388

5. DEFERRED COMMISSION CHARGES

Commencing in fiscal 2002, the Corporation paid a commission to the intermediaries for introducing new immigrant investors who successfully apply for permanent residence in Ontario under the federal Immigrant Investor program. The commission is amortized to expense on a straight-line basis over the same period as the related Repayable Provincial Allocations, which is normally five years. Amortization begins in the fiscal year when the allocation related to the commission is received. The deferred charges represent the unamortized balance of the commissions. If the application for permanent residence is withdrawn by the immigrant investor or denied by the federal government, the Corporation recovers the commission in the year when this occurs, by reducing the amortization expense by the amount the commission already amortized together with the related unamortized balance.

	$
Balance, beginning of year	1,416,493
Commissions paid	1,437,159
Amortization	(684,639)
Balance, end of year	2,169,013

ONTARIO IMMIGRANT INVESTOR CORPORATION

Notes to Financial Statements
March 31, 2004

---

6. EXPENSES

Administrative support including accommodation, financial, legal and human resource services are provided by the Ministry of Economic Development and Trade without charge.

ONTARIO MUNICIPAL ECONOMIC INFRASTRUCTURE FINANCING AUTHORITY (OMEIFA)

Responsibility for Financial Accounting

The accompanying consolidated financial statements of OMEIFA have been prepared in accordance with accounting principles recommended for governments by CICA and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. Management Board Secretariat's Internal Audit Services, which provide audit services to the Ministry of Finance, independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the audit committee of the board of directors.

The board of directors, through the audit committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The audit committee meets periodically with management, the internal auditors and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the board of directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with accounting principles recommended for governments by CICA. The Auditor's Report, which appears on the following page, outlines the scope of the Provincial Auditor's examination and his opinion.

On behalf of management,

Bill Ralph	Gregg Smyth
Chief Executive Officer	Vice-President and Chief Financial Officer

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

AUDI ALTERAM PARTEM

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Municipal Economic Infrastructure Financing Authority
and to the Minister of Finance

I have audited the balance sheet of the Ontario Municipal Economic Infrastructure Financing Authority as at March 31, 2004, and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Authority'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 Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles recommended for governments by the Canadian Institute of Chartered Accountants.

Toronto, Ontario
June 4, 2004

J.R. McCarter, CA
Assistant Provincial Auditor

BALANCE SHEET
As at March 31, 2004

(in thousands of dollars)

ASSETS		
Current assets		
Cash	$	290
Interest receivable		1,972
Short term investments		1,302,976
Total current assets		1,305,238
Non-current assets		
Loans receivable from municipalities (Note 2)		133,998
Debt issue costs (Note 3)		1,383
Capital assets (Note 4)		166
Total non-current assets		135,547
Total assets	**$**	1,440,785
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	$	1,232
Interest payable (Note 6)		5,829
Total current liabilities		7,061
Long-term debt		
Ontario Opportunity Bonds (Note 7)		323,404
Due to the Ontario Clean Water Agency (Note 8)		120,000
Due to the Province of Ontario (Note 9)		1,000,000
Total long-term debt		1,443,404
Total liabilities		1,450,465
Deficit		(9,680)
Total liabilities and deficit	$	1,440,785

See accompanying notes to financial statements

Approved on behalf of the Board of Directors:

Colin Andersen
Chair

Bill Ralph
Chief Executive Officer

STATEMENT OF OPERATIONS AND DEFICIT
For the year ended March 31, 2004

(in thousands of dollars)

REVENUE	
Interest revenue	$ 39,323
Total revenue	39,323
EXPENSES	
Interest Expense	
To the Province of Ontario	27,575
On the Ontario Opportunity Bonds	12,447
To the Ontario Clean Water Agency	3,317
Sales and marketing	1,995
Salaries, wages and benefits	1,760
Administrative and general	1,570
Amortization of debt issue costs	306
Amortization of capital assets	33
Total expenses	49,003
Loss from Operations	9,680
Deficit, beginning of the year	-
Deficit, end of the year	**$** 9,680

See accompanying notes to financial statements

STATEMENT OF CASHFLOWS
For the year ended March 31, 2004

(in thousands of dollars)

Cash flows from operating activities		
Loss from operations	$	(9,680)
Adjustments for items not affecting cash:		
Amortization of capital assets		33
Amortization of debt issue costs		306
Net increase in working capital		(1,297,887)
Cash flows used in operating activities		(1,307,228)
Cash flows from financing activities		
Proceeds of sale of Ontario Opportunity Bonds		323,404
Proceeds of loan from the Ontario Clean Water Agency		120,000
Proceeds of loan from the Province of Ontario		1,000,000
Issue of loans to municipalities		(133,998)
Debt issue costs		(1,689)
Cash flows from financing activities		1,307,717
Cash flows from investing activities		
Acquisition of capital assets		(199)
Cash flows used in investing activities		(199)
Net increase in cash		290
Cash, beginning of the year		**-**
Cash, end of the year	$	**290**

See accompanying notes to financial statements

Notes to Financial Statements

For the year ended March 31, 2004

(tabular amounts are in thousands of dollars)

BACKGROUND

The Ontario Municipal Economic Infrastructure Financing Authority (the “OMEIFA”) was established on August 19, 2002 under the *Corporations Act* and continued by the *Ontario Municipal Economic Infrastructure Financing Authority Act, 2002*, (the "Act") as a Crown corporation without share capital. The OMEIFA commenced operations in April 2003.

In accordance with the Act, the OMEIFA's objects are:
- to substantially reduce infrastructure financing costs for municipalities and for other public bodies as may be specified by legislation;
1. to obtain funding for its activities; and
- to undertake any additional objects as directed by the Lieutenant Governor in Council.

As a Crown corporation, OMEIFA is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* of Canada.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as recommended in the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the CICA Handbook for private sector corporations in Canada.

Loans receivable
Loans with concessionary terms are discounted using OMEIFA’s average cost of borrowing to determine the present value of the loan. The difference between the face value of the loan and its present value is in substance, a grant.

Loans with significant concessionary terms are recorded at face value discounted by the amount of the grant portion. The grant portion is recognized as an expense at the date of issuance of the loan and amortized to revenue over the term of the loan. Loans with non-significant concessionary terms are recorded at face value. OMEIFA has adopted a policy whereby if the value of the concession is greater than 25% of the total loan, then the loan will be considered to have significant concessionary terms.

Loans receivable are stated at their estimated net realizable value.

Measurement uncertainty
The preparation of the financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from these estimates.

Revenue recognition
Revenues are recognized in the fiscal year that the events to which they relate occurred.

Short-term investments
Short-term investments include money market securities with maturities of less than twelve months. As at

March 31, 2004 the interest rates ranged from 2.06% to 2.69% on these money market securities. The short term investments are recorded at cost, which approximates market.

Debt issue costs

Debt issue costs are incurred on the sale of Ontario Opportunity Bonds. These costs are amortized over the life of the bond issue.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and half-year in the year of disposal. The estimated useful lives of the assets are as follows:

Computer equipment	3 years

2. LOANS RECEIVABLE FROM MUNICIPALITIES

For the year ended March 31, 2004, no loans with significant concessionary terms have been advanced. The loans receivable of $134 million represent construction loans made through the year and are recorded at face value. The interest rate on these construction loans, which is one half of the average of Prime and 30 day Bankers' Acceptances, ranged from 1.45% to 1.82% during the year.

3. DEBT ISSUE COSTS

	Cost	Accumulated Amortization	Net Book Value March 31, 2004
Debt issue costs	1,689	306	1,383
Total	**$ 1,689**	**$ 306**	**$ 1,383**

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value March 31, 2004
Computer equipment	199	33	166
Total	**$ 199**	**$ 33**	**$ 166**

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Trade payables and accrued liabilities	$ 10
Due to Ontario Financing Authority - Administrative Services	445
- OMEIFA Operating Costs	777
Total	$ 1,232

6. INTEREST PAYABLE

Ontario Opportunity Bonds accrued interest	$	5,574
Ontario Clean Water Agency accrued interest		255
Province of Ontario accrued interest		-
Total	$	5,829

7. ONTARIO OPPORTUNITY BONDS

Bond Issue	Interest rate %	Maturity Date	Amount outstanding as at March 31, 2004 Principal	Accrued Interest
Series 2003-1	4.25	May 6, 2008	$ 323,404	$ 5,574
			$ 323,404	$ 5,574

8. DUE TO THE ONTARIO CLEAN WATER AGENCY

The Ontario Clean Water Agency ("OCWA") is a related party and has provided a twenty-year loan of $120 million to the OMEIFA in exchange for a promissory note which matures on March 1, 2023. The interest on the note is paid quarterly, with the interest rate set at four basis points below the average one month Certificate of Deposit Overnight Rate.

9. DUE TO THE PROVINCE OF ONTARIO

The Province of Ontario has provided the OMEIFA with a fifty-year loan of $1 billion in exchange for a promissory note which matures on March 31, 2053. The interest on the note is reset quarterly and payable quarterly at the Province's three-month treasury bill rate.

10. RELATED PARTY TRANSACTIONS

In addition to the loans from OCWA and the Province of Ontario, OMEIFA receives administrative services from the Ontario Financing Authority ("the OFA") on a fee for service basis. For the year ended March 31, 2004, services in the amount of $1,076,466 have been received from the OFA and $444,813 is due to the OFA and is included in accounts payable and accrued liabilities. Also, during the year ended March 31, 2004, OMEIFA has provided overnight loans to the Province of Ontario, which earned total interest revenues of $37,513. There were no overnight loans to the Province outstanding as at March 31, 2004.

11. FUTURE EMPLOYEE BENEFITS

The OMEIFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit plan established by the Province of Ontario. The cost of the pension plan is paid by Management Board Secretariat and is not included in the financial statements. In addition, the cost of post-retirement, non-pension employee benefits is also paid by Management Board Secretariat and is not included in the financial statements.

12. FINANCIAL INSTRUMENTS

The carrying amounts for cash, interest receivable, short-term investments, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

13. CONTINGENCIES AND GUARANTEES

The OMEIFA, in the ordinary course and conduct of its business, may be exposed to various legal proceedings. At March 31, 2004, the OMEIFA was not aware of any such proceedings in process.

14. COMMITMENTS

On August 18, 2003, the Minister of Finance announced that 88 communities will be eligible for $1 billion in low-interest loans to strengthen local communities. As at March 31, 2004, loans in the amount of $134 million have been issued to thirty one municipalities.

15. ECONOMIC DEPENDENCE

The OMEIFA is dependent on the Province of Ontario for the provision of funds to generate interest and investment income which is used to support the concessions provided to municipalities and to recover operating expenses. In addition, the OMEIFA issues Ontario Opportunity Bonds which are exempt from taxation by the Province of Ontario. Based on the Province's support in providing a fifty-year loan to the OMEIFA and providing a tax exemption for Ontario Opportunity Bonds, the OMEIFA is considered a going concern.

16. SALARY DISCLOSURE

The Public Sector Salary Disclosure Act, 1996, requires disclosure of Ontario Public Sector employees paid remuneration (e.g. salary, performance-based pay and severance) during the year in excess of $100,000. The amounts paid to such individuals in calendar 2003 are listed below:

Name	Position	Remuneration Paid	Taxable Benefits
Bill Ralph	Chief Executive Officer	$ 158,670	$ 256
Gregg Smyth	VP, Community Finance & CFO	$ 115,429	$ 211
Susan McGovern	VP, Community Relations & Communications	$ 109,819	$ 191

17. SUBSEQUENT EVENT DISCLOSURE

On May 18, 2004 the Minister of Finance announced the creation of the Ontario Strategic Infrastructure Financing Authority (OSIFA) in the 2004 Ontario Budget. OSIFA replaces OMEIFA and assumes all of OMEIFA's assets and liabilities, including commitments made under the 2003-04 municipal loan program and the Series 2003-1 Ontario Opportunity Bond program.

OSIFA has been established by regulation under the Act. The regulation changes the name of the Authority to OSIFA. OMEIFA's Board of Directors will continue to serve as the Board of Directors for OSIFA.

OSIFA will develop and implement an infrastructure renewal loan program that provides efficient and affordable financing to meet critical municipal, health, education and housing infrastructure priorities. OSIFA will fund this program by offering a new financial instrument called Infrastructure Renewal Bonds.

Ontario Place Corporation

responsibility for financial reporting

The management of Ontario Place Corporation is responsible for the integrity and fair presentation of the financial statements accompanying this report. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Ontario Place maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable, the company assets and liabilities are adequately accounted for, and assets are safeguarded.

The financial statements have been reviewed by Ontario Place's Audit Committee and have been approved by its Board of Directors. In addition, the financial statements have been audited by the Provincial Auditor, whose responsibility it is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report that appears as part of the financial statements outline the scope of the Auditor's examination and opinion.

Glenn Dobbin	Marsha O'Connor
General Manager	Senior Manager, Finance & Administration

Office of the Provincial Auditor of Ontario

AUDI ALTERAM PARTEM

auditor's report

To Ontario Place Corporation
and to the Minister of Tourism and Recreation

I have audited the balance sheet of Ontario Place Corporation as at December 31, 2003 and the statements of operations and equity, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Ontario Place'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 Ontario Place as at December 31, 2003, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles..

Gary R. Peall, CA
Acting Assistant Provincial Auditor
Toronto, Ontario
May 21, 2004

financial statements

Balance Sheet as at December 31, 2003

	2003 ($000's)	2002 ($000's)
Assets		
Current		
Cash (Note 9)	1,712	2,406
Accounts receivable	973	531
Inventory	3	12
Prepaid expenses	40	152
	2,728	3,101
Capital Assets (Note 3)	114,533	113,816
	117,261	116,917
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	2,305	1,683
Due to the Province of Ontario	1,434	59
Deferred revenue	216	267
	3,955	2,009
Deferred Capital Contributions (Note 4)	13,424	11,999
Unspent Deferred Capital Contributions (Note 4)	—	190
	13,424	12,189
Equity		
Invested in capital assets (Note 6)	101,109	101,817
Retained income (deficit)	(1,227)	902
	99,882	102,719
	117,261	116,917

Commitments and contingencies (Note 8, 9)

See accompanying schedules and notes to financial statements.

Approved on behalf of the Corporation.

Director

Director

financial statements

Statement of Operations and Equity
For the year ended December 31, 2003

	2003 ($000's)	2002 ($000's)
Operating revenue (Schedule 1)	10,941	12,674
Administrative and operating expenses (Schedule 2)	14,279	14,515
Operating deficit before the following	(3,338)	(1,841)
Province of Ontario operating grants	1,209	3,028
Amortization of deferred capital contributions	1,575	1,657
Amortization of capital assets	(2,283)	(2,377)
	501	2,308
Net income/(loss) for the year	(2,837)	467
Equity, beginning of year	102,719	102,252
Equity, end of year	99,882	102,719

financial statements

Statement of Changes in Equity
For the year ended December 31, 2003

	2003 ($000's)			2002 ($000's)
	Invested In Capital Assets	Retained Income (Deficit)	Total	Total
Beginning of year	101,817	902	102,719	102,252
Net Income/(loss)	(708)	(2,129)	(2,837)	467
Balance, end of year	101,109	(1,227)	99,882	102,719

See accompanying schedules and notes to financial statements.

financial statements

Statement of Cash Flows
For the year ended December 31, 2003

	2003 ($000's)	2002 ($000's)
Operating Activities		
Net income (loss) for the year	(2,837)	467
Adjustments against net income not requiring an outlay of cash		
▪ amortization of capital assets	2,283	2,377
▪ amortization of deferred capital contributions	(1,575)	(1,657)
Net change in non-cash working capital	1,625	720
Cash generated from (used in) operating activities	(504)	1,907
Investing Activities		
Capital assets acquisitions - net	(3,000)	(1,798)
Cash used in investing activities	(3,000)	(1,798)
Financing Activities		
Capital Grants Received	2,810	1,561
Transfer of funds to Parks Canada (Note 5)	—	(250)
	2,810	1,311
Increase/(decrease) in cash during the year	(694)	1,420
Cash, beginning of year	2,406	986
Cash, end of year	1,712	2,406

See accompanying schedules and notes to financial statements.

financial statements

Schedules of Operating Revenue and Administrative and Operating Expenses
For the year ended December 31, 2003

Schedule 1 **Operating Revenue**	**2003** **($000's)**	**2002** **($000's)**
Admissions	5,331	6,043
Parking	1,612	1,876
Concessions and catering	1,294	1,524
Marina	758	811
Cinesphere revenues	563	679
Sponsorship revenue	480	392
Interest income	60	55
Amphitheatre	632	820
Other revenue	211	474
	10,941	12,674

Schedule 2

Administrative and Operating Expenses

Salaries and wages	6,020	5,982
Employee benefits (Note 7)	754	749
Advertising	1,670	1,629
Programming and entertainment	1,568	1,534
Site maintenance	791	973
General and administration (Note 9)	1,020	625
Supplies	676	794
Utilities	784	1,076
Janitorial	404	467
Sponsorship	—	11
Transportation and communication	285	302
Professional consulting	142	178
Other	165	195
	14,279	14,515

See accompanying notes to financial statements.

notes to financial statements December 31, 2003

1. Nature of Operation

Ontario Place Corporation, (the “Corporation” or “Ontario Place”) a provincial Crown agency, operates a park built on a 96-acre site extending through three islands created using landfill along the Toronto waterfront. The park includes a wide variety of programs, attractions and facilities which capture the spirit of Ontario by featuring distinctive and quality attractions for all ages. The site is intended to provide visitors with an appreciation of the Province’s resources and accomplishments.

The fees charged for admission and the various attractions within the park are subject to approval by the Province of Ontario (the “Province”). The Province also provides grants to partially cover the costs of activities, programs and rejuvenation of the park.

In addition to the various attractions and activities operated directly by Ontario Place, the Corporation entered into a number of license, ground lease and special event agreements with various private-sector companies for the 2003 season.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial statements are the representations of management prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventory

Supplies inventory is valued at cost.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets as indicated below:

Buildings	25 years
Attractions	10 years
Equipment, fixtures	10 years
Computer equipment	4 years

(d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles require that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

notes to financial statements December 31, 2003

3. Capital Assets

Capital assets consists of the following:

	2003			2002
	Cost ($000's)	Accumulated Amortization ($000's)	Net Book Value ($000's)	Net Book Value ($000's)
Land, waterlots	101,660	—	101,660	101,660
Buildings	6,753	2,322	4,431	4,490
Attractions	11,233	5,518	5,715	4,126
Equipment, fixtures	7,052	4,412	2,640	3,357
Computer equipment	346	259	87	183
	127,044	12,511	114,533	113,816

4. Deferred Capital Contributions

Deferred capital contributions represent the amount of restricted grants received for the purchase of depreciable capital assets. Purchased assets have been capitalized and the corresponding grant has been deferred and will be amortized into income on the same basis that the assets are amortized. The changes in the deferred capital contributions balance are as follows:

	2003 ($000's)	2002 ($000's)
Balance, beginning of year	12,189	12,535
Amount amortized to revenue	(1,575)	(1,657)
Capital grants received	2,810	1,561
Transfer to Parks Canada (Note 5)	—	(250)
Balance, end of year	13,424	12,189

5. Sale of H.M.C.S. Haida to Parks Canada

In October 2002, the Corporation and the Ministry of Tourism and Recreation sold the H.M.C.S. Haida and its associated items and artifacts to Parks Canada for $1. As part of this transaction, the Corporation received a capital grant of $700,000. The Corporation paid $250,000 of the grant to Parks Canada as the Corporation's contribution to offset Parks Canada's costs of cutting a channel to allow for the removal of the Haida. The balance of the capital grant was used to restore the site to its original state and for other capital improvements.

notes to financial statements December 31, 2003

6. Invested in Capital Assets

The invested in capital assets balance represents the net amount of the Corporation's investment in capital assets less the deferred capital contribution balance at year end.

7. Employee Benefits

(a) Pension Benefits

The Corporation provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multi-employer plans established by the Province of Ontario. These plans are accounted for as defined contributions plans as the Corporation is not provided with sufficient information to apply defined benefit accounting to these pension plans. Accordingly, the Corporation's share of contributions related to the PSPF and OPSEU pension funds for the year was $116,257 (2002 - $69,071) and is included in employee benefits in the Schedule of Administrative and Operating Expenses.

(b) Non-Pension Benefits

The costs of post-retirement non-pension employee benefits are paid by the Management Board Secretariat and are not included in the statement of operations and equity. Legislated severance payments are accrued for upon retirement or departure of eligible employees.

8. Lease Commitments

Minimum lease payments for equipment rental and license fees are $34,748 for 2004 and $22,550 for 2005.

9. Contingent Liability for Property Taxes

The Corporation believes, and had received a legal opinion in 1997 stating that it has no legal obligation to pay grants in lieu of property taxes relating to Ontario Place. As a result, in fiscal 1996/97, the Board of Directors of the Corporation passed a resolution declaring that, commencing with the 1996 taxation year, the Corporation will not make any payment or record any charges for property taxes or grants in lieu of property taxes with respect to those portions of Ontario Place property not occupied by tenants. The Corporation advised the then Ministry of Economic Development, Trade and Tourism, and the Ministry of Municipal Affairs and Housing of the Board's decision.

notes to financial statements December 31, 2003

9. Contingent Liability for Property Taxes (Continued)

Pertinent information with respects to property taxes recorded for the last three years is as follows:

Year	Property Tax Billed to Concessionaires	Corporation's Recognized Property Tax Liability for Premises Occupied by Concessionaires	Total Accrued Liability	Received from Concessionaires	Paid to the City of Toronto	Refund Received from the City of Toronto
2001	419,224	—	419,224	365,629	429,028	466,782
2002	288,943	—	288,943	258,483	—	—
2003	329,687	331,000	660,687	264,629	—	—
Total	1,037,854	331,000	1,368,854*	888,741**	429,028	466,782

* the amount of $1,368,854 is included in the Corporation's year end balance for account payable and accrued liabilities.

** the amount of $888,741 is included in the Corporation's year end cash balance and in effect is being held in trust for the City of Toronto.

The Corporation did not receive a property tax bill from the City of Toronto in 2001 and 2002. In June 2003, the Corporation received a property tax bill as follows:

a) $2,195,165 for the years 2001, 2002 and 2003 for the taxable portion of property occupied by tenants.
b) $4,704,547 for 2001, 2002 and 2003 for the grants in lieu of taxes for property occupied by the Corporation.

The amounts billed in June 2003 in excess of the property taxes already recorded as disclosed in the above table are in dispute with the City of Toronto and therefore are not reflected in the Corporation's financial statements. It is the position of the Corporation that it will pay to the City of Toronto any funds it has already received from concessionaires, as well as the $331,000 accrued by the Corporation in 2003 for premises occupied by concessionaires, but that it is not liable for any excess amounts. If it is determined that the Corporation must pay any excess amounts to the City, the Corporation will seek an additional grant from the Province to cover this payment. The Corporation has no ability to fund grants in lieu of taxes from existing operations.

10. Comparative figures

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

background

Organization

Inaugurated as a Crown Corporation of the Government of Ontario in May 1971, Ontario Place is administered by a 13 member Board of Directors reporting to the Minister of Tourism and Recreation. Officers of the Corporation are: The Chair and Vice-Chair of the Board, the General Manager and the Secretary/Treasurer.

Personnel

Corporate staff levels for the peak operating season, year ending December 31, 2003:

- Ontario Place employed 64 full-time staff during the park's peak operating season, 2 seasonal staff and approximately 420 students, recruited primarily from Ontario Colleges and Universities.
- On-site Concessions provided additional employment for approximately 463 staff.

employees that were paid $100,000 or more in 2003

Glenn Dobbin, General Manager, $134,562.23
Marsha O'Connor, Senior Manager, Finance & Administration, $107,302.30
Tom Chrzan, Assistant General Manager, $105,210.74

Prepared in accordance with the Public Sector Salary Disclosure Act, 1996.

major park features

The 38-hectare (96-acre) parkland complex extends through three islands and was created using lake fill. The major features include:

East Island

The Molson Amphitheater (9,000 seats and 7,000 general admission lawn seating); Children's Festival Stage (400 seats); Soak City water park; Mini Bumper Boats; Mini-Greens; Whiz Kids Mini Racers; First Flight; Freefall; Cyclone Speedway; Pre-School Kids Play; Super Slide; Water Shuttle; 8 snack bars; 3 gift shops and public parking (capacity of 300 cars and buses).

Pods

Cinesphere (a 752 seat IMAX® theatre); Atlantis entertainment complex and 3,100 square metres of space for themed exhibits.

West Island

Wilderness Adventure Ride; Mars (30 seat) motion simulator ride; The Go Zone; OP Driving School; Mega Maze; Cool Hoops; Bumper Boats; Japanese Temple Bell; Pedal Boats; 1 sit-down restaurant; 4 snack bars, 1 gift shop and a 300 slip marina.

Mainland

Public parking (capacity of 1,800 cars); 60-slip marina.

Ontario Realty Corporation Société immobilière de l'Ontario

ONTARIO REALTY CORPORATION

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Ontario Realty Corporation have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 14, 2004.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Assistant Provincial Auditor. The Assistant Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

Peter Oakes
Chief Financial Officer & Treasurer
June 14, 2004

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

AUDI ALTERAM PARTEM

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 2004 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 14, 2004

G. R. Peall

Gary R. Peall, CA
Acting Assistant Provincial Auditor

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

BALANCE SHEET

As at March 31	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 33,600	$ 15,409
Prepaid expenses	301	443
Accounts receivable (note 6)	2,703	13,711
Future recoveries from Management Board Secretariat (note 2)	770	2,000
	37,374	31,563
Capital assets (note 3)	4,349	1,967
	$ 41,723	$ 33,530
LIABILITIES AND RETAINED EARNINGS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 9,222	$ 9,390
Provision for severance costs (note 2)	3,202	2,000
Current portion of capital lease obligations (note 4b)	533	461
	12,957	11,851
Capital lease obligations (note 4b)	254	430
RETAINED EARNINGS	28,512	21,249
	$ 41,723	$ 33,530

Contingencies (note 5)
See Notes to Financial Statements
On behalf of the Board:

Acting Chair of Board: Michael Fenn

Chair of Audit Sub-committee: Malcolm Heins

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

Year Ended March 31		2004		2003
REVENUES				
Management fees (note 6)	$	31,482	$	30,431
Expense reimbursement - in lieu of fees (note 6)		13,938		12,938
Direct recoverable costs (note 6)		7,315		5,508
Bank interest and other income		692		414
	$	53,427	$	49,291
EXPENSES				
Salaries and benefits (note 2)	$	29,914	$	26,773
Direct operating expenses		14,236		15,708
Depreciation		1,964		1,352
Interest on capital lease obligations		50		34
Administrative expenses (note 6)		-		1,042
Loss on disposal of capital assets		-		3
	$	46,164	$	44,912
EXCESS OF REVENUES OVER EXPENSES BEFORE SEVERANCE COSTS		7,263		4,379
Provision for severance costs (note 2)		930		(900)
Future recoveries from Management Board Secretariat (note 2)		(930)		900
EXCESS OF REVENUES OVER EXPENSES	$	7,263	$	4,379
RETAINED EARNINGS, BEGINNING OF YEAR		21,249		16,870
RETAINED EARNINGS, END OF YEAR	$	28,512	$	21,249

See Notes to Financial Statements

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

STATEMENT OF CASH FLOWS

Year Ended March 31	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 7,263	$ 4,379
Adjustments for:		
Depreciation	1,964	1,352
Loss on disposal of capital assets	-	3
Provision for severance costs (note 2)	1,502	(900)
Future recoveries from Management Board Secretariat (note 2)	930	900
	11,659	5,734
Changes in non cash working capital		
Decrease (increase) in accounts receivable	11,008	(5,118)
Decrease in prepaid expenses	142	247
Increase (decrease) in accounts payable and accrued liabilities	(168)	3,405
	22,641	4,268
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of capital assets (note 3)	(3,868)	(1,423)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Severance payments made during year (note 2)	(300)	(1,400)
Severance recoveries from Management Board Secretariat during year (note 2)	300	1,400
Repayment of capital lease obligations	(582)	(537)
	(582)	(537)
Net increase in cash and cash equivalents	18,191	2,308
Cash and cash equivalents, beginning of year	15,409	13,101
Cash and cash equivalents, end of year	$ 33,600	$ 15,409

See Notes to Financial Statements

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2004

NATURE OF THE CORPORATION

The Ontario Realty Corporation (the Corporation) was established under the *Capital Investment Plan Act 1993* as a Crown Corporation of the Province of Ontario (the Province). As a Crown Corporation and service organization of the Province the Corporation is exempt from income taxes.

The Corporation provides project management, real estate and property management services to ministries and agencies of the Ontario government that directly own assets or require the Corporation's real estate services. The Corporation manages 51.9 million rentable square feet: 43.7 million owned by the Province and 8.2 million leased from the private sector, as well as 90 thousand acres of land owned by the Province.

The *Act* requires that any surplus funds shall, upon the instructions of the Minister of Finance, be paid to the Consolidated Revenue Fund of the Province of Ontario. In determining the amount payable, if any, the Minister of Finance shall ensure that the payment will not impair the Corporation's ability to pay its liabilities, to meet its obligations as they become due or to fulfill its contractual commitments.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in preparation of these financial statements are:

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current bank accounts, and short-term investments, if any, with terms to maturity of less than 90 days.

b) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions relating to revenues and expenses which affect the reported amounts of assets, liabilities and related disclosures as of the date of the financial statements. Actual amounts could differ from these estimates.

c) Capital Assets

Capital assets costing more than one thousand dollars with a future useful life beyond the current year are capitalized at cost. They are depreciated over their estimated useful lives on a straight-line basis as follows:

Computer hardware and software	3 years
Custom software	5 years
Furniture and fixtures	3 years
Leasehold improvements	Over term of lease

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

NOTES TO FINANCIAL STATEMENTS

d) Employee Pension Plans

Until November 29, 2001, the Corporation provided pension benefits to its classified full time employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Pension Fund, which are multi- employer defined benefit pension plans.

Effective November 30, 2001, amendments to the Capital Investment Plan Act 1993 stipulated that the Corporation's employees were no longer part of the Ontario Public Service. Employees who had participated in the Public Service Pension Fund or the Ontario Public Service Employees' Pension Fund continued, from November 30, 2001, as participants in the Public Service Pension Fund. This plan is accounted for as a defined contribution plan as the Corporation has insufficient information to apply defined benefit plan accounting.

Regular full-time employees hired after November 29, 2001 participate in a mandatory defined contribution pension and savings plan administered by a third-party administrator. The Corporation matches employees' contributions.

The pension expense represents the Corporation's contributions to the plans during the year.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

NOTES TO FINANCIAL STATEMENTS

2. SEVERANCE COSTS

Recoverable Severance

The recoverable severance provision relates to staff severance costs associated with the Corporation's re-organization in 1999 and the contracting out of its facilities and land management services, which resulted from Management Board Secretariat ("MBS") approving a new governance structure for the Corporation. These severance costs are recovered from MBS. The severance provision remaining at March 31, 2004 relates to employees on long-term disability.

Corporate Realignment

During the fiscal year, the Corporation approved a new organizational structure for its portfolio management activities in order to improve services to its clients. This realignment is expected to be completed in the 2005 fiscal year. In accordance with Canadian generally accepted accounting principles, the total estimated severance costs of $2,766 have been included in current year salaries and benefits expenses. The unpaid portion of these severance costs was $2,432 at March 31, 2004, and is included in the provision for severance costs.

The changes in the provision for severance costs are as follows:

March 31	2004	2003
Recoverable severance provision, beginning of year	$ 2,000	$ 2,500
Increase (decrease) of provision	(930)	900
Severance payments	(300)	(1,400)
Recoverable severance provision, end of year	770	2,000
Corporate Realignment severance provision, end of year	2,432	-
Total provision for severance, end of year	$ 3,202	$ 2,000

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Capital assets consist of the following:

March 31			**2004**	**2003**
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware and software	$ 2,028	$ 1,793	$ 235	$ 321
Computer hardware and software under capital lease	1,932	1,243	689	853
Custom software	4,367	1,039	3,328	666
Furniture and fixtures	66	39	27	33
Leasehold improvements	856	786	70	94
	$ 9,249	$ 4,900	$ 4,349	$ 1,967

During the year ended March 31, 2004, capital assets were acquired at an aggregate cost of $4,346 (2003 - $2,566) of which $3,868 (2003 - $1,423) were purchased directly and $478 (2003 - $1,143) were acquired by means of capital leases.

