2000 - 2001
Annual Report

Electrical Safety Authority

Working In Partnership

Corporate **Information**

Corporate Profile

The Electrical Safety Authority (ESA) is a stand-alone, financially self-sustaining not-for-profit corporation accountable to a Board of Directors and operating as an administrative authority under the Electricity Act 1998 and an administrative agreement with the Ministry of Consumer and Business Services (MCBS).

Board of Directors

Dane B. MacCarthy (Chair), President Annedane Investments Incorporated
Dwaine L. Eamer, P.Eng., President and CEO, Electrical Safety Authority
Robert G. Dowler, Director, Marketplace Standards and Services Branch, Ministry of Consumer and Business Services
Wayne E. Gatien, President, Powertel
Michael Lio, President, Lio & Associates
Reginald A. MacDonald, President, Honey Electric Limited
W. Ian McDonald, President, Black & McDonald Group Limited
Robert J. McGavin, Chairman & Director, Howe & Company Incorporated
Roy Philippe
William J. Scott
Joseph L. Tersigni, Chairman of the Board, CEO, Marshal Macklin Monaghan
Gordon Thursfield, President, Nexans Canada Inc.

Board Appointed Officers

Dwaine L. Eamer, President and Chief Executive Officer
Ray Gauthier, Chief Services Officer
Wayne Howard, Chief Financial Officer
Peter Marcucci, Executive Vice-President and Chief Engineer
Judith McTavish, Corporate Secretary and General Counsel
Stephen Moses, Chief Information Officer
Scott Saint, Executive Vice-President and Chief Operating Officer

Auditor

Ernst & Young

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Message from the Chair

The Electrical Safety Authority's (ESA) second year of operation concentrated on building for the future.

We focused on developing an infrastructure to meet the growing demands of our customers and stakeholders. Through the introduction of innovative safety initiatives, new systems, and the building of critical partnerships, we have positioned ourselves as public electrical safety leaders. This has allowed the business to assess new proactive approaches to reducing electrical hazards, and supports the business in growing compliance and meeting our electrical safety objectives. While necessary for the future, the short-term impact of these initiatives, together with a drop in revenue, resulted in a deficiency of revenue over expenses and a reduction of our reserve. Prudent financial management will restore the organization's financial strength.

ESA has a strong management team, supported by dedicated and highly skilled employees. Our partnership with employees and their collective bargaining agents remains strong, despite a year of considerable change. The key driver for everyone associated with ESA continues to be a deeply felt commitment to public electrical safety.

We have been fortunate to receive support and cooperation from a growing customer base, and have ensured that customer input continues to be an important element in ESA' s decision-making process. In 2001, ESA will work to restructure our rates and define preferred rate options by working in consultation with our stakeholders and customers. This process will respond to safety issues, recognize quality performance, and address financial considerations.

In the past year ESA continued to work closely with the Industry Advisory Council, which includes representation from industry stakeholders, and introduced a Consumer Advisory Committee, which provides feedback from a variety of consumer interests. Both groups are essential to ensuring we are ever mindful of our safety obligation to both the industry and the public.

Important new electrical safety partnerships were formed with the Fire Marshal' s Public Fire Safety Council, Teranet International Incorporated, and CSA International Incorporated. We are well on our way to forming alliances with other provincial government Ministries.

We are extremely fortunate to have had the guidance this past year of our capable Board of Directors and the continuing support of the Ministry of Consumer and Business Services.

As this report details, we have had a year of challenge and change, but working together, we have positioned ourselves to meet the demands of the future.

Dane B. MacCarthy
Chair, Electrical Safety Authority

Report from the President & CEO

As we move into our third year of operation, the Electrical Safety Authority is emerging as a progressive company striving to establish itself as a safety leader. The organization we are today is the one envisioned in 1994 when, as an arm of Ontario Hydro, we set our course to become a stand alone safety organization.

I am proud of ESA management and our employees who have continued to anticipate and meet the challenge of change. They ensure that change is always focused on the ultimate goal of improving electrical safety.

We value our partnership with our customers. No key initiatives in the business are undertaken without customer consultation and ensuring that feedback has been addressed. This process has worked extremely well for us and will be maintained.

