V O L O R M A G N I H I C T E C T T A T A T

E N I A E I N C I T L A M R E P R O E U M E

D O L O R A D T E M Q U I A R E S E D I T A

O M M O L Q **F I N A N C I A L** P H I L I Q U

Q U I D U T **S T A T E M E N T S** M R T L I T

E U M Q U A T E R E P R A V E R U M S O L U

A U T E M Q U E D O L O R E P L I T D O L O

M O V O L O R A N O E N I S T E M A L I Q U

Management's Responsibility and Certification

Management is responsible for the integrity, consistency and reliability of the financial statements and other information presented in the annual report. The financial statements have been prepared by Management in accordance with International Financial Reporting Standards.

We certify that we have reviewed the financial statements and other information contained in the annual report, and, based on our knowledge, they do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the statements and the annual report.

Based on our knowledge, the financial statements together with other financial information included in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Ontario Securities Commission (the "OSC") as of the dates and for the periods presented. The preparation of financial statements involves transactions affecting the current period which cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience and current conditions, and are believed to be reasonable.

We are responsible for establishing and maintaining internal control over financial reporting for the OSC. We have designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

We evaluated, or caused to be evaluated under our supervision, the effectiveness of the OSC's internal control over financial reporting at the financial year-end and the OSC has disclosed in its annual MD&A our conclusion about the effectiveness of internal control over financial reporting at the financial year-end based on that evaluation.

We have also disclosed in the MD&A any change in our internal control over financial reporting that occurred during the year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The financial statements have been reviewed by the Audit and Finance Committee and approved by the Board of Directors. The Auditor General's Report, which follows, outlines the scope of the Auditor's examination and opinion on the financial statements.

Howard I. Wetston, Q.C.
Chair and Chief Executive Officer

H.R. Goss
Director, Corporate Services

May 21, 2013

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Securities Commission

I have audited the accompanying financial statements of the Ontario Securities Commission, which comprise the statement of financial position as at March 31, 2013, and the statement of comprehensive income, statement of changes in surplus and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Securities Commission as at March 31, 2013 and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Gary R. Peall, CPA, CA, LPA
Acting Auditor General

May 21, 2013
Toronto, Ontario

Statement of Financial Position

In Canadian dollars

Assets	Notes	March 31, 2013	March 31, 2012
Current			
Cash		$ 11,175,984	$ 23,061,703
Trade and other receivables	5	3,566,243	2,699,510
Prepayments		1,129,765	1,025,843
Total Current		**$ 15,871,992**	$ 26,787,056
Non-Current			
Funds held pursuant to designated settlements and orders	6	$ 19,756,165	$ 47,194,738
Funds held for CSA systems redevelopment	7	94,810,759	80,521,903
Reserve fund assets	8	20,000,000	20,000,000
Property, plant and equipment	9	9,257,175	3,943,729
Total Non-Current		**$ 143,824,099**	$ 151,660,370
Total Assets		**$ 159,696,091**	$ 178,447,426
Liabilities			
Current			
Trade and other payables	10	$ 17,090,122	$ 15,228,177
Obligation under finance leases		–	1,631
Total Current		**$ 17,090,122**	$ 15,229,808
Non-Current			
Pension liabilities	12 (b)	$ 2,197,427	$ 2,016,341
Funds held pursuant to designated settlements and orders	6	19,756,165	47,194,738
Funds held for CSA systems redevelopment	7, 17	94,810,759	80,521,903
Total Non-Current		**$ 116,764,351**	$ 129,732,982
Total Liabilities		**$ 133,854,473**	$ 144,962,790
Surplus			
Operating			
General	14	$ 5,841,618	$ 13,484,636
Reserve	8, 13	20,000,000	20,000,000
		$ 25,841,618	$ 33,484,636
Total Liabilities and Surplus		**$ 159,696,091**	$ 178,447,426

The related notes are an integral part of these financial statements.

On behalf of the Board of the Commission

Howard I. Wetston, Q.C.
Chair and Chief Executive Officer

Sinan O. Akdeniz
Chair, Audit and Finance Committee

Statement of Comprehensive Income

In Canadian dollars

Revenues	Notes	Year ended March 31, 2013	Year ended March 31, 2012
Fees	14	$ 86,930,037	$ 85,182,382
Interest income		236,708	343,740
Miscellaneous		111,136	111,768
Total Revenues		**$ 87,277,881**	$ 85,637,890
Expenses			
Salaries and benefits	15	$ 72,336,238	$ 69,414,747
Adminstrative	16	7,606,472	6,818,005
Occupancy		7,434,056	6,544,194
Professional Services		5,767,182	5,919,595
Depreciation	9	2,461,213	1,843,700
Other		560,669	623,189
		$ 96,165,830	$ 91,163,430
Recoveries of enforcement costs		$ (1,244,931)	$ (1,138,500)
Total Expenses		**$ 94,920,899**	$ 90,024,930
Deficiency		**$ (7,643,018)**	$ (4,387,040)

The related notes are an integral part of these financial statements.

