



CSA Group Annual Report 2005 | 2006

Helping you build trust
and make a difference to people and business



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- 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

Every day, at CSA Group, we confront issues that matter. The air we breathe. The food we eat. The products we use. The places in which we live and work.

We think about how standards can help improve safety and enhance life... how they can drive excellence and build trust.

These are your issues too – and we are here to help make a difference.

- We help you build confidence in your products and services.
- We help you maintain trust with customers, regulators, investors, employees and the public at large.
- We help you capitalize on business opportunities.

Together, we can work to shape a safer, better world.

Helping you deliver better products

*“NFPA and CSA share a common interest in serving the public... We look forward to expanding our activities with CSA in the areas of electrical and fire safety, and the important area of emergency preparedness and homeland security.” — **James M. Shannon**, President, National Fire Protection Association*

Every year, about 2 million Canadians suffer from illnesses caused by foodborne bacteria and about 30 of them die.

QMI expanded its food safety services portfolio to include registration services for ISO 22000:2005, Food Safety Management. Aimed at food producers, processors, handlers and retailers, the standard creates an effective framework for food safety management, communication along the food supply chain, and control of food safety hazards.

To meet consumers' expectations, retailers need reliable sources of quality products, delivered through efficient supply chains.

With quick turnaround and expert global service, OnSpeX quantified and analyzed the performance of numerous hardline products and suppliers—vital information that resulted in better business decisions.

Helping you trade around the world

CSA and ASTM International signed an MOU during an international standardization workshop in September 2005. “This MOU establishes a strategic alliance, leverages the expertise of both organizations, creates value for the public and stakeholders, and builds a model of regional cooperation.” — James Thomas, President, ASTM International

Standards should not present barriers. People and business need to build collaborative relationships.

CSA initiated discussions with leading standards authorities in China, agreeing to share best practices, provide training and information products, and develop markets in selected product areas. With a Memorandum of Understanding with the Standardization Administration of China and a new office for CSA, our presence in China continues to expand.

China has one of the world's fastest growing economies – and is a favoured source of products bound for North America and elsewhere.

CSA International mobilized an expanded North American-International Services Team to meet demand for timely certification services in China. Specialists in power tools, audio visual products, protective equipment, and gas appliances and components were added to the already strong local electrical team of experts. QMI opened an office in Beijing and also provides client service from Shanghai and Guangzhou.

Helping you preserve the environment

*“Standards are essential in developing and marketing new technologies. It’s imperative that the compliance of such products with safety and performance standards be confirmed by an accredited third party such as CSA International.” — **Larry Preston**, Manager, Fuel Cell Processing, UTC Power*

Nations, companies and people around the world seek solutions to help them reduce greenhouse gas emissions.

CSA was instrumental in developing new international greenhouse gas standards for the world. On behalf of the International Organization for Standardization (ISO) and the Standards Council of Canada, CSA managed a working group of 200 experts from 50 countries and non-governmental organizations to create the new ISO 14064 series of standards.

Consumers want products that use less energy.

CSA International opened a facility in Atlanta that provides lighting manufacturers with certification and energy efficiency testing for both Canada (Energy Efficiency Verification) and the U.S. (Energy Star).

Helping improve the quality of life

*“For decades, CSA’s Health Care Technology program has laid a lot of the ground work for what is now being done in terms of patient safety. Standards have an important role to play.” — **Dr. Wayne Taylor**, director of the MBA Program in Health Services Management and the Health Leadership Institute at McMaster University’s DeGroote School of Business and Chair of CSA Strategic Steering Committee on Health Care Technology*

Houses are built with the use of many standards and codes, applied to electrical, plumbing and construction products and practices. A fitting home for CSA Group.

In 2005, about 200 employees donated more than 1,000 hours of their time to help build Habitat for Humanity homes. The construction of one house was supported by a donation from CSA Group and last December, the keys were turned over to a grateful family.

To drive continuous improvement, organizations must benchmark practices against recognized standards.

CSA is one of a few standards development organizations in the world to be registered to ISO 14001:2004. Our environmental management system was set up to demonstrate social responsibility and drive improvements in business practices.

Message

A Message from Daniel Gagnier, Chair of the Board and Robert M. Griffin, President & CEO

Helping you build trust

At CSA Group, making standards work for people and business is both our purpose and our passion. Our work is also a matter of trust - earning your trust and helping you build trust with others.

In an uncertain world, the need for recognized standards and related conformity assessment programs has never been greater. They shape the cornerstone of confidence. They help you demonstrate compliance, ensure transparent measurement and reporting, and practice excellent governance and social accountability – without which business and reputations quickly falter, and worse, people's health, safety and environment may be compromised.

In 2005/06, our 1,300 employees and 9,000 members applied themselves to these issues with exceptional results, helping you build and keep the trust of your customers, employees, investors, regulators and other stakeholders. We are proud of our achievements and will continue to deliver excellent service with the integrity, care and commitment on which our reputation rests.

Serving you, with results

With a strong contribution from all divisions, CSA Group revenues increased 8% this past year (15% at constant exchange rates).

CSA, our standards development and learning centre division, posted a remarkable 27% growth rate – evidence of the demand for innovative solutions and timely service. In 2005/06, we increased our efforts in promoting standards and stakeholder engagement as important ways to deal with business and societal issues.

CSA forged alliances with key stakeholders in the health, environment and public safety communities and collaborated with other major standards developers such as ISO, IEC and ASTM. In a testament to the vital role of standards in society, compliance to CSA standards are now specified for Quebec blood banks, transfusion services and medical laboratories – thanks to our close cooperation with Health Canada, the Canadian Council on Health Services Accreditation and the Health and Social Services Ministry of Quebec.