Fiscal 2000 was a challenging year financially for the organization resulting from slow revenue growth and significant infrastructure investments. In the next year ESA will focus on moving forward with growing compliance. With the skills and capability of our employees, supported by an infrastructure that includes processes based on best business practices, we are confident we can efficiently manage and effectively track our impact on growing public electrical safety.

To support the introduction of new initiatives and new approaches to the safety business, ESA is implementing a risk management program as well as integrated communication and marketing processes. In addition, we are strengthening and growing safety partnerships to extend our reach. The key business initiatives for 2001 will focus on:

- Growing compliance to the Ontario Electrical Safety Code.
- Developing partnerships to strengthen contractor licensing.
- Introducing an approach to ensure electrical safety compliance given utility industry restructuring.
- Assessing and restructuring ESA's fees for safety services.
- Implementing and utilizing the technology infrastructure to its greatest capability.

We will continue to look for new approaches and opportunities to grow compliance. Programs such as the Continuous Safety Services and Authorized Contractor Programs will be expanded in response to positive customer feedback. We are demonstrating to our customers that safety due diligence provides a multitude of benefits and ultimately has a positive impact on the bottom line.

With our dedication to electrical safety, our investment in the future, our business management practices, and our experience in responding to the electrical safety needs of our customers, we are well positioned to fulfill our mandate for increasing public electrical safety in Ontario.

Dwaine L. Eamer, P.Eng.
President and CEO, Electrical Safety Authority

Safety Partnerships with **Employees**

“With each and every hazard I eliminate, and each and every time I do an inspection, I am working to ensure the people of Ontario have a safe electrical environment.”

Doug McLaren
Senior Inspector

Working in partnership to grow electrical safety, in 2000 ESA employees:

- *conducted more than 550,000 inspections*
- *resolved more than 33,000 electrical safety defects*
- *completed more than 3,000 non-compliance investigations*
- *received 45,000 calls per month*
- *continued to provide service in French with 10 recognized bilingual employees*

Safety Partnerships with **Councils**

> *"By bringing together this diverse group, ESA has challenged itself to respond to the existing public need as a means to support their efforts in growing public electrical safety."*

Valerie Lee
Member
Consumer Advisory Committee

Established in 2000, the Consumer Advisory Committee:

- *serves as counsel on matters of public and consumer safety*
- *supports interaction between ESA and its consumers*

Our Industry Advisory Council, representing electrical contractors, manufacturers, industry, utilities and special interest groups:

- *identifies and brings forward safety issues*
- *collaborates in development of policy within the scope of the Ontario Electrical Safety Code*

Safety Partnerships with **Industry Associations**

"The Electrical Safety Authority recognizes us as a critical link to achieving public electrical safety. ESA ensures contractors receive information and are given an opportunity to provide feedback on new initiatives and approaches to growing public electrical safety."

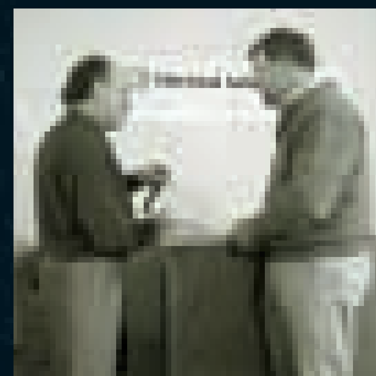
Walter Burch
President
Ontario Electrical League

ESA recognizes the importance of key alliances with contractor associations:

- *more than 200 of our employees participate in association events*
- *employees serve on the board of directors and standing committees of the Ontario Electrical League*
- *all safety initiatives involve consultation with the electrical contractors associations in Ontario*

Safety Partnership with **Contractors**

> *"When you treat each other with mutual respect and work together, it has the greatest impact on moving public electrical safety forward."*



Jan Veenstra
Owner Operator
Vespra Electric Inc.
Barrie

ESA partners with more than 8,000 contractors province-wide. Contractors who consistently comply with the Ontario Electrical Safety Code can participate in our Authorized Contractor Program (ACP).