Statement of Changes in Surplus

In Canadian dollars

	Notes	March 31, 2013	March 31, 2012
Operating surplus, beginning of year		$ 33,484,636	$ 37,871,676
Deficiency		(7,643,018)	(4,387,040)
Operating Surplus, End of Year		**$ 25,841,618**	$ 33,484,636
Represented by:			
General	14	$ 5,841,618	$ 13,484,636
Reserve	8, 13	20,000,000	20,000,000
		$ 25,841,618	$ 33,484,636

The related notes are an integral part of these financial statements.

Statement of Cash Flows

In Canadian dollars

Cash flows from/(used in) operating activities	Notes	Year ended March 31, 2013	Year ended March 31, 2012
Deficiency of revenues over expenses		$ (7,643,018)	$ (4,387,040)
Adjusted for:			
Interest received		248,495	327,008
Interest income		(236,708)	(343,740)
Interest expense on line of credit		24,012	–
Pension liabilities		181,086	11,147
Loss on disposal of property, plant and equipment		931	132
Amortization		2,461,213	1,843,700
		$ (4,963,989)	$ (2,548,793)
Changes in non-cash working capital:			
Trade and other receivables		$ (878,520)	$ (530,850)
Prepayments		(103,922)	(260,362)
Trade and other payables		1,861,945	1,853,546
		$ 879,503	$ 1,062,334
Net cash flows used in operating activities		$ (4,084,486)	$ (1,486,459)
Cash flows used in investing activities			
Purchase of property, plant and equipment	9	$ (7,775,590)	$ (1,876,803)
Net cash flows used in investing activities		$ (7,775,590)	$ (1,876,803)
Cash flows used in financing activities			
Repayment of obligation under finance leases		$ (1,631)	$ (78,778)
Interest paid on line of credit		(24,012)	–
Net cash flows used in financing activities		$ (25,643)	$ (78,778)
Net Decrease in Cash		**$ (11,885,719)**	$ (3,442,040)
Cash Position, Beginning of Year		**23,061,703**	26,503,743
Cash Position, End of Year		**$ 11,175,984**	$ 23,061,703

The related notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Reporting Entity

The Ontario Securities Commission (the "OSC") is a corporation domiciled in Canada. The address of the OSC's registered office is 20 Queen Street West, Toronto, ON M5H 3S8. The OSC is a corporation without share capital and is the regulatory body responsible for regulating the province's capital markets. As a Crown corporation, the OSC is exempt from income taxes.

2 Basis of Presentation

A. Statement of compliance

These financial statements are in accordance with International Financial Reporting Standards (IFRS). These financial statements for the year ended March 31, 2013 (including comparatives) were authorized for issue by the Board of Directors on May 21, 2013.

B. Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value and pension liabilities that are measured net of actuarial gain and losses, as explained in the accounting policies in the next section. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

C. Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the OSC's functional currency, which have been rounded to the nearest dollar.

D. Use of judgments and estimates

The preparation of financial statements in accordance with IFRS requires that management make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues and expenditures for the period. Actual amounts can differ from these estimates to the extent future outcomes differ significantly from management's forecast expectations.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments

The following are the judgments in applying accounting policies apart from those involving estimates that have the most significant effect on the amounts recognized in the financial statements.

Investor Education Fund (IEF or the "Fund")

The IEF is a non-profit organization funded by settlements and fines from enforcement proceedings of the OSC. There are a number of areas where significant judgment is exercised to establish whether the Fund needs to be consolidated with the OSC. Key areas of judgment include: legal relationship, contractual terms, board and management representation, power to govern, benefits and materiality. The exercise of judgment in these areas determines whether the Fund is consolidated with the OSC. Details related to the IEF are set out in Note 19.

Estimates

The following are the key assumptions and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

Designated settlements and orders and recovery of enforcement costs

Designated settlements and orders and recovery of enforcement costs are recognized net of amounts deemed uncollectible and when it is expected that the amount related to the sanction imposed on respondents is collectible. Significant consideration is given to determine the recognition of designated settlements and orders and recovery of enforcement costs. Key areas considered include: the ability of the respondent to pay the sanction amount, the residency of the respondent and whether the respondent owns any assets. A change in any of the above areas can have a material impact on the OSC's financial statements. Assets and liabilities will change related to designated settlements and orders and expenses will change related to the recoveries of enforcement costs. Details of designated settlements and orders are set out in Note 6.

3 Significant Accounting Policies

The following accounting policies have been applied consistently to all periods presented in these financial statements.

A. Financial Instruments

Financial assets and financial liabilities are recognized when the OSC becomes a party to the contractual provisions of the instrument.

Financial instruments are classified into one of the following categories: financial assets at fair value through profit or loss, loans and receivables, and other liabilities.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

The OSC has adopted the following classifications for financial assets and financial liabilities:

Loans and receivables

Trade and other receivables and receivables from designated settlements and orders are classified as loans and receivables and are measured at amortized cost, less any impairment loss. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of a market participant, or default or significant delay in payment) that the OSC will be unable to collect all of the amounts due under the terms of the amount receivable.

Financial assets at fair value through profit or loss

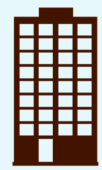
Cash, Funds held pursuant to designated settlements and orders, Funds held for the Canadian Securities Administrators (CSA) systems redevelopment and Reserve fund assets are classified as held-for-trading and recorded at fair value.

