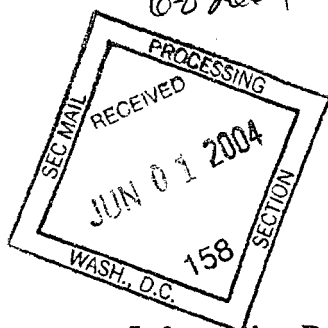




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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

OMB APPROVAL

OMB Number: 3235-0123
Expires: October 31, 2004
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SEC FILE NUMBER

8- 46604

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 04/01/03

AND ENDING

MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

LOEWEN, ONDAATJE, MCCUTCHEON USA LIMITED

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

Hazelton Lanes, East Tower, 55 Avenue Road, Suite 2250

OFFICIAL USE ONLY

FIRM I.D. NO.

Toronto, Ontario

(No. and Street)
Canada

M5R 3L2

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
BERNARD AROKIU

(416) 964-4475

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

(Name - if individual, state last, first, middle name)

Suite 3300, Commerce Court West, Toronto, Ontario

M5L 1B2

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☐ Certified Public Accountant☐ Public Accountant☒ Accountant not resident in United States or any of its possessions.

PROCESSED

JUN 10 2004

FOR OFFICIAL USE ONLY

THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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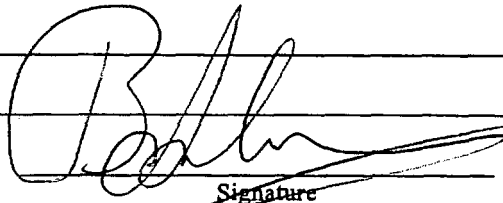
OATH OR AFFIRMATION

I, Bernard Arokium, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Loewen, Ondaatje, McCutcheon USA Limited, as of March 31, 20 04, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

**GARRETT HERMAN, A COMMISSIONER, ETC.,
CITY OF TORONTO, FOR LOEWEN,
ONDAATJE, MCCUTCHEON LIMITED,
AND ITS ASSOCIATED COMPANIES.
EXPIRES JANUARY 2, 2005.**



Notary Public



Signature
Chief Financial Officer
Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**LOEWEN, ONDAATJE,
McCUTCHEON USA LIMITED**

**Financial Statements and
Supplementary Information
(Expressed in U.S. dollars)**

**Year ended March 31, 2004
(With Independent Auditors' Report thereon)**



KPMG LLP
Chartered Accountants
Suite 3300 Commerce Court West
PO Box 31 Stn Commerce Court
Toronto ON M5L 1B2

Telephone (416) 777-8500
Telefax (416) 777-8818
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Loewen, Ondaatje, McCutcheon USA Limited

We have audited the accompanying statement of financial condition of Loewen, Ondaatje, McCutcheon USA Limited as at March 31, 2004, and the related statements of income, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 of the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Loewen, Ondaatje, McCutcheon USA Limited as at March 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Chartered Accountants

Toronto, Canada

May 11, 2004



LOEWEN, ONDAATJE, McCUTCHEON USA LIMITED

Statement of Financial Condition
(Expressed in U.S. dollars)

March 31, 2004

Assets

Cash and cash equivalents	\$ 1,257,668
Securities borrowed	13,486
Due from:	
Clients	41,465
Parent (note 3)	121,277
Other assets	11,608
	\$ 1,445,504

Liabilities and Stockholder's Equity

Liabilities:

Due to:	
Clients	\$ 13,486
Brokers and dealers (note 3)	41,465
Accrued liabilities	15,000
Income taxes payable	75,691
	145,642

Stockholder's equity:

Capital stock:	
Authorized:	
Unlimited common shares	
Issued and outstanding:	
842,321 common shares	700,000
Retained earnings	599,862
	1,299,862

\$ 1,445,504

See accompanying notes to financial statements.

LOEWEN, ONDAATJE, McCUTCHEON USA LIMITED

Statement of Income
(Expressed in U.S. dollars)

Year ended March 31, 2004

Revenue:	
Commissions	\$ 580,621
Underwriting fee	108,304
Interest	533
Foreign exchange gain	168,243
	857,701
Expenses:	
Commissions	344,463
Operating, general and administration (note 3)	29,058
Trading costs (note 3)	21,952
Professional fees	19,905
	415,378
Income before income taxes	442,323
Income taxes	153,200
Net income	
	\$ 289,123

See accompanying notes to financial statements.