QMI also enjoyed strong growth last year and remains North America's leading registrar of management system audits. Its recent acquisition of a competing registrar (QCB) is now fully integrated. Business cycle times have been reduced and new e-business tools are delighting our clients who report high satisfaction with our service. With the addition of offices in China, QMI is well-placed to serve the growing global needs of its clients.

CSA International responded well to an unprecedented increase in requested product certifications in 2005/06. Much of this demand came from organizations wishing to move business from a competitor to our CSA mark. We increased staff levels by 14% so as to accommodate this business without compromising our own high level of service.

Expanded service in China has resulted in additional business wins, while the opening of a testing laboratory in Atlanta, Georgia enables lighting manufacturers to demonstrate compliance with energy efficiency and safety standards.

OnSpeX, CSA Group's newest business, continues to grow to our expectations, tripling its revenue over the previous year. Although it accounts for a relatively small part of our overall revenues, OnSpeX is now established in China and well positioned to provide significantly more service to North American retailers who seek assistance with supply chain risk management, including product performance evaluation.

Beyond these financial results, we are pleased to report continuous improvement in several new key performance indicators (Purpose KPIs), including cycling safety and industrial personal protective equipment.

Serving our purpose

The opportunities for CSA Group to fulfill its purpose are as diverse as life itself.

Consider the safety of our workplaces. Every day, two Canadians die from work related accidents.

CSA has just released Canada's first consensus based standard for occupational health and safety management, CSA Z1000. Developed with the participation of organized labour, management and government representatives, this standard is designed to help organizations improve their performance and prevent workplace injuries, illness and fatalities. We plan to actively promote this standard and provide related training and auditing services.

To help build trust, we will be offering expanded services in the coming year. For example, personnel certification will formally recognize specified skills and capabilities against objective criteria and enable CSA to add value to the industries where we have

subject area recognition, established networks and technical expertise. To assist the investment community in enhancing levels of trust, we are participating in the delivery of a new business initiative to introduce a new, global fiduciary rating and certification for financial institutions.

Our corporate legal department will continue to enforce our zero tolerance policy of fraudulent and counterfeit products bearing CSA marks. This action is an essential support for public health and safety, and for the integrity of our marks in which government, industry, consumers and others hold so much trust and confidence.

We anticipate a busy and productive year ahead, and intend to increase our workforce by 10% so that we continue to provide the superlative service you have come to expect and rightfully deserve.

At the same time, we are ever mindful of corporate social responsibility. In 2005/2006, the company and its employees responded generously to the United Way, the Hurricane Katrina relief effort and Habitat for Humanity. In the coming year, CSA Group will again sponsor a new home build for Habitat, one that will feature the latest in energy efficiency.

Our members and employees share a deep conviction about the power of standards to make a real difference in people's lives. You can count on our commitment and drive to fulfill our purpose and our passion... to help you build and maintain trust and confidence in the products and services you provide... to continually strive for societal improvements in health and safety, quality of life, and a clean and sustainable environment.

In a world that needs more trust and imaginative solutions, better service and social accountability, we are well prepared and immensely proud to contribute.



Daniel Gagnier
Chair of the Board



Robert M. Griffin
President and CEO



Board of Directors

**Denotes Executive Committee of the Board*

Front row, from left

Sondra Bruni
Winnipeg, MB

William E. Watchorn*
President and CEO
ENSIS Management Inc.
Winnipeg, MB

Julia Hill*
(Vice Chair of the Board)
Director General
Natural Health Products
Directorate
Ottawa, ON

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

Daniel Gagnier*
(Chair of the Board)
Sr. Vice-President
Corporate and External
Affairs
Alcan Inc.
Montreal, PQ

Allan Gibbins
President & CEO
Hubbell Canada Inc.
Pickering, ON

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

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

Middle row, from left
Malcolm O'Hagan
President (Retired)
National Electrical
Manufacturers Association
Rosslyn, VA, USA

Lina Lachapelle
Directrice
Qualité, Environnement
et Santé-sécurité
Interquisa Canada
Montreal, PQ

Robert Bowen
Executive Director
Institute for Research in
Construction
National Research Council
Ottawa, ON

Case de Jong
President
Kindred Industries Ltd.
Midland, ON

John Cowen*
Aurora, ON

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

Back row, from left
Caroline Tompkins
President
Forum for International
Trade Training
Ottawa, ON

Greg Wilson
Senior Vice President, CIO &
CPO
TransAlta
Calgary, AB

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

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

Gregory L. Sevick
Vice President, Development
& Services
Enbridge Pipelines Inc.
Calgary, AB

Robert A. Cook
President & CEO
Nova Scotia Association of
Health Organizations
Bedford, NS

Richard L. Bunn
Berwyn, PA, USA

Claude Bédard
Vice President and General
Manager
The Euclid Chemical
Company
Longueuil, PQ

*Missing from the
group photo*
Douglas V. Baldwin
President and CEO (Retired)
Electro-Federation Canada
Mississauga, ON

Bernd Christmas
Chief Executive Officer
Membertou Development
Corporation
Sydney, NS

Douglas G. Hatch*
(Past Chair of the Board)
President, Core Learning Ltd.
Toronto, ON



Executive Leadership Team

From left

Wendy J. Tilford
President
QMI

Patricia Burns
Vice President, Human Resources
CSA Group

G. Michael Martin
Vice President, Finance
CSA Group

Robert M. Griffin
President and CEO
CSA Group

Randall W. Luecke
President
CSA International and OnSpeX

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

Pat Keindel
President, Standards
Canadian Standards Association

Karen Gaiger
Vice President, Information Technology
CSA Group

Financials

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 Finance & Audit Committee, which is composed exclusively of outside directors, is appointed annually by the Board of Directors. The Finance & 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 Finance & 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 Finance & 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
May 5, 2006



G. Michael Martin
Vice President, Finance
May 5, 2006

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, 2006 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, 2006 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
May 5, 2006