Other liabilities

Trade and other payables are classified as other liabilities and measured at amortized cost.

B. Property, Plant and Equipment

Items of property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is recognized in profit and loss and calculated on a straight-line basis over the estimated useful lives of the assets less its residual value, as follows:

Office furniture and equipment	Computer hardware and related applications	Leasehold improvements
		
5 to 10 years	3 years	Over term of the lease plus one option period

The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimates accounted for on a prospective basis.

Computer hardware and related applications held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, when shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

Items of property, plant and equipment are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

C. Revenue Recognition

Fees are recognized when services are rendered, which is normally upon receipt.

Participation fees

Participation fees are recognized when received because these fees cannot be measured reliably as market capitalization of issuers or the specified Ontario revenue of registrants, on which their participation fees are based, is not determinable prior to receipt. These fees represent the payment for the right to participate in the Ontario capital markets and the OSC has no specific obligations throughout the year to any individual market participant. As such, the OSC's performance consists of a single act, being the payment of the fee. Once the fee is paid, there is no obligation to refund the fees and there are no other unfulfilled conditions on behalf of the OSC. Therefore, participation fees are deemed to be earned upon receipt.

Activity fees

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Because the activities undertaken are normally completed in a relatively short period of time, activity fees are recognized when received.

Late filing fees

Late filing fees in respect of insider trading reports are recognized weekly and include fees related to all insider trading reports filed late in the preceding seven-day period.

Recoveries of enforcement costs

Recoveries of enforcement costs are recorded as offsets to total expenses on the date a settlement is approved or an order issued by the OSC, unless management determines there is significant doubt as to ultimate collection, in which case recovery is recognized when cash is received.

D. Funds Held Pursuant to Designated Settlements and Orders

Funds held pursuant to designated settlements and orders are recorded when settlements are approved or orders made by the Commission, unless management determines there is significant doubt as to ultimate collection, in which case they are recognized when cash is received.

E. Employee Benefits

Ontario's Public Service Pension Plan

The OSC provides pension benefits to its full-time employees through participation in Ontario's Public Service Pension Plan, which is a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as sufficient information is not available to apply defined benefit plan accounting to this pension plan. The Province of Ontario is the sole sponsor of the Public Service Pension Plan. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the OSC. Payments made to the above plan are recognized as an expense when employees have rendered service entitling them to the contributions.

Supplemental Pension Plan

The OSC also maintains unfunded supplemental pension plans for certain full-time Commission members as described in Note 12(b). The liability recognized in the statement of financial position for the supplemental pension plans is the present value of the defined benefit obligation at the reporting date together with adjustments for unrecognized actuarial gains or losses and past service costs. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method prorated on services and management's best estimate assumptions.

The OSC recognizes all actuarial gains and losses arising from the supplemental pension plans in profit and loss using the corridor method.

Other post-employment obligations

The costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the statement of comprehensive income as described in Note 18(b).

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The OSC recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without a realistic possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Short-term benefits

Short-term employee benefits, such as salaries, pension contributions, paid annual leaves and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided.

F. Leases

Leases of property, plant and equipment are classified as finance leases when the OSC obtains substantially all the risks and rewards of ownership of the underlying assets. At the inception of the lease, the OSC records an asset together with a corresponding long-term liability at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Any initial direct costs are added to the amount recognized as an asset. Thereafter, the asset is amortized over the shorter of its useful life and the lease term. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. Lease payments are expensed on a straight-line basis over the term of the lease.

In the event that lease incentives are received to enter into operating leases, the aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

G. Provisions

Legal

A provision is recognized when a present legal or constructive obligation results from past events, it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

4 Financial Instruments Risks

The OSC is exposed to various risks in relation to financial instruments. The OSC's objective is to maintain a minimal risk. The OSC's financial assets and liabilities by category are summarized in Note 3. The main types of risks related to the OSC's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. This note presents information about the OSC's exposure to these risks and the OSC's objectives, policies and processes for measuring and managing these risks.

Currency Risk

The OSC's exposure to currency risk is minimal as only a small number of transactions are in currencies other than Canadian dollars.

Interest Rate Risk

The OSC's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The OSC's Cash, Funds held pursuant to designated settlements and orders, Funds held for CSA systems redevelopment and Reserve fund assets are held by Schedule 1 banks. As of February 1, 2013, the bank balances earn interest at a rate of 1.85% (2012 – 1.75%) below the prime rate, the average rate of interest earned for the year was 1.22% (2012 – 1.25%). The Reserve fund earned interest at an average rate of 1.23% (2012 – 1.34%).

A 25 basis points change in the interest rate would impact the OSC's operating surplus as follows:

	Impact on operating surplus	
	25 basis points increase in rates	25 basis points decrease in rates
Reserve fund assets	$ 17,387	$ (17,387)
Cash balance	30,961	(30,961)
	$ 48,348	**$ (48,348)**

Credit Risk

The OSC is exposed to minimal credit risk related to Cash, Funds held pursuant to designated settlements and orders, Funds held for CSA systems redevelopment, Reserve fund assets and trade and other receivables.