Certain capital assets are not reflected in the financial statements as they are provided at no charge to the Corporation by MBS.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

NOTES TO FINANCIAL STATEMENTS

4. LEASE COMMITMENTS

a) Operating

Operating leases are expensed in accordance with terms of the lease agreements. Under the terms of operating leases for the Corporation's office space, vehicles, and office equipment, the Corporation is committed to future rental payments as follows:

For the year ending March 31

2005	$	1,400
2006		59
2007		46
2008		30
2009		8
	$	1,543

b) Capital

The Corporation leases some of its computer hardware and software. Leases that in effect represent the acquisition of an asset and incurrence of a liability are recorded as the purchase of an asset and the related liability is included under "Capital lease obligations".

The following is a schedule of future minimum lease payments under the capital leases expiring March 31, 2007 together with the balance of the capital lease obligations.

For the year ending March 31

2005	$	533
2006		308
2007		21
Total minimum lease payments		862
Less: amount representing interest at 6.13%		75
Balance of obligation		787
Less: current portion		533
Long-term portion	$	254

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

NOTES TO FINANCIAL STATEMENTS

5. CONTINGENCIES

The Corporation is acting as an agent of the Ontario Government. As such, the Corporation is entitled to be indemnified against all liabilities properly incurred in the course of exercising its actual authority on behalf of the Ontario Government.

6. RELATED PARTY TRANSACTIONS

In addition to the cash and cash equivalents reflected on the balance sheet, the Corporation maintains several other operating bank accounts and one short-term investment account. Funds in these accounts are held "in trust", administered on behalf of MBS and relate directly to the operation of MBS owned and leased properties or services provided to other ministries or agencies of the Ontario government. As of March 31, 2004 the aggregated cash balances of the operating accounts and short-term investment account were $43,140 (2003 - $84,496) and $91,158 (2003 - $62,700) respectively.

The accounts receivable include $2,589 (2003 - $13,626) from MBS and other Ministries.

The Corporation is economically dependant on the Province as all of the revenues received from the Province for the provision of services are under the control of the Minister/ Chair of Management Board of Cabinet.

The Corporation's prime sources of revenue are:

a) Management Fees

Market-based fees are charged for services provided for Facility and Asset Management, and Project Management related to MBS owned assets.

b) Expense Reimbursement – In Lieu of Fees

Pending the implementation of a full fee structure, corporate costs incurred by the Corporation (third party leases, negotiation services, financial services, legal, corporate relations/ communications and human resource services) are funded by MBS as an annual allocation along with the administration costs associated with the sale and acquisition of properties on behalf of the ministries.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

NOTES TO FINANCIAL STATEMENTS

c) Direct Recoverable Costs

In the North and East regions the Corporation staff co-ordinate and provide direct building operating and maintenance services in support of the portfolio. These costs are directly recoverable from MBS and funded from the operating and maintenance rental payments under accommodation agreements. In addition, out of pocket expenses associated with special projects undertaken on behalf of MBS were also recovered.

Administrative expenses include: human resources, information and data processing, and financial consulting purchased from MBS. No such services were purchased from MBS during the 2004 fiscal year.

Only classified full-time employees hired prior to November 30th, 2001, who have more than ten years pensionable service upon retirement, are entitled to post-retirement non-pension benefits. The cost of these post-retirement non-pension employee benefits is paid by MBS and is not included in the Statement of Operations and Retained Earnings.

7. PENSION PLANS

The Corporation's required contributions to the pension plans (see note 1c) for the year ended March 31, 2004 were $1,307 (2003 – $951) and are included in salaries and benefits in the Statement of Operations and Retained Earnings.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)

NOTES TO FINANCIAL STATEMENTS

9. SALARY DISCLOSURE

The Public Sector Salary Disclosure Act, 1996 requires disclosure of Ontario public sector employees paid an annual salary in excess of $100,000. For the Corporation, this disclosure for the 2003 calendar year is as follows:

Name	Position	Salary Paid	Taxable Benefits
Adari, Andreea	Solicitor	$105,906	$266
Amos, Ian	Senior Business Analyst	107,080	263
Brown, Douglas J.	Regional Vice President, East	145,843	515
Budd, Robert	Regional Vice President, Sales	155,136	363
Carrozzi, Pasquale	Senior Project Manager	108,986	263
Contestabile, John C.	Vice President, Leasing	153,615	368
Cursio, John G. P.	Vice President, Project Management	124,557	301
Dadd, Gregory	Senior VP, Strategic Planning & Policy	143,902	371
Farrugia, Marylee	Executive VP/ General Counsel	244,381	15,585
Foster, Kerry	Senior Project Manager	112,999	273
Gerrard, William	GM, Environmental & Heritage	109,921	263
Grace, Patrick	General Manager, Hydro Project	104,266	552
Gregory, Linda	Vice President/ Controller	156,286	675
Hankinson, James	VP, Special Projects Marketing	110,609	0
Hard, William G. T.	Vice President, Financial Planning	131,751	317
Johnson, Peter	Vice President/ Assistant Treasurer	105,734	274
Krapez, Mark	Senior Project Manager	108,986	263
Krishnamurthy, V. S.	Corporate Controller	100,062	311
Labelle, Hubert	Regional Vice President, North	153,089	368

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)

NOTES TO FINANCIAL STATEMENTS

Name	Position	Salary Paid	Taxable Benefits
Lambie, Tobin	Senior VP, Corp. Relations	$184,611	$15,258
Leroux, Peter	Exec. VP, Facility Services	249,809	17,645
Lin, Joseph	General Manager, GIS & Surveys	102,417	254
Martin, Graham	General Manager, Acquisitions	101,618	254
Massiah, Erwin	Executive VP, Facility Services	158,597	382
Mazzotta, Angela	Vice President, Facility Support Srvcs	155,068	608
McCreery, William	Senior Project Manager	126,512	604
Miele, Tony	President & CEO	368,402	31,219
Miles, John	Director, HR & Employee Relations	112,110	278
Munaretto, Domenic	Senior Business Analyst	107,080	263
Neally, Robert	Senior Project Manager	126,013	304
Noel, Richard	Senior Project Manager, Team Lead	126,318	295
Oakes, G. Peter	Chief Financial Officer/ Treasurer	219,913	21,714
Plamondon, Daniel	Vice President, Project Management	152,664	368
Robinson, Lori	VP, Strategic Asset Management	153,565	368
Salerno, Paul	General Manager, Marketing	108,739	255
Searchfield, Bradley	Exec. VP, Portfolio Strat & Asset Mgmt	258,140	16,245
Segreto, Anthony	Project Manager	106,000	0
Speck, Robert	Chief Administrative Officer	126,519	11,667
St. Pierre, Viateur	Senior Project Manager, Team Lead	123,963	291
Storozuk, James P.	Chief Information Officer	154,818	372
Van Vliet, John	Regional Vice President, SouthWest	153,340	368
Walford, Robert	Vice President, Leasing	143,747	367
Watkins, Reg	Senior Project Manager	125,995	304
Wilson, Peter	Vice President, Real Estate Marketing	146,787	368
Zala, Gregory	General Manager, Portfolio Strategy	101,306	256

ONTARIO SECURITIES COMMISSION

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the integrity of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The Ontario Securities Commission is committed to full and open disclosure of its operations and maintains a system of internal controls designed to provide reasonable assurance that reliable financial information is available on a timely basis. The preparation of financial statements involves the use of estimates based on management's judgement on transactions which will conclude in future periods.

The Board of Directors ensures that management fulfills its responsibility for financial information and internal control. The financial statements have been reviewed by the Audit Committee and approved by the Board of Directors. The Provincial Auditor's Report, which follows, outlines the scope of the Auditor's examination and opinion.

David A. Brown, Q.C.
Chair and Chief Executive Officer

May 7, 2004

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Securities Commission

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

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

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

Toronto, Ontario
May 7, 2004

J. R. McCarter, CA
Assistant Provincial Auditor

ONTARIO SECURITIES COMMISSION
Balance Sheet
As at March 31, 2004

	2004	2003
ASSETS		
CURRENT		
Cash	$ 30,652,492	$ 22,704,342
Accounts receivable	1,427,708	2,139,605
Prepaid expenses	465,923	401,421
	32,546,123	25,245,368
DESIGNATED SETTLEMENTS (Note 9)	2,000,711	474
RESERVE FUND ASSETS (Note 3)	32,000,000	32,000,000
CAPITAL ASSETS (Note 5)	5,237,023	7,039,570
	$ 71,783,857	$ 64,285,412
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 8,077,550	$ 9,854,764
Due to Province of Ontario (Note 11(a))	-	14,480,975
	8,077,550	24,335,739
NON-CURRENT		
Other long term liabilities (Note 8(b))	928,060	813,131
	9,005,610	25,148,870
DESIGNATED SETTLEMENTS (Note 9)	2,000,711	474
SURPLUS		
OPERATING		
General (Note 6)	28,679,292	7,037,824
Reserve (Note 3)	32,000,000	32,000,000
	60,679,292	39,037,824
CONTRIBUTED	98,244	98,244
	60,777,536	39,136,068
	$ 71,783,857	$ 64,285,412

Investor Education Fund (Note 10)
Commitments and Contingencies (Note 4)
See accompanying notes to Financial Statements.

ON BEHALF OF THE COMMISSION

David A. Brown, Q.C.
Chair

Robert W. Davis, FCA
Commissioner

ONTARIO SECURITIES COMMISSION
Statement of Operations and Operating Surplus
For the year ended March 31, 2004

	2004	2003
REVENUE		
Fees (Note 6)	$ 74,854,942	$ 68,995,363
Investment income	1,672,727	1,375,337
Miscellaneous	84,973	102,208
	76,612,642	70,472,908
EXPENSES		
Salaries and benefits (Note 8)	40,688,739	38,278,354
Administrative	4,561,661	6,617,364
Occupancy (Note 7)	3,972,891	3,726,817
Amortization	3,233,401	3,069,103
Professional services (Note 2b)	1,415,905	3,122,824
Other	1,098,577	1,059,811
	54,971,174	55,874,273
EXCESS OF REVENUE OVER EXPENSES	21,641,468	14,598,635
OPERATING SURPLUS, BEGINNING OF PERIOD	39,037,824	41,375,164
LESS: Distributions to Province of Ontario (Note 11(a))	-	16,935,975
OPERATING SURPLUS, END OF PERIOD	$ 60,679,292	$ 39,037,824
Represented by:		
General	$ 28,679,292	$ 7,037,824
Reserve	32,000,000	32,000,000
	$ 60,679,292	$ 39,037,824

See accompanying notes to Financial Statements.

ONTARIO SECURITIES COMMISSION
Statement of Cash Flows
For the year ended March 31, 2004

	2004	2003
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash flows from operating activities		
Excess of revenue over expenses	$ 21,641,468	$ 14,598,635
Adjustments for amortization	3,233,401	3,069,103
	24,874,869	17,667,738
Changes in non-cash working capital:		
Accounts receivable	711,897	(1,135,371)
Prepaid expenses	(64,502)	20,831
Due to Province of Ontario	(14,480,975)	8,583,027
Accounts payable and accrued liabilities	(1,777,214)	1,598,834
Other long term liabilities	114,929	282,336
	(15,495,865)	9,349,657
	9,379,004	27,017,395
Cash flows from financing activities		
Distributions to Province of Ontario	-	(16,935,975)
	-	(16,935,975)
Cash flows from investing activities		
Purchase of capital assets	(1,430,854)	(2,231,763)
	(1,430,854)	(2,231,763)
NET INCREASE (DECREASE) IN CASH POSITION	7,948,150	7,849,657
CASH POSITION, BEGINNING OF PERIOD	22,704,342	14,854,685
CASH POSITION, END OF PERIOD	$ 30,652,492	$ 22,704,342

See accompanying notes to Financial Statements.

ONTARIO SECURITIES COMMISSION
Notes to the Financial Statements
March 31, 2004

1. NATURE OF THE CORPORATION

Effective November 1, 1997, amendments to the *Securities Act* continued the Ontario Securities Commission (the "Commission") as a corporation without share capital. The Commission functions as an independent regulatory agency and administrative tribunal responsible for overseeing the securities industry in Ontario. As a Crown corporation, the Commission is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

a) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following acquisition, as follows:

Office furniture and equipment	5 to 10 years
Computer hardware and related applications	2 years
Leasehold improvements	over term of lease

b) Revenue

Fees are recognized when earned which is normally upon receipt.

Recovery of costs of investigations is netted against professional services upon date of decision unless management determines there is no reasonable assurance as to ultimate collection, in which case recovery is recognized when cash is received.

ONTARIO SECURITIES COMMISSION
Notes to the Financial Statements
March 31, 2004

c) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

d) Employee Benefit Plan

The Commission provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multiemployer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the Commission has insufficient information to apply defined benefit plan accounting to this pension plan.

The Commission also maintains supplementary unfunded pension plans for certain full-time members. The Commission accrues its obligations and the related costs under these supplemental unfunded pension plans. The transitional obligation is being amortized over the average remaining service period of active members expected to receive benefits under these plans. For purposes of valuation, the actuarial liability and the current service cost is determined by independent actuaries using the projected benefit method prorated on services and management's best estimate assumptions.

Post-retirement non-pension benefits are not included in the Statement of Operations and Operating Surplus as described in Note 11(c).

3. RESERVE

As part of the approval of its self-funded status, the Commission was allowed to establish a $20.0 million reserve to be used as an operating contingency against revenue shortfalls or unanticipated expenditures. The accumulated funds, at March 31, 2004, have been invested in short-term and mid-term instruments with the Ontario Financing Authority.

The Commission received approval from the Ministry of Finance to retain $12.0 million, which may only be used toward implementation costs of the proposed merger with the Financial Services Commission of Ontario as described in Note 12, and are subject to appropriate terms and conditions agreed with the Ministry of Finance, including:

i) The monies will be paid to the Consolidated Revenue Fund, in part or in full, if not required to fund the costs of the merger; and
ii) While retained by the Commission, the monies will be invested with the Ontario Financing Authority.

Investments are carried at cost, which approximates market value. The prime investment consideration for the reserve is the protection of principal and the appropriate liquidity to meet cash flow needs. Interest earned on investments is credited to the operations of the Commission.

ONTARIO SECURITIES COMMISSION
Notes to the Financial Statements
March 31, 2004

4. COMMITMENTS AND CONTINGENCIES

a) The Commission has guaranteed 61% of a total $12.0 million line of credit from a Canadian bank for the Mutual Fund Dealers Association of Canada (MFDA). The guarantee was signed March 19, 1999 and can be terminated by the Commission at any time. The Alberta Securities Commission and the British Columbia Securities Commission have also guaranteed a specified percentage of the total indebtedness. The MFDA has signed an agreement which requires it to use the funds only in accordance with the budget and business plan as approved by each of the Commissions, and also commits the MFDA to repay its loan by the end of the seventh year. As at March 31, 2004, the MFDA has drawn $0 (2003 - $2,963,000) on this line of credit. Interest is charged at prime plus 0.50% per annum. In March 2004, the Commissions requested that the MFDA arrange for their removal as guarantors to the agreement. This request will be taken to the MFDA Board in June 2004.

b) The Commission is involved in various legal actions arising out of the ordinary course and conduct of business. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Office furniture	$ 2,832,884	$ 1,858,821	$ 974,063	$ 1,503,676
Office equipment	282,246	179,875	102,371	151,026
Computer hardware and related applications	10,571,990	8,298,812	2,273,178	2,238,438
Leasehold improvements	5,828,866	3,941,455	1,887,411	3,146,430
	$ 19,515,986	$ 14,278,963	$ 5,237,023	$ 7,039,570

ONTARIO SECURITIES COMMISSION
Notes to the Financial Statements
March 31, 2004

6. STREAMLINING OF FEES UNDER THE SECURITIES ACT

Commencing on March 31, 2003, the Commission introduced a new fee model under the provisions of the *Securities Act*. The new fee regime is designed to accomplish three primary objectives; to reduce the overall fees charged to market participants from what existed previously in Ontario, to create a clear and streamlined fee structure, and adopt fees that accurately reflect the Commission's costs of operations.

The fee regime is based on the concept of "participation fees" and "activity fees". Participation fees represent the benefit derived by market participants from participating in Ontario's capital markets. Activity fees represent the direct cost of Commission staff resources expended in undertaking certain activities requested of staff by market participants. Transitional fees represent one-time fees to facilitate the change to the new fee structure.

Under the new fee model, the Commission sets fees over a three-year horizon, and, accordingly, the General Operating Surplus at March 31, 2004 of $28,679,292, adjusted for surpluses or deficits in 2005 and 2006, will be reflected in the fees set for the following three-year cycle beginning in 2007.

The structure of the previous fee regime was based on the concept of "activity fees" alone, and as such, fees received under the new fee model cannot be compared on a line by line basis. Details of fees received for the year ended March 31, 2004 are as follows:

Participation Fees	$ 33,880,566
Transitional Fees	26,826,132
Activity Fees	11,765,826
Late filings Fees	2,382,418
Total	$ 74,854,942

Details of fees received for the year ended March 31, 2003 were as follows:

Prospectus filings	$ 35,853,829
Registration	26,724,635
Disclosure filings	5,105,622
Applications for exemptive relief	1,311,277
Total	$ 68,995,363

ONTARIO SECURITIES COMMISSION
Notes to the Financial Statements
March 31, 2004

7. LEASE OBLIGATIONS

Operating

The Commission is committed to operating lease payments for the next 5 years as follows:

2005	$3,885,043
2006	$1,673,922
2007	$ 82,504
2008	$ 51,205
2009	$ 0

8. PENSION PLANS

a) The Commission's contribution to the Public Service Pension Plan for the year ended March 31, 2004 was $2,104,631 (2003 - $1,346,895) and is included in salaries and benefits.

b) The unfunded supplemental pension plans had an accrued benefit obligation of $735,476 at March 31, 2004 (2003 - $544,565). The Commission's related expense for the year was $114,929 (2003 - $282,336) and is included in salaries and benefits. No benefits were paid during the year (2003 - $0). The average remaining service period of the active members covered by these plans ranges from .25 to 5.04 years (2002 - .92 to 3.85 years). The significant actuarial assumptions adopted at March 31, 2004 include a discount rate of 5.5% (2003 – 6.5%) and a rate of compensation increase of 2.5%, if applicable (2003 – 0.0%).

ONTARIO SECURITIES COMMISSION
Notes to the Financial Statements
March 31, 2004

9. DESIGNATED SETTLEMENTS

The Commission has reached a number of settlement agreements arising from enforcement proceedings where monies from these settlements are received or receivable by the Commission to be set aside and allocated to such third parties as the Commission may determine, subject to the approval of the Minister of Finance. The accumulated funds are held in a segregated bank account. As at March 31, 2004, the accumulated balance is determined as follows:

	2004	**2003**
Opening balance	$ 474	$ 130,878
Settlements	1,999,400	150,000
Interest	1,311	3,474
Payments		
Investor Education Fund – prior period	(474)	(130,878)
Investor Education Fund – current period	-	(153,000)
Investor Education Fund – total	(474)	(283,878)
Closing balance	$2,000,711	$ 474
Represented by:		
Cash	$1,628,195	$101
Receivables	372,516	373
	$2,000,711	$474

10. INVESTOR EDUCATION FUND

a) The Investor Education Fund (the "Fund") was incorporated by letters patent of Ontario dated August 3, 2000 as a non-profit corporation without share capital. The Fund is managed by an independent Board of Directors and its purpose is to increase knowledge and awareness among investors and potential investors and to support research and develop programs and partnerships which promote investor education. The Commission oversees the Fund as the sole voting member. The Fund is exempt from income taxes.

The Fund has not been consolidated in the Commission's financial statements. Financial statements of the Fund are available on request. Financial summaries of this unconsolidated entity as at March 31, 2004 and for the year ended March 31, 2004 are as follows:

ONTARIO SECURITIES COMMISSION
Notes to the Financial Statements
March 31, 2004

INVESTOR EDUCATION FUND

	2004	2003
Financial Position		
Total assets	$7,037,458	$7,598,660
Total liabilities	$235,808	$166,285
Invested in capital assets	753,806	164,027
Available for Fund purposes	6,047,844	7,268,348
Total net assets	6,801,650	7,432,375
	$7,037,458	$7,598,660
Results of Operations		
Total contributions and interest income	$700,852	$369,047
Total expenses	1,331,577	1,109,991
Excess (deficiency) of revenue over expenses	($630,725)	($740,944)
Cash flows		
Cash flows from operating activities		
Cash receipts from the Ontario Securities Commission	$474	$283,878
Cash receipts from third parties	500,000	8,000
Investment income received	207,033	196,439
Cash paid for initiatives and expenses	(1,180,041)	(1,135,825)
Cash paid for capital purchases	(671,792)	(164,027)
Net increase (decrease) in cash position	(1,144,326)	(811,535)
Cash position, beginning of period	7,415,470	8,227,005
Cash position, end of period	$6,271,144	$7,415,470

b) In the normal course of operations, the Commission entered into transactions with the Fund as follows:

i) The Board of the Commission did not authorize any transfers of the Commission's Designated Settlements to the Fund (2003 - $153,474) as a result of an amendment to the *Securities Act* that requires that such transfers are approved by the Minister of Finance.

ii) The Commission has a Management Services agreement with the Fund for the provision of administrative and management services, at cost.

ONTARIO SECURITIES COMMISSION
Notes to the Financial Statements
March 31, 2004

For the period ended March 31, 2004, the Commission incurred costs totalling $386,735 (2003 - $310,923) for services related to the Fund. The total cost of these services has been charged back to the Fund and, of this amount, $105,980 is owing to the Commission as of March 31, 2004 (2003 - $116,288).

11. TRANSACTIONS WITH PROVINCE OF ONTARIO

In the course of normal operations, the Commission entered into transactions with the Province of Ontario as follows:

a) The *Securities Act* states that when ordered to do so by the Minister of Finance, the Commission shall remit to the Province of Ontario such surplus funds as determined by the Minister. In light of the new fee model as described in note 6 and the Commission's plans to set fees in three-year cycles, the Commission is no longer required to make quarterly remittances of its surplus to the Consolidated Revenue Fund. Surpluses retained by the Commission are subject to appropriate terms and conditions to be agreed to with the Ministry.

b) The Commission has a tri-party agreement with the Ontario Financing Authority to facilitate banking arrangements with a Schedule 1 Bank.

c) Costs of post-retirement non-pension employee benefits have been paid by the Management Board Secretariat and are not included in the Statement of Operations and Operating Surplus.

12. ESTABLISHING A SINGLE FINANCIAL SERVICES REGULATOR

In the May 2, 2000 Budget, the Minister of Finance announced that the Ontario Securities Commission and the Financial Services Commission of Ontario would be merged into a single agency that would provide regulation of the capital markets and financial services sectors.

Legislation is required in order to create the proposed new organization and specify its regulatory responsibilities and powers. Draft legislation supporting this initiative was released for comment by the Ministry of Finance in April 2001. At March 31, 2004, legislation has not yet been introduced.

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to current presentation.

Ontario Securities Commission					
RECORD OF EMPLOYEES' 2003 SALARIES AND BENEFITS					
Please refer to the PSSD Guide before filling out this form					
Surname	**Given Name**	**Position**	**Salary Paid**	**Taxable Benefits**	
Alexopoulos	Tula	Manager, Project Officer	$152,829.28	$256.78	
Antoniou	Noulla	Senior Accountant	$116,194.46	$225.16	
Au	Matthew	Accountant	$100,714.90	$472.17	
Beck	Joan	Senior Legal Counsel	$158,797.98	$304.89	
Bertoia	Julie	Senior Accountant	$119,501.08	$184.89	
Blackburn	Lisa	Accountant	$105,299.23	$496.53	
Blumberger	Erez	Assistant Mangager, Finance Team 1	$160,815.30	$643.71	
Bridge	Marrianne	Manager, Compliance	$159,413.40	$275.61	
Britton	Matthew	Senior Litigation Counsel	$159,618.25	$276.57	
Brown	David	Chair	$606,156.16	$9,755.77	
Brown	Michael	Legal Counsel	$125,342.12	$209.49	
Bureaud	Jean-Paul	Legal Counsel	$139,655.58	$469.65	
Butler	Brian	Manager, Investigations	$176,762.13	$718.92	
Byers	Christopher	Legal Counsel	$118,727.89	$205.65	
Byrnes	Robert	Deputy Director, Information Technology	$171,277.55	$1,433.61	
Carchrae	John	Chief Accountant	$218,103.13	$329.25	
Casiero	Vincent	Investigation Counsel	$135,131.31	$235.53	
Chaukos	Pat	Senior Accountant, Legal Counsel	$152,738.66	$683.73	
Chisholm	Yvonne	Litigation Counsel	$140,644.04	$351.09	
Cho	Peter	Senior Forensic Accountant	$143,165.33	$786.00	
Chung	YuMee	Legal Counsel	$108,854.84	$197.88	
Clark	Alexandra	Litigation Counsel	$128,757.40	$206.61	
Clarkin	Brian	Assistant Manager, Investigations	$152,886.89	$251.97	
Cole	Emily	Litigation Counsel	$133,570.50	$145.38	
Collins	Stephanie	Forensic Accountant	$120,039.93	$199.35	
Corbett	Hugh	Litigation Counsel	$138,792.29	$352.05	
Cottrell	John	Senior Forensic Accountant	$125,591.91	$636.84	
Coultice	David	Senior Legal Counsel	$109,995.67	$195.48	
Cowdery	Rebecca	Manager, Investment Funds Regulatory Reform	$109,029.47	$154.44	
Daniels	Kathryn	Assistant Manager, Litigation	$161,295.38	$494.53	
Davis	Robert	Commissioner	$119,000.00	$0.00	
Day	Robert	Manager, Business Planning and Reporting	$139,133.70	$226.89	
De_Lint	Dirk	Legal Counsel	$142,016.04	$632.82	
De_Souza	Paul	Forensic Accountant	$107,764.68	$512.61	
De_Verteuil	Michael	Senior Forensic Accountant	$140,310.43	$241.32	
Dempsey	Paul	Manager, Investment Funds	$114,109.76	$168.98	
Dhillon	Indi	Accountant	$101,965.51	$182.49	
Di_Lieto	Rossana	Senior Legal Counsel	$166,749.21	$271.29	
Dublin	Julia	Senior Legal Counsel	$183,111.40	$489.93	
Dundas	Linda	Senior Derivatives Specialist	$120,986.94	$203.57	
Enright	Lisa	Senior Accountant	$105,194.29	$663.72	
Fallone	Joanna	Manager, Case Assessment	$168,976.68	$293.01	
Forster_Pazienza	Christina	Assistant Manager, Compliance	$135,162.53	$581.13	
Franken	Heidi	Senior Accountant	$121,428.85	$205.17	
Fung	Carlin	Senior Accountant	$119,948.45	$203.15	
Fydell	Barbara	Legal Counsel	$135,979.52	$224.97	
Gerhart	Marsha	Senior Legal Counsel	$162,096.13	$793.60	
Gilkes	David	Manager, Registrant Regulation	$156,743.03	$514.09	
Goldberg	Rhonda	Senior Legal Counsel	$133,742.66	$241.89	
Gorman	Kelly	Assistant Manager, Finance Team 2	$153,324.64	$247.62	
Greenglass	Susan	Senior Legal Counsel	$155,957.37	$284.28	
Gunn	George	Manager, Surveillance	$157,065.72	$1,644.33	
Hayward	Paul	Legal Counsel	$117,227.16	$537.21	
Heldman	Sandra	Senior Accountant	$122,730.05	$338.49	
Holmes	Janet	Senior Legal Counsel	$158,249.47	$284.35	
Hubley	Michael	Assistant, Manager, Investigations	$102,244.01	$829.80	
Hughes	John	Manager, Continuous Disclosure	$175,786.51	$291.09	
Humphreys	John	Investigation Counsel	$111,356.98	$290.62	
Jepson	Christopher	Legal Counsel	$142,262.94	$593.10	
Jiwani	Nurez	Director, Regulatory Coordination	$103,442.50	$0.00	
Kalra	Ritu	Senior Accountant	$120,884.81	$502.53	
Kanji	Naizam	Legal Counsel	$130,607.24	$219.18	
Kennedy	Melissa	Manager, Litigation	$120,692.93	$196.11	
Kohl	Robert	Senior Legal Counsel	$166,116.88	$438.69	
Koor	Elle	Manager, NRD Project	$166,076.92	$256.80	
Law	Leo	Applications Architect	$103,237.21	$579.52	
Leung	Antoinette	Senior Accountant	$139,784.81	$232.17	
Liu	Winfield	Senior Legal Counsel	$145,814.14	$480.72	
Lo	Yvonne	Senior Forensic Accountant	$125,591.91	$218.64	

MacCready	Charles	Assistant Manager, Continuous Disclosure	$148,732.23	$548.67	
Macfarlane	Charles	Executive Director	$405,590.38	$7,828.83	
Mainville	Chantal	Legal Counsel	$122,033.22	$238.89	
Manarin	Karen	Litigation Counsel	$155,445.46	$257.25	
Martin_Gorelle	Krista	Senior Legal Counsel	$167,615.48	$279.00	
Martin_Sidey	Donna	Legal Counsel	$168,214.21	$583.08	
McCombe	Deborah	Geologist	$135,121.06	$577.29	
McCurdy	David	Technology Advisor	$129,968.22	$224.01	
McGregor	Mark	Manager, Technology Services	$109,448.87	$628.32	
McInnis	Cameron	Manager, Finance Team 1	$148,817.51	$668.25	
McKall	Darren	Senior Legal Counsel	$125,447.48	$221.10	
McKinnon	Kelley	Manager, Litigation	$173,269.91	$241.02	
McManus	Mark	Manager, Inquiries & Contact Centre	$115,665.30	$1,701.60	
Moniz	Andre	Investigation Counsel	$111,307.10	$194.01	
Moore	Paul	Vice Chair	$391,817.84	$7,827.48	
Morphy	H. Lorne	Commissioner	$136,108.94	$0.00	
Mulima	Mark	Legal Counsel	$127,225.15	$508.83	
Nania	Viraf	Senior Accountant	$123,172.91	$218.64	
Naster	Jay	Special Counsel	$259,342.43	$314.25	
Nunes	Vera	Legal Counsel	$111,799.97	$225.93	
O'Donovan	Erin	Legal Counsel	$124,100.94	$230.12	
Oseni	Sarah	Legal Counsel	$142,003.16	$300.81	
Panzetta	Frank	Controller	$107,554.55	$204.69	
Pare	Maxime	Senior Legal Counsel	$163,365.76	$638.85	
Paul	Margo	Director, Corporate Finance	$202,489.79	$332.61	
Pavalow	Randee	Director, Capital Markets	$222,073.00	$753.90	
Petlock	Cindy	Manager, Market Regulation	$163,856.38	$283.86	
Petroff	Thomas	Senior Market Analyst	$109,787.67	$47.31	
Pilipavicius	Rima	Senior Forensic Accountant	$131,927.10	$239.40	
Pilkey	Scott	Senior Investigation Counsel	$176,033.18	$657.96	
Powley	Randall	Chief Economist	$165,631.68	$280.44	
Rafuse	Martha	Legal Counsel	$114,140.02	$206.97	
Ramsay	Anne	Senior Accountant	$140,114.49	$220.09	
Sanjoto	Winnie	Legal Counsel	$112,884.31	$189.21	
Sankar	Levi	Investigation Counsel	$103,297.53	$241.32	
Shay	Ralph	Director, Take Over Bids	$183,189.87	$318.57	
Sikora	Jody	Forensic Accountant	$111,792.94	$185.37	
Silma	Susan	Director, Investment Funds	$157,199.13	$253.44	
Sinclair	Donna	Investigation Counsel	$100,333.39	$568.92	
Smith	Ian	Litigation Counsel	$122,866.17	$187.47	
Spencer	Mary Ann	Director, Corporate Services	$212,424.17	$338.37	
Stern	Tracey	Senior Legal Counsel	$157,996.74	$260.61	
Stevenson	John	Secretary to the Commission	$176,794.70	$301.68	
Stow	Nancy	Mgr, IEF Research & Dev't Support Srvc	$103,378.63	$188.28	
Superina	Johanna	Senior Litigation Counsel	$173,878.60	$292.05	
Switzer	Frank	Director, Communications	$170,028.11	$431.06	
Tedesco	Felicia	Assistant, Manager, Compliance	$153,887.23	$664.41	
Tillie	Marcel	Senior Accountant	$144,307.72	$667.29	
Toledano	Lori	Forensic Accountant	$110,668.08	$384.81	
Too	Byron	Manager, Application Services	$112,914.45	$730.72	
Tsatsos	Irene	Senior Accountant	$130,663.88	$224.49	
Vear	Michael	Forensic Accountant	$105,172.50	$1,967.49	
Vranic	Iva	Manager, Finance Team 2	$184,125.68	$302.64	
Walz	Trevor	Accountant	$100,701.71	$219.69	
Watson	Michael	Director, Enforcement	$240,055.10	$591.45	
Welsh	Doug	Legal Counsel	$126,392.80	$218.13	
Wetston	Howard	Vice Chair	$303,391.20	$3,913.74	
Whiler	Rick	Senior Accountant	$157,297.01	$252.96	
Williams-Kinghorn	Terri	Manager - IEF Service Bureau	$117,699.01	$293.28	
Wolburgh_Jenah	Susan	General Cousnel & Dir. Int'l Affairs	$237,290.09	$377.49	
Wootton	Kate	Litigation Counsel	$104,165.33	$294.93	

I certify that the information provided on this record is correct in accordance with the *Public Sector Salary Disclosure Act, 1996* .

