

what we do... it's about life



Annual Report 2003/04

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- Standards development
- Printed and electronic codes and standards
- Seminars and training
- Membership services
- Consulting services



- Management systems registration
- Training and seminars



- Product testing
- Certification services
- OnSpeX

# s e r v i c e

what we do... it's about life

Every moment, our lives are shaped by people.  
Products. Services. Surroundings.

That's how CSA Group makes a difference. Helping people work more productively. Helping products become safer, used in markets around the world. Improving services. Preserving the environment. Enhancing our quality of life. To make standards work for people and business, we are passionate about service...

## Expert

on issues that matter, relying on the collective knowledge of 9,000 members and dedicated staff, the latest skills and techniques.

## Agile

to capitalize on business opportunities, with the resourcefulness to meet client demands for speed, flexibility and superior value.

## Engaged

with people, locally, nationally and internationally, to make a lasting impact on the world around us.

e x p e r t

on issues that matter

## Businesses, governments, retailers and consumers turn to CSA for leadership

### Driving innovation

In 2004, we published the first in a series of 15 leading-edge standards for fuel cells' global usage. Our testing and certification services help build acceptance of the industry's innovative products. As a standards development leader in fuel cell and hydrogen technology, CSA America, Inc. was chosen by the National Renewable Energy Laboratory (NREL) to develop U.S. national standards, coordinate activities of U.S. national standards and provide support in the development of global standards.

### A mark people trust

Prominent retailers around the world continue to recognize the CSA certification mark on electrical, mechanical and gas-fueled products. In 2003/04, the list of retailers grew longer with the addition of Ace Hardware Corporation, a retailer-owned cooperative of more than 5,000 independent Ace stores, and Do It Best Corp., one of the U.S. hardware industry's largest cooperatives.

a g i l e

to respond to a demanding market

## Shrinking time, smoothing processes, adding value

### Advancing quality management

As clients faced a looming deadline for registering to the ISO 9001:2000 standards, QMI planned and executed thousands of audits against a massive rolling schedule. An unprecedented volume of activity, yet client satisfaction remained high throughout – thanks to our knowledgeable and experienced auditors, and highly responsive client service team.

### Technology to serve people better

We are investing in online service capabilities and improved back-office systems. Stripping away time and complexity from our processes. Improving responsiveness to clients. And after a successful pilot, our electronic balloting system is being extended to more CSA members. Enabling them to review draft standards, record comments and register votes online.

e n g a g e d

for positive and lasting impact

## Advancing the interests of people and business

### Privacy matters

At the heart of Canada's new privacy law, which took effect for most private organizations in January 2004, was a ground-breaking consensus standard published by CSA. To help organizations comply, we offer workshops led by privacy experts and a CD of privacy resources – codes, laws, exercises and tutorials, all in a searchable, easy-to-navigate format.

### A voice for efficiency and safety

In a breakthrough for electrical manufacturers, we signed an agreement under which Underwriters Laboratories Inc. (UL) formally accepted, for the first time, certain CSA-certified components used in electrical end-products. In promoting consumer electrical safety across North America, CSA is a member and proud benefactor of the Electrical Safety Foundation International (ESFI).

# a message from

Douglas G. Hatch, Chair of the Board  
and Rob M. Griffin, President & CEO



Douglas G. Hatch (left)  
Rob M. Griffin (right)

Every day, the more than 9,000 members and 1,200 employees who make up CSA Group reach out to make standards work for people and business. It's a mandate we take seriously, one that we are proud of, knowing our work is all about life.

Our updated purpose Key Performance Indicators (KPIs) in this year's annual report show the impact of that work convincingly, and we are pleased to see continuous improvement in these measures. These are just a few of the many areas where we took powerful action to ensure that we live up to your expectations and our commitment to service – our cornerstone strategy and key differentiator from other organizations.

CSA Group delivered a very satisfactory performance in 2003/04, despite challenging market conditions. This is due in no small measure to three leading CSA attributes: being agile, expert and engaged in areas that matter to our stakeholders.

## The agility to manage challenging business conditions

A slow and jobless economic recovery in the United States presented a difficult marketplace for our many American clients. In Canada and Asia, CSA, like many organizations, had to deal with travel restrictions and scheduling inefficiencies as a result of SARS. And we were hit by a significant and rapid appreciation of the Canadian dollar against the U.S. currency.

As a result, financial results for 2003/2004 show that revenues declined from the previous year. However, it is pleasing to note that at a constant exchange rate,

revenues increased six percent year on year, reflecting increased stakeholder support for standards development, higher demand for our training and education, and additional clients for QMI and CSA International.

Our agility in managing the exchange rate difference – through foreign exchange hedging, cost reductions and productivity improvements – enabled us to turn in a bottom-line performance better than budgeted. Our brand awareness remained at an all time high level, strengthened by effective public relations outreach and significant exposure in mainstream media.

Other measures on CSA Group's balanced scorecard showed encouraging improvement.

CSA member satisfaction continued to rise, thanks to our investment in tools and resources that affect timeliness, quality and project management. Overall satisfaction among committee members increased to 96 per cent in 2004 compared with 92 per cent a year earlier. QMI clients also reported higher satisfaction during a challenging year of transition to the new ISO 9001: 2000 standard. And our second year of investment in CSA International's Cycle of Service improvement project is showing strong returns. The division's client satisfaction score was up sharply, to 92 per cent!

### The expertise to provide leading-edge solutions

We know businesses, governments and consumers seek expertise and resourcefulness to solve their critical challenges. The fact that they increasingly turn to CSA's expertise is a sign of our growing leadership in a wide range of areas.

For example, we are the leading certifier of gas products in North America. Virtually all of the testing to develop testing protocols for a new U.S. gas water heater standard was conducted in CSA International's facility in Cleveland, Ohio.

In Canada, the new edition of CSA Z662-03, Oil and Gas Pipeline Systems, has become the de facto standard for addressing performance and most environmental requirements of pipelines. It underpins the practices of Canada's vibrant oil and gas sector as well as the provincial and national regulations under which they operate.

