

FINANCIAL REVIEW

CSA Group Annual Report 2004/05



What is service without trust?

What is trust without service?

What is life without both?



Financial Review

	Page
Management's Responsibility for Financial Information	14
Auditors' Report	15
Consolidated Statement of Financial Position	16
Consolidated Statement of Changes in Net Assets	18
Consolidated Statement of Operations	19
Consolidated Statement of Cash Flows	20
Notes to Consolidated Financial Statements	21
1. Nature of Operations	22
2. Summary of Significant Accounting Policies	22
3. Inventory	25
4. Property, Plant and Equipment	25
5. Investments	26
6. Intangible Assets and Goodwill	26
7. Consolidated Statement of Cash Flows	27
8. Contingencies	27
9. Retirement Benefit Plans	27
10. Commitments	33
11. Financial Instruments and Risk Management	34
12. Comparative Consolidated Financial Statements	34



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



- Management systems registration
- Training and seminars



- Product testing
- Certification services



- Consumer Product Testing
- Data Management
- Consulting Services

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 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 and CEO
April 29, 2005



Duncan H. Cowie
Vice President, Finance
April 29, 2005

Auditors' 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, 2005 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, 2005 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.



Ernst & Young LLP
Chartered Accountants
Toronto, Canada
April 29, 2005

Financial Position

Consolidated Statement of Financial Position

As at March 31
[in thousands of Canadian dollars]

	2005 \$	2004 \$
ASSETS		
Current		
Cash	12,388	14,596
Short-term investments [note 5(a)]	5,401	–
Accounts receivable, net	33,213	28,934
Inventory [note 3]	3,874	3,608
Prepaid expenses	3,499	4,210
	58,375	51,348
Deferred expenses, net	4,034	5,361
Property, plant and equipment, net [note 4]	33,343	33,509
Long-term investments [note 5(b)]	32,119	41,481
Accrued pension benefit asset [note 9]	26,822	23,115
Intangible assets and goodwill, net [note 6]	4,034	–
	158,727	154,814
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	28,518	31,254
Deferred revenue	19,622	18,234
Customer deposits	12,456	12,223
	60,596	61,711
Accrued other retirement and post-employment benefit liability [note 9]	14,027	10,423
	74,623	72,134
Contingencies and commitments [notes 8 and 10]		

Net Assets

Invested in property, plant and equipment	33,343	33,509
Internally restricted for specific purposes	47,379	45,797
Unrestricted	3,382	3,374
Total Net Assets	84,104	82,680
	158,727	154,814

See accompanying notes



Douglas G. Hatch
Chair of the Board



Douglas V. Baldwin
Chair of the Audit Committee

On behalf of the Board:

Net Assets

Consolidated Statement of Changes in Net Assets

Year ended March 31 2005 2004
 [in thousands of Canadian dollars]

	<i>Unrestricted</i>	<i>Internally restricted</i>	<i>Invested in property, plant and equipment</i>	<i>Total</i>	<i>Total</i>
	\$	\$	\$	\$	\$
Balance, beginning of year	3,374	45,797	33,509	82,680	84,643
Excess (deficiency) of revenue over expenses for the year	20,576	(13,538)	(5,614)	1,424	(1,963)
Investments in property, plant, and equipment, net	(5,448)	–	5,448	–	–
Transfers for future expenditures	(15,120)	15,120	–	–	–
Balance, end of year	3,382	47,379	33,343	84,104	82,680

See accompanying notes

Operations

Consolidated Statement of Operations

	2005	2004
<i>Year ended March 31</i>	<i>\$</i>	<i>\$</i>
<i>[in thousands of Canadian dollars]</i>		
Revenue	181,820	175,658
EXPENSES		
Direct	85,777	82,109
Selling, general and administrative	82,911	85,144
Depreciation	5,615	5,365
Amortization of deferred expenses and intangible assets	2,109	1,379
Project expenditures	4,906	7,087
	181,318	181,084
Gain (loss) from operations	502	(5,426)
Investment income	2,077	3,104
Foreign exchange gain (loss)	(1,155)	359
Excess (deficiency) of revenue over expenses for the year	1,424	(1,963)