- *2,500 contractors currently participate, registering 17.4% fewer defects on average*
- *in 2000, ACP was expanded to apply to all residential electrical installations*
- *a Commercial/Industrial ACP initiative was introduced in 2000*
- *350 Heating Ventilation and Air Conditioning contractors participate on ACP program*

Safety Partnership with **Customers**

> *“We have directly linked the ESA inspector with our clients in a number of facilities. The inspector coordinates the viewing of equipment piece by piece and this arrangement has improved the safety of our researchers and all those who work in our labs.”*

David K. Ostrom
Supervisor of Electrical Services
The University of Western Ontario
London

Our Product Approval Services ensure electrical equipment and products bear the mark of a recognized certification agency.

- *in 2000, 10,611 product approval work orders were processed*
- *80 overseas visits were made to evaluate safety of products entering Ontario*
- *an agreement was reached with CSA International for a joint approval program*

Our Continuous Safety Services (CSS) Program increases compliance and safety.

- *more than 3,000 commercial/industrial customers participate, generating more than $9 million to deliver electrical safety*

Safety Partnership in **Training**

> *"As a direct result of the ESA's lock-out/tag-out training, we were able to avoid a serious injury or potential fatality situation at our facility."*

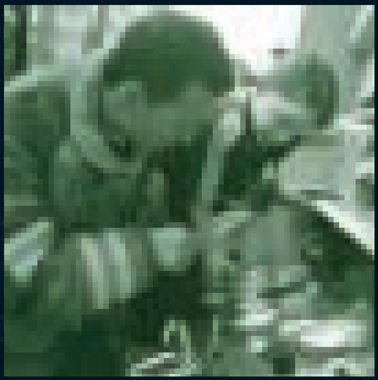
Francois Bourre, P.Eng.
Plant Engineering Manager
Teknion Furniture Systems Limited
Toronto

Through training, ESA can increase electrical safety prior to inspections. In 2000, ESA:

- *trained 1,800 Continuous Safety Services customer employees*
- *trained more than 10,000 participants*
- *developed five on-line training workshops*
- *introduced 14 new workshops*

Safety Partnerships to Grow **Public Awareness**

> “*The Fire Marshal's Public Fire Safety Council envisions a world where no one is hurt by fire. The number of fatalities, injuries and fires associated with electricity is substantial, so our partnership with ESA is a perfect fit.*”



Fire Marshal
Bernard A. Moyle
Chairperson
Fire Marshal's Public Fire Safety Council

ESA works together with safety partners and employees to increase public awareness of electrical safety. In 2000, ESA:

- *formed a key alliance with the Fire Marshal's Public Fire Safety Council, thereby creating a new distribution channel for its safety messages*
- *distributed more than 170,000 pieces of safety literature*
- *told the safety message through its www.esainspection.net website, which received more than 1.5 million hits*

Operational **Performance**

Business Objective 1:

Provide leadership that makes electrical safety a core value for the general public.

Throughout this year ESA worked to prepare itself to reach a broader public. Enhancements to the website, the introduction of on-line safety training and the development of an integrated approach to communication have prepared the business to develop an identity and introduce more aggressive plans to reach the public.

- ESA has continued to focus efforts on sharing electrical safety information. ESA's website received in excess of 1.5 million hits, the training curriculum was extended by introducing 14 new training workshops, and more than 1,800 customer employees received basic keys to workplace safety training. In addition, ESA circulated 170,000 pieces of electrical safety literature at public and industry shows.
- ESA established an important safety partnership with the Fire Marshal's Public Fire Safety Council that has extended ESA's public reach. This partnership has resulted in the distribution of over 70,000 information brochures and the distribution of close to 10,000 Safe Home kits.
- The quality of technical information to support electrical safety was maintained through the development of 28 technical bulletins, 4 flash safety notices and alerts, and 7 recall notices.
- ESA introduced an audit approach to growing electrical safety for contractors who qualify for the Authorized Contractor Program. By the end of the year 2,500 contractors were participating in the residential program and the business had completed a pilot offering to the commercial/industrial sectors.
- ESA initiated a brand identity project in the last quarter. The first level of assessment was completed to identify an approach to generate public awareness on a broader scale.
- ESA introduced a Consumer Advisory Committee into the business structure to identify possible approaches to increasing public awareness.
- In line with ESA's complaint handling policy, 36 written complaints were forwarded to the Corporate Secretary.

Business Objective 2:

Create a safety organization focused on providing new electrical safety services to the public.