The Schedule 1 banks hold approximately 98% of the OSC's financial assets; however, given the nature of this counterparty, it is management's opinion that exposure to concentration of credit risk is minimal. Additionally, the investment policy for Cash and for Funds held pursuant to designated settlements and orders was revised and now limits amounts held on deposit in any one of the Schedule 1 banks to $30,000,000 for each category.

The OSC's trade and other receivables balance consists of a large number of debtors with individually immaterial outstanding balances, and amounts receivable from the following:

- The Government of Canada for the recovery of the Harmonized Sales Tax (HST) paid during the year;
- The Funds held for CSA systems redevelopment for staff and other costs incurred by the OSC which are recoverable from these funds;
- The IEF for the recovery of staff and other costs incurred by the OSC; and
- The Canadian Securities Transition Office (CSTO) for staff seconded to that office.

Therefore, the OSC's exposure to concentration of credit risk is minimal.

The OSC maintains an allowance for doubtful accounts. Therefore, the carrying amount of trade and other receivables generally represents the maximum credit exposure. Based on historical information about debtors' default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. Collection efforts continue for trade and other receivables balances, including those that are captured in the allowance for doubtful accounts.

The aging of trade and other receivables is as follows:

	March 31, 2013	March 31, 2012
Current	$ 2,004,358	$ 1,702,917
Past due 31 to 60 days	970,252	707,645
Past due 61 to 90 days	328,970	38,913
Past due greater than 90 days	1,333,007	1,208,869
	$ 4,636,587	$ 3,658,344

Reconciliation of allowance for doubtful accounts:

	Notes	March 31, 2013	March 31, 2012
Opening balance		$ 958,834	$ 865,510
Current year provision		140,540	117,629
Written-off during the year		(29,030)	(24,305)
Closing balance	5	**$ 1,070,344**	$ 958,834

Liquidity Risk

The OSC's exposure to liquidity risk is low as the OSC has a sufficient cash balance, reserve fund assets, and access to a credit facility to settle all current liabilities. As at March 31, 2013, the OSC had a cash balance of $11,175,984 and reserve fund assets of $20,000,000 to settle current liabilities of $17,090,122.

The OSC has put in place a $35,000,000 credit facility to address any short-term cash deficiencies. Interest on the credit facility is charged at a rate of 0.5% below the prime rate. During the year, the OSC utilized the credit facility to a maximum of $8,695,076. As at March 31, 2013, there is no amount outstanding on the credit facility.

The overall exposure to the above noted risk remains unchanged from 2012.

5 Trade and Other Receivables

	Notes	March 31, 2013	March 31, 2012
Trade receivables		$ 1,202,251	$ 1,498,637
Allowance for doubtful accounts	4	(1,070,344)	(958,834)
		$ 131,907	$ 539,803
Other receivables		$ 2,031,326	$ 1,177,589
Interest receivable		30,936	42,723
Due from IEF	19	502,635	235,617
HST recoverable		869,439	703,778
		$ 3,566,243	$ 2,699,510

6 Funds Held Pursuant to Designated Settlements and Orders

The OSC has a number of settlement agreements and orders arising from enforcement proceedings where monies from these settlements and orders are to be set aside and allocated to such third parties as the OSC may determine. As a result of an amendment to the *Securities Act* (Ontario) effective June 2012, the Commission may also use these funds for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets. The accumulated funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%. The OSC will allocate these funds as it determines appropriate in its discretion. This will include allocations to harmed investors where appropriate and where an allocation can be reasonably effected.

As at March 31, 2013, the accumulated balance is determined as follows:

	Notes	March 31, 2013	March 31, 2012
Opening balance		$ 47,194,738	$ 43,603,984
Assessed during the year		80,174,712	38,986,471
Less:			
Amounts to be paid directly to investors		(4,019,124)	–
Adjustments to present value		(21,051)	(155,350)
Orders deemed uncollectible		(71,249,950)	(31,504,822)
Amount recorded from assessments in year		4,884,587	7,326,299
Adjustments to amounts assessed in prior years		195,172	158,607
Total settlements and orders recorded		5,079,759	7,484,906
Add: Interest		514,283	530,848
Less: Payments			
IEF	19	(3,900,000)	(4,420,000)
ABCP		(28,632,615)	–
Others		(500,000)	(5,000)
Closing balance		**$ 19,756,165**	$ 47,194,738
Represented by:			
Cash		$ 14,607,579	$ 41,786,979
Receivable		5,148,586	5,407,759
		$ 19,756,165	$ 47,194,738

The $5,079,759 (2012 – $7,484,906) identified as total settlements and orders recorded reflects the portion of $80,174,712 (2012 – $38,986,471) in settlements and orders that were assessed during the year for which payment was either received or has been deemed collectible. This total includes $195,172 (2012 – $158,607) in adjustments from orders recorded in prior years. The adjustments to amounts assessed in prior years includes the portion of orders from prior years that are on payment plans that were recorded in fiscal 2013, plus the amount that had been previously deemed uncollectible where payment was received in fiscal 2013, less the amount that is now deemed as uncollectible but had been deemed as collectible in prior periods. As at March 31, 2013, $5,148,586 (2012 – $5,407,759) is considered receivable because these amounts are expected to be collected.