On the environmental front, we released a first-ever management systems standard that will help hog operators improve and ensure the environmental management of their operations. And test results under a CSA standard contributed to a new North American efficiency rating for gas fireplaces, which will help consumers select products that use less energy.

Our record in promoting public health and safety is long and distinguished. In 2004, we were accredited by the American National Standards Institute (ANSI) to test and certify food service equipment to NSF International/ANSI sanitation requirements. QMI introduced a Seed-To-Table Food Safety Registration Program that can help organizations achieve best worldwide practices on food safety. And the U.S. Food and Drug Administration chose QMI as one of a select few companies authorized to audit U.S. medical device firms.

During the past year, we also published a standard that addresses virtually all aspects of facilities management within health care buildings, including measures to control the risk of infection during construction or renovation. And we updated an important standard that helps organizations prepare for emergencies and plan responses to contain potential losses.

### Engaged in ways that affect people and business

We are excited by the range of opportunities where CSA's proven skills and experience can influence the world around us. Our consensus approach to problem solving, technological scope and depth of knowledge are engaged on many fronts.

For example, in the coming year, we will leverage our product testing experience and launch a new business line: consumer product performance testing and inspection resources. This market is strategically attractive for us and we expect that OnSpeX, as our new division will be known, will provide a vital service to retailers and manufacturers of consumer products.

We will continue to find ways to facilitate trade, collaborating with the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and CANENA. In addition, our recent agreement with UL is a significant first step

as we work with industry colleagues NEMA and Electro-Federation Canada (EFC) to obtain mutual acceptance for all certified electrical components used in end-product applications.

We will also take action to curb the growing national and international problem of trade in counterfeit products. We formed an alliance with a leading intellectual property law firm which will position us well to protect the integrity of our marks.

We also plan to heighten our involvement on the issue of climate change, where we can engage the resources of all our divisions to serve the environmental objectives of governments, industry and consumers.

In so many ways, it is rewarding to report on how CSA Group works – just for you. Through the talents and energies of employees and members, we will continue to fulfill our purpose in a manner that carries meaning and influence in our lives. And we will continue to apply care and commitment, integrity and excellence to everything we do.



Douglas G. Hatch  
Chair of the Board



Rob M. Griffin  
President and CEO

## Board of Directors – Photo 1



left to right

\* denotes Executive Committee of the Board

**Douglas V. Baldwin\***  
President and CEO  
Electro-Federation Canada  
Mississauga, ON

**Greg Wilson**  
Senior Vice President  
& Chief Information Officer  
TransAlta  
Calgary, AB

**Julia Hill**  
Associate Director General Biologics  
and Genetic Therapies Directorate,  
Health Products and Foods Branch,  
Health Canada  
Ottawa, ON

**Douglas G. Hatch\***  
Chair of the Board, CSA Group  
President, Core Learning Ltd.  
Toronto, ON

**Rob M. Griffin\***  
President and CEO  
CSA Group, Toronto, ON

**Robert Bowen**  
Director, Codes & Evaluation Branch  
Institute for Research in Construction  
National Research Council  
Ottawa, ON

**Susan Gamm**  
Deputy Ombudsman  
TD Financial Group  
Toronto, ON

**Yves Brissette**  
Vice-presidence aux relations avec les  
clienteles et les partenaires, Commission  
de la sante et de la securite de travail  
Montreal, QC

**Gregory Thomas**  
Executive Director  
The Alliance International, LLC  
Fort Wayne, Indiana – USA

**Elizabeth Marie Crown**  
Professor Department of Human Ecology  
University of Alberta  
Edmonton, AB

**John Cowen**  
Business Consultant  
Aurora, ON

Absent at time of photography:

**Linda Anne Lusby**  
Associate Professor,  
Environment Science  
Acadia University  
Wolfville, NS

**David S. Grubbe\***  
DMG Consulting  
Medicine Hat, AB

**Richard L. Bunn**  
Berwyn, PA – USA

**Diane MacDiarmid**  
President and CEO  
Mercer Delta Consulting Limited  
Toronto, ON

**Daniel Gagnier**  
Sr. Vice-President,  
Corporate and External Affairs  
Montreal, QC

## Board of Directors – Photo 2



left to right

\* denotes Executive Committee of the Board

**V. Lynne Pearson\***

Past Chair of the Board, CSA Group  
Dean, College of Commerce  
University of Saskatchewan  
Saskatoon, SK

**Robert J. ("RJ") Falconi**

Vice President, General Counsel  
& Corporate Secretary  
CSA Group, Toronto, ON

**Mel Ydreos**

Vice President, Asset Operations  
Union Gas Limited  
Chatham, ON

**William E. Watchorn**

President and CEO  
ENSIS Management Inc.  
Winnipeg, MG

**Allan Gibbins**

President & CEO  
Hubbell Canada Inc.  
Pickering, ON

**Roger N. Wolff\***

Faculty of Business,  
University of Victoria  
Victoria, BC

**Gregory L. Sevick**

Vice President, Operations  
Enbridge Pipelines Inc.  
Edmonton, AB

**Sondra Bruni**

Winnipeg, MB

**Robert A. Cook**

President & CEO  
Nova Scotia Association of  
Health Organizations  
Bedford, NS

**Brian J. McQueen\***

Vice Chair of the Board, CSA Group  
President and CEO  
CWB Group – Industry Services  
Mississauga, ON

**Paul Straus**

Vice President and CEO  
Home Hardware Stores Limited  
St. Jacobs, ON

Absent at time of photography:

**Linda Anne Lusby**

Associate Professor,  
Environment Science  
Acadia University  
Wolfville, NS

**David S. Grubbe\***

DMG Consulting  
Medicine Hat, AB

**Richard L. Bunn**

Berwyn, PA – USA

**Diane MacDiarmid**

President and CEO  
Mercer Delta Consulting Limited  
Toronto, ON

**Daniel Gagnier**

Sr. Vice-President,  
Corporate and External Affairs  
Montreal, QC

## Executive Leadership Team



left to right

**Karen Gaiger**  
Vice President,  
Information Technology  
CSA Group

**Les Jackson**  
Vice President,  
Human Resources  
CSA Group

**Randall Luecke**  
President,  
CSA International

**Wendy Tilford**  
President, QMI

**Grant Carter**  
Vice President,  
Marketing & Communications  
CSA Group

**Rob M. Griffin**  
President and CEO  
CSA Group

**Pat Keindel**  
President, Standards  
Canadian Standards Association

**Duncan Cowie**  
Vice President, Finance  
CSA Group

**Robert J. ("RJ") Falconi**  
Vice President,  
General Counsel &  
Corporate Secretary  
CSA Group

## Management's Responsibility for Financial Information

The accompanying consolidated financial statements and all information in the Annual Report have been prepared by management and approved by the Board of Directors of the Canadian Standards Association. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP) and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity, and objectivity of the consolidated financial statements within reasonable limits of materiality.