ESA has maintained its reach with existing services and continued to receive an average customer satisfaction rating of 4.2 out of 5. Increased efforts to grow compliance in 2000 focused on extending CSS and piloting an ACP initiative for commercial/industrial contractors. Work continued with the Industry Advisory Council as ESA introduced the requirement for stakeholder consultations to ensure that we were accurately identifying consumer needs/opportunities and responding appropriately.

ESA and CSA International introduced a licensing agreement to extend special inspection services across Ontario and other parts of Canada. This agreement strengthens CSA International's presence in the field of special inspections and extended the reach of ESA beyond its traditional geographic boundaries.

Work was initiated to define legislative requirements to grow electrical safety compliance through contractor licensing and electrician certification. In addition, legislative requirements are underway to grow electrical safety by ensuring Ontario Electrical Safety Code requirements are maintained during the electric utility restructuring of the electrical industry.

Business Objective 3:

Strengthen business processes, systems and monitor performance.

ESA focused its attention on defining and developing a Customer Relationship Management system to be implemented in 2001. This system will focus on streamlining access to important electrical safety services, automating processes, introducing new technology, and establishing a data warehouse of electrical safety customers and impacts.

Working together with Teranet Enterprises Inc. ESA worked to develop on-line access to its records to provide the legal community with direct access to this important information through Teranet's Bar-eX system.

Business Objective 4:

Create a corporate culture that responds positively to changing public safety and business needs.

The year April 1, 2000 to March 31, 2001 saw significant change to the business infrastructure, the approach to doing business, and the ability to grow public electrical safety. Throughout this change ESA was able to maintain an employee satisfaction rating of 3.8 out of 5.0.

Employees continued to share important information with ESA through our bi-annual communications survey. With a 92% participation rate ESA can safely say that we have employees who are truly dedicated first and foremost to growing public electrical safety and have increased their emphasis on providing quality to the customer.

In 2000 ESA successfully consulted with front-line employees, involved employees in support decisions regarding ESA's systems infrastructure, and equipped and trained over 300 employees to support the implementation of a business system infrastructure.

The Board at Work:

ESA's Board of Directors held five meetings in the 2000 fiscal year.

ESA's Audit, Finance and Risk Management Committee is comprised of between four and six voting members, all of whom must be independent directors. It is responsible for advising the Board of Directors on matters relating to compliance, risk management and internal control. The Committee held five meetings in the 2000 fiscal year. Committee members include Michael Lio (Chair), Dane MacCarthy, Reg MacDonald, Roy Philippe, Joe Tersigni, and Gordon Thursfield.

ESA's Governance and Human Resources Committee is comprised of between four and six voting members. Its responsibilities include advising the Board of Directors on matters relating to compliance with human resources legislation and policies, compensation, succession planning and organizational structure. It is also responsible for recommending qualified candidates to serve on the Board. The committee held four meetings in the 2000 fiscal year. Committee members include Bob McGavin (Chair), Dane MacCarthy, Wayne Gatien, Dwaine Eamer and Bill Scott.

Financial **Statements**

Electrical Safety Authority
March 31, 2001

Auditors' Report

To the Board of Directors of Electrical Safety Authority

We have audited the balance sheet of Electrical Safety Authority as at March 31, 2001 and the statements of operations, fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 Company as at March 31, 2001 and the results of its operations, changes in its fund balance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Toronto, Canada,
May 18, 2001.

Financial **Statements**

Electrical Safety Authority
March 31, 2001

Balance Sheet

As at March 31
(000's)

	2001	2000
	$	$
ASSETS		
Current		
Cash	**–**	2,995
Trade accounts receivable, net	**9,020**	6,236
Other current assets	**763**	429
Total current assets	**9,783**	9,660
Capital assets, net (note 4)	**8,099**	4,715
Deferred pension asset (note 6)	**9,441**	10,620
Portfolio investments (note 7)	**8,083**	13,184
	35,406	38,179
LIABILITIES AND FUND BALANCE		
Current		
Bank indebtedness (note 5)	**1,905**	–
Accounts payable and accrued charges	**7,385**	5,712
Deferred revenue	**5,163**	2,747
Total current liabilities	**14,453**	8,459
OPEB obligations (note 6)	**19,800**	19,712
Other long-term liabilities	**671**	672
Total liabilities	**34,924**	28,843
Total fund balance	**482**	9,336
	35,406	38,179