This record has been approved by:

David Brown	Chair
	Position Title
(416) 593-8203	March 14, 2004
Phone Number	**Date**

Prepared under the *Public Sector Salary Disclosure Act, 1996*

Ontario Trillium Foundation

Management's Responsibility For Financial Information

The accompanying financial statements of the Ontario Trillium Foundation are the responsibility of management and have been prepared in accordance with generally accepted accounting principles.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Finance Committee and the Board of Directors meet regularly to oversee the financial activities of the foundation, and at least annually to review the audited financial statements and the external auditors' report thereon.

The financial statements have been examined by KPMG LLP, independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of the auditors' examination and opinion.

L. Robin Cardozo, FCA
Chief Executive Officer

Anne Pashley
Vice-President,
Finance and Administration

kpmg

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3

Telephone (416) 228-7000
Telefax (416) 228-7123
www.kpmg.ca

AUDITORS' REPORT

To the Board of Directors of Ontario Trillium Foundation

We have audited the statement of financial position of Ontario Trillium Foundation as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario) we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

The comparative figures for 2003 were reported on by another firm of chartered accountants.

KPMG LLP

Chartered Accountants

Toronto, Canada

May 7, 2004

ONTARIO TRILLIUM FOUNDATION

Statement of Financial Position

March 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Cash	$ 653,556	$ 1,142,375
Accrued interest and other	1,916,758	1,496,121
Investments (note 2)	112,309,047	121,471,156
Capital assets, net (note 3)	834,958	959,830
	$ 115,714,319	$ 125,069,482
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 951,993	$ 939,479
Grants payable (note 5(b))	103,080,117	111,741,117
Deferred contributions (note 5(a))	3,392,068	3,383,000
	107,424,178	116,063,596
Net assets:		
Invested in capital assets	834,958	959,830
Unrestricted	7,455,183	8,046,056
	8,290,141	9,005,886
	$ 115,714,319	$ 125,069,482

See accompanying notes to financial statements.

On behalf of the Board:

Robert G. Power, Chair

Cathryn Nadjiwon, Treasurer

ONTARIO TRILLIUM FOUNDATION

Statement of Operations

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Revenue:		
Ontario government funding (note 5(a))	$ 99,990,932	$ 102,259,708
Grants rescinded or recovered	1,552,919	1,743,045
Investment income	5,199,994	4,734,431
	106,743,845	108,737,184
Expenses:		
Program activities:		
Grants pledged (note 5)	96,685,700	98,519,400
Grantmaking expenses	9,168,821	8,681,752
Non-grant contributions to the community (note 6)	210,003	236,906
	106,064,524	107,438,058
Support services	1,042,723	978,628
Amortization	352,343	466,437
	107,459,590	108,883,123
Deficiency of revenue over expenses	$ (715,745)	$ (145,939)

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2004, with comparative figures for 2003

	Invested in capital assets	Unrestricted	2004 Total	2003 Total
Net assets, beginning of year	$ 959,830	$ 8,046,056	$ 9,005,886	$ 9,151,825
Deficiency of revenue over expenses	(352,343)	(363,402)	(715,745)	(145,939)
Purchase of capital assets	227,471	(227,471)	–	–
Net assets, end of year	$ 834,958	$ 7,455,183	$ 8,290,141	$ 9,005,886

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Statement of Cash Flows

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	$ (715,745)	$ (145,939)
Amortization of capital assets which does not involve cash	352,343	466,437
Change in non-cash operating items	(9,060,055)	(7,144,984)
	(9,423,457)	(6,824,486)
Investing activities:		
Net decrease in investments	9,162,109	7,198,469
Purchase of capital assets	(227,471)	(277,593)
	8,934,638	6,920,876
Increase (decrease) in cash	(488,819)	96,390
Cash, beginning of year	1,142,375	1,045,985
Cash, end of year	$ 653,556	$ 1,142,375

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements

Year ended March 31, 2004

The Ontario Trillium Foundation (the "Foundation" or "OTF"), an agency of the Ministry of Culture (the "Ministry"), is financially supported by the government of Ontario. OTF began operations as an arm's-length agency of the Ontario government on August 23, 1982 and was incorporated without share capital under the laws of Ontario under letters patent dated November 17, 1982. OTF's purpose is to build healthy and vibrant communities throughout Ontario, by strengthening the capacity of the voluntary sector, through investments in community-based initiatives.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

(a) Revenue recognition:

OTF follows the deferral method of accounting for contributions, which include government funding. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

(b) Investments:

Short-term investments, treasury bills, and bankers' acceptances are recorded at cost. Bonds are recorded at amortized cost.

(c) Grants:

Grants are recorded as expenses in the year that the Board of Directors approves the grant.

(d) Expenses:

Departmental expenses are allocated between grantmaking and support services based on the percentage of each department's activities devoted to these activities.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2004

1. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Furniture and fixtures	5 years
Computer hardware	3 years
Computer software	1 year
Leasehold improvements	Over term of lease

2. Investments:

Investments, at cost are as follows:

	2004	2003
Treasury bills	$ 99,736,707	$ 112,579,047
Bankers' acceptances	12,572,340	8,892,109
	$ 112,309,047	$ 121,471,156

The market value of investments approximates cost.

The treasury bills and bankers' acceptances are due within the next five months and bear interest from 2.0% to 4.4% (2003 - 2.8% to 4.4%).

3. Capital assets:

	Cost	Accumulated amortization	2004 Net book value	2003 Net book value
Furniture and fixtures	$ 720,493	$ 594,479	$ 126,014	$ 116,301
Computer hardware	739,886	528,624	211,262	229,610
Computer software	551,677	532,877	18,800	11,639
Leasehold improvements	1,200,738	721,856	478,882	602,280
	$ 3,212,794	$ 2,377,836	$ 834,958	$ 959,830

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2004

4. Government funding:

Effective April 1, 1999, OTF began to receive funding from the Ministry for a new mandate to be carried out through two programs: the Community and Province-Wide Grants Programs. During the fiscal years ended March 31, 2004 and 2003, OTF received $100 million of funding.

From April 1996 until fiscal 2001, OTF received funding from the Ministry for Partnership Programs which includes the Community Connections Program, Access Fund and Community Linkages Program.

The government funding is subject to Memoranda of Understanding with the Ministry that define how the funds must be invested and distributed.

5. Deferred contributions and grants payable:

(a) Deferred contributions represent funding received from the Ministry that has not yet been pledged as grants. The continuity of deferred contributions is as follows:

			2004	2003
	Community and Province-Wide grants program	Partnership programs	Total	Total
Deferred contributions, beginning of year	$ 3,377,854	$ 5,146	$ 3,383,000	$ 5,642,708
Activities during the year:				
Funding received (note 4)	100,000,000	–	100,000,000	100,000,000
Investment income recorded as revenue	5,154,004	45,990	5,199,994	4,734,431
Grants pledged	(96,685,700)	–	(96,685,700)	(98,519,400)
Grantmaking expenses	(9,118,148)	(50,673)	(9,168,821)	(8,681,752)
Support services and amortization	(1,395,066)	–	(1,395,066)	(1,445,065)
Internally funded	513,214	–	513,214	–
Grants rescinded or recovered related to grants approved after March 31, 1999	1,531,318	14,129	1,545,447	1,652,078
Amounts recognized as Ontario government funding	(100,000,378)	9,446	(99,990,932)	(102,259,708)
Deferred contributions, end of year	$ 3,377,476	$ 14,592	$ 3,392,068	$ 3,383,000

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2004

5. Deferred contributions and grants payable (continued):

(b) Once OTF pledges grants for distribution, the grants are recorded as grants payable. Grants pledged and not yet distributed are payable, subject to the receipt of funds by OTF and to certain performance conditions placed on the recipients. The continuity of grants payable is as follows:

	2004	2003
Grants pledged:		
Community and Province-Wide grants programs	$ 96,685,700	$ 97,526,900
Partnership programs	–	992,500
	96,685,700	98,519,400
Grants rescinded	(1,242,420)	(1,357,900)
Grants paid	(104,104,280)	(101,719,353)
	(8,661,000)	(4,557,853)
Grants payable, beginning of year	111,741,117	116,298,970
Grants payable, end of year	$ 103,080,117	$ 111,741,117

Grants are payable to various organizations in the fiscal years ending March 31 as follows:

2005	$ 68,762,417
2006	25,099,800
2007	7,968,700
2008	1,075,900
2009	173,300
	$ 103,080,117

6. Non-grant contributions to the community:

Non-grant contributions to the community are charitable activities other than grants, such as partnerships with other organizations, projects initiated by OTF and technical assistance to community organizations. These contributions include expenses allocated from current operations.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2004

7. Commitments:

Future minimum annual rental payments for premises under operating leases are as follows:

2005	$ 384,000
2006	334,000
2007	281,000
2008	226,000
	$ 1,225,000

In relation to these leases, OTF has agreed to indemnify the Landlord against losses occurring on the lease premises which may arise out of a breach of the lease agreement.

8. Indemnification of officers and directors:

OTF has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgements, and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of OTF. The nature of the indemnity prevents OTF from reasonably estimating the maximum exposure. OTF has purchased directors' and officers' liability insurance with respect to this indemnification.

9. Financial assets and liabilities:

The carrying values of cash, accrued interest and other, accounts payable and accrued liabilities and grants payable approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The market value of investments is disclosed in note 2.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2004

Ontario Trillium Foundation employees paid $100,000 or more in calendar year 2003 (unaudited)

Name	Position	Salary Paid $	Taxable Benefits $
Robin Cardozo	Chief Executive Officer	197,949	10,789
Anne Pashley	Vice-President, Finance & Administration	129,964	9,097
Diane Labelle-Davey	Director, Human Resources & Volunteer Relations	119,418	8,774
Patricia Else	Director, Grant Operations	118,228	6,892
Gayle Waxman	Director, Policy, Research & Evaluation	114,664	6,876

Prepared under the Public Sector Disclosure Act, 1996

ROM FINANCIAL STATEMENTS AND AUDITORS' REPORT

To the Trustees of The Royal Ontario Museum

We have audited the balance sheet of The Royal Ontario Museum as at June 30, 2003 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Museum as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Toronto, Canada
August 14, 2003.

THE ROYAL ONTARIO MUSEUM

(Incorporated by Special Act of the Ontario Legislature as a corporation without share capital)

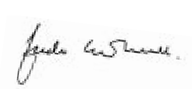
BALANCE SHEET

As at June 30

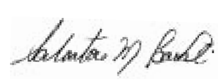
	2003	2002
	$ [000's]	$
Assets		
Current		
Cash and short-term investments (note 4)	**797**	1,213
Due from The Royal Ontario Museum Foundation (note 13)	**1,049**	3,415
Other accounts receivable	**1,688**	1,224
Inventories	**112**	455
Deferred exhibition costs and other assets	**1,838**	1,447
Total current assets	**5,484**	7,754
Investments (note 4)	**44**	481
Deferred pension costs (note 14)	**3,035**	3,155
Capital assets, net (note 5)	**57,527**	45,147
Other assets	**286**	303
	66,376	56,840
Liabilities and Net Assets		
Current		
Bank indebtedness (note 15)	**2,213**	–
Accounts payable and accrued liabilities	**7,861**	4,111
Deferred revenue (note 7)	**5,261**	5,769
Total current liabilities	**15,335**	9,880
Deferred capital contributions (note 8)	**48,233**	44,765
Accrued non-pension liability (note 14)	**1,229**	858
Total liabilities	**64,797**	55,503
Net assets (note 9)	**1,579**	1,337
	66,376	56,840

See accompanying notes.

On behalf of the Board:



Jack Cockwell, Trustee



Salvatore M. Badali, Trustee

THE ROYAL ONTARIO MUSEUM
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year Ended June 30

	2003	2002
	$ [000's]	$
Revenues		
Grants (note 10)	**24,632**	23,193
Admission fees	**4,610**	4,561
Museum programs	**2,003**	2,149
Ancillary services	**8,117**	8,602
Investment income	**58**	62
Donations - Gifts in kind	**60,614**	1,087
Amortization of deferred capital contributions (note 2)	**11,774**	11,705
Other	**1,403**	1,632
	113,211	52,991
Expenses (note 11)		
Curatorial and collections management	**10,624**	11,090
Building, security and visitor services	**7,698**	7,212
Ancillary services	**6,291**	6,665
General and administration	**3,338**	3,388
Education and public programs	**1,971**	2,113
Library and information services	**2,030**	2,202
Exhibition and gallery development	**1,333**	1,344
Marketing and public relations	**1,580**	1,698
Temporary exhibitions	**4,409**	2,628
Artifacts and specimens		
Gifts in kind	**60,614**	1,087
Purchased	**868**	1,137
Amortization of capital assets (note 2)	**12,189**	11,953
Other	**24**	76
	112,969	52,593
Excess of revenues over expenses for the year	**242**	398
Net assets, beginning of year (note 9)	**1,337**	8
Restricted capital contributions for the purchase of land (note 9)	**–**	931
Net assets, end of year (note 9)	**1,579**	1,337

See accompanying notes.

THE ROYAL ONTARIO MUSEUM
STATEMENT OF CASH FLOWS

Year Ended June 30

	2003	2002
	$ [000's]	$
Operating Activities		
Excess of revenues over expenses for the year	242	398
Add (deduct) non-cash items		
Amortization of capital assets	12,189	11,953
Amortization of deferred capital contributions	(11,774)	(11,705)
	657	646
Changes in non-cash working capital balances related to operations		
Due from The Royal Ontario Museum Foundation	2,366	(2,150)
Other accounts receivable	(464)	137
Inventories	343	71
Deferred exhibition costs and other assets	(391)	(614)
Accounts payable and accrued liabilities	(1,186)	286
Deferred revenue	(508)	1,074
Net change in deferred pension costs	120	81
Net change in accrued non-pension liability	371	419
Cash provided by (used in) operating activities	1,308	(50)
Investing and Financing Activities		
Purchase of capital assets	(24,569)	(3,947)
Increase in bank indebtedness	2,213	–
Sale of investments, net	437	1,331
Decrease in other assets	17	19
Restricted contributions received for land purchases	–	931
Contributions received for capital asset purchases	15,242	2,948
Increase in accounts payable and accrued liabilities related to construction in progress	4,936	–
Cash provided by (used in) investing and financing activities	(1,724)	1,282
Net increase (decrease) in cash and short-term investments during the year	(416)	1,232
Cash and short-term investments, beginning of year	1,213	(19)
Cash and short-term investments, end of year	797	1,213

See accompanying notes.

THE ROYAL ONTARIO MUSEUM
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2003

1. General

The Royal Ontario Museum [the "Museum"] is an operating enterprise agency of the Province of Ontario incorporated without share capital by Special Act of the Ontario Legislature. The Museum is Canada's largest museum and one of the few of its kind to explore and exhibit both the art and archaeology of human cultures and the history of the natural world. The Museum's mission is to inspire wonder and build understanding of human cultures and the natural world.

The Museum is registered as a charitable organization under the Income Tax Act (Canada) [the "Act"] and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Renaissance ROM Project

The Board of Trustees has approved phase I of a major redevelopment project for the Museum ["Renaissance ROM Project"]. The project will be completed in two phases with a total estimated cost of $200 million before financing and fundraising costs. The first phase, with a total cost of $150 million, is planned for completion in December 2005. Phase II will cost an additional $50 million and is scheduled to be completed one year later. The total project involves the construction and restoration of the original buildings as well as 40,000 square feet of new gallery spaces. Renaissance ROM will permanently alter the Museum's economic base, providing additional annual market income to sustain excellence across the board.

Funding for this project will come from the public and private sectors. To date the Museum has received commitments from the federal and provincial governments of $60 million. The balance will be funded through a fundraising campaign. As at June 30, 2003, the Museum has spent $22.9 million [2002 - $1.6 million] on the project which is recorded on the balance sheet as capital assets.

In anticipation of the project, the remaining life of certain capital assets was reduced and, as a result, effective in fiscal 2002, the amortization period of these assets was revised accordingly. In addition, amortization of the related deferred capital contribution was revised.

3. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

Revenue recognition

The Museum follows the deferral method of accounting for contributions, which include donations and government grants. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured. Donations are recorded on a cash basis since pledges are not legally enforceable claims.

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for the purchase of land are credited directly to "invested in capital assets". Externally restricted contributions for the purchase of other capital assets are deferred and amortized over the life of the related capital asset. Endowment contributions are recognized as direct increases in net assets in the year in which they are received.

Investments

Investments are recorded at market value. Investment income consists of interest, dividends, realized gains (losses) and the net change in unrealized gains and losses.

Inventories

Inventories, which consist primarily of gift shop items held for sale, publications and supplies, are stated at the lower of average cost and net realizable value.

Deferred exhibitions and other costs

Costs of exhibitions are deferred until the exhibitions are opened to the public and then are expensed over the period of the exhibitions to which they relate.

Employee benefit plans

The Museum accrues its obligations under employee benefit plans and related costs, net of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees, and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at a market-related value whereby investment gains and losses are recognized over a three-year period. Employee future benefit liabilities are discounted using current interest rates on long-term bonds.

The transitional asset (obligation), the impact of any change to plan provisions and the excess of the cumulative net actuarial gain (loss) over 10% of the greater of the benefit obligations and the market-related value of the plan assets are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 12 years. The average remaining service period of the active employees covered by other retirement benefit plans is 17 years.

Capital assets

Land is carried at cost. Purchased capital assets are stated at acquisition cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Galleries	20 years
Building improvements	5 to 10 years
Furniture and equipment	3 to 10 years

Artifacts and specimens

The value of artifacts and specimens has been excluded from the balance sheet. Gifted artifacts and specimens are recorded as revenue at values based on appraisals by independent appraisers. The acquisition of both gifted and purchased artifacts and specimens is expensed.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Acutal amounts could differ from those estimates.

Contributed materials and services

Because of the difficulty in determining their fair market value, contributed materials and services are not recognized in the financial statements.

4. Cash and Short-term Investments

Cash and short-term investments consist of the following:

	2003 $	[000's]	2002 $
Cash	**295**		124
Money market fund	**448**		457
Bankers' acceptances	**98**		1,113
	841		1,694
Less amounts recognized as non-current investments	**44**		481
Cash and short-term investments	**797**		1,213

The amount of investments classified as non-current represents the cash and short-term investments held for unspent deferred capital contributions [note 8].

5. Capital Assets

[a] Capital assets consist of the following:

	2003 Cost $	2003 Accumulated amortization $	[000's]	2002 Cost $	2002 Accumulated amortization $
Land and building	**55,843**	**36,191**		55,843	31,783
Galleries	**37,744**	**28,176**		37,710	21,632
Building improvements	**14,104**	**9,917**		10,930	9,094
Renaissance ROM Project [note 2]	**22,867**	**—**		1,620	—
Furniture and equipment	**2,266**	**1,013**		2,589	1,036
	132,824	**75,297**		108,692	63,545
Less accumulated amortization	**75,297**			63,545	
Net book value	**57,527**			45,147	

[b] The change in net book value of capital assets is due to the following:

	2003 $	[000's]	2002 $
Balance, beginning of year	**45,147**		53,153
Purchase of capital assets funded by restricted capital contributions			
Land	—		931
Other capital assets	17,299		2,659
Purchase of capital assets funded by bank indebtedness, accounts payable and accrued liabilities	7,154		—
Purchase of capital assets funded internally	116		357
Amortization of capital assets	(12,189)		(11,953)
Balance, end of year	**57,527**		45,147

6. Artifacts and Specimens

As at June 30, 2003, the collection consisted of approximately 5,951,000 artifacts and specimens. During the year, the Museum accessioned approximately 1,000 objects to its collections through the donation and purchase of artifacts.

7. Deferred Revenue

Deferred revenue represents grants from federal and provincial governments, corporations and The Royal Ontario Museum Foundation [the "Foundation"] related primarily to next year's operations.

8. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of grants and donations received for the purchase of capital assets and gallery development. The amortization of capital contributions is recorded as revenue in the statement of operations and changes in net assets. The changes in the deferred capital contributions balance are as follows:

	2003 $	[000's]	2002 $
Balance, beginning of year	**44,765**		53,522
Amortization of deferred capital contributions	(11,774)		(11,705)
Restricted contributions received or receivable for capital asset purchases [note 13]	15,242		2,948
Balance, end of year	**48,233**		44,765

At June 30, 2003, deferred capital contributions of $44,000 [2002 - $2,101,000] were received but not spent.

9. Net Assets

Changes in the components of net assets at June 30 are as follows:

	2003				2002
	Operating deficit $	**Board restricted** $	**Invested in capital assets** $	**Total** $	**Total** $
				[000's]	
Balance, beginning of year	(2,396)	1,250	2,483	1,337	8
Excess of revenues over expenses for the year	123	119	—	242	398
Restricted capital contributions from the Province of Ontario for the purchase of land	—	—	—	—	931
Net change in invested in capital assets	289	10	(299)	—	—
Balance, end of year	(1,984)	1,379	2,184	1,579	1,337

10. Grants

Grants consist of the following:

	2003 $ [000's]	2002 $
Province of Ontario		
Operating	18,518	18,518
Other	1,465	339
Government of Canada	92	167
The Royal Ontario Museum		
Foundation [note 13]	4,557	4,169
	24,632	23,193

11. Expenses

Expenses are reported in the statement of operations and changes in net assets on a functional basis. Expenses by category are as follows:

	2003 $ [000's]	2002 $
Salaries and benefits [note 14]	22,783	23,173
Purchased goods and services	29,572	28,333
Gifts in kind	60,614	1,087
	112,969	52,593

12. Museum Volunteers

During the year, Museum volunteers contributed approximately 86,000 hours in support of the Museum. Their activities include guided gallery tours and a variety of programs that enrich the visitor's experience at the Museum; offering local travel packages that promote the Museum's image in Ontario and throughout the world; and many other support activities. The Museum estimates that the value of these services is in excess of $1.8 million annually.

In addition, the net income generated by the Museum volunteers and the ROM Reproductions Association, an independent volunteer organization affiliated with the Museum, goes directly to support the Museum's activities. During the year ended June 30, 2003, Museum volunteers contributed $60,000 [2002 - $70,000] to the Foundation for acquisition and research projects at the Museum. The ROM Reproductions Association contributed $75,000 [2002 - $75,000] to the Foundation for the purchase of artifacts and specimens.

13. The Royal Ontario Museum Foundation

The Foundation was incorporated on July 1, 1992, to co-ordinate all private-sector fundraising activities undertaken on behalf of the Museum and its affiliates. The objective of the Foundation is to raise funds available for enhancing exhibitions and public programs, research, acquisitions and capital projects.

The accounts of the Foundation are presented separately and are not consolidated in these financial statements. As at June 30, 2003, the fund balances of the Foundation are as follows:

	2003 $ [000's]	2002 $
Unrestricted funds	335	399
Restricted funds		
Available currently	7,447	5,885
Available at a future date	5,264	11,346
	12,711	17,231
Endowment funds		
Externally restricted	6,339	6,855
Internally restricted	5,528	1,870
	11,867	8,725
	24,913	26,355

During the year, the Foundation granted $10,780,000 [2002 - $6,118,000] to the Museum. Of this amount, $4,557,000 [2002 - $4,169,000] was recorded as grant revenue [note 10], $5,876,000 [2002 - $1,620,000] was recorded as an increase in deferred capital contributions in connection with the Renaissance ROM Project and the balance was recorded as deferred revenue.

14. Employee Benefits

The Museum has a defined benefit pension plan and other benefit plans that provide pension and other post-employment benefits to most of its employees. Details of these plans are summarized below.

The net expense (income) for the Museum's benefit plans is as follows:

	2003 $ [000's]	2002 $
Defined benefit plan	479	419
Other post-employment benefits	480	505
	959	924

Information about the Museum's pension and non-pension plans at June 30 is as follows:

	Pension		Non-pension	
	2003	2002	2003	2002
	$	$ [000's]	$	$
Accrued liabilities	**51,906**	43,299	**3,828**	3,393
Market value of plan assets	**39,801**	42,243	**—**	—
Deficit	**(12,105)**	(1,056)	**(3,828)**	(3,393)
Unamortized transitional (asset) obligation	**(6,104)**	(6,682)	**2,401**	2,757
Unrecognized past service costs	**(4,483)**	(5,010)	**—**	—
Unrecognized net actuarial loss (gain)	**25,727**	15,903	**198**	(222)
Balance sheet asset (liability)	**3,035**	3,155	**(1,229)**	(858)

The significant actuarial assumptions adopted in measuring the Museum's accrued benefit obligations are as follows:

	Pension		Non-pension	
	2003	2002	2003	2002
	%	%	%	%
Discount rate	**6.25**	7.25	**6.25**	7.25
Expected long-term rate of return on plan assets	**7.25**	7.50	**—**	—
Rate of compensation increase	**4.25**	4.25	**—**	—
Rate of increase in pensions	**—**	—	**—**	—

For measurement purposes, an initial weighted average increase in the cost of medical and dental benefits of 7.2% was assumed with an ultimate 4.5% annual rate of increase.

Other information about the Museum's pension and non-pension plans is as follows:

	Pension		Non-pension	
	2003	2002	2003	2002
	$	$ [000's]	$	$
Employee contributions	**645**	597	**—**	—
Employer contributions	**359**	336	**109**	86
Benefits paid	**2,231**	2,123	**109**	86

15. Line of Credit

Bank indebtedness represents a drawing on a $3,000,000 operating line of credit with interest payable at prime.

Record of Employees' 2003 Salaries and Benefits

Surname	Given Name	Position	Salary Paid	Taxable Benefits
Baker	Dr. Allan	Head, CBCB	$107,407.54	$301.66
Barnett	Robert	VP, Gallery Dev't.	$119,686.52	$341.27
Beckel	Margaret	COO/Secretary to the Board	$200,617.00	$8,056.10
Collins	Dr. Desmond	Head, Palaeobiology	$102,803.95	$289.65
Darling	Dr. Chris	Senior Curator	$100,869.15	$269.68
Engstrom	Mark	Dir., Research	$107,740.03	$302.62
Graesser	William	Exec. Dir., Finance	$105,637.45	$301.08
Hushion	Anthony	VP, Exhibits, Programs & NMR	$144,119.89	$396.50
Koester	Christopher	Exec. Dir., HR & OD	$107,206.66	$301.08
Peters	Joel	VP, Marketing & Commercial Dev't.	$124,490.71	$354.71
Rahimi	Dan	Dir., Collections Management	$105,637.45	$301.08
Shaikoli	Al	Exec. Dir., Facilities	$105,637.45	$301.08
Shoreman	Michael	Senior VP, Business & Capital Dev't.	$163,948.07	$467.22
Sues	Hans-Dieter	VP, Collections & Research	$138,060.90	$377.64
Thorsell	William	President & CEO	$234,697.95	$1,684.92
Wicks	Dr. Fred	Head, Earth Sciences	$102,205.33	$288.46

THE ROYAL ONTARIO MUSEUM SCHEDULE OF OPERATIONS BY FUND

	2002–2003				2001–2002			
	Operating Fund $	**Restricted Fund $**	**Capital Fund $**	**Total Museum $**	[000's] Operating Fund $	Restricted Fund $	Capital Fund $	Total Museum $
Revenues								
Grants	21,888	2,597	147	24,632	20,726	2,467		23,193
Admission fees	4,610			4,610	4,561			4,561
Museum programs	2,003			2,003	2,149			2,149
Ancillary services	8,117			8,117	8,602			8,602
Investment income	57	1		58	31	31		62
Donations - Gifts in kind		60,614		60,614		1,087		1,087
Amortization of deferred capital contributions			11,774	11,774			11,705	11,705
Other	519	884		1,403	450	1,182		1,632
Total revenues	37,194	64,096	11,921	113,211	36,519	4,767	11,705	52,991
Expenses								
Curatorial and collections management	8,728	1,896		10,624	8,807	2,283		11,090
Building, security and visitor services	7,166	385	147	7,698	7,164	48		7,212
Ancillary services	6,291			6,291	6,665			6,665
General and administration	3,318	20		3,338	3,381	7		3,388
Education and public programs	1,811	160		1,971	2,113			2,113
Library and information services	2,030			2,030	2,202			2,202
Exhibition and gallery development	1,333			1,333	1,344			1,344
Marketing and public relations	1,580			1,580	1,698			1,698
Temporary exhibitions	4,409			4,409	2,628			2,628
Artifacts and specimens - Gifts in kind		60,614		60,614		1,087		1,087
- Purchased		868		868		1,137		1,137
Amortization of capital assets	405	10	11,774	12,189	221	27	11,705	11,953
Other		24		24		76		76
Total expenses	37,071	63,977	11,921	112,969	36,223	4,665	11,705	52,593
Excess of revenues over expenses for the year	123	119		242	296	102		398
Restricted capital contributions for the purchase of land							931	931
Transfer between funds					(135)	135		
Net assets (deficit), beginning of year	(867)	1,273	931	1,337	(1,028)	1,036		8
Net assets (deficit), end of year	(744)	1,392	931	1,579	(867)	1,273	931	1,337

Smart Systems for Health Agency 2004 Annual Report

Management's Responsibility for Financial Information

June 15, 2004

Management and the Board of Directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgment. Management is responsible for the integrity and objectivity of these financial statements. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements in all material respects.

Smart Systems for Health Agency (SSHA) is dedicated to the highest standards of integrity in its business. To safeguard the Agency's assets and assure the reliability of financial information, the Agency follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The Board of Directors ensures that management fulfills its responsibilities for financial information and internal controls. The financial statements have been reviewed by the SSHA Board Audit Committee and approved by the Board of Directors.

The financial statements have been examined by PricewaterhouseCoopers LLP, independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to examine the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the Auditors' examination and opinion.

