Financial Statements

Management's Responsibility Statement

Year ended December 31, 2003

Management of the Corporation is responsible for the preparation and integrity of the financial statements contained in the Annual Report. These statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include certain amounts that are based on management's best estimates and judgement. Financial information contained throughout the Annual Report is consistent with that in the financial statements. Management considers that the statements present fairly the financial position of the Corporation, the results of its operations and its cash flows.

To fulfill its responsibility, the Corporation maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems are subject to periodic reviews by Samson Bélair/Deloitte & Touche, general partnership, as internal auditors. The external auditors, the Auditor General of Canada and Ernst & Young LLP, have audited the Corporation's financial statements for the year ended December 31, 2003, and their report indicates the scope of their audit and their opinion on the financial statements.

The Audit and Finance Committee of the Board of Directors, consisting primarily of independent Directors, meets periodically with the internal and external auditors and with management, to review the scope of their audits and to assess reports on audit work performed. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit and Finance Committee.

Marc LeFrançois
President and Chief Executive Officer

J.R. Paquette
Chief Financial Officer

Montreal, Canada
February 4, 2004

Auditors' Report

To the Minister of Transport

We have audited the balance sheet of VIA Rail Canada Inc. as at December 31, 2003 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 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 *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and the by-laws of the Corporation.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants

Montreal, Canada
February 4, 2004

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Financial Statements

As at December 31

Balance Sheet

(IN THOUSANDS)	2003	2002
Current Assets		
Cash and cash equivalents	$ 2,552	$ 5,403
Accounts receivable, trade	4,715	8,702
Accounts receivable, other	2,411	2,609
Receivable from the Government of Canada	1,485	21,990
Materials	16,012	14,617
	27,175	53,321
Long-term Assets		
Property, plant and equipment (Note 3)	651,774	627,070
Asset renewal fund (Note 4)	104,679	93,888
Accrued benefit asset (Note 5)	117,282	111,621
Other	5,518	6,284
	879,253	838,863
	$ 906,428	$ 892,184
Current Liabilities		
Accounts payable and accrued liabilities	$ 74,780	$ 94,722
Deferred revenues	7,069	7,115
	81,849	101,837
Long-term Liabilities		
Accrued benefit liability (Note 5)	17,702	16,392
Future income taxes (Note 6)	25,321	21,224
Other	3,788	4,213
	46,811	41,829
Deferred Capital Funding (Note 7)	674,864	644,755
Shareholder's Equity		
Share capital (Note 8)	9,300	9,300
Contributed surplus	4,963	4,963
Retained earnings	88,641	89,500
	102,904	103,763
	$ 906,428	$ 892,184

COMMITMENTS AND CONTINGENCIES (Notes 9 and 13)
SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

On behalf of the Board,

Marlene McGraw, CA
Director and Chairman of
the Audit and Finance Committee

Jean Pelletier
Director and Chairman of
the Board

Statement of Operations and Retained Earnings

(IN THOUSANDS)	2003	2002
Revenues		
Passenger	$ 231,379	$ 253,929
Other	18,966	16,860
	250,345	270,789
Expenses		
Compensation and benefits	197,268	193,447
Train operations and fuel	91,856	94,075
Stations and property	28,089	28,499
Maintenance material	27,017	25,834
Marketing and sales	27,709	27,015
On-train product costs	16,275	17,248
Operating taxes	13,720	11,757
Employee future benefits (Note 5)	(1,865)	(22,746)
Amortization and losses on write-down and disposal of property, plant and equipment	52,048	47,007
Other	26,788	21,412
	478,905	443,548
Operating loss before funding from the Government of Canada and income taxes	228,560	172,759
Operating funding from the Government of Canada	181,115	153,682
Amortization of deferred capital funding (Note 7)	52,272	45,575
Income before income taxes	4,827	26,498
Income tax expense (Note 6)	1,589	1,508
Future income taxes (Note 6)	4,097	9,487
Net (loss) income for the year	(859)	15,503
Retained earnings, beginning of year	89,500	73,997
Retained earnings, end of year	$ 88,641	$ 89,500