Financial Position

Consolidated Statement of Financial Position

As at March 31
[in thousands of Canadian dollars]

2006

\$

2005

\$

ASSETS

Current

Cash	12,057	12,388
Short-term investments [note 5(a)]	–	5,401
Accounts receivable, net	32,666	33,213
Inventory [note 3]	4,389	3,874
Prepaid expenses	3,685	3,499
	52,797	58,375
Deferred expenses, net	2,082	4,034
Property, plant and equipment, net [note 4]	32,497	33,343
Long-term investments [note 5(b)]	46,409	32,119
Accrued pension benefit asset [note 10]	32,575	26,822
Intangible assets and goodwill, net [note 6]	3,935	4,034
	170,295	158,727

LIABILITIES AND NET ASSETS

Current

Accounts payable and accrued liabilities	27,275	28,518
Deferred revenue	21,195	19,622
Customer deposits	12,644	12,456
	61,114	60,596
Accrued other retirement and post-employment benefit liability [note 10]	17,716	14,027
Loan payable [note 7]	530	–
Lease inducement	1,541	–
	80,901	74,623

Contingencies and commitments [notes 9 and 11]

Net Assets

Invested in property, plant and equipment	32,497	33,343
Internally restricted for specific purposes	51,633	47,379
Unrestricted	5,264	3,382
Total Net Assets	89,394	84,104
	170,295	158,727

See accompanying notes

On behalf of the Board:



Daniel Gagnier
Chair of the Board



John Cowen
Chair of the Finance & Audit Committee

Net Assets

Consolidated Statement of Changes in Net Assets

Year ended March 31
[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	3,382	47,379	33,343	84,104	82,680
Excess (deficiency) of revenue over expenses for the year	17,378	(7,271)	(4,817)	5,290	1,424
Investments in property, plant, and equipment, net	(3,971)	–	3,971	–	–
Transfers for future expenditures	(11,525)	11,525	–	–	–
Balance, end of year	5,264	51,633	32,497	89,394	84,104

See accompanying notes

Operations

Consolidated Statement of Operations

Year ended March 31
[in thousands of Canadian dollars]

	2006 \$	2005 \$
Revenue	196,263	181,820
EXPENSES		
Direct	93,662	85,777
Selling, general and administrative	89,877	82,911
Depreciation	4,817	5,615
Amortization of deferred expenses and intangible assets	2,051	2,109
Project expenditures	810	4,906
	191,217	181,318
Income from operations	5,046	502
Investment income	1,515	2,077
Foreign exchange gain (loss)	(1,271)	(1,155)
Excess of revenue over expenses for the year	5,290	1,424

See accompanying notes

Cash Flows

Consolidated Statement of Cash Flows

<i>Year ended March 31</i>	<i>2006</i>	<i>2005</i>
<i>[in thousands of Canadian dollars]</i>	<i>\$</i>	<i>\$</i>
OPERATING ACTIVITIES		
Excess of revenue over expenses		
for the year	5,290	1,424
Add (deduct) items not involving cash		
Depreciation and amortization	6,868	7,724
Loss on disposal of property, plant and equipment	123	50
Gain on sale of investments	(440)	(766)
Increase in accrued pension benefit asset	(5,753)	(3,707)
Increase in accrued other retirement and		
post-employment benefit liability	3,689	3,604
Foreign exchange loss	846	829
Net change in non-cash working capital		
balances <i>[note 8]</i>	364	(4,949)
Cash provided by operating activities	10,987	4,209
INVESTING ACTIVITIES		
Deferred expenses	–	(715)
Purchase of property, plant and equipment	(4,096)	(5,507)
Proceeds on disposal of property, plant and equipment	2	8
Purchase of investments	(58,917)	(40,537)
Proceeds on sale of investments	50,036	45,264
Business acquisition	–	(4,101)
Cash used in investing activities	(12,975)	(5,588)
FINANCING ACTIVITIES		
Loan proceeds	530	–
Lease inducements proceeds	1,541	–
Cash provided by financing activities	2,071	–
Net increase (decrease) in cash during the year	83	(1,379)
Effect of exchange rate changes on cash	(414)	(829)
Cash, beginning of year	12,388	14,596
Cash, end of year	12,057	12,388

See accompanying notes

Notes to Consolidated Financial Statements

[in thousands of Canadian dollars]

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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 31, 2006 and for the prior year, the year-end date was March 25, 2005. 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, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. 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 held for resale is valued at the lower of cost, on a first-in, first-out basis, and replacement cost. Work in progress and inventory held for resale 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
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 the results of operations in the year of disposal.

Goodwill and 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

Goodwill and intangible assets are subject to a fair value impairment test to be performed at least annually to ensure that the fair value remains greater than, or equal to, the carrying value. Any impairment to the carrying value will be included in the results of operations for that year.

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 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. Standard Resource Support and other revenues are recognized based upon percentage completion. 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 assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

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. In the event it is no longer probable that the anticipated transaction will occur or the hedge ceases to be effective, any unrealized gain or loss on the hedge is recognized in the results of operations at that time.