See accompanying notes

Financial **Statements**

Electrical Safety Authority
March 31, 2001

Statement Of Operations

Year ended March 31
(000's)

	2001 **$**	2000 $
Revenue	**41,566**	42,936
Expenses		
Salary, wages and benefits	**31,735**	28,296
Operating	**15,097**	13,923
Depreciation and amortization	**1,345**	918
	48,177	43,137
Deficiency of revenue over expenses before the following	**(6,611)**	(201)
Reorganization costs (note 8)	**(1,310)**	–
Other income (loss)	**(933)**	768
Excess (deficiency) of revenue over expenses for the year	**(8,854)**	567

Statement Of Fund Balance

Year ended March 31
(000's)

	2001 **$**	2000 $
Fund balance, beginning of year	**9.336**	8,769
Excess (deficiency) of revenue over expenses for the year	**(8,854)**	567
Fund balance, end of year	**482**	9,336

See accompanying notes

Statement Of Cash Flows

Year ended March 31
(000's)

	2001	2000
	$	$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	**(8,854)**	567
Add (deduct) items not involving cash		
Depreciation and amortization	**1,345**	918
Amortization of deferred pension asset	**1,179**	764
Loss on sale of investments	**223**	191
Unrealized loss (gain) on investments	**1,124**	(332)
Increase in long-term liabilities	**87**	1,631
	(4,896)	3,739
Net change in non-cash working capital balances related to operations (note 9)	**971**	3,661
Cash provided by (used in) operating activities	**(3,925)**	7,400
INVESTING ACTIVITIES		
Purchase of capital assets	**(4,729)**	(4,250)
Proceeds on sale of investments	**10,063**	25,746
Payments for purchases of investments	**(6,309)**	(38,789)
Cash used in investing activities	**(975)**	(17,293)
Net decrease in cash during the year	**(4,900)**	(9,893)
Cash, beginning of year	**2,995**	12,888
Cash (bank indebtness), end of year	**(1,905)**	2,995

See accompanying notes

Notes to Financial **Statements**

Electrical Safety Authority
March 31, 2001

1. BASIS OF PRESENTATION

The Electrical Safety Authority [the "Company" or "ESA"] is a not-for-profit corporation without share capital, incorporated under the Corporations Act ["Ontario"] and operating as an Administrative Authority under an Administrative Agreement with the Ministry of Consumer & Business Services, ["MCBS", formerly known as the Ministry of Consumer and Commercial Relations]. ESA is not taxable under Section 149 of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of ESA have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The following is a summary of the significant accounting policies followed by ESA.

Rate-setting

ESA, subject to the approval of the MCBS, may establish the fees to be paid for inspection, test and approval of all such works and matters as described in Section 113(1) of the Electricity Act 1998.

Revenue recognition policy

Revenue is recognized based on the attributes of the service line. Revenue is recognized monthly on a pro-rata basis for long-term contracts, which generally span 12 months. Short-term contract revenue is recognized when services are billed.

Capital assets

Capital assets are recorded at cost. Depreciation is recorded on the straight-line method over the following periods:

Major computer software	5 years
Other computer software	2 years
Electronic equipment	3 years
Office furniture and inspection equipment	10 years

Leasehold improvements are amortized on a straight-line basis over the term of the lease. Software costing more than $50,000 is classified as major computer software. Computer software costing under $2,000 is expensed.

Post-employment benefits

The pension plan, contributions to which are governed by the Pension Benefits Act ["Ontario"], is a contributory, defined benefit plan covering all regular employees of ESA. Pension costs for accounting purposes are actuarially determined using the projected benefit method prorated on services and based on assumptions that reflect management's best estimate of the future events on the actuarial present value of accrued pension benefits. Pension plan adjustments are amortized on a straight-line basis over the expected average remaining period of service of the employees covered by the pension plan.

The pension fund assets principally include marketable equity securities, and corporate and government debt securities, which are selected by professional investment managers. Pension fund assets are valued using current market values.

