

FINANCIAL STATEMENTS

Passport Office Revolving Fund

Year Ended March 31, 2001

AUDITORS' REPORT TO ASSISTANT DEPUTY MINISTER, CORPORATE SERVICES, PASSPORT AND CONSULAR AFFAIRS

We have audited the Balance Sheet of the Passport Office Revolving Fund as at March 31, 2001 and the Statements of Operations, Accumulated Surplus and Cash Flows for the year then ended. These financial statements are the responsibility of the management of the Passport Office Revolving Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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.

Since we were appointed auditors of the Fund after March 31, 2000, we were not present at the physical inventory count at the beginning of the year and we have not been able to satisfy ourselves as to inventory quantities at that date by other auditing procedures. Accordingly, we were unable to determine whether adjustments to passport materials and application forms expense and net loss for the year and opening accumulated surplus might be necessary.

In our opinion, except for the effect of adjustments, if any, which might have been determined to be necessary had we been able to observe the physical inventory count at the beginning of the fiscal year as described in the preceding paragraph, the Statements of Operations, Accumulated Surplus and Cash Flows present fairly, in all material respects, the results of operations and cash flows of the Fund for the year then ended in accordance with the accounting principles for revolving funds of the Government of Canada as described in Note 2. Further, in our opinion, the Balance Sheet presents fairly, in all material respects, the financial position of the Fund as at March 31, 2001 in accordance with the accounting principles for revolving funds of the Government of Canada as described in Note 2.

KPMG, Chartered Accountants

Ottawa, Canada
June 8, 2001