See accompanying notes

Cash Flows

Consolidated Statement of Cash Flows

<i>Year ended March 31</i>	<i>2005</i>	<i>2004</i>
<i>[in thousands of Canadian dollars]</i>	<i>\$</i>	<i>\$</i>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	1,424	(1,963)
Add (deduct) items not involving cash		
Depreciation and amortization	7,724	6,744
Loss on disposal of property, plant and equipment	50	42
Gain on sale of investments	(766)	(1,601)
Increase in accrued pension benefit asset	(3,707)	(3,362)
Increase in accrued other retirement and post-employment benefit liability	3,604	2,872
Foreign exchange loss	829	2,493
Net change in non-cash working capital balances <i>[note 7]</i>	(4,949)	3,347
Cash provided by operating activities	4,209	8,572
INVESTING ACTIVITIES		
Deferred expenses	(715)	(3,108)
Purchase of property, plant and equipment	(5,507)	(3,710)
Proceeds on disposal of property, plant and equipment	8	9
Purchase of investments	(40,537)	(58,555)
Proceeds on sale of investments	45,264	56,999
Business acquisition	(4,101)	–
Cash used in investing activities	(5,588)	(8,365)
Net increase (decrease) in cash during the year	(1,379)	207
Effect of exchange rate changes on cash	(829)	(2,493)
Cash, beginning of year	14,596	16,882
Cash, end of year	12,388	14,596

See accompanying notes

Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

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 25, 2005 and for the prior year, the year-end date was March 26, 2004. 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 on consolidation.

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.

Investments

Short-term and long-term investments are recorded at cost. 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.

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

Buildings	5% declining balance
Leasehold improvements	over term of the lease plus one renewal period
Equipment	20% declining balance
Computer equipment and major application software	3 years straight-line

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

Intangible assets

The Association follows the standard issued by The Canadian Institute of Chartered Accountants' ["CICA"] Handbook Section 3062, "Goodwill and other Intangible Assets". This standard eliminates the amortization of goodwill and intangible assets with indefinite lives, but requires an annual test for impairment of the unamortized carrying values.

Goodwill represents the excess of the purchase price, including acquisition costs, over the fair value of the net identifiable assets of businesses acquired.

Intangible assets are stated at their assigned value and amortized on a straight-line basis over their estimated useful lives. The intangible assets also require an annual test for impairment.

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. Future salary levels and inflation affect the amount of future pensions. Adjustments resulting from plan amendments, experience gains and losses, or changes in assumptions are amortized over the remaining average service term of active employees. Cumulative gains and losses in excess of 10% of the greater of the accrued benefit

obligation and the market-related value of plan assets are amortized over the expected average remaining service of active members expected to receive benefits under the plans. The expected return on pension plan assets is based on the fair value of plan assets. The non-pension post-employment benefit plan is a defined benefit plan funded on a cash basis by the Association.

The Association applied the recommendations of Section 3461 of the CICA Handbook prospectively and elected to amortize the transitional asset/obligation on a linear basis from April 1, 2000 over the average remaining service period of active members expected to receive benefits under the plans.

Lease inducements

Lease inducements represent leasehold improvements paid for by the landlord and the value of rent-free periods. Lease inducements are amortized on a straight-line basis over the term of the lease and the amortization is recorded as a reduction of rent expense.

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. Revenue from the sale of goods is recognized when they are shipped. 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 revenue 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 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 by the Board of Directors for specific purposes relating to the development of standards, research projects and new standards applications.

March 31, 2005
[in thousands of Canadian dollars]

3. INVENTORY

Inventory consists of the following:

	2005 \$	2004 \$
Work in progress	2,914	2,623
Inventory for resale	960	985
	3,874	3,608

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	2005			2004		
	Cost \$	Accumulated depreciation \$	Net book value \$	Cost \$	Accumulated depreciation \$	Net book value \$
Land	4,357	–	4,357	4,357	–	4,357
Buildings	28,907	13,690	15,217	28,270	13,008	15,262
Leasehold improvements	2,696	1,665	1,031	1,740	1,440	300
Equipment	48,344	38,929	9,415	46,828	37,369	9,459
Computer equipment and major application software	26,849	23,526	3,323	25,315	21,184	4,131
	111,153	77,810	33,343	106,510	73,001	33,509

March 31, 2005
[in thousands of Canadian dollars]

