The financial statements present the results of the Ontario Securities Commission for the year ended March 31, 2002, with March 31, 2001 comparatives and accompanying notes. The following comments provide an analysis of the factors which affected the Commission's operations during 2002 as well as the factors that reasonably may be expected to impact on future operations and results. The document should be read in conjunction with the financial statements.

ANALYSIS OF OPERATING RESULTS

Excess of Revenue over Expenditures

Excess of revenue over expenditures for the 12 months ended March 31, 2002 was $30.1 million (2001 – $37.1 million). The general operating surplus as at March 31, 2002 was $9.4 million (2001 – $11.3 million).

In accordance with the provisions of the *Securities Act*, the Minister of Finance has requested the Commission to remit funds that are surplus to its operating requirements to the Province. During the 12 month period, the amount distributable from the Commission to the Province was $20.0 million (2001 – $32.2 million).

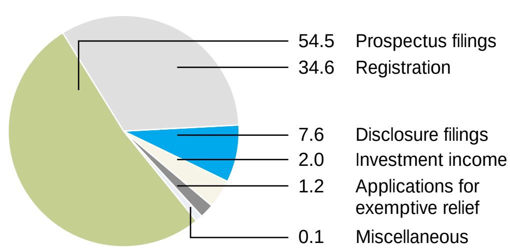
Revenue

In 2002, $79.9 million was collected under the *Securities Act* and the *Commodity Futures Act*. Total revenue for 2001 was $83.4 million. This represents a decrease of $3.5 million or 4.2%.

The Commission has five primary sources of revenue:

Prospectus filings, comprising fees for preliminary and final filings and mutual fund renewals, were $43.5 million and accounted for 54.5% (2001 – 58.4%) of total revenues. Prospectus filings fee revenue fell by $5.2 million due to a decline in market financing activity as well as lower mutual fund fee revenues. These fees represent the most variable component of the Commission's revenue base, given their close correlation to the level of market activity.

OSC REVENUES BY TYPE (Per cent)



REVENUE

	Total Revenue %	2002	2001	Change	Change %
		$ thousands			
Prospectus filings	54.5	43,540	48,702	(5,162)	(10.6)
Registration	34.6	27,617	22,322	5,295	23.7
Disclosure filings	7.6	6,100	8,979	(2,879)	(32.1)
Applications for exemptive relief	1.2	971	1,180	(209)	(17.7)
Miscellaneous	0.1	114	164	(50)	(30.6)
Investment income	2.0	1,552	2,049	(497)	(24.3)
	100.0	79,894	83,396	(3,502)	(4.2)

Registrations, comprising fees for registration of dealers, advisers and salespersons, were $27.6 million and accounted for 34.6% (2001 – 26.7%) of total revenues. Registration fees increased by $5.3 million or 23.7% reflecting the impact of the Commission's decision to implement and subsequently postpone implementation of the uniform date for registration renewals.

Disclosure filings, comprising fees related to filings by reporting issuers, were $6.1 million and accounted for 7.6% (2001 – 10.8%) of total revenues. Lower takeover bid activity was the key cause of this 32.1% revenue decrease.

Applications for exemptive relief, comprising fees from issuers seeking exemptions or modifications to filing requirements, declined by 17.7% to $1.0 million and represent approximately 1.2% (2001 – 1.4%) of total revenues.

Investment income is comprised mainly of interest earned on cash balances at a rate of 0.25% below bankers' acceptance, as well as interest earned on the reserve which is invested in short- and mid-term instruments through the Ontario Financing Authority. Investment income generated by deposits and other investments was $1.6 million and accounted for 2.0% (2001 – 2.4%) of total revenues. The decrease in investment income can be traced to lower interest rates.

Expenditures

Total expenditures for 2002 increased 7.3% to $49.7 million (2001 – $46.3 million) against a budget of $54.3 million.