To assist management in the discharge of these responsibilities, the Association maintains a system of internal controls designed to provide reasonable assurance that its accounting records are reliable and its assets are safeguarded.

The Audit Committee, which is composed exclusively of outside directors, is appointed annually by the Board of Directors. The Audit Committee meets with management as well as with external auditors' to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the independent auditors report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the membership. The external auditors have direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been independently audited by Ernst & Young LLP on behalf of the membership, in accordance with Canadian GAAP. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Association.



Robert M. Griffin  
President & CEO  
April 30, 2004



Duncan H. Cowie  
Vice President, Finance  
April 30, 2004

## Auditor's Report

### To the Members of Canadian Standards Association

We have audited the consolidated statement of financial position of Canadian Standards Association as at March 31, 2004 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association'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 consolidated financial statements present fairly, in all material respects, the financial position of the Association 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 Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

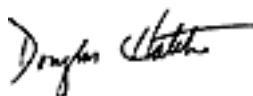
The signature of Ernst & Young LLP is written in a cursive, handwritten style.

Chartered Accountants  
Toronto, Canada,  
April 30, 2004

## Consolidated Statement of Financial Position

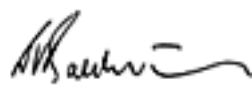
| <i>As at March 31</i>  | <i>2004</i>    | <i>2003</i> |
|--|----------------|-------------|
| <i>[in thousands of Canadian dollars]</i>                                  | <i>\$</i>      | <i>\$</i>   |
| <b>Assets</b>  |                |             |
| <b>Current</b>   |                |             |
| Cash and cash equivalents [note 3]   | <b>14,596</b>  | 10,285      |
| Short-term investments [note 6[a]]   | –              | 6,597       |
| Accounts receivable, net   | <b>26,722</b>  | 25,115      |
| Inventory [note 4]   | <b>3,608</b>   | 4,490       |
| Prepaid expenses   | <b>4,210</b>   | 4,529       |
|  | <b>49,136</b>  | 51,016      |
| Deferred expenses, net   | <b>5,361</b>   | 3,683       |
| Property, plant and equipment, net [note 5]                                | <b>33,509</b>  | 35,164      |
| Long-term investments [note 6[b]]  | <b>41,481</b>  | 38,324      |
| Accrued pension benefit asset [note 9]                                     | <b>23,115</b>  | 19,753      |
|  | <b>152,602</b> | 147,940     |
| <b>Liabilities and Net Assets</b>  |                |             |
| <b>Current</b>   |                |             |
| Accounts payable and accrued liabilities                                   | <b>30,031</b>  | 23,036      |
| Deferred revenue   | <b>18,234</b>  | 19,580      |
| Customer Deposits  | <b>11,234</b>  | 13,130      |
|  | <b>59,499</b>  | 55,746      |
| Accrued other retirement and post-employment<br>benefit liability [note 9] | <b>10,423</b>  | 7,551       |
|  | <b>69,922</b>  | 63,297      |
| Contingencies and commitments [notes 8 and 10]                             |                |             |
| <b>Net Assets</b>  |                |             |
| Invested in property, plant and equipment                                  | <b>33,509</b>  | 35,164      |
| Internally restricted for specific purposes                                | <b>45,797</b>  | 46,064      |
| Unrestricted   | <b>3,374</b>   | 3,415       |
| <b>Total net assets</b>  | <b>82,680</b>  | 84,643      |
|  | <b>152,602</b> | 147,940     |

See accompanying notes



On behalf of the Board:

Chair of the Board



Chair of the Audit Committee

## Consolidated Statement of Changes in Net Assets

| Year ended March 31<br>[in thousands of Canadian dollars] | 2004               |                                |   | 2003           |             |
|---|--------------------|--------------------------------|---|----------------|-------------|
|   | Unrestricted<br>\$ | Internally<br>restricted<br>\$ | Invested in<br>property<br>plant and<br>equipment<br>\$ | Total<br>\$    | Total<br>\$ |
| <b>Balance, beginning of year</b>                         | <b>3,415</b>       | <b>46,064</b>                  | <b>35,164</b>   | <b>84,643</b>  | 90,365      |
| Deficiency of revenue over expenses                       | <b>13,219</b>      | <b>(9,817)</b>                 | <b>(5,365)</b>  | <b>(1,963)</b> | (5,722)     |
| Investments in property, plant,<br>and equipment, net     | <b>(3,710)</b>     | –                              | <b>3,710</b>  | –              | –           |
| Transfers for future expenditures                         | <b>(9,550)</b>     | <b>9,550</b>                   | –   | –              | –           |
| <b>Balance, end of year</b>                               | <b>3,374</b>       | <b>45,797</b>                  | <b>33,509</b>   | <b>82,680</b>  | 84,643      |

See accompanying notes

## Consolidated Statement of Operations

| Year ended March 31<br>[in thousands of Canadian dollars] | 2004<br>\$     | 2003<br>\$ |
|---|----------------|------------|
| Revenue   | <b>175,658</b> | 179,985    |
| <b>Expenses</b>   |                |            |
| Direct  | <b>82,109</b>  | 84,320     |
| Selling, general and administrative                       | <b>85,144</b>  | 85,507     |
| Depreciation and amortization                             | <b>6,744</b>   | 5,493      |
| Project expenditures                                      | <b>7,087</b>   | 7,832      |
|   | <b>181,084</b> | 183,152    |
| Loss from operations                                      | <b>(5,426)</b> | (3,167)    |
| Investment income   | <b>3,104</b>   | 581        |
| Foreign exchange gain (loss)                              | <b>359</b>     | (3,136)    |
| <b>Deficiency of revenue over expenses for the year</b>   | <b>(1,963)</b> | (5,722)    |