5. INVESTMENTS

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

	Carrying value		Market value	
	2005	2004	2005	2004
	\$	\$	\$	\$
Government bonds which bear interest at 8.75% and mature within 12 months	5,401	–	5,595	–

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

	Due in 1-5 years	Carrying value		Market value	
		2005	2004	2005	2004
	\$	\$	\$	\$	\$
Government bonds	23,080	23,080	32,546	23,031	33,515
Weighted average interest rate					
Stated	7.15%				
Effective	7.13%				
Equities		6,352	5,644	5,788	5,554
Cash and cash equivalents					
held by brokers		2,687	3,291	2,687	3,291
		32,119	41,481	31,506	42,360

6. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill consist of the following:

	2005	2004
	\$	\$
Customer lists, net of amortization of \$67	933	–
Goodwill	3,101	–
	4,034	–

On July 31, 2004, the Association completed the acquisition of an Alberta quality registration business known as Quality Certification Bureau for cash consideration of \$4,101. The acquisition has been accounted for using the purchase method. The excess of the purchase price and acquisition costs of \$380 over the fair value of net tangible assets of \$380 has been allocated to goodwill and intangible assets. Amounts allocated to intangible assets as customer lists are amortized on a straight-line basis over 10 years.

7. CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2005 \$	2004 \$
Accounts receivable	(4,279)	(3,819)
Inventory	(266)	882
Prepaid expenses	711	319
Accounts payable and accrued liabilities	(2,736)	8,218
Deferred revenue	1,388	(1,346)
Customer deposits	233	(907)
	(4,949)	3,347

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, the outcome of these actions cannot be determined with a reasonable degree of assurance at this time. 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. Pension benefits are based on length of service and final average earnings. Pension payments for all plans except one are partially indexed to cost of living increases after retirement.

The Association's contributions to the defined contribution pension plan are expensed when due. The expense for the defined contribution pension plan for 2005 was \$476 [2004 - \$502].

March 31, 2005
[in thousands of Canadian dollars]

Information about the Association's defined benefit pension plans, in aggregate, is as follows:

	2005 \$	2004 \$
Accrued benefit obligation	149,936	132,559
Fair value of plan assets	172,970	150,892
Funded status - plan surplus	23,034	18,333
Accrued benefit asset	26,822	23,115

	2005 \$	2004 \$
Components of net periodic pension cost		
Current service cost [employer portion]	4,194	4,121
Interest cost	8,585	7,978
Actual return on plan assets	(18,780)	(20,758)
Actuarial loss	5,528	11,955
Plan amendments	-	1,793
Costs (recovery) arising in the year	(473)	5,089
Differences between costs arising in the year and costs recognized in the year in respect of:		
Return on plan assets	8,099	10,790
Actuarial gain	(4,268)	(10,377)
Past service costs (recovery)	781	(1,036)
Transitional asset	(3,623)	(3,623)
Net periodic pension cost	516	843

	2005 \$	2004 \$
Changes in accrued benefit obligation		
Benefit obligation, beginning of year	132,559	111,991
Current service cost [employer portion]	4,194	4,121
Interest cost	8,585	7,978
Employee contributions	1,984	1,934
Plan amendments	-	1,793
Actual benefits paid	(2,914)	(1,759)
Net transfers out	-	(5,454)
Actuarial loss	5,528	11,955
Accrued benefit obligation, end of year	149,936	132,559

March 31, 2005
[in thousands of Canadian dollars]

	2005 \$	2004 \$
Change in plan assets		
Market value of plan assets, beginning of year	150,892	131,334
Actual return on plan assets	18,780	20,758
Employer contributions	4,228	4,079
Employee contributions	1,984	1,934
Actual benefits paid	(2,914)	(1,759)
Net transfers out	–	(5,454)
Fair value of plan assets, end of year	172,970	150,892

The fair value of the assets of the defined benefit pension plans has been used to determine the net pension expense for the years ended March 31, 2005 and 2004.