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Statement of Cash Flows

(IN THOUSANDS)	2003	2002
Operating Activities		
Net (loss) income for the year	**$ (859)**	$ 15,503
Non-cash items relating to operations:		
Amortization of property, plant and equipment	**52,285**	46,923
Losses on write-down and disposal of property, plant and equipment	**111**	432
Gain on disposal of asset renewal fund investments	**(427)**	—
Amortization of premium and discount on purchase of bonds in the asset renewal fund	**169**	173
Amortization of investment tax credits	**(348)**	(348)
Amortization of deferred capital funding	**(52,272)**	(45,575)
Future income taxes	**4,097**	9,487
Write-down of the investments in the asset renewal fund	**—**	5,740
Change in non-cash working capital related to operations	**(12,005)**	2,398
Change in other long-term assets	**766**	(2,217)
Change in accrued benefit asset	**(5,661)**	(25,396)
Change in accrued benefit liability	**1,310**	534
Change in other long-term liabilities	**(77)**	(91)
	(12,911)	7,563
Financing Activities		
Capital funding from the Government of Canada	**82,381**	103,377
Change in capital funding receivable from the Government of Canada	**15,312**	(10,213)
	97,693	93,164
Investing Activities		
Acquisition of investments in the asset renewal fund	**(13,333)**	(15,958)
Proceeds from sale and maturity of investments in the asset renewal fund	**2,800**	5,655
Acquisition of property, plant and equipment	**(77,381)**	(98,377)
Proceeds from disposal of property, plant and equipment	**281**	1,838
	(87,633)	(106,842)
Cash and Cash Equivalents		
Decrease during the year	**(2,851)**	(6,115)
Balance, beginning of year	**5,403**	11,518
Balance, end of year	**$ 2,552**	$ 5,403
Represented by:		
Cash and outstanding cheques	**(3,548)**	469
Short-term investments, 2.74%, maturing in January 2004 (2002: 2.76%)	**6,100**	4,934
	$ 2,552	$ 5,403

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

As at December 31, 2003

1. Authority and Objectives

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act.* It was incorporated in 1977, under the *Canada Business Corporations Act*. The Corporation's vision is to be the Canadian leader in service excellence in passenger transportation with a mission to work together to consistently deliver safe, efficient and environmentally-responsible services for travellers in Canada. The Corporation uses the roadway infrastructure of other railway companies and relies on them to control train operations.

The Corporation is not an agent of Her Majesty and is subject to income taxes.

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2. Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies followed by the Corporation are summarized as follows:

A) Funding from the Government of Canada

Operating funding, which pertains to services, activities and other undertakings of the Corporation for the management and operation of railway passenger services in Canada, is recorded as a reduction of the operating loss. The amounts are determined on the basis of operating expenses less commercial revenues excluding employee future benefits and non-cash transactions relating to property, plant and equipment and future income taxes, and are based on the operating budget approved by the Government of Canada for each year.

Funding for depreciable property, plant and equipment is recorded as deferred capital funding on the Balance Sheet and is amortized on the same basis and over the same periods as the related property, plant and equipment. Upon disposition of the funded depreciable property, plant and equipment, the Corporation recognizes into income all remaining deferred capital funding related to the property, plant and equipment. Funding for non-depreciable property, plant and equipment is recorded as contributed surplus.

B) Cash Equivalents

Cash equivalents include highly liquid investments purchased three months or less from maturity and are carried at lower of cost or market value.

C) Asset Renewal Fund

Short-term investments are carried at the lower of cost or market value, determined on an aggregate basis.

Investments in the asset renewal fund are carried at cost. The carrying value of each of these investments is assessed periodically to determine if there has been an other than temporary decline in value. A charge to income is recorded during the period in which such a decline in value is determined.

D) Revenue Recognition

Revenues earned from passenger transportation are recorded as services are rendered. Amounts received for train travel not yet rendered are included in current liabilities as deferred revenues.

E) Foreign Currency Translation

Accounts in foreign currencies are translated using the temporal method. Under this method, monetary Balance Sheet items are translated at the exchange rates in effect at year-end. Gains and losses resulting from the changes in exchange rates are reflected in the Statement of Operations and Retained Earnings.

Non-monetary Balance Sheet items as well as foreign currency revenues and expenses are translated at the exchange rate in effect on the dates of the related transactions.

F) Materials

Materials, which are valued at the lower of weighted average cost and replacement cost, consist primarily of items used for the maintenance of rolling stock. An allowance for obsolescence is provided for materials.

2. Accounting Policies (cont'd)

G) Property, Plant and Equipment

Property, plant and equipment acquired from Canadian National Railway and Canadian Pacific Limited at the start of operations in 1978 were recorded at the net transfer values while subsequent acquisitions, including those acquired under capital leases, are recorded at cost.

The costs of refurbishing and rebuilding rolling stock and costs associated with other upgrading of property, plant and equipment are capitalized if they are incurred to improve the service value or extend the useful lives of the property, plant and equipment concerned; otherwise, such costs are expensed as incurred.

Retired property, plant and equipment are written down to their net realizable value.