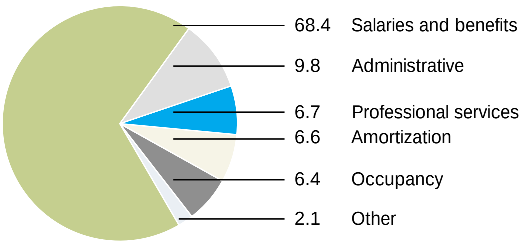
The key contributors to the expenditure increase were as follows:

Salaries and Benefits costs were $34.0 million and accounted for 68.4% of the Commission's total expenditures. Salaries and wages costs increased by $4.2 million in 2002. A number of factors contributed to this increase including the full year cost impact of prior year hiring, an increase in staffing levels and higher benefit costs. The OSC had 350 permanent staff at the end of the year compared to 305 at the end of the previous year. The majority of new staffing was in direct program delivery areas with significant increases in Capital Markets (21%), Corporate Finance (9%) and Enforcement (9%).

Administrative costs accounted for approximately 9.8% (2001 – 8.9%) of the Commission's total expenditures. Expenditures on administrative costs increased by 18.1% to $4.9 million (2001 – $4.1 million). A key driver of this increase was overall growth in the size of

EXPENSES	Total Expenses %	2002	2001	Change	Change %
			$ thousands		
Salaries and benefits	68.4	34,032	29,847	4,185	14.0
Administrative	9.8	4,873	4,127	746	18.1
Professional services	6.7	3,345	5,229	(1,884)	(36.0)
Amortization	6.6	3,278	3,036	242	8.0
Occupancy	6.4	3,185	3,050	135	4.4
Other	2.1	1,036	1,054	(18)	(1.7)
	100.0	49,749	46,343	3,406	7.3

OSC EXPENSES BY TYPE (Per cent)



the OSC which generated incremental expenditures in areas such as training, communications, supplies and other expenses. Significantly higher expenditures were also incurred on Commission related expenses due to greater levels of hearing activity.

Professional Services costs were $3.3 million and accounted for approximately 6.7% (2001 – 11.3%) of the Commission's total expenditures. Expenditures in this area have been reduced by 36.0% as recent hiring has enabled the Commission to add to its resident expertise. Approximately 28.6% of the costs were incurred for enforcement-related matters. The Commission expects to continue to have an ongoing need to use specialized external legal and forensic accounting resources for enforcement activities.

The OSC is a member of the Canadian Securities Administrators (CSA), which is a forum composed of provincial securities regulators. All CSA projects, including the development of harmonized securities policies and rules and shared CSA information systems, are co-ordinated through a centralized project office. The operating costs of the project office are borne on a formula basis by CSA members. In 2002 the OSC contributed $164K towards the cost of the project office.

Total CSA spending on the projects mentioned above was $2.1 million in 2002 (2001 – $3.1 million) of which the OSC contributed $923K (2001 – $1.4 million). The OSC contribution included $215K towards the professional services costs related to the establishment of the National Registration Database. Approximately $97K was contributed by the OSC towards the completion of a national insider trade reporting system (SEDI). Other significant CSA initiatives to which the OSC provided funding include the Continuous Disclosure rule ($128K), work related to development of an ATS Consolidator ($85K), the Resale rule ($74K), Mutual Fund Regulatory Reform ($73K) and the Civil Remedies rule ($69K).

Amortization costs account for approximately 6.6% (2001 – 6.5%) of the Commission's total expenditures. Amortization expenses increased to $3.3 million (2001 – $3.0 million). Amortization costs are projected to decline to $3.1 million in 2003.

Occupancy costs accounted for approximately 6.4% (2001 – 6.6%) of the Commission's total expenditures. Expenditures on occupancy increased 4.4% to $3.2 million (2001 – $3.1 million).

Other costs decreased by 1.7% to $1.0 million (2001 – $1.1 million) and accounted for 2.1% (2001 – 2.3%) of the Commission's total expenditures. This decrease reflects lower than projected travel during the second half of the fiscal year.

LIQUIDITY AND FINANCIAL POSITION

Liquidity

The Commission requires liquidity to finance its operations and capital purchases. As at March 31, 2002, the Commission held cash in the amount of $14.9 million, current assets of $16.3 million and current liabilities of $14.2 million for a current ratio of 1.2:1 (2001 – 1.1:1).

Capital Transactions

Capital expenditures of $1.4 million (2001 – $5.4 million) were made during 2002. The majority of these expenditures (64%) were made in information technology ($900K), including the purchase of equipment for increased staff complement.