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, 2006
[in thousands of Canadian dollars]

3. INVENTORY

Inventory consists of the following:

	2006 \$	2005 \$
Work in progress	3,318	2,914
Inventory for resale	1,071	960
	4,389	3,874

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	2006			2005		
	Cost \$	Accumulated depreciation \$	Net book value \$	Cost \$	Accumulated depreciation \$	Net book value \$
Land	4,357	–	4,357	4,357	–	4,357
Buildings	29,033	14,406	14,627	28,907	13,690	15,217
Leasehold improvements	2,916	1,791	1,125	2,696	1,665	1,031
Equipment	49,831	40,079	9,752	48,344	38,929	9,415
Computer equipment and major application software	27,495	24,859	2,636	26,849	23,526	3,323
	113,632	81,135	32,497	111,153	77,810	33,343

5. INVESTMENTS

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

	Carrying value		Market value	
	2006 \$	2005 \$	2006 \$	2005 \$
Government bonds which bear interest at 8.75% and mature within 12 months	–	5,401	–	5,595

March 31, 2006
[in thousands of Canadian dollars]

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

	<i>Due in 2-6 years</i>	<i>Carrying value</i>		<i>Market value</i>	
	<i>\$</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
		<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Government bonds	28,197	28,197	23,080	28,291	23,031
Weighted average interest rate					
Stated	5.1%				
Effective	4.9%				
Equities		17,902	6,352	18,875	5,788
Cash and cash equivalents					
held by brokers		310	2,687	311	2,687
		46,409	32,119	47,477	31,506

6. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill consist of the following:

	<i>2006</i>	<i>2005</i>
	<i>\$</i>	<i>\$</i>
Customer lists, net of amortization of \$166 [2005-\$67]	834	933
Goodwill	3,101	3,101
	3,935	4,034

Amounts allocated to intangible assets as customer lists are amortized on a straight-line basis over 10 years.

7. LOAN PAYABLE

During the year, the Association obtained a loan in the amount of \$635 from one of its landlords. The loan bears interest at 8.5% and is repayable in equal monthly principal payments of \$5 plus interest and is due in May 2015. The Association has issued a letter of credit in the amount of \$500 as security. The letter of credit will decline by predetermined amounts over the next five years upon satisfaction of certain conditions.

March 31, 2006

[in thousands of Canadian dollars]

8. CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2006 \$	2005 \$
Accounts receivable	547	(4,279)
Inventory	(515)	(266)
Prepaid expenses	(186)	711
Accounts payable and accrued liabilities	(1,243)	(2,736)
Deferred revenue	1,573	1,388
Customer deposits	188	233
	<u>364</u>	<u>(4,949)</u>

9. 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.

10. RETIREMENT BENEFIT PLAN

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 2006 was \$834 [2005 – \$856].

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

	2006 \$	2005 \$
Accrued benefit obligation	179,840	149,936
Fair value of plan assets	202,541	172,970
Funded status – plan surplus	<u>22,701</u>	<u>23,034</u>
Accrued benefit asset	<u>32,575</u>	<u>26,822</u>

March 31, 2006

[in thousands of Canadian dollars]

	2006 \$	2005 \$
Components of net periodic pension cost		
Current service cost [employer portion]	5,014	4,194
Interest cost	8,977	8,585
Actual return on plan assets	(25,982)	(18,780)
Actuarial loss	17,183	5,528
Costs (recovery) arising in the year	5,192	(473)
Differences between costs arising in the year and costs recognized in the year in respect of:		
Return on plan assets	13,741	8,099
Actuarial gain	(16,674)	(4,268)
Past service costs	781	781
Transitional asset	(3,623)	(3,623)
Net periodic pension cost (recovery)	(583)	516
 Changes in accrued benefit obligation		
Benefit obligation, beginning of year	149,936	132,559
Current service cost [employer portion]	5,014	4,194
Interest cost	8,977	8,585
Employee contributions	1,979	1,984
Actual benefits paid	(3,249)	(2,914)
Actuarial loss	17,183	5,528
Accrued benefit obligation, end of year	179,840	149,936
 Change in plan assets		
Market value of plan assets, beginning of year	172,970	150,892
Actual return on plan assets	25,982	18,780
Employer contributions	4,859	4,228
Employee contributions	1,979	1,984
Actual benefits paid	(3,249)	(2,914)
Fair value of plan assets, end of year	202,541	172,970

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, 2006 and 2005.

March 31, 2006

[in thousands of Canadian dollars]

Plan assets by asset category are as follows:

	2006 %	2005 %
Equity securities	64.9	65.1
Fixed income	28.6	28.8
Other	6.5	6.1
	100.0	100.0

	2006 \$	2005 \$
Reconciliation of funded status		
Funded status - plan surplus	22,701	23,034
Employer contributions after measurement date	1,286	975
Unamortized transitional asset	(28,860)	(32,483)
Unamortized past service costs	6,916	7,697
Unamortized net actuarial loss	30,532	27,599
Accrued benefit asset	32,575	26,822

Defined benefit pension plans	Last actuarial valuation date	Next actuarial valuation date
Salaried Employees	December 31, 2004	December 31, 2007
Members of Local 967 of The Canadian Union of Public Employees	December 31, 2004	December 31, 2007
Members of Local 4559 of The Canadian Union of Public Employees	December 31, 2004	December 31, 2007
Designated Executive Employees	December 31, 2004	December 31, 2007

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	2006 %	2005 %
Accrued benefit obligation		
Discount rate for pension cost	6.00	6.25
Discount rate for accrued benefit obligation	5.10	6.00
Expected long-term rate of return on plan assets	7.00	7.00
Rate of compensation increase	4.00	4.00

March 31, 2006

[in thousands of Canadian dollars]

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

	2006 \$	2005 \$
Employer contributions	4,859	4,228
Employee contributions	1,979	1,984
Benefits paid	(3,249)	(2,914)

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

	2006 \$	2005 \$
Accrued benefit obligation	38,967	30,115
Fair value of plan assets	—	—
Funded status - plan deficit	(38,967)	(30,115)
Accrued benefit liability	(17,716)	(14,027)

	2006 \$	2005 \$
Components of net periodic benefit cost		
Current service cost	1,508	1,467
Interest cost	1,869	1,771
Actuarial loss	6,046	1,487
Costs arising in the year	9,423	4,725
Differences between costs arising in the year and costs recognized in the year in respect of:		
Actuarial gain	(5,993)	(1,417)
Transitional obligation	844	844
Net periodic benefit cost recognized	4,274	4,152