Amortization of property, plant and equipment is calculated on a straight-line basis at rates sufficient to amortize the cost of property, plant and equipment, less their residual value, over their estimated useful lives, as follows:

Rolling stock	**12 to 30 years**
Maintenance buildings	**25 years**
Stations and Facilities	**20 years**
Infrastructure improvements	**5 to 40 years**
Leasehold improvements	**3 to 20 years**
Machinery and Equipment	**4 to 15 years**
Information systems	**3 to 7 years**
Other property, plant and equipment	**3 to 10 years**

No amortization is provided for projects in progress and retired property, plant and equipment.

H) Income Taxes

The Corporation follows the liability method of accounting for income taxes.

Under this method, the net change in the future income tax assets and liabilities is included in income. Future income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to reverse.

I) Investment Tax Credits

Investment tax credits are amortized over the estimated useful lives of the related property, plant and equipment. The amortization of deferred investment tax credits is recorded as a reduction of the amortization of property, plant and equipment. These credits are included in other long-term liabilities.

J) Employee Future Benefits

The Corporation accrues obligations under its employee future benefit plans.

The cost of pension and other employee future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.

Amortization of past service costs and transition assets and liabilities is calculated on a straight-line basis over the expected average remaining service lives of the active employee groups.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

The excess of the accumulated net actuarial gain or loss over 10% of the greater of the accumulated benefit obligation and the fair value of plan assets is amortized over the average remaining service lives of active employees which is, in most cases, estimated to be 12 years.

K) *VIA Préférence* Program

The incremental costs of providing travel awards under the Corporation's *VIA Préférence* frequent traveller reward program are accrued as the entitlements to such awards are earned and are included in accounts payable and accrued liabilities.

2. Accounting Policies (cont'd)

L) Derivative Financial Instruments

Derivative financial instruments are utilized by the Corporation in the management of its exposure to changes in fuel prices. The Corporation does not enter into derivative financial instruments for trading or speculative purposes.

The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives, comprised of fuel swap agreements, to forecasted diesel fuel purchases. The efficiency of the hedge is periodically reviewed.

Fuel swap agreements require periodic cash settlement of an amount calculated by applying a rate or price to a notional amount. Gains and losses on fuel swaps used to hedge anticipated diesel purchases are recognized as an adjustment of fuel expense when the fuel purchases are recorded.

M) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates and such differences could be material.

3. Property, Plant and Equipment

(IN MILLIONS OF DOLLARS)	2003			2002		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	5.0	—	5.0	5.0	—	5.0
Rolling stock	673.7	343.4	330.3	614.3	313.1	301.2
Maintenance buildings	178.0	107.9	70.1	161.6	100.8	60.8
Stations and Facilities	43.3	22.2	21.1	43.2	20.0	23.2
Infrastructure improvements	130.8	43.0	87.8	126.5	39.6	86.9
Leasehold improvements	107.7	77.2	30.5	105.2	72.1	33.1
Machinery and Equipment	31.9	26.4	5.5	31.1	25.3	5.8
Information systems	36.6	32.4	4.2	68.6	64.7	3.9
Other property, plant and equipment	19.9	19.0	0.9	19.7	18.9	0.8
	1,226.9	671.5	555.4	1,175.2	654.5	520.7
Projects in progress			93.0			86.8
Retired property, plant and equipment (at net realizable value)			3.4			19.6
			651.8			627.1

Projects in progress as at December 31, 2003, primarily consist of rolling stock for $76.9 million (2002: $71.3 million) and improvements to infrastructure and stations for $7.6 million (2002: $11.2 million).

4. Asset Renewal Fund

The Corporation has been authorized by the Treasury Board of the Government of Canada to segregate proceeds from the sale or lease of surplus assets as well as up to $5 million of annual funding approved but not expended during the fiscal year to 2006.

The asset renewal fund includes the following investment instruments:

(IN MILLIONS OF DOLLARS)	2003		2002	
	Cost	Market Value	Cost	Market Value
Government of Canada bonds	19.4	24.2	19.6	23.3
Other Canadian bonds and debentures	16.1	17.5	15.4	16.6
Pooled equity unit trust	54.8	59.6	51.0	45.9
Cash and short-term investments	14.4	14.4	7.9	7.9
	104.7	115.7	93.9	93.7

The Treasury Board has approved an amount of $39.5 million (2002: $39.5 million) to fund prior years' operating deficits and certain property, plant and equipment while the balance of the asset renewal fund of $65.2 million (2002: $54.4 million) represents the funds that are retained for future investments in property, plant and equipment.