M.K. Connolly

Michael Connolly
Chief Executive Officer
Smart Systems for Health Agency

Geoffrey Knapper
Chief Administrative Officer
Smart Systems for Health Agency

Auditors' Report

April 30, 2004

To the Board of Directors of
Smart Systems for Health Agency

We have audited the statement of financial position of **Smart Systems for Health Agency** (the Agency) as at March 31, 2004 and the statements of operations and fund balance (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers, LLP
Chartered Accountants

Statement of Financial Position

As at March 31, 2004

	2004	2003
Assets		
Current assets		
Cash	$ 6,205,076	83,697
Prepaid expenses	370,557	29,337
Due from the Province of Ontario (note 3)	8,702,688	–
	15,278,321	113,034
Capital assets (note 4)	21,430,495	19,169,972
	$ 36,708,816	**$ 19,283,006**
Liabilities		
Current liabilities		
Accounts payable - including held cheques of $5,187,395 (2003 - $nil)	$ 11,009,242	567,113
Accrued liabilities		
Operating	2,883,492	2,186,272
Capital	958,466	716,219
	14,851,200	3,469,604
Deferred capital contributions (note 5)	$ 21,430,495	18,473,982
	36,281,695	21,943,586
Fund balance (deficit)	$ 427,121	(2,660,580)
	$ 36,708,816	**$ 19,283,006**

Approved by the Board of Directors

Director

Director

Statement of Operations and Fund Balance (Deficit)

	Year ended March 31, 2004	Period from January 17, 2003 to March 31, 2003
Revenues		
Government funding (note 3)	$ 72,443,411	9,758,326
Amortization of deferred capital contributions (note 5)	10,796,976	1,151,738
Recoveries of expenses (note 3)	2,551,470	–
	85,791,857	10,910,064
Expenses		
Information technology operations		
Production	$ 33,396,321	5,419,575
Development	19,030,787	3,173,599
Client support	9,551,054	1,374,030
	61,978,162	9,967,204
Privacy, security and standards	5,650,748	1,101,849
General and administrative	6,563,422	1,329,624
Total operating expenses	74,192,332	12,398,677
Amortization	8,914,877	1,171,967
	83,107,209	13,570,644
Gain on disposal of capital assets (note 4)	$ 403,053	–
Excess (deficiency) of revenues over expenses for the period	$ 3,087,701	(2,660,580)
Deficit - Beginning of period	$ (2,660,580)	–
Fund balance (deficit) - End of period	**$ 427,121**	**$ (2,660,580)**

Statement of Cash Flows

	Year ended March 31, 2004	Period from January 17, 2003 to March 31, 2003
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the period	$ 3,087,701	(2,660,580)
Items not affecting cash		
Amortization of deferred capital contributions	(10,796,976)	(1,151,738)
Amortization	8,914,877	1,171,967
Gain on disposal of capital assets	(403,053)	–
	802,549	(2,640,351)
Change in non-cash working capital items		
Due from the Province of Ontario	(8,702,688)	–
Prepaid expenses	(341,220)	(29,337)
Accounts payable	10,442,129	567,113
Accrued liabilities – operating	697,220	2,186,272
	2,095,441	2,724,048
	2,897,990	83,697
Investing activities		
Purchase of capital assets	$ (10,530,100)	(5,669,297)
Financing activities		
Deferred contributions received	$ 13,753,489	5,669,297
Net increase in cash during the period	$ 6,121,379	83,697
Cash – Beginning of period	83,697	–
Cash – End of period	**$ 6,205,076**	**$ 83,697**

Notes to Financial Statements

For the year ended March 31, 2004

1. Nature of operations

On February 11, 2002, the Smart Systems for Health Agency (SSHA or the Agency) was established as a corporation without share capital by Ontario Regulation 43/02 in accordance with Section 5 of the Development Corporations Act. SSHA is an operational service agency as defined by the Management Board of Cabinet Directives. Subsection 2(3) of O. Reg. 43/02 provides that SSHA is, for all its purposes, an agency of Her Majesty within the meaning of the Crown Agency Act and its powers may be exercised only as an agency of Her Majesty. Subsection 6(1) of O. Reg. 43/02 provides that the Board of Directors is composed of the members appointed by the Lieutenant Governor in Council. Pursuant to subsection 7(1) of O. Reg. 43/02 and subject to any directions given by the Minister of Health and Long-Term Care under Section 8, the affairs of the Agency are under the management and control of the Board of Directors. The Lieutenant Governor in Council appointed 11 members to the SSHA Board of Directors.

The Board of Directors passed its first by-law on January 16, 2003. As such, SSHA ceased operating as part of the Ministry of Health and Long-Term Care (MOHLTC) and began operating as an arm's length agency of MOHLTC on January 17, 2003.

The Agency prepares its financial statements in accordance with Canadian generally accepted accounting principles as opposed to the cash basis, which was its accounting policy when it was operating as part of the MOHLTC.

SSHA is fully funded by the Province of Ontario through the MOHLTC. As an agency of the MOHLTC, SSHA is exempt from income taxes. The Agency is currently awaiting its exemption from the federal goods and services tax (GST). However, in the interim, the Agency has received permission from the MOHLTC to quote its GST exemption number.

SSHA provides the secure, integrated, province-wide infrastructure to allow electronic communication among Ontario's health-care providers, in support of Ontario's e-Health initiatives. The protection of personal health information of Ontarians is of utmost importance at SSHA. Privacy and security services provided by SSHA complement the network infrastructure services to safeguard personal information maintained by SSHA. In addition, SSHA strives to build consensus on data and technology standards within the health-care community in Ontario.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those accounting policies considered particularly significant.

Revenue recognition

SSHA follows the deferral method of accounting for contributions. Contributions with respect to the purchase of assets are deferred and recognized as revenue in the year in which the amortization expense is recognized. Transfer payments from the Ontario government used to purchase capital assets are deferred in the year received and recognized as revenue in the year in which the amortization expense of the related asset is recognized. The balance is recognized as revenue when received, or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Expense recognition

Expenses are recognized as incurred, on an accrual basis, in the period to which they relate.

Expense categories

Information technology operations include the following:

- Production primarily includes network operations, data centre operations, contact centre operations and the chief technology office.
- Development primarily includes secure messaging infrastructure build, public key infrastructure build, portal build and the preliminary work done for establishing a voluntary electronic health record.
- Client support includes client services, architecture, the executive project office and planning and product management.

Privacy, security and standards include costs related to establishing and maintaining a high standard for information security and privacy and building consensus on data technology standards in Ontario's health-care community.

General and administrative expenses include Board of Directors, chief executive office, corporate services, human and corporate resources, with the exception of legal, rent and internal IT costs, which have been allocated to other expense categories based on the work consumed or the floor space occupied.

Capital assets

On January 17, 2003, the MOHLTC transferred to SSHA all the assets that were purchased while it was operating within the MOHLTC. These assets were transferred for no monetary consideration. These assets were recorded at the net book value of the assets of $13,956,423, as if the MOHLTC's policy was to capitalize and amortize such assets on the date of transfer. A corresponding deferred capital contribution was established on the date of the transfer (see note 5).

Capital assets are recorded at cost net of accumulated amortization and net of any impairment loss. An impairment loss represents the difference between the carrying value and the fair value of an asset, and is recognized when the carrying value of the asset is no longer recoverable from the undiscounted estimated future net cash flow expected to be received from the ongoing use of the asset, plus its residual worth. Amortization is provided on a straight-line basis with only one-half of the amortization recorded in the year of purchase, over the estimated useful lives of the assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and office equipment	5 years
Licences	1 year

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amount of revenues and expenses for the period. Actual results may differ from those estimates.

3. Government funding

As required by the Management Board of Cabinet Directive, the Agency and the MOHLTC have entered into a memorandum of understanding (MOU). The MOU outlines the operational, administrative, financial and other relationships that exist between the MOHLTC and the Agency. The Agency operates on the same fiscal year as the Ontario government.

The Agency obtained a funding commitment of $86,196,900 (2003 - $15,427,623) from the MOHLTC for the year, of which $8,702,688 (2003 - $nil) was collected subsequent to year-end. This funding was accounted for in accordance with the Agency's accounting policies as follows:

	2004	2003
Payments made directly to third parties on behalf of SSHA	$ –	3,107,623
Committed funding	86,196,900	12,320,000
	86,196,900	15,427,623
Amounts received and designated as deferred capitalcontributions (note 5)	(13,753,489)	(5,669,297)
Funding recognized in the statement of operations	**$ 72,443,411**	**$ 9,758,326**
Recoveries of expenses from other MOHLTC programs (i)	**$ 2,551,470**	–

i) Represents billings to the MOHLTC for agreed upon expenses incurred by SSHA to provide services to various MOHLTC program areas including Integrated Services for Children Division, Public Health pilot project, Emergency Department Access to Drug History project, Health Network System, Community Care Connects project and ePhysician project.

4. Capital assets

	2004			2003
	Cost	**Accumulated amortization**	**Net**	**Net**
Computer hardware	$ 19,951,082	$ 5,415,951	$ 14,535,131	$ 12,452,523
Computer software	8,289,119	2,791,426	5,497,693	5,896,678
Licences	771,147	385,573	385,574	–
Furniture and office equipment	1,250,488	238,391	1,012,097	820,771
	$ 30,261,836	**$ 8,831,341**	**$21,430,495**	**$ 19,169,972**

During the year, SSHA traded in certain computer equipment. The details are as follows:

Fair value of equipment purchased	$ 3,601,964
Cash paid	(1,337,041)
Trade in value ascribed	2,264,923
Net book value of traded in equipment	1,861,870
Net gain	**$ 403,053**

In addition, as a result of this trade-in, the Agency recognized as revenue $1,861,870 of unamortized deferred revenue, which corresponded to the assets traded in. This amount is included in amortization of deferred capital contributions in the statement of operations for the current year.

5. Deferred capital contributions

Deferred capital contributions represent the capital assets transferred from the MOHLTC on January 17, 2003 as well as subsequent contributions received for the purpose of purchasing capital assets. These contributions are being recognized as income on the same basis as the amortization expense of the related capital assets.

	2004	2003
Balance - Beginning of year	$ 18,473,982	13,956,423
Contributions received	13,753,489	5,669,297
Amortization	(10,796,976)	(1,151,738)
Balance – End of Year	**$21,430,495**	**$18,473,982**

The contributions received during the year are made up of the following:

	2004	2003
Contributions used to fund current year capital asset purchases	$ 13,037,270	5,669,297
Contributions used to fund prior year accrued capital asset purchases	716,219	–
	$13,753,489	**$ 5,669,297**

In the current year, SSHA has recognized contributions of $958,466 related to accruals for capital asset purchases, which were paid for subsequent to year-end. SSHA considered this change in practice from the prior year appropriate given it now operates with the MOHLTC based on a funding commitment that includes accrued funding as at the year-end.

Amortization of deferred capital contributions is made up of the following:

	2004	2003
Amortization of capital assets	$ 8,914,877	1,171,967
Amortization relating to assets traded in (see note 4)	1,861,870	–
Amortization relating to accrued capital assets from prior year	20,229	(20,229)
	$10,796,976	**$ 1,151,738**

6. Contractual commitments

SSHA has contractual commitments to fiscal 2007, to build and deploy infrastructure services to support Ontario's e-Health vision and strategy. The commitments are for providing highly secure data centres and establishing and operating the public key infrastructure. Payments required on these commitments are as follows:

2005	$	8,749,934
2006		8,559,753
2007		7,531,546

Commitments in the current year have decreased from the prior year's commitments, as the contract for developing a secure messaging of infrastructure (SMI) was terminated by SSHA. The termination occurred when management believed was an appropriate time in the life of the contract as the infrastructure build was complete and SSHA made a decision to bring the operations component in-house.

7. Operating lease commitments

a) Office space

Ontario Realty Corporation holds three leases on the office space occupied by SSHA. SSHA is responsible for all the operating lease payments. The payments required to the date of expiry are as follows:

2005	$	991,979
2006		941,084
2007		57,217

SSHA expects to renew these leases as they expire. One of the leases expires on January 31, 2006 and the remaining two leases expire in fiscal 2007. The above table excludes any renewal periods.

b) Desktop information technology

SSHA leases its desktop technology through the Government of Ontario Vendor of Record (VOR). The existing lease commitments are as follows:

2005	$	231,703
2006		37,269

SSHA has made the decision to purchase desktop technology from January 2004 onwards. The existing commitments are for the leases that were transferred from MOHLTC, which expire in fiscal 2007.

8. Employee benefits

The Agency established a defined contribution pension plan during the year for its employees. Contributions to this plan during the year amounted to $67,750.

9. Contingencies

Subsection 2(3) of O. Reg. 43/02, which establishes the Agency, provides that SSHA, for all its purposes, is an agent of Her Majesty within the meaning of the Crown Agency Act and its powers may only be exercised as an agent of Her Majesty. Section 17 of O. Reg. 43/02 provides:

17. (1) No employee or agent of the agency and no administrator appointed under subsection 13(1) is liable for anything done or omitted in good faith in the exercise or purported exercise of the powers conferred or duties imposed by this regulation.

17. (2) Subject to any duties, obligations or responsibilities imposed by statute, no member of the Board of Directors or officer of the agency is liable for anything done or omitted in good faith in the exercise or purported exercise of the powers conferred or duties imposed by this regulation.

RECORD OF EMPLOYEES' 2003 SALARIES AND BENEFITS

Smart Systems for Health Agency

Surname	Given Name	Position	Salary Paid	Taxable Benefits
Connolly	*Michael*	*Chief Executive Officer - Interim*	*$145,384.66*	*$0.00*

I certify that the information provided on this record is correct in accordance with the Public Sector Salary Disclosure Act, 1996.

This record has been approved by:

Geoff Knapper	**Acting - Chief Administrative Officer**
Name	**Position Title**
416-327-9667	**29-Mar-04**
Phone Number	**Date**

Prepared under the *Public Sector Salary Disclosure Act, 1996*

Office of the Provincial Auditor of Ontario

AUDI ALTERAM PARTEM

Auditor's Report

To the Toronto Area Transit Operating Authority
and to the Minister of Transportation

I have audited the balance sheet of the Toronto Area Transit Operating Authority as at March 31, 2004 and the statement of operations and deficiency for the year then ended. These financial statements are the responsibility of the Authority'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 Authority as at March 31, 2004 and the results of its operations for the year then ended in accordance with accounting principles recommended for governments by the Canadian Institute of Chartered Accountants.

Toronto, Ontario
June 17, 2004

Gary R. Peall, CA
Acting Assistant Provincial Auditor

TORONTO AREA TRANSIT OPERATING AUTHORITY

Balance Sheet
March 31, 2004

	2004 ($ 000)	2003 ($ 000)
ASSETS		
Current		
Due from Province of Ontario	8,540	8,625
Capital Assets Pledged as Collateral (Note 3)	174,002	194,231
	182,542	202,856
LIABILITIES AND DEFICIENCY		
Current Liabilities		
Current portion of long-term debt (Note 4)	10,581	4,041
Interest on long-term debt	8,540	8,625
	19,121	12,666
Long-term Debt (Note 4)	448,341	460,262
Deficiency	(284,920)	(270,072)
	182,542	202,856

See accompanying notes to financial statements.

Approved by:

Chair

Board Member

TORONTO AREA TRANSIT OPERATING AUTHORITY

Statement of Operations and Deficiency
For the Year Ended March 31, 2004

	2004 ($ 000)	2003 ($ 000)
Revenue		
Operating subsidies from the Province	38,416	38,282
Amortization of deferred foreign exchange gain (loss) on long-term debt	1,572	(11,027)
	39,988	27,255
Expenses		
Amortization of capital assets	20,229	21,090
Interest on long-term debt	34,607	35,054
	54,836	56,144
Excess of Expenses over Revenue	(14,848)	(28,889)
Deficiency, beginning of year	(270,072)	(241,183)
Deficiency, end of year	(284,920)	(270,072)

TORONTO AREA TRANSIT OPERATING AUTHORITY

Notes to Financial Statements
March 31, 2004 (dollars in thousands)

1. NATURE OF THE CORPORATION

The Toronto Area Transit Operating Authority (Authority) was established as a corporation without share capital under the *Toronto Area Transit Operating Authority Act*. On August 7, 1999, pursuant to the since repealed *Greater Toronto Services Board Act*, *1998*, the transit business of the Authority was transferred to the Greater Toronto Transit Authority (GTTA) without compensation. The transfer included all assets and liabilities and employees, except for the railway rolling stock and related debt represented by conditional sales agreements described in Note 4, which the Authority continues to administer.

2. ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with accounting principles recommended for governments by the Canadian Institute of Chartered Accountants. The accounting policies are as follows:

(a) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Other railway rolling stock	25 years
Locomotives	20 years
Locomotive overhauls	5 years

(b) Foreign currency translation

Long-term debt payable in U.S. dollars is translated to Canadian dollars at rates of exchange in effect at the end of the period. Unrealized exchange gains or losses arising on translation are deferred and amortized over the remaining term of the debt.

(c) Administrative expenses

Administrative services are provided by the Ministry of Transportation without charge.

TORONTO AREA TRANSIT OPERATING AUTHORITY

Notes to Financial Statements
March 31, 2004 (dollars in thousands)

3. CAPITAL ASSETS

The capital assets are comprised of locomotives and other railway rolling stock pledged as collateral for the long-term debt described in note 4.

	2004			2003
	Cost $	Accumulated Amortization $	Net $	Net $
Other Railway Rolling Stock	363,308	221,550	141,758	156,290
Locomotives	110,905	78,661	32,244	37,789
Locomotive Overhauls	7,312	7,312	—	152
	481,525	307,523	174,002	194,231

4. LONG-TERM DEBT

At the request of the Ontario Minister of Finance, the Authority entered into a financing transaction on March 31, 1994. Under the terms of the transaction, 42 of the locomotives and 243 bi-level cars were sold for US$311,867 (CDN$431,530) and immediately repurchased from the same counterparty at the same price under conditional sales agreements (CSAs) maturing on July 1, 2006. The proceeds from the original sale were returned to the Province net of transaction costs of $4,271. While under the CSAs, the Authority agreed to repay the obligation and interest thereon over the 12-year period. Pursuant to a memorandum of understanding dated December, 1993 with the Minister of Finance, and affirmed by the Deputy Minister of Transportation in a letter dated July 9, 1997, the Province will provide operating subsidies to the Authority in a timely manner and in the amounts necessary to enable the Authority to satisfy the debt and interest obligations.

The transaction has been accounted for as a collateralized financing. The debt is collateralized by the locomotives and bi-level cars, which the Authority retains the right to use. On August 7, 1999, the Authority signed an equipment lease agreement leasing these locomotives and bi-level cars to the Greater Toronto Transit Authority (GTTA) at a nominal amount of one dollar annually. Under this equipment lease agreement, which expires on July 1, 2006, GTTA is liable for the maintenance and all other associated obligations.

To minimize the risk of fluctuations in foreign currency exchange rates to the Ontario government, the Province has entered into a currency swap agreement. At year end, approximately 78% of the debt was hedged by the currency swap. As the Authority is not a party to the currency swap agreement, the effects of this agreement are not reflected in these financial statements. As such, the Authority recognizes and defers the full impact of currency fluctuations net of accumulated amortization while the Province recognizes the offsetting gain or loss on the swap. Due to the unique nature of the long-term debt, it is not practical to determine a fair value of this transaction.

TORONTO AREA TRANSIT OPERATING AUTHORITY

Notes to Financial Statements
March 31, 2004 (dollars in thousands)

4. LONG-TERM DEBT (CONTINUED)

CSA Number	Maximum Loan US$	Average Interest Rate %	Balance at March 31, 2004 US$	Collateral
1	14,487	7.27536	13,956	Bi-level cabs and coaches
2	108,926	7.26143	106,582	Bi-level cabs and coaches
3	23,794	7.38419	21,226	Locomotives
4	70,319	7.28488	67,552	Bi-level cabs and coaches
5	60,702	7.36798	60,487	Bi-level coaches
6	41,926	7.39563	40,546	Locomotives
	320,154		310,349	
Translated to Canadian Dollars at			1.3113	
CAN$			406,961	
Deferred foreign exchange gain net of accumulated amortization of $29,492			51,961	
			458,922	
Less: Current portion			(10,581)	
			448,341	

The annual repayments on a fiscal year basis in US dollars that the Authority is required to make are as follows:

Fiscal Year	Principal Repayment US$	Interest US$	Total US$
2004-2005	8,069	22,597	30,666
2005-2006	8,911	22,073	30,984
2006-2007	293,369	10,727	304,096
	310,349	55,397	365,746

5. STATEMENT OF CASH FLOWS

A statement of cash flows was not required as the information which it would contain is readily available from these financial statements.

TRUSTS AND MISCELLANEOUS

FINANCIAL STATEMENTS

DEPOSIT INSURANCE CORPORATION OF ONTARIO

Management's Responsibility

The Deposit Insurance Corporation of Ontario's management is responsible for the integrity and fair presentation of the financial statements included in the annual report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The Corporation maintains systems of internal accounting controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable and that company assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed by the Corporation's Audit and Finance Committee and have been approved by its Board of Directors. In addition, the financial statements have been examined by KPMG LLP, the auditors, whose report follows.

Andrew Poprawa, CA
President & CEO

James Maxwell
Chief Administrative and Financial Officer

Toronto, Canada
January 16, 2004

Auditors' Report

KPMG LLP

To the Board of Directors of Deposit Insurance Corporation of Ontario

We have audited the Statement of Financial Position of Deposit Insurance Corporation of Ontario as at December 31, 2003 and the Statement of Operations and Changes in the Deposit Insurance Reserve Fund and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
January 16, 2004

DEPOSIT INSURANCE CORPORATION OF ONTARIO

Statement of Financial Position

DECEMBER 31, 2003, WITH COMPARATIVE FIGURES FOR 2002 *(IN THOUSANDS OF DOLLARS)*

	2003	2002
ASSETS		
Cash	**$ 684**	$ 1,218
Investments (note 2)	**63,123**	44,438
Premium receivable	**2,729**	2,219
Accounts and interest receivable	**273**	356
Deposit insurance advances recoverable	**902**	3,946
Capital assets (net of accumulated amortization of $3,160 (2002 - $3,077))	**217**	256
	$ 67,928	$ 52,433
LIABILITIES		
Payables and accruals	**1,872**	1,948
Deferred premium income	**2,788**	2,280
Accrual for deposit insurance losses (note 4)	**2,505**	5,066
Total Liabilities	**7,165**	9,294
EQUITY		
Deposit Insurance Reserve Fund	**60,763**	43,139
	$ 67,928	$ 52,433

Contingencies (note 10)

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

DEPOSIT INSURANCE CORPORATION OF ONTARIO

Statement of Operations and Changes in the Deposit Insurance Reserve Fund

YEAR ENDED DECEMBER 31, 2003, WITH COMPARATIVE FIGURES FOR 2002 *(IN THOUSANDS OF DOLLARS)*

	2003	2002
INCOME		
Premium income	**$ 15,122**	$ 14,110
Other income	**1,833**	1,167
	16,955	15,277
EXPENSES		
Recovery of losses	**(6,608)**	(5,116)
Salaries and benefits	**3,823**	4,220
Loan fee	**16**	16
Operating expense	**2,451**	2,584
Recovery of operating expense	**(351)**	(601)
	(669)	1,103
Excess of income over expenses	**17,624**	14,174
Deposit Insurance Reserve Fund, beginning of year	**43,139**	28,965
Deposit Insurance Reserve Fund, end of year	**$ 60,763**	$ 43,139

See accompanying notes to financial statements.

DEPOSIT INSURANCE CORPORATION OF ONTARIO

Statement of Cash Flows

YEAR ENDED DECEMBER 31, 2003, WITH COMPARATIVE FIGURES FOR 2002 *(IN THOUSANDS OF DOLLARS)*

	2003	2002
Cash received from (applied to):		
Operations:		
Excess of income over expenses	**$ 17,624**	$ 14,174
Items charged to operations not affecting cash		
Recovery of losses	**(6,608)**	(5,116)
Gain on disposal of capital assets	**(2)**	(2)
Amortization	**133**	151
	11,147	9,207
Changes in:		
Premium receivable	**(510)**	(1,164)
Accounts and interest receivable	**83**	645
Payables and accruals	**(76)**	(11)
Deferred premium income	**508**	1,150
	5	620
Net deposit insurance recoveries / advances (note 4)	**7,091**	(756)
	18,243	9,071
Investing activities:		
Purchase of capital assets	**(94)**	(88)
Proceeds on sale of capital assets	**2**	3
	(92)	(85)
Increase in cash position	**18,151**	8,986
Cash position, beginning of year	**45,656**	36,670
Cash position, end of year	**$ 63,807**	$ 45,656
Supplementary cash flow information:		
Loan fee paid during the year	**$ 16**	$ 7
Interest received during the year	**$ 1,680**	$ 1,277

Cash position is defined as cash and short-term investments less any borrowings.
See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 2003

General

Deposit Insurance Corporation of Ontario is an "Operational Enterprise" Agency of the Province of Ontario without share capital established under the provisions of the Credit Unions and Caisses Populaires Act.

The statutory objects of the Corporation under the Act are to:

- provide deposit insurance to depositors of member institutions;
- act as stabilization authority for the credit union and caisse populaire system;
- promote standards of sound business and financial practices;
- collect and publish statistics;
- provide financial assistance to member institutions;
- act as administrator of member institutions;
- minimize deposit insurance risk and size of claims.

The Act empowers the Corporation to assess its member institutions to meet the Corporation's requirements for insurance funding and administrative costs. The Corporation establishes its premium levy annually. The established premium levy is submitted to the Government of Ontario for review and incorporation into the regulations through appropriate amendments as necessary.

In addition, the Corporation's borrowings, if any, are guaranteed by the Minister's guarantee on behalf of the Province of Ontario. The guarantee was for a maximum of $75 million and expired on December 31, 2003. A new guarantee has been approved for a maximum of $150 million, effective January 1, 2004 and continues until December 31, 2008. In addition to the guarantee fees of one-half of one per cent of the average end of day balance outstanding of any debt obligation subject to the Minister's guarantee, the Province of Ontario charges a fee of 5 basis points on the unused portion of any credit facility guaranteed for the period ending December 31 of each year during which the new guarantee is in effect.

1. Summary of Significant Accounting Policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not reflect the assets, liabilities or operations of credit unions or caisses populaires where the Corporation has been appointed liquidator.

(a) Premium Income:

Premiums are based on a Differential Premium Risk Classification System applied to insured deposits held by member institutions. Premium income is recognized when earned.

(b) Provision for Losses:

The provision for losses includes allowances against deposit insurance advances and an accrual for losses for which advances have not been made at the date of the Statement of Financial Position.

Funds advanced in respect of deposit insurance and loans to member institutions are initially recorded at cost. Deposit insurance advances recoverable are presented on the Statement of Financial Position net of allowances thereon.

The accrual for deposit insurance losses includes both provisions for specific losses and a general provision for losses. Specific provisions for losses in respect of insured deposits are estimated by management and recorded when conditions, in the opinion of management, exist that will likely result in losses to the Corporation.

The general provision for losses reflects management's best estimate of losses on insured deposits arising from the inherent risk in member credit unions and caisses populaires. The provision is established by assessing the aggregate risk in member institutions based on current market and economic conditions, the likelihood of losses and the application of historic loss experience. Future economic conditions are not predictable with certainty and actual losses may vary, perhaps substantially, from management's estimates.

(c) Pension Benefits:

The Corporation has a defined contribution pension plan covering all of its regular, non-contractual employees. Earnings are charged with the cost of pension benefits earned by employees as service is rendered. Pension expense is determined by a fixed percentage of the employees' income plus the matching of the employees' contribution to a maximum of 4%. The Corporation assumes no actuarial or investment risk.

(d) Future Non-pension Post-retirement Benefits:

Future non-pension post-retirement benefits relate to the

Corporation's extended health, dental and life benefits for both active employees for whom a full eligibility date was determined and existing qualified retirees. The Corporation accrues obligations under these plans as the employees render the service necessary to earn the future benefits. The cost of these future non-pension post-retirement benefits earned by employees is actuarially determined. Accruals for these costs represent discounted future expenditures for existing retirees and discounted future expenditures during the period of active employment for current employees to an expected retirement date.

(e) Investments:

Investments comprise short-term fixed income instruments and are recorded at amortized cost. The discounts are amortized on a straight line basis over the terms of the instruments.

(f) Capital Assets:

Capital assets are recorded at cost. Amortization of furniture and equipment is provided by the diminishing-balance method at the rate of 20 per cent per annum. Computer and related equipment and software are amortized over three years on a straight-line basis. Leasehold improvements are amortized on a straight-line basis over the term of the lease. Automobiles are amortized by the declining-balance method at the rate of 24 per cent per annum.

2. Investments:

Investments have terms to maturity less than one year. They have a weighted-average yield of 2.62% (2002-2.84%). In compliance with the Corporation's investment policy and relevant statutes, all investments are highly liquid fixed rate contracts and are RI MID or better on the DBRS scale.

	2003	2002
	(thousands)	
Treasury Bills-Canada	**$31,941**	$ 31,997
Treasury Bills-Ontario	**8,446**	8,960
Promissory Notes-other provinces	**7,931**	1,984
Bankers Acceptance	**14,805**	1,497
Total Investments	**$63,123**	$ 44,438

3. Borrowings:

The Corporation has in place a revolving credit facility, approved by the Ontario Financing Authority, which administers the Minister's guarantee, as follows:

	Maximum Credit Available	**Outstanding as at Dec. 31, 2003**
	(thousands)	
Canadian Chartered Bank	$ 20,000	Nil

The borrowings are guaranteed by the Minister's guarantee on behalf of the Province of Ontario. The interest rate on the line of credit is Bankers' Acceptance rates plus 14 basis points.

The Corporation pays an annual fee of 5 basis points in arrears to the Province of Ontario on the unused portion of this credit facility with the Chartered Bank. The standby fee charged by the Chartered Bank is 3 basis points on average unused portion of the credit facility, payable in arrears quarterly.

4. Accrual for Deposit Insurance Losses:

The provision for losses includes specific provisions for known or likely losses from specific member institutions and a general provision for losses not identified with specific institutions. That portion of the provision for losses recorded in the year and in previous years which has not yet required payment by the Corporation is shown in liabilities on the Statement of Financial Position as "Accrual for deposit insurance losses".

	2003	2002
	(thousands)	
Accrual for deposit insurance losses, beginning of year	**$ 5,066**	$ 9,749
Increase in accrual for current year's deposit insurance losses	**0**	0
Decrease in accrual for prior year's deposit insurance losses	**(6,608)**	(5,116)
(Decrease) Increase in deposit insurance advances recoverable	**(3,044)**	1,189
Accrual for deposit insurance losses, at end of year	**(2,505)**	(5,066)
Net deposit insurance (recoveries)/advances	**$ (7,091)**	$ 756

The general provision for losses included in "Accrual for deposit insurance losses" amounted to $2,000,000 (2002 - $3,000,000) and is calculated in accordance with the methodology as described in note 1(b).

5. Lease Commitments:

The operating lease for the Corporation's premises is for the term commencing January 1, 1998 and ending August 5, 2007. The future annual minimum rent is $140,000. In addition, the Corporation is required to pay property taxes and common area maintenance costs of approximately $280,000 per annum.

6. Income Taxes:

The Corporation is subject to income taxes under the Income Tax Act. It has accumulated losses for income tax purposes of $38,777,000. They expire as follows:

Originating Taxation Year	Expiring Taxation Year	Amount *(thousands)*
1997	2004	7,449
1998	2005	6,885
1999	2006	5,975
2000	2007	4,992
2001	2008	4,191
2002	2009	5,161
2003	2010	4,124
		$38,777

7. Pension Plan:

The Corporation implemented a defined contribution pension plan from January 01, 1999. The pension expense charged to income for 2003 was $310,000 (2002-$319,000).

8. Future Non-pension Post-retirement benefits:

The Corporation accounts for the current value of future non-pension post-retirement benefits. The accrued obligation as at December 31, 2003, as actuarially determined, is $784,000 (2002 - $708,000). Current service costs, including interest, were $105,000 (2002 - $81,000). These costs are subject to actuarial re-evaluation resulting from emerging experience gains and losses.

The assumptions used in the actuarial valuation of the future benefits obligations consisted of: interest rate of 6.5%, rate of compensation increase of 4.0% and annual rate of increase in health and dental costs of 11.0%, grading down to 5% per annum over 8 years.

9. Directors' Expense:

During the year the directors received an aggregate remuneration of $55,000 (2002 - $84,000). Total directors' expense was $37,000 (2002 - $53,000). The fixed per diem rate for the Chair is $500 and for all other board members it is $300.

10. Contingencies:

The Corporation is subject to various legal actions brought against it in the normal course of business, when acting in the capacity of administrator or liquidator. It is the view of the Corporation's management that these actions will be successfully defended. Accordingly, no provisions have been made in these financial statements.

11. Fair Value Disclosure:

The fair value of financial assets and liabilities which include cash, investments, premium receivable, accounts and interest receivable, payables and accruals approximate their carrying amounts.

The fair value of deposit insurance advances recoverable and the accrual for deposit insurance losses have not been determined because it is not practicable to determine fair value with sufficient reliability.

12. Compensation:

The following information is furnished in compliance with the Public Sector Salary Disclosure Act, 1996.