See accompanying notes

## Consolidated Statement of Cash Flows

| <i>Year ended March 31</i>   | 2004            | 2003     |
|--|-----------------|----------|
| <i>[in thousands of Canadian dollars]</i>                                  | \$              | \$       |
| <b>Operating Activities</b>  |                 |          |
| Deficiency of revenue over expenses for the year                           | <b>(1,963)</b>  | (5,722)  |
| Add (deduct) items not involving cash                                      |                 |          |
| Depreciation and amortization  | <b>6,744</b>    | 5,493    |
| Loss on disposal of property, plant and equipment                          | <b>42</b>       | 15       |
| Loss (gain) on sale of long-term investments                               | <b>(1,601)</b>  | 1,052    |
| Increase in accrued pension benefit asset                                  | <b>(3,362)</b>  | (5,422)  |
| Increase in accrued other retirement and post-employment benefit liability | <b>2,872</b>    | 2,638    |
| Foreign exchange loss  | <b>2,493</b>    | 1,434    |
| Net change in non-cash working capital balances [note 7]                   | <b>3,347</b>    | 4,576    |
| <b>Cash provided by operating activities</b>                               | <b>8,572</b>    | 4,064    |
| <b>Investing Activities</b>  |                 |          |
| Deferred expenses  | <b>(3,108)</b>  | (3,956)  |
| Purchase of property, plant and equipment                                  | <b>(3,710)</b>  | (8,139)  |
| Proceeds on disposal of property, plant and equipment                      | <b>9</b>        | 12       |
| Purchase of long-term investments  | <b>(58,555)</b> | (62,473) |
| Proceeds on sale of long-term investments                                  | <b>56,999</b>   | 65,184   |
| <b>Cash used in investing activities</b>                                   | <b>(8,365)</b>  | (9,372)  |
| <b>Net increase (decrease) in cash during the year</b>                     | <b>207</b>      | (5,308)  |
| Effect of foreign exchange rates on cash and cash equivalents              | <b>(2,493)</b>  | (1,434)  |
| Cash position, beginning of year   | <b>16,882</b>   | 23,624   |
| <b>Cash position, end of year</b>  | <b>14,596</b>   | 16,882   |
| <b>Cash position represented by</b>  |                 |          |
| Cash and cash equivalents  | <b>14,596</b>   | 10,285   |
| Short-term investments   | <b>–</b>        | 6,597    |
|  | <b>14,596</b>   | 16,882   |

See accompanying notes

## notes to consolidated financial statements

March 31, 2004  
[in thousands of Canadian dollars]

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### 1. Nature of Operations

The Canadian Standards Association [the "Association"] is incorporated without share capital by letters patent dated January 21, 1919 under the laws of Canada. The Association is a not-for-profit organization engaged in the development of consensus standards in the areas of safety, quality and performance as well as the assessment, certification and registration of conformance to various standards.

### 2. Summary of Significant Accounting Policies

#### *Year end dates*

The Association's year end occurs on the last Friday of March. For the current year, the actual year end date was March 26, 2004 and for the prior year, the year end date was March 28, 2003. For the purpose of these consolidated financial statements, March 31 will refer to the actual dates mentioned above.

#### *Basis of presentation*

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ["GAAP"] and include the accounts of the Association and its subsidiaries. All significant inter-company balances and transactions have been eliminated.

#### *Use of estimates*

The preparation of these consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash on deposit and money market securities with an original term to maturity that is less than 90 days on the date of purchase. These securities are carried on the consolidated statement of financial position at cost plus accrued interest, which approximates market value.

## notes to consolidated financial statements

March 31, 2004  
[in thousands of Canadian dollars]

### *Investments*

Short-term and long-term investments are recorded at cost plus accrued income. Interest and dividends are reported as earned and gains when realized. Purchase premiums or discounts are amortized over the remaining term to maturity. Investments are written down in the year where there is deemed to be an impairment in value which is other than temporary.

### *Inventory*

Inventory is valued at the lower of cost and net realizable value.

### *Deferred expenses*

The Association incurs certain project-specific direct costs associated with major development projects. These costs are amortized as deferred expenses on a straight-line basis over the specific term of the project, generally three to five years.

### *Property, plant and equipment*

Property, plant and equipment are carried in the accounts at cost less accumulated depreciation and amortization.

Depreciation and amortization, which are recorded from the year the asset is placed in service, are provided over the estimated useful lives of the property, plant and equipment assets as follows:

|                        |   |
|------------------------|---|
| Buildings              | 5% declining balance                      |
| Leasehold improvements | Term of the lease plus one renewal period |
| Equipment              | 20% declining balance                     |
| Computer equipment     | 3 years straight-line                     |
| Computer software      | Year of acquisition                       |

Gains and losses arising on the disposal of individual assets are recognized in income in the year of disposal.

## notes to consolidated financial statements

March 31, 2004

[in thousands of Canadian dollars]

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### *Retirement benefit plans*

The current service cost of pensions and other post-employment benefit plans [such as medical and dental care] is charged to income annually. Cost is calculated on an actuarial basis using the projected benefits method and based on management's best estimates of investment yields, salary escalation and other factors. Adjustments resulting from plan amendments, experience gains and losses, or changes in assumptions are amortized over the remaining average service term of active employees.

### *Revenue recognition*

Revenue is recognized under the completed contract method. Revenue from testing, certification, registration and other services is recorded when the related service is completed and from the sale of goods when they are sold. Annual fees are recorded as revenue in the period to which they apply. Amounts received for services not yet rendered, or annual fees relating to a future period, are included in current liabilities as customer deposits or deferred revenue.

### *Foreign currency translation*

Foreign operations are considered integrated and are translated using the temporal rate method. Monetary assets and liabilities are translated using the exchange rate in effect at year end, and revenues and expenses are translated at the average rate of the month the transaction is recorded. Non-monetary assets, liabilities, depreciation and amortization are translated at historical rates of exchange.