	2006 \$	2005 \$
Change in accrued benefit obligation		
Accrued benefit obligation, beginning of year	30,115	25,937
Current service cost	1,508	1,467
Interest cost	1,869	1,771
Benefits paid	(571)	(547)
Actuarial loss	6,046	1,487
Accrued benefit obligation, end of year	38,967	30,115

March 31, 2006

[in thousands of Canadian dollars]

	2006 \$	2005 \$
Reconciliation of funded status to accrued benefit liability		
Plan deficit, end of year	(38,967)	(30,115)
Employer contributions during the year from measurement date to fiscal year end	145	131
Unamortized transitional obligation	10,127	10,971
Unamortized net actuarial loss	10,979	4,986
Accrued benefit liability	(17,716)	(14,027)

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

	2006 %	2005 %
Weighted-average assumptions for expense		
Discount rate	6.25	6.50
Rate of compensation increase	4.00	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	
Weighted-average assumptions for disclosure		
Discount rate	5.10	6.25
Rate of compensation increase	4.00	3.00
Initial prescription drug trend rate	9.00	9.50
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	6.38	6.53
Ultimate weighted average health care trend rate	5.00	5.00
Year ultimate rate reached	2013	

March 31, 2006

[in thousands of Canadian dollars]

A 1% [2005 – 1%] increase or decrease in the health care cost trend rates would result in a \$8,833 [2005 – \$6,089] increase or \$6,791 [2005 – \$4,757] decrease in the accrued benefit obligation as at March 31, 2006 and a \$849 [2005 – \$778] increase or \$642 [2005 – \$592] decrease in the service and interest cost for the year ended March 31, 2006.

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

	2006 \$	2005 \$
Employer contributions	571	547
Benefits paid	571	547

11. COMMITMENTS

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

	\$
2007	2,179
2008	1,974
2009	1,778
2010	1,738
2011	1,775
Thereafter	5,428
	14,871

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

As at March 31, 2006, the Association had foreign exchange forward contracts to sell a total of U.S. \$27,750 [2005 – U.S.\$20,250] over the next 12 months at rates ranging from Cdn.\$1.12 to Cdn.\$1.21.

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, 2006, the consolidated statement of financial position includes amounts denominated in U.S. currency, which represent 52% [2005 – 49%] of current assets, 28% [2005 – 24%] of long-term investments and 21% [2005 – 19%] of current liabilities.

13. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2006 consolidated financial statements.

Purpose KPIs

Performance against our purpose

OUR KEY PERFORMANCE INDICATORS

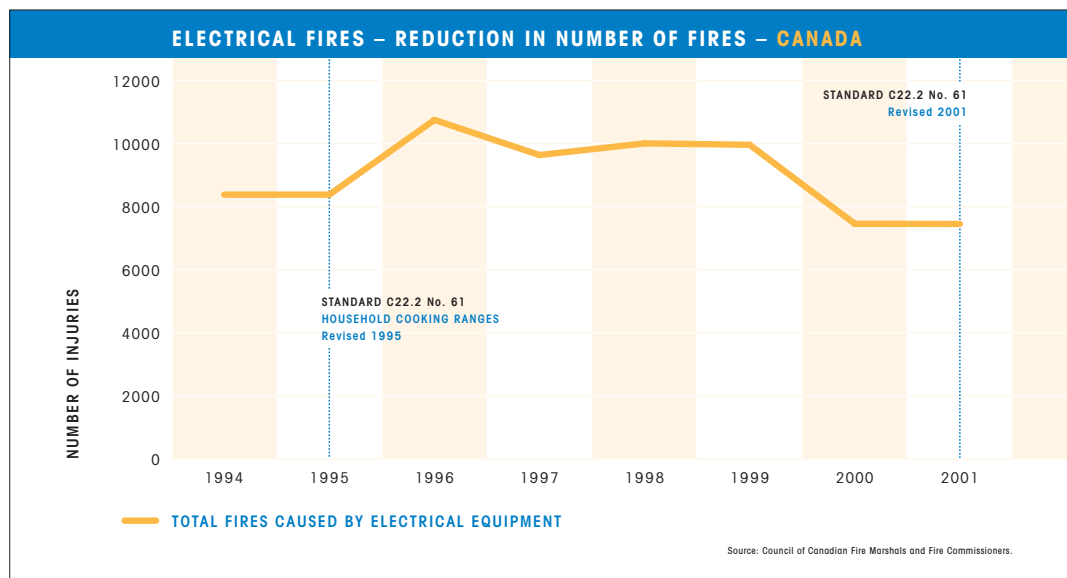
CSA's purpose is to make standards work for people and business. We regularly track our performance against key indicators to demonstrate the impact we have on the world around us... just another example of service.

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 ways of doing things.

PREVENTION

Lowering the risk of household fires

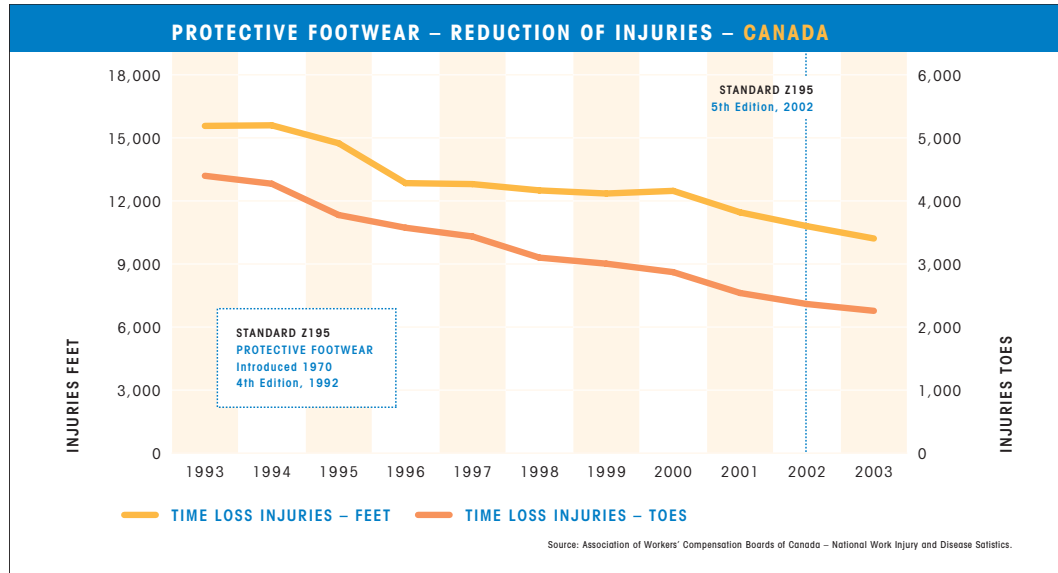
CSA publishes 700 electrical and electronics standards, many of which are designed to improve safety in the home. From fuses to fridges, they help make your home safer.