Employee	Position held	Compensation*	Taxable** Benefits
Brydges, Barry	Vice President Insurance & Risk Management	$ 135,942	$ 6,973
Burgman, John	Chief Information Officer	$ 110,208	$ 11,977
Dale, Richard	Manager, Insurance & Risk Management	$ 104,862	$ 2,840
Foster, C.William D.	Vice President Asset Management & Recoveries	$ 150,254	$ 11,356
Maxwell, James	Chief Administrative & Financial Officer	$ 130,588	$ 12,349
Poprawa, Andrew	President and CEO	$ 210,592	$ 5,814

* During 2003 there were 27 pay periods instead of the normal 26 on a bi-weekly cycle causing compensation figures to appear higher than the actual annual rates.
** Includes taxable group life insurance, parking and use of company vehicle.

13. Comparative Figures:

Certain comparative figures for 2002 have been reclassified to conform with the financial statement presentation adopted for 2003.

MOTOR VEHICLE ACCIDENT CLAIMS FUND

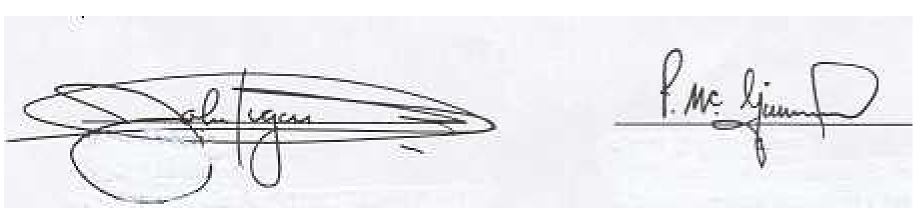
Management's Responsibility for Financial Information

Management is responsible for the financial statements and all other information presented in the financial statements. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and , where appropriate, include amounts based on Management's best estimates and judgements.

Management agrees with the work of specialists in evaluating the Unpaid Claims amount and has adequately considered the qualifications of the specialist in determining amounts and disclosures used in the noted to financial statements. Management did not give any, nor cause any, instructions to be given to specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.

The Motor Vehicle Accident Claims Fund is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and that the assets were safeguarded. Internal audits are conducted to assess management systems and practices and reports are issued to the Superintendent and CEO of the Financial Services Commission of Ontario and his Audit Committee.

The financial statements have been examined by Deloitte and Touche, Chartered Accountants who are engaged under the direction of the Provincial Auditor. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's report outlines the scope of the auditor's examination and report.



John Avgeris
Senior Manager
Motor Vehicle Accident Claims Fund

Peter McGuinness
Manager of Accounting & Administration
Motor Vehicle Accident Claims Fund

Deloitte.

Deloitte & Touche LLP
BCE Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

Auditors' Report

To the Audit Committee of the Financial Services Commission of Ontario and the Provincial Auditor of Ontario

Pursuant to our appointment as auditor of the Motor Vehicle Accident Claims Fund (the "Fund"), which audit is under the direction of the Provincial Auditor of Ontario, we have audited the statements of financial position of the Fund as at March 31, 2004 and 2003 and the statements of operations and fund deficit and of cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
July 2, 2004

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)
STATEMENT OF FINANCIAL POSITION

	As at March 31, 2004 $	Restated As at March 31, 2003 $
ASSETS		
Funds on Deposit	2,662,452	7,313,973
Accounts Receivable - Fees	927,420	717,294
Accounts Receivable - Debtors	47,804,474	47,729,412
Less: Allowance for Doubtful Accounts	32,047,717	29,511,039
	15,756,757	18,218,373
Computer Equipment	66,096	59,797
Less: Accumulated Amortization	34,591	34,679
	31,505	25,118
Unpaid Claims Recoverable	9,126,391	10,335,646
Total Assets	28,504,525	36,610,404
LIABILITIES & FUND DEFICIT		
Accounts Payable and Accrued Expenses	1,328,839	1,149,257
Deferred Revenue	20,597,057	20,296,827
Unpaid Claims and Adjustment Expenses (Note 5)	125,979,309	129,050,376
	147,905,205	150,496,460
Fund Deficit	(119,400,680)	(113,886,056)
	(119,400,680)	(113,886,056)
Total Liabilities & Fund Deficit	28,504,525	36,610,404

APPROVED:

Bryan P. Davies
Chief Executive Officer and
Superintendent of Financial Services
Financial Services Commission of Ontario

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)
STATEMENT OF OPERATIONS AND FUND DEFICIT

	Year ending March 31, 2004 $	Restated Year ending March 31, 2003 $
REVENUE		
Fee on Issue or Renewal of Driver's Licences	8,433,423	8,645,361
Change in Deferred Revenue	(300,230)	(1,587,038)
Fees Earned	8,133,193	7,058,323
Prior Year Recoveries	284,620	197,604
Total Revenue	8,417,813	7,255,927
EXPENSES		
Change in Net Unpaid Claims and Adjustment Expenses	(1,861,812)	12,536,950
Accident Benefits Claims Payments	7,613,386	8,483,609
Administrative Expenses		
Salaries and Wages	1,094,066	974,463
Employees' Benefits	131,761	159,611
Transportation and Communication	41,451	34,899
Services:		
Claims (Solicitors Fees etc.)	1,677,067	1,069,969
Accident Benefit Claims Expense	712,907	754,873
Other Services	745,255	748,470
Bad Debts Expense	3,720,485	2,745,016
Supplies and Equipment	35,839	19,043
Amortization of Computer Equipment	22,032	19,932
Total Expenses	13,932,437	27,546,835
Excess of Expenses over Revenue	(5,514,624)	(20,290,908)
Fund Deficit, Beginning of Year	113,886,056	93,595,148
Fund Deficit, End of Year	119,400,680	113,886,056

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)
STATEMENT OF CASH FLOWS

	Year ending March 31, 2004 $	Restated Year ending March 31, 2003 $
OPERATING ACTIVITIES		
Cash Inflows		
Fee on Issue or Renewal of Driver's Licences	8,223,297	7,928,067
Repayment by Debtors	1,850,295	2,120,395
Prior Year Recoveries	279,285	192,761
Cash Outflows		
Statutory Payments	10,485,236	11,478,679
Payments to Employees	1,216,032	1,113,616
Administrative Expenses	3,274,711	2,490,496
Net Cash Outflow from Operating Activities	(4,623,102)	(4,841,568)
INVESTING ACTIVITIES		
Cash Outflows		
Acquisition of Equipment	(28,419)	(37,675)
Net Cash Outflow from Investing Activities	(28,419)	(37,675)
Net Decrease in Funds on Deposit with Minister of Finance	(4,651,521)	(4,879,243)
Funds on Deposit with Minister of Finance, Beginning of Year	7,313,973	12,193,216
Funds on Deposit with Minister of Finance, End of Year	2,662,452	7,313,973

Motor Vehicle Accident Claims Fund
Notes to the Financial Statements
March 31, 2004 and 2003

1. STATUTORY AUTHORITY

The Motor Vehicle Accident Claims Fund (the "Fund") operates under the authority of the *Motor Vehicle Accident Claims Act (the "Act")*, R.S.O. 1990, Chapter M.41 as amended.

2. FUND OPERATIONS

The Fund was originally established to provide compensation to victims of motor vehicle accidents caused by uninsured or hit-and-run motorists in Ontario. Uninsured motorists were required to pay an annual fee into the Fund. However, effective March 1, 1980, with the enactment of the *Compulsory Automobile Insurance Act*, all motorists are required to carry compulsory third party liability insurance including uninsured motorist coverage. Since that time, the Fund only responds to claims where the eligible claimants have no access to automobile or liability insurance coverage. In 1990, legislation was enacted to expand the coverage to include a new provision to pay statutory accident benefits by the Fund, in accordance with the *Statutory Accident Benefits Schedule* (the "*SABS*"). In 2002, legislation was enacted to expand the Fund's role to administer and pay statutory accident benefits claims of Ontario insolvent insurers.

The Fund now pays claims under four different automobile insurance compensation systems:

1) Tort - prior to June 22, 1990
2) OMPP - between June 22, 1990 and December 31, 1993
3) Bill 164 - between January 1, 1994 and October 31, 1996
4) Bill 59 - from November 1, 1996 and forward

The coverage provided by the Fund is analogous to the minimum required coverage under the standard automobile policy (OAP1) approved by the provincial regulator. Unlike insurance companies, the Fund does not cover claims where the accidents occur outside of Ontario, except in the case of accident benefits where the Ontario insurer is insolvent. In the cases of insurance company insolvencies where the Fund pays claims for accident benefits, it has powers to assess the industry to recover for claims and adjustment expenses and also has claimant rights against the estate of the insolvent insurer.

The current maximum third party liability claims limits payable by the Fund are $200,000, inclusive of pre-judgment interest, plus legal costs as awarded. Under the *Highway Traffic Act* in Ontario, a driver is responsible for an accident while the owner of the vehicle has vicarious liability. Both the owner and driver will have their driving privileges suspended and, where judgments exist, writs of seizure and sale of real property will be filed with the Sheriff in the jurisdictions where the defendants reside.

If the driver of the vehicle cannot be determined, only claims for bodily injury can be paid out of the Fund. In these civil proceedings the Superintendent of the FSCO becomes the named defendant. In certain circumstances, the law provides that where the identity of a driver is determined at a later date, upon bringing of a motion before the court, the driver can be substituted in the judgment.

Upon the conclusion of litigation under sections 7, 12 or 15 of the *Act*, or through settlements under section 4 of the *Act*, the plaintiff(s) or claimant(s) present a request for payment to the Minister of Finance out of the Fund. At that time an account receivable is created for the full amount of those payments, which may be recovered from the uninsured driver and/or owner.

Motor Vehicle Accident Claims Fund
Notes to the Financial Statements
March 31, 2004 and 2003

2. FUND OPERATIONS (continued)

The Fund operates administratively under the direction of the Financial Services Commission of Ontario ("FSCO") and reimburses FSCO for the costs of the services it provides to the Fund.

The Lieutenant Governor in Council, having regard to the condition of the Fund and the amount paid out of the Fund during any period, may direct payment out of the Consolidated Revenue Fund of such an amount as may be considered necessary or advisable to subsidize the Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Fair values are not determinable for Accounts Receivable – Debtors (net) and Unpaid Claims and Adjustment Expenses (net). For all other financial instruments fair value is equal to book value.

The significant accounting policies used in the preparation of these financial statements are summarized as follows:

a) Computer Equipment

Computer equipment is carried at cost, less accumulated amortization. The Fund provides for amortization on a straight-line basis over the estimated useful life of the assets as follows:

Computer equipment	3 years

b) Drivers' Licence Fees and Deferred Revenue

The Fund earns a fee of $5.00 on the issuance or renewal of each driver's five-year licence. The income is earned on a pro-rata basis over the five-year term of the licence and the unearned portion is reflected as deferred revenue.

c) Accounts Receivable – Fees

Under the *Act* the Fund receives from the Ministry of Transportation and Serco DES a monthly internal transfer and payment representing the drivers' licence fee prescribed by *Ontario Regulation 800.* Accordingly, unremitted licence fees are reported as accounts receivable.

d) Unpaid Claims

Unpaid claims represents the estimated amounts required to settle all unpaid claims, including an amount for unreported claims and claim expenses, and is gross of estimated recoveries and subrogation. Claim liabilities are established according to accepted actuarial practice in Canada as applied to public personal injury compensation plans. They do not reflect the time value of money nor include a provision for adverse deviations, because the Fund reports no investment income.

Motor Vehicle Accident Claims Fund
Notes to the Financial Statements
March 31, 2004 and 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The provision for unpaid claims and claim expenses consists of estimates that are necessarily subject to uncertainty and the variability could be material in the near term. The estimates are selected from a range of possible outcomes and are adjusted up or down, as additional information becomes known during the course of loss settlement. The estimates are principally based on historical experience but variability can be caused by changes in judicial interpretations of contracts or significant changes in severity and frequency of claims from historical trends. All changes in estimates are recorded in the current period.

The Fund has obligations to pay certain fixed amounts to claimants on a recurring basis and has purchased annuities from life insurers to provide for those payments. There is only one type of these annuities requiring disclosure.

Settlements occur when there is an irrevocable direction from the Fund to the annuity underwriter to make all payments directly to the claimant. There are no rights under the non-commutable, non-assignable, non-transferable contract that would provide any current or future benefit to the Fund. The Fund remains liable to make payments only in the event that the life insurance company fails and only to the extent that CompCorp, the industry's insolvency compensation fund, will not cover payments due. The net risk to the Fund is any credit risk related to the life insurance companies. This credit risk is deemed nil at March 31, 2004. There exists the possibility of contingent gains based on the fact that the Fund has purchased insurance on some of the measured lives. Such amounts are described in Note 8 – Contingent Gains.

e) Accounts Receivable – Debtors

The Fund maintains an accounts receivable portfolio, accumulated over the years as the result of judgments and claims assigned to the Minister of Finance. The Fund will pay damages to injured, not at fault, victims who have no recourse to liability insurance, on behalf of defendant uninsured motorists. In accordance with the *Act*, these amounts are recoverable from the uninsured motorists.

Total repayments received from debtors are reflected in the cash flow statement.

The allowance for doubtful accounts is determined through a process that considers: the age of defendant/debtor, the defendant/debtor's current monthly installment required under the regulations, the amount paid out of the Fund and the activity on the account since the date of the judgment.

The write-off process depends on established criteria that parallel the criteria established by the Ministry of Finance. These criteria are used to select a block of accounts at the beginning of April that is reviewed by collections staff. The Ministry of Finance, Internal Audit Section audits the work of the collections staff and provides a certificate of assurance to verify that the established criteria for the write-off have been met. The write-off transaction is authorized by an order-in-council under the authority set out in the *Financial Administration Act*.

In the current year, write-offs of $ 2.4 million (2003 - $ 2.9 million) were processed.

Motor Vehicle Accident Claims Fund
Notes to the Financial Statements
March 31, 2004 and 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Prior Year Recoveries

Prior year recoveries are generated from two main sources – insurance recoveries and recoveries of court costs. The Fund is required under the *SABS* to satisfy the payment of accident benefits claims within specified periods. The timeframe does not allow for a complete investigation into available insurance coverage and in some instances information is withheld by police because of criminal investigations. Accordingly, when new information is available, the Fund may be required to pursue private insurers for recoveries.

From time to time the Fund may also be involved in the defence of uninsured motorists or the Superintendent of FSCO, where the legal proceedings are deemed frivolous and the Fund is awarded costs by the courts.

4. ACCOUNTING POLICY CHANGE

On April 1, 2003 the Fund adopted, with retroactive effect, an accounting change, which requires that all financial transactions, which will be reported in volume 2 of the Public Accounts be presented in a format consistent with Canadian generally accepted accounting principles. Previously, statements were presented on a modified cash basis, which provided accruals for goods and services pertaining to the fiscal year just ended and paid in the first thirty days of the subsequent period.

The effect of adopting these changes was an increase of $105.8 million in the Fund deficit as at April 1, 2002.

The changes to elements of the Statement of Financial Position are summarized below:

	March 31, 2004 (000's)		March 31, 2003 (000's)	
Funds on Deposit with the Minister of Finance	**$**	**(868)**	$	350
Account receivable (net)		**16,684**		18,936
Capital assets (net)		**32**		25
Other assets (net)		**9,126**		10,335
Total Assets	**$**	**24,974**	$	29,646
Liabilities	**$**	**147,905**	$	150,496
Fund deficit		**(122,931)**		(120,850)
Total Liabilites and Fund Equity	**$**	**24,974**	$	29,646

Motor Vehicle Accident Claims Fund
Notes to the Financial Statements
March 31, 2004 and 2003

4. ACCOUNTING POLICY CHANGE (continued)

The impact on the Statement of Operations is as follows:

	March 31, 2004 (000's)	March 31, 2003 (000's)
Revenue		
Drivers' Licence Fees	$ (300)	$ (1,587)
Transfer Payment in April 2004	(862)	-
Repayment by Debtors in Cash Flow	(1,850)	(2,120)
Total Revenues	(3,012)	(3,707)
Expenses		
Change in Unpaid Claims	(4,971)	9,033
Administrative Expenses	4,039	2,321
Total Expenses	(932)	11,354
Excess of Expenses over Revenues	$ (2,080)	$ (15,061)

5. UNPAID CLAIMS AND ADJUSTMENT EXPENSES

a) The Fund's unpaid claims and adjustment expenses consist of the following:

	March 31, 2004		March 31, 2003	
	Gross (000's)	Recoverable (000's)	Gross (000's)	Recoverable (000's)
ACCIDENT BENEFITS				
Statutory accident benefits	$ 44,142	$ -	$ 52,256	$ -
THIRD PARTY LIABLITY				
Property damage	939	105	883	119
Bodily injury	80,898	9,021	75,911	10,217
Total TPL	81,837	9,126	76,794	10,336
Totals	$ 125,979	$ 9,126	$ 129,050	$ 10,336

Motor Vehicle Accident Claims Fund
Notes to the Financial Statements
March 31, 2004 and 2003

5. UNPAID CLAIMS AND ADJUSTMENT EXPENSES (continued)

b) The change in gross provision for claims and adjustment expenses is as follows:

	March 31, 2004 (000's)	March 31, 2003 (000's)
Unpaid claims and adjustment expenses, beginning of year	**$ 129,050**	$ 117,671
Increase (decrease) in provision for losses that occurred in prior years	**(16,766)**	1,266
Amounts paid during the year:		
Statutory Payments	**(10,485)**	(11,479)
Claims Expenses	**(4,491)**	(3,604)
Provision for losses on claims that occurred in the current year	**28,671**	25,196
Unpaid claims and adjustment expenses, end of year	**$ 125,979**	$ 129,050

6. DUE TO THE FINANCIAL SERVICES COMMISSION OF ONTARIO

Amounts due to the FSCO and included in Accounts Payable and Accrued Expenses are for services provided in connection with the administration of the Fund and include charges for: rent, computer services, legal services and other administrative services.

	March 31, 2004 (000's)	March 31, 2003 (000's)
Due to FSCO	**$ 300**	$ 467

7. ROLE OF THE ACTUARY AND AUDITOR

The Financial Services Commission of Ontario retains the Fund’s actuary. The actuary's responsibility is to carry out an annual valuation of the Fund's liabilities, which include provision for unpaid claims and adjustment expenses in accordance with accepted actuarial practice. In performing the valuation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, recoveries, and expenses taking into consideration the circumstances of the Fund. The actuary in his verification of the underlying data used in the valuation also makes use of the work of the external auditor. The actuary's report outlines the scope of his work and opinion.

Motor Vehicle Accident Claims Fund
Notes to the Financial Statements
March 31, 2004 and 2003

7. ROLE OF THE ACTUARY AND AUDITOR (continued)

The external auditors act under the direction of the Ontario Provincial Auditor pursuant to agreed terms of engagement. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and report thereon to the Audit Committee of the FSCO. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the provision for claims and claim expenses. The auditors' report outlines the scope of their audit and their opinion.

8. CONTINGENT GAINS

Some payments out of the Fund are in the form of structured settlements for accident benefit claims. These claims have guarantee periods ranging from 10 to 25 years and during this period the reversionary interest will be payable to Her Majesty the Queen in right of Ontario as represented by the Minister of Finance should the claimant die.

Even though the range of probability that the claimant may die during the guarantee period is slight, the Fund nevertheless has calculated the approximate reversionary interest represented by insurance on the claimant lives as at March 31, 2004 for information purposes.

As at March 31, 2004, the amount paid out of the Fund for accident benefit claims in the form of structured settlements was approximately $ 6.0 million (2003 - $ 5.5 million) with applicable reversionary interest of approximately $ 3.9 million (2003 - $ 3.8 million).

9. SUBSEQUENT EVENT

In its May 18th, 2004 Budget, the Government of Ontario announced that its intention was to increase the driver's licence fees paid in to the Fund from $1 per year to $3 per year, resulting in an annual revenue increase estimated to be $18 million. A study performed by the Fund's actuary in November of 2003 indicates that this revenue should stabilize the Fund's deficit.

Management's Responsibility for Financial Reporting

The consolidated financial statements of the Ontario Pension Board ("OPB") have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these consolidated financial statements are in accordance with generally accepted accounting principles. Of necessity, many amounts in the financial statements must be based on the best estimates and judgement of management with appropriate consideration as to materiality. Financial information presented throughout this annual report is consistent with the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded against unauthorized use or disposition, and proper records maintained. The system includes careful hiring and training of staff, the establishment of an organizational structure that provides for a well-defined division of responsibilities and the communication of policies and guidelines of business conduct throughout the OPB.

The Board of Directors ("Board") is ultimately responsible for the consolidated financial statements of the OPB. The OPB's Audit Committee assists in this responsibility by reviewing the consolidated financial statements in detail with management and the external auditors before such statements are recommended to the Board for approval. The Audit Committee meets regularly with management and the external auditors to review the scope and timing of audits, to review their findings and suggestions for improvements in internal control, and to satisfy themselves that their responsibilities and those of management have been properly discharged.

Leonard Lu

LEONARD LU
President
February 9, 2004

Darla S. Sycamore

DARLA S. SYCAMORE, CA
Director, Finance

Auditors' Report to the Directors of the Ontario Pension Board

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and surplus of the Ontario Pension Board ("OPB") as at December 31, 2003, and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in surplus for the year then ended. These consolidated financial statements are the responsibility of the OPB's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the OPB as at December 31, 2003 and the results of its operations and the changes in its financial position, accrued pension benefits and surplus for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
February 9, 2004

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus

As at December 31

(in thousands of dollars)	**2003**	2002
Assets		
Investments (Note 4)	**$ 12,275,080**	$ 11,491,227
Contributions receivable (Note 7)	**32,317**	19,973
Capital assets (Note 5)	**1,256**	1,097
Total assets	**12,308,653**	11,512,297
Liabilities		
Income taxes withheld on pension payments	**8,952**	8,977
Accounts payable and accrued charges	**14,704**	12,616
Contributions payable	**951**	1,130
Total liabilities	**24,607**	22,723
Net assets available for benefits	**12,284,046**	11,489,574
Actuarial asset value adjustment (Note 8(b))	**1,135,261**	1,729,362
Actuarial value of net assets available for investments	**13,419,307**	13,218,936
Accrued pension benefits and surplus		
Accrued pension benefits	**12,713,633**	12,186,535
Surplus (Note 8(b))	**705,674**	1,032,401
Total benefits and surplus	**$ 13,419,307**	$ 13,218,936

See accompanying notes

DONALD D. WEISS
Director

GEOFFREY H. COLLINS
Director

Consolidated Statement of Changes in Net Assets Available for Benefits

For the Year Ended December 31

(in thousands of dollars)	**2003**	2002
Increase in net assets		
Net investment income (Note 6)	**$ 1,201,278**	$ 41,848
Contributions (Note 7)	**270,927**	135,197
Transfers from other plans	**108,351**	144,478
Increase in net assets	**1,580,556**	321,523
Decrease in net assets		
Pensions paid	**728,456**	721,225
Termination payments and transfers	**41,208**	42,057
Operating expenses (Note 10)	**16,420**	13,734
Decrease in net assets	**786,084**	777,016
Net increase (decrease) in net assets for the year	**794,472**	(455,493)
Net assets, at beginning of year	**11,489,574**	11,945,067
Net assets, at end of year	**$ 12,284,046**	$ 11,489,574

See accompanying notes

Consolidated Statement of Changes in Accrued Pension Benefits

For the Year Ended December 31

(in thousands of dollars)	2003	2002
Accrued pension benefits, at beginning of year	$ 12,186,535	$ 11,573,932
Increase in accrued pension benefits		
Interest on accrued pension benefits	839,293	809,150
Benefits accrued	386,866	399,512
Experience losses	70,606	167,248
Total increase	1,296,765	1,375,910
Decrease in accrued pension benefits		
Benefits paid	769,667	763,307
Total decrease	769,667	763,307
Net increase in accrued pension benefits	527,098	612,603
Accrued pension benefits, at end of year	$ 12,713,633	$ 12,186,535

Consolidated Statement of Changes in Surplus

For the Year Ended December 31

(in thousands of dollars)	2003	2002
Surplus, at beginning of year	$ 1,032,401	$ 1,555,091
Increase (decrease) in net assets available for benefits	794,472	(455,493)
Change in actuarial asset value adjustment	(594,101)	545,406
Increase in actuarial value of net assets available for benefits	200,371	89,913
Net increase in accrued pension benefits	(527,098)	(612,603)
Net decrease in surplus	(326,727)	(522,690)
Surplus, at end of year	$ 705,674	$ 1,032,401

See accompanying notes

Notes to Consolidated Financial Statements

December 31, 2003

Note 1 PUBLIC SERVICE PENSION ACT Effective January 1, 1990, the Province of Ontario ("Province") enacted the *Public Service Pension Act*, 1990 (*"PSPAct"*) to continue the pension plan for the employees of the Province and certain of its agencies. The terms of the Public Service Pension Plan ("PSPPlan") are stated in Schedule 1 to the *PSPAct*. The Ontario Pension Board ("OPB") is the administrator of the PSPPlan.

Note 2 DESCRIPTION OF PSPPLAN The following is a brief description of the PSPPlan. For more complete information, reference should be made to the *PSPAct*.

a) General The PSPPlan is a contributory defined benefit pension plan. Membership is mandatory for most employees who satisfy the eligibility requirements provided in the *PSPAct*. Under the PSPPlan, contributions are made by the members and the employers. The PSPPlan is registered with the Financial Services Commission of Ontario and the Canada Revenue Agency as required (Registration Number 0208777).

b) Contributions The PSPPlan is integrated with the Canada Pension Plan ("CPP"). Member contributions are 6.2% of the salary on which contributions to CPP are made and 8% on the balance of salary. The employers contribute matching amounts. The Province, as plan sponsor, amended the PSPPlan to provide for a contribution reduction of 3% of salary for members, other than those belonging to the Ontario Provincial Police Association and Justices of the Peace. Employer contributions continued at the full 8% rate. The one-year reduction for employees took effect in March 2003.

Ontario Provincial Police ("OPP") officers are required to contribute to the PSPPlan an additional 2% of salary which is matched by the employer. These additional contributions are used to fund the 50/30 unreduced early retirement provision available to OPP officers.

c) Pensions A pension is payable at age 65 (or at age 60 for some members with pre-1966 pension credits) based on the number of years of credit in the PSPPlan multiplied by 2% of the average salary during the best consecutive 60-month period, less an offset for amounts received under the CPP at age 65. An unreduced pension can be received before age 65 if the member's age and years of credit total 90 ("Factor 90") or when the member reaches age 60 and has 20 or more years of credit. The Province amended the PSPPlan to provide for an enhanced early retirement opportunity for members of the Plan whose age and service in the Plan equals at least 80 years ("Factor 80"). The Factor 80 program ended on March 31, 2002. The PSPPlan was again amended to permit those members who are deemed to be surplus by their employer to retire upon attaining the Factor 80. To qualify, certain conditions must be satisfied by both the employer and the member. The program is scheduled to expire March 31, 2006. OPP officers are eligible for an unreduced pension after attaining age 50 with 30 years of credit.

d) Death Benefits Benefits may be payable to a surviving eligible spouse, eligible children, a designated beneficiary or the member's or pensioner's estate on the death of a member or a pensioner.

e) Disability Pensions Based on meeting all eligibility criteria, a disability pension may be available to members with a minimum of 10 years of credit in the PSPPlan. The amount of the disability pension is dependent on years of credit and average salary.

f) Termination Payments Members terminating employment before age 55, who are eligible for a deferred pension, may be entitled to transfer the commuted value of the pension to a locked-in registered retirement savings arrangement, to another pension plan or to purchase a life annuity.

Notes to Consolidated Financial Statements *(continued)*

December 31, 2003

g) Escalation of Benefits Current pensions and deferred pension benefits are increased for inflation based on the Consumer Price Index to a maximum of 8% in any one year. Any inflation above 8% in any one year is applied to increase the pension in subsequent years when the adjustment is less than 8%.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, and present the position of the PSPPlan as a separate entity independent of the employers and plan members.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

b) Principles of Consolidation The accounts of the wholly-owned subsidiary, OPB Realty Inc., are included on a consolidated basis.

c) Investments Traded investments are stated at fair value based on year-end market prices. Short-term investments are carried at cost, which approximates their aggregate fair value. Special Province of Ontario Debentures, which are non-marketable, are recorded at face value. Gains and losses realized on the disposal of investments are credited or charged to investment income. Withholding tax refunds from foreign jurisdictions are recorded on a cash basis. Investment transactions are recorded on a trade date basis.

Real estate investments are stated at appraised values as established by independent annual appraisals. Changes in valuation due to appraisal adjustments are included in unrealized gains.

Participating mortgages are recorded at face value, subject to an assessment of recoverable value based on an annual independent appraisal of the securitized properties. Income is accrued at the rate stated in the instrument and any participation income is recorded when realized.

d) Contributions Contributions from members and employers which are due to the PSPPlan at year end are recorded as receivable. Transfers and purchases of prior service are recorded after cash is received and the case is processed.

e) Pensions Payments of pensions, refunds and transfers are recorded in the year in which they are made.

f) Capital Assets Capital assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the capital assets as follows:

Computer equipment	3 years
Leasehold improvements	Remaining term of lease
Furniture and fixtures	10 years

g) Foreign Currency Translation Foreign currency transactions are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. The fair value of investments and cash balances denominated in foreign currencies are translated at the rates in effect at year end.

Note 4 INVESTMENTS

As of December 31

(in thousands of dollars)	2003 Fair Value	2003 Cost	2002 Fair Value	2002 Cost
Cash and short-term investments				
Canadian[1]	$ 628,966	$ 631,451	$ 546,409	$ 545,803
Foreign[2]	60,703	61,639	64,371	63,104
Forward exchange contracts	(14,895)	–	248	–
	674,774	693,090	611,028	608,907
Fixed income				
Special Province of Ontario Debentures	3,092,167	3,092,167	3,233,173	3,233,173
Bonds				
Canadian[3]	1,941,136	1,867,774	1,828,303	1,752,563
Foreign	275,628	240,161	291,894	237,556
	5,308,931	5,200,102	5,353,370	5,223,292
Equities				
Canadian[4]	1,900,903	1,440,082	1,527,583	1,381,518
Foreign	2,807,260	2,592,983	2,566,451	2,584,346
	4,708,163	4,033,065	4,094,034	3,965,864
Real estate	1,293,768	1,182,050	1,151,019	1,067,546
Participating mortgages	36,331	36,331	20,312	20,312
Investments	12,021,967	11,144,638	11,229,763	10,885,921
Accrued income	253,113	253,113	261,464	261,464
Total	$ 12,275,080	$ 11,397,751	$ 11,491,227	$ 11,147,385

[1] Canadian cash and short-term investments is comprised of cash of $9.875 million fair value and cost, short-term notes and treasury bills of $599.022 million fair value ($601.507 million cost), and term deposits of $20.069 million fair value and cost.

[2] Foreign cash and short-term investments is comprised of cash of $3.623 million fair value and cost, short-term notes and treasury bills of $12.721 million fair value ($13.036 million cost), term deposits of $35.860 million fair value ($36.053 million cost), and pooled funds of $8.499 million fair value ($8.927 million cost).

[3] Canadian bonds include $132.699 million fair value ($129.973 million cost) in pooled bond funds.

[4] Canadian equities include $98.872 million fair value ($78.919 million cost) in pooled equity funds.

Notes to Consolidated Financial Statements *(continued)*

December 31, 2003

As administrator of the Public Service Pension Fund (the "Fund"), the OPB has adopted a Statement of Investment Policies and Procedures. This Statement provides investment objectives, performance expectations and guidelines for the management of the Fund. To reduce risk and enhance returns, the OPB diversifies its investments into various asset classes. The allocation at any point in time is determined based on an assessment of economic and financial market conditions.

To provide the ability to respond to fundamental changes, the Fund's asset mix is maintained within the following ranges:

Canadian equity	10% to 20%
Non-Canadian equity	20% to 30%
Real estate	5% to 15%
Total equity and real estate	35% to 65%
Bonds	35% to 65%
Short term	0% to 10%
Total fixed income	35% to 65%

The Fund's long-term asset mix policy is as follows:

Equity	50%
Fixed income	50%

This policy was adopted after evaluating the risk characteristics of alternative policies, considering the liquidity requirements of the Fund and the economic assumptions employed in the PSPPlan's actuarial valuation.