Foreign currency denominated monetary assets and liabilities of Canadian operations are translated at the exchange rate prevailing at year end, and revenue and expenses at average rates of the month the transaction is recorded. Exchange gains and losses arising on the translation of the accounts are included in the results of operations in the current year.

### *Financial instruments and risk management*

The Association is exposed to foreign exchange risk from fluctuations in foreign currency rates. Increases or decreases in foreign currency rates could impact the

## notes to consolidated financial statements

March 31, 2004  
[in thousands of Canadian dollars]

Association's margin. This risk is minimized through having a portion of revenue and expenses denominated in foreign currencies, and through the Association instituting a foreign currency cash flow hedging program. The Association hedges up to 50% of its U.S. dollar denominated cash flow, with forward contracts, which provide for the sale of U.S. dollars to offset the foreign currency exposure.

The Association formally documents its risk management objective and strategy for undertaking forward contracts. The Association does not enter into forward contracts for trading or speculative purposes. Any gains or losses on the hedging instruments are recognized in the same period as the hedged transaction.

### *Internally restricted net assets*

Certain net assets are restricted for specific purposes relating to the development of standards, research projects and new standards applications.

### 3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

|                  | 2004<br>\$    | 2003<br>\$ |
|------------------|---------------|------------|
| Cash             | <b>14,596</b> | 2,772      |
| Cash equivalents | -             | 7,513      |
|                  | <b>14,596</b> | 10,285     |

### 4. Inventory

Inventory consists of the following:

|                      | 2004<br>\$   | 2003<br>\$ |
|----------------------|--------------|------------|
| Work in progress     | <b>2,623</b> | 3,401      |
| Inventory for resale | <b>985</b>   | 1,089      |
|                      | <b>3,608</b> | 4,490      |

## notes to consolidated financial statements

March 31, 2004  
[in thousands of Canadian dollars]

### 5. Property, Plant and Equipment

Property, plant and equipment consist of the following:

|                           | 2004           |                                   |                         | 2003       |                                   |                         |
|---------------------------|----------------|-----------------------------------|-------------------------|------------|-----------------------------------|-------------------------|
|                           | Cost<br>\$     | Accumulated<br>depreciation<br>\$ | Net book<br>value<br>\$ | Cost<br>\$ | Accumulated<br>depreciation<br>\$ | Net Book<br>value<br>\$ |
| Land                      | <b>4,357</b>   | –                                 | <b>4,357</b>            | 4,357      | –                                 | 4,357                   |
| Buildings                 | <b>28,270</b>  | <b>13,008</b>                     | <b>15,262</b>           | 27,569     | 12,238                            | 15,331                  |
| Leasehold<br>improvements | <b>1,740</b>   | <b>1,440</b>                      | <b>300</b>              | 1,740      | 1,235                             | 505                     |
| Equipment                 | <b>46,828</b>  | <b>37,369</b>                     | <b>9,459</b>            | 45,782     | 35,357                            | 10,425                  |
| Computer equipment        | <b>25,315</b>  | <b>21,184</b>                     | <b>4,131</b>            | 24,323     | 19,777                            | 4,546                   |
|                           | <b>106,510</b> | <b>73,001</b>                     | <b>33,509</b>           | 103,771    | 68,607                            | 35,164                  |

### 6. Investments

[a] Short-term investments consist of the following:

|   | 2004<br>\$ | 2003<br>\$ |
|---|------------|------------|
| Government bonds which bear interest<br>at 7.00% to 7.25% and mature within 12 months | –          | 6,597      |

[b] Long-term investments consist of the following:

|  | Due in<br>1-5 years<br>\$ | Carrying Value |            | Market Value  |            |
|--|---------------------------|----------------|------------|---------------|------------|
|  |                           | 2004<br>\$     | 2003<br>\$ | 2004<br>\$    | 2003<br>\$ |
| <b>Government bonds</b>                      | <b>32,546</b>             | <b>32,546</b>  | 19,353     | <b>33,515</b> | 19,989     |
| Weighted average interest rate               |                           |                |            |               |            |
| Stated                                       | <b>6.62</b>               |                |            |               |            |
| Effective                                    | <b>6.16</b>               |                |            |               |            |
| <b>Equities</b>                              |                           |                |            |               |            |
| Equities                                     |                           | <b>5,644</b>   | 13,201     | <b>5,554</b>  | 11,371     |
| Cash and cash equivalents<br>held by brokers |                           | <b>3,291</b>   | 5,770      | <b>3,291</b>  | 5,770      |
|  |                           | <b>41,481</b>  | 38,324     | <b>42,360</b> | 37,130     |

## notes to consolidated financial statements

March 31, 2004  
[in thousands of Canadian dollars]

### 7. Consolidated Statement of Cash Flows

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

|   | 2004<br>\$     | 2003<br>\$ |
|---|----------------|------------|
| Increase (decrease) in cash flows due to: |                |            |
| Accounts receivable                       | <b>(1,607)</b> | 1,410      |
| Inventory                                 | <b>882</b>     | 619        |
| Prepaid expenses                          | <b>319</b>     | (751)      |
| Accounts payable and accrued liabilities  | <b>6,995</b>   | 4,893      |
| Deferred revenue                          | <b>(1,346)</b> | 855        |
| Customer deposits                         | <b>(1,896)</b> | (2,450)    |
|   | <b>3,347</b>   | 4,576      |

### 8. Contingencies

The Association has been named in a number of legal actions in the normal course of operations. In the opinion of management and legal counsel, it is impossible at this time to predict the outcome of these actions. The Association carries insurance for such actions, and any loss, to the extent it is not fully covered by these insurance policies, is charged to operations in the period in which the liability is determined.

### 9. Retirement Benefit Plans

The Association sponsors various post-employment benefit plans including one defined contribution and five defined benefit pension plans, and plans that provide extended health care coverage to employees.