CONFIDENCE

Fewer foot injuries in the workplace

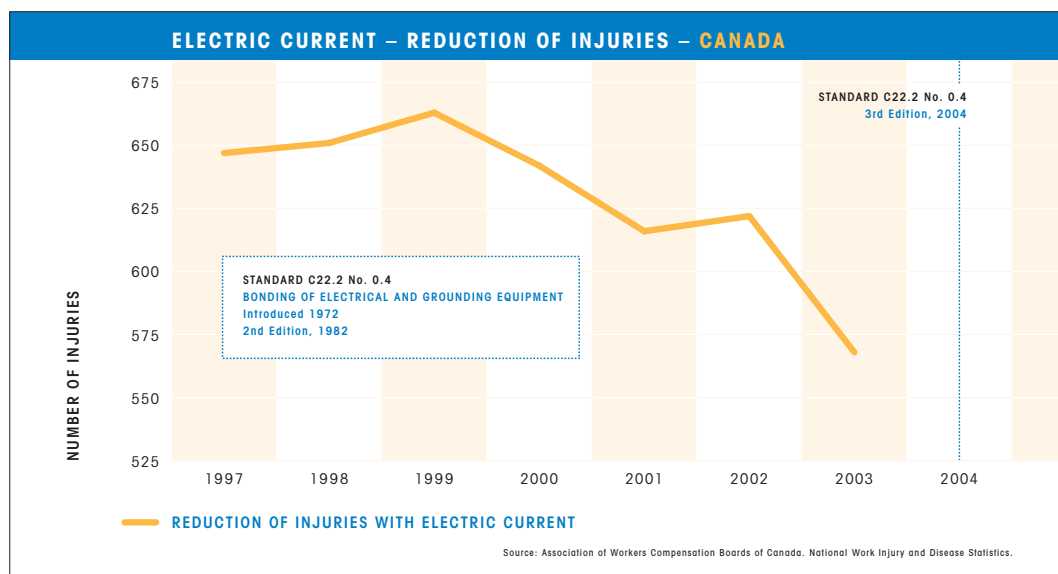
CSA introduced a standard for protective footwear in 1970. Since 1992, when the 4th edition of this standard was published, the number of foot and toe injuries on work sites across Canada has declined by thousands each year.



ASSURANCE

Fewer cases of electric shock

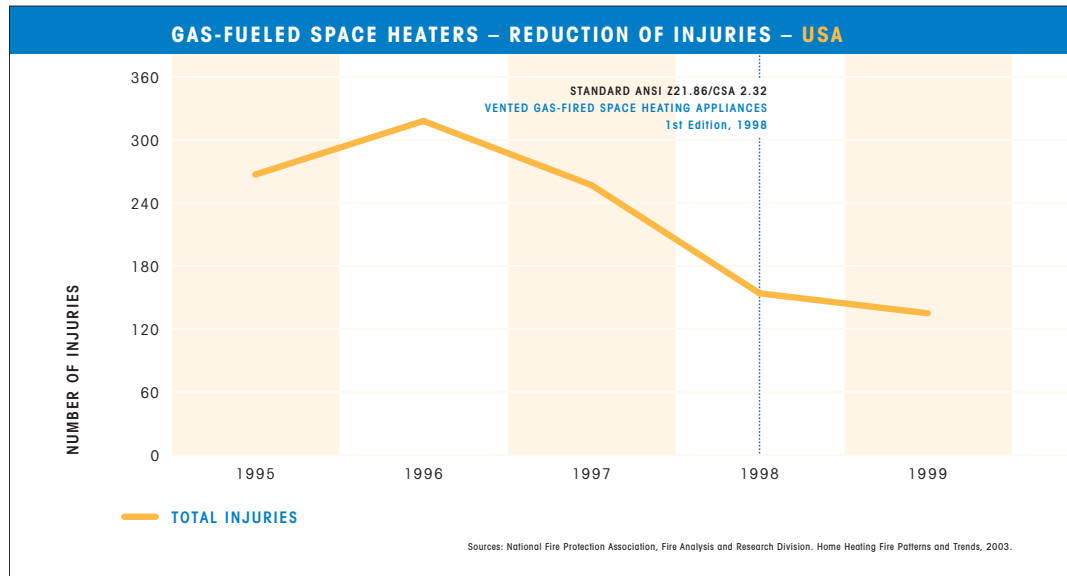
Since 1927, CSA's Canadian Electrical (CE) Code has provided the signature standards for addressing the shock and fire hazards of electrical products in Canada. We update the CE Code regularly to address changing technology and operating conditions. Over the years, the number of injuries from electric current has dropped.