In addition to pension benefits, ESA's other post-employment benefit ["OPEB"] and other post-retirement benefit programs include group life insurance, health care, long-term disability, retirement bonuses and supplementary retirement plans. These costs are also determined using the actuarial benefit method prorated on services and based on management's best estimates. ESA accrues its obligations under pension and OPEB plans and the related costs, net of plan assets.

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.

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 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.

3. DEMERGER OF THE FORMER ONTARIO HYDRO

ESA was created under the Electricity Act 1998 Part VIII Transition-Ontario Hydro. The Act created four new entities from the former Ontario Hydro of which ESA was one of these.

An agreement was reached amongst the new entities of the former Ontario Hydro to allocate the total revenue from end-use customers who continue to pay for a bundled energy product during the period prior to the commencement of open access. ESA received $3.4 million during 2000 [2001 - nil] which was accounted for as a reduction in expenses. This funding was used to assist ESA in becoming financially self-supporting and has been used to provide for one-time transition costs, to increase working capital and for some capital improvements.

It was also agreed that as part of ESA's separation from Ontario Hydro $14 million would be provided to address future obligations such as post employment benefits other than pension [OPEB], contingent legal claim liabilities, and operating requirements.

4. CAPITAL ASSETS

Capital assets consist of the following:

		2001	
	Cost $	**Accumulated depreciation $ [000's]**	**Net book value $**
Major computer and other computer software	**5,332**	**346**	**4,986**
Electronic equipment	**2,275**	**1,557**	**718**
Office furniture and inspection equipment	**880**	**189**	**691**
Leasehold improvements	**739**	**164**	**575**
Capital projects in progress	**1,129**	**—**	**1,129**
	10,355	**2,256**	**8,099**

		2000	
	Cost $	Accumulated depreciation $ [000's]	Net book value $
Major computer and other computer software	620	50	570
Electronic equipment	3,217	1,484	1,733
Office furniture and inspection equipment	582	217	365
Leasehold improvements	631	24	607
Capital projects in progress	1,440	—	1,440
	6,490	1,775	4,715

5. BANK INDEBTEDNESS

Bank indebtedness includes outstanding cheques and a short-term bank line of credit that are available to ESA in the amount of $5 million of which $1.9 million [2000 - nil] was utilized at year end. This line of credit is secured by business assets of ESA excluding portfolio investments and bears interest at the lenders prime rate. During the year, the average rate of interest on this line of credit was approximately 7.0%.

6. BENEFIT PLANS

ESA's employee benefit programs include the pension plan, the group life insurance plan, the long-term disability plan and the group health care plan. Pension fund assets and obligations, other post-employment and other post-retirement obligations and related expenses are impacted by factors including interest rates, adjustments arising from plan amendments, changes in assumptions and experience gains or losses. During the year, pension and other post-employment and post-retirement costs of $2,462,000 were charged to operations.

Pension plan

The actuarial present value at March 31, 2001 of the accrued pension benefit obligation is $118 million [2000 - $107 million]. The fair value of the plan assets available for these benefits at this date is $131 million [2000 - $131 million] resulting in a surplus of $13 million [2000 - $24 million].

The amount of $9.4 million reported on the balance sheet as deferred pension asset represents the excess of the net assets over actuarial value of accrued pension benefits. The Electricity Act 1998 gives ESA the right to take a contribution holiday on pension payments until such time as the asset is depleted or subject to future labour negotiations.

The market value of assets includes an estimate of the assets in the Ontario Electricity Financial Corporation ("OEFC") Pension Plan to be transferred to the ESA Pension Plan. Agreement has been reached on the basis of the allocation of assets in the OEFC Pension Plan to the ESA Pension Plan and the other three successor pension plans. The asset transfer amount has been determined as of January 1, 2000 and estimated for the subsequent dates used in the results that follow.

Other post Employment Benefit Obligations ["OPEB" Obligations]

ESA has a number of unfunded benefit plans providing other retirement and post-employment benefits [excluding pension] to most of its employees. The Company pays certain medical, dental and life insurance benefits, under unfunded defined benefit plans, on behalf of its retired employees.