The 2003 capital budget is $1.7 million, 21.4% higher than the $1.4 million spent in 2002. Approximately 87% of the planned capital expenditures are information technology related reflecting the Commission's commitment to maintaining state of the art information technology capabilities.

Liabilities

Included in the accounts payable and accrued liabilities is $1.1 million (2001 – $1.8 million) relating to a provision for refunds of prospectus revenues. The amount of revenue to be realized from prospectus filing fees is uncertain. Fees are paid based on estimated prospectus proceeds and refunds are issued as required based on actual proceeds. As a result, this revenue is recognized net of a provision for expected refunds. At the beginning of each fiscal year the Commission establishes a percentage for the provision for expected refunds based on the experience of the previous three years. In 2002 the Commission refunded $6.9 million of which $1.3 million related to prior year fees and $5.6 million related to 2002 fees.

The accrued benefit liability represents future obligations relating to supplementary pension plans established for certain full time members. The unfunded supplemental pension plans had an accrued benefit obligation of $606K (2001 – $408K) at March 31, 2002. The OSC's related expense for the year was $295K (2001 – $236K) and is included in salaries and benefits.

In support of the development of the Mutual Funds Dealers Association (MFDA), the Commission has guaranteed 61% of a total $12 million line of credit as assistance during start-up of MFDA operations. The Alberta Securities Commission and the British Columbia Securities Commission have also guaranteed a specific percentage of the total indebtedness. As at March 31, 2002, the MFDA had drawn $8.9 million on this line of credit.

Designated Settlements

In August 2000, the Commission established a not-for-profit corporation, the Investor Education Fund, to support research and develop programs and partnerships that promote investor education. The Investor Education Fund is governed by a Board of Directors that is responsible for developing criteria for, and approving the disbursement of, funds.

During 2002, a total of $4.1 million in designated settlements arising from enforcement proceedings was collected. These funds are receivable by the Commission to be allocated to or for the benefit of such third parties as the Commission may determine. The Commission directed that the $4.1 million collected as designated settlements in 2002 be provided to the Investor Education Fund.

Reserve

The fact that a significant proportion of the current OSC revenue base is dependent on the level of market activity is a material source of risk for the Commission. The Commission has established a reserve of $20 million which serves as an operating contingency for revenue shortfalls or unexpected expenditures. Income from the investment of these funds declined 13.8% to $948K (2001 – $1.1 million) reflecting the impact of lower interest rates. The prime investment consideration for the reserve is the protection of capital and the appropriate liquidity to meet unanticipated cash flow needs. Income generated by the reserve is taken into general operations.

The OSC received approval from the Minister of Finance to retain $12 million from its operating surplus to be used towards the OSC's share of the implementation costs should the proposed merger of the OSC and Financial Services Commission of Ontario (FSCO) receive legislative approval.

Memorandum of Understanding

In accordance with the provisions of the *Securities Act*, the Commission is required to complete a Memorandum of Understanding with the Minister of Finance to outline the ongoing roles, responsibilities and accountability relationships between the two parties. A proposed Memorandum of Understanding has been completed with the Ministry of Finance and has been forwarded to the Minister for review.

2002/2003 OUTLOOK

The Commission revenue forecast for 2003 is $63.3 million, which is 20.7% lower than the $79.9 million collected in 2002. The forecast reflects the impact of the 10% fee decreases implemented in August 1999 and June 2001 as well as a further planned 10% fee reduction which is currently under discussion. The forecast also reflects a reduction in fee revenues due to an expected decline in capital market financings as well as lower mutual fund activity.

During the past year, in consultation with stakeholders and other CSA jurisdictions, the Commission completed a comprehensive review of its current fees in order to streamline and simplify the fee structure and meet its commitment to align total fees with the cost of regulation. A concept paper outlining a significantly revised proposed fee structure was released for public comment and the Commission has considered the feedback from this process. A proposed rule is expected to be published for comment in June 2002.