The weighted average effective rate of return on bonds and debentures as well as short-term investments for 2003 was 5.18% (2002: 5.61%) and the weighted average term to maturity as at December 31, 2003 is 9 years (2002: 11 years).

The fair value of bonds, pooled equity unit trust and short-term investments approximates their market value based on the current bid price at the Balance Sheet date.

The Corporation is subject to credit risk from its holdings of the asset renewal fund. The Corporation minimizes its credit risks by adhering to the *Minister of Finance of Canada Financial Risk Management Guidelines for Crown Corporations* and the Corporate Investment Policy and by investing in high quality financial instruments.

5. Employee Future Benefits

The Corporation provides defined benefit pension plans, post retirement and post-employment benefits to all its permanent employees.

Included in other benefit plans are expenses incurred by the Corporation relating to workers' compensation, post-retirement and post-employment benefits, and network restructuring charges.

The latest actuarial valuations of the pension plans were carried out as at December 31, 2001 by external actuaries who are members of the Canadian Institute of Actuaries.

Based on these actuarial valuations and projections to December 31, 2003, the summary of the principal valuation results, in aggregate, is as follows:

(IN MILLIONS OF DOLLARS)	Pension Plans		Other Benefit Plans	
	2003	2002	**2003**	2002
A) Change in Benefit Obligation				
Accrued benefit obligation at beginning of year	**1,192.0**	1,094.5	**27.9**	27.4
Current service cost	**14.0**	13.2	**4.0**	3.8
Employee contributions	**10.2**	9.1	**—**	—
Interest cost	**76.6**	74.7	**1.8**	1.9
Benefits paid	**(66.9)**	(71.2)	**(5.0)**	(4.9)
Actuarial (gain) loss	**34.7**	71.7	**0.8**	(0.3)
Accrued benefit obligation at end of year	**1,260.6**	1,192.0	**29.5**	27.9
B) Change in Plan Assets				
Market value of plan assets at beginning of year	**1,217.8**	1,309.7	**—**	—
Actual return on plan assets	**208.1**	(31.1)	**—**	—
Employer contributions	**0.9**	1.3	**5.0**	4.9
Employee contributions	**10.2**	9.1	**—**	—
Benefits paid	**(66.9)**	(71.2)	**(5.0)**	(4.9)
Market value of plan assets at end of year	**1,370.1**	1,217.8	**—**	—
C) Accrued Benefit (Asset) Liability				
Accrued benefit obligation	**1,260.6**	1,192.0	**29.5**	27.9
Market value of plan assets	**1,370.1**	1,217.8	**—**	—
Funded status — plan (surplus) deficit	**(109.5)**	(25.8)	**29.5**	27.9
Unamortized net actuarial losses	**(319.2)**	(429.3)	**(1.5)**	(0.8)
Unamortized past service costs	**(4.0)**	(4.4)	**(0.5)**	(0.5)
Unamortized transitional asset (obligation)	**315.4**	347.9	**(11.7)**	(14.2)
	(117.3)	(111.6)	**15.8**	12.4
Network restructuring long term liability	**—**	—	**1.9**	4.0
Accrued benefit (asset) liability at end of year	**(117.3)**	(111.6)	**17.7**	16.4

5. Employee Future Benefits (cont'd)

(IN MILLIONS OF DOLLARS)	Pension Plans		Other Benefit Plans	
	2003	2002	**2003**	2002
Pension and Other Benefit Plans				
Accrued benefit (asset) liability at beginning of year	**(111.6)**	(86.2)	**12.4**	9.0
Current service cost	**14.0**	13.2	**4.0**	3.8
Interest cost	**76.6**	74.7	**1.8**	1.9
Expected return on plan assets	**(88.8)**	(95.6)	**—**	—
Amortization of transitional (asset) obligation	**(32.5)**	(32.5)	**2.5**	2.5
Amortization of past service costs	**0.4**	0.4	**—**	—
Amortization of net actuarial loss	**25.5**	15.7	**0.1**	0.1
Benefits paid and expensed by the employers	**(0.9)**	(1.3)	**(5.0)**	(4.9)
Net employee future benefits (income) expense	**(5.7)**	(25.4)	**3.4**	3.4
	(117.3)	(111.6)	**15.8**	12.4
Network restructuring long term liability	**—**	—	**1.9**	4.0
Accrued benefit (asset) liability at end of year	**(117.3)**	(111.6)	**17.7**	16.4

The employee future benefits expense in the Statement of Operations and Retained Earnings includes the pension plans net income, the other benefit plans net expense as well as the adjustment of the network restructuring accrual of $0.4 million (2002: $(0.7) million).