Plan assets by asset category are as follows:

	2005 %	2004 %
Equity securities	65.1	66.2
Fixed income	28.8	29.3
Other	6.1	4.5
	100.0	100.0

	2005 \$	2004 \$
Reconciliation of funded status		
Funded status - plan surplus	23,034	18,333
Employer contributions after measurement date	975	991
Unamortized transitional asset	(32,483)	(36,106)
Unamortized past service costs	7,697	8,478
Unamortized net actuarial loss	27,599	31,419
Accrued benefit asset	26,822	23,115
Unamortized transitional increase in valuation allowance	–	–
Valuation allowance	–	–
Accrued benefit asset, net of valuation allowance	26,822	23,115

March 31, 2005
[in thousands of Canadian dollars]

Defined benefit pension plans	<i>Last actuarial valuation date</i>	<i>Next actuarial valuation date</i>
Salaried Employees	December 31, 2001	December 31, 2004
Members of Local 967 of The Canadian Union of Public Employees	December 31, 2001	December 31, 2004
Members of Local 4559 of The Canadian Union of Public Employees	December 31, 2002	December 31, 2005
Designated Executive Employees	December 31, 2001	December 31, 2004

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

Defined benefit pension plans	<i>2005</i> %	<i>2004</i> %
Accrued benefit obligation		
Discount rate for pension cost	6.25	6.75
Discount rate for accrued benefit obligation	6.00	6.25
Expected long-term rate of return on plan assets	7.00	7.50
Rate of compensation increase	4.00	4.00

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

	<i>2005</i> \$	<i>2004</i> \$
Employer contributions	4,228	4,079
Employee contributions	1,984	1,934
Benefits paid	(2,914)	(1,759)

Information about the Association's other retirement and post-employment benefit plans, in aggregate, is as follows:

	<i>2005</i> \$	<i>2004</i> \$
Accrued benefit obligation	30,115	25,937
Fair value of plan assets	—	—
Funded status - plan deficit	(30,115)	(25,937)
Accrued benefit liability	(14,027)	(10,423)

March 31, 2005
[in thousands of Canadian dollars]

	2005 \$	2004 \$
Components of net periodic benefit cost		
Current service cost	1,467	992
Interest cost	1,771	1,510
Actuarial loss	1,487	2,207
Costs arising in the year	4,725	4,709
Differences between costs arising in the year and costs recognized in the year in respect of:		
Actuarial gain	(1,417)	(2,207)
Transitional obligation	844	844
Net periodic benefit cost recognized	4,152	3,346

	2005 \$	2004 \$
Change in accrued benefit obligation		
Accrued benefit obligation, beginning of year	25,937	21,658
Current service cost	1,467	992
Interest cost	1,771	1,510
Benefits paid	(547)	(430)
Actuarial loss	1,487	2,207
Accrued benefit obligation, end of year	30,115	25,937

	2005 \$	2004 \$
Reconciliation of funded status to accrued benefit liability		
Plan deficit, end of year	(30,115)	(25,937)
Employer contributions during the year from measurement date to fiscal year end	131	130
Unamortized transitional obligation	10,971	11,815
Unamortized net actuarial loss	4,986	3,569
Accrued benefit liability	(14,027)	(10,423)

March 31, 2005
[in thousands of Canadian dollars]

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

	2005 %	2004 %
Weighted-average assumptions for expense		
Discount rate	6.50	6.75
Rate of compensation increase	3.00	4.50
Initial prescription drug trend rate	10.00	5.00
Ultimate prescription drug trend rate	5.00	5.00
Year ultimate rate reached	2013	
Initial semi-private hospital and other medical costs trend rate	5.00	5.00
Ultimate semi-private hospital and other medical costs trend rate	5.00	5.00
Initial dental care trend rate	5.00	5.00
Ultimate dental care trend rate	5.00	5.00
Initial weighted average health care trend rate	6.66	5.00
Ultimate weighted average health care trend rate	5.00	5.00
Year ultimate rate reached	2013	
Weighted-average assumptions for disclosure		
Discount rate	6.25	6.50
Rate of compensation increase	3.00	3.00
Initial prescription drug trend rate	9.50	10.00
Ultimate prescription drug trend rate	5.00	5.00
Year ultimate rate reached	2013	
Initial semi-private hospital and other medical costs trend rate	5.00	5.00
Ultimate semi-private hospital and other medical costs trend rate	5.00	5.00
Initial dental care trend rate	5.00	5.00
Ultimate dental care trend rate	5.00	5.00
Initial weighted average health care trend rate	6.53	6.66
Ultimate weighted average health care trend rate	5.00	5.00
Year ultimate rate reached	2013	

March 31, 2005
[in thousands of Canadian dollars]

A 1% increase or decrease in the health care cost trend rates would result in a \$6,089 increase or \$4,757 decrease in the accrued benefit obligation as at March 31, 2005 and a \$778 increase or \$592 decrease in the service and interest cost for the year ended March 31, 2005.