The Special Province of Ontario Debentures, which are non-marketable, are recorded at their aggregate face value of $3.09 billion. Accumulated interest of $188 million on these Debentures is included in accrued income. By discounting cash flows based on year-end market yields of comparable bonds, a value of $4.42 billion could be determined. There are currently 14 Special Province of Ontario Debentures maturing over the next 11 years with a weighted average interest rate of 11.97%.

The OPB invests in high-grade bonds and common shares. The fair value of investments denominated in foreign currencies will fluctuate with moves in exchange rates.

The OPB has entered into various forward exchange contracts to limit exposure to foreign currency fluctuations. The face value of the outstanding contracts at year end total $726 million ($47 million in 2002), translated at the contracted forward rate.

As at December 31, 2003, there was approximately $563 million of the Fund's securities on loan to third parties. Pursuant to a securities lending agreement, the Fund's custodian arranges the loans and the Fund earns a fee. The custodian follows strict lending criteria and over-collateralizes the loans with comparable securities.

The carrying value of the real estate assets was increased by $28 million to reflect the results of independent appraisals conducted as at December 31, 2003.

See the schedules of Fixed Income Maturities and Investments Over $35 Million Market Value for further information.

Note 5 CAPITAL ASSETS

As at December 31

(in thousands of dollars)	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Computer equipment	$ 1,949	$ 1,178	$ 771	$ 530
Leasehold improvements	1,459	1,206	253	330
Furniture and fixtures	788	556	232	237
Total capital assets	$ 4,196	$ 2,940	$ 1,256	$ 1,097

Note 6 NET INVESTMENT INCOME

For the Year Ended December 31

(in thousands of dollars)	2003	2002
Interest income		
Cash and short-term investments		
Canadian[1]	$ 15,201	$ 12,963
Foreign[2]	912	902
Fixed income		
Special Province of Ontario Debentures	377,137	389,972
Bonds		
Canadian[3]	109,626	114,759
Foreign	11,600	15,613
Total interest income	514,476	534,209
Dividend income		
Canadian[4]	35,492	30,402
Foreign	59,576	56,734
Total dividend income	95,068	87,136
Real estate income	99,278	89,233
Participating mortgage income	1,723	81
Realized loss	(29,197)	(303,837)
Unrealized gain (loss)	533,488	(351,419)
Total investment income	1,214,836	55,403
Investment management and custodial fees	(13,558)	(13,555)
Net investment income	$ 1,201,278	$ 41,848

[1] Includes interest from cash of $0.782 million, short-term notes and treasury bills of $13.876 million and term deposits of $0.543 million.

[2] Includes interest from cash of $0.094 million, short-term notes and treasury bills of $0.085 million, and term deposits of $0.733 million.

[3] Includes interest of $9.488 million from pooled bond funds.

[4] Includes dividends of $0.111 million from pooled bond funds.

Notes to Consolidated Financial Statements *(continued)*

December 31, 2003

Note 7 CONTRIBUTIONS

For the Year Ended December 31

(in thousands of dollars)	2003	2002
Members		
Current service	$ 112,142	$ 60,753
Prior service	7,958	12,956
	120,100	73,709
Employers		
Current service	146,959	55,391
Prior service	3,868	6,097
	150,827	61,488
Total contributions	$ 270,927	$ 135,197

The contribution requirements are set out in the *PSPAct* and summarized in Note 2.

Contributions receivable represent members' and employers' contributions due as well as estimated receivables for members receiving benefits on Long Term Income Protection ("LTIP") and for the matching portion of buybacks billed to the employer. The portions receivable from members and employers are set out in the following table:

As at December 31

(in thousands of dollars)	2003	2002
Members	$ 8,043	$ 8,828
Employers	24,274	11,145
Total contributions receivable	$ 32,317	$ 19,973

Note 8 ACCRUED PENSION BENEFITS

a) Funding Basis The funding of the PSPPlan is based on a method of valuation required under the *PSPAct*. An actuarial valuation of the PSPPlan, prepared on a funding basis, was completed by the OPB's actuaries, Mercer Human Resource Consulting Limited ("Mercer") as at December 31, 2002. This valuation disclosed an actuarial surplus of $25 million.

The *Pension Benefits Act (Ontario)* and the *Income Tax Act (Canada)* require an actuarial valuation for funding purposes to be performed at least every three years.

b) Accounting Basis The consolidated financial statements include actuarial value of net assets and accrued pension benefits as at December 31, 2003 and 2002, which are based on actuarial calculations as of these dates in accordance with the recommendations of The Canadian Institute of Chartered Accountants (CICA).

These standards require that the obligation for accrued pension benefits be calculated using the projected benefit method pro-rated on services and management's best estimate assumptions.

(i) Actuarial Assumptions The assumptions used for accounting purposes, following the CICA recommendations, reflect management's best estimates of future events. They include such non-economic assumptions as mortality and retirement rates as well as economic assumptions such as investment returns.

The key economic assumptions used for accounting purposes in 2003 and 2002 are as follows:

	2003	2002
Interest	**6.5%**	7.0%
Inflation	**2.5%**	3.0%
Real rate of return	**4.0%**	4.0%
Salary	**3.5% +promotional scale**	4.0% +promotional scale

(ii) Actuarial Asset Value Adjustment The actuarial asset value adjustment increases or decreases the financial statement carrying values of certain assets to an actuarial basis. For the OPB two adjustments are made – an adjustment to bring the Special Province of Ontario Debentures to a discounted cash flow basis and a smoothing adjustment to reflect realized and unrealized gains and losses on investments (other than Special Province of Ontario Debentures) over four years, including the current year. These adjustments are set out in the following table:

For the Year Ended December 31

(in thousands of dollars)	**2003**	2002
Adjustment for Special Province of Ontario Debentures, based upon discounted cash flows	**$ 1,136,865**	$ 1,235,213
Net (gain) loss on investments, deferred to future periods (actuarial smoothing adjustment)	**(1,604)**	494,149
	$ 1,135,261	$ 1,729,362

The actuarial smoothing adjustment amortizes realized and unrealized gains and losses on investments over a four-year period. The net effect of this adjustment is a deferral of $2 million of net gains (2002 net loss deferral of $494 million). Set out below is a table analyzing this adjustment:

Deferred as at December 31

(in thousands of dollars)		**2003**	2002
Annual net gain (loss) on investments			
2000	$ 381,071	**–**	$ (95,268)
2001	(195,949)	**$ 48,987**	97,975
2002	(655,256)	**327,628**	491,442
2003	504,291	**(378,219)**	–
Total net (gain) loss on investments, deferred to future periods		**$ (1,604)**	$ 494,149

Notes to Consolidated Financial Statements *(continued)*

December 31, 2003

Note 9 ONTARIO PROVINCIAL POLICE OFFICERS' EARLY RETIREMENT BENEFIT

Under the PSPPlan, the OPB is required to report annually on the early retirement benefit provided by the PSPPlan to police force officers who are employed by the Ontario Provincial Police (OPP). This early retirement benefit is available to OPP officers who are 50 years of age and have 30 years of credit in the PSPPlan. OPP officers contribute 2% of their salary to the PSPPlan in addition to the regular contribution amount. This contribution is matched by the employer.

The liability for OPP officers who qualify and elect to retire under Factor 80 provisions is not reported under the OPP early retirement benefit.

The position of the OPP officers' early retirement benefit was included in the actuarial valuation as at December 31, 2002. The value of projected future contributions and benefits included in the December 31, 2002 actuarial valuation was updated to reflect actual contributions received and benefit payments made during the period to December 31, 2003.

The additional obligation and assets related to the OPP officers' early retirement benefit as at December 31, 2003, as provided by the OPB's actuaries, were as follows:

(in thousands of dollars)

Assets allocated to payment of OPP officers' early retirement benefit	$	109,888
Actuarial value of future additional contributions from OPP officers and employer		103,274
		213,162
Actuarial value of future OPP officers' early retirement benefit		200,459
Assets and actuarial value of future additional contributions available in excess of actuarial value of future OPP officers' early retirement benefit	$	12,703

Note 10 OPERATING EXPENSES

For the Year Ended December 31

(in thousands of dollars)	2003	2002
Salaries and benefits	$ 8,510	$ 7,028
Accumulated vacation and termination costs [1]	1,278	–
Agency services	482	344
Office premises and operations	2,367	2,420
Computer and professional services	2,718	2,880
Depreciation and amortization	453	332
Communications	374	480
Audit	115	114
Travel	73	86
Publications, registration and filing fees	50	50
Total operating expenses	$ 16,420	$ 13,734

[1] For the year 2003, an amount of $1.3 million relates to accumulated staff vacation and termination benefits owing, which were previously expensed upon payment.

Note 11 EXECUTIVE COMPENSATION

The compensation table represents disclosure of the taxable compensation and benefits earned in the year by the Chief Executive Officer and the four other most highly compensated executives.

	Compensation	Taxable Benefits
Donald D. Weiss, Chairman and CEO	$ 240,109	$ 317
Leonard Lu, President	321,584	432
Mark J. Fuller, Executive Vice-President	289,857	402
Robert F. Kay, Senior Vice-President, Investments	257,267	356
Peter Shena, Vice-President, Policy & Research	179,216	274

Schedule of Fixed Income Maturities

As at December 31

(in thousands of dollars)	2003 Fair Value	2003 Effective Yield %	2002 Fair Value	2002 Effective Yield %
Special Province of Ontario Debentures				
0 – 1 year	$ 120,323	9.82 – 12.78	$ 100,898	9.51 – 14.65
1 – 5 years	843,855	11.05 – 15.38	739,773	9.82 – 15.38
5 – 10 years	1,677,050	10.38 – 13.33	1,531,886	10.38 – 13.33
> 10 years	450,939	11.19	860,616	11.10 – 11.19
	3,092,167		3,233,173	
Bonds				
Canadian:				
0 – 1 year	86,545	3.44 – 9.18	142,862	5.17 – 10.56
1 – 5 years	486,438	3.34 – 8.70	317,902	3.02 – 9.10
5 – 10 years	809,999	4.62 – 8.18	837,444	4.36 – 7.72
> 10 years	425,455	2.87 – 7.27	410,260	3.68 – 7.99
PH&N Bond Fund: 1 – 30 years	132,699	4.35	119,835	4.91
	1,941,136		1,828,303	
Foreign:				
0 – 1 year	2,954	7.76	30,939	4.47 – 7.93
1 – 5 years	161,630	4.33 – 6.94	89,513	4.30 – 7.41
5 – 10 years	62,099	2.76 – 5.43	117,896	3.74 – 5.71
> 10 years	48,945	4.90 – 5.22	53,546	5.07 – 5.47
	275,628		291,894	
	$ 5,308,931		$ 5,353,370	

Investments Over $35 Million Market Value*

As at December 31

(in thousands of dollars)	Maturities	Coupon %	Market Value[1]
Cash and short-term investments			
Canadian:			
Government of Canada			$ 339,331
Province of Ontario			50,377
Foreign:			
Barclays Bank			35,860
Fixed income			
Special Province of Ontario Debentures	2004 – 2014	9.82 – 15.38	3,092,167
Canadian:			
Government of Canada	2004 – 2036	3.00 – 10.25	624,982
Province of Ontario	2004 – 2029	3.75 – 9.50	192,973
Phillips Hager & North High Grade Corporate Bond Fund	2004 – 2033	3.65 – 8.55	132,699
Royal Bank of Canada	2008 – 2053	5.40 – 5.81	57,689
NHA Mortgage-Backed Securities	2005 – 2011	5.25 – 5.50	56,781
Woodbine Entertainment Group	2011	8.58	52,998
Province of British Columbia	2004 – 2012	5.75 – 9.00	52,716
Loblaw Companies Ltd.	2008 – 2033	6.00 – 7.10	46,097
Manulife Financial Corporation	2011 – 2016	5.70 – 6.70	44,222
Sun Life Assurance Company	2011 – 2028	5.80 – 6.87	39,429
Foreign:			
Government of France	2005 – 2025	3.00 – 6.00	110,823
UK Treasury	2006 – 2008	5.00 – 7.50	72,494
Germany Federal Republic Bonds	2009 – 2034	3.75 – 5.63	57,122
Real estate			
OPB Realty Inc. (holding company, 100% owned)			1,280,768
Participating mortgages	2009 – 2019	5.00	36,331

[1] Except for Special Province of Ontario Debentures.

Investments Over $35 Million Market Value *(continued)*

(in thousands)	Shares	Market Value
Equities		
Canadian:		
Royal Bank of Canada	1,922	$ 118,773
Manulife Financial Corporation	2,219	92,857
Sceptre Small Cap Section Pooled Fund	162	89,908
Toronto-Dominion Bank	1,977	85,602
The Bank of Nova Scotia	1,227	80,737
Canadian Imperial Bank of Commerce	1,243	79,526
Encana Corp.	1,529	77,993
Power Financial Corporation	1,671	73,548
Bank of Montreal	1,192	63,761
Suncor Energy	1,925	62,550
Alcan Inc.	1,019	61,733
Canadian National Railway	723	59,253
Petro-Canada	818	52,298
TransCanada PipeLines Ltd.	1,567	43,681
BCE Inc.	1,410	40,735
Barrick Gold Corp.	1,383	40,524
Rogers Communications Inc.	1,722	36,737
The Thomson Corporation	770	36,230
Foreign:		
United States:		
Pfizer Inc.	1,391	63,486
Microsoft Corporation	1,430	50,567
General Electric Company	1,165	46,635
Altria Group Inc.	598	42,054
Johnson & Johnson Inc.	607	40,522
American International Group Inc.	459	39,336
Citigroup Inc.	623	39,091
Fannie Mae	382	37,053
Merck & Co Inc.	619	36,926
Exxon Mobil Corp.	692	36,674
United Kingdom:		
Vodafone	12,121	41,514
France:		
Total S.A.	167	40,026

Ontario Pension Board

Surname	Given Name	Position	Salary Paid	Taxable Benefits
ANDERSON	STUART	Manager, Planning	$112,493.88	$190.72
BOWDEN	LINDA	VP, Corporate Services	$123,823.01	$278.76
EVAGELOU	ANTONIA	VP, Plan Administration	$142,044.02	$277.23
FARRUGIA	JOE	Dir., Planning & Information Tech.	$163,276.69	$244.13
FULLER	MARK	Exec. VP, Gen. Counsel & Secretary	$289,857.15	$401.78
HENRY	MARK	Director, Operational Policy	$116,503.23	$185.27
JOHNSON	PETER	Dir., Member & Pensioner Services	$129,584.45	$202.10
KAY	ROBERT	Sr. Vice President, Investments	$257,267.13	$355.67
KOJIMA	KAREN	Mgr., Treasury & Investment Acct.	$112,376.87	$190.72
LU	LEONARD	President	$321,583.91	$432.41
SHENA	PETER	VP, Policy & Research	$179,216.03	$273.80
SYCAMORE	DARLA	Treasurer & Dir., Treasury & Finance	$149,829.99	$232.15
WEISS	DONALD	Chairman & CEO	$240,108.74	$317.30
WYSEMAN	F. JAMES	Mgr., User Apps Support & Control	$112,020.21	$190.24

FINANCIAL SERVICES COMMISSION OF ONTARIO
The Pension Benefit Guarantee Fund

Management's Responsibility for Financial Information

Management is responsible for the integrity and fair presentation of all information in the financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements involves the use of management's judgement and best estimates particularly when transactions affecting the current period cannot be determined with certainty until future periods.

The Pension Benefit Guarantee Fund is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

The financial statements have been audited by the Office of the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. They have been approved by the Commission's Audit Committee. The Auditor's report follows.

K. David Gordon
Deputy Superintendent of Pensions

Harold M. Sookdeo
Chief Accountant

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

AUDI ALTERAM PARTEM

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Financial Services Commission of Ontario
and to the Minister of Finance

I have audited the balance sheet of the Pension Benefits Guarantee Fund of the Financial Services Commission of Ontario as at March 31, 2004 and the statements of operations and fund deficit and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

Toronto, Ontario
June 4, 2004

Gary R. Peall, CA
Acting Assistant Provincial Auditor

FINANCIAL SERVICES COMMISSION OF ONTARIO

Pension Benefits Guarantee Fund
Balance Sheet
As at March 31, 2004

	2004 ($ 000)	2003 ($ 000) (Restated Note 7)
ASSETS		
Current		
Cash	620	53
Accounts receivable	61,113	56,106
	61,733	56,159
Investments (Note 3)	554,866	299,991
	616,599	356,150
LIABILITIES AND FUND BALANCE		
Current		
Accounts payable and accrued liabilities	7,378	4,132
Current portion of loan payable	11,000	-
	18,378	4,132
Claims payable	386,401	489,487
Loan payable (Note 5)	319,000	-
	723,779	493,619
Fund deficit	(107,180)	(137,469)
	616,599	356,150

Contingencies (Note 6)

See accompanying notes to financial statements

Approved by:

CEO and Superintendent
Financial Services Commission of Ontario

FINANCIAL SERVICES COMMISSION OF ONTARIO

Pension Benefits Guarantee Fund
Statement of Operations and Fund deficit
For the year ended March 31, 2004

	2004 ($ 000)	2003 ($000) (Restated Note 7)
Revenues		
Premium revenue	53,374	51,171
Investment income (Note 3)	9,873	10,988
Recoveries	235	103
	63,482	62,262
Expenses		
Claims	33,281	162,766
Pension management fees (Note 4)	326	-
Investment management fees	272	290
Administration fee (Note 4)	301	249
	34,180	163,305
Excess (deficiency) of revenue over expenses before the following	29,302	(101,043)
Unrealized increase in the market value of investments	987	201
Excess (deficiency) of revenue over expenses	30,289	(100,842)
Fund deficit , beginning of year	(137,469)	(36,627)
Fund deficit, end of year	(107,180)	(137,469)

See accompanying notes to financial statements

FINANCIAL SERVICES COMMISSION OF ONTARIO

Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2004

	2004 ($000)	2003 ($000) (Note 7)
Net Inflow (Outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	30,289	(100,842)
Less item not affecting cash		
Unrealized gain on investments	(987)	(201)
	29,302	(101,043)
Changes in non cash working capital		
Accounts receivable	(5,007)	(14,464)
Accounts payable and accrued liabilities	3,246	1,251
Claims payable	(103,086)	159,843
	(75,545)	45,587
Cash flows from investing activities		
Purchases of investments	(952,411)	(871,773)
Proceeds from sale of investments	698,523	826,222
	(253,888)	(45,551)
Cash flows from financing activities		
Loan payable	330,000	-
Net change in cash position	567	36
Cash position, beginning of year	53	17
Cash position, end of year	620	53

FINANCIAL SERVICES COMMISSION OF ONTARIO

Pension Benefits Guarantee Fund
Notes to the Financial Statements
March 31, 2004

---

1. PURPOSE OF FUND

The purpose of the Pension Benefits Guarantee Fund (the Fund) is to guarantee payment of certain pension benefits of certain defined benefit pension plans that are wound up under conditions specified in the *Pension Benefits Act*, and regulations thereto. The regulations also prescribe the amount of the premiums required to be paid into the Fund by plan sponsors. The Superintendent of the Financial Services Commission of Ontario pursuant to the *Financial Services Commission of Ontario Act, 1997* is responsible for the administration of the Fund.

The *Pension Benefits Act* provides that if the assets of the Fund are insufficient to meet payments for claims, the Lieutenant Governor in Council may authorize the Minister of Finance of Ontario to make loans on such terms and conditions as the Lieutenant Governor in Council directs. The total liability of the Fund to guarantee pension benefits is limited to the assets of the Fund plus any loans received from the Province.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by the management of the Financial Services Commission of Ontario in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

(a) Investments

Investments include short-term deposits and fixed income securities issued or guaranteed by the federal and provincial governments and Canadian corporations. Short-term deposits have maturities of less than twelve months. They are recorded at cost which approximates market. Investments in government and corporate bonds are stated at their quoted market value. In aggregate, they are considered short term in nature and can be liquidated at any time to cover claims against the Fund. Premiums or discounts are not amortized.

Unrealized changes in market value reflect the change in unrealized gains or losses that have occurred by holding investments over the year.

FINANCIAL SERVICES COMMISSION OF ONTARIO

Pension Benefits Guarantee Fund
Notes to the Financial Statements
March 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Claims payable
Claims payable are liabilities to those defined benefit pension plans prescribed by legislation that are wound up or in the process of being ordered wound up under conditions specified in the *Pension Benefits Act*, and the amounts can be reasonably estimated. They are determined annually through an actuarial valuation using the best estimates of management of the Financial Services Commission of Ontario and represent the present value of future payments to settle the claims for benefits and expenses by eligible pension plans which are at various stages of the wind up process. Adjustments to the liabilities, if any, between the amounts recognized based on estimates and the actual claims made, will be charged or credited to the Fund in the year when the actual amounts are determined.

(c) Premium revenue
The annual premium revenue due from the defined pension plans prescribed by legislation is recognized based on an estimate because the actual revenue cannot be determined until the pension plan files its annual assessment certificate nine months after the plan's fiscal year end.

Adjustments to premium revenue, if any, between the estimated amounts recognized and the actual revenues due are charged or credited to income in the year when the actual amounts are determined.

(d) Use of Estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amount of revenues and expenses for the period. Actual amounts could differ from these estimates.

(e) Financial Instruments
Unless otherwise noted, it is the opinion of the management of the Financial Services Commission of Ontario that the Fund is not exposed to significant interest rate, currency or credit risks arising from its financial instruments, and the carrying amount of the Fund's financial instruments approximates fair value unless otherwise noted.

FINANCIAL SERVICES COMMISSION OF ONTARIO

Pension Benefits Guarantee Fund
Notes to the Financial Statements
March 31, 2004

3. INVESTMENTS

The Financial Services Commission of Ontario has adopted a Statement of Investment Policies and Guidelines. This statement outlines the purpose of the Fund and provides guidelines for the management of the Fund.

Investments consist of:

	2004 ($000s)	2003 ($000s)
Short term deposits	402,985	125,070
Government and corporate bonds at market value (cost $150,111; 2003 - $174,142)	151,881	174,921
	554,866	299,991

Short term deposits have an average yield of 2.17% (2003 –2.96%) and government and corporate bonds have an average yield of 3.82% (2003 – 4.42%).

Investment income includes interest earned from interest bearing securities and realized gains/losses from the sale of securities. The realized net gain on the sale of securities amounted to $ 578,662 (2003- $839,659). Unrealized changes in the market value of investment is reflected separately on the statement of operations and fund deficit.

4. ADMINISTRATION AND PENSION MANAGEMENT FEES

The *Pension Benefits Act* allows the Financial Services Commission of Ontario to charge the Fund for expenses it incurs in administering the Fund. During fiscal 2004, administration fees of $301,016 (2003- $249,298) were paid to the Financial Services Commission of Ontario.

In fiscal 2004, $326,000 was paid from the Fund to a team of experts retained to represent the Fund during the insolvency proceedings of a company whose failure could result in a very significant claim on the Fund by the pension plans of this company.

Administrative services related to the processing of premium revenue are provided by the Ministry of Finance without charge.

FINANCIAL SERVICES COMMISSION OF ONTARIO

Pension Benefits Guarantee Fund
Notes to the Financial Statements
March 31, 2004

5. LOAN PAYABLE

On March 31, 2004, the Fund obtained a loan of $330 million from the Province. The loan is non-interest bearing, and repayable in thirty equal annual installments of $11 million each, commencing on December 1, 2004. The loan agreement provides for the Minister of Finance to advance any installment payment date depending on the cash position of the Fund.

6. CONTINGENCIES

There are currently three companies operating under a stay under the *Companies' Creditors Arrangement Act* (CCAA) whose pension plans could represent very significant claims on the Fund.

One of these companies declared two of their pension plans wound up effective May 28, 2004 and the potential claim on the Fund for these two plans is estimated to be about $50 million. It is anticipated that this company's remaining pension plans will wind up once the stay under the CCAA is lifted with a further potential claim on the Fund estimated at $65.4 million.

The outcomes of the restructuring efforts of the two other companies and the amount of the potential claims on the Fund are not determinable at this time.

7. CHANGE IN THE BASIS OF ACCOUNTING

Effective April 1, 2003, the Fund adopted Canadian generally accepted accounting principles to prepare its financial statements. This change requires that all revenues and expenses be accounted for on the accrual basis. Previously the financial statements were prepared on a disclosed basis of accounting whereby income and expenses were recorded on a cash basis, with the exception of investment income and unrealized changes in the market value of investments which were recorded on an accrual basis. This change in the basis of accounting has been adopted retroactively, resulting in the following changes to the March 31, 2003 financial statements as previously presented.

FINANCIAL SERVICES COMMISSION OF ONTARIO

Pension Benefits Guarantee Fund
Notes to the Financial Statements
March 31, 2004

7. CHANGE IN THE BASIS OF ACCOUNTING (cont'd)

	2003 ($000)		
	As Previously stated	Increase (Decrease)	As Restated
Current assets	-	56,159	56,159
Current liabilities	-	4,132	4,132
Claims payable	-	489,487	489,487
Fund balance (deficit)	301,726	(439,195)	(137,469)
Excess (deficiency) of revenue over expenses	45,282	(146,124)	(100,842)

PROVINCIAL JUDGES PENSION FUND

Office of the Provincial Auditor of Ontario

Auditor's Report

AUDI ALTERAM PARTEM

To the Provincial Judges Pension Board
and to the Minister of Finance

I have audited the statement of changes in fund balance of the Provincial Judges Pension Fund for the year ended March 31, 2004. As described in note 2, this financial statement has been prepared to comply with section 34 of Ontario Regulation 67/92 under the *Courts of Justice Act*. This financial statement is the responsibility of the Fund's management. My responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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, this financial statement presents fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the results of its operations for the year then ended in accordance with the accounting policy described in note 2 to the financial statement.

This financial statement, which has not been, and was not intended to be, prepared in accordance with Canadian generally accepted accounting principles, is solely for the information and use of the Provincial Judges Pension Board and the Minister of Finance for the purpose of fulfilling their fiduciary and custodial responsibilities under Regulation 67/92 of the *Court of Justice Act*. This financial statement is not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Toronto, Ontario
June 11, 2004

Gary R. Peall, CA
Acting Assistant Provincial Auditor

PROVINCIAL JUDGES PENSION FUND

Statement of Changes in Fund Balance
For the Year Ended March 31, 2004

	2004 ($ 000)	2003 ($ 000)
Deposits		
Contributions		
Participants	2,944	2,900
Province of Ontario (Note 4)	11,235	10,700
Interest earned	27,551	26,095
	41,730	39,695
Payments		
Pension payments and survivor allowances	15,882	15,171
	15,882	15,171
Net increase in the Fund	25,848	24,524
Fund Balance on deposit with the Minister of Finance		
Beginning of year	325,236	300,712
End of year	351,084	325,236

See accompanying notes to financial statement

Approved on behalf of the Board:

Chair

PROVINCIAL JUDGES PENSION FUND

Notes to Financial Statement
March 31, 2004

1. DESCRIPTION OF THE FUND

The Provincial Judges Pension Fund (the Fund) is administered by the Provincial Judges Pension Board as designated by Ontario Regulation 67/92, as amended, of the *Courts of Justice Act*. The following brief description of the Fund is provided for general purposes only. For more complete information, reference should be made to the Regulation.

(a) General

The purpose of the Fund is to provide pension payments to retired Provincial Judges and Masters who are members of the Plan or survivor allowances to the dependents of these Judges and Masters.

(b) Funding Policy

Participants are required to contribute 7% of their salary to the earlier occurrence of meeting their basic service requirement or attaining age 70 years.

The contribution required from the Province is determined by an actuarial valuation as described in note 4.

(c) Pension Payments

A pension payment is available based on the age and the number of years of full-time service for which the participant has credit upon ceasing to hold office and is based on the salary of a full-time judge of the highest judicial rank held by the participant while in office. The participant is entitled to these payments during his/her lifetime.

(d) Disability Pension Payments

A full pension is available at age 65 for participants with a minimum of five years of full-time service who are unable to serve in office due to injury or chronic illness.

(e) Survivor Allowances

A survivor allowance equal to 60% of the pension payment is paid to the spouse during the spouse's lifetime or to children who meet the age, custody, education or disability criteria defined in section 22 of the Regulation.

(f) Death Refunds

A death refund is payable to the personal representative of a participant where there is no further entitlement to a survivor allowance. The amount of the refund is equal to the participant's contributions in the Fund plus interest, less entitlements already paid out.

(g) Withdrawal Refunds

Upon ceasing to hold office for a reason other than death, participants not eligible to receive pension payments are entitled to receive a refund of their contributions to the Fund plus interest.

PROVINCIAL JUDGES PENSION FUND

Notes to Financial Statement
March 31, 2004

---

1. DESCRIPTION OF THE FUND (CONTINUED)

(h) Interest Revenue

There are two components to the interest revenue calculation. Firstly, all new money, being the excess of of contributions over payments each fiscal year, earns interest at a fixed rate for 25 years which is not less than the weighted average rate on long term securities issued or guaranteed by the Province of Ontario during that fiscal year. However, no such interest was credited for the last two fiscal years as the total monthly payments exceeded the total monthly contributions. The second and largest component is the interest accumulating on the opening fund balance. This amount is a weighted average of the interest rates applied since inception which for the current fiscal year was 8.47% (2003 – 8.68%).

(i) Fund Status

The Fund is not subject to the reporting requirements under the *Pension Benefits Act* and Regulations. However, the Fund has the status of a registered pension plan for income tax purposes.

(j) Escalation of Entitlements

Entitlements are adjusted annually based on changes in the Canadian Aggregate Industrial Wage as published by Statistics Canada, subject to a maximum of 7% in any one year.

(k) Pending Changes to the Fund

The *Income Tax Act (Canada) (ITA)* limits the pension benefit payable from the Fund for post 1991 service. Cabinet has approved that benefits above the ITA limit will be provided through a separate supplementary account in the Consolidated Revenue Fund.

The terms of the Fund are being revised to comply with the requirements under the ITA, and an Order-in-Council will be required to establish the supplementary account. The Canada Revenue Agency is aware of the status of the supplementary account. To date, the Fund has paid out approximately $20,271,739 which should have been paid from the supplementary account. Once the account is established, there will be a reconciliation between the account and the Fund, both of which are to be held within the Consolidated Revenue Fund of the Province of Ontario.

2. SIGNIFICANT ACCOUNTING POLICY

The financial statement has been prepared on a basis of accounting consistent with section 34 of Ontario Regulation 67/92 under the *Courts of Justice Act* which states that the Fund shall consist of contributions and money paid, transferred or credited to the Fund, less money paid out.

3. ADMINISTRATIVE EXPENSES

Administrative expenses are paid by the Province of Ontario.

PROVINCIAL JUDGES PENSION FUND

Notes to Financial Statement
March 31, 2004

4. LIABILITY FOR FUTURE BENEFITS

The Province is responsible for the unfunded liabilities of the Provincial Judges Pension Plan and funds these liabilities in amounts recommended by periodic actuarial valuations of the Plan. The most recent actuarial valuation of the Plan as at March 31, 2003 disclosed that the present value of required future government contributions to the unfunded liability was $140,393,000 and recommended the Province contribute $13,802,000 toward this total in fiscal 2004. However, the Province's contribution in fiscal 2004 was only $11,234,860 (2003 – $10,700,000) because the results of the March 31, 2003 actuarial valuation were not available at the time the contribution was made. The Province's contribution was based on the fiscal 2001 contribution adjusted for scheduled salary changes. The contribution in fiscal 2005 will be adjusted to take into consideration the results of the recent actuarial valuation.

The Provincial Judges Remuneration Commission was established under the *Courts of Justice Act* to conduct an independent, binding process to determine compensation for all provincial judges. The Fifth Triennial Report of the Provincial Judges Remuneration Commission, released in December 2003, recommended increases of approximately 21.4% (including changes in the Canadian Aggregate Industrial Wage), over a three year period retroactive to April 1, 2001 and ending on March 31, 2004. Should the recommendations be implemented, there will be a $71 million increase in the present value of unfunded government contributions. The Province is appealing the recommendations of the Commission to the courts.