The Commission has budgeted operating expenditures of $53.7 million for 2003 (2002 – $52.1 million). The budget increase relates primarily to salaries and benefits which are projected to rise by 9.9% to $37.4 million (2002 – $34.0 million). Key contributors to this expenditure increase include the annualized cost impact of hiring which occurred in 2002 as well as higher projected benefit rates. Total staffing is projected to reach 367 by March 2003. The OSC continued to benefit in 2002 from a temporary reduction in required pension contributions. The reduced contribution rate will end in December 2002 and from that date onward will represent an additional cost equivalent to 4% of salaries.

The Commission has budgeted $3.6 million for professional services costs for 2003. The budget reflects a 9.0% decrease from 2002 expenditures. Significant professional services costs are budgeted for litigation and investigation services ($450K) as well as a number of CSA policy initiatives including T+1 ($200K), various New Rules ($100K) and Alternative Trading Systems ($60K).

CDS Inc., on behalf of the CSA, is managing the development of the National Registration Database system. The OSC has budgeted professional services resources ($435K) for managing the integration of OSC internal data and operational requirements with the NRD system. Financial arrangements for the broader system implementation costs and the degree to which the OSC will participate financially has not yet been determined. The costs borne directly by CDS Inc. in developing the system will be recovered through system user fees. Implementation of the system is targeted for April 2003.

CDS Inc. is also responsible for implementation of the System for Electronic Disclosure by Insiders (SEDI). SEDI was launched in January 2002 but was brought down within ten days due to system performance issues. As a result of the changes that will be necessary to relaunch the system, it is anticipated that ongoing operating costs will increase. The CSA has agreed to provide up to $800K to CDS Inc. towards these incremental costs. The mechanism for this financial contribution as well as the OSC's share is not known at this time.

Occupancy expenses are projected to increase by 12.5% to $3.6 million in 2003. These increases reflect the costs for the additional space which the Commission has leased to accommodate its increased staff complement as well as higher lease-related operating costs.

The 2003 OSC budget does not include funding for the work that will be required if legislation is passed enabling a merger of the OSC and the FSCO. Legislation is required in order to create the proposed new organization and specify its regulatory responsibilities and powers. The goal of the proposed merger will be to provide more integrated regulation of capital markets and financial services sectors.

MANAGEMENT'S RESPONSIBILITY AND AUDITOR'S REPORT

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 10, 2002

AUDITOR'S REPORT

To the Ontario Securities Commission,

I have audited the balance sheet of the Ontario Securities Commission as at March 31, 2002, 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, 2002, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Erik Peters, FCA
Provincial Auditor

Toronto, Ontario
May 10, 2002

BALANCE SHEET

As at March 31, 2002	2002	2001
ASSETS		
CURRENT		
Cash	$ 14,854,685	$ 17,639,973
Accounts receivable	1,004,234	1,528,098
Prepaid expenses	422,252	293,781
	16,281,171	19,461,852
DESIGNATED SETTLEMENTS *(Note 8)*	130,879	1,544,975
RESERVE FUND ASSETS *(Note 3)*	32,000,000	20,000,000
CAPITAL ASSETS *(Note 5)*	7,876,910	9,760,851
	$ 56,288,960	$ 50,767,678
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 8,255,930	$ 10,793,134
Due to Province of Ontario *(Note 10(a))*	5,897,948	6,806,276
Current portion of obligation under capital leases *(Note 6(b))*	–	28,629
	14,153,878	17,628,039
NON-CURRENT		
Other long term liabilities *(Note 7(b))*	530,795	236,254
	14,684,673	17,864,293
DESIGNATED SETTLEMENTS *(Note 8)*	130,879	1,544,975
SURPLUS		
OPERATING		
General	9,375,164	11,260,166
Reserve *(Note 3)*	32,000,000	20,000,000
	41,375,164	31,260,166
CONTRIBUTED	98,244	98,244
	41,473,408	31,358,410
	$ 56,288,960	$ 50,767,678