Information about the ESA's defined pension benefit plan and OPEB plans for the year ended March 31, 2001 are as follows:

	Pension benefit plan $	[000's]	OPEB plans $
Calculation of net benefit plan expense			
Current service cost	**3,285**		**393**
Interest on accrued benefits	**7,801**		**1,173**
Expected return on plan assets	**(8,922)**		**—**
Amortization of transitional obligation	**(556)**		**(34)**
Amortization of past service costs	**537**		**45**
Amortization of net actuarial loss (gain)	**(895)**		**(365)**
Net benefit plan expense	**1,250**		**1,212**
Change in Benefit Obligation			
Accrued benefit obligation, beginning of year	**106,765**		**17,995**
Current service cost	**3,285**		**393**
Interest on accrued benefits	**7,801**		**1,173**
Benefits paid	**(4,601)**		**(420)**
Plan changes	**5,800**		**—**
Actuarial losses (gains)	**(1,389)**		**(2,278)**
Accrued benefit obligation, end of year	**117,661**		**16,863**
Change in plan assets			
Fair value of plan assets, beginning of year	**130,830**		**—**
Interest on plan assets	**3,827**		**—**
Employer contributions	**—**		**420**
Employee contributions	**1,194**		**—**
Benefits paid	**(4,601)**		**(420)**
Fair value of plan assets, end of year	**131,250**		**—**
Funded status – plan surplus (deficit)	**13,589**		**(16,863)**
Unamortized net actuarial loss (gain)	**(4,410)**		**(3,743)**
Unamortized past service costs	**5,263**		**(305)**
Unamortized transitional asset (obligation)	**(5,001)**		**311**
Accrued benefit asset (liability)	**9,441**		**(20,600)**

The significant actuarial assumptions adopted in measuring the Company's accrued pension benefit and OPEB obligations for the year ended March 31, 2001 are as follows:

	Pension benefit plan %	OPEB plans %
Discount rate	**7.0**	**7.25**
Expected long-term rate of return on plan assets	**6.9**	**—**
Rate of compensation		
Increase [before merit]	**4.0**	**3.5**
Increase in Consumer Price Index	**3.0**	**3.0**

7. PORTFOLIO INVESTMENTS

Portfolio investments of ESA include marketable securities, pooled funds, treasury bills, corporate, provincial and federal bonds. Marketable securities are recognized at their quoted market price. Unrealized gains and losses are recognized in revenue in excess of costs. Marketable securities comprise various domestic and foreign securities. The market values of the investments as at March 31 are as follows:

	2001 **$**	[000's]	2000 $
Domestic securities with a cost base of $1,026 [2000 - $1,587]	**1,196**		1,900
Foreign securities with a cost base of $2,082 [2000 - $758]	**1,687**		826
Foreign pooled fund with a cost base of $4,417 [2000 - $1,587]	**3,623**		1,678
Fixed income investments with a cost base of $1,531 [2000 - $8,990]	**1,577**		8,780
	8,083		13,184

Total payments made by ESA for purchases of investments were $6.3 million [2000 - $38.8 million] during the year. This was comprised of the reinvestment of interest and dividend income of $446,000 [2000 - $400,000] and proceeds on sale of investments amounting to $10.1 million [2000 - $25.7 million]. ESA realized a loss on sale of investments of $223,000 [2000 - $191,000]. The unrealized loss on the portfolio investment for the year was approximately $1.1 million [2000 - $332,00].

In March 2001, ESA liquidated $4.2 million of the portfolio investments to repay a portion of the outstanding line of credit [note 5].

8. REORGANIZATION COSTS

ESA has developed a plan to consolidate its processing centers throughout Ontario into one location in Cambridge, Ontario. As a result of this centralization, ESA is expected to incur one time cost related to severance, and relocation costs totaling $1.3 million. This reorganization is expected to be completed by April 2002.

9. STATEMENT OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2001 **$**	[000's]	2000 $
Trade accounts receivable and other current assets	**(3,118)**		(2,051)
Accounts payable and accrued charges and deferred revenue	**4,089**		5,712
	971		3,661

10. CONTINGENCIES AND COMMITMENTS

The Company is committed to premises and equipment leases with terms expiring at various dates during the next five years and thereafter. Future minimum annual payments under non-cancelable operating leases consist of the following at March 31, 2001:

	$ [000's]
2001	3,490
2002	3,246
2003	2,676
2004	2,042
2005 and thereafter	1,606
	13,060

11. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2001 financial statements.

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