The Association's contributions to the defined contribution pension plan are expensed when due. The expense for the defined contribution pension plan for 2004 was \$502 [2003 – \$453]. The net expense (gain) for the defined benefit pension plans for 2004 was \$843 [2003 – \$(1,779)]. The expense for the other retirement and post-employment benefit plans for 2004 was \$3,346 [2003 – \$3,138]. Information about the Association's defined benefit pension plans and other retirement and post-employment benefit plans, in aggregate, is as follows:

## notes to consolidated financial statements

March 31, 2004  
[in thousands of Canadian dollars]

|   | Defined benefit<br>pension plans |         | Other retirement and<br>post-employment benefits |          |
|---|----------------------------------|---------|--|----------|
|   | 2004                             | 2003    | 2004   | 2003     |
|   | \$                               | \$      | \$   | \$       |
| Accrued benefit obligation                    | <b>132,559</b>                   | 111,991 | <b>25,937</b>                                    | 21,658   |
| Fair value of plan assets                     | <b>150,892</b>                   | 131,334 | -  | -        |
| <b>Funded status – plan surplus (deficit)</b> | <b>18,333</b>                    | 19,343  | <b>(25,937)</b>                                  | (21,658) |
| <b>Accrued benefit asset (liability)</b>      | <b>23,115</b>                    | 19,753  | <b>(10,423)</b>                                  | (7,551)  |

The significant actuarial assumptions adopted in measuring the Association's accrued benefit obligation are as follows [weighted average assumptions]:

|   | Defined benefit<br>pension plans |      | Other retirement and<br>post-employment benefits |      |
|---|----------------------------------|------|--|------|
|   | 2004                             | 2003 | 2004   | 2003 |
|   | %                                | %    | %  | %    |
| Discount rate                                       | <b>6.25</b>                      | 6.75 | <b>6.50</b>                                      | 6.75 |
| Expected long-term rate of return on<br>plan assets | <b>7.50</b>                      | 7.50 | -  | -    |
| Rate of compensation increase                       | <b>4.00</b>                      | 4.00 | <b>3.00</b>                                      | 5.00 |
| Rate of increase in long-term health costs          | -                                | -    | <b>6.00</b>                                      | 7.00 |

Other information about the Association's defined benefit plans is as follows:

|                        | Defined benefit<br>pension plans |         | Other retirement and<br>post-employment benefits |      |
|------------------------|----------------------------------|---------|--|------|
|                        | 2004                             | 2003    | 2004   | 2003 |
|                        | \$                               | \$      | \$   | \$   |
| Employer contributions | <b>4,079</b>                     | 4,485   | <b>474</b>                                       | 534  |
| Employee contributions | <b>1,934</b>                     | 2,258   | -  | -    |
| Benefits paid          | <b>(1,759)</b>                   | (1,536) | <b>474</b>                                       | 534  |

## notes to consolidated financial statements

March 31, 2004  
[in thousands of Canadian dollars]

### 10. Commitments

The Association has commitments in respect of leases for its equipment and premises as follows:

|            | \$            |
|------------|---------------|
| 2005       | 2,595         |
| 2006       | 1,838         |
| 2007       | 1,361         |
| 2008       | 1,450         |
| 2009       | 1,402         |
| Thereafter | 4,524         |
|            | <u>13,170</u> |

### 11. Financial Instruments and Risk Management

#### *Financial instruments*

As at March 31, 2004, the Association had foreign exchange forward contracts available to sell a total of U.S.\$27,000 over the next 12 months at rates ranging from Cdn.\$1.30 to Cdn.\$1.34.

#### *Credit risk*

The Association is exposed to credit risk from customers in the normal course of business. Management addresses this exposure through the credit policy and makes adequate provision in the allowance for doubtful accounts.

#### *Fair value*

Due to the short period to maturity of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, the carrying values as presented in the consolidated statement of financial position are reasonable estimates of their market value. The market value of long-term investments [note 6[b]] is determined using independent, third party confirmations.

## notes to consolidated financial statements

March 31, 2004  
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### *Foreign exchange risk*

The Association operates globally with significant revenue and expenses denominated in U.S. dollars. This gives rise to the risk that some of its earnings and cash flows may be impacted by fluctuations in foreign exchange rates between the U.S. and Canadian dollar. As at March 31, 2004, the consolidated statement of financial position includes amounts denominated in U.S. currency which represent 60% of current assets, 19% of long-term investments and 16% of current liabilities.

### 12. Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2004 consolidated financial statements.

## Purpose KPIs

### Our Key Performance Indicators

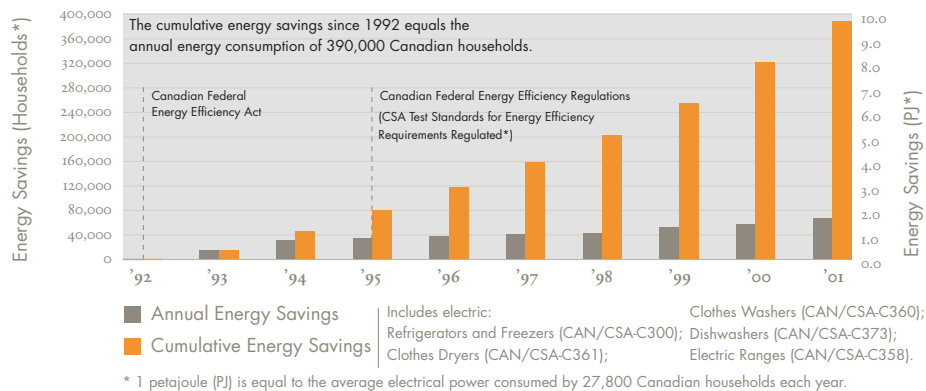
CSA’s purpose is to make standards work for people and business. We regularly track our performance against key indicators to demonstrate the impact we have on the world around us... just another example of Service.

Of course, standards and certification are just two influences on our world, albeit important ones. Matters of public safety, the environment and international trade are also affected by regulations, education, new technology and better of ways of doing things.