Investor Education Fund *(Note 9)*

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

STATEMENT OF OPERATIONS AND OPERATING SURPLUS

For the Twelve Months Ended March 31, 2002	2002	2001
REVENUE		
FEES		
Prospectus filings	$ 43,539,952	$ 48,702,389
Registration	27,617,369	22,321,623
Disclosure filings	6,099,801	8,978,603
Applications for exemptive relief	971,482	1,180,332
Miscellaneous	113,976	164,302
Investment income	1,551,722	2,048,910
	79,894,302	83,396,159
EXPENSES		
Salaries and benefits *(Note 7)*	34,032,191	29,847,347
Administrative	4,873,075	4,126,609
Professional services *(Note 2(b))*	3,345,009	5,229,376
Amortization	3,277,968	3,035,706
Occupancy *(Note 6(a))*	3,185,354	3,050,543
Other	1,035,442	1,053,844
	49,749,039	46,343,425
EXCESS OF REVENUE OVER EXPENSES	30,145,263	37,052,734
OPERATING SURPLUS, BEGINNING OF PERIOD	31,260,166	26,374,609
LESS: Distributions to Province of Ontario *(Note 10(a))*	20,030,265	32,167,177
OPERATING SURPLUS, END OF PERIOD	$ 41,375,164	$ 31,260,166
REPRESENTED BY:		
General	$ 9,375,164	$ 11,260,166
Reserve	32,000,000	20,000,000
	$ 41,375,164	$ 31,260,166

See accompanying notes to Financial Statements.

STATEMENT OF CASH FLOWS

For the Twelve Months Ended March 31, 2002	2002	2001
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash flows from operating activities		
Excess of revenue over expenses	$ 30,145,263	$ 37,052,734
Adjustments for amortization	3,277,968	3,035,706
	33,423,231	40,088,440
Changes in non-cash working capital:		
Accounts receivable	523,864	(1,068,281)
Prepaid expenses	(128,471)	(102,358)
Due to Province of Ontario	(908,328)	6,496,592
Accounts payable and accrued liabilities	(2,537,204)	776,455
Other long term obligations	294,541	236,254
	(2,755,598)	6,338,662
	30,667,633	46,427,102
Cash flows from financing activities		
Distributions to Province of Ontario	(20,030,265)	(32,167,177)
Obligation under capital leases	(28,629)	(174,713)
	(20,058,894)	(32,341,890)
Cash flows from investing activities		
Reserve fund assets	(12,000,000)	(5,000,000)
Purchase of capital assets	(1,394,027)	(5,378,146)
	(13,394,027)	(10,378,146)
NET INCREASE (DECREASE) IN CASH POSITION	(2,785,288)	3,707,066
CASH POSITION, BEGINNING OF PERIOD	17,639,973	13,932,907
CASH POSITION, END OF PERIOD	$ 14,854,685	$ 17,639,973

See accompanying notes to Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2002

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
Computer equipment under capital leases	2 years
Leasehold improvements	over term of lease

b) Revenue

Fees are recognized when earned which is normally upon receipt. The amount of revenue to be realized from prospectus filing fees is uncertain. Fees are paid based on estimated prospectus proceeds and refunds are issued, as required, based on actual proceeds in Ontario. As a result, revenue from prospectus filings is recognized net of a provision for expected refunds. At the beginning of each fiscal year the Commission establishes a percentage for the provision for expected refunds based on the experience of the previous three years. The provision is adjusted at year end. Disclosure filing fees are recognized upon receipt of filing.

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.

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 Plans

Commencing April 1, 2000, the Commission prospectively applied the new accounting recommendations for employee future benefits as referred to in Note 7.

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.

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, 2002, have been invested in short-term and mid-term instruments with the Ontario Financing Authority.

For the period ending March 31, 2002, in calculating its remittance to the Province as described in Note 10, 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 11, 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 are credited to the operations of the Commission.

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, 2002, the MFDA has drawn $8,913,000 (2001 – $7,923,000) on this line of credit. Interest is charged at prime plus 0.50% per annum.