The OSC collected a total of $3,218,134 (2012 – $2,202,763) of the designated settlements and orders assessed during the year resulting in an average collection rate of 4.01% (2012 – 5.65%).

As authorized by the Board, the OSC made the following payments from the designated funds. The OSC paid $3,900,000 to the IEF (2012 – $4,420,000). The OSC also paid $28,632,615 (including the interest earned on these funds) to be distributed to the eligible investors who purchased third-party Asset-Backed Commercial Paper (ABCP). This disbursement is part of the ABCP settlement distribution plan announced in 2012. Ernst & Young Inc. was appointed to administer the distribution of these funds to the eligible investors. Fees totalling $198,315 were paid to Ernst & Young Inc. for their services as Administrators and are included in the total. The OSC also paid $500,000 to FAIR Canada as part of a two-year funding commitment.

7 Funds Held for CSA Systems Redevelopment

The OSC is in receipt of payments from the operator of the System for Electronic Data Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI) representing the accumulated surplus from the operations of SEDAR, NRD and SEDI. During the year, the OSC received payments totalling $16,692,000 (2012 – $16,596,429), earned interest of $1,043,705 (2012 – $879,526) and made payments totalling $3,446,849 (2012 – $1,834,263).

The total accumulated funds as at March 31, 2013 are calculated as follows:

	March 31, 2013	March 31, 2012
Total payment received to date	$ 95,933,047	$ 79,241,047
Interest earned to date	4,796,773	3,753,068
Less: Payments made to date	(5,919,061)	(2,472,212)
Total accumulated funds	**$ 94,810,759**	$ 80,521,903

These funds are held by the OSC in accordance with agreements amongst the OSC, the Alberta Securities Commission, the British Columbia Securities Commission, and L'Autorité des marchés financiers. In the case of NRD, the Investment Industry Regulatory Organization of Canada is also a party to the applicable agreement. These funds shall be used to offset any shortfall in revenues from the systems, to develop or enhance the systems and to reduce fees charged to users of the systems. These funds are held in segregated bank accounts and earn interest at the monthly average bank prime rate less 1.85%.

The CSA plans to redevelop these systems in a multi-year phased approach. Funding for this redevelopment program will come from the accumulated surplus amounts. As at March 31, 2013, accumulated payments totalling $5,919,061 (2012 – $2,472,212) related to the development or enhancement of the systems were made for the following purposes:

	March 31, 2013	March 31, 2012
To provide procurement and information technology law advice	$ 2,007,137	$ 782,306
To provide information technology and business process outsourcing advice	1,332,373	567,637
To design an Enterprise Architecture for the CSA National Systems	555,825	555,825
To provide data architecture services and support	659,976	302,022
Staff support for the CSA National Systems development	165,138	165,138
To fund the CSA Systems office	968,632	–
To provide information security services	130,696	–
To provide a vision for the Enterprise Architecture	82,184	82,184
To design web user interface	17,100	17,100
Total	**$ 5,919,061**	$ 2,472,212

8 Reserve Fund Assets

As part of the approval of its self-funded status, the OSC was allowed to establish a $20,000,000 reserve to be used as an operating contingency against revenue shortfalls, unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses.

The prime investment consideration for the reserve is the protection of principal and the appropriate liquidity to meet cash flow needs. Interest earned on investments is credited to the operations of the OSC. The accumulated funds, at March 31, 2013, are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%.

9 Property, Plant and Equipment

2013

2013	Office furniture	Office equipment	Computer hardware and related applications	Computer hardware and related applications held under finance leases	Leasehold improvments	Total
Gross carrying amount						
Balance as at April 1, 2012	$ 4,163,752	$ 581,182	$ 16,897,843	$ 395,828	$ 10,028,079	$ 32,066,684
Additions	368,883	70	1,812,274	–	5,594,363	7,775,590
Disposals	(1,015)	–	(14,417)	(85,864)	(10,028,078)	(10,129,374)
Balance at March 31, 2013	**$ 4,531,620**	**$ 581,252**	**$ 18,695,700**	**$ 309,964**	**$ 5,594,364**	**$ 29,712,899**
Depreciation						
Balance as at April 1, 2012	$ (3,814,510)	$ (430,666)	$ (14,304,544)	$ (224,368)	$ (9,348,867)	$ (28,122,955)
Depreciation for the year	(170,783)	(18,925)	(1,261,370)	(171,460)	(838,675)	(2,461,213)
Disposals	1,015	–	13,468	85,864	10,028,097	10,128,444
Balance at March 31, 2013	$ (3,984,278)	$ (449,591)	$ (15,552,446)	$ (309,964)	$ (159,445)	$ (20,455,724)
Carrying amount at March 31, 2013	**$ 547,342**	**$ 131,661**	**$ 3,143,254**	**$ 0**	**$ 5,434,919**	**$ 9,257,175**