COMFORTING

Fewer injuries from gas-fueled space heaters

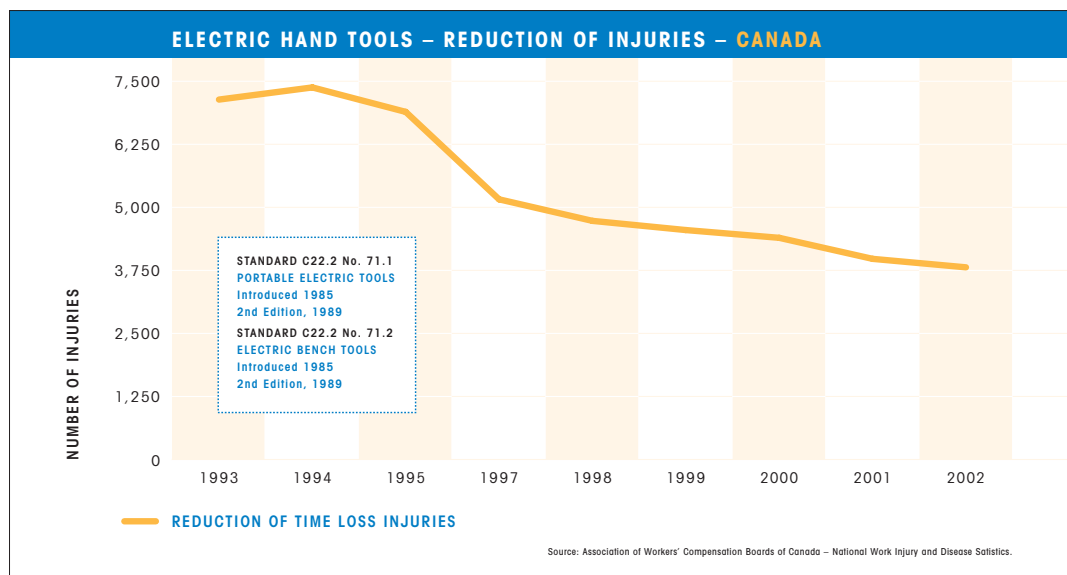
Gas, wood, kerosene and electric space heaters are a great way to make a room cozy and cut down on your heating costs. But the ultimate cost of a space heater that isn't installed or operated properly is far greater. Since 1998, CSA standards have helped reduce the number of injuries resulting from gas-fueled space heaters in the United States.



KNOWLEDGE

Fewer injuries from hand tools

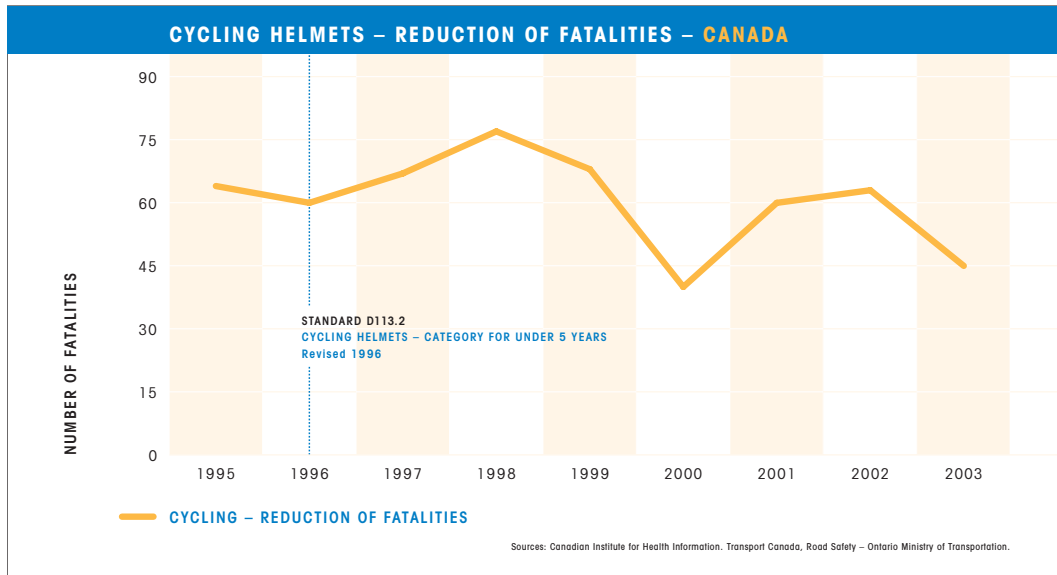
Safety in the workplace is a major concern for workers and employers, as well as for producers of workplace machinery and equipment. Since 1985, when CSA introduced electric tool standards, the number of related workplace injuries has been reduced.



PROTECTION

Keeping active kids safer

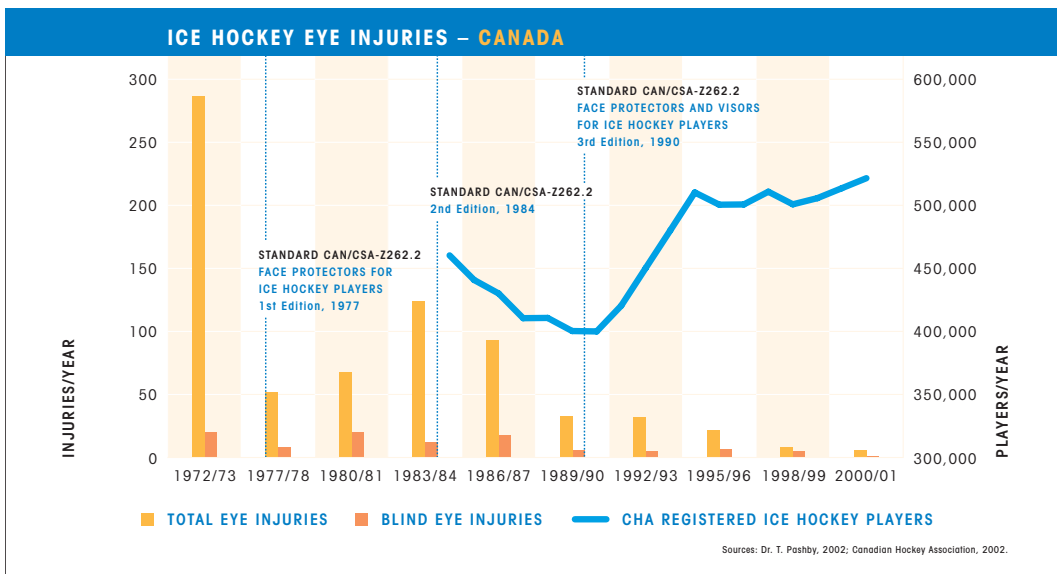
Cycling helmets are an inexpensive way to help protect ourselves and those we love, and are now mandated for children in several Canadian provinces. CSA standards are helping to reduce the number of deaths from cycling accidents.