### Efficiency

#### Energy Savings from the Use of Energy Efficient Residential Appliances in Canada

(Source NRCan, 2003)

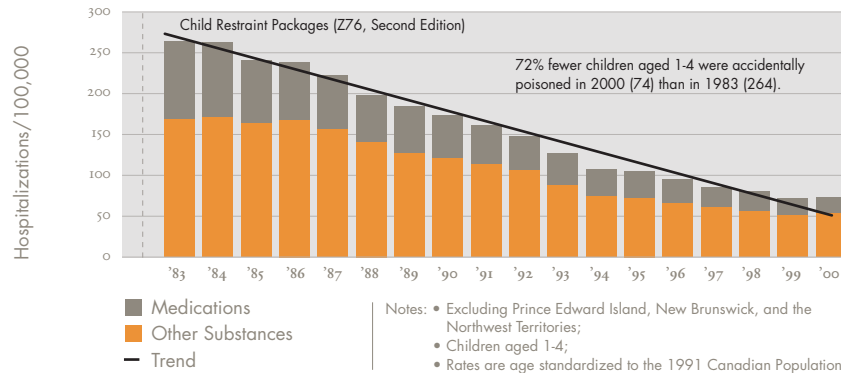


**We help consumers save precious energy** Since the 1980s, CSA has developed energy efficiency standards and related certification and testing programs for major household products. Referenced in Canadian regulations and supported by manufacturers’ product innovations, these standards have contributed to significant energy savings since the Canadian Federal Energy Efficiency Act in 1992 – enough to power more than 390,000 households for 1 year.

## Protection

### Children Hospitalized from Accidental Poisonings in Canada

(Source: Health Canada, analysis of data from the Canadian Institute for Health Information, 2001)

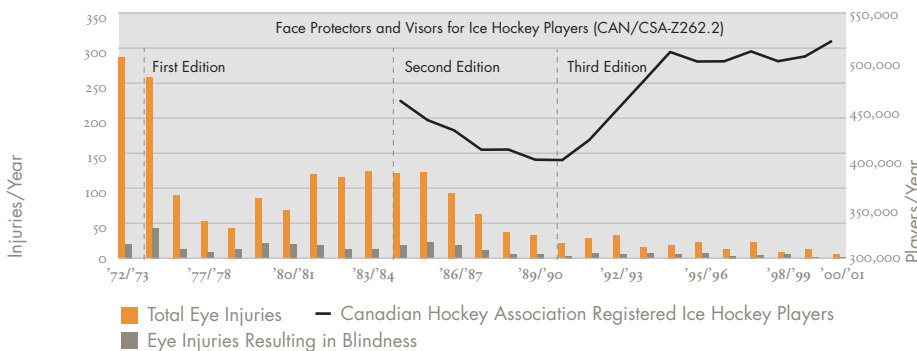


**We help improve people’s health and safety** In 1979, CSA published a standard for child-resistant packaging. In 1982, we introduced a certification program. Since then, the rate of young children being hospitalized for poisoning from medications has declined 72%.

## Defence

### Ice Hockey Eye Injuries in Canada

(Sources: Dr. T. Pashby, 2002; Canadian Hockey Association, 2002)

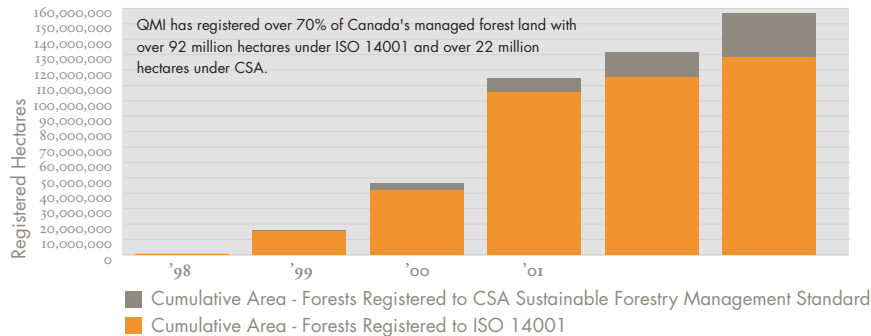


**We contribute to the reduction of recreational injuries** It is estimated that 90% of all sports eye injuries can be prevented with proper use of the right equipment. Since CSA published standards for face protectors and visors for hockey players, the number of reported eye injuries dropped from about 290 per year to less than 10 today. CSA has been certifying hockey helmets and visors for more than 25 years.

## Sustainability

### Forestry Registrations by QMI in Canada

(Source: QMI, 2004)



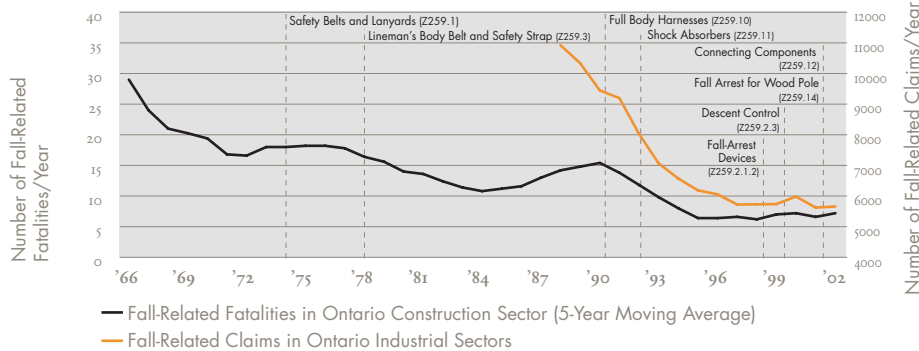
Note: If a forest has been certified to more than one standard, the area is only counted once, hence the total of registered hectares is less than the sum of CSA and ISO individual totals above. To date, all forests with CSA certification have been previously certified to ISO 14001.

**We make a difference to the environment** Over the past decade, CSA has played a leading role in developing environmental management standards, among them a national sustainable forest management standard that embraces public participation and allows for independent audits. Since 1996, QMI has registered over 70% of Canada's managed forestland to these standards – enough to fill all of Alberta and more.