Information about the Association's other retirement and post-employment benefit plans is as follows:

	2005 \$	2004 \$
Employer contributions	547	474
Employee contributions	-	-
Benefits paid	547	474

10. COMMITMENTS

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

	\$
2006	1,609
2007	1,613
2008	1,755
2009	1,748
2010	1,738
Thereafter	7,203
	<u>15,666</u>

The Association has signed a new 15-year lease effective June 1, 2005. Under the terms of this lease, the Association will receive lease inducements, including rent-free periods, of approximately \$1,844 which the Association will amortize over the term of the lease. The Association has also agreed to issue a letter of credit to the landlord for \$500 in return for a \$635 loan, repayable in equal monthly installments over the next 10 years. The letter of credit will decline by predetermined amounts over the next six years upon satisfaction of certain conditions. The Association has not received any of the lease inducements or loan proceeds as at March 31, 2005.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

As at March 31, 2005, the Association had foreign exchange forward contracts to sell a total of US\$20,250 over the next nine months at rates ranging from CDN\$1.17 to CDN\$1.24.

Credit risk

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

Fair value

Due to the short period to maturity of current assets and current liabilities, the carrying values as presented in the consolidated statement of financial position are reasonable estimates of their market value. The market value of investments [note 5] is determined using independent third party confirmations.

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, 2005, the consolidated statement of financial position includes amounts denominated in U.S. currency, which represent 49% [2004 - 60%] of current assets, 24% [2004 - 19%] of long-term investments and 19% [2004 - 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 2005 consolidated financial statements.

Global Network

CSA Group

Head Office
178 Rexdale Blvd.
Toronto, Ontario
M9W 1R3

Tel: 416.747.4000
Fax: 416.747.4149
E-mail: info@csagroup.org
www.csagroup.org

CSA International

Head Office
178 Rexdale Blvd.
Toronto, Ontario
M9W 1R3

Tel: 416.747.4000
1.866.797.4272
Fax: 416.747.4149
E-mail: certinfo@csa-international.org
www.csa-international.org

QMI

QMI World Headquarters
20 Carlson Court, Suite 100
Toronto, Ontario
Mississauga, Ontario
M9W 7K6

Tel: 416.401.8700, 800.465.3717
Fax: 416.401.8650
E-mail: clientservices@qmi.com
www.qmi.com

Canadian Standards Association

Head Office
5060 Spectrum Way
Mississauga, Ontario
L4W 5N6

Tel: 416.747.4000
Fax: 416.747.2473
E-mail: info@csa.ca
www.csa.ca

OnSpeX

Head Office
8503 East Pleasant Valley Road
Cleveland, Ohio
USA 44131-5516

Toll Free: 1.888.CPE.3335
FAX: 216.520.8981
E-mail: info@onspex.com
www.onspex.com

Other Office Locations

Edmonton, Alberta
Montréal, Québec
Ottawa, Ontario
Vancouver, British Columbia

Charlotte, North Carolina
Chicago, Illinois
Cleveland, Ohio
Dallas, Texas
Los Angeles, California
Nashville, Tennessee

Arnhem, the Netherlands
Bangalore, India
Beijing, China
Guangzhou, China
Hong Kong, China
Mexico, D.F.
Shanghai, China



US



Consumer Product Evolution

CSA Group is a not-for-profit membership association serving business, industry, government and consumers. We are dedicated to making standards work for people and business. We comprise:

Canadian Standards Association which develops standards and helps people understand and apply them through information products and seminars.

QMI which delivers client-focused management system registration and training services and is North America's leading registrar.

OnSpeX which is a new, value-added concept in consumer product evaluation and consulting services, focused on consumer hardlines.

CSA International which provides testing and certification services for electrical, mechanical, plumbing, gas and a variety of other products. CSA's certification marks are recognized in Canada, the U.S. and around the world.



® Registered trade-mark of Canadian Standards Association

© Copyright 2005 Canadian Standards Association. All rights reserved.