DEFENCE

Fewer eye injuries

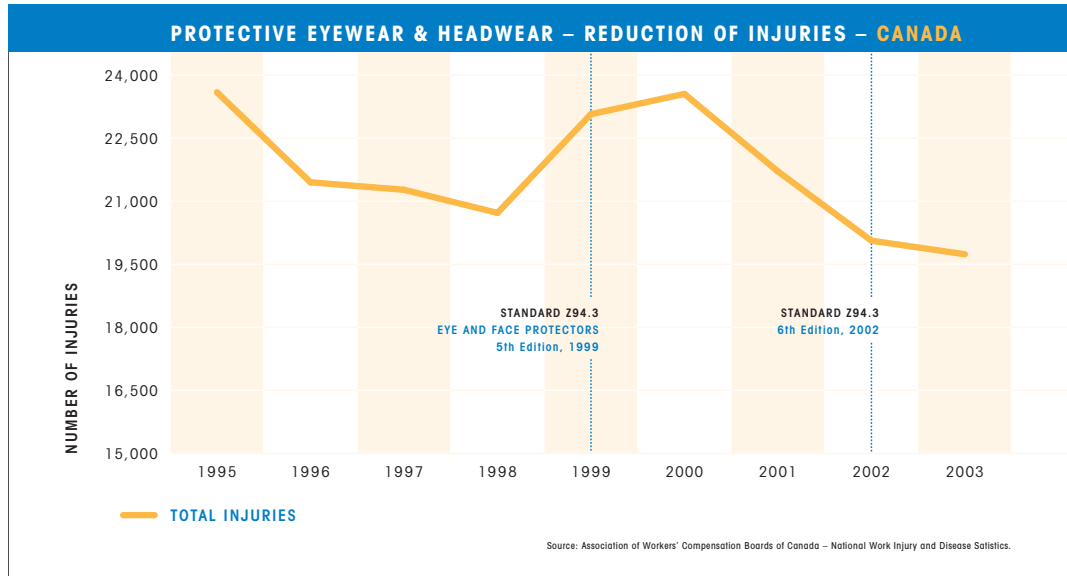
CSA has been certifying hockey helmets and visors for more than 25 years. While the number of CHA Registered Hockey Players has increased significantly, the number of reported eye injuries has dropped – from about 290 per year to less than 10 today. It is estimated that 90% of all sports eye injuries can be prevented with proper use of the right equipment.



INSIGHT

Safer on the job

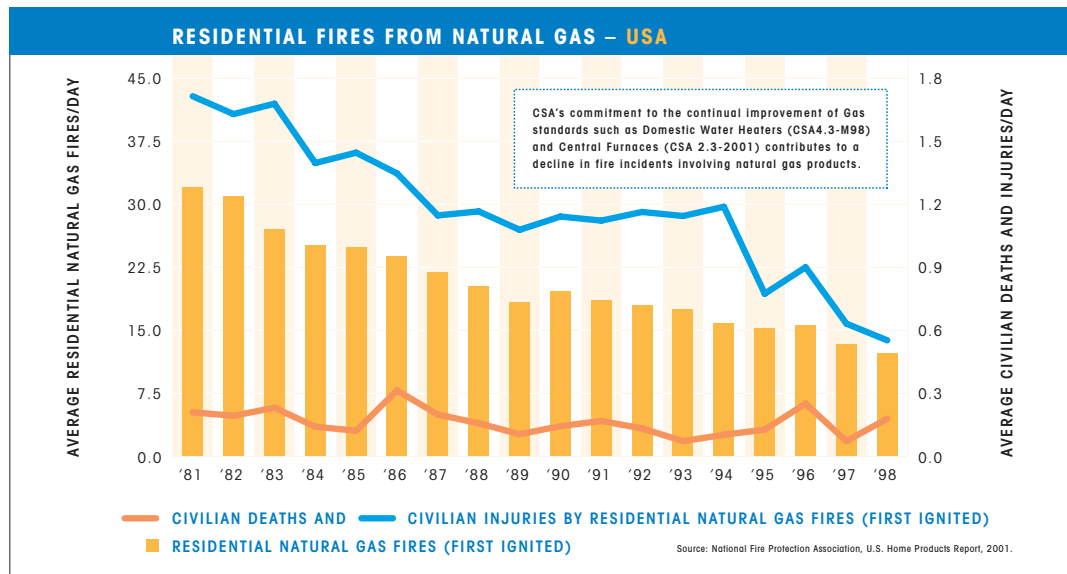
Because your eyes and face matter, we continue to improve our safety standards for eye and face protectors. Since our most recent update in 2002, the number of on-the-job eye and face injuries in Canada has continued to decline.



COMMITMENT

Fewer residential fires from natural gas

By continually improving gas standards for domestic water heaters and central furnaces, CSA has contributed to a steady decline in fire incidents. In the past 10 years, the number of injuries caused by household fires involving these products in the U.S. has declined by more than half.





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