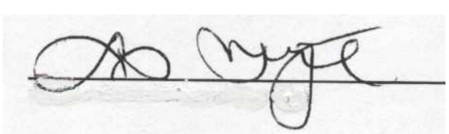
OFFICE OF THE PUBLIC GUARDIAN AND TRUSTEE

Management's Responsibility for Financial Information

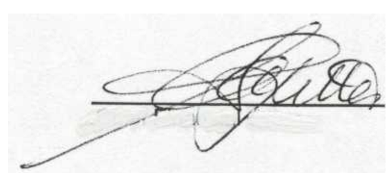
Management is responsible for the financial statements and all other information presented in the financial statements. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, except that the Diversified Fund and Other Assets are accounted for on a market value basis, and where appropriate, include amounts based on Management's best estimates and judgements.

The Office of the Public Guardian and Trustee is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and that the assets were safeguarded. Internal audits are conducted to assess management systems and practices and reports are issued to the Public Guardian and Trustee and her management committee.

The financial statements have been examined by the Office of the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles, with the exception that the Diversified Fund and Other Assets are accounted for on a market value basis. The Auditor's Report outlines the scope of the auditor's examination and opinion.



Louise Stratford
Public Guardian and Trustee



Sharon Yetter
Chief Financial Officer

June 11, 2004

Office of the
Provincial Auditor
of Ontario

AUDI ALTERAM PARTEM

Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Public Guardian and Trustee for the Province of Ontario
and to the Attorney General

I have audited the balance sheet of The Public Guardian and Trustee for the Province of Ontario as at March 31, 2004 and the statements of revenue and expenses, changes in fund balances and cash flows for the estates and trusts and the administration fund for the year then ended. These financial statements are the responsibility of The Public Guardian and Trustee's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, 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.

The Organization records their diversified fund investments and other assets at market value. Canadian generally accepted accounting principles require that these investments be carried at cost and decreased to market value when a decline in value is considered other than temporary. As the assets referred to above are recorded at market value, adjustments to reflect cost would have been necessary to investment revenue, excess of revenue over expenses, diversified fund, other assets and fund balances.

In my opinion, except for the effects of the failure to value the diversified fund investments and other assets in accordance with Canadian generally accepted accounting principles as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of The Public Guardian and Trustee for the Province of Ontario as at March 31, 2004, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 11, 2004

Gary R. Peall, CA
Acting Assistant Provincial Auditor

The Public Guardian and Trustee for the Province of Ontario

Balance Sheet
(in thousands of dollars)

March 31, 2004

	Estates and Trusts		Administration Fund	
	2004	2003	**2004**	2003 (re-stated - Note 7)
Assets				
Cash and cash equivalents	**$ 786**	$ 122	**$ 48**	$ 165
Accounts receivable	**2,228**	3,518	**1,847**	1,637
Bonds and other debt issues	**22,732**	18,395	**-**	-
Fixed income funds (Schedule A)	**832,840**	819,188	**2,952**	5,152
Diversified fund (Schedule B)	**62,790**	60,478	**55,547**	46,184
Other assets (Schedule C)	**104,742**	97,128	**-**	-
	1,026,118	998,829	**60,394**	53,138
Deferred charges (Note 5)	**-**	-	**4,395**	2,290
	$ 1,026,118	$ 998,829	**$ 64,789**	$ 55,428
Liabilities and Fund Balances				
Accounts payable and accrued liabilities	**2,015**	1,833	**2,377**	3,593
Fund balances	**1,024,103**	996,996	**62,412**	51,835
	$ 1,026,118	$ 998,829	**$ 64,789**	$ 55,428

Contingencies (Note 6)

On behalf of The Public Guardian and Trustee for the Province of Ontario

Public Guardian and Trustee

Chief Financial Officer

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Public Guardian and Trustee for the Province of Ontario

Statement of Revenue and Expenses - Estates and Trusts

(in thousands of dollars)

For the year ended March 31		2004		2003 (re-stated - Note 7)
Revenue				
Pension	$	**56,215**	$	53,912
Social benefits		**44,741**		42,156
Investment		**42,713**		43,114
Other		**16,757**		17,305
		160,426		156,487
Expenses				
Accomodation		**70,146**		66,871
Allowances		**21,142**		20,616
Public Guardian and Trustee fees (Schedule D)		**17,102**		18,280
Living		**7,167**		7,073
Other		**6,452**		7,583
Taxes		**6,234**		6,553
Real estate		**4,328**		5,293
Funeral		**4,312**		4,489
Medical		**3,502**		3,091
Utilities		**1,846**		1,574
Insurance		**760**		543
		142,991		141,966
Excess of revenue over expenses	$	**17,435**	$	14,521

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Public Guardian and Trustee for the Province of Ontario

Statement of Revenue and Expenses - Administration Fund

(in thousands of dollars)

For the year ended March 31	2004	2003 (re-stated - Note 7)
Revenue		
Investments - fixed income funds (Schedule A)	**$ 1,372**	$ 1,420
Investments - diversified fund (Schedule B)	**8,894**	(4,740)
	10,266	(3,320)
Fees collected (Schedule D)	**16,564**	17,581
	26,830	14,261
Expenses		
Salaries and wages	**19,396**	18,587
Employee benefits (Note 3)	**2,495**	3,262
Services	**3,525**	2,539
Transportation and communication	**1,210**	1,412
Supplies and equipment	**533**	634
	27,159	26,434
Less: Amount recovered from the Ministry of the Attorney General	**(11,265)**	(10,528)
	15,894	15,906
Add: Claims charged to Administration Fund Balances	**359**	522
	16,253	16,428
Excess (deficiency) of revenue over expenses	**$ 10,577**	$ (2,167)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Public Guardian and Trustee for the Province of Ontario

Statement of Changes in Fund Balances - Estates and Trusts
(in thousands of dollars)

For the year ended March 31, 2004

	Minors	Client Estates	Litigants	Deceased Estates (note 1)	Cemetery Trusts	Forfeited Corporate Assets	Corporate Trusts	Land Titles	Total 2004	Total 2003
Balance, beginning of year	$ 365,505	$ 351,226	$ 154,668	$ 95,601	$ 19,497	$ 4,622	$ 3,062	$ 2,815	$ 996,996	$ 963,138
Excess (deficiency) of revenue over expenses	13,946	237	4,535	(1,332)	(47)	25	(34)	105	17,435	14,521
Net client capital contribution (distribution)	(5,275)	13,908	(956)	1,055	973	10	87	(130)	9,672	19,337
Balance, end of year	$ 374,176	$ 365,371	$ 158,247	$ 95,324	$ 20,423	$ 4,657	$ 3,115	$ 2,790	$ 1,024,103	$ 996,996

Statement of Changes in Fund Balances - Administration Fund
(in thousands of dollars)

For the year ended March 31, 2004

	Assurance Fund	Special Projects Fund	Litigation Reserve Fund	Allowance for Doubtful Accounts Fund	Capacity Assessment Fund	Unappro-priated Fund	Total 2004	Total 2003 (re-stated - Note 7)
Balance, beginning of year	$ 1,400	$ (777)	$ 2,000	$ 100	$ 100	$ 49,012	$ 51,835	$ 54,002
Excess (deficiency) of revenue over expenses	(124)	10,266	(201)	-	(34)	670	10,577	(2,167)
Interfund transfers	424	-	201	-	34	(659)	-	-
Balance, end of year	$ 1,700	$ 9,489	$ 2,000	$ 100	$ 100	$ 49,023	$ 62,412	$ 51,835

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Public Guardian and Trustee for the Province of Ontario

Statement of Cash Flows
(in thousands of dollars)

For the year ended March 31	Estates and Trusts 2004	Estates and Trusts 2003	Administration Fund 2004	Administration Fund 2003
Cash was provided by (used in)				
Operating activities				
Excess (deficiency) of revenue over expenses	**$ 17,435**	$ 14,521	**$ 10,577**	$ (2,167)
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by operating activities				
Gain on sale of investments	**-**	-	**-**	(987)
Unrealized (appreciation) depreciation of diversified fund	**(9,361)**	8,391	**(7,552)**	5,994
Accounts receivable	**1,290**	595	**(210)**	542
Accounts payable	**182**	32	**(1,216)**	(929)
Other assets	**(7,614)**	(11,563)	**-**	-
Deferred interest provision	**-**	-	**-**	(8,100)
	1,932	11,976	**1,599**	(5,647)
Investing activities				
Net (acquisition) disposal of bond and other debt issues	**(4,337)**	2,854	**-**	-
Net (purchase) redemption of fixed income funds investments	**(13,652)**	(39,127)	**2,200**	8,031
Net client capital contribution	**9,672**	19,337	**-**	-
Diversified fund investments net redemptions (purchases)	**7,049**	4,003	**(1,811)**	(1,669)
Deferred charges	**-**	-	**(2,105)**	(1,294)
	(1,268)	(12,933)	**(1,716)**	5,068
Increase (decrease) in cash and cash equivalents during the year	**664**	(957)	**(117)**	(579)
Cash and cash equivalents, beginning of the year	**122**	1,079	**165**	744
Cash and cash equivalents, end of the year	**$ 786**	$ 122	**$ 48**	$ 165

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Public Guardian and Trustee for the Province of Ontario

Summary of Significant Accounting Policies

March 31, 2004

Nature of Operations

The Public Guardian and Trustee for the Province of Ontario ("The Public Guardian and Trustee") performs duties under a number of statutes with the following main responsibilities:

- the management of estates of incapable adults
- the administration of estates of persons who have died in Ontario intestate and without next-of-kin
- the gathering of assets on behalf of the Crown under the Escheats Act when there is no known owner of those assets or the owner is a corporation no longer in existence
- the management of funds, mortgages and securities paid into or lodged with the Accountant of the Superior Court of Justice on behalf of minors and litigants
- a general supervisory role over charitable property

Basis of Accounting

The Public Guardian and Trustee prepares its financial statements on an accrual basis and follows Canadian generally accepted accounting principles except that the Diversified Fund and Other Assets are accounted for on a market value basis as explained in the significant accounting policies relating to these items.

Estates and Trusts

Estates and Trusts represent accounts over which The Public Guardian and Trustee acts as guardian or trustee under the *Substitute Decisions Act*, the *Public Guardian and Trustee Act*, the *Crown Administration of Estates Act*, the *Estates Act* and various other statutes.

Administration Fund

The Administration Fund is the operating account of The Public Guardian and Trustee. It is used to accumulate fees charged to each estate and trust for services, as prescribed by the Fee Schedule created pursuant to *The Public Guardian and Trustee Act* and to pay operating expenses.
Cash balances in the Administration Fund which are not required for operating purposes are invested along with the cash funds of Estates and Trusts. The Fund receives the net interest income of these investment activities, after interest is distributed on the funds of Estates and Trusts in accordance with the interest rates prescribed by *The Public Guardian and Trustee Act*.
Funds appropriated for specific purposes are identified below.

Assurance Fund
The *Public Guardian and Trustee Act* and the regulations under the Act provide that an Assurance Fund shall be established to meet losses for which The Public Guardian and Trustee might become liable.

During the year the Fund was reimbursed $124,485 (2003 - $333,592) and increased by transfer of an additional $300,000 from the Unappropriated Fund.

Special Projects Fund
The Special Projects Fund was established to provide funding for significant special projects of the Public Guardian and Trustee. Income earned from the Unappropriated Fund, invested in the Diversified Fund and Fixed Income Funds, is included in revenue for the Special Projects Fund.

The Public Guardian and Trustee for the Province of Ontario
Summary of Significant Accounting Policies

March 31, 2004

The current funding is for the development and implementation of a new trust management technology system.

Litigation Reserve Fund
The Litigation Reserve Fund is used to cover expenses and costs of legal proceedings paid by the Public Guardian and Trustee on behalf of its litigation clients.

During the year the Fund was reimbursed $200,500 (2003 - $171,402) from the Unappropriated Fund for legal costs incurred on behalf of the clients.

Allowance for Doubtful Accounts Fund
The intent of the Allowance for Doubtful Accounts Fund is to provide for all clients' accounts whereby The Public Guardian and Trustee has advanced funds on a client's behalf and has a statutory lien pursuant to section 8.1 of the *Public Guardian and Trustee Act* but may not be able to recover the amount from the client.

Capacity Assessment Fund
The Capacity Assessment Fund was set up to cover fees of capacity assessors when a client is unable to pay for the costs of an assessment or re-assessment.

During the year the Fund was reimbursed $33,586 (2003 - $16,921) from the Unappropriated Fund.

Cash and Cash Equivalents

Cash and Cash Equivalents includes cash on hand, current bank accounts and short term deposits, if any, with terms to maturity of less than 90 days.

Bonds and Other Debt Issues of Estates and Trusts and Stocks and Other Securities of Estates and Trusts

Bonds and Other Debt Issues of Estates and Trusts and Stocks and Other Securities of Estates and Trusts are recorded at their market value at the time of taking over the Estates and Trusts. An annual adjustment to market value is made, as a minimum, at December 31 each year, with occasional revaluations made during the year and is recorded in the Statement of Revenue and Expenses – Estates and Trusts.

Investments

Fixed Income Funds
Funds are invested in high quality fixed income instruments subject to the investment guidelines of the *Trustee Act* and the guidelines and limitations as set by the Public Guardian and Trustee with emphasis on preservation of capital and maximizing return. This includes US dollar trust funds where the Accountant of the Superior Court of Justice is ordered by the courts to hold these funds in US dollars.

Fund investments in money market and in bonds under a laddered buy-and-hold strategy are reflected at cost adjusted for the amortization of premiums or discounts on purchase over the period to maturity, where these securities are intentionally held to maturity.

Interest income is distributed to participants by a prescribed interest rate approved by The Public Guardian and Trustee's Investment Advisory Committee.

The Public Guardian and Trustee for the Province of Ontario
Summary of Significant Accounting Policies

March 31, 2004

Diversified Fund

The Public Guardian and Trustee has a Diversified Fund that includes high quality equity and fixed income securities. This fund was established in order to provide an alternative for those clients whose unique investment objectives require a broader, longer range investment strategy. The fund is subject to the investment guidelines of the *Trustee Act* and the guidelines and limitations as set by The Public Guardian and Trustee with emphasis on the need to preserve and enhance the purchasing power of capital over the longer term. The Administration Fund also participates in the Diversified Fund.

The investment returns on this fund accrue directly to the participants and the investments are carried at market value. Adjustments to market value are recorded in the Statement of Revenue and Expenses in the period in which they occur.

Real Estate

Real Estate is recorded at appraised value at the time of incorp-oration of the trust and is subject to periodic revaluations. Adjustments to market value are recorded in the Statement of Revenue and Expenses – Estates and Trusts in the period in which they occur.

Life Insurance

Life Insurance is recorded at its cash surrender value at the time of incorporating the trust and is subject to valuation every two years. Adjustments to market value are recorded in the Statement of Revenue and Expenses – Estates and Trusts in the period in which they occur.

Foreign Currency Translation

Foreign currency amounts are translated to Canadian dollars as follows:

Each asset, liability, revenue or expense is translated into Canadian dollars at the transaction date, by the use of the exchange rate in effect at that date.

At the year end date, US dollar monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period. As of March 31, 2004 The Public Guardian and Trustee held only US dollars in foreign currency.

Use of Estimates

The preparation of financial statements in accordance with the accounting policies noted above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

The Public Guardian and Trustee for the Province of Ontario
Notes to Financial Statements

March 31, 2004

1. Deceased Estates and Funds Escheated to the Crown

Deceased Estates include estates administered under the *Crown Administration of Estates Act* and the *Estates Act.*

The Public Guardian and Trustee is authorized by the *Escheats Act* to take possession of property reverting to the Crown under the *Succession Law Reform Act, Business Corporations Act*, or common law. After a period of ten years, any property so received by The Public Guardian and Trustee which remains unclaimed is transferred to the Consolidated Revenue Fund of the Province. Such property transfers to the Consolidated Revenue Fund are included in client capital distributions in arriving at the amount shown as the net client capital contribution (distribution) for Deceased Estates in the Statement of Changes in Fund Balances – Estates and Trusts.

During the year $236,942 (2003 - $0) was transferred to the Consolidated Revenue Fund.

2. Transfers to Consolidated Revenue Fund

Pursuant to Section 9(5) of *The Public Guardian and Trustee Act*, the Lieutenant Governor in Council may from time to time direct the payment into the Consolidated Revenue Fund of the Province of any balance at the credit of the Administration Fund.

No such transfers were made during the year to the Consolidated Revenue Fund of the Province.

3. Employee Future Benefits

The Public Guardian and Trustee provides pension benefits for its employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund which are multiemployer defined benefit pension plans. These plans were accounted for as defined contribution plans as the Organization had insufficient information to apply defined benefit plan accounting. From April 1, 2003, Management Board Secretariat assumed responsibility for funding the employer's contribution to the Pension Funds and the Public Guardian and Trustee made no contributions to these Funds during the year (in 2003 $986,603 was contributed and included in employee benefits in the Public Guardian and Trustee's Statement of Revenue and Expenses – Administration Fund).

The cost of post-retirement, non-pension employee benefits are paid by Management Board Secretariat and are not included in the Statement of Revenue and Expenses – Administration Fund.

4. Mortgages and Securities Held in Trust

The Public Guardian and Trustee in its capacity as Accountant of the Superior Court of Justice also acts as custodian of mortgages in the amount of $842,850 (2003 - $1,004,108) and miscellaneous securities and documents having a face value of $3,960,084 (2003 - $3,928,285). These amounts are not reflected in the financial statements as The Public Guardian and Trustee does not act as trustee of these funds but simply as custodian of the instruments on behalf of the client. The Public Guardian and Trustee as custodian also hold letters of credit, lien bonds, guardianship bonds and performance guarantee bonds for litigants.

5. Deferred Charges

Costs of a special project for the development and implementation of a new trust management technology system incurred from 2002 to 2004 have been deferred. These charges will be amortized over management's best estimate of the useful life of the system. Amortization will commence in the period in which the system becomes operational.

6. Contingencies

The Public Guardian and Trustee is involved in various legal actions arising in the normal course of business operations, the outcome and ultimate disposition of which are not determinable at this time.

The Public Guardian and Trustee for the Province of Ontario
Notes to Financial Statements

March 31, 2004

7. Comparative Figures

(a) Certain of the comparative figures have been reclassified to conform to current presentation.

(b) The Public Guardian and Trustee has changed its policy of charging expenditures of a capital nature to expenses in the year of acquisition. Such costs are now being capitalized. This change has been applied retroactively to expenses charged to the Special Projects Fund in prior years in the amount of $2,290,000. These prior year expenses, together with current year expenditures of $2,105,000 are now recorded as Deferred Charges, with a corresponding adjustment of $2,290,000 recorded to Administration Fund Balances.

(c) Excess of revenue over expenses – Estates and Trusts for the prior year has been reduced by $7,119,000 as the result of the restatement of Investment Revenue for unrealized depreciation of diversified fund investments ($8,391,000) and the correction of client distributions included in Other Expenses ($1,272,000).

The Public Guardian and Trustee for the Province of Ontario

Schedule A - Fixed Income Funds Investments and Income

(in thousands of dollars)

March 31			2004		2003
INVESTMENTS					
Cash		$	**3,207**	$	3,691
Accrued interest			**9,804**		10,101
Short term investments			**472,441**		483,248
			485,452		497,040
Long term investments					
Corporate Bonds	(i)		**28,820**		51,436
Federal Government	(ii)		**114,538**		97,919
Provincial Governments	(iii)		**125,306**		117,298
Financial Institutions	(iv)		**81,676**		60,647
			350,340		327,300
		$	**835,792**	$	824,340
Allocated as follows					
Estates and Trusts		$	**832,840**	$	819,188
Administration			**2,952**		5,152
		$	**835,792**	$	824,340

INCOME				
Allocated as follows				
Estates and Trusts	$	**29,131**	$	47,081
Administration		**1,372**		1,420
	$	**30,503**	$	48,501

Long term investments at March 31, 2004

	Interest Rates		Cost		Market Value
(i) Corporate Bonds					
1 - 3 years	**4.15 - 6.94%**	$	**28,820**	$	29,608
3 years +	**-**		**0**		0
			28,820		29,608
(ii) Federal Government					
1 - 3 years	**5.00 - 8.75%**		**114,538**		117,548
3 years +	**-**		**0**		0
			114,538		117,548
(iii) Provincial Governments					
1 - 3 years	**3.25 - 8.25%**		**125,306**		128,819
3 years +	**-**		**0**		0
			125,306		128,819
(iv) Financial Institutions					
1 - 3 years	**4.30 - 6.60%**		**28,698**		29,384
3 years +	**5.10 - 8.15%**		**52,978**		53,136
			81,676		82,520
		$	**350,340**	$	358,495

The Public Guardian and Trustee
for the Province of Ontario

Schedule B - Diversified Fund Investments and Income (Loss)

(in thousands of dollars)

March 31		2004		2003
INVESTMENTS				
Cash (bank indebtednes)	**$**	**132**	$	(18)
Accrued interest		**727**		138
Short term notes		**2,052**		6,822
		2,911		6,942
Bonds		**45,706**		41,480
Canadian equity		**36,406**		31,512
Foreign equity		**33,314**		26,728
	$	**118,337**	$	106,662
Allocated as follows				
Estates and Trusts	**$**	**62,790**	$	60,478
Administration Fund		**55,547**		46,184
	$	**118,337**	$	106,662
INCOME (LOSS)				
Estates and Trusts				
Investment earnings	**$**	**2,247**	$	2,373
Unrealized appreciation (depreciation) of diversified fund		**9,361**		(8,391)
	$	**11,608**	$	(6,018)
Administration				
Investment earnings	**$**	**1,342**	$	1,254
Unrealized appreciation (depreciation) of diversified fund		**7,552**		(5,994)
	$	**8,894**	$	(4,740)

Schedule C - Other Assets and Income

(in thousands of dollars)

March 31		2004		2003
OTHER ASSETS				
Real estate	**$**	**55,300**	$	52,620
Stocks and other securities		**44,726**		37,028
Other		**9,302**		9,808
Life insurance		**3,196**		3,145
Mortgages and loans receivable		**715**		859
		113,239		103,460
Less: Mortgages and loans payable		**8,497**		6,332
	$	**104,742**	$	97,128
INCOME				
Estates and Trusts	**$**	**1,245**	$	973

Schedule D - Fees Collected - Administration Fund

(in thousands of dollars)

For the year ended March 31		2004		2003
Client estates	**$**	**10,913**	$	11,330
Minors		**2,775**		3,045
Crown estates		**1,765**		2,112
Litigants		**939**		898
Executorship estates		**376**		558
Charity trusts		**142**		146
Cemetery trusts		**168**		176
Forfeited corporate assets/corporate trusts		**21**		15
Probable escheats		**3**		0
		17,102		18,280
Less: Unrecovered costs of fee services		**538**		699
	$	**16,564**	$	17,581

Workplace Safety and Insurance Board,

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied, and include amounts based upon management's best estimates and judgements. Any financial information contained elsewhere in the annual report is consistent with these financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss. The Board of Directors has established an Audit Committee to ensure that management fulfils these responsibilities. The Audit Committee meets periodically with management, internal auditors and external auditors to ensure that their responsibilities are properly discharged with respect to financial statement presentation, disclosure and recommendations on internal control.

The Internal Audit Branch performs audits designed to test the adequacy and consistency of the WSIB's internal controls, practices and procedures.

Role of the Actuary

With respect to the preparation of these financial statements, management prepares a valuation, including the selection of appropriate assumptions, of the Board's benefit liabilities as of the balance sheet date. With respect to the preparation of these financial statements, Eckler Partners Ltd. carries out a review of management's valuation of the benefit liabilities and provides an opinion to the Board of Directors regarding the appropriateness of the benefit liabilities recorded by management of the Board as of the balance sheet date. The work to form that opinion includes an examination of the sufficiency and reliability of data, and a review of the valuation process used by management. The independent actuary is responsible for assessing whether the assumptions and methods used for the valuation of the benefit liabilities are in accordance with accepted actuarial practices, applicable legislation and associated regulations and directives. In performing the review of these liabilities determined by management, which are by their very nature inherently variable, the actuary makes assumptions as to future interest and mortality rates, expenses, related trends and other contingencies, taking into consideration the circumstances of the Board. It is certain that the benefit liabilities will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, the projections make no provision for new claim categories not sufficiently recognized in the claims database.

Management is responsible for the accuracy and completeness of the underlying data used in the valuation. The actuary's report outlines the scope of the review and the opinion.

Role of the Auditor

The external auditors, KPMG LLP, working under the direction of the Provincial Auditor, have performed an independent and objective audit of the financial statements of the WSIB in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the auditors make use of the work of the independent actuary and its report on the benefit liabilities of the Board. The auditors have full and unrestricted access to the Board of Directors and the Audit Committee to discuss audit, financial reporting and related findings. The auditors' report outlines the scope of their audit and their opinion on the financial statements of the WSIB.

John R. Gardner

John Gardner
Director
March 12, 2004

Malen Ng

Malen Ng
Chief Financial Officer

AUDITORS' REPORT

To the Workplace Safety and Insurance Board,
the Minister of Labour
and to the Provincial Auditor

KPMG

Pursuant to the *Workplace Safety and Insurance Act*, which provides that the accounts of the Workplace Safety and Insurance Board ("WSIB") shall be audited by the Provincial Auditor or under his direction by an auditor appointed by the Lieutenant Governor in Council for that purpose, we have audited the balance sheet of the WSIB as at December 31, 2003, and the statements of operations and unfunded liability and cash flows for the year then ended. These financial statements are the responsibility of WSIB management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the WSIB as at December 31, 2003, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada
March 12, 2004

BALANCE SHEET

AS OF DECEMBER 31

($ millions)	2003	2002
ASSETS		
Cash and cash equivalents	$ 452	$ 113
Receivables	653	526
Investments (note 3)	10,037	10,361
Injured Workers' Retirement Fund (note 4)	527	434
Property, plant, equipment and other assets (note 5)	178	181
	$ 11,847	$ 11,615
LIABILITIES		
Payables and accruals	$ 546	$ 380
Mortgage payable (note 6)	71	72
Injured Workers' Retirement Fund (note 4)	527	434
Employee benefit plans (note 7)	378	355
Benefit liabilities (note 8)	17,460	16,965
	18,982	18,206
UNFUNDED LIABILITY (note 9)	(7,135)	(6,591)
	$ 11,847	$ 11,615

On behalf of the Board of Directors:

Jill Hutcheon

Jill Hutcheon, Interim Chair
Director

John R. Gardner

John Gardner
Director

The accompanying notes form an integral part of the financial statements.

STATEMENT OF OPERATIONS & UNFUNDED LIABILITY

FOR THE YEARS ENDED DECEMBER 31

($ millions)	2003	2002
CURRENT OPERATIONS		
Revenues		
Premiums for the year	$ 2,068	$ 1,997
Investments (note 3)	456	246
	2,524	2,243
Expenses		
Benefit costs (note 8)	3,491	3,575
Injured Workers' Retirement Fund (note 4)	56	52
Administrative and other expenses (note 10)	210	240
Legislated obligations and commitments (note 11)	172	160
	3,929	4,027
Excess (deficiency) of revenues over expenses from current operations	(1,405)	(1,784)
Premiums for unfunded liability	861	902
Transfer of electrical utilities from Schedule 2	-	(52)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(544)	(934)
Unfunded liability, beginning of year	6,591	5,657
Unfunded liability, end of year (note 9)	$ 7,135	$ 6,591

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

($ millions)	2003	2002
OPERATING CASH FLOWS		
Cash received from:		
Premiums for the year	$ 2,099	$ 1,970
Premiums for unfunded liability	855	888
Investment income	316	337
	3,270	3,195
Cash paid to:		
Claimants, survivors and care providers	(2,700)	(2,609)
Injured Workers' Retirement Fund	(56)	(52)
Employees and suppliers for administrative goods and services	(476)	(472)
Legislated obligations and commitments	(160)	(162)
	(3,392)	(3,295)
Net cash required by operating activities	(122)	(100)
INVESTING CASH FLOWS		
Sale of investments	17,896	9,015
Purchase of investments	(17,435)	(8,809)
Net cash provided by investing activities	461	206
Increase in cash and cash equivalents	339	106
Cash and cash equivalents, beginning of year	113	7
Cash and cash equivalents, end of year	$ 452	$ 113

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

1. NATURE OF OPERATIONS

The Workplace Safety and Insurance Board (WSIB) is a statutory corporation created by an Act of the Ontario Legislature in 1914. The WSIB is responsible for administering the *Workplace Safety and Insurance Act, 1997*. The WSIB promotes the prevention of injuries and illnesses in Ontario workplaces and provides insurance benefits to workers who sustain injuries in the course of employment or contract occupational diseases. The WSIB also provides insurance benefits to most survivors of workers who die due to workplace injuries or illnesses, and assists the injured workers in early and safe return to work.

Employers covered by the *Workplace Safety and Insurance Act, 1997*, are divided into two groups, referred to as “Schedule 1” and “Schedule 2.” Schedule 1 employers are insured under a “collective liability” system and are required to contribute to the WSIB Insurance Fund. Schedule 2 employers are “self-insured” and are individually liable for the full costs of their workers’ claims. The WSIB pays insurance benefits for Schedule 2 workers and is reimbursed by their employers for the costs of the claims, including administrative costs, and for the cost of the WSIB’s prevention activities.

The WSIB also administers the federal *Government Employees Compensation Act*. Under an agreement with Human Resources Development Canada, the federal government is treated like a Schedule 2 employer.

Revenue is raised through premiums, which are collected from all Schedule 1 employers covered under the *Workplace Safety and Insurance Act, 1997*. Revenue is also earned from a diversified investment portfolio held to meet future obligations on existing claims. Schedule 2 reimbursements also contribute to WSIB revenue. The WSIB receives no government funding or assistance.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the Schedule 1 and Schedule 2 accounts of the WSIB and its wholly owned subsidiaries. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

The significant accounting policies are summarized as follows:

Cash and cash equivalents

Cash and cash equivalents are funds consisting of cash and money-market instruments with initial maturities up to three months.

Investments

Investments comprise short-term securities, bonds, equities and real estate.

Carrying value

Short-term securities consist of money-market instruments with initial maturities of between three and 12 months and are carried at cost. Gains and losses from sales are included in income for the year in which they occur.

Bonds and coupons are carried at amortized cost. Realized gains and losses on the sale of bonds and coupons are deferred and amortized over either 20 years or the period to maturity of the security, whichever is the lesser.

Equities and real estate are carried at cost, adjusted towards fair value, using a five-year moving average market method. Realized gains and losses are deferred and amortized over a four-year period.

Fair value

The fair value of investments used are the year-end quoted prices, where available. Where quoted prices are not available, estimated fair values are calculated based upon the yields and values of comparable marketable securities.

Cash and cash equivalents denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect as of the balance sheet date.

The carrying value of short-term securities, treasury bills and term deposits maturing within a year, plus accrued interest income, approximates the fair value of these instruments.

The fair value of bonds and equities denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect as of the balance sheet date.

The fair value of real estate is based on appraised values conducted on a cyclical basis.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator. These values represent the WSIB's proportionate share of underlying net assets at fair values determined using closing market prices.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect as of the balance sheet date, with the exception of derivative contracts, which are carried at the exchange rate negotiated. Revenues and expenses are translated at exchange rates in effect on the transaction date. Realized and unrealized exchange gains and losses are included in income.

Derivative financial instruments

The WSIB is party to forward foreign exchange contracts. On inception, the carrying value of the receivables and payables resulting from these contracts is included in the carrying value of investments. At maturity, the realized gains and losses on forward foreign exchange contracts are deferred and amortized over a four-year period.

Fair value of other financial assets and liabilities

The carrying value of receivables and payables approximates their fair value because of the short-term nature of these instruments.

Injured Workers' Retirement Fund

The Injured Workers' Retirement Fund is invested in short-term securities, bonds, equities and a pooled fund. These investments are carried at fair value, as described above. Changes in fair value are included in investment income of the Injured Workers' Retirement Fund in the year in which they occur.

Property, plant, equipment and other assets

Property, plant, equipment and other assets are recorded at cost. The cost of buildings includes development, financing and other costs capitalized prior to the day they become fully operational. At this time, depreciation commences. Capital assets are depreciated using the straight-line method, at rates calculated to expense the cost of assets over their estimated useful lives. In the case of buildings, office equipment and computer equipment, useful lives are estimated at 20 years, five years and three years, respectively.

Premiums

In advance of the fiscal year, the WSIB determines the total amount of premiums to be paid by Schedule 1 employers and notifies them of their premium rates for the following year. Premium revenue is determined by applying premium rates to Schedule 1 employers' payrolls.