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		2002 Net Book Value		2001 Net Book Value
Office furniture	$	2,510,172	$	807,784	$	1,702,388	$	2,144,349
Office equipment		278,858		75,788		203,070		249,684
Computer hardware and related applications		7,038,590		4,686,750		2,351,840		2,685,737
Computer equipment under capital leases		831,725		831,725		–		–
Leasehold improvements		5,194,025		1,574,413		3,619,612		4,681,081
	$	15,853,370	$	7,976,460	$	7,876,910	$	9,760,851

6. LEASE OBLIGATIONS

a) Operating

The Commission is committed to operating lease payments for the next 5 years as follows:

2003	$	3,282,673
2004	$	3,211,018
2005	$	3,184,760
2006	$	1,336,601
2007	$	9,721

b) Capital

All capital leases expired on or before December 31, 2001. As at March 31, 2002, total obligation under capital leases amounted to $0 (2001 – $28,629). Interest owing on capital leases amounts to $0 (2001 – $711).

7. PENSION PLANS

a) The Commission's contribution to the Public Service Pension Plan for the year ended March 31, 2002 was $900,885 (2001 – $1,004,031) and is included in salaries and benefits.

b) The unfunded supplemental pension plans had an accrued benefit obligation of $606,181 at March 31, 2002 (2001 – $408,445). The Commission's related expense for the year was $294,541 (2001 – $236,254) and is included in salaries and benefits. No benefits were paid during the year (2001 – $0). The average remaining service period of the active employees covered by these plans ranges from 1.92 to 4.85 years (2001 – 2.92 to 3.78 years).

The significant actuarial assumptions adopted at March 31, 2002 and March 31, 2001 are:

Discount rate	6.75%
Rate of compensation increase	0.0%

8. 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. The accumulated funds are held in a segregated bank account. As at March 31, 2002, the accumulated balance is determined as follows:

	2002	2001
Opening balance	$ 1,544,975	$ 1,445,692
Settlements	4,021,991	3,050,000
Interest	40,888	170,977
Payments		
Initiatives	–	(121,694)
Investor Education Fund – Prior period	(1,544,975)	–
Investor Education Fund – Current period	(3,932,000)	(3,000,000)
Investor Education Fund – Total	(5,476,975)	(3,000,000)
Closing balance	$ 130,879	$ 1,544,975
Represented by:		
Cash	$ 498	$ 1,528,157
Receivables	130,381	16,818
	$ 130,879	$ 1,544,975

The balance of $130,879 (2001 – $1,544,975) is due to the Investor Education Fund.

9. 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 independently managed by its Board of Directors 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 because the Commission will neither obtain future economic benefits from the Fund, nor incur related risks. Financial statements of the Fund are available on request. Financial summaries of this unconsolidated entity as at March 31, 2002 and for the year ended March 31, 2002 are as follows:

INVESTOR EDUCATION FUND

Financial Position	2002	2001
Total assets	$ 8,365,439	$ 4,545,757
Total liabilities	$ 192,120	$ 89,038
Total net assets	8,173,319	4,456,719
	$ 8,365,439	$ 4,545,757
Results of Operations		
Total contributions and interest income	$ 4,188,023	$ 4,545,757
Total expenses	471,423	89,038
Excess of revenue over expenses	$ 3,716,600	$ 4,456,719
Cash Flows		
Cash flows from operating activities		
Cash receipts from the Ontario Securities Commission	$ 5,476,975	$ 3,000,000
Investment income received	118,371	–
Cash paid for initiatives and expenses	(368,341)	–
Net increase in cash position	5,227,005	3,000,000
Cash position, beginning of period	3,000,000	–
Cash position, end of period	$ 8,227,005	$ 3,000,000

b) In the normal course of operations, the Commission entered into transactions with the Fund as follows:

i) The Board of the Commission authorized a transfer of $4,062,879 (2001 – $4,544,975) of the Commission's Designated Settlements to the Fund. As at March 31, 2002, $130,879 (2001 – $1,544,975) remained to be paid.

ii) During fiscal 2001, the Commission entered into a Management Services agreement with the Fund for the provision of administrative and management services, at cost.

For the period ended March 31, 2002, the Commission incurred costs totalling $181,776 (2001 – $89,038) for services related to the Fund. The total cost of these services have been charged back to the Fund and, of this amount, $141,257 is owing to the Commission as of March 31, 2002 (2001 – $89,038).

10. 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 accordance with this provision, the Minister has requested the Commission to remit fee revenues which are in excess of its operating requirements. The Commission includes fixed asset funding in its operating requirements.

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.

11. 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.

12. COMPARATIVES

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