LOEWEN, ONDAATJE, McCUTCHEON USA LIMITED

Statement of Changes in Stockholder's Equity
(Expressed in U.S. dollars)

Year ended March 31, 2004

Capital stock (note 4):

Balance, beginning of year	\$ 375,000
Addition	325,000
Balance, end of year	700,000

Retained earnings:

Balance, beginning of year	310,739
Net income	289,123
Balance, end of year	599,862

Total stockholder's equity	\$ 1,299,862
----------------------------	--------------

See accompanying notes to financial statements.

LOEWEN, ONDAATJE, McCUTCHEON USA LIMITED

Statement of Cash Flows
(Expressed in U.S. dollars)

Year ended March 31, 2004

Cash flows from (used in) operating activities:	
Net income	\$ 289,123
Change in operating items:	
Increase in securities borrowed	(13,486)
Increase in due from clients	(41,465)
Increase in due to brokers and dealers	41,465
Decrease in due from broker dealers	2,417
Increase in due to clients	11,069
Increase in income taxes payable	23,443
Increase in other assets	(1,828)
Decrease in due from Parent	196,928
Increase in accrued liabilities	2,000
	509,666
Cash flows from financing activities:	
Proceeds from issue of share	325,000
Increase in cash and cash equivalents	834,666
Cash and cash equivalents, beginning of year	423,002
Cash and cash equivalents, end of year	\$ 1,257,668
Supplemental cash flow information:	
Income taxes paid	\$ 78,712

See accompanying notes to financial statements.

LOEWEN, ONDAATJE, McCUTCHEON USA LIMITED

Notes to Financial Statements
(Expressed in U.S. dollars)

Year ended March 31, 2004

Loewen, Ondaatje, McCutcheon USA Limited (the "Company") was incorporated under the Ontario Business Corporations Act on September 16, 1993. In the United States of America, the Company is registered as a broker-dealer in securities under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers Inc. The Company's primary source of revenue is commission income for securities trade execution for U.S. resident institutional clients. The Company computes its regulatory net capital under the alternative method. The Company clears all transactions with, and for its customers through, its parent, Loewen, Ondaatje, McCutcheon Limited ("LOM"). Through LOM, the Company has a Clearing Agreement with TD Waterhouse Institutional Services, a wholly owned subsidiary of the Toronto Dominion Bank. Accordingly, the Company does not hold customer securities or perform custodial functions relating to customer accounts.

The Company is a wholly owned subsidiary of Loewen, Ondaatje, McCutcheon Limited, a Canadian owned and regulated investment dealer. Loewen, Ondaatje, McCutcheon Limited is a member of the Investment Dealers Association of Canada and all major Canadian stock exchanges. The Company is located in Toronto, Ontario, Canada.

1. Significant accounting policies:

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit.

(b) Securities transactions and balances:

Customers' securities transactions are recorded on a settlement date basis, with related commission income and expense recorded on a trade date basis.

(c) Security owned:

The security owned is included in other assets and consists of an investment in NASDAQ Stock Market, Inc. shares which is valued by management at the published price at the year end close of business.

LOEWEN, ONDAATJE, McCUTCHEON USA LIMITED

Notes to Financial Statements (continued)
(Expressed in U.S. dollars)

Year ended March 31, 2004

1. Significant accounting policies (continued):

(d) Fair values of financial assets and liabilities:

The fair values of financial assets and liabilities approximate the carrying amounts due to their short-term nature or imminent maturity.

(e) Translation of foreign currencies:

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the year end rates of exchange. Revenue and expenses related to foreign currency transactions are translated into U.S. dollars at the average rates of exchange prevailing during the year. Gains or losses resulting from foreign currency translation are included in net income.

(f) Income taxes:

Deferred income taxes are provided in recognition of temporary differences between the carrying amount of assets and liabilities and their respective tax bases, operating losses and tax credit carryforwards made for financial reporting and income tax purposes. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax expense or benefits are recognized in the financial statements for the changes in deferred tax assets or liabilities between years.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Deposit segregated pursuant to federal and other regulations:

A cash amount of \$67,609 has been segregated in a special account for the exclusive benefit of customers under Rule 15c3-3 of the Securities and Exchange Act of 1934 and is included in cash.

LOEWEN, ONDAATJE, McCUTCHEON USA LIMITED

Notes to Financial Statements (continued)
(Expressed in U.S. dollars)

Year ended March 31, 2004

3. Related party transactions:

Under an operating agreement dated April 1, 1994, the Company has entered into an arrangement with its parent Loewen, Ondaatje, McCutcheon Limited, whereby the parent will perform certain securities execution and clearing activities and record-keeping services as agent for the Company as well as providing management and administrative services to the Company.