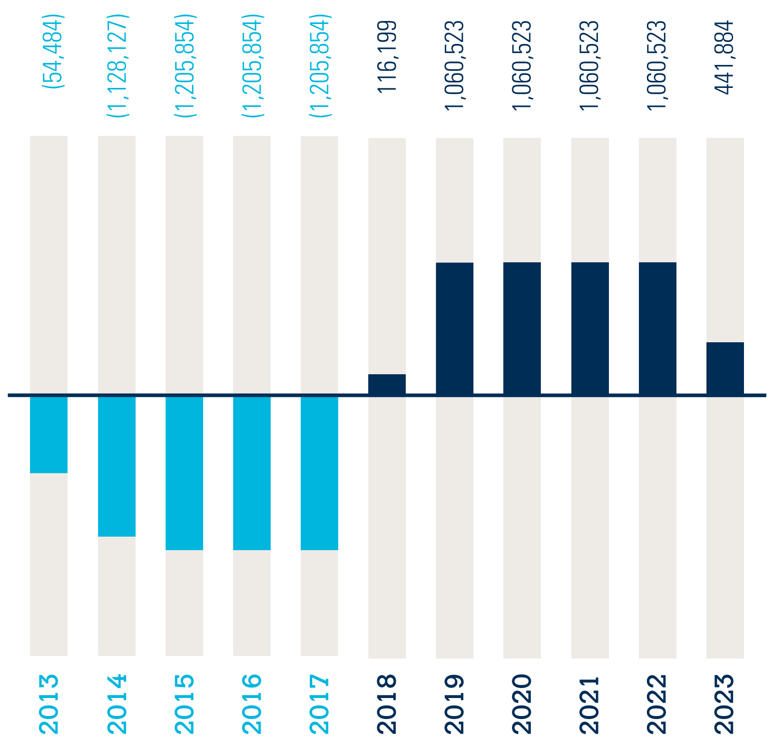
2012

2012	Office furniture	Office equipment	Computer hardware and related applications	Computer hardware and related applications held under finance leases	Leasehold improvments	Total
Gross carrying amount						
Balance as at April 1, 2011	$ 4,123,859	$ 581,182	$ 15,664,187	$ 421,593	$ 9,957,151	$ 30,747,972
Additions	54,359	–	1,751,516	–	70,928	1,876,803
Disposals	(14,466)	–	(517,860)	(25,765)	–	(558,091)
Balance at March 31, 2012	**$ 4,163,752**	**$ 581,182**	**$ 16,897,843**	**$ 395,828**	**$ 10,028,079**	**$ 32,066,684**
Depreciation						
Balance as at April 1, 2011	$ (3,658,696)	$ (423,309)	$ (14,074,112)	$ (250,091)	$ (8,431,006)	$ (26,837,214)
Depreciation for the year	(170,280)	(7,357)	(748,160)	(42)	(917,861)	(1,843,700)
Disposals	14,466	–	517,728	25,765	–	557,959
Balance at March 31, 2012	$ (3,814,510)	$ (430,666)	$ (14,304,544)	$ (224,368)	$ (9,348,867)	$ (28,122,955)
Carrying amount at March 31, 2012	**$ 349,242**	**$ 150,516**	**$ 2,593,299**	**$ 171,460**	**$ 679,212**	**$ 3,943,729**

Effective September 01, 2012, the OSC changed its estimates of the useful lives of the leasehold improvements. The useful lives of the leasehold improvements were previously estimated to be over the term of the lease, and have now been changed to be over the term of the lease plus one option period. The OSC made this change to reflect the fact that it intends to exercise the first option on its new lease and will amortize the cost of the renovations of its premises over approximately 10 years instead of five.

The effect of this change on depreciation expense in the current and future years is as follows:

(Decrease) increase in depreciation expense



10 Trade and Other Payables

	March 31, 2013	March 31, 2012
Trade payables	$ 1,263,691	$ 1,971,359
Payroll accruals	12,009,019	12,221,197
Other accrued expenses	3,817,412	1,035,621
	$ 17,090,122	$ 15,228,177

11 Lease Commitments

Operating leases

The OSC has entered into operating lease agreements for equipment and office space and is committed to operating lease payments as follows:

	March 31, 2013	March 31, 2012
Less than one year	$ 7,859,555	$ 6,977,370
Between one and five years	26,762,021	25,199,130
More than five years	–	–
	$ 34,621,576	$ 32,176,500

Lease expense recognized during the period amounted to $7,198,182 (2012 – $6,296,593). This amount consists of minimum lease payments. A small portion of the OSC's office space is sublet to the IEF which is recorded as miscellaneous revenue. Sublease payments of $87,272 are expected to be received during the next year.

The lease on OSC premises was renewed for an additional five years beginning August 30, 2012 and expiring on August 31, 2017. The OSC has two consecutive options to extend the term beyond August 31, 2017, each for a period of five years. The OSC expects to exercise the first option. The OSC operating lease agreements do not contain any contingent rent clauses.

12 Pension Plans

A. Ontario Public Service Pension Plan

All eligible OSC employees must, and members may, participate in the Ontario Public Service Pension Plan. The OSC's contribution to the Public Service Pension Plan for the year ended March 31, 2013 was $4,384,576 (2012 – $4,164,416), which is included under salaries and benefits in the statement of comprehensive income.