## Control

### Worker Fall-Related Fatalities and Claims

(Sources: Workplace Safety and Insurance Board (Ontario), 2002; Construction Safety Association of Ontario, 2002)

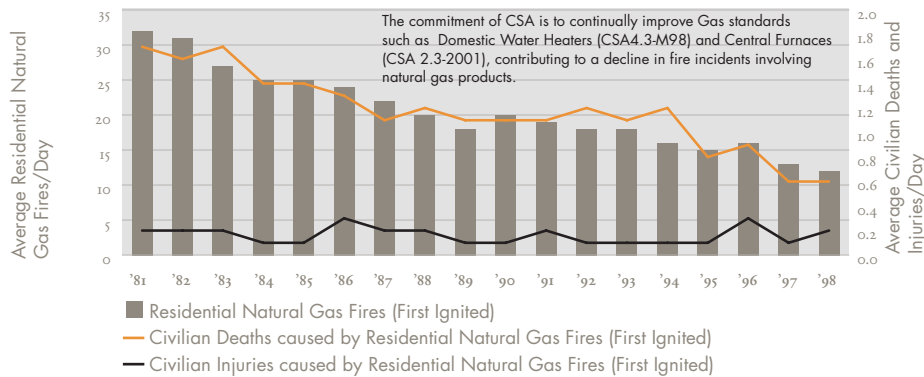


**We help reduce the number of workplace accidents** CSA first published a standard for safety belts and lanyards in 1974. It has been followed, since 1991, by standards for full-body harnesses, shock absorbers, fall arrest for wood pole, descent control and connecting components, as well as related certification programs. The frequency of fall-related accidents and claims has dramatically declined.

## Commitment

### Residential Fires from Natural Gas in U.S.A.

(Source: National Fire Protection Association, 2001)

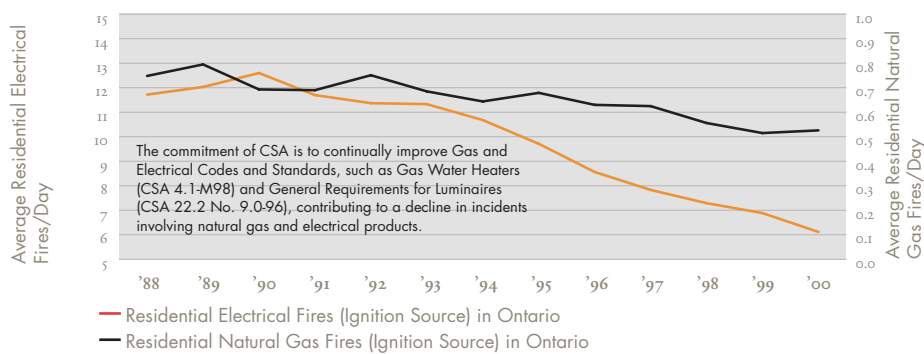


**We help prevent residential fires** CSA publishes an entire family of standards and certifies a wide range of products relating to electrical and gas products such as, household appliances, luminaries, gas water heaters and central furnaces. In the past 10 years, the number of household fires involving electrical or gas products in Canada and the U.S. have declined, resulting in significantly fewer injuries.

## Prevention

### Residential Fires from Electrical and Natural Gas

(Source: Ontario Fire Marshall's Office, 2002)

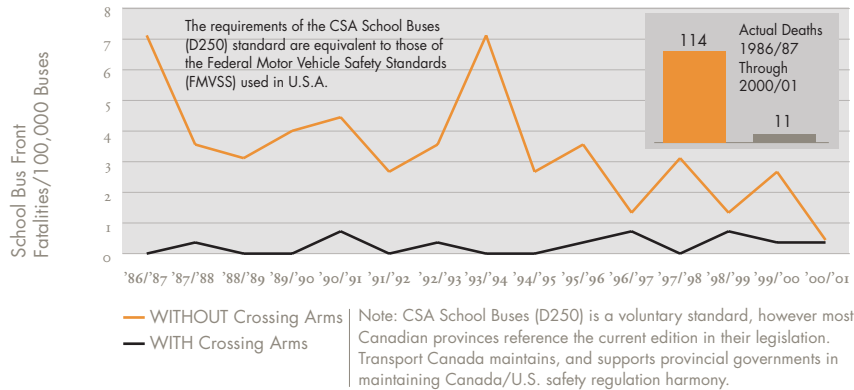


**We help prevent residential fires** CSA publishes an entire family of standards and certifies a wide range of products relating to electrical and gas products such as, household appliances, luminaries, gas water heaters and central furnaces. In the past 10 years, the number of household fires involving electrical or gas products in Canada and the U.S. have declined, resulting in significantly fewer injuries.

## Safeguarding

### Fatalities in Front of School Buses With or Without Crossing Arms in U.S.A.

(Source: Kansas Department of Transportation, 2002)

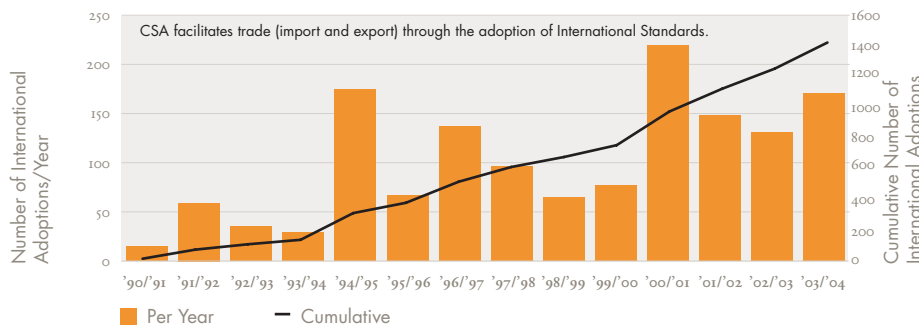


**We help save lives** Since the 1970's, CSA has developed school bus standards that now include an option for crossing arms on the front of the vehicle. CSA's front crossing arm requirement is equivalent to those contained in the U.S. Federal Motor Vehicle Safety standards. In the past 15 years, the number of deaths from buses equipped with crossing arms in the U.S. has been one-tenth the number caused by buses without the safety equipment.

## Globalization

### CSA Adoption of International Standards

(Source: CSA, 2004)



**We facilitate trade** As tariffs and quotas have decreased with increasing globalization, manufacturers require their products to be tested, certified and recognized internationally. Standards harmonization supports this effort. Since 1990, CSA has adopted more than 1,400 international standards.



## Global Network

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