The intercompany balance due from the parent of \$121,277 is due on demand and is non-interest bearing. The charges included in operating, general and administration expenses were \$29,058 and included in trading costs was \$21,952 for the year ended March 31, 2004.

Balances with the parent are as follows:

Included in:	
Due from parent	\$ 121,277
Due to brokers and dealers	41,465

4. Capital stock:

Authorized:	
Unlimited common shares	
Issued:	
842,321 common shares	\$ 700,000

During the year, the Company issued one share to LOM for cash of \$325,000.

5. Regulatory net capital requirement:

In the United States of America, as a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission ("SEC") (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company computes its net capital under the alternative method, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250,000 or 2% of aggregate debit items pursuant to SEC Rule 15c3-3. At March 31, 2004, the Company had net capital of \$1,166,977, which is \$916,977 in excess of the required minimum net capital of \$250,000.

LOEWEN, ONDAATJE, McCUTCHEON USA LIMITED

Notes to Financial Statements (continued)
(Expressed in U.S. dollars)

Year ended March 31, 2004

6. Income taxes:

The Company files its own federal and provincial tax returns.

The current portion of the income tax expense (benefit) included in the statement of income, as determined in accordance with FASB statement No. 109, Accounting for Income Taxes, are as follows:

Federal	\$ 99,200
Provincial	54,000
	\$ 153,200

The Company did not receive a tax refund during fiscal 2004.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5

To the Board of Directors of Loewen, Ondaatje, McCutcheon USA Limited

In planning and performing our audit of the financial statements of Loewen, Ondaatje, McCutcheon USA Limited (the "Company") as at and for the year ended March 31, 2004, we considered its internal control, including control procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

In planning and performing our audit of the financial statements and supplemental schedules of Loewen, Ondaatje, McCutcheon USA Limited (the "Company") as at and for the year ended March 31, 2004, we considered its internal control, including control procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g): (i) in making the periodic computations of net capital under Rule 17a-3(a)(11) and (ii) for determining compliance with certain exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and the recording of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.





Page 2

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the third paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at March 31, 2004 to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, the SEC, the National Association of Securities Dealers and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Accountants

Toronto, Canada
May 11, 2004

LOEWEN, ONDAATJE, McCUTCHEON USA LIMITED

Schedule 1 - Computation of Net Capital Pursuant to SEC Rule 15c3-1
(Expressed in U.S. dollars)

March 31, 2004

Total ownership equity from statement of financial condition	\$ 1,299,862
Less non-allowable assets:	
Due from parent	121,277
Other assets	11,608
	<u>132,885</u>
Net capital	1,166,977
Alternative net capital requirement:	
2% of combined aggregate debit items	
as shown in formula for determination	
of reserve requirements under Rule 15c3-3	
(or \$250,000, if greater)	
Net capital requirement	250,000
Excess net capital	<u>\$ 916,977</u>
Net capital in excess of 5% of combined aggregated debit items or \$120,000	\$ 1,046,977

The above computation does not differ materially from the computation of net capital under SEC Rule 15c3-1 as of March 31, 2004, filed by the Company on Form X-17A-5.

See accompanying independent auditors' report.

LOEWEN, ONDAATJE, McCUTCHEON USA LIMITED

Schedule 2 - Computation for Determination of Reserve Requirements Pursuant to SEC Rule 15c3-3
(Expressed in U.S. dollars)

Year ended March 31, 2004

Credit balances in customers' securities account:

Free credit balances	\$ 41,465
Customers securities failed to receive	13,486

Total credits	54,951
---------------	--------

Debit balances in customers' cash and margin accounts:

Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver	13,486
--	--------

Failed to deliver of customer securities not older than 30 calendar days	41,465
---	--------

Aggregate debit items	54,951
3% reduction of aggregate debit items	(1,648)

Total debits	53,303
--------------	--------

Reserve computation - excess of total credits over total debits	\$ 1,648
---	----------

Amount of cash held on deposit on "special account for the exclusive benefit of customers"	\$ 67,609
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The above computation does not differ materially from the computation of reserve requirements under SEC Rule 15c3-3 as of March 31, 2004, filed by the Company on Form X-17A-5

See accompanying independent auditors' report.