B. Supplemental pension plans

The OSC also has unfunded supplemental defined benefit pension plans for the OSC's current and former Chairs and Vice-Chairs. These supplemental pension plans have no plan assets.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	March 31, 2013	March 31, 2012
Discount rate(s)	3.75%	3.80%
Inflation	2.50%	2.50%
Expected rate(s) of salary increase	0%	0%
CPP YMPE increase	3.00%	3.00%
Increase in CRA limit	**$ 2,696.7**	$ 2,646.7

Amount recognized in profit or loss as follows:

	March 31, 2013	March 31, 2012
Service cost with interest	$ 124,936	$ 83,329
Interest cost on defined obligation	87,582	101,563
Amortization of net actuarial losses/(gains)	114,232	(25,978)
Recovery from the CSTO	(45,998)	(41,936)
	$ 280,752	$ 116,978

The expense for the year is included in the salaries and benefits expense in the statement of comprehensive income.

The amount included in the statement of financial position arising from the OSC's obligation in respect to its supplemental benefits plans is as follows:

	March 31, 2013	March 31, 2012
Defined benefit obligation	$ 2,731,528	$ 2,377,608
Fair value of the assets	–	–
Funded status	(2,731,528)	(2,377,608)
Unamortized net actuarial loss	534,101	361,267
Recognized pension liabilities	**$ (2,197,427)**	$ (2,016,341)

Movements in the present value of the defined benefit obligations in the current year were as follows:

	March 31, 2013	March 31, 2012
Opening defined benefit obligations	$ 2,377,608	$ 2,021,767
Current service cost	124,936	83,329
Interest cost	87,582	101,563
Benefit payment	(145,664)	(147,767)
Actuarial losses	287,066	318,716
Closing defined benefit obligation	**$ 2,731,528**	$ 2,377,608

The development of the OSC's supplemental plans may be summarized as follows:

	March 31, 2013	March 31, 2012
Present value of the defined benefit obligation	$ 2,731,528	$ 2,377,608
Fair value of plan assets	–	–
Deficit/(surplus) in the plan	$ (2,731,528)	$ (2,377,608)
Liabilities experience adjustments:		
Obligation loss during the period	**$ 270,107**	$ 24,268

The OSC expects to incur $144,000 in benefit payments from the supplemental pension plan during next fiscal year.

13 Capital Management

The OSC has established a $20,000,000 reserve fund as described in Note 8, which it considers as capital. The primary objective of maintaining this capital is to fund OSC's operations in the event of revenue shortfalls, unanticipated expenditures or to cover the discrepancy between timing of revenue and expenses. The OSC's overall strategy remains unchanged from 2012.

The OSC maintains an investment policy whereby reserve funds are restricted to direct and guaranteed obligations of the Government of Canada and its provinces and to instruments issued by Canadian Schedule 1 banks to protect the principal.

The OSC has put in place a $35,000,000 credit facility to address any short-term cash deficiencies.

The OSC is not subject to any externally imposed capital requirements.

14 Fees

The OSC's fee structure is designed to generate fees that recover the OSC's cost of providing services to market participants. The fee structure is based on the concept of "participation fees" and "activity fees". Participation fees are based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities and are intended to serve as a proxy for the market participants' use of the Ontario capital markets. Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Any general operating surpluses generated are normally returned to market participants by way of fees that are lower than otherwise required to recover costs, or direct refunds. The Commission revised its participation fees and activity fees effective April 01, 2013, with participation fees being subsequently adjusted at the beginning of fiscal years 2015 and 2016. The forecasted General Operating Surplus at March 31, 2013 was used to establish the revised participation fees rates.

Details of fees received for the year ended March 31, 2013 are as follows:

	March 31, 2013	March 31, 2012
Participation fees	$ 75,310,296	$ 71,694,825
Activity fees	9,615,841	10,727,761
Late filing fees	2,003,900	2,759,796
	$ 86,930,037	$ 85,182,382

15 Salaries and Benefits

	March 31, 2013	March 31, 2012
Salaries	$ 59,778,078	$ 58,052,798
Benefits	6,288,066	5,938,444
Pension expense	4,665,328	4,281,394
Severance/termination payments	1,604,766	1,142,111
	$ 72,336,238	$ 69,414,747

16 Administrative

	March 31, 2013	March 31, 2012
Commission expense	$ 1,953,225	$ 1,622,531
Communications & publications	1,469,219	1,319,783
Maintenance & support	1,996,279	1,442,961
Supplies	797,585	899,023
Other expenses	709,650	682,305
Training	680,514	851,402
	$ 7,606,472	$ 6,818,005

17 Contingent Liabilities and Contractual Commitments

A. The OSC has committed to paying its share of annual shortfalls resulting from the operations of the following, should they occur and accumulated surpluses are unavailable, as follows:

March 31, 2013

45.10%	36.07%	25.00%
SEDAR	NRD	SEDI

The systems are operated by a third-party service provider on behalf of the CSA under agreements dated as of August 01, 2004 for SEDAR, October 26, 2001 for SEDI and June 13, 2003 for NRD. The Alberta Securities Commission, the British Columbia Securities Commission, L'Autorité des marchés financiers and the Investment Industry Regulatory Organization of Canada (in the case of NRD only) have also committed to paying specified percentages of any annual deficit in the systems.

In the current year, there were no deficits. As described in Note 7, the OSC is holding funds in segregated bank accounts that may be used to offset shortfalls in revenue in SEDAR, SEDI and NRD.