	Pension Plans		Other Benefit Plans	
	2003	2002	**2003**	2002
Weighted-average Assumptions				
Discount rate	**6.0 %**	6.5 %	**6.0 %**	6.5 %
Expected long-term rate of return on plan assets	**7.5 %**	7.5 %	—	—
Rate of compensation increase	**3.0 %**	3.5 %	**3.0 %**	3.5 %
Health care inflation — Select	**n/a**	n/a	**5.9 %**	6.5 %
Health care inflation — Ultimate	**n/a**	n/a	**3.2 %**	3.1 %

6. Income Taxes

The income tax expense is represented by the large corporation tax of $1.6 million (2002: $1.5 million).

The future income tax liabilities result from temporary differences relating to the accrued benefit asset less the tax benefits relating to losses carryforwards, contingencies, write-down of the investments in the asset renewal fund, the accrued benefit liability, other long-term liabilities and property, plant and equipment net of the valuation allowance.

7. Deferred Capital Funding

(IN MILLIONS OF DOLLARS)	2003	2002
Balance, beginning of year	**644.8**	587.0
Government funding for depreciable property, plant and equipment	**82.4**	103.4
Amortization of deferred capital funding	**(52.3)**	(45.6)
Balance, end of year	**674.9**	644.8

8. Share Capital

The authorized share capital of the Corporation is comprised of an unlimited number of common shares with no par value. As at December 31, 2003 and 2002, 93,000 shares at $100 per share are issued and fully paid.

9. Commitments

A) The future minimum payments relating to operating leases mainly for real estate and computer equipment are as follows:

(IN MILLIONS OF DOLLARS)	
2004	**8.8**
2005	**8.8**
2006	**9.0**
2007	**9.1**
2008	**8.1**
Subsequent years proportionately to 2049	**120.1**
	163.9

B) As at December 31, 2003, the Corporation has outstanding purchase commitments amounting to $11.6 million consisting mainly of the completion of rolling stock projects.

C) The Corporation has entered into train service agreements for the use of tracks and control of train operations expiring on December 31, 2008.

D) The Corporation has issued letters of credit totalling approximately $20.1 million (2002: $21.7 million) to various provincial government workers' compensation boards as security for future payment streams.

10. Derivative Financial Instruments

The Corporation has hedged 57.3% of the estimated 2004 fuel consumption and 27.1% of the estimated 2005 fuel consumption. This represents 15.8 million U.S. gallons at an average price of $0.67 U.S. per U.S. gallon. Unrealized gains from the Corporation's fuel hedging activities were $2.4 million as at December 31, 2003 (2002: unrealized gains of $1.2 million).

The Corporation is exposed to credit risk in the event of non-performance by the counterparty to its derivative financial instruments but does not expect such non-performance as the counterparty is of high credit quality.

11. Fair Value of Financial Instruments

The estimated fair value of the recognized financial instruments, except for the asset renewal fund, approximates their carrying value due to their current nature.

12. Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments and agencies. The Corporation enters into transactions with these entities in the normal course of business on trade terms applicable to all individuals and enterprises and these transactions are recorded at exchange value.

13. Contingencies

A) The Canadian Transportation Agency (CTA) rendered a decision in October 2003 against VIA Rail in favour of the Council for Canadians with Disabilities. VIA was directed to re-design and re-construct its Renaissance rail cars to remove certain undue obstacles to persons with disabilities.

In December 2003 VIA sought and obtained a stay of that decision from the Federal Court of Appeal. The application for leave to appeal is pending.

If the CTA decision is upheld the cost of modifying the Renaissance cars would be significant. Management is of the opinion that this could cost between $50 million and $100 million an amount that would exceed funding approved by the Government of Canada for the Renaissance project. No provision has been made in the financial statements for the CTA decision.

B) VIA began a restructuring of its labour force in 1997 which resulted in the elimination of a number of positions. The changes became the subject of various Canadian Industrial Relations Board (CIRB) decisions, mediations and arbitrations.

In May 2003 the CIRB rendered a decision directing VIA to pay back wages under certain circumstances to former conductors. Then in August 2003 VIA sought and obtained a stay of the decision from the Federal Court of Appeal.

The costs to VIA, if any, could not be reasonably determined. Management is of the opinion that there is a strong likelihood of success in its application for judicial review, consequently no provision has been made in the financial statements.

C) The Corporation is subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the accounts where required and the ultimate resolution of such contingencies are not expected to have a material adverse effect on the financial position of the Corporation.

14. Reclassification

The comparative financial statements have been reclassified from the statements previously presented to conform to the presentation of the 2003 financial statements.