Premium rates include a component that is applied to reduce the unfunded liability.

Schedule 2 employers are individually liable to pay all insurance benefits with respect to their workers' claims. Reimbursements for claims paid and the cost of administering the claims are included in premium revenue.

Benefit liabilities

Benefit liabilities are determined annually through an actuarial valuation, which estimates the present value of future payments for loss of earnings, labour market re-entry, short- and long-term disability, health care, survivor benefits, retirement income benefits and claim administration costs. They represent a provision for future benefit payments and the future cost of administering claims incurred on or before December 31. The provision has been determined by estimating future benefit payments in accordance with the adjudication practices in effect on December 31 and relevant legislation.

The benefit liabilities do not include any provision for payment of Schedule 2 claims. The costs of these claims are not considered WSIB liabilities because they are a liability of Schedule 2 employers.

Benefit liabilities do not include any provision for future claims relating to occupational diseases, or for injuries and illnesses that are not currently considered to be work-related.

3. INVESTMENTS AND INVESTMENT REVENUE

The carrying value of investments comprises:

($ millions)	2003	2002
Investments at cost	$9,948	$10,376
Adjustments towards fair value	286	265
Unamortized net gains realized on sale of investments	(244)	(328)
Accrued investment income	47	48
	$10,037	$10,361

Values of investments by category are as follows:

($ millions)	2003		2002	
	Carrying value	Fair value	Carrying value	Fair value
Fixed-income securities				
Bonds	$2,320	$2,829	$1,854	$2,374
	2,320	2,829	1,854	2,374
Equities				
Domestic	1,946	2,404	2,060	2,140
Foreign - U.S.	2,180	2,324	2,657	2,597
- Global	3,153	3,108	3,386	3,061
	7,279	7,836	8,103	7,798
Real estate	391	412	356	374
Accrued investment income	47	48	48	48
	$10,037	$11,125	$10,361	$10,594

Foreign currency risk

Foreign currency risk is the risk of loss due to adverse movements in foreign currency rates as compared to the Canadian dollar. From time to time, the WSIB uses foreign exchange contracts to hedge currency risk. Foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract's inception. The fair value of these financial instruments would change in response to changes in the underlying variables affecting the contracts, such as changes in the foreign exchange rates of the currencies involved in the contracts.

The notional amounts in foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts. Outstanding contracts from 2003 mature in the first three months of 2004.

As of December 31, 2003, the notional value of outstanding foreign currency contracts was $1,256 million (2002: $243 million). Outstanding contracts in a favourable position had a fair value of $28 million (2002: $8 million) and those in an unfavourable position had a fair value of negative $3 million (2002: negative $7 million).

The fair value of the investment portfolio includes $5,380 million (2002: $5,631 million) of securities denominated in foreign currency.

Bonds by term to maturity as of December 31:

($ millions)	2003					2002
	Term to maturity					
	Up to 1 year	1-5 years	5 - 10 years	Over 10 years	Total	Total
Government bonds						
Carrying value	$1	$859	$573	$504	$1,937	$1,674
Fair value	$1	$879	$599	$533	$2,012	$1,758
Yield (%)*	2.8	5.1	5.5	5.8	5.4	4.4
Corporate bonds						
Carrying value	$3	$317	$249	$209	$778	$589
Fair value	$3	$328	$263	$223	$817	$616
Yield (%)*	2.7	3.8	5.1	5.9	4.8	5.2
Less: Unamortized gain					$ 395	$409
Total						
Carrying value	$4	$1,176	$822	$713	$2,320	$1,854
Fair value	$4	$1,207	$862	$756	$2,829	$2,374
Yield (%)*	2.7	4.7	5.4	5.8	5.2	4.6

*The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows for each bond equal to its fair value as of December 31.

Revenue by category of investment is as follows: ($ millions)	2003	2002
Short-term securities	$9	$4
Bonds	170	203
Equities and real estate	301	62
	480	269
Investment expenses	(24)	(23)
Investment revenue	$456	$246

Deferred net realized gains and unrealized net losses were amortized to investment revenue in the year as follows: ($ millions)	2003	2002
Net realized gains (losses)	$129	$225
Net unrealized gains (losses)	21	(310)
	$150	$(85)

Securities lending

The WSIB earns additional income by participating in a securities-lending program. Securities it owns are loaned to others for a fee and are secured by high-quality collateral. The fair value of the collateral always exceeds the fair value of the securities loaned and the collateral is marked to market daily. The program is managed by a financial institution in Canada.

As of December 31, 2003, the fair value of securities on loan was $976 million (2002: $992 million).

4. INJURED WORKERS' RETIREMENT FUND

For injuries and illnesses that occurred prior to January 1, 1998, the WSIB sets aside funds equal to 10 per cent of every payment made to injured workers.

Effective January 1, 1998, for claims incurred after December 31, 1997, for workers who have received loss of earnings benefits for 12 continuous months, the WSIB sets aside 5 per cent of their loss of earnings benefits for their retirement fund. Injured workers may choose to contribute a further 5 per cent from their loss of earnings benefits. These funds are segregated from the WSIB's Insurance Fund and are invested to provide retirement income benefits for injured workers.

The carrying value of the Fund as of December 31 is as follows: ($ millions)	2003	2002
Cash and cash equivalents	$ 33	$ 29
Bonds	117	95
Equities	154	113
Investment in pooled fund	223	197
	$ 527	$ 434

The underlying securities in the pooled fund include fixed-income securities valued at $71 million (2002: $67 million), equities valued at $143 million (2002: $123 million) and money-market instruments valued at $9 million (2002: $7 million).

The change in net assets is as follows: ($ millions)	2003	2002
Funds set aside under the Act	$56	$52
Investment income (loss)	52	(15)
Benefit costs paid	(15)	(15)
Increase in net assets	93	22
Net assets, beginning of year	434	412
Net assets, end of year	$527	$434

5. PROPERTY, PLANT, EQUIPMENT AND OTHER ASSETS

($ millions)	2003		2002
	Cost	Net Carrying Value	Net Carrying Value
Buildings and leasehold improvements	$221	$129	$137
Office equipment	110	5	7
Computer equipment	115	19	24
	446	153	168
Other assets	25	25	13
	$471	$178	$181

Depreciation expense in 2003 was $30 million (2002: $43 million).

6. MORTGAGE PAYABLE

The WSIB, through its wholly owned subsidiary 799549 Ontario Inc., is a 75 per cent participant in a co-ownership agreement for its head-office building at 200 Front Street West in Toronto. To fund part of the development and construction of the building, the WSIB entered into a long-term mortgage loan agreement in 1993. The mortgage loan is secured by the building, and matures in the year 2015. The interest rate is fixed at 10.25 per cent per annum, compounded semi-annually.

The fair value of the mortgage payable as of December 31, 2003, was $74 million (2002: $80 million) with a book value of $71 million (2002: $72 million). The $7-million mortgage interest expense for the year was charged to occupancy costs (2002: $7 million).

7. EMPLOYEE BENEFIT PLANS

The WSIB has several benefit plans for eligible current and retired employees. The cost of employee benefit plans is recognized in the reporting period in which employees have provided service.

Pension and other benefit plans

The WSIB has two pension plans for its employees and employees of Safe Workplace Associations, the WSIB Employees' Pension Plan and the WSIB Employees' Supplementary Pension Plan.

The WSIB Employees' Pension Plan is a defined-benefit pension plan that provides for partially indexed pensions based on years of service and the best five consecutive years' average earnings in the past 10 years. The WSIB Employee's Supplementary Pension Plan ensures that employees of the WSIB and Safe Workplace Associations whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the *Federal Income Tax Act* will receive pension benefits based on their total earnings.

The investment activities and the administrative and accounting functions of the pension plans are administered by the WSIB. The accrued pension obligations of the plans reflect management's estimates of salary escalation, investment rate of return, mortality of members, terminations and ages at which members will retire.

Other benefits include medical, dental and life insurance, accrued vacation and short-term salary protection to cover periods of illness and other absences, as well as the costs of insurance benefits provided to employees who sustain injuries in the course of employment.

Information about the WSIB's defined-benefit pension plans and other benefit plans in aggregate is as follows:

($ millions)	Employees' Pension Plan		Employees' Supplementary Pension Plan		Other benefit plans		Total plans	
	2003	2002	2003	2002	2003	2002	2003	2002
ACCRUED BENEFIT OBLIGATION								
Beginning of year	$1,042.6	$1,057.0	$10.9	$10.3	$316.5	$283.8	$1,370.0	$1,351.1
Current service cost	43.5	54.6	0.4	0.5	4.1	3.5	48.0	58.6
Interest cost	70.8	74.7	0.8	0.8	14.7	13.3	86.3	88.8
Benefits paid	(37.9)	(35.4)	(0.2)	(0.1)	(5.2)	(4.7)	(43.3)	(40.2)
Employee past service contributions	2.5	1.8	-	-	-	-	2.5	1.8
Employee current service contributions	3.6	-	0.3	0.3	-	-	3.9	0.3
Past service benefit cost	2.2	11.7	-	-	-	-	2.2	11.7
Actuarial (gain) loss	86.5	(121.8)	1.7	(0.9)	27.8	21.8	116.0	(100.9)
Actuarial adjustment	-	-	-	-	-	(1.2)	-	(1.2)
End of year	1,213.8	1,042.6	13.9	10.9	357.9	316.5	1,585.6	1,370.0
PLAN ASSETS								
Fair value at beginning of year	1,056.2	1,147.1	1.6	1.2	-	-	1,057.8	1,148.3
Actual return on plan assets	148.0	(57.5)	-	-	-	-	148.0	(57.5)
Employer contributions	24.1	-	0.3	0.2	5.2	4.7	29.6	4.9
Employee current service contributions	3.6	-	0.3	0.3	-	-	3.9	0.3
Employee past service contributions	2.5	2.0	-	-	-	-	2.5	2.0
Benefits paid	(37.9)	(35.4)	(0.2)	(0.1)	(5.2)	(4.7)	(43.3)	(40.2)
Fair value at end of year	1,196.5	1,056.2	2.0	1.6	-	-	1,198.5	1,057.8
FUNDED STATUS								
Funded status, plan surplus (deficit)	(17.3)	13.6	(11.9)	(9.3)	(357.9)	(316.5)	(387.1)	(312.2)
Unamortized net actuarial (gain) loss	82.4	64.9	(0.1)	(1.9)	(1.7)	(24.7)	80.6	38.3
Unamortized past service costs	15.0	13.8	-	-	26.4	28.8	41.4	42.6
Unamortized transitional obligation	(117.9)	(129.7)	5.0	5.6	-	-	(112.9)	(124.1)
Accrued benefit asset (liability)	(37.8)	(37.4)	(7.0)	(5.6)	(333.2)	(312.4)	(378.0)	(355.4)
Accrued benefit obligation, end of year	1,213.8	1,042.6	13.9	10.9	357.9	316.5	1,585.6	1,370.0
Fair value of plan assets, end of year	1,196.5	1,056.2	2.0	1.6	-	-	1,198.5	1,057.8
Funded status, plan surplus (deficit)	(17.3)	13.6	(11.9)	(9.3)	(357.9)	(316.5)	(387.1)	(312.2)
NET BENEFIT PLAN EXPENSE								
Current service cost	43.5	54.6	0.4	0.5	4.1	3.5	48.0	58.6
Interest cost	70.8	74.7	0.8	0.8	14.7	13.3	86.3	88.8
Expected return on plan assets	(79.0)	(85.5)	(0.1)	-	-	-	(79.1)	(85.5)
Amortization of past service costs	1.0	0.2	-	-	2.4	2.5	3.4	2.7
Amortization of transitional obligation	(11.8)	(11.8)	0.5	0.5	-	-	(11.3)	(11.3)
Amortization of net loss (gain)	-	-	(0.1)	-	4.7	2.1	4.6	2.1
Net benefit plan expense	$24.5	$32.2	$1.5	$1.8	$25.9	$21.4	$51.9	$55.4

The significant actuarial assumptions adopted as of December 31 to value the Employees' Pension Plan, the Employees' Supplementary Pension Plan and other benefit plans are as follows:

	Employees' Pension Plan		Employees' Supplementary Pension Plan		Other benefit plans	
	2003	2002	2003	2002	2003	2002
Discount rate	6.75%	6.75%	6.75 %	6.75%	6.75%	6.75%
Expected long-term rate of return on plan assets	7.0%	7.0%	3.5%	3.5%	-	-
Rate of compensation escalation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Medical cost escalation	-	-	-	-	7.0%	7.0%
Dental cost escalation	-	-	-	-	4.0%	4.0%
Average remaining service period (years)	14	14	14	14	14	14

8. BENEFIT LIABILITIES AND BENEFIT COSTS

Benefit liabilities represent an actuarially determined provision for future benefit payments relating to incurred claims and the expense of administering those benefits, and are discounted to present value at the assumed net investment returns shown below. Estimates of future benefit payments apply to both reported and unreported claims resulting from injuries and illnesses that occurred on or before December 31, 2003. They are based on the level and nature of entitlement, and adjudication practices in effect on December 31, 2003. The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

The actuarial present value of future benefit payments depends on economic and actuarial assumptions that are based on past experience, modified for current trends. These assumptions may change over time to reflect underlying conditions, and it is possible that such changes could cause a material change in the actuarial present value of future benefit payments. The following key long-term economic assumptions were used in the actuarial valuation of the benefit liabilities:

	2003	2002
Inflation rate	3.0%	3.0%
Investment rate of return	7.0%	7.0%
Rate of indexation of benefits		
Fully indexed	3.0%	3.0%
Partially indexed	0.5%	0.5%
Investment return, net of indexation		
Fully indexed	4.0%	4.0%
Partially indexed	6.5%	6.5%
Wage escalation rate	4.0%	4.0%
Health care costs escalation rate	6.5%	6.5%

Mortality estimates are based on WSIB injured-worker mortality experience from 1996 to 2000, adjusted for mortality improvements to 2003 and for survivors of deceased workers, the 1995-1997 Ontario Life Tables, adjusted for mortality improvements to 2003. Provisions have been made for the effect of future increases in the covered earnings ceiling and indexation of benefits.

Management believes that the valuation methods and assumptions are, in aggregate, appropriate for the valuation. Long-term economic and actuarial assumptions and methods are reviewed annually as of December 31, when an independent actuarial valuation is performed. The first loss of earnings claims under Bill 99, which became effective January 1, 1998, are now approaching their first final 72-month review. A detailed review of this benefit and the underlying assumptions used in the valuation is planned for 2004.

The change in present value of future benefit payments for reported and unreported work-related injuries and illnesses is recorded as benefit cost. Any adjustments resulting from the continuous review of entitlements and experience, or from changes in legislation, assumptions or methods, are also included as benefit costs.

The benefit liabilities include a provision of $831 million (2002: $808 million) for future costs of administering existing claims. Administrative and other expenses have been reduced by $291 million (2002: $284 million). This amount was released from the provision for benefit liabilities relating to claims administration expense in the current year.

Benefit liabilities provision and benefit costs paid were as follows:

($ millions)	2003								2002
		Labour market re-entry							
	Loss of earnings	Income support	External providers	Short- and long-term disability	Health care	Survivor benefits	Claim administration costs	Total	Total
Benefit liabilities, beginning of year	$1,600	$156	$273	$10,479	$2,052	$1,597	$808	$16,965	$16,130
Transfer of electrical utilities from Schedule 2	-	-	-	-	-	-	-	-	143
Benefit costs	994	-	160	1,222	628	173	314	3,491	3,575
Benefit costs paid during the year									
Schedule 1	(562)	(44)	(106)	(1,282)	(350)	(133)	(291)	(2,768)	(2,666)
Schedule 2	(65)	(3)	(4)	(106)	(36)	(14)	-	(228)	(217)
	(627)	(47)	(110)	(1,388)	(386)	(147)	(291)	(2,996)	(2,883)
Change in benefit liabilities	367	(47)	50	(166)	242	26	23	495	835
Benefit liabilities, end of year	$1,967	$109	$323	$10,313	$2,294	$1,623	$831	$17,460	$16,965

9. ACTUARIAL RECONCILIATION OF THE CHANGE IN THE UNFUNDED LIABILITY

The actuarial reconciliation of the change in the unfunded liability is as follows:

($ millions)	2003	2002
Unfunded liability, beginning of year	$6,591	$5,657
Add (deduct):		
Transfer of electrical utilities from Schedule 2	-	52
Investment income not earned due to shortfall in invested assets	464	398
Premiums allocated to reduction of unfunded liability	(861)	(902)
Experience (gains)/losses resulting from:		
Indexation of benefits less than expected	(116)	10
Lower (higher) than expected investment returns	321	531
Prior and current years' claims experience	165	65
Changes in assumptions:		
Mortality	146	-
NEL benefits	64	-
Long-term loss of earnings	47	-
Health care benefits	271	566
Long-term disability	14	52
External agency rehabilitation payments	57	67
Other changes	(28)	95
Unfunded liability, end of year	$7,135	$ 6,591

10. ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses consist of the following:

($ millions)	2003	2002
Salaries and employee benefits	$335	$331
Equipment depreciation and maintenance	40	53
Occupancy	44	40
Communication	12	16
Supplies and services	21	20
Travel and vehicle maintenance	6	8
New systems development and integration	26	44
Other	17	12
	501	524
Claims administration costs (note 8)	(291)	(284)
	$210	$240

11. RELATED-PARTY TRANSACTIONS

Legislated obligations and commitments

Under the *Workplace Safety and Insurance Act, 1997* and as directed by the Lieutenant Governor through Orders in Council, the WSIB is required to reimburse the Government of Ontario for all administrative costs of the *Occupational Health and Safety Act*. The WSIB is also required to fund the Workplace Safety and Insurance Appeals Tribunal (WSIAT), and the Offices of the Worker and Employer Adviser. These reimbursements and funding amounts are determined and approved by the Minister of Labour. The WSIB is also committed to providing funding for the Institute for Work and Health, Safe Workplace Associations, clinics and training centres.

The total amount of funding provided under these legislated obligations and commitments in 2003 was $172 million (2002: $160 million).

Investments

Included in investments are marketable fixed-income securities issued by the Ontario provincial government and related corporations valued at $262 million (2002: $222 million).

Other

In addition to legislated obligations and workplace health and safety expenses, the financial statements include amounts resulting from transactions conducted in the normal course of operations with various Ontario government-controlled ministries, agencies and Crown corporations. Such transactions are conducted on terms and conditions similar to those that apply to transactions with unrelated parties. Account balances resulting from these transactions are not significant.

12. COMMITMENTS AND CONTINGENCIES

Operating leases

As of December 31, 2003, the WSIB was committed under non-cancellable operating leases requiring future minimum payments of approximately $16 million per year over the next five years, and $26 million in aggregate thereafter.

Legal actions

The WSIB is party to various claims and lawsuits that are being contested. In the opinion of management, the outcome of such claims and lawsuits will not have a material effect on WSIB expenses or financial position.

Bank line of credit

The WSIB maintains an unsecured $150-million line of credit with a commercial bank.

13. COMPARATIVE FIGURES

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

Workplace Safety and Insurance Board

Surname	Given Name	Position	Salary Paid	Taxable Benefits
ABASS	SHAZAM T.	Architect	$100,918.81	$208.93
ABRAMS	BRENDA E.	General Counsel	$126,126.71	$246.00
ACHAR	RAMACH ANDRA	Medical Consultant	$121,593.00	$0.00
ADAMO	VALERIE	VP, Information Services / CIO	$212,087.36	$330.72
AH-YOONG	GEORGES	Director, Financial Planning & Analysis	$111,952.00	$226.14
ALLINGHAM	RICHARD	Director, Research & Evaluation	$120,398.00	$249.86
ANGOVE	LINDA	VP, Corp. Strategy & Corp. Secretary	$150,226.77	$276.05
ARGUE	ROBERT	Director, Applications Development	$115,243.52	$239.46
ARONSHTAM	MASHA	Medical Consultant	$133,085.00	$272.94
ARVISAIS	J.	Medical Consultant	$137,105.00	$272.94
BAIN	DONNA	Exec. Dir., Health Services Mgmt	$146,773.00	$278.50
BELANGER	ADELE MARIE	Legal Counsel	$111,913.22	$232.18
BELL	SUSAN	Director, Central Claims Processing	$119,233.56	$238.42
BENNETTO	JOHN	Director, Services Sector	$109,807.84	$228.42
BEREND	ANNE	VP, Human Resources	$136,952.04	$221.25
BISHOP	M.	Medical Consultant	$141,652.00	$272.94
BOLAND	JOHN	Asst. Dir., Industry Sector/ Small Bus.	$100,669.04	$201.24
BRIDGE	MARGARET	Medical Consultant	$132,078.00	$270.82
BROWN	ELIZABETH	Legal Counsel	$114,288.00	$242.10
BURTON	NEIL	Director, Client Server Development	$125,582.95	$251.26
CAMPBELL	CLARK	Dir., Mun. Education & Elec.Utilities	$110,984.38	$230.90
CANTLIE	GEORGE	Medical Consultant	$133,085.00	$272.94
CHAIN	MARYBELLE	Medical Consultant	$139,636.04	$272.94
CHAN	THOMAS	VP, Finance & Corp Services / CFO	$240,588.93	$339.20
CHEN	KATHY	Senior Specialist, Database	$126,697.00	$175.64
CHIN	CHARMAINE	Director, Central Claims Processing	$103,299.00	$214.58
CLEARY	FLOREEN	Director, Pre 1990 Claims	$116,032.05	$241.26
CUDE	BEVERLEY	Director, Technology Services	$113,144.00	$117.33
DAVID	LAWRENCE	Medical Consultant	$133,085.00	$272.94
DE DOMENICO	IVAN J.	Medical Consultant	$133,801.00	$272.94
DE LAIR	HAL	Dir., Ont. Occ. Health Services Network	$101,407.80	$0.00
DESLAURIERS	JEAN	Medical Consultant	$134,585.00	$272.94
DJAN	P. A.	Medical Consultant	$105,423.00	$0.00
DORCAS	DOW	Medical Consultant	$136,865.00	$0.00
DUDLEY	JOHN	Associate Director / Physician	$143,181.00	$290.42
FAHMY	NADIA	Director, Administrative Services	$123,893.00	$244.38
FIELD	PAUL	Director, Small Business	$108,543.11	$225.70
FORSYTH-PETROV	DEBORAH	Director, Systems Collections	$104,957.45	$218.54
FORTH	KENNETH	Director, Agriculture	$108,154.86	$224.74
FORTIN	CLAIRE MARIE	Dir., Medical Occupational Disease Pol.	$109,591.02	$227.62
GALWAY	KATHLEEN	Director, Business Operations Audit	$103,037.68	$212.42
GARG	S. K.	Medical Consultant	$133,085.00	$272.94
GEARY	JUDY	GM, Cen.Claims Pro. & Spec.Claim Srvcs	$191,024.00	$317.84
GERMANSKY	MARTIN	Medical Consultant	$133,085.00	$272.94
GIBBS	HENRY	VP, Investments	$281,419.00	$447.46
HADJISKI	ANNA	Medical Consultant	$120,055.00	$262.25
HALL	NICK M.	Director, Automotive Sector	$113,355.14	$234.98
HAWKINS	ADAM J.	Director, Realty Investments	$145,506.11	$247.78
HECKADON	ROBERT	Associate Director / Physician	$162,559.00	$0.00
HERRINGTON	MICHAEL	Director, Small Business	$108,543.11	$225.70
HICKMAN	ROBERT	Medical Consultant	$133,085.00	$272.94
HIGGINS	JODI	Director, Small Business	$119,681.97	$239.30
HIKEL	RON	Acting Chair	$110,577.10	$159.84
HINRICHS	ROBERT	VP / Chief Actuary	$237,469.55	$436.02
HOLYOKE	PAUL	General Counsel	$191,583.00	$253.08
HORSEMAN	BROCK C.	Chief Operations Officer	$346,653.84	$498.48
HUSSAIN	ANDREW	Director, Technology Services	$101,957.23	$201.16
JACKSON	STEVEN	VP, Human Resources	$120,637.98	$225.04

JOHNSTON	MICHAEL BRUCE	Director, Prosecutions	$111,996.00	$232.50
JOLLEY	LINDA	VP, Policy & Research	$130,226.93	$172.22
JONES	DEREK	Medical Consultant	$130,566.00	$272.94
KANALEC	ANDREW D.	Medical Consultant	$133,085.00	$272.94
KELLY	J. BRIAN	Associate Director / Physician	$150,782.00	$301.60
KELLY	LINDA	Director, Specialist & Advisory Services	$112,952.37	$217.78
KEMPSTER	GEOFF	Director, Manufacturing Sector	$113,715.14	$235.94
KERR	FERGUS	Director, Mining Sector	$113,223.35	$234.86
KHAN	AMER	Senior Specialist, Technology	$101,153.39	$166.92
KOSMIDIS	ELIZABETH	Legal Counsel	$115,323.00	$239.46
KOSMYNA	ROMAN	Board Auditor	$179,932.11	$312.00
KULYNYCH	HEIDI	Director, Corp. Exec. Office	$165,077.49	$274.82
KWONG	PAUL	Project Director	$126,059.50	$240.18
LAMANNA	PAT	Director, Small Business	$119,798.63	$247.30
LAMOUREUX	LINDA	VP, Regulatory Services Division	$159,269.00	$192.52
LAU	ROBERT HING	Director, Financial Services	$108,210.00	$221.30
LESHCHYSHYN	DANA	Director, Construction Sector	$123,130.19	$253.62
LEVITSKY	MARIANNE	Director, Best Practices	$110,307.93	$228.34
LEWIS	OWEN	Director, Applications Development	$118,176.00	$236.46
LONDRY	DAVID	Director, Client Server Development	$121,145.06	$242.26
LOVELOCK	RONALD	Director, Prevention Services	$111,525.78	$231.34
LUCK	MARY	Director, Services Sector	$108,340.08	$225.25
MAEHLE	WALDEMAR	Medical Consultant	$133,085.00	$272.94
MASTRILLI	ARCANGELO	Medical Consultant	$133,085.00	$272.94
MCADAM	ROBERTA	Director, Revenue Audit Services	$114,108.01	$236.34
MCCARTHY	JANE	VP, Health Services	$202,480.00	$319.68
MCCLEAVE	DAVE	Director, Small Business	$112,635.00	$229.66
MCINTOSH-JANIS	FAYE	Dir., Occ. Disease & Survivor Benefits	$105,803.08	$219.25
MCKENNA	ERIN	Director, SIP & Specialty Projects	$103,427.23	$215.56
MCKENNA-BOOT	PATRICIA	Associate Director / Physician	$137,227.00	$281.06
MCLEAN	IAN	Executive Director, Special Projects	$109,837.34	$111.93
MCLEAN	KATHERINE	Customer Relationship Manager	$100,966.11	$208.01
MCMURTRIE	ROBERT	Treasurer	$117,027.61	$243.46
MEENAN	JOHN J.	Medical Consultant	$133,085.00	$272.94
MIKKELSEN	ALLAN CHARLES	Finance HR Business Partner	$107,153.00	$222.50
MORDEN	DONALD LAWRENCE	VP, Human Resources	$161,551.90	$265.68
MORRISON	RICHARD	Director, Small Business	$116,557.00	$237.62
MOULD	ROY	Chief Prev. & Corporate Strategy Officer	$240,836.75	$362.42
NOBLE	ELAINE	Legal Counsel	$112,675.73	$15.88
PAINVIN	CATHERINE	Director, Clinical Resources	$157,571.00	$320.32
PETER	ALICE	Director, Research Secretariat	$105,799.63	$220.34
PETRIE	GORDON	Director, Collection Services	$104,231.99	$216.49
POTTER	DOUGLAS	Senior Project Manager	$102,362.00	$178.88
PRICHETT	BARRY	Medical Consultant	$133,085.00	$272.94
PUSHKA	WAYNE	Director, Security & Investigations	$116,617.00	$235.30
RAMSEY	WILLARD	Actuary, Pricing & Valuation	$141,676.75	$292.08
RODENHURST	JOHN D.	Director, Business Innovations Services	$100,734.35	$209.56
ROHATYN	TARAS	Director, Small Business	$108,387.15	$225.30
SCHOFIELD	MICHEL	Physician Co-ordinator, Specialty Clinic	$149,339.00	$298.48
SCOPA	FERNAND	Director, Health Care Sector	$111,016.10	$230.54
SCULLION	CATHERINE	Medical Consultant	$132,692.00	$271.50
SGRO	JOSEPH	Director, Quality Improvement	$131,486.00	$252.22
SHAPIRO	GARY	Medical Consultant	$133,085.00	$272.94
SHARE	FRANCES	Director, Return to Work Project	$101,871.33	$211.58
SHEWELL	KATHRYN	Dir., Corporate Administrative Services	$111,061.92	$231.06
SIMMONS	WAYNE B.	Director, Bonds & Money Market	$139,677.72	$290.42
SLINGER	JOHN	VP, Regulatory Services & Appeals	$134,630.18	$280.02
STASILA	DAVE	Director, Investments	$173,070.94	$307.16
TARASCHUK	IHOR	Medical Consultant	$133,085.00	$272.94
THOMAS	ROY E.	Executive Director, Communications	$122,434.27	$248.82
THOMPSON	WAYNE	Director, Provider Relations	$100,326.10	$202.91
THOMSON	GARRY	GM, Industry Sector	$189,101.00	$313.52
TIMLIN	ROBERT J.	Project Director	$109,522.00	$227.78

TODOROVIC	SLAVICA	Director, Benefits Policy	$120,398.00	$249.86
TOMARKEN	JAMES	Medical Consultant	$128,882.00	$97.50
TOURCHIN	ROBERT W.	Director, Primary Metal Sector	$108,872.00	$226.34
TUCKER	CHERYL	Director, Community Relations	$105,383.99	$210.60
VALA WEBB	GORDON	Director, Knowledge Services	$117,384.74	$244.10
WALKER	JOHN	Medical Consultant	$133,085.00	$272.94
WALLACE	TIM	Senior Specialist, Operating Systems	$111,040.96	$210.57
WANG	KENNEDY	Director, Schedule II Sector	$113,226.84	$226.34
WEATHERBEE	WAYNE	GM, Small Business Services	$191,721.23	$318.76
WELTON	IAN	Director, Revenue Policy	$122,715.70	$249.86
WENTZELL	SCOTT	Medical Consultant	$107,481.00	$217.78
WHITNEY	DAVID	Director, Small Business	$108,603.42	$225.86
WILLIAMS	DAVID	President & CEO	$257,173.30	$447.16
WILLIAMS	SUSAN	Director, Customer Care	$128,418.18	$263.30
WISKIN	JOHN	Director, Schedule II Sector	$110,261.00	$229.46
WOOD	DEBORAH	Nurse Case Mgr., Advanced Practice	$103,654.69	$145.28
WRIGHT	GLEN	CEO & Chair of the Board	$212,534.44	$663.00
YOUNG	DAVID	Assistant Director, Revenue Audit	$100,930.90	$195.00

LOSSES DELETED FROM THE ACCOUNTS

(Under the Financial Administration Act)
for the year ended March 31, 2004

Ministry	$
Finance	147,888,723
Attorney General	47,169,500
Community, Family and Children Services	6,161,115
Training, Colleges and Universities	5,557,581
Municipal Affairs and Housing	3,464,429
Transportation	1,317,488
Health	1,024,065
Natural Resources	647,151
Consumer and Business Services	290,678
Economic Development and Trade	287,568
Citizenship	56,346
Culture	40,137
Agriculture, Food and Rural Affairs	21,131
Labour	100
TOTAL WRITE-OFFS	**213,926,010**

REVENUE REMISSIONS OF $1,000 OR MORE

(Under the *Ministry of Revenue Act*)
granted for the year -ended March 31, 2004

Ministry of Finance	$
World Heart Corporation	
Corporations Tax	718,240
Regional Municipality of York	
Retail Sales Tax	442,699

Other Remissions

On July 24, 2003, a remission of Retail Sales Tax was granted to Weeneebayko Health Ahtuskaywin (Weeneebayko) with respect to all of the Retail Sales Tax payable on its April1, 1996 acquisition of the moveable assets and inventory of the federal Weeneebayko General Hospital(General) as well as the Retail Sales Tax payable on exempt equipment and repairs made to such equipment acquired by it after April 1, 1996, in an amount estimated to be $33,000 per annum, so long as it is operating General.