	March 31, 2013	March 31, 2012
Total accumulated funds	**$ 94,810,759**	$ 80,521,903
Available for:		
SEDAR	$ 29,192,967	$ 28,190,836
NRD	45,716,112	37,011,477
SEDI	19,901,680	15,319,590
	$ 94,810,759	$ 80,521,903

B. The OSC is involved in various legal actions arising from the ordinary course and conduct of business. The outcome and ultimate disposition of these actions cannot be measured with sufficient reliability at this time; however, management does not expect the outcome of any of these proceedings, individually or in aggregate, to have a material impact on the OSC's financial position. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs.

18 Related Party Transactions

Transactions with the Province of Ontario

In the course of normal operations, the OSC entered into transactions with the Province of Ontario as follows:

A. The *Securities Act* (Ontario) states that when ordered to do so by the responsible Minister, the OSC shall remit to the Province of Ontario such surplus funds as determined by the Minister. In light of the fee model as described in Note 14 and the OSC's practice of setting fees periodically, the OSC is not required to make remittances of its surplus to the Consolidated Revenue Fund. Surpluses retained by the OSC are subject to appropriate terms and conditions to be agreed with the Ministry.

B. Costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the statement of comprehensive income.

Compensation to Key Management Personnel

Key management of the OSC are members of the board of directors, Chair, Vice-chairs and Executive Director. Key management personnel remuneration includes the following expenses:

	March 31, 2013	March 31, 2012
Short-term employee benefits	$ 3,458,567	$ 3,097,318
Post-employment benefits	406,642	235,722
Total compensation	**$ 3,865,209**	$ 3,333,040

19 Investor Education Fund

A. The IEF was incorporated by letters patent of Ontario dated August 03, 2000 as a non-profit corporation without share capital. The Fund is managed by a separate Board of Directors and its purpose is to increase knowledge and awareness among investors and potential investors and to support research and develop programs and partnerships which promote investor and financial education in schools and among adult learners.

The OSC is the sole voting member of the Fund. However, the OSC has determined, based on an evaluation of the terms and conditions of the arrangement, that investors in the capital market, rather than the OSC, obtain the benefit or rewards from the activities of the IEF. As such the OSC does not control the Fund, and the Fund has not been consolidated in the OSC's financial statements as discussed in Note 2(d). The Fund is exempt from income taxes.

Financial statements of the Fund are available on request. During the year, the OSC entered into transactions with the Fund as follows:

1. The OSC paid $3,900,000 to the Fund (2012 – $4,420,000). These payments were from funds held pursuant to designated settlements and orders as described in Note 6.
2. The OSC has a Management Services agreement with the Fund for the provision of administrative and management services, at cost. For the period ended March 31, 2013, the OSC incurred costs totaling $1,000,975 (2012 – $905,438) for services related to the Fund. The total cost of these services has been charged to the Fund and, of this amount, $502,635 is owing to the OSC (2012 – $235,617).
3. Subsequent to year end, the Commission approved funding totaling $3,295,000 for the IEF for the 2014 fiscal year.

20 Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended March 31, 2013, and have not been applied in preparing these financial statements. None of these are expected to have a material impact on the financial statements of the OSC.

IFRS 9

Financial Instruments

In October 2010, the IASB released IFRS 9, *Financial instruments*, which is the first part of a three-part project to replace IAS 39, *Financial instruments: Recognition and Measurement*. This first part only covers classification and measurement of financial assets and financial liabilities, with impairment of financial assets and hedge accounting being addressed in the other two parts.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, requirements for measuring a financial liability at fair value have changed, as the portion of the changes in fair value related to the entity's own credit risk must be presented in OCI rather than in the statement of income. IFRS 9 will be effective for fiscal years beginning on January 01, 2015, with earlier application permitted.

IFRS 10

Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements* to replace IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. Determination of control now includes elements of power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 will be mandatorily effective for annual periods beginning on or after January 01, 2013, on a retrospective basis. Earlier application is permitted.

IFRS 11

Joint Arrangements

In May 2011, the IASB issued IFRS 11, *Joint Arrangements* to replace IAS 31 *Interests in Joint Ventures*. The standard outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractual agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). IFRS 11 will be mandatorily effective for annual periods beginning on or after January 01, 2013, on a retrospective basis. Earlier application is permitted.

IFRS 12

Disclosure of Interests in Other Entities

In May 2011, the IASB released IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 will be mandatorily effective for annual periods beginning on or after January 01, 2013, on a retrospective basis. Earlier application is permitted.

IFRS 13

Fair Value Measurement

In May 2011, the IASB released IFRS 13, *Fair value measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The standard will be mandatorily effective for annual periods beginning on or after January 01, 2013, on a retrospective basis. Earlier application is permitted.

IFRS 19

Employee Benefits

In June 2011, the IASB amended IAS 19, *Employee Benefits* ("IAS 19"). This amendment eliminated the use of the 'corridor' approach and mandates that all remeasurement impacts be recognized in OCI. It also enhances the disclosure requirements, providing better information about the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. This amendment clarifies when a company should recognize a liability and an expense for termination benefits. The amendment to IAS 19 will be mandatorily effective for annual periods beginning on or after January 01, 2013, on a retrospective basis. Earlier application is permitted.